



## Fabrinet Announces Second Quarter Fiscal Year 2021 Financial Results

February 1, 2021

- **Record Second Quarter Revenue of \$453.8 million Exceeds Guidance**
- **Record GAAP and Non-GAAP Net Income per Share Exceed Guidance**

BANGKOK--(BUSINESS WIRE)--Feb. 1, 2021-- Fabrinet (NYSE: FN), a leading provider of advanced optical packaging and precision optical, electro-mechanical and electronic manufacturing services to original equipment manufacturers of complex products, today announced its financial results for its second fiscal quarter ended December 25, 2020.

Seamus Grady, Chief Executive Officer of Fabrinet, said, "We delivered record revenue and profitability that exceeded our guidance ranges in the second quarter. Newer programs helped drive revenue upside while margin improvement contributed to strong profitability in the quarter."

Grady continued, "Based on our anticipated growth, we have broken ground on construction for an additional building at our Chonburi campus. As we look ahead, we are optimistic that the third quarter will represent another record-breaking quarter for the company."

### Second Quarter Fiscal Year 2021 Financial Highlights

#### GAAP Results

- Revenue for the second quarter of fiscal year 2021 was \$453.8 million, compared to \$426.2 million in the second quarter of fiscal year 2020.
- GAAP net income for the second quarter of fiscal year 2021 was \$35.4 million, compared to GAAP net income of \$31.2 million for the second quarter of fiscal year 2020.
- GAAP net income per diluted share for the second quarter of fiscal year 2021 was \$0.94, compared to GAAP net income per diluted share of \$0.83 for the second quarter of fiscal year 2020.

#### Non-GAAP Results

- Non-GAAP net income for the second quarter of fiscal year 2021 was \$41.5 million, compared to non-GAAP net income of \$37.7 million for the second quarter of fiscal year 2020.
- Non-GAAP net income per diluted share for the second quarter of fiscal year 2021 was \$1.10, compared to non-GAAP net income per diluted share of \$1.00 for the second quarter of fiscal year 2020.

#### Business Outlook

Based on information available as of February 1, 2021, Fabrinet is issuing guidance for its third fiscal quarter ending March 26, 2021, as follows:

- Fabrinet expects third quarter revenue to be in the range of \$455 million to \$475 million.
- GAAP net income per diluted share is expected to be in the range of \$0.94 to \$1.01, based on approximately 37.6 million fully diluted shares outstanding.
- Non-GAAP net income per diluted share is expected to be in the range of \$1.10 to \$1.17, based on approximately 37.6 million fully diluted shares outstanding.

#### Conference Call Information

What: Fabrinet Second Quarter Fiscal Year 2021 Financial Results Call

When: Monday, February 1, 2021

Time: 5:00 p.m. ET

Live Call: (888) 357-3694, domestic  
(253) 237-1137, international  
Passcode: 3296178

Replay: (855) 859-2056, domestic  
(404) 537-3406, international  
Passcode: 3296178

Webcast: <http://investor.fabrinet.com/> (live and replay)

This press release and any other information related to the call will also be posted on Fabrinet's website at <http://investor.fabrinet.com>. A recorded

version of this webcast will be available approximately two hours after the call and will be archived on Fabrinet's website for a period of one year.

## About Fabrinet

Fabrinet is a leading provider of advanced optical packaging and precision optical, electro-mechanical, and electronic manufacturing services to original equipment manufacturers of complex products, such as optical communication components, modules and subsystems, automotive components, medical devices, industrial lasers and sensors. Fabrinet offers a broad range of advanced optical and electro-mechanical capabilities across the entire manufacturing process, including process design and engineering, supply chain management, manufacturing, advanced packaging, integration, final assembly and testing. Fabrinet focuses on production of high complexity products in any mix and any volume. Fabrinet maintains engineering and manufacturing resources and facilities in Thailand, the United States of America, the People's Republic of China, Israel and the United Kingdom. For more information visit: [www.fabrinet.com](http://www.fabrinet.com).

## Forward-Looking Statements

### "Safe Harbor" Statement Under U.S. Private Securities Litigation Reform Act of 1995

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include: (1) our optimism that the third quarter will represent another record-breaking quarter for the company; and (2) all of the statements under the "Business Outlook" section regarding our expected revenue, GAAP and non-GAAP net income per share, and fully diluted shares outstanding for the third quarter of fiscal year 2021. These forward-looking statements involve risks and uncertainties, and actual results could vary materially from these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: the effects of the coronavirus on our business, particularly the possibility of (1) the growing global economic downturn, (2) extended shutdowns at any of our manufacturing facilities, especially if the outbreak intensifies or returns in various geographic areas, (3) continued disruption to our supply chain, which could increase our costs and affect our ability to procure parts and materials, especially if the outbreak intensifies or returns in various geographic areas, and (4) regional downward demand adjustments from our customers, particularly those in areas affected by the outbreak; 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, Israel, 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 Quarterly Report on Form 10-Q, filed with the SEC on November 3, 2020. We disclaim any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

## Use of Non-GAAP Financials

We refer to the non-GAAP financial measures cited above in making operating decisions because they provide meaningful supplemental information regarding our ongoing operational performance. Non-GAAP net income excludes: share-based compensation expenses; depreciation of fair value uplift; amortization of intangibles; and amortization of deferred debt issuance costs. We have excluded these items in order to enhance investors' understanding of our underlying operations. The use of these non-GAAP financial measures has material limitations because they should not be used to evaluate our company without reference to their corresponding GAAP financial measures. As such, we compensate for these material limitations by using these non-GAAP financial measures in conjunction with GAAP financial measures.

These non-GAAP financial measures are used to: (1) measure company performance against historical results, (2) facilitate comparisons to our competitors' operating results, and (3) allow greater transparency with respect to information used by management in making financial and operational decisions. In addition, these non-GAAP financial measures are used to measure company performance for the purposes of determining employee incentive plan compensation.

## FABRINET CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

	<b>December</b>	<b>June 26,</b>
	<b>25,</b>	<b>2020</b>
	<b>2020</b>	<b>2020</b>
<i>(in thousands of U.S. dollars, except share data and par value)</i>		
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 219,221	\$ 225,430
Short-term restricted cash	7,402	7,402
Short-term investments	261,817	262,693
Trade accounts receivable, net of allowance for doubtful accounts of \$123 and \$336 respectively	318,430	272,665
Contract assets	16,223	13,256
Inventories	371,996	309,786
Other receivable	24,310	24,310
Prepaid expenses	3,141	5,399
Other current assets	29,187	14,508
Total current assets	<u>1,251,727</u>	<u>1,135,449</u>
Non-current assets		
Long-term restricted cash	153	—
Property, plant and equipment, net	227,670	228,274
Intangibles, net	4,367	4,312

Operating right-of-use assets	7,271	8,068
Deferred tax assets	6,213	5,675
Other non-current assets	236	202
Total non-current assets	<u>245,910</u>	<u>246,531</u>
<b>Total Assets</b>	<u>1,497,637</u>	<u>1,381,980</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Long-term borrowings, current portion, net	12,156	12,156
Trade accounts payable	296,948	251,603
Fixed assets payable	7,748	15,127
Contract liabilities	1,804	1,556
Operating lease liabilities, current portion	2,277	1,979
Income tax payable	2,806	2,242
Accrued payroll, bonus and related expenses	17,633	19,265
Accrued expenses	14,504	8,979
Other payables	39,159	21,514
Total current liabilities	<u>395,035</u>	<u>334,421</u>
Non-current liabilities		
Long-term borrowings, non-current portion, net	33,436	39,514
Deferred tax liability	4,592	4,729
Operating lease liability, non-current portion	4,737	5,873
Severance liabilities	19,011	17,379
Other non-current liabilities	4,156	5,655
Total non-current liabilities	<u>65,932</u>	<u>73,150</u>
<b>Total Liabilities</b>	<u>460,967</u>	<u>407,571</u>
Shareholders' equity		
Preferred shares (5,000,000 shares authorized, \$0.01 par value; no shares issued and outstanding as of December 25, 2020 and June 26, 2020)	—	—
Ordinary shares (500,000,000 shares authorized, \$0.01 par value; 38,698,068 shares and 38,471,967 shares issued at December 25, 2020 and June 26, 2020, respectively; and 36,852,416 shares and 36,727,864 shares outstanding at December 25, 2020 and June 26, 2020, respectively)	387	385
Additional paid-in capital	177,125	175,610
Less: Treasury shares (1,845,652 shares and 1,744,103 shares as of December 25, 2020 and June 26, 2020, respectively)	(75,575)	(68,501)
Accumulated other comprehensive income (loss)	(1,657)	(1,147)
Retained earnings	936,390	868,062
<b>Total Shareholders' Equity</b>	<u>1,036,670</u>	<u>974,409</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 1,497,637</u>	<u>\$ 1,381,980</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**FABRINET**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
(unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 25, 2020</u>	<u>December 27, 2019</u>	<u>December 25, 2020</u>	<u>December 27, 2019</u>
<i>(in thousands of U.S. dollars, except per share data)</i>				
Revenues	\$ 453,827	\$ 426,217	\$ 890,466	\$ 825,513
Cost of revenues	(400,806)	(377,059)	(786,965)	(730,368)
Gross profit	53,021	49,158	103,501	95,145
Selling, general and administrative expenses	(17,156)	(17,078)	(34,019)	(33,078)
Expenses related to reduction in workforce	—	(16)	—	(16)
Operating income	35,865	32,064	69,482	62,051
Interest income	1,111	1,940	2,215	4,038
Interest expense	(265)	(181)	(516)	(2,574)
Foreign exchange gain (loss), net	(533)	(988)	(405)	(2,941)
Other income (expense), net	158	397	279	774
Income before income taxes	36,336	33,232	71,055	61,348
Income tax expense	(952)	(2,001)	(2,620)	(4,160)
Net income	35,384	31,231	68,435	57,188

Other comprehensive income (loss), net of tax:				
Change in net unrealized gain (loss) on available-for-sale securities	(42)	(82)	(367)	(47)
Change in net unrealized gain (loss) on derivative instruments	2,385	(189)	(823)	(150)
Change in net retirement benefits plan – prior service cost	50	101	223	184
Change in foreign currency translation adjustment	(146)	616	457	247
Total other comprehensive income (loss), net of tax	2,247	446	(510)	234
Net comprehensive income (loss)	\$ 37,631	\$ 31,677	\$ 67,925	\$ 57,422
<b>Earnings per share</b>				
Basic	\$ 0.96	\$ 0.84	\$ 1.86	\$ 1.55
Diluted	\$ 0.94	\$ 0.83	\$ 1.83	\$ 1.52
<b>Weighted-average number of ordinary shares outstanding (thousands of shares)</b>				
Basic	36,936	37,011	36,877	36,962
Diluted	37,551	37,763	37,467	37,646

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**FABRINET**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**

<i>(in thousands of U.S. dollars)</i>	<b>Six Months Ended</b>	
	<b>December 25,</b>	<b>December 27,</b>
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Net income for the period	\$ 68,435	\$ 57,188
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	17,650	15,279
(Gain) loss on disposal of property, plant and equipment	(24)	242
(Gain) loss from sales and maturities of available-for-sale securities	(86)	(79)
Amortization of investment discount	1,003	117
Amortization of deferred debt issuance costs	16	10
(Reversal of) allowance for doubtful accounts	(321)	6
Unrealized (gain) loss on exchange rate and fair value of foreign currency forward contracts	(290)	1,205
Unrealized loss (gain) on fair value of interest rate swaps	—	1,672
Amortization of fair value at hedge inception of interest rate swaps	(695)	(433)
Share-based compensation	11,878	12,183
Deferred income tax	(461)	1,543
Other non-cash expenses	(657)	(851)
Changes in operating assets and liabilities		
Trade accounts receivable	(45,410)	(24,970)
Contract assets	(2,967)	1,333
Inventories	(62,211)	(767)
Other current assets and non-current assets	(11,983)	7,471
Trade accounts payable	45,179	(22,816)
Contract liabilities	248	121
Income tax payable	548	1,336
Severance liabilities	1,350	2,015
Other current liabilities and non-current liabilities	20,112	805
Net cash provided by operating activities	41,314	52,610
<b>Cash flows from investing activities</b>		
Purchase of short-term investments	(126,701)	(101,727)
Proceeds from sales of short-term investments	57,486	72,664
Proceeds from maturities of short-term investments	68,807	62,666
Funds provided to customer to support transfer of manufacturing operations	—	(24,310)
Purchase of property, plant and equipment	(22,693)	(15,411)
Purchase of intangibles	(1,271)	(808)
Proceeds from disposal of property, plant and equipment	26	1,195
Net cash used in investing activities	(24,346)	(5,731)
<b>Cash flows from financing activities</b>		
Payment of debt issuance costs	—	(153)
Proceeds from long-term borrowings	—	60,938
Repayment of long-term borrowings	(6,094)	(63,985)
Repayment of finance lease liability	(100)	(189)

Repurchase of ordinary shares	(7,074)	—
Withholding tax related to net share settlement of restricted share units	(10,361)	(4,377)
Net cash used in financing activities	(23,629)	(7,766)
Net increase (decrease) in cash, cash equivalents and restricted cash	(6,661)	39,113
<b>Movement in cash, cash equivalents and restricted cash</b>		
Cash, cash equivalents and restricted cash at the beginning of period	232,832	188,241
Increase (decrease) in cash, cash equivalents and restricted cash	(6,661)	39,113
Effect of exchange rate on cash, cash equivalents and restricted cash	605	351
<b>Cash, cash equivalents and restricted cash at the end of period</b>	<b>226,776</b>	<b>227,705</b>
<b>Non-cash investing and financing activities</b>		
Construction, software and equipment-related payables	\$ 7,748	\$ 14,307

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**FABRINET**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) (Continued)**

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the unaudited condensed consolidated balance sheets that sum to the total of the same amounts shown in the unaudited condensed consolidated statements of cash flows:

	As of	
	December 25, 2020	December 27, 2019
(amount in thousands)		
Cash and cash equivalents	\$ 219,221	\$ 220,031
Restricted cash	7,555	7,674
Cash, cash equivalents and restricted cash	<u>\$ 226,776</u>	<u>\$ 227,705</u>

**FABRINET**  
**RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES**

	Three Months Ended				Six Months Ended			
	December 25, 2020		December 27, 2019		December 25, 2020		December 27, 2019	
	Net income	Diluted EPS	Net income	Diluted EPS	Net income	Diluted EPS	Net income	Diluted EPS
(in thousands of U.S. dollars, except per share data)								
<b>GAAP measures</b>	<b>\$35,384</b>	<b>\$ 0.94</b>	<b>\$31,231</b>	<b>\$ 0.83</b>	<b>\$ 68,435</b>	<b>\$ 1.83</b>	<b>\$57,188</b>	<b>\$ 1.52</b>
Items reconciling GAAP net income & EPS to non-GAAP net income & EPS:								
Related to cost of revenues:								
Share-based compensation expenses	1,592	0.04	1,591	0.04	3,417	0.09	3,311	0.09
Depreciation of fair value uplift	83	—	82	—	167	—	161	—
Total related to gross profit	<u>1,675</u>	<u>0.04</u>	<u>1,673</u>	<u>0.04</u>	<u>3,584</u>	<u>0.10</u>	<u>3,472</u>	<u>0.09</u>
Related to selling, general and administrative expenses:								
Share-based compensation expenses	4,259	0.11	4,597	0.12	8,461	0.23	8,872	0.24
Amortization of intangibles	124	—	143	—	255	0.01	286	0.01
Total related to selling, general and administrative expenses	<u>4,383</u>	<u>0.12</u>	<u>4,740</u>	<u>0.13</u>	<u>8,716</u>	<u>0.23</u>	<u>9,158</u>	<u>0.24</u>
Related to other incomes and other expenses:								
Other expenses in relation to reduction in workforce	—	—	16	—	—	—	16	—
Amortization of deferred debt issuance costs	8	—	8	—	16	—	10	—
Total related to other incomes and other expenses	<u>8</u>	<u>—</u>	<u>24</u>	<u>—</u>	<u>16</u>	<u>—</u>	<u>26</u>	<u>—</u>
Total related to net income & EPS	<b>6,066</b>	<b>0.16</b>	<b>6,437</b>	<b>0.17</b>	<b>12,316</b>	<b>0.33</b>	<b>12,656</b>	<b>0.34</b>
<b>Non-GAAP measures</b>	<b>\$41,450</b>	<b>\$ 1.10</b>	<b>\$37,668</b>	<b>\$ 1.00</b>	<b>\$ 80,751</b>	<b>\$ 2.16</b>	<b>\$69,844</b>	<b>\$ 1.86</b>
Shares used in computing diluted net income per share								
GAAP diluted shares		37,551		37,763		37,467		37,646
Non-GAAP diluted shares		37,551		37,763		37,467		37,646

**FABRINET**  
**RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW**

(amount in thousands)	Three Months Ended	Six Months Ended
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	<b>December 25, 2020</b>	<b>December 27, 2019</b>	<b>December 25, 2020</b>	<b>December 27, 2019</b>
Net cash provided by operating activities	\$ 6,808	\$ 49,963	\$ 41,314	\$ 52,610
Less: Purchase of property, plant and equipment	(10,121)	(9,068)	(22,693)	(15,411)
Non-GAAP free cash flow	<u>\$ (3,313)</u>	<u>\$ 40,895</u>	<u>\$ 18,621</u>	<u>\$ 37,199</u>

**FABRINET**  
**GUIDANCE FOR QUARTER ENDING MARCH 26, 2021**  
**RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES**

	<b>Diluted EPS</b>
<b>GAAP net income per diluted share:</b>	<b><u>\$0.94 to \$1.01</u></b>
<b>Related to cost of revenues:</b>	
Share-based compensation expenses	<u>0.04</u>
Total related to gross profit	<u>0.04</u>
<b>Related to selling, general and administrative expenses:</b>	
Share-based compensation expenses	<u>0.12</u>
Total related to selling, general and administrative expenses	<u>0.12</u>
<b>Total related to net income &amp; EPS</b>	<b><u>0.16</u></b>
<b>Non-GAAP net income per diluted share</b>	<b><u>\$1.10 to \$1.17</u></b>

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