JABIL INC
Form 10-K
October 19, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended August 31, 2018

or

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 001-14063

JABIL INC.

(Exact name of registrant as specified in its charter)

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

10560 Dr. Martin Luther King, Jr. Street North, St. Petersburg, Florida 33716

(Address of principal executive offices) (Zip Code)

(727) 577-9749

Registrant s telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 par value per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting common stock held by non-affiliates of the registrant based on the closing sale price of the Common Stock as reported on the New York Stock Exchange on February 28, 2018 was approximately $4.0 billion. For purposes of this determination, shares of Common Stock held by each officer and director and by each person who owns 10% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The number of outstanding shares of the registrant s Common Stock as of the close of business on October 9, 2018, was 161,878,931. The registrant does not have any non-voting stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant s definitive Proxy Statement for the Annual Meeting of Stockholders scheduled to be held on January 24, 2019 is incorporated by reference in Part III of this Annual Report on Form 10-K to the extent stated herein.

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JABIL INC. AND SUBSIDIARIES

2018 FORM 10-K ANNUAL REPORT

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References in this report to the Company, Jabil, we, our, or us mean Jabil Inc. together with its subsidiaries, except where the context otherwise requires. This Annual Report on Form 10-K contains certain statements that are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements (such as when we describe what will, may, or should occur, what we plan, intend, estimate, believe, expect or anticipate will occur, and other similar statements) include, but are not limited to, statements regarding future sales and operating results, potential risks pertaining to these future sales and operating results, future prospects, anticipated benefits of proposed (or future) acquisitions, dispositions and new facilities, growth, the capabilities and capacities of business operations, any financial or other guidance, expected capital expenditures and dividends, expected restructuring charges and related savings and all statements that are not based on historical fact, but rather reflect our current expectations concerning future results and events. We make certain assumptions when making forward-looking statements, any of which could prove inaccurate, including assumptions about our future operating results and business plans. Therefore, we can give no assurance that the results implied by these forward-looking statements will be realized. Furthermore, the inclusion of forward-looking information should not be regarded as a representation by the Company or any other person that future events, plans or expectations contemplated by the Company will be achieved. The following important factors, among others, could affect future results and events, causing those results and events to differ materially from those expressed or implied in our forward-looking statements:

fluctuation in our operating results;

our dependence on a limited number of customers;

our ability to manage growth effectively;

competitive factors affecting our customers businesses and ours;

the susceptibility of our production levels to the variability of customer requirements;

our ability to keep pace with technological changes and competitive conditions;

our reliance on a limited number of suppliers for critical components;

exposure to financially troubled customers and suppliers;

our exposure to the risks of a substantial international operation;

our ability to achieve the expected profitability from our acquisitions;

For a further list and description of various risks, factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations sections contained in this document, and any subsequent reports on Form 10-Q and Form 8-K, and other filings we make with the Securities and Exchange Commission (SEC). Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements.

All forward-looking statements included in this Annual Report on Form 10-K are made only as of the date of this Annual Report on Form 10-K, and we do not undertake any obligation to publicly update or correct any forward-looking statements to reflect events or circumstances that subsequently occur, or of which we hereafter become aware. You should read this document completely and with the understanding that our actual future results or events may be materially different from what we expect. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

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PART I

Item 1. Business

The Company

We are one of the leading providers of worldwide manufacturing services and solutions. We provide comprehensive electronics design, production and product management services to companies in various industries and end markets. Our services enable our customers to reduce manufacturing costs, improve supply-chain management, reduce inventory obsolescence, lower transportation costs and reduce product fulfillment time. Our manufacturing and supply chain management services and solutions include innovation, design, planning, fabrication and assembly, delivery and managing the flow of resources and products.

We serve our customers primarily through dedicated business units that combine highly automated, continuous flow manufacturing with advanced electronic design and design for manufacturability. We depend, and expect to continue to depend, upon a relatively small number of customers for a significant percentage of our net revenue, which in turn depends upon their growth, viability and financial stability. Based on net revenue, for the fiscal year ended August 31, 2018, our largest customers include Apple, Inc., Cisco Systems, Inc., Hewlett-Packard Company, Keysight Technologies, LM Ericsson Telephone Company, NetApp, Inc., Nokia Networks, SolarEdge Technologies Inc., Valeo S.A. and Zebra Technologies Corporation. For the fiscal year ended August 31, 2018, we had net revenues of $22.1 billion and net income attributable to Jabil Inc. of $86.3 million.

We conduct our operations in facilities that are located worldwide, including but not limited to, China, Hungary, Malaysia, Mexico, Singapore and the United States. We derived a substantial majority, 91.7%, of net revenue from our international operations for the fiscal year ended August 31, 2018. Our global manufacturing production sites allow customers to manufacture products simultaneously in the optimal locations for their products. Our global presence is key to assessing and executing on our business opportunities.

We have two reporting segments: Electronics Manufacturing Services (EMS) and Diversified Manufacturing Services (DMS), which are organized based on the economic profiles of the services performed, including manufacturing capabilities, market strategy, margins, return on capital and risk profiles. Our EMS segment is focused around leveraging IT, supply chain design and engineering, technologies largely centered on core electronics, utilizing our large-scale manufacturing infrastructure and our ability to serve a broad range of end markets. Our EMS segment is typically a lower-margin but high-volume business that produces products at a quicker rate (i.e. cycle time) and in larger quantities and includes customers primarily in the automotive and transportation, capital equipment, computing and storage, defense and aerospace, digital home, industrial and energy, networking and telecommunications, point of sale and printing industries. Our DMS segment is focused on providing engineering solutions, with an emphasis on material sciences and technologies. Our DMS segment is typically a higher-margin business and includes customers primarily in the consumer wearables, healthcare, mobility and packaging industries.

The following table sets forth, for the periods indicated, revenue by segment expressed as a percentage of net revenue:

	Fiscal Year Ended August 31,		
	2018	**2017**	**2016**
EMS	56%	58%	60%
DMS	44%	42%	40%

Total	100%	100%	100%

Additional financial information regarding our reportable operating segments is included in Item 7 of this report and Note 12 Concentration of Risk and Segment Data to the Consolidated Financial Statements.

Industry Background

The industry in which we operate has historically been composed of companies that provide a range of design and manufacturing services to companies that utilize electronics components in their products.

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We monitor the current economic environment and its potential impact on both the customers we serve as well as our end markets and closely manage our costs and capital resources so that we can respond appropriately as circumstances change. Over the long term we believe the factors driving our customers and potential customers to use our industry s services include:

Efficient Manufacturing. Manufacturing service providers are often able to manufacture products at a reduced total cost to companies. These cost advantages result from higher utilization of capacity and efficiencies of scale because of diversified product demand and, generally, a greater focus on the components of manufacturing cost. Companies are increasingly seeking to reduce their investment in inventory, facilities and equipment used in manufacturing and prioritizing capital investments in other activities such as sales and marketing and research and development (R&D). This strategic shift in capital deployment has contributed to increased demand for and interest in outsourcing to external manufacturing service providers.

Accelerated Product Time-to-Market and Time-to-Volume. Manufacturing service providers are often able to deliver accelerated production start-ups and achieve high efficiencies in bringing new products to production. Providers are also able to more rapidly scale production for changing markets and to position themselves in global locations that serve the leading world markets. With increasingly shorter product life cycles, these key services allow new products to be sold in the marketplace in an accelerated time frame.

Access to Advanced Design and Manufacturing Technologies. By utilizing manufacturing service providers, customers gain access to additional advanced technologies in manufacturing processes, as well as to product and production design, which can offer customers significant improvements in the performance, quality, cost, time-to-market and manufacturability of their products.

Improved Inventory Management and Purchasing Power. Manufacturing service providers are often able to more efficiently manage both procurement and inventory, and have demonstrated proficiency in purchasing components at improved pricing due to the scale of their operations and continuous interaction with the materials marketplace.

Our Strategy

Our vision for the future is to become the world s most technologically advanced manufacturing services and solutions provider. As we work to achieve our vision, we continue to pursue the following strategies:

Establish and Maintain Long-Term Customer Relationships. An important element of our strategy is to establish and maintain long-term relationships with leading companies in expanding industries with size and growth characteristics that can benefit from highly automated, continuous flow manufacturing on a global scale. We have made concentrated efforts to diversify our industry sectors and customer base. Because of these efforts, we have experienced business growth from both existing and new customers as well as from acquisitions. We focus on maintaining long-term relationships with our customers and seek to expand these relationships to include additional product lines and services. In addition, we focus on identifying and developing relationships with new customers that meet our targeted profile, which includes financial stability, the need for technology-driven turnkey manufacturing, anticipated unit volume and long-term relationship stability.

Utilize Customer-Centric Business Units. Most of our business units are dedicated to serve one customer each and operate by primarily utilizing dedicated production equipment, production workers, supervisors, buyers, planners and engineers to provide comprehensive manufacturing solutions that are customized to each customer s needs. We believe our customer-centric business units promote increased responsiveness to our customers needs, particularly for customer relationships that extend across multiple production locations.

Leverage Global Production. We believe that global production is a key strategy to reduce obsolescence risk and secure the lowest possible landed costs while simultaneously supplying products of equivalent or comparable quality throughout the world. Consistent with this strategy, we have established or acquired operations in Europe, Asia, Latin America and Africa.

Offer Systems Assembly, Direct-Order Fulfillment and Configure-to-Order Services. Our systems assembly, direct-order fulfillment and configure-to-order services allow our customers to reduce product cost and risk of product obsolescence by reducing total work-in-process and finished goods inventory. These services are available at all of our manufacturing locations.

Offer Design Services. We offer a wide spectrum of value-add design services to achieve improvements in performance, cost, time-to-market and manufacturability.

Pursue Acquisition Opportunities Selectively. Traditionally, electronics manufacturing service companies have acquired manufacturing capacity from their customers to drive growth, expand their footprint and gain new customers. In recent years, our acquisition strategy has expanded to include opportunities to acquire competitors who are focused on our key growth areas, which include specialized manufacturing in key markets, materials technology and design operations, as well as other acquisition opportunities complementary to our services offerings. The primary goals of our acquisition strategy are to complement our current capabilities, diversify our business into new industry sectors and with new customers and expand the scope of the services we can offer to our customers.

Our Approach to Manufacturing

To achieve high levels of manufacturing performance, we have adopted the following approaches:

Decentralized Business Unit Model. Most of our business units are dedicated to serve one customer each and are empowered to formulate strategies tailored to individual customer s needs. Our business units generally have dedicated production lines consisting of equipment, production workers, supervisors, buyers, planners and engineers. Under certain circumstances, a production line may serve more than one business unit to maximize resource utilization. Business units have direct responsibility for manufacturing results and time-to-volume production, thereby promoting a sense of individual commitment and ownership. The business unit approach is modular and enables us to grow incrementally without disrupting the operations of other business units. Business unit management reviews the customer financial information to assess whether the business units are meeting their designated responsibilities and to ensure that the daily execution of manufacturing activities is being effectively managed. The business units aggregate into operating segments based on the economic profiles of the services performed, including manufacturing capabilities, market share strategy, margins, return on capital and risk profiles.

Automated Continuous Flow. We use a highly automated, continuous flow approach to manufacturing, whereby different pieces of equipment are joined directly or by conveyor to create an in-line assembly process. This process contrasts with a batch approach, whereby individual pieces of assembly equipment are operated as freestanding work-centers. The elimination of waiting time prior to sequential operations results in faster manufacturing, which improves production efficiencies and quality control, and reduces inventory work-in-process. We believe continuous flow manufacturing provides cost reductions and quality improvement when applied to high volumes of product.

Computerized Control and Monitoring. We support all aspects of our manufacturing activities with advanced computerized control and monitoring systems. Component inspection and vendor quality are monitored electronically in real-time. Materials planning, purchasing, stockroom and shop floor control systems are supported through a computerized manufacturing resource planning system, which provides customers with the ability to continuously monitor material availability and track work-in-process on a real-time basis. In addition, manufacturing processes are supported by a computerized statistical process control system, whereby customers can remotely access our computer systems to monitor real-time yields, inventory positions, work-in-process status and vendor quality data.

Electronic Supply Chain Management. We make available to our customers and suppliers an electronic commerce system/electronic data interchange and web-based tools to implement a variety of supply chain management programs. Our customers use these tools to share demand and product forecasts and deliver purchase orders, and we use these tools with our suppliers for just-in-time delivery, supplier-managed inventory and consigned supplier-managed inventory.

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Our Design Services

We offer a wide spectrum of value-add design services to enhance our relationships with current customers and to help develop relationships with our new customers. Our teams are strategically staffed to support Jabil customers for all development projects, including turnkey system design and design for manufacturing activities. These design services include:

Electronic Design. Our Electronic Design team provides electronic circuit design services, including application-specific integrated circuit design, firmware development and rapid prototyping services. These services have been used by our customers for a variety of products including smart phones and accessory products, notebook and personal computers, servers, radio frequency products, video set-top boxes, optical communications products, communication and broadband products, and automotive and consumer appliance controls.

Industrial Design. Our Industrial Design team designs the look and feel of the plastic and metal enclosures that house the products electro-mechanics, including the printed circuit board assemblies (PCBA).

Mechanical Design. Our Mechanical Design team specializes in three-dimensional mechanical design with the analysis of electronic, electro-mechanical and optical assemblies using state of the art modeling and analytical tools. This team has extended Jabil s product design offering capabilities to include all aspects of industrial design, advance mechanism development and tooling management.

Computer-Assisted Design. Our Computer-Assisted Design (CAD) team provides PCBA design services using advanced CAD engineering tools, PCBA design validation and verification services, and other consulting services, which include generating a bill of materials, approved vendor list and assembly equipment configuration for a particular PCBA design. We believe that our CAD services result in PCBA designs that are optimized for manufacturability and cost efficiencies and accelerate a product s time-to-market and time-to-volume production.

Product Validation. Our Product Validation team provides complete product and process validation. This includes product system tests, product safety, regulatory compliance and reliability tests.

Manufacturing Test Solution Development. Our Manufacturing Test Solution Development team provides integral support to the design teams to embed design with testability and to promote efficient capital and resource investment in the manufacturing process. The use of software driven instrumentation and test process design and management has enhanced our product quality and reduced our operating costs relative to human dependent test processes. The full electronic test data-log of customer products has allowed customer product test traceability and visibility throughout the manufacturing test process.

Fabrication and Assembly

We offer systems assembly, test, direct-order fulfillment and configure-to-order services to our customers. Our systems assembly services extend our range of assembly activities to include assembly of higher-level sub-systems and systems incorporating multiple PCBAs. In addition, based on quality assurance programs developed with our customers, we provide testing services for our PCBAs, sub-systems and systems products. Our quality assurance programs include circuit testing under various environmental conditions to ensure that our products meet or exceed required customer specifications. We also offer direct-order fulfillment and configure-to-order services for delivery of final products.

Technology and Research and Development

We believe that our manufacturing and testing technologies are among the most advanced in our industry. To meet our customers increasingly sophisticated needs, we continuously engage in R&D activities designed to create new and improved products and manufacturing solutions for our customers. Through our R&D efforts, we intend to continue to offer our customers highly automated, continuous flow manufacturing process technologies for precise and aesthetic mechanical components and system assembly. These technologies and R&D activities include:

- Automation, including automated tooling
- Electronic interconnection
- Advanced polymer and metal material science
- Single/multi-shot injection molding, stamping and in-mold labeling

Multi-axis computer numerical control

Vacuum metallization

Physical vapor deposition

Digital printing

Anodization

Thermal-plastic composite formation

Plastic with embedded electronics

Metal and plastic covers with insert-molded or dies-casting features for assembly

Display cover with integrated touch sensor

Material processing research (including plastics, metal, glass and ceramic)

We engage in R&D activities for many products including mobile internet devices and associated accessories, multi-media tablets, two-way radios, health care and life science products, server and storage products, set-top and digital home products and printing products. The following table sets forth, for the periods indicated, the amount expended on R&D activities:

	Fiscal Year Ended August 31,		
(dollars in millions)	2018	2017	2016
R&D activities	$ 38.5	$ 29.7	$ 32.0

Customers and Marketing

A key tenet of our strategy is to establish and maintain long-term relationships with leading companies in expanding industries with the size and growth characteristics that can benefit from highly automated, continuous flow manufacturing on a global scale. A small number of customers and significant industry sectors have historically comprised a major portion of our net revenue. We also market our services and solutions through our website and our Blue Sky Innovation Centers.

In fiscal year 2018, our five largest customers accounted for approximately 48% of our net revenue and 80 customers accounted for approximately 90% of our net revenue. The table below sets forth the respective portion of net revenue attributable to the customers that accounted for approximately 10% or more of our net revenue during the fiscal years ended August 31, 2018, 2017 and 2016:

	Fiscal Year Ended August 31,		
	2018	**2017**	**2016**
Apple, Inc.	28%	24%	24%

Competition

Our business is highly competitive. We compete against numerous domestic and foreign electronic manufacturing service providers and design providers, including Benchmark Electronics, Inc., Celestica Inc., Flex Ltd., Hon-Hai Precision Industry Co., Ltd., Plexus Corp. and Sanmina Corporation. We also compete against numerous domestic and foreign diversified manufacturing service providers, including AptarGroup, Inc., Berry Plastics Group, Inc., Catcher Technology Co., Ltd., Gerresheimer AG, Quanta Computer, Inc. and Zeniya Aluminum Engineering, Ltd. In addition, past consolidation in our industry has resulted in larger and more geographically diverse competitors that have significant resources.

We also face competition from the manufacturing operations of our current and potential customers, who are continually evaluating the merits of manufacturing products internally against the advantages of outsourcing. In the past, some of our customers moved a portion of their manufacturing from us to more fully utilize their excess internal manufacturing capacity.

Backlog

Our order backlog as of August 31, 2018 and 2017 was valued at approximately $6.8 billion and $4.9 billion, respectively. Our order backlog is expected to be filled within the current fiscal year. Although our backlog consists of firm purchase orders, the level of backlog at any particular time may not be necessarily indicative of future sales. Given the nature of our relationships with our customers, and the fact that we generally do not enter into long-term contracts or purchase commitments with our customers, we frequently allow our customers to cancel or reschedule deliveries, and therefore, backlog is often not a meaningful indicator of future financial results.

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Seasonality

Production levels for a portion of the DMS segment are subject to seasonal influences. Historically, we have realized greater net revenue during our first fiscal quarter, which ends on November 30, due to higher demand for consumer-related products during the holiday selling season.

Components Procurement

We procure components from a broad group of suppliers, determined on an assembly-by-assembly basis. Some of the products we manufacture contain one or more components that are only available from a single source. Some of these components are allocated from time to time in response to supply shortages. In some cases, supply shortages will substantially curtail production of all assemblies using a particular component.

Proprietary Rights

We regard certain aspects of our design, production and product management services as proprietary intellectual property. To protect our trade secrets, manufacturing know-how and other proprietary rights, we rely largely upon a combination of intellectual property laws, non-disclosure agreements with our customers, employees, and suppliers and our internal security systems, policies and procedures. We currently have a relatively modest number of solely owned and/or jointly held patents for various innovations. We believe that our research and design activities, along with developments relating thereto, may result in growth of our patent portfolio and its importance to us, particularly as we expand our business activities. Other factors significant to our proprietary rights include the knowledge and experience of our management and personnel and our ability to develop, enhance and market manufacturing services.

We license some technology and intellectual property rights from third parties that we use in providing some of our design, production and product management services to our customers. Generally, the license agreements that govern such third-party technology and intellectual property rights grant us the right to use the subject technology anywhere in the world and terminate upon a material breach by us.

Employees

As of August 31, 2018, we employed approximately 199,000 people worldwide. None of our U.S. domestic employees are represented by a labor union. In certain international locations, our employees are represented by labor unions and by works councils. We have never experienced a significant work stoppage or strike and we believe that our employee relations are good.

Geographic Information

The information regarding net revenue and long-lived assets set forth in Note 12 Concentration of Risk and Segment Data to the Consolidated Financial Statements is hereby incorporated by reference into this Part I, Item 1. Each of our segments is dependent on foreign operations.

Environmental

We are subject to a variety of federal, state, local and foreign environmental, health and safety, product stewardship and producer responsibility laws and regulations, including those relating to the use, storage, discharge and disposal of hazardous chemicals used during our manufacturing process, those governing worker health and safety, those requiring design changes, supply chain investigation or conformity assessments or those relating to the recycling or reuse of products we manufacture.

Executive Officers of the Registrant

Executive officers are appointed by the Board of Directors and serve at the discretion of the Board. Except as otherwise noted below, each executive officer is a full-time employee of Jabil. There are no family relationships among our executive officers and directors. There are no arrangements or understandings between any of our executive officers and any other persons pursuant to which any of such executive officers were selected. Below is a list of our executive officers:

Steven D. Borges (age 50) was named Executive Vice President, Chief Executive Officer, Healthcare in September 2016. Mr. Borges joined Jabil in 1993 and has global experience in positions of increasing responsibility in Operations, Business Development, Manufacturing Operations and Supply Chain Management. He holds a Bachelor s Degree in Business Administration and Management from Fitchburg State University.

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Sergio A. Cadavid (age 62) was named Senior Vice President, Treasurer in September 2013. Mr. Cadavid joined Jabil in 2006 as Treasurer. Prior to joining Jabil, Mr. Cadavid was Corporate Assistant Treasurer for Owens-Illinois, Inc. in Toledo, Ohio. He has also held various positions with The Quaker Oats Company, Arthur Andersen & Co. and J.M. Family Enterprises, Inc. He holds an M.B.A. from the University of Florida and a B.B.A. from Florida International University.

Brenda Chamulak (age 47) was named Senior Vice President, Chief Executive Officer, Jabil Packaging Solutions in July 2018. Prior to joining Jabil, Ms. Chamulak was Vice President and General Manager of the Personal Care & Home Care, a business unit of Aptar Inc., a global supplier of dispensing and sealing solutions based in Crystal Lake, Illinois. Ms. Chamuluk served as the President, Global Market Development for Aptar s Beauty + Home, Personal Care Business Unit from 2016 to 2017 and served as the General Manager, Aptar Midland from 2013 to 2016. She joined Aptar in 1992 and held positions of increasing responsibility with Aptar. Ms. Chamulak has a B.A. in Marketing and International Business from Carthage College and an MBA from Marquette University.

Michael Dastoor (age 52) was named Executive Vice President, Chief Financial Officer effective September 2018. Mr. Dastoor joined Jabil in 2000 as Regional Controller Asia Pacific and was named Controller in June 2004 and Senior Vice President, Controller in July 2010. Prior to joining Jabil, Mr. Dastoor was a Regional Financial Controller for Inchcape PLC. He holds a degree in Finance and Accounting from the University of Bombay. Mr. Dastoor is a Chartered Accountant from the Institute of Chartered Accountants in England and Wales.

Bruce A. Johnson (age 62) was named Senior Vice President, Chief Human Resources Officer in January 2017. Mr. Johnson joined Jabil in 2015 as Vice President, Human Resources. Prior to joining Jabil, Mr. Johnson was Chief Organizational Effectiveness Officer/Executive Vice President, Human Resources for C&S Wholesale Grocers, Inc., a wholesale distributor of food and grocery items with headquarters in Keene, New Hampshire from 2007 to 2014. Mr. Johnson also served in senior roles at The Timberland Company, a footwear and apparel designer, retailer and manufacturer in New Hampshire, and E.I. Du Pont De Nemours and Company (Du Pont) in Delaware. He holds a Bachelor of Arts in History from Middlebury College in Vermont.

Robert L. Katz (age 56) joined Jabil in March 2016 and was named Executive Vice President, General Counsel and Corporate Secretary in September 2016. Mr. Katz transitioned the Corporate Secretary role to a member of his staff in April 2017. Prior to joining Jabil, Mr. Katz served as Executive Vice President, General Counsel and Secretary of SharkNinja, a vacuum and kitchen appliance manufacturer. He was previously Senior Vice President and General Counsel of Ingersoll Rand plc, a diversified industrial manufacturer, from 2010 to 2015. Mr. Katz served as Senior Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer of Federal-Mogul Corporation from 2007 to 2010. From 1999 to 2007 he was General Counsel EMEA for Delphi Corporation in Paris, France. He began his career with Milbank, Tweed, Hadley & McCloy working in the Mergers and Acquisitions and General Corporate Group in New York and London. He earned a Bachelor of Laws (LL.B.) and a Bachelor of Civil Law (B.C.L.) from McGill University. He is a member of the New York Bar.

Michael J. Loparco (age 47) was named Executive Vice President, Chief Executive Officer, Engineered Solutions Group in January 2016. Previously, Mr. Loparco served as Executive Vice President, Chief Executive Officer, Industrial and Energy, Senior Vice President, Global Business Units in Jabil s High Velocity business and held a variety of global management positions. Before joining Jabil in 1999, Mr. Loparco was an attorney at Holland & Knight, LLP, practicing corporate and commercial litigation. He holds a Juris Doctorate from Stetson University College of Law. He holds a Bachelor of Arts in International Business, with minor degrees in Spanish and Business Management, from Eckerd College.

Mark Mondello (age 54) was named Chief Executive Officer in March 2013. Mr. Mondello joined Jabil in 1992 as a manufacturing supervisor. Mr. Mondello was promoted to Project Manager in 1993, named Vice President, Business Development in 1997, Senior Vice President, Business Development in 1999 and served as Chief Operating Officer from 2002 to 2013. Prior to joining Jabil, Mr. Mondello was a commercial and defense-related aerospace project manager for Moog, Inc. He holds a B.S. in Mechanical Engineering from the University of South Florida.

Alessandro Parimbelli (age 50) was named Executive Vice President, Chief Executive Officer, Enterprise and Infrastructure in July 2013. Mr. Parimbelli joined Jabil in 1998 as a Test Engineering Manager. At Jabil, Mr. Parimbelli served in business management positions in Boise, Idaho and Paris, France before being promoted to Vice President, Global Business Units in 2006. From 2010 through 2012, Mr. Parimbelli was Senior Vice President, Global Business Units and was responsible for Jabil s Enterprise and Infrastructure business. Prior to joining Jabil, Mr. Parimbelli held various engineering positions within Hewlett-Packard and other software engineering companies. He holds an MBA from Colorado State University and a Software Engineering degree from Politecnico of Milan, Italy.

William E. Peters (age 55) was named President in March 2013. Mr. Peters served as Executive Vice President, Human Development, Human Resources from 2010 to 2013. He joined Jabil in 1990 as a buyer and has held positions of increasing responsibility in Operations, Supply Chain and Manufacturing Operations. Prior to joining Jabil, Mr. Peters was a financial analyst for Electronic Data Systems. He holds a B.A. in Economics from Michigan State University.

Courtney J. Ryan (age 48) was named Executive Vice President, Corporate Development/Chief of Staff in July 2016. Mr. Ryan joined Jabil in 1993 as a Quality Engineer and worked his way through various operations and business development management positions. He was named Senior Vice President, Global Business Units in 2007. Mr. Ryan served as Executive Vice President, Chief Executive Officer, Nypro from July 2013 to June 2016. Mr. Ryan holds an MBA with a concentration in Decision and Information Science and a Bachelor of Arts in Economics, both from the University of Florida. He also serves on the University of Florida s MBA and Supply Chain Advisory Board.

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Daryn Smith (age 48) was named Senior Vice President, Enterprise & Commercial Controller effective September 2018. Mr. Smith served as Chief Financial Officer of EMS from June 2013 June 2018. Mr. Smith joined Jabil in 2002 and he has held various leadership roles in Risk and Assurance, Financial Planning and Analysis, and Controllership for Jabil. Prior to joining Jabil, Mr. Smith was with the Assurance and Advisory Services practice for Arthur Andersen (Andersen). He holds a Bachelor s degree in Accounting from the University of South Florida and an MBA from the University of Florida.

Kenneth S. Wilson (age 53) was named Executive Vice President and CEO of Jabil Green Point in 2017. Prior to that, Mr. Wilson was Senior Vice President of the Telecommunications Infrastructure Sector within Jabil s Enterprise & Infrastructure group. He first joined Jabil in 2000 as a business unit manager; and has held various leadership roles, including VP of Global Business Units, running businesses such as consumer electronics and telecommunications. Prior to Jabil, he spent 8 years at Motorola, where he served as Operations Director in their Handset Division. Kenny has a Bachelor s degree in Manufacturing Engineering and a MBA from Edinburgh Business School.

Additional Information

Our principal executive offices are located at 10560 Dr. Martin Luther King, Jr. Street North, St. Petersburg, Florida 33716, and our telephone number is (727) 577-9749. We were incorporated in Delaware in 1992. Our website is located at http://www.jabil.com. Through a link on the Investors section of our website, we make available our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to those reports, free of charge, as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The Investors section of our website contains a significant amount of information about our Company, including financial and other information for investors. The information that we post on the Investors section of our website could be deemed to be material information. We encourage investors, the media and others interested in Jabil to visit our website. Information on our website, however, is not a part of this report.

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Item 1A. Risk Factors

Our operating results may fluctuate due to a number of factors, many of which are beyond our control.

Our annual and quarterly operating results are affected by a number of factors, including:

- adverse changes in current macro-economic conditions, both in the U.S. and internationally;
- how well we execute on our strategy and operating plans, and the impact of changes in our business model;
- the volume and timing of orders placed by our customers;
- the level of capacity utilization of our manufacturing facilities and associated fixed costs;
- the composition of the costs of revenue among materials, labor and manufacturing overhead;
- price competition;
- changes in demand for our products or services, as well as the volatility of these changes;
- changes in demand in our customers end markets, as well as the volatility of these changes;
- our exposure to financially-troubled customers;
- any potential future termination, or substantial winding down, of significant customer relationships;
- our level of experience in manufacturing particular products;
- the degree of automation used in our assembly process;
- the efficiencies achieved in managing inventories and property, plant and equipment;
- significant costs incurred in acquisitions and other transactions;

- fluctuations in the cost and availability of materials;
- adverse changes in political conditions, both in the U.S. and internationally, including among other things, adverse changes in tax laws and rates (and government interpretations thereof), adverse changes in trade policies and adverse changes in fiscal and monetary policies;
- seasonality in customers product demand;
- the timing of expenditures in anticipation of increased sales, customer product delivery requirements and shortages of components or labor;
- changes in stock-based compensation expense due to changes in the expected vesting of performance-based equity awards comprising a portion of such stock-based compensation expense; and
- failure to comply with foreign laws, which could result in increased costs and/or taxes.

Any one or a combination of these factors could adversely affect our annual and quarterly results of operations in the future. See Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations.

If we do not manage our growth effectively, our profitability could decline.

Our business at times experiences periods of rapid growth which can place considerable demands upon our management team and our operational, financial and management information systems. Our ability to manage growth effectively requires us to continue to implement and improve these systems; avoid cost overruns; maintain customer, supplier and other favorable business relationships during transition periods; efficiently and effectively dedicate resources to existing customers; acquire or construct additional facilities; occasionally transfer operations to different facilities; acquire equipment in anticipation of demand; continue to develop the management skills of our managers and supervisors; adapt relatively quickly to new markets or technologies and continue to train, motivate and manage our employees. Our failure to effectively manage growth, as well as our failure to realize the anticipated benefits of the actions we take to try to manage our growth, could have a material adverse effect on our results of operations. See Management s Discussion and Analysis of Financial Condition and Results of Operations.

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Because we depend on a limited number of customers, a reduction in sales to any one of those customers could cause a significant decline in our revenue.

We currently depend, and expect to continue to depend for the foreseeable future, upon a relatively small number of customers for a significant percentage of our net revenue and upon their growth, viability and financial stability. See Business The Company. In some instances, particular manufacturing services we provide for a customer represent a significant portion of the overall revenue we receive from that customer. As a result of this concentration, a reduction in business from one or more of our largest customers could have a material adverse effect on our results of operations. In addition, if one or more of our significant customers were to become insolvent or otherwise become unable to pay us on a timely basis, or at all, our operating results and financial condition could be adversely affected.

Consolidation among our customers exposes us to increased risks, including reduced revenue and dependence on a smaller number of customers. Increasing consolidation in industries that utilize our services may occur as companies combine to achieve further economies of scale and other synergies, which could result in an increase in excess manufacturing capacity as companies seek to divest manufacturing operations or eliminate duplicative product lines. Excess manufacturing capacity may increase pricing and competitive pressures for our industry as a whole and for us in particular. If one of our customers is acquired by another company that does not rely on us to provide services and has its own production facilities or relies on another provider of similar services, we may lose that customer s business. Such consolidation among our customers may further reduce the number of customers that generate a significant percentage of our net revenue and expose us to increased risks relating to dependence on a small number of customers.

Our customers face numerous competitive challenges, which may materially adversely affect their business and ours.

Factors adversely affecting our customers may also adversely affect us. These factors include:

- recessionary periods in our customers markets;
- the inability of our customers to adapt to rapidly changing technology and evolving industry standards, which may contribute to short product life cycles or shifts in our customers strategies;
- the inability of our customers to develop, market or gain commercial acceptance of their products, some of which are new and untested;
- the potential that our customers products become commoditized or obsolete;
- loss of business or a reduction in pricing power experienced by our customers;
- the emergence of new business models or more popular products and shifting patterns of demand; and

a highly-competitive consumer products industry, which is often subject to shorter product lifecycles, shifting end-user preferences and higher revenue volatility.

If our customers are unsuccessful in addressing these competitive challenges, their businesses may be materially adversely affected, reducing the demand for our services, decreasing our revenues or altering our production cycles and inventory management, each of which could adversely affect our ability to cover fixed costs and our gross profit margins and results of operations.

Most of our customers do not commit to long-term production schedules, and they may cancel their orders, change production quantities, delay production or change their sourcing strategy, which makes it difficult for us to schedule production and manage capital expenditures and to maximize the efficiency of our manufacturing capacity.

Most of our customers do not commit to firm production schedules for more than one quarter. We make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimate of customer requirements. Our inability to forecast the level of customer orders with certainty makes it difficult to schedule production and maximize utilization of our manufacturing capacity. In the past, we have been required to increase staffing and other expenses in order to meet the anticipated demand. On occasion, customers may require rapid increases in production for one or more of their products or request that we relocate our manufacturing operations or transfer manufacturing from one facility to another, which can stress our resources and reduce operating margins.

Customers have canceled their orders, changed production quantities, delayed production, changed their sourcing strategy and terminated their relationships with us. We cannot assure you that present or future customers will not terminate their service arrangements with us or significantly change, reduce or delay the amount of services ordered. Such changes, delays and cancellations have led to, and may lead in the future to a decline in our production and our possession of excess or obsolete inventory that we may not be able to sell to customers or third parties. This may result in write downs of inventories, a reduction in the number of products that we sell, delays in payment for inventory that we purchased, and reductions in the use of our manufacturing facilities. As many of our costs and operating expenses are relatively fixed, a reduction in customer demand, particularly a reduction in demand for a product that represents a significant amount of our revenue, can harm our gross profit margins and results of operations.

In addition, we sometimes experience difficulty forecasting the timing of our receipt of revenue and earnings from customers. The necessary process to begin manufacturing can be lengthy. Because we make capital expenditures during this ramping-up process and do not receive revenue until after we produce and ship the customer s products, any delays or unanticipated costs in the ramping-up process may have a significant adverse effect on our cash flows and our results of operations. Servicing our largest customers may also require us to increase our capital expenditures.

Customer relationships with emerging companies may present more risks than with established companies.

Customer relationships with emerging companies present special risks because we do not have an extensive product or customer relationship history. There is less demonstration of market acceptance of their products making it harder for us to anticipate requirements than with established customers. Our credit risk on these customers, especially in trade accounts receivable and inventories, and the risk that these customers will be unable to fulfill indemnification obligations to us are potentially increased. We sometimes offer these customers extended payment terms, loans and other support and financial accommodations which may increase our financial exposure.

Exposure to financially troubled customers or suppliers may adversely affect our financial results.

We provide manufacturing services to companies and industries that have in the past, and may in the future, experience financial difficulty. If our customers experience financial difficulty, we could have difficulty recovering amounts owed to us from these customers, or demand for our products from these customers could decline. Additionally, if our suppliers experience financial difficulty, we could have difficulty sourcing supplies necessary to fulfill production requirements. If one or more of our customers were to become insolvent or otherwise were unable to pay for the services provided by us on a timely basis, or at all, our operating results and financial condition could be adversely affected. Such adverse effects could include one or more of the following: an increase in our provision for doubtful accounts, a charge for inventory writeoffs, a reduction in revenue, and an increase in our working capital requirements due to higher inventory levels and increases in days our accounts receivable are outstanding. In addition, because we securitize certain of our accounts receivable, our securitization programs could be negatively affected by customer financial difficulty affecting the recovery of a significant amount of receivables.

The success of our business is dependent on our ability to keep pace with technological changes and competitive conditions in our industry, and our ability to effectively adapt our services as our customers react to technological changes and competitive conditions in their respective industries.

If we are unable to offer technologically advanced, cost effective, quick response manufacturing services that are differentiated from our competition and adapt those services as our customers requirements change, demand for our services will decline.

Introducing new business models or programs requiring implementation of new competencies, such as new process technologies and our development of new products or services for customers, could affect our operations and financial results.

The introduction of new business models or programs requiring implementation or development of new competencies, such as new process technology within our operations and our independent development of new products or services for customers, presents challenges in addition to opportunities. The success of new business models or programs depends on a number of factors including, but not limited to, a sufficient understanding of the new business or markets, timely and successful product development (by us and/or our customer), market acceptance, our ability to manage the risks associated with new product production ramp-up, the effective management of purchase commitments and inventory levels in line with anticipated product demand, our development or acquisition of appropriate intellectual property, the availability of supplies in adequate quantities and at appropriate costs to meet anticipated demand, and the risk that new products may have quality or other defects in the early stages of introduction. Accordingly, we cannot determine in advance the ultimate result of new business models or programs.

As a result, we must make long-term investments, develop or obtain appropriate intellectual property and commit significant resources before knowing whether our assumptions will accurately reflect customer demand for our services. After the development of a new business model or program, we must be able to manufacture appropriate volumes quickly and at low cost. To accomplish this, we endeavor to accurately forecast volumes, mixes of products and configurations that meet customer requirements; however, we may not succeed at doing so.

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We compete with numerous other diversified manufacturing service providers, electronic manufacturing services and design providers and others.

Our business is highly competitive and our manufacturing processes are generally not subject to significant proprietary protection. We compete against numerous domestic and foreign electronic manufacturers, manufacturing service providers and design providers. Past consolidation in our industry has resulted in larger and more geographically diverse competitors who have significant combined resources. The significant purchasing power and market power of these large companies could increase pricing and competitive pressures for us. Most of our competitors have international operations and significant financial resources and some have substantially greater manufacturing, research and development (R&D) and marketing resources. These competitors may:

- respond more quickly to new or emerging technologies or changes in customer requirements;
- have technological expertise, engineering capabilities and/or manufacturing resources that are greater than ours;
- have greater name recognition, critical mass and geographic market presence;
- be better able to take advantage of acquisition opportunities;
- devote greater resources to the development, promotion and sale of their services and execution of their strategy;
- be better positioned to compete on price for their services;
- have excess capacity, and be better able to utilize such excess capacity;
- have greater direct buying power from component suppliers, distributors and raw material suppliers;
- have lower cost structures as a result of their geographic location or the services they provide;
- be willing or able to make sales or provide services at lower margins than we do;
- have increased vertical capabilities providing them greater cost savings.

We also face competition from the manufacturing operations of our current and potential customers, who are continually evaluating the merits of manufacturing products internally against the advantages of outsourcing. In the past, some of our customers moved a portion of their manufacturing from us in order to more fully utilize their excess internal manufacturing capacity.

The actions of competitors and current and potential customers could cause a decline in our sales and/or compression of our profits.

Our business could be adversely affected by any delays, or increased costs, resulting from common carrier or transportation issues.

We rely on a variety of common carriers to transport our materials from our suppliers and to our customers. Problems suffered by any of these common carriers, including natural disaster, labor problems, increased energy prices, or criminal activity, could result in shipping delays for products or materials, increased costs or other supply chain disruptions, and could therefore have a negative impact on our ability to receive products from suppliers and deliver products to customers, resulting in a material adverse effect on our operations.

We may not be able to maintain our engineering, technological and manufacturing expertise.

Many of the markets for our manufacturing and engineering services are characterized by rapidly changing technology and evolving process development. The continued success of our business will depend upon our ability to:

- hire, retain and expand our pool of qualified engineering and technical personnel;

- maintain and continually improve our technological expertise;

- develop and market manufacturing services that meet changing customer needs; and

- anticipate and respond to technological changes in manufacturing processes on a cost-effective and timely basis.

Although we use the assembly and testing technologies, equipment and processes that are currently required by our customers, we cannot be certain that we will be able to maintain or develop the capabilities required by our customers in the future. The emergence of new technology, industry standards or customer requirements may render our equipment, inventory or processes obsolete or noncompetitive. The acquisition and implementation of new technologies and equipment and the offering of new or additional services to our customers may require significant expense or capital investment, which could reduce our operating margins and our operating results. In facilities that we newly establish or acquire, we may not be able to insert or maintain our engineering, technological and manufacturing process expertise. Our failure to anticipate and adapt to our customers changing technological needs and requirements or to hire sufficient personnel to maintain our engineering, technological and manufacturing expertise could have a material adverse effect on our results of operations.

We depend on attracting and retaining officers, managers and skilled personnel.

Our success depends to a large extent upon the continued services of our officers, managers and skilled personnel. These employees are not generally bound by employment or non-competition agreements, and we cannot assure you that we will retain them. To aid in managing our growth and strengthening our pool of management and skilled personnel, we will need to internally develop, recruit and retain skilled management personnel. If we are not able to do so, our business and our ability to continue to grow could be harmed.

We depend on a limited number of suppliers for components that are critical to our manufacturing processes. A shortage of these components or an increase in their price could interrupt our operations and reduce our profit, increase our inventory carrying costs, increase our risk of exposure to inventory obsolescence and cause us to purchase components of a lesser quality.

Most of our significant long-term customer contracts permit quarterly or other periodic adjustments to pricing based on decreases and increases in component prices and other factors; however, we typically bear the risk of component price increases that occur between any such re-pricings or, if such re-pricing is not permitted, during the balance of the term of the particular customer contract. Accordingly, certain component price increases could adversely affect our gross profit margins and results of operations.

Some of the products we manufacture require one or more components that are only available from a single source. Some of these components are subject to supply shortages from time to time. In some cases, supply shortages will substantially curtail production of all assemblies using a particular component. A supply shortage can also increase our cost of goods sold if we have to pay higher prices for components in limited supply, or cause us to have to redesign or reconfigure products to accommodate a substitute component. In the past there have been industry wide conditions, natural disasters and global events that have caused material shortages. Our production of a customer s product could be negatively impacted by any quality, reliability or availability issues with any of our component suppliers. The financial condition of our suppliers could affect their ability to supply us with components and their ability to satisfy any warranty obligations they may have, which could have a material adverse effect on our results of operations.

If a component shortage is threatened or anticipated, we may purchase such components early to avoid a delay or interruption in our operations. Purchasing components early may cause us to incur additional inventory carrying costs and may cause us to experience inventory obsolescence, both of which may not be recoverable from our customers and could adversely affect our gross profit margins and net income. A component shortage may also require us to look to second tier vendors or to procure components through brokers with whom we are not familiar. These components may be of lesser quality than those we have historically purchased and could cause us to incur costs to bring such components up to our quality levels or to replace defective ones. See Management s Discussion and Analysis of

Financial Condition and Results of Operations and Business Components Procurement.

We derive a substantial majority of our revenues from our international operations, which may be subject to a number of different risks and often require more management time and expense than our domestic operations.

Our international operations are subject to a number of risks, including:

- difficulties in staffing and managing foreign operations and attempting to ensure compliance with our policies, procedures, and applicable local laws;

- less flexible employee relationships that can be difficult and expensive to terminate due to, among other things, labor laws and regulations;

rising labor costs (including the introduction or expansion of certain social programs), in particular within the lower-cost regions in which we operate, due to, among other things, demographic changes and economic development in those regions;

labor unrest and dissatisfaction, including potential labor strikes or claims;

increased scrutiny by the media and other third parties of labor practices within our industry (including working conditions, compliance with employment and labor laws and compensation) which may result in allegations of violations, more stringent and burdensome labor laws and regulations, higher labor costs and/or loss of revenues if our customers become dissatisfied with our labor practices and diminish or terminate their relationship with us;

burdens of complying with a wide variety of foreign laws, including those relating to export and import duties, domestic and foreign import and export controls, trade barriers (including tariffs and quotas), environmental policies and privacy issues, and local statutory corporate governance rules;

risk of non-compliance with the U.S. Foreign Corrupt Practices Act (the FCPA) or similar regulations in other jurisdictions;

less favorable, or relatively undefined, intellectual property laws;

lack of sufficient or available locations from which to operate or inability to renew leases on terms that are acceptable to us or at all;

unexpected changes in regulatory requirements and laws or government or judicial interpretations of such regulatory requirements and laws and adverse trade policies, and adverse changes to any of the policies of either the U.S. or any of the foreign jurisdictions in which we operate;

adverse changes in tax rates or accounting rules and the manner in which the U.S. and other countries tax multinational companies or interpret their tax laws or accounting rules or restrictions on the transfer of funds to us from our operations outside the U.S.;

limitations on imports or exports of components or products, or other trade sanctions;

political and economic instability and unsafe working conditions;

risk of governmental expropriation of our property;

- inadequate infrastructure for our operations (e.g., lack of adequate power, water, transportation and raw materials);
- legal or political constraints on our ability to maintain or increase prices;
- health concerns and related government actions;
- increased travel costs and difficulty in coordinating our communications and logistics across geographic distances and multiple time zones;
- longer customer payment cycles and difficulty collecting trade accounts receivable;
- fluctuations in currency exchange rates; and
- economies that are emerging or developing or that may be subject to greater currency volatility, negative growth, high inflation, limited availability of foreign exchange and other risks.

In particular, a significant portion of our manufacturing, design, support and storage operations are conducted in our facilities in China, and revenues associated with our China operations are important to our success. Therefore, our business, financial condition and results of operations may be materially adversely affected by economic, political, legal, regulatory, competitive and other factors in China. International trade disputes with China could result in tariffs and other measures that could adversely affect the Company s business. The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement and control over economic growth. In addition, our operations in China are governed by Chinese laws, rules and regulations, some of which are relatively new. The Chinese legal system continues to rapidly evolve, which may result in uncertainties with respect to the interpretation and enforcement of Chinese laws, rules and regulations that could have a material adverse effect on our business. China experiences high turnover of direct labor in the manufacturing sector due to the intensely competitive and fluid market for labor, and the retention of adequate labor is a challenge. If our labor turnover rates are higher than we expect, or we otherwise fail to adequately manage our labor needs, then our business and results of operations could be adversely affected. We are also subject to risks associated with our subsidiaries organized in China. For example, regulatory and registration requirements and government approvals affect the financing that we can provide to our subsidiaries. If we fail to receive required registrations and approvals to fund our subsidiaries organized in China, or if our ability to remit currency out of China is limited, then our business and liquidity could be adversely affected.

These factors may harm our results of operations. Also, any measures that we may implement to reduce risks of our international operations may not be effective, may increase our expenses and may require significant management time and effort. Entry into new international markets requires considerable management time as well as start-up expenses related to market, personnel and facilities development before any significant revenue is generated. As a result, initial operations in a new market may operate at low margins or may be unprofitable.

Although we have implemented policies and procedures designed to cause compliance with the FCPA and similar laws, there can be no assurance that all of our employees and agents, as well as those companies to which we outsource certain of our business operations, will not take actions in violation of our policies which could have a material adverse effect on our operations.

We have on occasion not achieved, and may not in the future achieve, expected profitability from our acquisitions.

We have in the past and will continue to seek and complete acquisitions. We cannot assure you that we will be able to successfully integrate the operations and management of our recent acquisitions. Similarly, we cannot assure you that we will be able to identify future strategic acquisitions and adequately conduct due diligence, consummate these potential acquisitions on favorable terms, if at all, or if consummated, successfully integrate the operations and management of future acquisitions. Acquisitions involve significant risks, which could have a material adverse effect on us including:

Financial risks, such as: (1) overpayment; (2) an increase in our expenses and working capital requirements; (3) exposure to liabilities of the acquired businesses, with contractually-based time and monetary limitations on a seller s obligation to indemnify us; (4) integration costs or failure to achieve synergy targets; (5) incurrence of additional debt; (6) valuation of goodwill and other intangible assets; (7) possible adverse tax and accounting effects; (8) the risk that we acquire manufacturing facilities and assume significant contractual and other obligations with no guaranteed levels of revenue; (9) the risk that, in the future, we may have to close or sell acquired facilities at our cost, which may include substantial employee severance costs and asset write-offs, which have resulted, and may result, in our incurring significant losses; and (10) costs associated with environmental risks including fines, remediation and clean-up.

Operating risks, such as: (1) the diversion of management s attention and resources to the integration of the acquired businesses and their employees and to the management of expanding operations; (2) the risk that the acquired businesses will fail to maintain the quality of services that we have historically provided; (3) the need to implement financial and other systems and add management resources; (4) the need to maintain customer, supplier or other favorable business relationships of acquired operations and restructure or terminate unfavorable relationships; (5) the potential for deficiencies in internal controls of the acquired operations; (6) the inability to attract and retain the employees necessary to support the acquired businesses; (7) potential inexperience in a line of business that is either new to us or that has become materially more significant to us as a result of the transaction; (8) unforeseen difficulties (including any unanticipated liabilities) in the acquired operations; (9) the impact on us of any unionized work force we may acquire or any labor disruptions that might occur; (10) the possibility that the acquired business s past transactions or practices before our acquisition may lead to future commercial or regulatory risks; (11) the difficulty of presenting a unified corporate image; (12) the possibility that we will have unutilized capacity due to our acquisition activity; (13) when acquiring an operation from a customer and continuing or entering into a supply arrangement, our inability to meet the expectations of the customer as to volume, product quality, timeliness and cost reductions.

Although we conduct what we believe to be a prudent level of due diligence regarding the businesses we purchase, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual condition of these businesses. Until we actually assume operating control of such businesses and their assets and operations, we may not be able to ascertain the actual value or understand the potential liabilities of the acquired entities and their operations.

Most of our acquisitions involve operations outside of the U.S., which are subject to various risks including those described in Risk Factors We derive a substantial majority of our revenue from our international operations, which may be subject to a number of risks and often require more management time and expense than our domestic operations.

We have acquired and may continue to pursue the acquisition of manufacturing and supply chain management operations from our customers (or potential customers). In these acquisitions, the divesting company will typically enter into a supply arrangement with the acquirer. Therefore, our competitors often also pursue these acquisitions. In addition, certain divesting

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companies may choose not to offer to sell their operations to us because of our current supply arrangements with other companies or may require terms and conditions that may impact our profitability. If we are unable to attract and consummate some of these acquisition opportunities at favorable terms, our growth and profitability could be adversely impacted.

We have expanded the primary scope of our acquisitions strategy beyond focusing on acquisition opportunities presented by companies divesting internal manufacturing operations. As we continue to pursue acquisitions that diversify our business into new industry sectors with new customers and services, the amount and scope of the risks associated may extend beyond those that we have traditionally faced in making acquisitions. These risks include greater uncertainties in the financial benefits and potential liabilities associated with this expanded base of acquisitions.

We face risks arising from the restructuring of our operations.

Over the past several years, we have undertaken initiatives to restructure our business operations with the intention of improving utilization and realizing cost savings. These initiatives have included changing the number and location of our production facilities, largely to align our capacity and infrastructure with current and anticipated customer demand. The process of restructuring entails, among other activities, moving production between facilities, transferring programs from higher cost geographies to lower cost geographies, closing facilities, reducing the level of staff, realigning our business processes and reorganizing our management.

Restructurings could adversely affect us, including a decrease in employee morale, delays encountered in finalizing the scope of, and implementing, the restructurings, failure to achieve targeted cost savings, and failure to meet operational targets and customer requirements due to the restructuring process. These risks are further complicated by our extensive international operations, which subject us to different legal and regulatory requirements that govern the extent and speed of our ability to reduce our manufacturing capacity and workforce.

When financial markets experience significant turmoil, the financial arrangements we may need to enter into, refinance or repay and our customers may be adversely affected.

Credit market turmoil could negatively impact the counterparties and lenders to our forward foreign exchange contracts, trade accounts receivable securitization and sale programs, unsecured credit and term loan facilities, various foreign subsidiary credit facilities and other debt facilities. These potential negative impacts could limit our ability to borrow under these financing agreements, contracts, facilities and programs or renew or obtain future additional financing. Credit market turmoil could also negatively impact certain of our customers and certain of their respective customers, which could cause them to reduce or cancel their orders and have a negative effect on our results of operations.

We can offer no assurance under the uncommitted trade accounts receivable sales programs that if we attempt to sell receivables through such programs in the future that we will receive funding from the associated banks, which would require us to utilize other available sources of liquidity, including our revolving credit facilities.

We are subject to extensive government regulations and industry standards and the terms of complex contracts; a failure to comply with current and future regulations and standards, or the terms of our contractual arrangements, could have an adverse effect on our business, customer relationships, reputation and profitability.

We are subject to extensive government regulation and industry standards relating to the products we design and manufacture as well as how we conduct our business, including regulations and standards relating to labor and employment practices, workplace health and safety, the environment, sourcing and import/export practices, the market sectors we support, privacy and data protection, the regulations that apply to government contracts, and many other facets of our operations. The regulatory climate in the U.S. and other countries has become increasingly complex and fragmented, and regulatory activity has increased in recent periods. Failure or noncompliance with such regulations or standards could have an adverse effect on our reputation, customer relationships, profitability and results of operations. In addition, we annually enter into a large number of complex contractual arrangements as well as operate pursuant to the terms of a significant number of ongoing intricate contractual arrangements. Our failure to comply with the terms of such arrangements could have an adverse effect on our reputation, customer relationships, profitability and results of operations.

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If we manufacture products containing design or manufacturing defects, demand for our services may decline, our reputation may be damaged and we may be subject to liability claims.

Our customers products and the manufacturing processes and design services that we use to produce them often are highly complex. Defects in the products we manufacture or design, whether caused by a design, manufacturing or component failure or error, or deficiencies in our manufacturing processes, may result in delayed shipments to customers or reduced or canceled customer orders. If these defects or deficiencies are significant, our business reputation may also be damaged. The failure of the products that we manufacture or of our manufacturing processes or facilities may subject us to regulatory enforcement, fines or penalties and, in some cases, require us to shut down, temporarily halt operations or incur considerable expense to correct a manufacturing process or facility. In addition, these defects may result in liability claims against us, expose us to liability to pay for the recall or remanufacture of a product or adversely affect product sales or our reputation. Even if our customers are responsible for the defects or defective specifications, they may not, or may not have resources to, assume responsibility for any costs or liabilities arising from these defects, which could expose us to additional liability claims. Any of these actions could increase our expenses, reduce our revenue or damage our reputation as a supplier to these customers.

We may face heightened liability risks specific to our medical device business as a result of additional healthcare regulatory related compliance requirements and the potential severe consequences (e.g., death or serious injury) that could result from manufacturing defects or malfunctions of the medical devices we manufacture or design.

As a service provider engaged in the business of designing and manufacturing medical devices for our customers, we have compliance requirements in addition to those relating to other industries we serve within our business. We are required to register with the U.S. Food and Drug Administration (FDA) and are subject to periodic inspection by the FDA for compliance with the FDA s Quality System Regulation (QSR), including current Good Manufacturing Practices (cGMPs). This regulation establishes requirements for manufacturers of medical devices to implement design and process manufacturing controls, quality control, labeling, handling and documentation procedures. The FDA, through periodic inspections and post-market surveillance, continuously and rigorously monitors compliance with these QSR requirements and other applicable regulatory requirements. If any FDA inspection reveals noncompliance, and we do not address the FDA s concerns to its satisfaction, the FDA may elect to take enforcement action against us, including issuing inspection observations or a notice of violation or a warning letter, imposing fines, bringing an action against the Company and its officers, requiring a recall of the products we manufactured, issuing an import detention on products entering the U.S. from an offshore facility or temporarily halting operations at or shutting down a manufacturing facility.

Beyond the FDA, our medical device business is also subject to applicable state and foreign regulatory requirements. Within the European Union (EU), we are required to fulfill certain internationally recognized standards and must undergo periodic inspections to obtain and maintain certifications to these standards. Continued noncompliance to the EU regulations could stop the flow of products into the EU from us or from our customers. In China, the Safe Food and Drug Administration controls and regulates the manufacture and commerce of healthcare products. We must comply with the regulatory laws applicable to medical device manufactures or our ability to manufacture products in China could be impacted. In Japan, the Pharmaceutical Affairs Laws regulate the manufacture and commerce of healthcare products. These regulations also require that subcontractors manufacturing products intended for sale in Japan register with authorities and submit to regulatory audits. Other foreign countries where we operate have similar laws regarding the regulation of medical device manufacturing. In the event of any noncompliance with these requirements, interruption of our operations and/or ability to allow commerce in these markets could occur, which in turn could cause our reputation and business to suffer.

Compliance or the failure to comply with current and future environmental, health and safety, product stewardship and producer responsibility laws or regulations could cause us significant expense.

We are subject to a variety of federal, state, local and foreign environmental, health and safety, product stewardship and producer responsibility laws and regulations, including those relating to the use, generation, storage, discharge and disposal of hazardous chemicals used during our manufacturing process, those governing worker health and safety, those requiring design changes, supply chain investigation or conformity assessments and those relating to the recycling or reuse of products we manufacture. If we fail to comply with any present or future regulations or timely obtain any needed permits, we could become subject to liabilities, and we could face fines or penalties, the suspension of production, or prohibitions on sales of products we manufacture. In addition, such regulations could restrict our ability to expand our facilities or could require us to acquire costly equipment, or to incur other significant expenses, including expenses associated with the recall of any non-compliant product or with changes in our operational, procurement and inventory management activities.

Certain environmental laws impose liability for the costs of investigation, removal and remediation of hazardous or toxic substances on an owner, occupier or operator of real estate, or on parties who arranged for hazardous substance treatment or disposal, even if such person or company was unaware of, or not responsible for, contamination at the affected site. Soil and groundwater contamination may have occurred at or near, or may have arisen from, some of our facilities. From time to time we investigate, remediate and monitor soil and groundwater contamination at certain of our operating sites. In certain instances where contamination existed prior to our ownership or occupation of a site, landlords or former owners have retained some contractual responsibility for contamination and remediation. However, failure of such persons to perform those obligations could result in us being required to address such contamination. As a result, we may incur clean-up costs in such potential removal or remediation efforts. In other instances, we may be responsible for clean-up costs and other liabilities, including the possibility of claims due to health risks by both employees and non-employees, as well as other third-party claims in connection with contaminated sites.

In addition, there is an increasing governmental focus around the world on global warming and environmental impact issues, which may result in new environmental, health and safety regulations that may affect us, our suppliers and our customers. This could cause us to incur additional direct costs for compliance, as well as increased indirect costs resulting from our customers, suppliers or both incurring additional compliance costs that get passed on to us. These costs may adversely impact our operations and financial condition.

We have limited insurance coverage for potential environmental liabilities associated with current operations and we do not anticipate increasing such coverage in the future.

Our manufacturing, production and design processes and services may result in exposure to intellectual property infringement and other claims.

Providing manufacturing services can expose us to potential claims that products, designs or manufacturing processes we use infringe third party intellectual property rights. Even though many of our manufacturing services contracts require our customers to indemnify us for infringement claims relating to their products, including associated product specifications and designs, a particular customer may not, or may not have the resources to, assume responsibility for such claims. In addition, we may be responsible for claims that our manufacturing processes or components used in manufacturing infringe third party intellectual property rights. Providing turnkey design solutions, and design and other services can expose us to different or greater potential liabilities than those we face providing just manufacturing services, including an increase in exposure to potential claims that products we design or supply, or materials or components we use, infringe third party property rights. Infringement claims could subject us to significant liability for damages, potential injunctive action, or hamper our normal operations such as by interfering with the availability of components. Regardless of merits of any such claim, it could be time-consuming and expensive to resolve, and have a material adverse effect on our results of operations and financial position. In the event of such a claim, we may spend significant amounts of money and effort to develop non-infringing alternatives or obtain and maintain licenses. We may not be successful in developing such alternatives or obtaining and maintaining such licenses on reasonable terms or at all. Our customers may be required to or decide to discontinue products that are alleged to be infringing rather than face continued costs of defending infringement claims, and such discontinuance may result in a significant decrease in our business and/or could have a material adverse effect on our results of operations and financial position. These risks may be heightened in connection with our customer relationships with emerging companies.

Components we purchase, products we design and/or manufacture and/or services we provide may infringe the intellectual property rights of third parties, some of whom may hold key intellectual property rights in areas in which we operate. Our customers or suppliers could also become subject to infringement claims. Patent clearance or licensing activities, if any, may be inadequate to anticipate and avoid third party claims. Additionally, customers for our services in which we have significant technology contributions, typically require that we indemnify them against the risk of intellectual property infringement. If any claims are brought against our customers, our suppliers or us for such infringement, regardless of their merits, we could be required to expend significant resources in the defense or settlement of such claims, or in the defense or settlement of related indemnification claims. In the event of a claim, we may be required to spend significant amounts of money and effort to develop non-infringing alternatives or obtain and maintain licenses. We may not be successful in developing such alternatives or obtaining or maintaining such licenses on reasonable terms or at all. We, our suppliers or our customers may be required to or decide to discontinue products which are alleged to be infringing rather than face continued costs of defending the infringement claims, and such discontinuance may result in a significant decrease in our business, and could have a material adverse effect on our results of operations and financial position.

The success of certain aspects of our business depends in part on our ability to obtain, protect and leverage intellectual property rights.

In certain circumstances, we strive to obtain and protect certain intellectual property rights related to solutions, designs, processes and products that we create. We believe that obtaining a significant level of protected proprietary technology may give us a competitive advantage. In addition to selectively relying on patent rights, we rely on unpatented proprietary know-how and trade secrets, and employ various methods, including non-disclosure agreements with our customers, employees and suppliers and our internal security systems, policies and procedures to protect our know-how and trade secrets. However, we cannot be certain the measures we employ will result in protected intellectual property rights or will result in the prevention of unauthorized use of our technology. If we are unable to obtain and protect intellectual property rights embodied within our solutions, designs, processes and products, this could reduce or eliminate competitive advantages of our proprietary technology, which would harm our business and could have a material adverse effect on our results of operations and financial position.

Even if we take steps to protect certain intellectual property rights, these mechanisms may not afford complete or sufficient protection, and misappropriation may still occur. Further, there can be no assurance that we will be able to acquire or enforce our patent or other rights, if any, and that others will not independently develop similar know-how and trade secrets, or develop better production methods than us. We have not historically sought patent protection for many of our proprietary processes, designs or other patentable intellectual property. Further, we may not be able to prevent current and former employees, contractors and other parties from breaching non-disclosure agreements and misappropriating proprietary information. If any of the foregoing occur, it could impair our ability to compete with others in our industry, result in a significant decrease in our business and/or could have material adverse effect on our results of operations and financial position.

Any delay in the implementation of our information systems could disrupt our operations and cause unanticipated increases in our costs.

We are currently in the process of completing the installation of an enterprise resource planning system in certain of our manufacturing facilities, which will replace the existing planning and financial information systems. Any delay in the implementation of these information systems could result in material adverse consequences, including disruption of operations, loss of information and unanticipated increases in costs.

Disruptions to our information systems, including security breaches, losses of data or outages, and other security issues, could adversely affect our operations.

We rely on information systems, some of which are owned and operated by third parties, to store, process and transmit confidential information, including financial reporting, inventory management, procurement, invoicing and electronic communications, belonging to our customers, our suppliers, our employees and/or us. We attempt to monitor and mitigate our exposure and modify our systems when warranted and we have implemented certain business continuity items including data backups at alternative sites. Nevertheless, these systems are vulnerable to, and at times have suffered from, among other things, damage from power loss or natural disasters, computer system and network failures, loss of telecommunication services, physical and electronic loss of data, terrorist attacks, security breaches and computer viruses. We regularly face attempts by others to access our information systems in an unauthorized manner, to introduce malicious software to such systems or both. The increased use of mobile technologies can heighten these and other operational risks. If we, or the third parties who own and operate certain of our information systems, are unable to prevent such breaches, losses of data and outages, our operations could be disrupted. Also, the time and funds spent on monitoring and mitigating our exposure and responding to breaches, including the training of employees, the purchase of protective technologies and the hiring of additional employees and consultants to assist in these efforts could adversely affect our financial results. The increasing sophistication of cyberattacks requires us to continually evaluate new technologies and processes intended to detect and prevent these attacks. There can be no assurance that the security measures we choose to implement will be sufficient to protect the data we manage. Finally, any theft or misuse of information resulting from a security breach could result in, among other things, loss of significant and/or sensitive information, litigation by affected parties, financial obligations resulting from such theft or misuse, higher insurance premiums, governmental investigations, negative reactions from current and potential future customers (including potential negative financial ramifications under certain customer contract provisions) and poor publicity and any of these could adversely affect our financial results.

We are subject to the risk of increased taxes.

We base our tax position upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various countries in which we have assets or conduct activities. Our tax position, however, is subject to review and possible challenge by taxing authorities and to possible changes in law (including adverse changes to the manner in which the U.S. and other countries tax multinational companies or interpret their tax laws). We cannot determine in advance the extent to which some jurisdictions may assess additional tax or interest and penalties on such additional taxes. In addition, our effective tax rate may be increased by the generation of higher income in countries with higher tax rates, changes in the valuation of deferred tax assets and liabilities, changes in our cash management strategies, changes in local tax rates or countries adopting more aggressive interpretations of tax laws.

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In the United States, comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 (Tax Act) was enacted on December 22, 2017. The Tax Act contains a broad range of tax reform provisions that reduced the corporate tax rate, limited or eliminated certain tax deductions, and changed the taxation of foreign earnings of U.S. multinational companies. The Tax Act requires complex calculations to be performed that were not previously required in U.S. tax law, significant judgments, estimates in calculations, and the preparation and analysis of information not previously relevant or regularly produced. The U.S. Treasury Department, the Internal Revenue Service, and other standard-setting bodies could interpret or issue guidance on how provisions of the Tax Act will be applied or otherwise administered that are different from our interpretation. In response to the Tax Act, foreign governments may enact new tax laws or new interpretations of the existing tax laws. The full extent of the impact remains uncertain at this time and could adversely impact our effective tax rate and operating results.

Refer to Note 4 Income Taxes to the Consolidated Financial Statements for details of the field examinations completed by the Internal Revenue Service (IRS) of our tax returns for the fiscal years 2012 through 2014 and fiscal years 2009 through 2011 which resulted in proposed adjustments. While we currently believe that the resolution of these issues will not have a material adverse effect on our financial position, results of operations or cash flows, an unfavorable resolution could have a material adverse effect on our operating results and financial condition.

Several countries in which we are located allow for tax incentives to attract and retain business. We have obtained incentives where available and practicable. Our taxes could increase if certain tax incentives are retracted, which could occur if we are unable to satisfy the conditions on which such incentives are based, if they are not renewed upon expiration, or if tax rates applicable to us in such jurisdictions otherwise increase. It is not anticipated that any material tax incentives will expire within the next year. However, due to the possibility of changes in existing tax law and our operations, we are unable to predict how any expirations will impact us in the future. In addition, acquisitions may cause our effective tax rate to increase, depending on the jurisdictions in which the acquired operations are located.

Certain of our subsidiaries provide financing, products and services to, and may undertake certain significant transactions with, other subsidiaries in different jurisdictions. Several jurisdictions in which we operate have tax laws with detailed transfer pricing rules that require that all transactions with non-resident related parties be priced using arm s length pricing principles, and that contemporaneous documentation must exist to support such pricing. There is a risk that the taxing authorities may not deem our transfer pricing documentation acceptable. In addition, the Organization for Economic Cooperation and Development continues to issue guidelines and proposals related to Base Erosion and Profit Shifting which may result in legislative changes that could reshape international tax rules in numerous countries and negatively impact our effective tax rate.

Our credit rating may be downgraded.

Our credit is and certain of our financial instruments are rated by credit rating agencies. Any potential future negative change in our credit ratings may make it more expensive for us to raise additional capital on terms that are acceptable to us, if at all; negatively impact the price of our common stock; increase our interest payments under existing debt agreements; and have other negative implications on our business, many of which are beyond our control. In addition, the interest rate payable under the 2017 Credit Facility (as such terms are defined in Note 8 Notes Payable and Long-Term Debt to the Consolidated Financial Statements) is subject to adjustment from time to time if our credit ratings change. Thus, any potential future negative change in our credit rating may increase the interest rate payable on the 2017 Credit Facility and certain of our other borrowings.

Our amount of debt could significantly increase in the future.

The Company has a number of debt facilities. Refer to Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources and Note 8 Notes Payable and Long-Term Debt to the Consolidated Financial Statements for further details.

Should we desire to consummate significant additional acquisition opportunities, undertake significant additional expansion activities, or make substantial investments in our infrastructure or in support of customer opportunities, our capital needs would increase and could result in our need to increase available borrowings under our revolving credit facilities or access public or private debt and equity markets. There can be no assurance, however, that we would be successful in raising additional debt or equity on terms that we would consider acceptable. An increase in the level of our indebtedness, among other things, could:

- make it difficult for us to obtain any necessary financing in the future for other acquisitions, working capital, capital expenditures, debt service requirements or other purposes;

- limit our flexibility in planning for, or reacting to changes in, our business;

- make us more vulnerable in the event of a downturn in our business; and

- impact certain financial covenants that we are subject to in connection with our debt and asset-backed securitization programs.

There can be no assurance that we will be able to meet future debt service obligations.

An adverse change in the interest rates for our borrowings could adversely affect our financial condition.

We pay interest on outstanding borrowings under our revolving credit facilities and certain other long term debt obligations at interest rates that fluctuate based upon changes in various base interest rates. An adverse change in the base rates upon which our interest rates are determined could have a material adverse effect on our financial position, results of operations and cash flows. If certain economic or fiscal issues occur, interest rates could rise, which would increase our interest costs and reduce our net income. Also, increased interest rates could make any future fixed interest rate debt obligations more expensive.

We are subject to risks of currency fluctuations and related hedging operations.

Although a significant number of our operations are located outside the United States, the majority of our business is conducted in U.S. dollars. Changes in exchange rates will affect our net revenue, cost of sales, operating margins and net income. We cannot predict the impact of future exchange rate fluctuations. We use financial instruments, primarily forward contracts, to hedge our exposure to exchange rate fluctuations. We believe that our hedging activities enable us to largely protect ourselves from future exchange rate fluctuations. If, however, these hedging activities are not successful, if the counterparties to these hedging activities default on their obligations to us or if we change or reduce these hedging activities in the future, we may experience significant unexpected expenses from fluctuations in exchange rates. In addition, certain countries in which we operate have adopted, or may adopt, currency controls requiring that local transactions be settled only in local currency. Such controls could require us to hedge larger amounts of local currency than we have in the past.

Changes in financial accounting standards or policies have affected, and in the future may affect, our reported financial condition or results of operations.

We prepare our financial statements in conformity with U.S. GAAP. These principles are subject to interpretation by the Financial Accounting Standards Board (FASB), the American Institute of Certified Public Accountants, the SEC and various bodies formed to interpret and create appropriate accounting policies. A change in these policies can have a significant effect on our reported results and may affect our reporting of transactions that are completed before a change is announced. Changes to those rules or questions as to how we interpret or implement them may have a material adverse effect on our reported financial results or on the way we conduct business. For example, significant changes to revenue recognition rules have been adopted and will begin to apply to us in fiscal year 2019.

Energy price increases may negatively impact our results of operations.

Certain of the components that we use in our manufacturing activities are petroleum-based. In addition, we, along with our suppliers and customers, rely on various energy sources (including oil) in our facilities and transportation activities. An increase in energy prices, which have been volatile historically, could cause an increase in our raw material costs and transportation costs. In addition, increased transportation costs of certain of our suppliers and customers could be passed along to us. We may not be able to increase our product prices enough to offset these increased costs. In addition, any increase in our product prices may reduce our future customer orders and profitability.

We are subject to risks associated with natural disasters, climate change and global events.

Our operations and those of our customers and suppliers may be subject to natural disasters, climate change-related events, or other business disruptions, which could seriously harm our results of operation and increase our costs and expenses. We are susceptible to losses and interruptions caused by hurricanes (including in Florida, where our headquarters are located), earthquakes, power shortages, telecommunications failures, water or other natural resource shortages, tsunamis, floods, typhoons, drought, fire, extreme weather conditions, rising sea level, geopolitical events such as direct or indirect terrorist acts or acts of war, other natural or manmade disasters, boycotts and sanctions or widespread criminal activities. Such events could make it difficult or impossible to manufacture or to deliver products to our customers, receive production materials from our suppliers, or perform critical functions, which could adversely affect our business globally or in certain regions. While we maintain similar manufacturing capacities at different locations and coordinate multi-source supplier programs on many of our materials, which we believe better enables us to respond to these types of events, we cannot be sure that our plans will fully protect us from all such disruptions. Our insurance coverage with respect to natural disasters is limited and is subject to deductibles and coverage limits. Such coverage may not be adequate, or may not continue to be available at commercially reasonable rates and terms.

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While we manufacture our products in a large number of diversified facilities and maintain insurance covering our facilities, including business interruption insurance, a catastrophic loss of the use of all or a portion of one of our key manufacturing facilities due to accident, labor issues, weather conditions, natural disaster or otherwise, whether short- or long-term, could have a material adverse effect on us.

Item 1B. Unresolved Staff Comments

There are no unresolved written comments from the SEC staff regarding our periodic or current reports.

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Item 2. Properties

We own or lease facilities located in the countries listed below. We believe that our properties are generally in good condition, are well maintained and are generally suitable and adequate to carry out our business at expected capacity for the foreseeable future.

The table below lists the approximate square footage for our facilities as of August 31, 2018:

Location	Approximate Square Footage	Description of Use
Austria	97,000	Design, Manufacturing
Belgium	66,000	Design
Brazil(2)	314,000	Manufacturing
Canada	13,000	Design
China(2)(3)	22,729,000	Design, Manufacturing, Prototype Manufacturing, Storage, Support
Finland	12,000	Design
France(1)	80,000	Manufacturing, Support
Germany	225,000	Design, Manufacturing, Support
Hungary	1,451,000	Manufacturing, Storage
India(1)	646,000	Manufacturing, Storage, Support
Indonesia	210,000	Manufacturing
Ireland(2)	354,000	Manufacturing
Israel	212,000	Design, Manufacturing, Support
Italy(2)	308,000	Manufacturing, Storage
Japan	49,000	Manufacturing, Support
Malaysia	1,413,000	Manufacturing, Storage, Support
Mexico(2)	3,671,000	Manufacturing, Storage, Support
The Netherlands	420,000	Manufacturing
Poland(2)	705,000	Manufacturing, Storage
Russia(2)	64,000	Manufacturing
Scotland(2)	143,000	Manufacturing, Support
Singapore	353,000	Design, Manufacturing, Storage, Support
South Africa(2)	30,000	Support
Spain	788,000	Design, Manufacturing, Storage, Support
Sweden	1,000	Support
Taiwan	1,210,000	Design, Manufacturing, Support
Ukraine	259,000	Manufacturing
United States(2)	8,497,000	Design, Manufacturing, Prototype Manufacturing, Prototype Design, Support, Storage
Vietnam	293,000	Manufacturing
Total as of August 31, 2018	44,613,000	

(1) The facilities located in Chartes, France and Chennai, India are no longer used in our business operations.

(2) A portion of the facilities located in Valinhos, Brazil; Chengdu, Wuhan and Yantai, China; St. Petersburg, Florida; Hanover Park, Illinois; Waterford, Ireland; Marcianise, Italy; Guadalajara, Mexico; Kwidzyn, Poland; Tver, Russia; Livingston, Scotland; Johannesburg, South Africa; and Memphis, Tennessee are not currently used in business operations.

(3) The properties in China include approximately 5.9 million square feet of leased property in Chengdu, approximately 4.2 million square feet of property in Huangpu (of which approximately 2.6 million is owned and approximately 1.6 million is leased) and approximately 6.0 million square feet of property in Wuxi (of which approximately 5.2 million is leased and 0.8 million is owned).

As of August 31, 2018, our facilities consist of 18,821,000 square feet in facilities that we own, with the remaining 25,792,000 square feet in leased facilities. The majority of the square footage in the table above is active manufacturing space. The properties listed in the table above are reported in both the EMS and DMS operating segments, as both segments use these properties. Our manufacturing facilities are ISO certified to ISO 9001:2008 standards and most are also certified to ISO-14001:2004 environmental standards.

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Item 3. Legal Proceedings

We are party to certain lawsuits in the ordinary course of business. We do not believe that these proceedings, individually or in the aggregate, will have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information and Dividends

Our common stock trades on the New York Stock Exchange under the symbol JBL. The following table sets forth the high and low intraday sales prices per share for our common stock as reported on the New York Stock Exchange and the cash dividends declared per share for the fiscal periods indicated:

	Sales Price per Share				Dividends per Share[1]	
	Fiscal Year 2018		Fiscal Year 2017			
	High	Low	High	Low	Fiscal Year 2018	Fiscal Year 2017
First Quarter	$ 31.60	$ 27.29	$ 23.85	$ 20.32	$ 0.08	$ 0.08
Second Quarter	$ 29.03	$ 23.70	$ 26.34	$ 20.43	$ 0.08	$ 0.08
Third Quarter	$ 31.77	$ 26.16	$ 30.00	$ 25.69	$ 0.08	$ 0.08
Fourth Quarter	$ 29.92	$ 26.39	$ 31.70	$ 28.27	$ 0.08	$ 0.08

(1) See further discussion of our cash dividends declared to common shareholders in Note 11 Stockholders Equity to the Consolidated Financial Statements.

We expect to continue to declare and pay quarterly dividends of an amount similar to our past declarations. However, the declaration and payment of future dividends are discretionary and will be subject to determination by our Board of Directors each quarter following its review of our financial performance.

On October 9, 2018, the closing sales price for our common stock as reported on the New York Stock Exchange was $24.71. As of October 9, 2018, there were 1,380 holders of record of our common stock. A substantially greater number of holders of our common stock are street name or beneficial holders, whose shares are held of record by banks, brokers, and other financial institutions.

Information regarding equity compensation plans is incorporated by reference to the information set forth in Item 12 of Part III of this report.

Stock Performance Graph

The performance graph and table show a comparison of cumulative total stockholder return, assuming the reinvestment of dividends, from a $100 investment in the common stock of Jabil over the five-year period ending August 31, 2018, with the cumulative stockholder return of the (1) S&P MidCap 400 Index and (2) peer group which includes Celestica Inc., Catcher Technology Co., Ltd, Flex Ltd., Hon-Hai Precision Industry Co. Ltd, Plexus Corp., and Sanmina Corp.

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Comparison of 5 Year Cumulative Total Return

August 31	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Jabil Inc.	$ 100	$ 96	$ 88	$ 97	$ 146	$ 139
S&P MidCap 400 Index Total Returns	100	123	123	138	156	187
Peer Group	100	157	138	143	228	172

Issuer Purchases of Equity Securities

The following table provides information relating to our repurchase of common stock during the three months ended August 31, 2018:

Period	**Total Number of Shares Purchased[(1)]**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Program[(2)(3)]**	**Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (in thousands)**
June 1, 2018 - June 30, 2018	1,330,709	$ 27.66	1,330,128	$ 447,037
July 1, 2018 - July 31, 2018	1,629,279	$ 28.42	1,627,406	$ 400,795
August 1, 2018 - August 31, 2018	1,791,201	$ 28.36	1,791,201	$ 350,000
Total	4,751,189	$ 28.18	4,748,735	

(1) The purchases include amounts that are attributable to shares surrendered to us by employees to satisfy, in connection with the vesting of restricted stock awards and the exercise of stock options and stock appreciation rights, their tax withholding obligations.

(2) In July 2017, our Board of Directors authorized the repurchase of up to $450.0 million of our common stock as publicly announced in a press release issued on July 20, 2017 (the 2017 Share Repurchase Program). The 2017 Share Repurchase Program expired on August 31, 2018. No authorization remains under the 2017 Share Repurchase Program.

(3) In June 2018, our Board of Directors authorized the repurchase of up to $350.0 million of our common stock as publicly announced in a press release on June 14, 2018 (the 2018 Share Repurchase Program). The 2018 Share Repurchase Program expires on August 31, 2019.

Issuer Sale of Unregistered Securities

On August 16, 2018, as part of a commercial transaction with a third party, the Company issued a cash settled restricted stock appreciation right. The instrument has a ten-year term and will vest biannually, subject to the satisfaction of performance conditions. Assuming full vesting and exercise at the end of the term, the aggregate amount to be paid by the Company would not in any case exceed $26.0 million. The instrument was issued pursuant to the private placement exemption in Section 4(a)(2) of the Securities Act of 1933, as amended.

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Item 6. Selected Financial Data

The following selected data is derived from our Consolidated Financial Statements. This data should be read in conjunction with the Consolidated Financial Statements and notes thereto incorporated into Item 8, Financial Statements and Supplementary Data and with Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

	Fiscal Year Ended August 31,				
	2018	2017	2016	2015	2014
	(in thousands, except for per share data)				
Consolidated Statement of Operations Data:					
Net revenue	$ 22,095,416	$ 19,063,121	$ 18,353,086	$ 17,899,196	$ 15,762,146
Operating income	542,153	410,230	522,833	555,411	204,074
Income from continuing operations before tax	373,401	256,233	387,045	431,646	72,123
Income (loss) from continuing operations, net of tax	87,541	127,167	254,896	294,185	(1,588)
Discontinued operations, net of tax[1]				(8,573)	243,853
Net income	87,541	127,167	254,896	285,612	242,265
Net income attributable to Jabil Inc.	$ 86,330	$ 129,090	$ 254,095	$ 284,019	$ 241,313
Earnings per share attributable to the stockholders of Jabil Inc.:					
Basic:					
Income (loss) from continuing operations, net of tax	$ 0.50	$ 0.71	$ 1.33	$ 1.51	$ (0.01)
Discontinued operations, net of tax[1]	$	$	$	$ (0.04)	$ 1.20
Net income	$ 0.50	$ 0.71	$ 1.33	$ 1.47	$ 1.19
Diluted:					
Income (loss) from continuing operations, net of tax	$ 0.49	$ 0.69	$ 1.32	$ 1.49	$ (0.01)
Discontinued operations, net of tax[1]	$	$	$	$ (0.04)	$ 1.20
Net income	$ 0.49	$ 0.69	$ 1.32	$ 1.45	$ 1.19

Cash dividends declared per common share	$ 0.32	$ 0.32	$ 0.32	$ 0.32	$ 0.32

	2018	2017	August 31, 2016 (in thousands)	2015	2014
Consolidated Balance Sheets Data:					
Working capital[2]	$ 319,050	$ (243,910)	$ 280,325	$ 191,168	$ 1,037,920
Total assets	$ 12,045,641	$ 11,095,995	$ 10,322,677	$ 9,591,600	$ 8,479,746
Current installments of notes payable and long-term debt	$ 25,197	$ 444,255	$ 44,689	$ 321,964	$ 11,750
Notes payable and long-term debt, less current installments	$ 2,493,502	$ 1,606,017	$ 2,046,655	$ 1,308,663	$ 1,639,916
Total Jabil Inc. stockholders equity	$ 1,950,257	$ 2,353,514	$ 2,438,171	$ 2,314,856	$ 2,241,828
Common stock shares outstanding	164,588	177,728	186,998	192,068	194,114

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	Fiscal Year Ended August 31,				
	2018	2017	2016	2015	2014
	(in thousands)				
Consolidated Cash Flow Data:					
Net cash provided by operating activities	$ 933,850	$ 1,256,643	$ 916,207	$ 1,240,528	$ 499,639
Investing activities:					
Acquisition of property, plant and equipment	$ (1,036,651)	$ (716,485)	$ (924,239)	$ (963,145)	$ (624,060)
Proceeds and advances from sale of property, plant and equipment	$ 350,291	$ 175,000	$ 26,031	$ 15,784	$ 161,138
Financing activities:					
Payments to acquire treasury stock	$ (450,319)	$ (306,640)	$ (148,340)	$ (85,576)	$ (260,274)

(1) During fiscal year 2014, we sold our Aftermarket Services business for consideration of $725.0 million.

(2) Working capital is defined as current assets minus current liabilities.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are one of the leading providers of worldwide manufacturing services and solutions. We provide comprehensive electronics design, production and product management services to companies in various industries and end markets. We derive substantially all of our revenue from production and product management services (collectively referred to as manufacturing services), which encompass the act of producing tangible components that are built to customer specifications and are then provided to the customer.

We have two reporting segments: Electronics Manufacturing Services (EMS) and Diversified Manufacturing Services (DMS), which are organized based on the economic profiles of the services performed, including manufacturing capabilities, market strategy, margins, return on capital and risk profiles. Our EMS segment is focused around leveraging IT, supply chain design and engineering, technologies largely centered on core electronics, utilizing our large scale manufacturing infrastructure and our ability to serve a broad range of end markets. Our EMS segment is typically a lower-margin but high volume business that produces product at a quicker rate (i.e. cycle time) and in larger quantities and includes customers primarily in the automotive and transportation, capital equipment, computing and storage, defense and aerospace, digital home, industrial and energy, networking and telecommunications, point of sale and printing industries. Our DMS segment is focused on providing engineering solutions, with an emphasis on material sciences and technologies. Our DMS segment is typically a higher-margin business and includes customers primarily in the consumer wearables, healthcare, mobility and packaging industries.

Our cost of revenue includes the cost of electronic components and other materials that comprise the products we manufacture; the cost of labor and manufacturing overhead; and adjustments for excess and obsolete inventory. As a provider of turnkey manufacturing services, we are responsible for procuring components and other materials. This requires us to commit significant working capital to our operations and to manage the purchasing, receiving, inspecting and stocking of materials. Although we bear the risk of fluctuations in the cost of materials and excess scrap, we periodically negotiate cost of materials adjustments with our customers. Net revenue from each product that we manufacture consists of an element based on the costs of materials in that product and an element based on the labor and manufacturing overhead costs allocated to that product. Our gross margin for any product depends on the mix between the cost of materials in the product and the cost of labor and manufacturing overhead allocated to the product.

Our operating results are impacted by the level of capacity utilization of manufacturing facilities; indirect labor costs; and selling, general and administrative expenses. Operating income margins have generally improved during periods of high production volume and high capacity utilization. During periods of low production volume, we generally have reduced operating income margins.

We monitor the current economic environment and its potential impact on both the customers we serve as well as our end markets and closely manage our costs and capital resources so that we can try to respond appropriately as circumstances change.

We have consistently utilized advanced circuit design, production design and manufacturing technologies to meet the needs of our customers. To support this effort, our engineering staff focuses on developing and refining design and manufacturing technologies to meet specific needs of specific customers. Most of the expenses associated with these customer-specific efforts are reflected in our cost of revenue. In addition, our engineers engage in research and development (R&D) of new technologies that apply generally to our operations. The expenses of these R&D activities are reflected in the research and development line item within our Consolidated Statement of Operations.

An important element of our strategy is the expansion of our global production facilities. The majority of our revenue and materials costs worldwide are denominated in U.S. dollars, while our labor and utility costs in operations outside the U.S. are denominated in local currencies. We economically hedge certain of these local currency costs, based on our evaluation of the potential exposure as compared to the cost of the hedge, through the purchase of foreign currency exchange contracts. Changes in the fair market value of such hedging instruments are reflected within the Consolidated Statement of Operations and the Consolidated Statement of Comprehensive Income.

See Note 12   Concentration of Risk and Segment Data   to the Consolidated Financial Statements.

In September 2017, our operations in Cayey, Puerto Rico received significant hurricane damage. During the fiscal year ended August 31, 2018, we recognized $11.3 million of expenses related to such damages, net of insurance proceeds of $24.9 million. We also expect that the majority of these costs less insurance deductions will ultimately be offset by insurance coverage.

Summary of Results

The following table sets forth, for the fiscal years ended August 31, 2018, 2017 and 2016, certain key operating results and other financial information (in thousands, except per share data):

	Fiscal Year Ended August 31,		
	2018	**2017**	**2016**
Net revenue	$ 22,095,416	$ 19,063,121	$ 18,353,086
Gross profit	$ 1,706,792	$ 1,545,643	$ 1,527,704
Operating income	$ 542,153	$ 410,230	$ 522,833
Net income attributable to Jabil Inc.	$ 86,330	$ 129,090	$ 254,095
Earnings per share basic	$ 0.50	$ 0.71	$ 1.33
Earnings per share diluted	$ 0.49	$ 0.69	$ 1.32

Key Performance Indicators

Management regularly reviews financial and non-financial performance indicators to assess the Company s operating results. The following table sets forth, for the quarterly periods indicated, certain of management s key financial performance indicators:

	Three Months Ended			
	August 31, 2018	**May 31, 2018**	**February 28, 2018**	**November 30, 2017**
Sales cycle(1)	1 day	9 days	3 days	(2) days
Inventory turns (annualized)	6 turns	6 turns	6 turns	6 turns
Days in accounts receivable	26 days	26 days	26 days	25 days
Days in inventory(3)	58 days	60 days	62 days	58 days
Days in accounts payable(4)	83 days	77 days	85 days	85 days

	Three Months Ended			
	August 31, 2017	**May 31, 2017**	**February 28, 2017**	**November 30, 2016**
Sales cycle(1)	0 days	9 days	11 days	1 day
Inventory turns (annualized)	6 turns	6 turns	7 turns	7 turns
Days in accounts receivable(2)	25 days	29 days	29 days	27 days
Days in inventory(3)	58 days	59 days	55 days	48 days
Days in accounts payable(4)	83 days	79 days	73 days	74 days

(1) The sales cycle is calculated as the sum of days in accounts receivable and days in inventory, less the days in accounts payable; accordingly, the variance in the sales cycle quarter over quarter is a direct result of changes in these indicators.

(2) During the three months ended August 31, 2017, the decrease in days in accounts receivable from the prior sequential quarter was primarily due to the timing of sales and collections activity.

(3) During each of the three months ended August 31, 2018 and May 31, 2018, the decrease in days in inventory from the prior sequential quarter was primarily due to increased sales activity during the quarter. During the three

months ended February 28, 2018, the increase in days in inventory from the prior sequential quarter was primarily due to the increase in inventories to support expected sales levels in the third quarter of fiscal year 2018 along with overall increased demand. During the three months ended May 31, 2017, days in inventory increased four days as compared to the prior sequential quarter to support expected sales levels in the fourth quarter of fiscal year 2017. During the three months ended February 28, 2017, days in inventory increased as compared to the prior sequential quarter: (i) as a result of lower production in the DMS segment due to reduced consumer demand in the mobility business and (ii) to support expected revenue levels in the third quarter of fiscal year 2017.

(4) During the three months ended August 31, 2018, the increase in days in accounts payable from the prior sequential quarter was primarily due to higher materials purchases during the quarter and the timing of purchases and cash payments for purchases during the quarter. During the three months ended May 31, 2018, the decrease in days in accounts payable from the prior sequential quarter was primarily due to the timing of purchases and cash payments for purchases during the quarter. During the three months ended November 30, 2017 and August 31, 2017, the increase in

days in accounts payable from the prior sequential quarter was primarily due to higher materials purchases during the quarter due to increased demand in the mobility business as well as the timing of purchases and cash payments from purchases during the quarter. During the three months ended May 31, 2017, the increase in days in accounts payable from the prior sequential quarter was primarily due to the timing of purchases and cash payments for purchases during the quarter.

Critical Accounting Policies and Estimates

The preparation of our Consolidated Financial Statements and related disclosures in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that our estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances. We have identified the following critical accounting policies that affect the more significant judgments and estimates used in the preparation of our Consolidated Financial Statements. For further discussion of our significant accounting policies, refer to Note 1 Description of Business and Summary of Significant Accounting Policies to the Consolidated Financial Statements.

Revenue Recognition

We derive substantially all of our revenue from production and product management services (collectively referred to as manufacturing services), which encompasses the act of producing tangible components that are built to customer specifications, which are then provided to the customer. We recognize manufacturing services revenue when such tangible components are shipped to or the goods are received by the customer, title and risk of ownership have passed, the price to the buyer is fixed or determinable and collectability is reasonably assured (net of estimated returns). We also derive revenue to a lesser extent from electronic design services to certain customers. Revenue from electronic design services is generally recognized upon completion and acceptance by the respective customer. Upfront payments from customers are recorded upon receipt as deferred income and are recognized as revenue as the related manufacturing services are provided.

Effective September 1, 2018, our revenue recognition accounting policies changed in conjunction with the adoption of the new revenue recognition standard. Upon adoption, we recognize revenue over time as manufacturing services are completed for the majority of our contracts with customers, which results in revenue being recognized earlier than under the current guidance. Revenue for all other contracts with customers will be recognized at a point in time, upon transfer of control of the product to the customer, which is effectively no change to our historical current accounting. For further discussion of the new revenue recognition standard, refer to Note 16 New Accounting Guidance to the Consolidated Financial Statements.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts related to receivables not expected to be collected from our customers. This allowance is based on management s assessment of specific customer balances after considering the age of receivables and financial stability of the customer. If there is an adverse change in the financial condition and circumstances of our customers, or if actual defaults are higher than provided for, an addition to the allowance may be necessary.

Inventory Valuation

We purchase inventory based on forecasted demand and record inventory at the lower of cost and net realizable value. Management regularly assesses inventory valuation based on current and forecasted usage, customer inventory-related contractual obligations and other lower of cost and net realizable value considerations. If actual market conditions or our customers product demands are less favorable than those projected, additional valuation adjustments may be necessary.

Long-Lived Assets

We review property, plant and equipment and amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of property, plant and equipment is measured by comparing its carrying value to the undiscounted projected cash flows that the asset(s) or asset group(s) are expected to generate. If the carrying amount of an asset or an asset group is not recoverable, we recognize an impairment loss based on the excess of the carrying amount of the long-lived asset or asset group over its respective fair value, which is generally determined as either the present value of estimated future cash flows or the appraised value. The impairment analysis is based on significant assumptions of future results made by management, including revenue and cash flow projections. Circumstances that may lead to impairment of property, plant and equipment include unforeseen decreases in future performance or industry demand and the restructuring of our operations resulting from a change in our business strategy or adverse economic conditions.

We have recorded intangible assets, including goodwill, in connection with business acquisitions. Estimated useful lives of amortizable intangible assets are determined by management based on an assessment of the period over which the asset is expected to contribute to future cash flows. The fair value of acquired amortizable intangible assets impacts the amounts recorded as goodwill.

We perform a goodwill impairment analysis using the two-step method on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverability of goodwill is measured at the reporting unit level by comparing the reporting unit s carrying amount, including goodwill, to the fair value of the reporting unit. We determine the fair value of our reporting units based on an average weighting of both projected discounted future results and the use of comparative market multiples. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and a second test is performed to measure the amount of loss, if any.

We perform an indefinite-lived intangible asset impairment analysis on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverability of indefinite-lived intangible assets is measured by comparing the carrying amount to the fair value. We determine the fair value of our indefinite-lived intangible assets principally based on a variation of the income approach, known as the relief from royalty method. If the carrying amount of the indefinite-lived intangible asset exceeds its fair value, the indefinite-lived intangible asset is considered impaired.

We completed our annual impairment test for goodwill and indefinite-lived intangible assets during the fourth quarter of fiscal year 2018 and determined that the fair values of our reporting units and the indefinite-lived intangible assets are substantially in excess of the carrying values and that no impairment existed as of the date of the impairment test. Significant judgments inherent in this analysis included assumptions regarding appropriate revenue growth rates, discount rates and royalty rates.

Income Taxes

We estimate our income tax provision in each of the jurisdictions in which we operate, a process that includes estimating exposures related to examinations by taxing authorities. We must also make judgments regarding the ability to realize deferred tax assets. The carrying value of our net deferred tax assets is based on our belief that it is more likely than not that we will generate sufficient future taxable income in certain jurisdictions to realize these deferred tax assets. A valuation allowance has been established for deferred tax assets that we do not believe meet the more likely than not criteria. We assess whether an uncertain tax position taken or expected to be taken in a tax return meets the threshold for recognition and measurement in the Consolidated Financial Statements. Our judgments regarding future taxable income as well as tax positions taken or expected to be taken in a tax return may change due to changes in market conditions, changes in tax laws or other factors. If our assumptions and consequently our estimates change in the future, the valuation allowances and/or tax reserves established may be increased or decreased, resulting in a respective increase or decrease in income tax expense.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 (Tax Act). The Tax Act reduced the corporate tax rate, limited or eliminated certain tax deductions, and changed the taxation of foreign earnings of U.S. multinational companies. The enacted changes include a mandatory income inclusion of the historically untaxed foreign earnings of a U.S. company s foreign subsidiaries and will effectively tax such income at reduced tax rates (transition tax). During fiscal year 2018, we made reasonable estimates related to certain impacts of the Tax Act and, in accordance with the Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cut and Jobs Act* (SAB 118), recorded a net provisional income tax expense of $142.3 million for the fiscal year ended

August 31, 2018. This net provisional expense is mainly comprised of $65.9 million related to the one-time transition tax inclusive of unrecognized tax benefits, $(10.5) million related to the re-measurement of our U.S. deferred tax attributes, and $85.0 million related to the foreign tax impact of a change in indefinite reinvestment assertion on certain earnings from our foreign subsidiaries. As we finalize the accounting for the tax effects of the enactment of the Tax Act during the measurement period, we will reflect adjustments to the provisional amounts recorded and record additional tax effects in the periods such adjustments are identified.

The Internal Revenue Service (IRS) completed its field examination of our tax returns for fiscal years 2009 through 2011 and issued a Revenue Agent s Report (RAR) on May 27, 2015, which was updated on June 22, 2016. The IRS completed its field examination of our tax returns for fiscal years 2012 through 2014 and issued an RAR on April 19, 2017. The proposed adjustments in the RAR from both examination periods relate primarily to U.S. taxation of certain intercompany transactions. If the IRS ultimately prevails in its positions, our income tax payments due for the fiscal years 2009 through 2011

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and fiscal years 2012 through 2014 would be approximately $28.6 million and $5.3 million, respectively, after utilization of tax loss carry forwards available through fiscal year 2014. Also, the IRS has proposed interest and penalties with respect to fiscal years 2009 through 2011. The IRS may make similar claims in future audits with respect to these types of transactions. At this time, anticipating the amount of any future IRS proposed adjustments, interest, and penalties is not practicable.

We disagree with the proposed adjustments and intend to vigorously contest these matters through the applicable IRS administrative and judicial procedures, as appropriate. As the final resolution of the proposed adjustments remains uncertain, we continue to provide for the uncertain tax positions based on the more likely than not standard. While the resolution of the issues may result in tax liabilities, interest and penalties that are significantly higher than the amounts accrued for these matters, management currently believes that the resolution will not have a material adverse effect on our financial position, results of operations or cash flows. However, there can be no assurance that management s beliefs will be realized. For further discussion related to our income taxes, refer to Note 4 Income Taxes to the Consolidated Financial Statements.

Recent Accounting Pronouncements

See Note 16 New Accounting Guidance to the Consolidated Financial Statements for a discussion of recent accounting guidance.

Results of Operations

Net Revenue

Generally, we assess revenue on a global customer basis regardless of whether the growth is associated with organic growth or as a result of an acquisition. Accordingly, we do not differentiate or separately report revenue increases generated by acquisitions as opposed to existing business. In addition, the added cost structures associated with our acquisitions have historically been relatively insignificant when compared to our overall cost structure.

The distribution of revenue across our segments has fluctuated, and will continue to fluctuate, as a result of numerous factors, including the following: fluctuations in customer demand; efforts to diversify certain portions of our business; seasonality in our business; business growth from new and existing customers; specific product performance; and any potential termination, or substantial winding down, of significant customer relationships.

	Fiscal Year Ended August 31,			**Change**	
(dollars in millions)	**2018**	**2017**	**2016**	**2018 vs. 2017**	**2017 vs. 2016**
Net revenue	$ 22,095.4	$ 19,063.1	$ 18,353.1	15.9%	3.9%

2018 vs. 2017

Net revenue increased during the fiscal year ended August 31, 2018 compared to the fiscal year ended August 31, 2017. Specifically, the DMS segment revenues increased 23% due to (i) a 19% increase in revenues from customers within our mobility business as a result of increased end user product demand, (ii) a 3% increase in revenues due to new business from existing customers in our healthcare business and (iii) a 1% increase in revenues spread across a variety of industries in the DMS segment. EMS segment revenues increased 11% primarily due to (i) a 3% increase in revenues from a new customer and existing customers within our industrial and energy business, (ii) a 3% increase in revenues from customers within our digital home business, (iii) a 3% increase in revenues from existing customers within our capital equipment business and (iv) a 2% increase in revenues spread across a variety of industries in the EMS segment.

2017 vs. 2016

Net revenue increased during the fiscal year ended August 31, 2017 compared to the fiscal year ended August 31, 2016. The DMS segment revenues increased 9% as a result of (i) a 4% increase in revenues due to new business from existing customers in our consumer lifestyles and wearable technologies business, (ii) a 3% increase in revenues due to new business from existing customers in our healthcare business and (iii) a 2% increase in revenues from existing customers within our mobility business. EMS segment revenues remained relatively consistent due to a mix of increases and decreases spread across various industries within the EMS segment, with no one change being significant individually.

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The following table sets forth, for the periods indicated, revenue by segment expressed as a percentage of net revenue:

	Fiscal Year Ended August 31, 2018	2017	2016
EMS	56%	58%	60%
DMS	44%	42%	40%
Total	100%	100%	100%

The following table sets forth, for the periods indicated, foreign source revenue expressed as a percentage of net revenue:

	Fiscal Year Ended August 31, 2018	2017	2016
Foreign source revenue	91.7%	91.4%	90.7%

Gross Profit

(dollars in millions)	Fiscal Year Ended August 31, 2018	2017	2016
Gross profit	$ 1,706.8	$ 1,545.6	$ 1,527.7
Percent of net revenue	7.7%	8.1%	8.3%

2018 vs. 2017

Gross profit decreased as a percent of net revenue during the fiscal year ended August 31, 2018 compared to the fiscal year ended August 31, 2017, primarily due to (i) increased materials costs due to the constrained components market, (ii) increased direct labor costs and (iii) charges related to certain distressed customers in the networking and consumer wearables sectors.

2017 vs. 2016

Gross profit remained relatively consistent as a percent of net revenue during the fiscal year ended August 31, 2017 compared to the fiscal year ended August 31, 2016.

Selling, General and Administrative

	Fiscal Year Ended August 31,			Change	
(dollars in millions)	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
Selling, general and administrative	$ 1,050.7	$ 907.7	$ 924.4	$ 143.0	$ (16.7)

2018 vs. 2017

Selling, general and administrative expenses increased during the fiscal year ended August 31, 2018 compared to the fiscal year ended August 31, 2017. During fiscal year 2018, we recognized an additional $32.4 million of stock-based compensation expense due to the modification of certain performance-based restricted stock awards and a one-time cash-settled award while fiscal year 2017 included a $21.0 million reversal of stock-based compensation expense due to decreased expectations for the vesting of certain performance-based restricted stock awards. The remaining increase is primarily driven by an increase in salary and salary related expenses and other costs to support new business growth and development.

2017 vs. 2016

Selling, general and administrative expenses decreased during the fiscal year ended August 31, 2017 compared to the fiscal year ended August 31, 2016. The decrease resulted primarily from a $21.0 million reversal of stock-based compensation expense during fiscal year 2017 due to decreased expectations for the vesting of certain performance-based restricted stock awards. The decrease was partially offset by an increase in salary and salary-related expenses and other costs.

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Research and Development

(dollars in millions)	Fiscal Year Ended August 31, 2018	2017	2016
Research and development	$ 38.5	$ 29.7	$ 32.0
Percent of net revenue	0.2%	0.2%	0.2%

2018 vs. 2017

Research and development expenses remained relatively consistent as a percent of net revenue during the fiscal year ended August 31, 2018 compared to the fiscal year ended August 31, 2017.

2017 vs. 2016

Research and development expenses remained relatively consistent as a percent of net revenue during the fiscal year ended August 31, 2017 compared to the fiscal year ended August 31, 2016.

Amortization of Intangibles

(dollars in millions)	Fiscal Year Ended August 31, 2018	2017	2016	Change 2018 vs. 2017	2017 vs. 2016
Amortization of intangibles	$ 38.5	$ 35.5	$ 37.1	$ 3.0	$ (1.6)

2018 vs. 2017

Amortization of intangibles increased during the fiscal year ended August 31, 2018 compared to the fiscal year ended August 31, 2017 primarily due to the incremental additional amortization associated with intangible assets related to the acquisition of True-Tech Corporation (True-Tech) that occurred in the first quarter of fiscal year 2018.

2017 vs. 2016

Amortization of intangibles decreased during the fiscal year ended August 31, 2017 compared to the fiscal year ended August 31, 2016 primarily due to certain intangible assets associated with the Plasticos and Shemer acquisitions that were fully amortized during fiscal year 2016.

Restructuring and Related Charges

Following is a summary of our restructuring and related charges:

(dollars in millions)	Fiscal Year Ended August 31, 2018(2)	2017(2)	2016(3)
Employee severance and benefit costs	$ 16.3	$ 56.8	$ 8.8
Lease costs	1.6	4.0	
Asset write-off costs	16.2	94.3	1.2

Other related costs	2.8	5.3	1.4
Total restructuring and related charges[1]	$ 36.9	$ 160.4	$ 11.4

(1) Includes $16.3 million, $51.3 million and $10.7 million recorded in the EMS segment, $16.6 million, $82.4 million and $0.8 million recorded in the DMS segment and $4.0 million, $26.7 million and $(0.1) million of non-allocated charges for the fiscal years ended August 31, 2018, 2017 and 2016, respectively. Except for asset write-off costs, all restructuring and related charges are cash settled.

(2) Primarily relates to the 2017 Restructuring Plan.

(3) Costs relate to the 2013 Restructuring Plan, which was substantially complete during fiscal year 2017.

2017 Restructuring Plan

On September 15, 2016, our Board of Directors formally approved a restructuring plan to better align our global capacity and administrative support infrastructure to further optimize organizational effectiveness. This action includes headcount reductions across our selling, general and administrative cost base and capacity realignment in higher cost locations (the 2017 Restructuring Plan).

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Upon completion of the 2017 Restructuring Plan, we expect to recognize approximately $195.0 million in restructuring and related costs. We incurred $186.4 million of costs-to-date as of August 31, 2018. The remaining costs for employee severance and benefits costs, asset write-off costs and other related costs are anticipated to be incurred through the first half of fiscal year 2019.

The 2017 Restructuring Plan, once complete, is expected to yield annualized cost savings beginning in fiscal year 2019 of approximately $90.0 million. During fiscal year 2018, we realized costs savings of approximately $80.0 million. The annual cost savings is expected to be reflected as a reduction in cost of revenue as well as a reduction of selling, general and administrative expense.

See Note 14 Restructuring and Related Charges to the Consolidated Financial Statements for further discussion of restructuring and related charges for the 2017 Restructuring Plan.

Other Expense

	Fiscal Year Ended August 31,			Change	
(dollars in millions)	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
Other expense	$ 37.6	$ 28.4	$ 8.4	$ 9.2	$ 20.0

2018 vs. 2017

Other expense increased during the fiscal year ended August 31, 2018 compared to the fiscal year ended August 31, 2017, primarily due to an increase in fees associated with the utilization of the asset-backed securitization programs and the new trade accounts receivable sale programs of $16.3 million, costs incurred of $2.6 million in connection with a make-whole premium and related expenses for the early redemption of the 8.250% Senior Notes due 2018 and $1.2 million for an other than temporary impairment on a cost method investment. The increase was partially offset by an $11.5 million other than temporary impairment on available for sale securities during the third quarter of fiscal year 2017.

2017 vs. 2016

Other expense increased during the fiscal year ended August 31, 2017 compared to the fiscal year ended August 31, 2016, primarily due to an other than temporary impairment on available for sale securities of $11.5 million, an increase in fees associated with the asset-backed securitization programs of $6.6 million and a $1.5 million loss associated with a cost method investment.

Interest Income

	Fiscal Year Ended August 31,			Change	
(dollars in millions)	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
Interest income	$ 17.8	$ 12.5	$ 9.1	$ 5.3	$ 3.4

2018 vs. 2017

Interest income increased during the fiscal year ended August 31, 2018 compared to the fiscal year ended August 31, 2017 due to increased cash equivalents (investments that are readily convertible to cash with maturity dates of 90 days or less) and higher interest rates.

2017 vs. 2016

Interest income increased during the fiscal year ended August 31, 2017 compared to the fiscal year ended August 31, 2016 due to increased cash equivalents (investments that are readily convertible to cash with maturity dates of 90 days or less).

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Interest Expense

(dollars in millions)	Fiscal Year Ended August 31, 2018	2017	2016	Change 2018 vs. 2017	2017 vs. 2016
Interest expense	$ 149.0	$ 138.1	$ 136.5	$ 10.9	$ 1.6

2018 vs. 2017

Interest expense increased during the fiscal year ended August 31, 2018 compared to the fiscal year ended August 31, 2017 due to additional borrowings on the 2017 Revolving Credit Facility and higher interest rates.

2017 vs. 2016

Interest expense remained relatively consistent during the fiscal year ended August 31, 2017 compared to the fiscal year ended August 31, 2016.

Income Tax Expense

	Fiscal Year Ended August 31, 2018	2017	2016	Change 2018 vs. 2017	2017 vs. 2016
Effective tax rate	76.6%	50.4%	34.1%	26.2%	16.3%

2018 vs. 2017

The increase in the effective tax rate during the fiscal year ended August 31, 2018 compared to the fiscal year ended August 31, 2017 was primarily due to $142.3 million of provisional tax expense associated with the Tax Act impacts of the one-time transition tax, re-measurement of our U.S. deferred tax attributes, and a change in the indefinite reinvestment assertion on certain earnings from our foreign subsidiaries. The increase was also driven by the fiscal year 2017 valuation allowance reversals of $27.5 million related to non-U.S. jurisdictions that did not recur in fiscal year 2018. The increase was partially offset by $16.1 million of tax benefits from the lapse of statute in a non-U.S. jurisdiction and $14.8 million related to the release of stranded tax effects previously classified as accumulated other comprehensive income (AOCI).

During fiscal year 2018, we made reasonable estimates of the impact related to certain aspects of the Tax Act and, in accordance with the SEC s SAB118, recorded a provisional income tax expense of approximately $142.3 million. As of August 31, 2018, we believe this is a reasonable estimate related to the Tax Act based on analyses, interpretations, and guidance available at this time. The final impact of the Tax Act may differ from our estimate due to, among other items, additional regulatory guidance that may be issued, changes in interpretations and assumptions and finalization of calculations of the impact of the Tax Act, including the on-going analysis of U.S. tax attributes, re-measurement of the U.S. deferred tax attributes, analysis of our indefinite reinvestment assertion, and the computation of earnings and profits of our foreign subsidiaries, applicable foreign tax credits and relevant limitations. As we finalize the accounting for the tax effects of the enactment of the Tax Act during the measurement period, we will reflect adjustments to the provisional amounts recorded and record additional tax effects in the periods such adjustments are identified.

2017 vs. 2016

The increase in the effective tax rate during the fiscal year ended August 31, 2017 compared to the fiscal year ended August 31, 2016 was primarily due to decreased income in jurisdictions with low tax rates and increased losses in jurisdictions with existing valuation allowances, which was partially due to an increase in restructuring expense, and increased income in jurisdictions with high tax rates. This effective tax rate increase was partially offset by an income tax benefit of $27.5 million for the reversal of valuation allowances related to non-U.S. jurisdictions.

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Non-GAAP (Core) Financial Measures

The following discussion and analysis of our financial condition and results of operations include certain non-GAAP financial measures as identified in the reconciliation below. The non-GAAP financial measures disclosed herein do not have standard meaning and may vary from the non-GAAP financial measures used by other companies or how we may calculate those measures in other instances from time to time. Non-GAAP financial measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with U.S. GAAP. Also, our core financial measures should not be construed as an inference by us that our future results will be unaffected by those items that are excluded from our core financial measures.

Management believes that the non-GAAP core financial measures set forth below are useful to facilitate evaluating the past and future performance of our ongoing manufacturing operations over multiple periods on a comparable basis by excluding the effects of the amortization of intangibles, stock-based compensation expense and related charges, restructuring and related charges, distressed customer charges, acquisition and integration charges, loss on disposal of subsidiaries, settlement of receivables and related charges, impairment of notes receivable and related charges, goodwill impairment charges, business interruption and impairment charges, net, other than temporary impairment on securities, income (loss) from discontinued operations, gain (loss) on sale of discontinued operations and certain other expenses, net of tax and certain deferred tax valuation allowance charges. Among other uses, management uses non-GAAP core financial measures to make operating decisions, assess business performance and as a factor in determining certain employee performance when evaluating incentive compensation.

We determine the tax effect of the items excluded from core earnings and core basic and diluted earnings per share based upon evaluation of the statutory tax treatment and the applicable tax rate of the jurisdiction in which the pre-tax items were incurred, and for which realization of the resulting tax benefit, if any, is expected. In certain jurisdictions where we do not expect to realize a tax benefit (due to a history of operating losses or other factors resulting in a valuation allowance related to deferred tax assets), a 0% tax rate is applied.

We are reporting core operating income, core earnings and core return on invested capital to provide investors with an additional method for assessing operating income and earnings, by presenting what we believe are our core manufacturing operations. A significant portion (based on the respective values) of the items that are excluded for purposes of calculating core operating income and core earnings also impacted certain balance sheet assets, resulting in a portion of an asset being written off without a corresponding recovery of cash we may have previously spent with respect to the asset. In the case of restructuring and related charges, we may make associated cash payments in the future. In addition, although, for purposes of calculating core operating income and core earnings, we exclude stock-based compensation expense (which we anticipate continuing to incur in the future) because it is a non-cash expense, the associated stock issued may result in an increase in our outstanding shares of stock, which may result in the dilution of our stockholders ownership interest. We encourage you to consider these matters when evaluating the utility of these non-GAAP financial measures.

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Included in the tables below are a reconciliation of the non-GAAP financial measures to the most directly comparable U.S. GAAP financial measures as provided in our Consolidated Financial Statements (in thousands, except for per share data):

	Fiscal Year Ended August 31,		
	2018	2017	2016
Operating income (U.S. GAAP)	$ 542,153	$ 410,230	$ 522,833
Amortization of intangibles	38,490	35,524	37,121
Stock-based compensation expense and related charges	98,511	48,544	58,997
Restructuring and related charges	36,902	160,395	11,369
Acquisition and integration charges[1]	8,082		
Distressed customer charges[2]	32,710	10,198	
Loss on disposal of subsidiaries		2,112	
Business interruption and impairment charges, net[3]	11,299		
Adjustments to operating income	225,994	256,773	107,487
Core operating income (Non-GAAP)	$ 768,147	$ 667,003	$ 630,320
Net income attributable to Jabil Inc. (U.S. GAAP)	$ 86,330	$ 129,090	$ 254,095
Adjustments to operating income	225,994	256,773	107,487
Other than temporary impairment on securities[4]		11,539	
Adjustment for taxes[5]	146,206	(4,726)	(2,483)
Core earnings (Non-GAAP)	$ 458,530	$ 392,676	$ 359,099
Earnings per share (U.S. GAAP):			
Basic	$ 0.50	$ 0.71	$ 1.33
Diluted	$ 0.49	$ 0.69	$ 1.32
Core earnings per share (Non-GAAP):			
Basic	$ 2.66	$ 2.16	$ 1.89
Diluted	$ 2.62	$ 2.11	$ 1.86
Weighted average shares outstanding used in the calculations of earnings per share (U.S. GAAP and Non-GAAP):			
Basic	172,237	181,902	190,413
Diluted	175,044	185,838	192,750

(1) Charges related to our strategic collaboration with a healthcare company.

(2) Charges during fiscal year 2018 relate to inventory and other assets charges for certain distressed customers in the networking and consumer wearables sectors. Charges during fiscal year 2017 relate to inventory and other assets charges for the disengagement with an energy customer.

(3) Charges, net of insurance proceeds of $24.9 million, for the fiscal year ended August 31, 2018 relate to business interruption and asset impairment costs associated with damage from Hurricane Maria, which impacted our operations in Cayey, Puerto Rico.

(4) Relates to an other than temporary impairment on available for sale securities during fiscal year 2017.

(5) Includes a $142.3 million provisional estimate to account for the effects of the Tax Act for the fiscal year ended August 31, 2018.

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	Fiscal Year Ended		
	August 31, 2018	August 31, 2017	August 31, 2016
Numerator:			
Operating income (U.S. GAAP)	$ 542,153	$ 410,230	$ 522,833
Tax effect [1]	(300,979)	(137,087)	(131,893)
After-tax operating income	241,174	273,143	