



fabrinet®



TRUSTED MANUFACTURING PARTNER OF THE WORLD'S LEADING OEMS



Company Overview

FQ4 2017 Update

August 21, 2017

This presentation and the accompanying oral presentation contain “forward-looking” statements that are based on our management’s beliefs and assumptions and on information currently available to management. Forward-looking statements include all statements other than statements of historical fact contained in this presentation, including information concerning our business plans and objectives, potential growth opportunities, competitive position, industry environment and potential market opportunities.

Forward-looking statements are subject to known and unknown risks, uncertainties, assumptions and other factors including, but not limited to: less customer demand for our products and services than forecasted; less growth in the optical communications, industrial lasers and sensors markets than we forecast; difficulties expanding into additional markets, such as the semiconductor processing, biotechnology, metrology and materials processing markets; increased competition in the optical manufacturing services markets; difficulties in delivering products and services that compete effectively from a price and performance perspective; our reliance on a small number of customers and suppliers; difficulties in managing our operating costs; difficulties in managing and operating our business across multiple countries (including Thailand, the People’s Republic of China, the U.S. and the U.K.); and other important factors as described in reports and documents we file from time to time with the Securities and Exchange Commission (SEC), including the factors described under the section captioned “Risk Factors” in our most recent annual and quarterly reports on Form 10-K and Form 10-Q. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. These factors may cause our actual results, performance or achievements to differ materially and adversely from those anticipated or implied by our forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although our management believes that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances described in the forward-looking statements will be achieved or occur. Moreover, neither we, nor any other person, assume responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to publicly update any forward-looking statements for any reason after the date of this presentation to conform these statements to actual results or to changes in our expectations, except as required by law.

Investment Highlights

- ✓ Leading Share in the High Growth Optical Communications Market
- ✓ Vertically Integrated Capabilities Focused on Highly Complex Low Volume Products
- ✓ Unique Value Proposition
- ✓ Strong Customer Relationships
- ✓ Differentiated Business Model with Significant Barriers to Entry
- ✓ Demonstrated Track Record of Profitability

Who We Are

Global leader in engineering services, advanced packaging & precision manufacturing for optical components, industrial lasers & sensors

Broad range of advanced optical & electro-mechanical capabilities across the entire manufacturing process from NPI to full production

Long-lasting customer relationships; Customers trust Fabrinet as a sole-source manufacturing partner

Seasoned management team with over 100 years of combined manufacturing experience



- Founded in 2000 by Current CEO & Chairman, Tom Mitchell
- Factories in Thailand, China, New Jersey, California and United Kingdom.
- Total employees: ~10,541
- Facilities: 2.0 MM sq. ft.
 - TTM Revenue (June 2017): US \$1.4B

Core values:

Total customer satisfaction | Positive work environment | Integrity

Products We Manufacture

Optical Communications

- Transceivers
- Transponders
- Optical amplifiers
- ROADM
- Silicon Photonics



Industrial Lasers

- Fiber lasers
- Solid-state lasers
- Semiconductor-based lasers
- Gas lasers



Auto/Sensors

- Safety & Control sensors
- Pressure sensors
- Temperature sensors
- Gas sensors



Customized Optics and Glass (CASIX)

- Beam Splitters, Prisms, Laser Crystals, Waveplates, Ferrules



Low-Cost Manufacturing Footprint

Scalable Optical & Electro-Mechanical Assembly

Customized Optics

Quick-turn NPI services



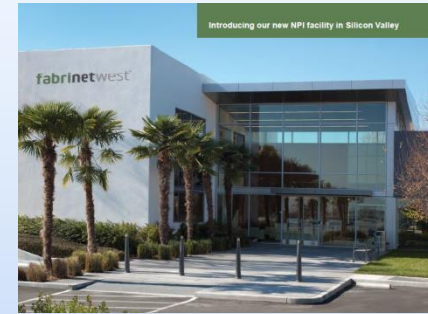
Bangkok, Thailand
Building 5



Bangkok, Thailand
Building 6



Fuzhou, China



Santa Clara, USA



Chonburi, Thailand
Building 8

Facility	Appx. Headcount ⁽¹⁾	Manufacturing Space (sq. ft. ⁽¹⁾)
Thailand	~8,929	~1,562,000
China ⁽²⁾	~1,210	~248,000
USA & Others ⁽³⁾	~402	~172,000
TOTAL	~10,541	~1,982,000

(1) As of June 30, 2017. Figures may not add due to rounding

(2) Includes wholly-owned subsidiary CASIX, which manufactures customized optics & glass

(3) Includes subsidiaries Fabrinet West (a factory in Silicon Valley) and Exception EMS (a UK company from an acquisition in September, 2016, which specialize in quick-turn new product introduction (NPI) services from PCB layout to fast prototyping to initial production & full box build & system integration.



Exception EMS, UK

Our Growth and Development

Roots in HDD Manufacturing

- Acquired Seagate Facility in Thailand
- Entry into Optical Communications

Accelerated Optical Outsourcing

- Acquired Customized Optics & Glass Capabilities
- Entry into Industrial Lasers & Sensors

Customer & Industry Diversification

- Accelerated Lasers & Sensors Outsourcing
- Identification of & entry into new market adjacencies

NPI & Facilities Expansion

- Fabrinet West
- Chonburi campus
- Exception EMS

2015-2017

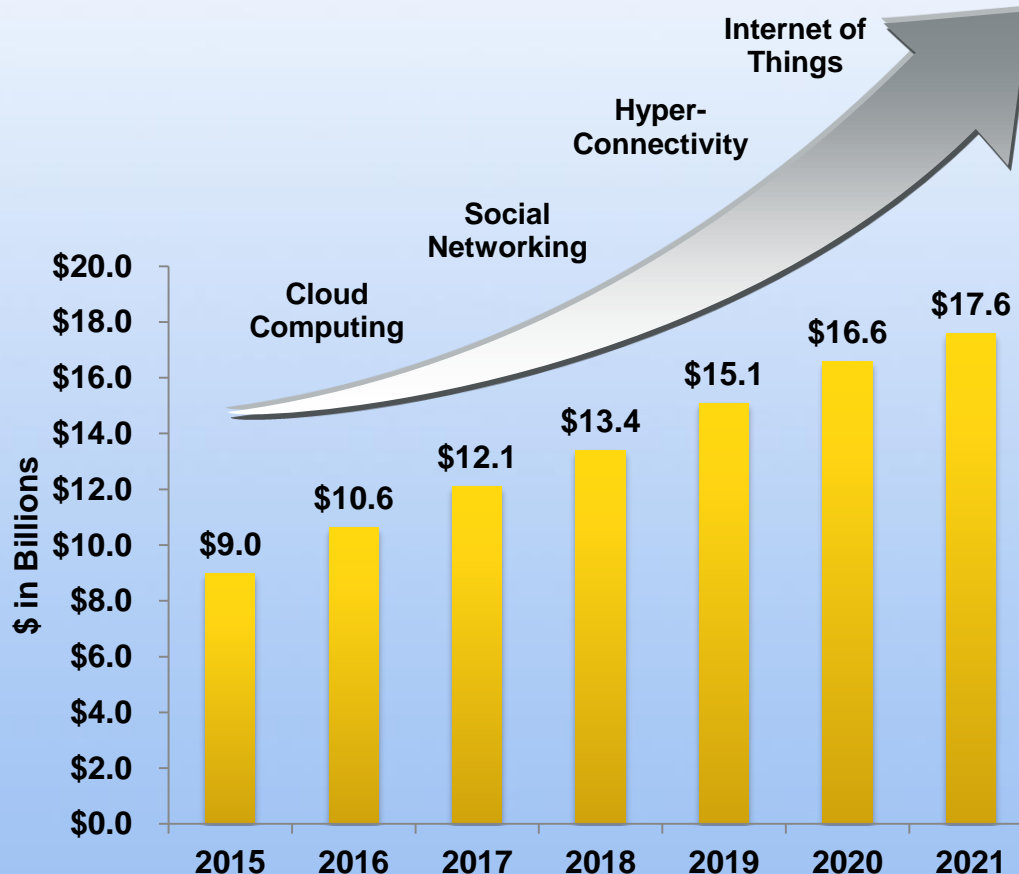
2010

2005

2000

Market Leading Share in High Growth Optical Communications Sector

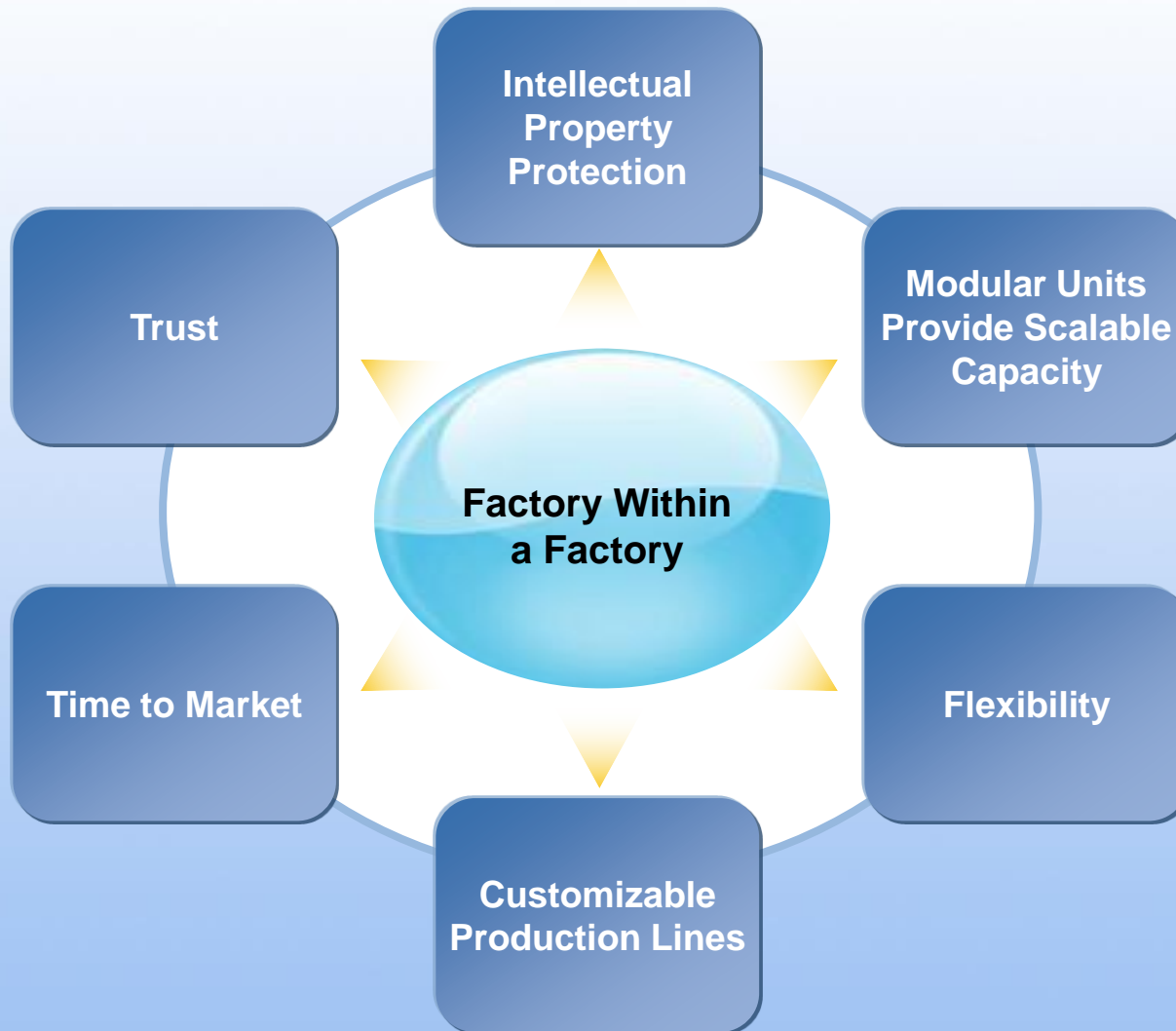
Optical Component Market expected to grow at 12% CAGR (2015-2021) to support increasing bandwidth demand



Source: Ovum, November 2016, Global Optical Component Merchant Market Forecast

- Increasing demand for bandwidth suggests strong industry fundamentals should continue
- Continued traffic growth in telecom networks driving the demand for 100Gbps, ROADMs & optical amplifiers
- Datacom growth driven by demand for 10, 40 & 100Gbps, & for parallel optics in support of connectivity needs within & between data centers
- Fabrinet Key Technology Advantages
 - Advanced optical packaging
 - Precision optical fiber & electro-mechanical assembly
 - Fiber handling & alignment
 - Optical & reliability testing
 - Crystal growth & optical coating

Benefits of our Manufacturing Model



We not only assemble products, but we become a partner with our customer organizations, offering custom solutions & value-added services for all stages of product life cycles

Our Unique Value Proposition

Customer Requirements

Complex, high-mix / low-volume optical & electro-mechanical manufacturing

IP protection

Specialized optical supply chain management

Quality & cost



Fabrinet Solution

- Leading edge optical technologies
- Highly trained workforce
- Process development & management
- Customized manufacturing environment
- 650+ engineers focused on manufacturing quality & process improvement

- Factory within a factory
- Comprehensive security protocols
- Customer workforce exclusiveness

- Proprietary demand management tools
- Volume consolidation & localization
- Vertical integration
- Ability to manage complex high-mix/low-volume

- Proven quality control systems
- Real-time traceability
- Lean manufacturing practices
- Strategic low-cost operations

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Customers

**Optical Components,
Industrial Lasers, Sensors, Medical & Other**

**Our customers' customers
(Original Equipment Manufacturers)**

End-users

Multiple layers
of process &
product
qualification &
approval

- Makes switching costs high
- Creates a sticky model

Sole-source
supplier for the
majority of our
products

- Focus on Custom high-mix/low-volume manufacturing
- Primarily compete against our customer's manufacturing capabilities

Opportunities to Accelerate Growth

Markets We Play in:

Sensors

\$60.4Bn

Optical Components

\$12.1Bn

Lasers

\$9.9Bn

Growth Strategies:

1

Strong Focus on Total Customer Satisfaction

2

Increase Penetration with Existing Customers

3

Growth within Current Markets

4

Expansion into New Products & New Customers

5

Expansion into New Market Opportunities

Sources: Ovum, Strategies Unlimited, Frost and Sullivan

Financial Highlights

- ☒ Large & Growing Addressable Markets

- ☒ Continued Progress in Revenue Diversification

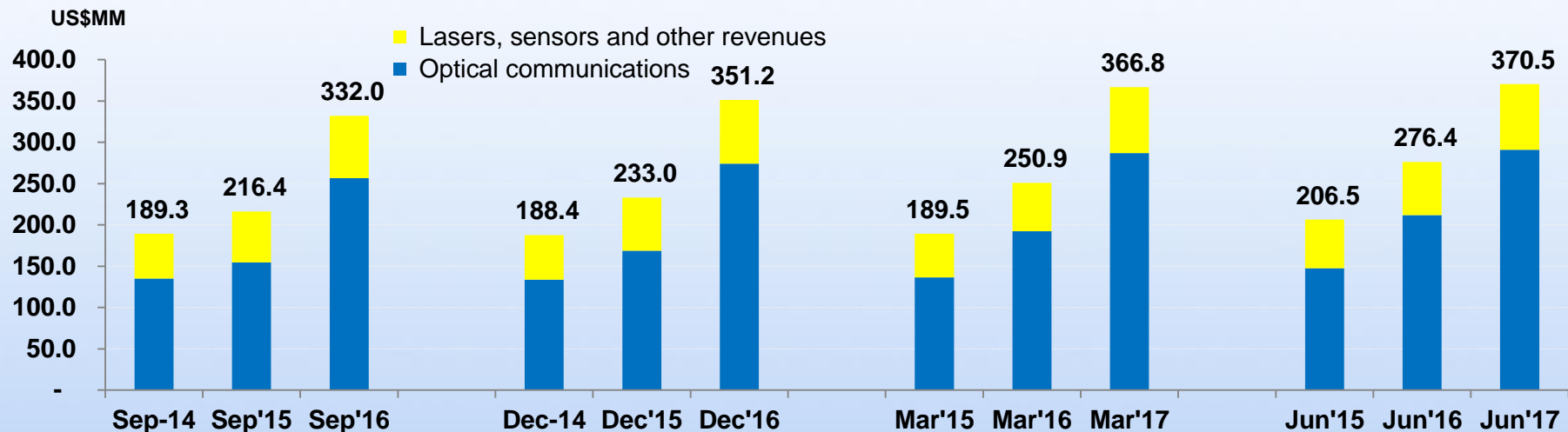
- ☒ Attractive Profit Margins

- ☒ Strong Balance Sheet

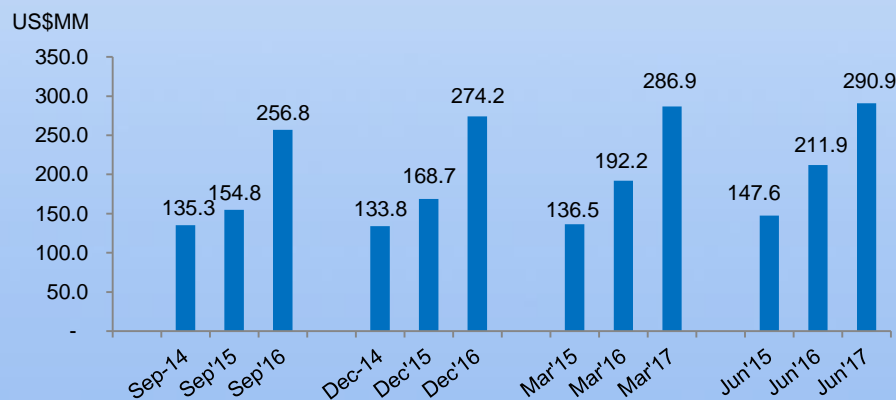
- ☒ Track Record of Capital Efficiency

Strong Revenue Growth

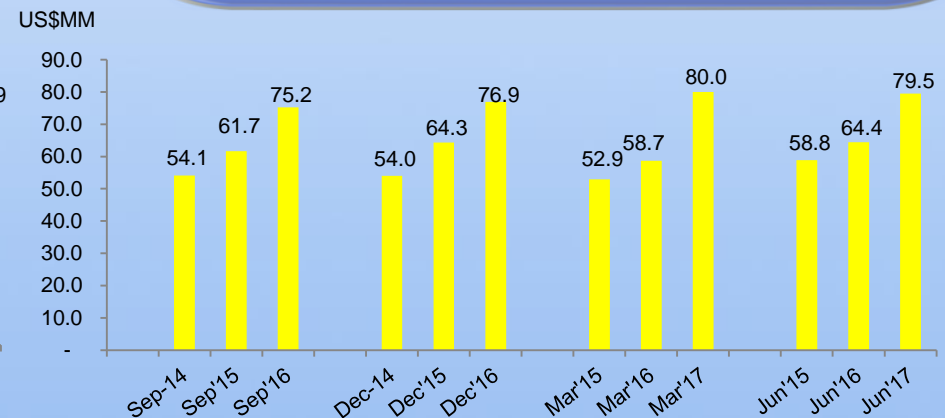
Consolidated revenues



Optical communications revenues



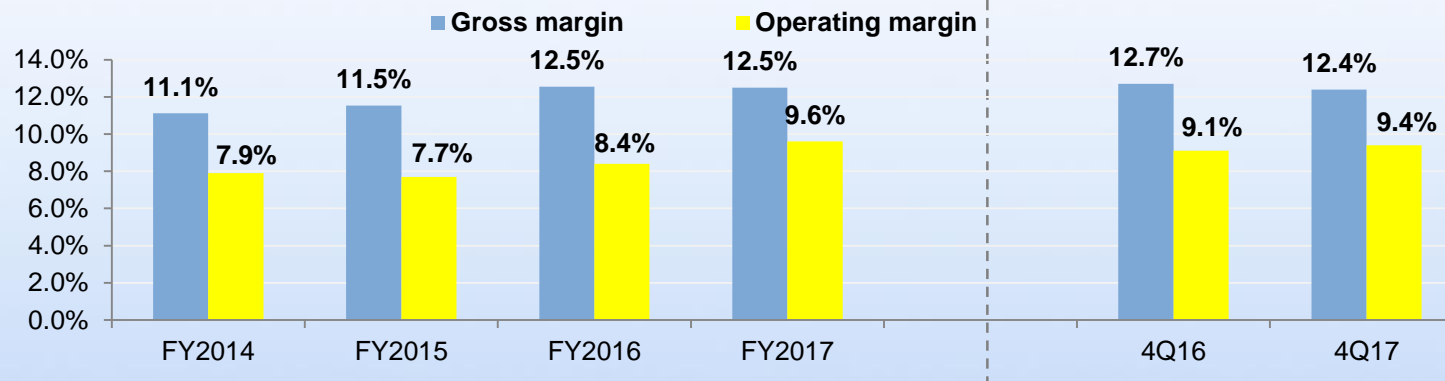
Lasers, sensors & other revenues



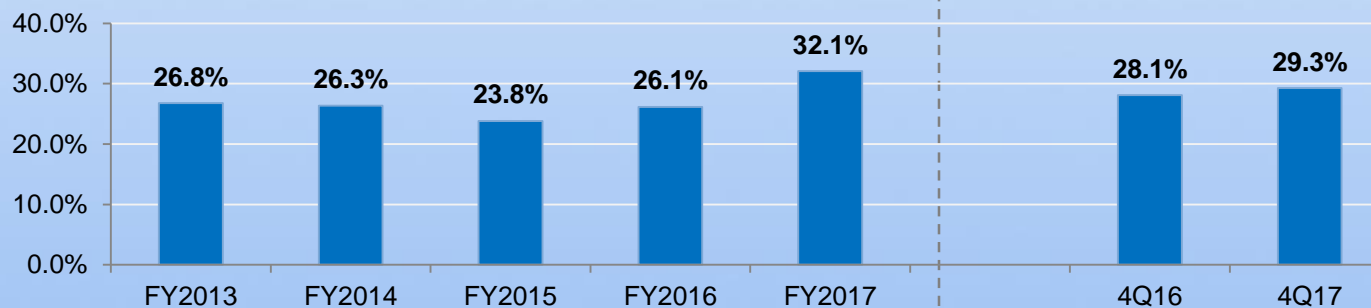
Consistent Profitability Through the Cycles

Non-GAAP gross margin and non-GAAP operating margin ⁽¹⁾

% of Sales



ROIC ⁽²⁾



(1) Excludes share based compensation, executive separation cost, depreciation of fair value uplift/intangibles, business combination expenses, restructuring costs, etc. See Appendix for a reconciliation to most comparable GAAP measures.

(2) Return on Invested Capital = Non-GAAP net income divided by average invested capital. Invested capital = total debt + shareholder equity – cash & equivalents, marketable securities and restricted cash. For ROIC in the current fiscal quarter and the prior year fiscal quarter, Non-GAAP net income is annualized by multiplying the fiscal quarter's Non-GAAP net income by 4. See Appendix for a reconciliation to most comparable GAAP measures.

Recent Financial Performance

Key Financials		
US\$MM, except per share figures		
	3 months ended	
	30-Jun-17	24-Jun-16
Revenue	370.5	366.8
<i>Y-o-Y growth</i>	<i>34%</i>	<i>34%</i>
Gross profit (Adjusted) ⁽¹⁾	46.0	35.2
<i>Gross margin (non-GAAP) ⁽¹⁾</i>	<i>12.4%</i>	<i>12.7%</i>
Operating profit (Adjusted) ⁽¹⁾	34.8	25.1
<i>Operating margin (non-GAAP) ⁽¹⁾</i>	<i>9.4%</i>	<i>9.1%</i>
Net Income (GAAP)	27.4	19.7
Net Income (Non-GAAP) ⁽²⁾	32.8	22.4
Diluted EPS (GAAP)	0.72	0.53
Diluted EPS (Non-GAAP) ⁽²⁾	0.86	0.60

⁽¹⁾ Non-GAAP financial measure. See Appendix for a reconciliation to most comparable GAAP measures.

⁽²⁾ Adjusted for share based compensation & non-recurring charges (business combination expenses, amortization of debt issuance costs, etc.), net of income tax effects. See Appendix for a reconciliation to most comparable GAAP measures.

- Q4 Revenue of \$370.5 MM beats high end of guidance
- Non-GAAP Gross margin was 12.4%.
Target remains 12-12.5%
- Non-GAAP EPS of \$0.86 resulted from the scale of revenue and fixed cost leverage from higher manufacturing volume and includes 3c headwind from FX fluctuations

Balance Sheet Supports Growth

Selected Items	
US\$MM	As of Jun 30, 2017
Cash, cash equivalents ⁽¹⁾	288.6
Working capital ⁽²⁾	287.8
Property, plant & equipment, net	216.9
Total debt ⁽³⁾	71.1
Total shareholders' equity	681.6

(1) Cash & cash equivalents include marketable securities and restricted cash

(2) Calculated as Trade accounts receivable + Inventory – Trade accounts payable

(3) Calculated as the sum of current & long-term debt, net of unamortized debt issuance costs

Summary Highlights

- ☒ Large & Growing Addressable Markets

- ☒ Differentiated Business Model with Significant Barriers to Entry

- ☒ Sustainable Competitive Advantages

- ☒ Strong Customer Relationships; generally sole-source provider to our customers

- ☒ Demonstrated Track Record of Profitability

- ☒ Experienced Management Team with History of Execution

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Appendix

Non-GAAP Reconciliation of Gross Margin and Operating Margin

Reconciliation of GAAP Gross Profit and GAAP Gross Margin to Non-GAAP Gross Profit and Non-GAAP Gross Margin

(in thousands of U.S. dollars)	Three Months Ended			Twelve Months Ended			
	June 30, 2017	March 31, 2017	June 24, 2016	June 30, 2017	June 24, 2016	June 26, 2015	June 27, 2014
Revenue	\$ 370,454	\$ 366,837	\$ 276,388	\$ 1,420,490	\$ 976,747	\$ 773,587	\$ 677,854
Gross profit (GAAP)	\$ 44,760	\$ 44,046	\$ 33,842	\$ 171,460	\$ 119,523	\$ 87,773	\$ 74,233
Share-based compensation expenses	1,133	1,657	385	5,318	1,979	1,451	1,182
Depreciation of fair value uplift	80	67	-	147	-	-	-
Cost resulting from a non-recurring warranty charge	-	-	1,000	-	1,000	-	-
Gross profit (Non-GAAP)	<u>\$ 45,973</u>	<u>\$ 45,770</u>	<u>\$ 35,227</u>	<u>\$ 176,925</u>	<u>\$ 122,502</u>	<u>\$ 89,224</u>	<u>\$ 75,415</u>
Gross margin (GAAP)	12.1%	12.0%	12.2%	12.1%	12.2%	11.3%	11.0%
Gross margin (Non-GAAP)	12.4%	12.5%	12.7%	12.5%	12.5%	11.5%	11.1%

Reconciliation of GAAP Operating Profit and GAAP Operating Margin to GAAP Operating Profit and Non-GAAP Operating Margin

(in thousands of U.S. dollars)	Three Months Ended			Twelve Months Ended			
	June 30, 2017	March 31, 2017	June 24, 2016	June 30, 2017	June 24, 2016	June 26, 2015	June 27, 2014
Revenue	\$ 370,454	\$ 366,837	\$ 276,388	\$ 1,420,490	\$ 976,747	\$ 773,587	\$ 677,854
Operating profit (GAAP)	\$ 29,703	\$ 26,960	\$ 22,003	\$ 105,834	\$ 69,806	\$ 47,160	\$ 91,317
Share-based compensation expenses	4,571	7,728	2,145	26,508	9,927	8,028	5,547
Depreciation of fair value uplift	80	67	-	147	-	-	-
Cost resulting from a non-recurring warranty charge	-	-	1,000	-	1,000	-	-
Executive separation costs	-	-	-	577	1,360	-	547
Investigation costs	-	-	-	-	-	3,242	400
Expenses related to reduction in workforce	-	-	-	-	-	1,153	-
Follow-on offering expenses	-	-	-	-	-	-	344
Expenses related to CEO search	100	103	-	203	-	-	-
Debt administration expenses	-	320	-	320	-	-	-
Amortization of intangibles	199	179	-	607	-	-	-
Business combination expenses	160	120	-	1790	-	-	-
Income related to flooding	-	-	-	-	-36	-	-44,748
Operating profit (Non-GAAP)	<u>\$ 34,813</u>	<u>\$ 35,477</u>	<u>\$ 25,148</u>	<u>\$ 135,986</u>	<u>\$ 82,057</u>	<u>\$ 59,583</u>	<u>\$ 53,407</u>
Operating margin (GAAP)	8.0%	7.3%	8.0%	7.5%	7.1%	6.1%	13.5%
Operating margin (Non-GAAP)	9.4%	9.7%	9.1%	9.6%	8.4%	7.7%	7.9%

Non-GAAP Reconciliation of Net Profit and EPS

(in thousands of U.S. dollars, except per share data)	Three Months Ended			
	June 30, 2017	June 30, 2017	March 31, 2017	March 31, 2017
	Net income	Diluted EPS	Net income	Diluted EPS
Net profit (GAAP measures)	27,401	0.72	21,656	0.57
Items reconciling GAAP net income & EPS to non-GAAP net income & EPS:				
Related to cost of revenues:				
Share-based compensation expenses	1,133	0.03	1,657	0.04
Depreciation of fair value uplift	80	0.00	67	0.00
Total related to gross profit	1,213	0.03	1,724	0.05
Related to selling, general and administrative expenses:				
Share-based compensation expenses	3,438	0.09	6,071	0.16
Expenses related to CEO search	100	0.00	103	0.00
Debt administration expenses	-	-	320	0.01
Amortization of intangibles	199	0.01	179	0.00
Business combination expenses	160	0.00	120	0.00
Total related to selling, general and administrative expenses	3,897	0.10	6,793	0.18
Related to other incomes and other expenses:				
Amortization of debt issuance costs	257	0.01	283	0.01
Total related to other incomes and other expenses	257	0.01	283	0.01
Total related to net income & EPS	5,367	0.14	8,800	0.23
Net profit (Non-GAAP measures)	32,768	0.86	30,456	0.80
Shares used in computing diluted net income per share				
GAAP diluted shares		38,118		37,872
Non-GAAP diluted shares		38,118		37,872

Revenue Mix

Type	FQ1'16	FQ2'16	FQ3'16	FQ4'16	FQ1'17	FQ2'17	FQ3'17	FQ4'17
Optical	72%	72%	77%	77%	77%	78%	78%	79%
Datacom	41%	39%	38%	36%	35%	37%	40%	39%
Telecom	59%	61%	62%	64%	65%	63%	60%	61%
Non-Optical	28%	28%	23%	23%	23%	22%	22%	21%

* Optical and non-optical revenue mix presented as % of total revenue. Datacom and telecom revenue mix presented as % of optical revenue.