

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported)

February 1, 2020

Fabrinet

(Exact name of registrant as specified in its charter)

Cayman Islands
(State or other jurisdiction
of incorporation)

001-34775
(Commission
File Number)

98-1228572
(IRS Employer
Identification No.)

**c/o Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
George Town
Grand Cayman
KY1-9005
Cayman Islands**

(Address of principal executive offices, including zip code)

+66 2-524-9600

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, \$0.01 par value	FN	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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.

Item 2.02 Results of Operations and Financial Condition.

On February 3, 2020, Fabrinet issued a press release regarding its financial results for the fiscal quarter ended December 27, 2019. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information in this Form 8-K and the exhibit attached shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Retirement of Officer

On February 1, 2020, Toh-Seng Ng, Executive Vice President, Chief Financial Officer of Fabrinet, notified Fabrinet that he would retire on February 1, 2021 (the “Retirement Date”). Effective February 17, 2020, Mr. Ng will step down as Chief Financial Officer and transition to Executive Vice President, Special Projects until his Retirement Date.

Amended and Restated Offer Letter

On February 1, 2020, Mr. Ng and Fabrinet USA, Inc. (the “Company”) entered into an amended and restated offer letter of employment (the “Amended Ng Offer Letter”), in order to provide for additional retirement benefits. Pursuant to the Amended Ng Offer Letter, Mr. Ng will continue to report to Fabrinet’s Chief Executive Officer (“CEO”) and provide transition and other services as requested by the CEO until Mr. Ng’s Retirement Date.

The Amended Ng Offer Letter provides that, upon retirement, Mr. Ng will receive the following severance benefits: (1) a lump sum payment equal to the sum of (a) his one month’s base salary multiplied by the total number of full and fractional years of his employment with the Company as of his termination date; (b) any earned but unpaid bonus; and (c) two times his cost of COBRA coverage for twelve months; (2) any then-outstanding and unvested performance-based equity awards that remain subject to the achievement of any performance goals (the “Performance Awards”) will remain outstanding and eligible to vest based on the extent that the applicable performance-based or other criteria are satisfied; (3) any then-outstanding and unvested restricted share unit awards that are not Performance Awards (the “RSU Awards”) will accelerate vesting as to one hundred percent (100%) of the shares subject thereto and (4) continued tax equalization benefits under the Company’s expatriate policy, as in effect on the date of termination, for the calendar year in which the termination date occurs, and the following calendar year. These severance benefits will also become payable if the Company terminates Mr. Ng’s employment without good cause (and other than due to his death or disability) prior to the Retirement Date.

In the event Mr. Ng’s employment is terminated on account of Mr. Ng’s death or disability, (i) Mr. Ng will become 100% vested in any then-outstanding and unvested RSU Awards, (ii) any then-outstanding and unvested Performance Awards will remain outstanding and eligible to vest based on the extent that the applicable performance-based or other criteria are satisfied, and (iii) Mr. Ng will receive the severance benefits described in clause (1) of the immediately preceding paragraph.

Mr. Ng’s severance benefits are conditioned upon the parties’ entry into a separation agreement and release of claims in favor of the Company.

The foregoing description of the Amended Ng Offer Letter is a summary and is qualified in its entirety by the terms of the Amended Ng Offer Letter, which is incorporated herein by reference and attached to this Current Report on Form 8-K as Exhibit 10.1.

Appointment of Officer

On February 3, 2020, Fabrinet announced that Csaba Sverha has been appointed Executive Vice President, Chief Financial Officer of Fabrinet, effective February 17, 2020. A copy of the press release related to this announcement is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Mr. Sverha, age 40, joined Fabrinet in March 2018 as Vice President of Operations Finance. From 2005 to March 2018, Mr. Sverha held various finance roles of increasing responsibility at Sanmina Corporation, an electronics manufacturing services company. During his thirteen-year tenure at Sanmina, he assumed site level as well as regional and global finance roles, most recently serving as Vice President Finance & Controller, Mechanical Systems Division, from December 2017 to March 2018. Prior to that, Mr. Sverha served as Controller with Benetton Hungary (United Colors of Benetton). Prior to joining Benetton, Mr. Sverha held a junior Finance Analyst and Controller positions with Flex in Hungary. Mr. Sverha holds a Master's Degree in Agricultural Economics and Management from the Szent Istvan University, Godollo Hungary (SZIU).

There are no arrangements or understandings between Mr. Sverha and any other persons pursuant to which he was appointed Executive Vice President, Chief Financial Officer. There are also no family relationships between Mr. Sverha and any director or executive officer of Fabrinet, and he has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	Amended and restated offer letter, dated February 1, 2020, between Toh-Seng Ng and Fabrinet USA, Inc.
99.1	Press release dated February 3, 2020
104	Cover Page Interactive Data File, formatted in Inline XBRL and included as Exhibit 101.



FABRINET USA, Inc.
3637 Fallon Road, Suite 428
Dublin, CA 94568

February 1, 2020

Toh-Seng Ng
18818 Bellgrove Circle
Saratoga, CA 95070

Dear TS,

This letter is intended to amend and restate your offer letter dated January 9, 2018. We previously extended an offer of employment to you, which you accepted, for the position of Executive Vice President and Chief Financial Officer of Fabrinet USA, Inc. ("FUSA" or the "Company"), a wholly-owned subsidiary of Fabrinet, effective March 1, 2012. You will report to Mr. Seamus Grady, Chief Executive Officer (CEO) of Fabrinet.

Your duties will generally consist of those associated with managing financial, taxes, treasury, investor relations, legal and Corporate HR of Fabrinet. You will devote substantially all of your business time and efforts to the performance of your duties and use your best efforts in such endeavors. Acceptance of this offer constitutes your representation that your execution of this agreement and performance of the requirements of this position will not be in violation of any other agreement to which you are a party, including but not limited to any current non-solicit agreements.

Your annual base salary will be \$650,000 to be paid on a semi-monthly basis on or about the 15th and 30th of each month in accordance with FUSA's payroll policy, subject to applicable U.S. tax withholdings. Your base salary will be subject to review and adjustment by the Company from time to time, in its sole discretion. Subject to the approval of Fabrinet's Board of Directors (the "Board"), you will be eligible to participate in Fabrinet's Executive Incentive Plan, with a target bonus of at least 80% of your annual base salary. Any target bonus, or portion thereof, will be paid as soon as practicable after the Compensation Committee of the Board determines that the target bonus (or relevant portion thereof) has been earned, but in no event shall any such target bonus be paid later than sixty (60) days following the end of the applicable target bonus performance period.

Additionally, you will be eligible to participate in FUSA's Employee Benefits Plan, which includes two hundred forty (240) hours paid time off (PTO), health care (medical, dental & vision for you and your eligible dependents), 401(k), and Group Term Life. Reasonable business-related travel and other expenses will be reimbursable via monthly expense reporting pursuant to the Company's policies and procedures, but in no event will any reimbursement occur later than the fifteenth (15) day of the third month following the later of (i) the close of the Company's fiscal year in which such expenses are incurred or (ii) the calendar year in which such expenses are incurred. You will be eligible to receive a car allowance of \$1,000 per month, provided that you

are an employee of FUSA on the date the car allowance is paid to you each month. The Company may modify or terminate its benefits programs and arrangements from time to time as necessary or appropriate. The Company has the right to withhold from any payments or benefits under this letter all applicable federal, state and local taxes required to be withheld and any other required payroll deductions.

You are free to terminate your employment for any reason at any time, effective one (1) year after written notice is provided to FUSA, or such lesser period ending on the Transition Date (as defined below) to the extent that the written notice is provided within the one (1) year period prior to the Transition Date (such applicable period, the "Employee Notice Period"). Similarly, FUSA may terminate the employment relationship, effective one (1) year after providing written notice to you, or such lesser period ending on the Transition Date to the extent that the written notice is provided within the one (1) year period prior to the Transition Date (such applicable period, together with the Employee Notice Period, the "Termination Notice Period"), except in the case of termination with good cause, which may occur without any obligation to provide advance notice to you. Upon termination of your employment, you will receive a lump sum cash payment of your accrued but unpaid PTO (if any) which will be paid no later than ten (10) calendar days following the date of termination of your employment (or such earlier date as required by applicable law).

In the event your employment is terminated (x) prior to December 30, 2023 (the "Transition Date"), either (A) by FUSA without good cause (and other than due to your death or disability which is addressed further below), or (B) by you for any reason, and provided that during the Termination Notice Period, you have satisfied the Notice Period Services (as defined below) as determined by the Company in good faith in the Company's sole discretion, or (y) on or within ten (10) calendar days after the Transition Date either (A) by FUSA without good cause (and other than due to your death or disability which is addressed further below), or (B) by you for any reason, you will receive the following (the "Severance Benefits," and the Severance Benefits described under only clauses (a) through (c) below, the "Cash and COBRA Severance"):

(a) a lump sum payment payable on the sixtieth (60th) day following your termination date equal to the product of one month of your then-base salary multiplied by the total number of full and fractional years of your employment with FUSA as of your termination date;

(b) a lump sum payment payable on the sixtieth (60th) day following your termination date equal to any earned but unpaid bonus as of the date of termination of your employment;

(c) a lump sum payment payable on the sixtieth (60th) day following your termination date equal to two times your cost of COBRA coverage for twelve months under the FUSA health plans then in effect for you and your covered dependents;

(d) any of your then-outstanding and unvested performance-based equity awards covering Fabrinet ordinary shares that remain subject to the achievement of any performance goals as of the date of termination of your employment (the "Performance Awards") will remain outstanding and eligible to vest following your termination date (subject to any earlier termination, such as in connection with a change in control of Fabrinet, as set forth in the Company's

2010 Performance Incentive Plan, 2020 Equity Incentive Plan or any successor plan under which they were granted), and will become vested to the extent that the applicable performance-based or other criteria are satisfied under the Performance Award, with the exception that any requirement to provide further continued service will be deemed to have been met in full as of your termination date (such benefit under this clause (d), the “Performance Award Severance”);

(e) any of your then-outstanding and unvested restricted share unit awards covering Fabrinet ordinary shares that are not Performance Awards will accelerate vesting as to one hundred percent (100%) of the shares of Fabrinet ordinary shares subject thereto (such benefit under this clause (e), the “RSU Award Severance”); and

(f) continued tax equalization benefits under FUSA’s expatriate policy, as in effect on the date of your termination, for the calendar year in which your termination date occurs, and the following calendar year, with such benefits being payable as soon as practicable following the year the compensation subject to the tax equalization payment relates was paid, and in no event later than the end of your second taxable year beginning after your taxable year in which your U.S. Federal income tax return is required to be filed (including any extensions) for the year to which the compensation subject to the tax equalization payment relates, or, if later, your second taxable year beginning after the latest such taxable year in which your foreign tax return or payment is required to be filed or made for the year to which the compensation subject to the tax equalization payment relates.

Prior to the Transition Date and during any Termination Notice Period, except as otherwise determined by the Company in its sole discretion and notified to you by the Company in writing, you shall (i) use your best efforts to recruit and/or train a successor that is satisfactory to the Board so that a successor to your position assumes your position upon or prior to the date of termination of your employment with FUSA, (ii) actively participate in certain investor events to support the transition of your position to a successor and provide such other transition services as may be reasonably requested by the CEO, (iii) report to the CEO in the role of Executive Vice President, Special Projects and work on such projects as may be reasonably assigned to you by the CEO, and (iv) continue to devote substantially all of your business time and efforts (at full-time status) to the performance of your duties and use your best efforts in such endeavors, and continue to perform such other duties and responsibilities as described in this letter (such services with respect to the Termination Notice Period, the “Notice Period Services”). For the avoidance of doubt, the Company may reduce your authority, duties and responsibilities, or your full-time status, during the Termination Notice Period or any portion thereof (the “Notice Period Adjustments”), provided that the Company will continue to pay you, for the duration of the Termination Notice Period while you remain employed with FUSA, your base salary at the level in effect immediately before the Termination Notice Period, in accordance with FUSA’s payroll policy, subject to applicable U.S. tax withholdings. During the Termination Notice Period, you will remain eligible to receive equity awards covering Fabrinet ordinary shares and participate in Fabrinet’s Executive Incentive Plan (or successor plan, if applicable) to the same extent as similarly situated executives of Fabrinet; *provided, however*, that with respect to your eligibility to receive restricted share units covering Fabrinet ordinary shares that are subject to continued-service-based vesting (but not performance-based vesting), you and the Company acknowledge and agree that for Fabrinet’s fiscal year 2021,

subject to approval by the Compensation Committee of the Board, you shall be eligible to receive an award of restricted share units with an aggregate grant date value of \$381,667 (with such value determined based on the closing price per share of the Company's ordinary shares on the NYSE on the grant date) under the terms and conditions of the Fabrinet 2020 Equity Incentive Plan and applicable award agreement thereunder, provided that you remain employed with the Company through such award's grant date, generally to occur at the same time as annual equity awards are granted to similarly situated executives of Fabrinet for such fiscal year. For the avoidance of doubt, any such award of restricted share units granted to you shall be eligible for the RSU Award Severance subject to the applicable terms herein. If during any Termination Notice Period, you breach your obligations to perform your Notice Period Services (as adjusted by any Notice Period Adjustments) as determined by the Board in good faith in its sole discretion, you will forfeit any and all Severance Benefits specified in this letter, and you no longer will have any rights thereto.

In the event your employment is terminated on account of your death or disability on or before the Transition Date, then you will receive the Performance Award Severance, the RSU Award Severance and the Cash and COBRA Severance.

Any payments or benefits due to you under the preceding three paragraphs (for the avoidance of doubt, beginning with the paragraph discussing your Severance Benefits) shall be conditioned upon the execution of a general separation agreement and release of claims by you (or in the case of your death or disability, the administrator of your estate or your legal representative, as applicable) in such form as provided to you by FUSA within five (5) calendar days following your termination date that becomes irrevocable within sixty (60) days of your termination date. If the foregoing separation agreement and release of claims is executed and delivered and no longer subject to revocation as provided in the preceding sentence, then such payments or benefits shall be made or commence upon the sixtieth (60th) day following your termination date subject to the requirements under Section 409A (as defined below) as described further below. The first such cash payment shall include payment of all amounts that otherwise would have been due prior thereto under the terms of this letter had such payments commenced immediately upon your termination date, and any payments made thereafter shall continue as provided herein. The delayed payments or benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following your termination date.

In the event your employment is terminated for any reason, you shall be under no obligation to seek other employment and there shall be no offset against any amounts due to you under this letter on account of any remuneration attributable to any subsequent employment that you may obtain. Any amounts due under the preceding four paragraphs (for the avoidance of doubt, beginning with the paragraph discussing your Severance Benefits) are in the nature of severance payments, or liquidated damages, or both, and are not in the nature of a penalty.

Anything in this letter to the contrary notwithstanding, all payments required to be made by FUSA hereunder to you or your estate or beneficiaries shall be subject to the withholding of such amounts relating to taxes as FUSA may reasonably determine it should withhold pursuant to any applicable law or regulation. In lieu of withholding such amounts, in whole or in part, FUSA may, in its sole discretion, accept other provisions for payment of taxes and withholding as required by law, provided it is satisfied that all requirements of law affecting its responsibilities to withhold have been satisfied.

For purposes of this letter, “good cause” means (i) an act of dishonesty made by you in connection with your responsibilities as an employee; (ii) your conviction of or plea of nolo contendere to a felony, or any crime involving fraud, embezzlement or any other act of moral turpitude; (iii) your gross misconduct; (iv) your unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom you owe an obligation of nondisclosure as a result of your relationship with the Company; (v) your willful breach of any obligations under any written agreement or covenant with the Company; or (vi) your continued failure to perform your employment duties after you have received a written demand of performance from the Company which specifically sets forth the factual basis for the Company’s belief that you have not substantially performed your duties and have failed to cure such nonperformance to the Company’s satisfaction within thirty (30) days after receipt of such notice.

Notwithstanding anything to the contrary in this letter, no Deferred Compensation Separation Benefits (as defined below) will be considered due or payable until you have incurred a “separation from service” within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the final regulations and any guidance promulgated thereunder (together, “Section 409A”).

In addition, if FUSA, Fabrinet (Cayman) or affiliates of either continues to be a public company with its securities listed on a stock exchange at the time of termination of your employment, and at the time of such termination it is determined that you are a “specified employee” within the meaning of Section 409A, the amounts payable to you, pursuant to this letter, when considered together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the “Deferred Compensation Separation Benefits”) that are payable within the first six (6) months following termination of your employment, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of termination of your employment (the “Separation Delay”). Any amount paid under this letter that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute Deferred Compensation Separation Benefits for purposes of this paragraph. In addition, any amount paid under this letter that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the specified limit in Section 1.409A-1(b)(9)(iii)(A) of the Treasury Regulations will not constitute Deferred Compensation Separation Benefits for purposes of this paragraph. Each payment and benefit payable under this letter is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. To the extent necessary or appropriate to be exempt from or to comply with Section 409A, your employment termination, termination of your employment, or similar terms in this letter will be references to your separation from service within the meaning of Section 409A.

Any Performance Awards outstanding as of the date hereof will be settled and paid to you in accordance with the regular vesting schedule and payment timing requirements set forth in the applicable Performance Award agreement, subject to your continued employment or service as described in the applicable Performance Award agreement except as specified in this letter, provided that any Performance Awards (or portions thereof) that constitute Severance Benefits will be subject to any applicable Separation Delay. Notwithstanding the foregoing sentence, in the event that any Performance Award outstanding as of the date hereof otherwise would be scheduled to vest and be settled upon the certification of achievement of the performance goal or goals under the Performance Award, such Performance Award (or portion thereof, as applicable) that vests upon certification instead will be settled and paid to you on the ninetieth (90th) day following the end of the performance period during which such performance goals would be measured, provided that any Performance Awards (or portions thereof) that constitute Severance Benefits will be subject to any applicable Separation Delay. Notwithstanding the foregoing in this paragraph, the settlement and payment of any vested Performance Awards will accelerate upon a corporate transaction set forth in Section 7.2 of the Plan (or similar provision in any successor plan) that qualifies as a “change in control” within the meaning of Section 409A, in accordance with the terms of the Plan (or successor plan, as applicable). The provisions of this letter constitute an amendment to any Performance Awards outstanding as of the date hereof and may be amended only in writing and by specific reference to such applicable provisions of this letter.

The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to so comply. In no event will the Company have any liability, responsibility or obligation to reimburse you for any taxes or other costs (including without limitation any interest and penalties) that may be imposed on you under Section 409A or any other provision of the Code with respect to any payments or benefits you may receive from the Company under this letter or under any other agreement or arrangement. The parties to this letter agree to work together in good faith to consider amendments to this letter, if required, and to take such reasonable actions, which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to you under Section 409A.

During the term of your employment you shall not, without FUSA's prior written consent:

(i) solicit or encourage to leave the employment or other service of FUSA, Fabrinet (Cayman) or the affiliates of either, any employee or independent contractor thereof or hire (on behalf of yourself or any other person or entity) any employee or independent contractor who has left the employment or other service of FUSA, Fabrinet (Cayman) or the affiliates of either within the one-year period which follows the termination of such employee's or independent contractor's employment or other service with FUSA, Fabrinet (Cayman) and the affiliates of either; or

(ii) whether for your own account or for the account of any other person, firm, corporation or other business organization, intentionally interfere with FUSA's, Fabrinet (Cayman)'s or any of their affiliates' relationship with, or endeavor to entice away from FUSA, Fabrinet (Cayman) or the affiliates of either, any person who during the term of your employment is a customer or client of FUSA, Fabrinet (Cayman) or the affiliates of either.

You were previously provided additional information about general employment conditions including Company policies and benefits programs. Also, please be advised that it is the policy of FUSA to maintain a workplace that is free of drugs and alcohol.

You understand that nothing in this letter or other non-disclosure agreements you entered into with the Company shall in any way limit or prohibit you from engaging for a lawful purpose in any Protected Activity. For purposes of this letter and any other such applicable agreements, "Protected Activity," means filing and/or pursuing a charge or complaint with, or otherwise communicating or cooperating with or participating in any investigation or proceeding that may be conducted by, any federal, state or local government agency or commission, including the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, and the National Labor Relations Board ("Government Agencies"), including disclosing documents or other information as permitted by law, without giving notice to, or receiving authorization from, the Company. In addition, nothing in this letter or other non-disclosure agreements, including a definition of Company confidential information set forth therein, is intended to limit employees' rights to discuss the terms, wages, and working conditions of their employment, nor to deny employees the right to disclose information pertaining to sexual harassment or any unlawful or potentially unlawful conduct, as protected by applicable law. You further understand that you are not permitted to disclose the Company's attorney-client privileged communications or attorney work product. In addition, you acknowledge that the Company has provided you with notice in compliance with the Defend Trade Secrets Act of 2016 regarding immunity from liability for limited disclosures of trade secrets. The full text of the notice is the following: ". . . An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. . . . An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual—(A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order."

Should you have questions or require additional information about any benefits, terms or conditions of your employment, please do not hesitate to contact our General Counsel, Colin R. Campbell.

If you are in agreement with the provisions of this letter detailing the terms of your employment with FUSA, please indicate your acceptance by signing below.

We look forward to your continuing with our organization.

Sincerely,
Fabrinet USA, Inc.

/s/ Seamus Grady

Seamus Grady

I accept the offer of employment with FUSA under the terms described in this letter. I acknowledge that this letter is the complete agreement concerning my employment and supersedes all prior or concurrent agreements and representations and may not be modified in any way except in a writing executed by an authorized agent of FUSA.

/s/ Toh-Seng Ng

Toh-Seng Ng

February 1, 2020

Date

Fabrinet Announces Second Quarter Fiscal Year 2020 Financial Results***Csaba Sverha to Succeed TS Ng as Chief Financial Officer***

BANGKOK, Thailand – February 3, 2020 – 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 quarter ended December 27, 2019.

Seamus Grady, Chief Executive Officer of Fabrinet, said, “Our second quarter revenue and earnings exceeded our guidance ranges. Sequential growth across nearly all our markets resulted in a record quarterly revenue performance. We expect to see continued year-over-year growth in the third quarter, even after considering the impact of the coronavirus outbreak in our guidance. From a longer-term perspective, our ongoing market momentum makes us very optimistic about our ability to continue to drive profitable growth and reinforce our leadership position in the market.”

Second Quarter Fiscal Year 2020 Financial Highlights**GAAP Results**

- Revenue for the second quarter of fiscal year 2020 was \$426.2 million, compared to revenue of \$403.1 million for the comparable period in fiscal year 2019.
- GAAP net income for the second quarter of fiscal year 2020 was \$31.2 million, compared to GAAP net income of \$31.5 million for the second quarter of fiscal year 2019. GAAP net income for the second quarter of fiscal year 2020 included a foreign exchange loss of \$1.0 million, or \$0.03 per diluted share, compared to a foreign exchange loss of \$0.4 million, or \$0.01 per diluted share, for the second quarter of fiscal year 2019.
- GAAP net income per diluted share for the second quarter of fiscal year 2020 was \$0.83, compared to GAAP net income per diluted share of \$0.84 for the second quarter of fiscal year 2019.

Non-GAAP Results

- Non-GAAP net income for the second quarter of fiscal year 2020 was \$37.7 million, compared to non-GAAP net income of \$36.5 million for the second quarter of fiscal year 2019. Non-GAAP net income for the second quarter of fiscal year 2020 included a foreign exchange loss of \$1.0 million, or \$0.03 per diluted share, compared to a foreign exchange loss of \$0.4 million, or \$0.01 per diluted share, for the second quarter of fiscal year 2019.
- Non-GAAP net income per diluted share for the second quarter of fiscal year 2020 was \$1.00, compared to non-GAAP net income per diluted share of \$0.97 for the same period a year ago.

Csaba Sverha Named Chief Financial Officer

Fabrinet has named Csaba Sverha to succeed Toh-Seng (“TS”) Ng as Chief Financial Officer, effective February 17, 2020, as part of a CFO search that was announced in August 2018. Mr. Sverha currently holds the position of Vice President of Operations Finance at Fabrinet, having joined the company in March 2018, after 13 years at Sanmina in roles of increasing responsibility, most recently as Vice President of Finance & Controller for Sanmina Mechanical Systems Division.

Mr. Grady added, “We are very grateful to TS for his contributions to Fabrinet over the past 13 years, including serving as Chief Financial Officer since 2012. We are excited that Csaba Sverha will be stepping up to the role of CFO, completing our CFO search. Csaba brings a wealth of financial operations experience to the role enabling us to extend our strong reputation for financial stewardship and track record of success under TS’ leadership. TS will be serving as EVP, Special Projects reporting to me to help transition the CFO role before he retires in February 2021.”

Business Outlook

Based on information available as of February 3, 2020, Fabrinet is issuing guidance for its third fiscal quarter of 2020 ending March 27, 2020, as follows:

- Fabrinet expects third quarter revenue to be in the range of \$410 million to \$418 million.
- GAAP net income per diluted share is expected to be in the range of \$0.75 to \$0.78, based on approximately 37.9 million fully diluted shares outstanding.
- Non-GAAP net income per diluted share is expected to be in the range of \$0.92 to \$0.95, based on approximately 37.9 million fully diluted shares outstanding.

Conference Call Information

What: Fabrinet Second Quarter Fiscal-Year 2020 Financial Results Call

When: Monday, February 3, 2020

Time: 5:00 p.m. ET

Live Call: (888) 357-3694, domestic
(253) 237-1137, international
Passcode: 1607729

Replay: (855) 859-2056, domestic
(404) 537-3406, international
Passcode: 1607729

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 and the United Kingdom. For more information visit: 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 expectations that we will see strong results again in the third quarter; (2) our ability to drive profitable growth and reinforce our leadership position; and (3) 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 2020. 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) extended shutdowns at our Casix facility, suppliers and customers and (2) increased shutdowns of other factories in our supply chain as the virus becomes more widespread; 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 Quarterly Report on Form 10-Q, filed on November 5, 2019. 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; severance payments; expenses related to our CFO search; amortization of intangibles; business combination expenses; amortization of deferred debt issuance costs; expenses related to reduction in workforce; and ASC 606 adjustments. 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.

SOURCE: Fabrinet

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CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

<i>(in thousands of U.S. dollars, except share data and par value)</i>	December 27, 2019	June 28, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 220,031	\$ 180,839
Short-term restricted cash	272	—
Short-term investments	222,805	256,493
Trade accounts receivable, net	285,579	260,602
Contract assets	11,114	12,447
Inventories	294,380	293,612
Other receivable	24,310	—
Prepaid expenses	4,919	8,827
Other current assets	7,416	11,015
Total current assets	<u>1,070,826</u>	<u>1,023,835</u>
Non-current assets		
Long-term restricted cash	7,402	7,402
Property, plant and equipment, net	217,038	210,686
Intangibles, net	4,038	3,887
Operating right-of-use assets	7,558	—
Goodwill	3,798	3,705
Deferred tax assets	4,115	5,679
Other non-current assets	253	124
Total non-current assets	<u>244,202</u>	<u>231,483</u>
Total Assets	<u>\$ 1,315,028</u>	<u>\$ 1,255,318</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Long-term borrowings, current portion, net	\$ 12,156	\$ 3,250
Trade accounts payable	234,929	257,617
Contract liabilities	2,360	2,239
Capital lease liability, current portion	311	398
Operating lease liability, current portion	1,823	—
Income tax payable	3,137	1,801
Accrued payroll, bonus and related expenses	15,942	16,510
Accrued expenses	11,338	8,997
Other payables	31,384	22,236
Total current liabilities	<u>313,380</u>	<u>313,048</u>
Non-current liabilities		
Long-term borrowings, non-current portion, net	45,592	57,688
Deferred tax liability	3,543	3,561
Capital lease liability, non-current portion	—	102
Operating lease liabilities, non-current portion	5,728	—
Severance liabilities	16,735	15,209
Other non-current liabilities	1,723	2,611
Total non-current liabilities	<u>73,321</u>	<u>79,171</u>
Total Liabilities	<u>386,701</u>	<u>392,219</u>
Commitments and contingencies		
Shareholders' equity		
Preferred shares (5,000,000 shares authorized, \$0.01 par value; no shares issued and outstanding as of December 27, 2019 and June 28, 2019)	—	—
Ordinary shares (500,000,000 shares authorized, \$0.01 par value; 38,408,890 shares and 38,230,753 shares issued at December 27, 2019 and June 28, 2019, respectively; and 37,019,787 shares and 36,841,650 shares outstanding at December 27, 2019 and June 28, 2019, respectively)	384	382
Additional paid-in capital	166,103	158,299
Less: Treasury shares, at cost (1,389,103 shares and 1,389,103 shares as of December 27, 2019 and June 28, 2019, respectively)	(47,779)	(47,779)
Accumulated other comprehensive loss	(2,152)	(2,386)
Retained earnings	811,771	754,583
Total Shareholders' Equity	<u>928,327</u>	<u>863,099</u>
Total Liabilities and Shareholders' Equity	<u>\$ 1,315,028</u>	<u>\$ 1,255,318</u>

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (unaudited)

	Three Months Ended		Six Months Ended	
	December 27, 2019	December 28, 2018	December 27, 2019	December 28, 2018
<i>(in thousands of U.S. dollars, except per share data)</i>				
Revenues	\$ 426,217	\$ 403,080	\$ 825,513	\$ 780,257
Cost of revenues	(377,059)	(357,516)	(730,368)	(694,417)
Gross profit	49,158	45,564	95,145	85,840
Selling, general and administrative expenses	(17,078)	(12,727)	(33,078)	(27,164)
Expenses related to reduction in workforce	(16)	(319)	(16)	(404)
Operating income	32,064	32,518	62,051	58,272
Interest income	1,940	1,182	4,038	2,626
Interest expense	(181)	(1,616)	(2,574)	(2,250)
Foreign exchange (loss) gain, net	(988)	(421)	(2,941)	2,647
Other income, net	397	562	774	639
Income before income taxes	33,232	32,225	61,348	61,934
Income tax expense	(2,001)	(712)	(4,160)	(2,571)
Net income	31,231	31,513	57,188	59,363
Other comprehensive income (loss), net of tax:				
Change in net unrealized (loss) gain on available-for-sale securities	(82)	598	(47)	886
Change in net unrealized loss on derivative instruments	(189)	—	(150)	(1)
Change in net retirement benefits plan—prior service cost	101	—	184	—
Change in foreign currency translation adjustment	616	(505)	247	(705)
Total other comprehensive income, net of tax	446	93	234	180
Net comprehensive income	\$ 31,677	\$ 31,606	\$ 57,422	\$ 59,543
Earnings per share				
Basic	\$ 0.84	\$ 0.86	\$ 1.55	\$ 1.62
Diluted	\$ 0.83	\$ 0.84	\$ 1.52	\$ 1.59
Weighted-average number of ordinary shares outstanding (thousands of shares)				
Basic	37,011	36,841	36,962	36,733
Diluted	37,763	37,471	37,646	37,305

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Six Months Ended	
	December 27, 2019	December 28, 2018
<i>(in thousands of U.S. dollars)</i>		
Cash flows from operating activities		
Net income for the period	\$ 57,188	\$ 59,363
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	15,279	15,000
Loss on disposal of property, plant and equipment	242	528
Loss on disposal of intangibles	—	149
(Gain) loss from sales and maturities of available-for-sale securities	(79)	1,060
Amortization of investment discount (premium)	117	(533)
Amortization of deferred debt issuance costs	10	—
Allowance for doubtful accounts	6	—
Unrealized loss (gain) on exchange rate and fair value of foreign currency forward contracts	1,205	(5,775)
Unrealized loss (gain) on fair value of interest rate swaps	1,672	849
Amortization of interest rate swaps' fair value at hedge inception	(433)	—
Share-based compensation	12,183	8,949
Deferred income tax	1,543	481
Severance liabilities	2,015	1,339
Other non-cash expenses	(851)	(759)
Changes in operating assets and liabilities		
Trade accounts receivable	(24,970)	(14,381)
Contract assets	1,333	(3,459)
Inventories	(767)	(28,880)
Other current assets and non-current assets	7,471	2,128
Trade accounts payable	(22,816)	29,276
Contract liabilities	121	—
Income tax payable	1,336	1,859
Other current liabilities and non-current liabilities	805	2,104
Net cash provided by operating activities	<u>52,610</u>	<u>69,298</u>
Cash flows from investing activities		
Purchase of short-term investments	(101,727)	(82,141)
Proceeds from sales of short-term investments	72,664	70,472
Proceeds from maturities of short-term investments	62,666	34,788
Other receivable provided to customer	(24,310)	—
Purchase of property, plant and equipment	(15,411)	(9,732)
Purchase of intangibles	(808)	(251)
Proceeds from disposal of property, plant and equipment	1,195	5
Net cash (used in) provided by investing activities	<u>(5,731)</u>	<u>13,141</u>
Cash flows from financing activities		
Payment of debt issuance costs	(153)	—
Proceeds from long-term borrowings	60,938	—
Repayment of long-term borrowings	(63,985)	(813)
Repayment of capital lease liability	(189)	(255)
Release of restricted cash held in connection with business acquisition	—	(3,478)
Withholding tax related to net share settlement of restricted share units	(4,377)	(9,103)
Net cash used in financing activities	<u>(7,766)</u>	<u>(13,649)</u>
Net increase in cash, cash equivalents and restricted cash	<u>39,113</u>	<u>68,790</u>
Movement in cash, cash equivalents and restricted cash		
Cash, cash equivalents and restricted cash at beginning of period	188,241	161,433
Increase in cash, cash equivalents and restricted cash	39,113	68,790
Effect of exchange rate on cash, cash equivalents and restricted cash	351	773
Cash, cash equivalents and restricted cash at end of period	<u>\$ 227,705</u>	<u>\$ 230,996</u>
Non-cash investing and financing activities		
Construction, software and equipment-related payables	\$ 14,307	\$ 2,888

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (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:

<i>(amount in thousands)</i>	As of December 27, 2019	As of December 28, 2018
Cash and cash equivalents	\$ 220,031	\$ 230,996
Restricted cash	7,674	—
Cash, cash equivalents and restricted cash	<u>\$ 227,705</u>	<u>\$ 230,996</u>

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RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES

	Three Months Ended				Six Months Ended			
	December 27, 2019		December 28, 2018		December 27, 2019		December 28, 2018	
	Net income	Diluted EPS	Net income	Diluted EPS	Net income	Diluted EPS	Net income	Diluted EPS
<i>(in thousands of U.S. dollars, except per share data)</i>								
GAAP measures	31,231	0.83	31,513	0.84	57,188	1.52	59,363	1.59
Items reconciling GAAP net (loss) income & EPS to non-GAAP net income & EPS:								
Related to cost of revenues:								
Share-based compensation expenses	1,591	0.04	1,300	0.03	3,311	0.09	3,147	0.08
Depreciation of fair value uplift	82	0.00	84	0.00	161	0.00	173	0.00
ASC 606 adoption impact on gross profit	—	—	—	—	—	—	(31)	(0.00)
Total related to gross profit	<u>1,673</u>	<u>0.04</u>	<u>1,384</u>	<u>0.04</u>	<u>3,472</u>	<u>0.09</u>	<u>3,289</u>	<u>0.09</u>
Related to selling, general and administrative expenses:								
Share-based compensation expenses	4,597	0.12	2,669	0.07	8,872	0.24	5,802	0.16
Expenses related to CFO search	—	—	382	0.01	—	—	572	0.02
Amortization of intangibles	143	0.00	176	0.00	286	0.01	368	0.01
Business combination expenses and consulting fee	—	—	58	0.00	—	—	240	0.01
Severance payment	—	—	16	0.00	—	—	601	0.02
Total related to selling, general and administrative expenses	<u>4,740</u>	<u>0.13</u>	<u>3,301</u>	<u>0.09</u>	<u>9,158</u>	<u>0.24</u>	<u>7,583</u>	<u>0.20</u>
Related to other incomes and other expenses:								
Other expenses in relation to reduction in workforce	16	0.00	319	0.01	16	0.00	404	0.01
Amortization of debt issuance costs	8	0.00	—	—	10	0.00	—	—
Total related to other incomes and other expenses	<u>24</u>	<u>0.00</u>	<u>319</u>	<u>0.01</u>	<u>26</u>	<u>0.00</u>	<u>404</u>	<u>0.01</u>
Total related to net income & EPS	<u>6,437</u>	<u>0.17</u>	<u>5,004</u>	<u>0.13</u>	<u>12,656</u>	<u>0.34</u>	<u>11,276</u>	<u>0.30</u>
Non-GAAP measures	<u>37,668</u>	<u>1.00</u>	<u>36,517</u>	<u>0.97</u>	<u>69,844</u>	<u>1.86</u>	<u>70,639</u>	<u>1.89</u>
Shares used in computing diluted net income per share								
GAAP diluted shares		37,763		37,471		37,646		37,305
Non-GAAP diluted shares		37,763		37,471		37,646		37,305

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

<i>(amount in thousands)</i>	Three Months Ended		Six Months Ended	
	December 27, 2019	December 28, 2018	December 27, 2019	December 28, 2018
Net cash provided by operating activities	\$ 49,963	\$ 34,705	\$ 52,610	\$ 69,298
Less: Purchase of property, plant and equipment	(9,068)	(4,322)	(15,411)	(9,732)
Non-GAAP free cash flow	\$ 40,895	\$ 30,383	\$ 37,199	\$ 59,566

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GUIDANCE FOR QUARTER ENDING MARCH 27, 2020
RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES

	<u>Diluted EPS</u>
GAAP net income per diluted share:	\$0.75 to \$0.78
Related to cost of revenues:	
Share-based compensation expenses	0.04
Total related to gross profit	0.04
Related to selling, general and administrative expenses:	
Share-based compensation expenses	0.12
Amortization of intangibles	0.01
Total related to selling, general and administrative expenses	0.13
Total related to net income & EPS	0.17
Non-GAAP net income per diluted share	\$0.92 to \$0.95