



**fabrinet<sup>®</sup>**



**TRUSTED MANUFACTURING PARTNER OF THE WORLD'S LEADING OEMS**



# Company Overview

November 7, 2022

This presentation and the accompanying oral presentation contain “forward-looking” statements that are based on 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: the effects of the COVID-19 pandemic 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 pandemic 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 pandemic intensifies or returns in various geographic areas, and (4) regional downward demand adjustments from our customers, particularly those in areas affected by the pandemic; 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 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 we believe 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.

# Company Overview

**Global leader in advanced precision optical/  
electronic/mechanical manufacturing services**

**Focus on high-mix/low-volume mission-  
critical components and modules**

**Diverse end markets including optical  
communications, industrial lasers, automotive  
and optical sensing**

**Long-lasting customer relationships with  
programs extending from new product  
introduction (NPI) to volume production**

**Seasoned management team with extensive  
and diversified manufacturing experience  
in OEM and EMS industries**

**Core values:**

**Total customer satisfaction | Sustainable Manufacturing | Positive work environment | Integrity**



- Founded in 2000 by Chairman of the Board, Tom Mitchell (co-founder of Seagate Technologies)
- Factories in Thailand, China, New Jersey, California, United Kingdom, and Israel.
- Total employees: >14,000
- Facilities: ~3.0 MM sq. ft.

# Products We Manufacture

## Optical Communications

- Transceivers
- Modulators
- Optical Amplifiers
- ROADM
- Silicon Photonics
- Line Cards
- Network Systems



## Industrial Lasers

- Fiber Lasers
- Solid-State Lasers
- Gas Lasers
- Ultrafast Lasers



## Automotive

- LIDAR
- EV Charging
- LED & Laser Lighting
- Safety & Control Sensors
- Pressure & Temperature Sensors



## Optical Sensing

- LIDAR
- 3D Sensing
- AR/VR Systems
- Medical Diagnostics
- Metrology & Instrumentation



## Customized Optics and Passive Devices – Vertical Integration

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



# Efficient Global Manufacturing Footprint

Scalable Optical & Electro-Mechanical Assembly

Customized Optics

Quick-turn NPI Services



Bangkok, Thailand  
Pinehurst campus



Fuzhou, China  
Casix



Santa Clara, USA  
Fabrinet West



Chonburi, Thailand  
Chonburi campus



New Jersey, USA  
VitroCom



Calne, UK  
Fabrinet UK



Yokneam, Israel  
Fabrinet Israel

# Investment Highlights

- Large & Growing Addressable Markets

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- Differentiated Business Model with Significant Barriers to Entry

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- Unique Expertise in Precision Manufacturing Technologies Geared To Next-Generation Products in Diverse Industries

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- Strong Relationships With Industry Leading OEMs

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- Demonstrated Track Record of Growth & Profitability

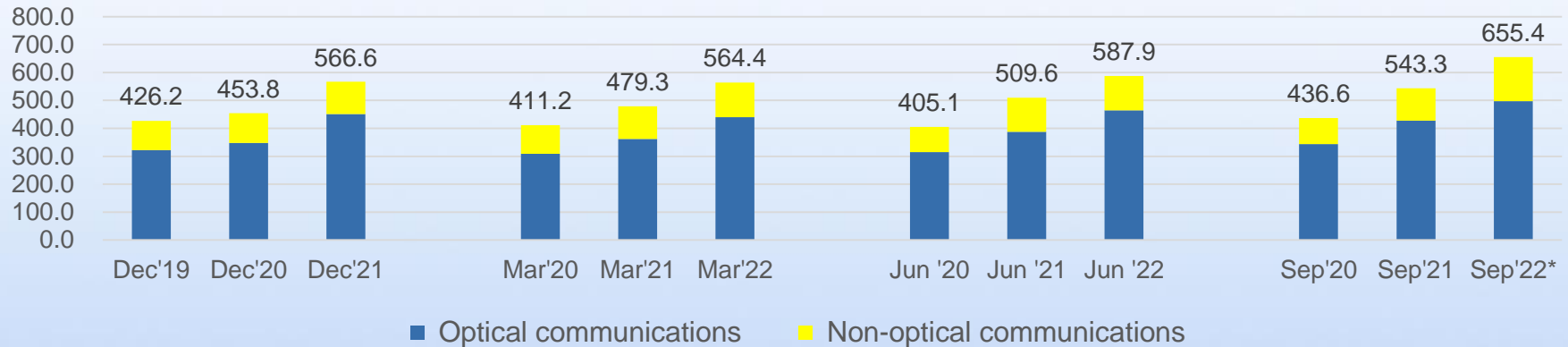
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- Experienced Management Team with History of Execution

# Strong Revenue Trends

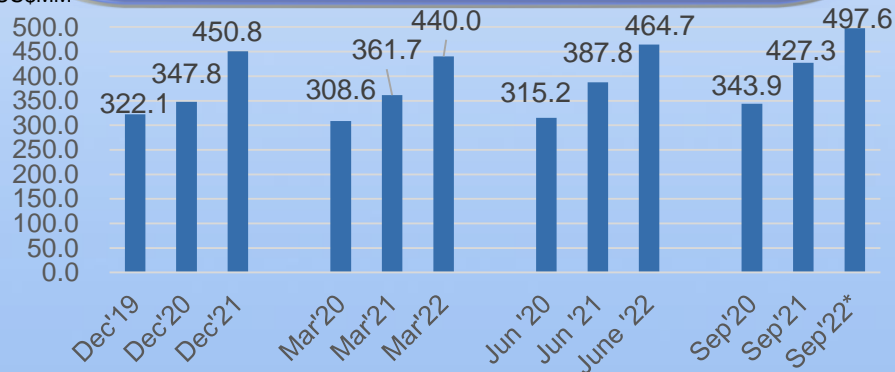
## Quarterly Consolidated Revenue

US\$MM



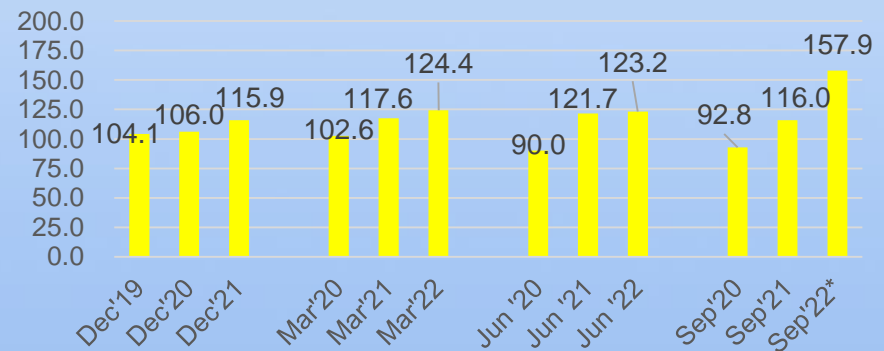
## Optical communications revenue

US\$MM



## Non-optical communications revenue

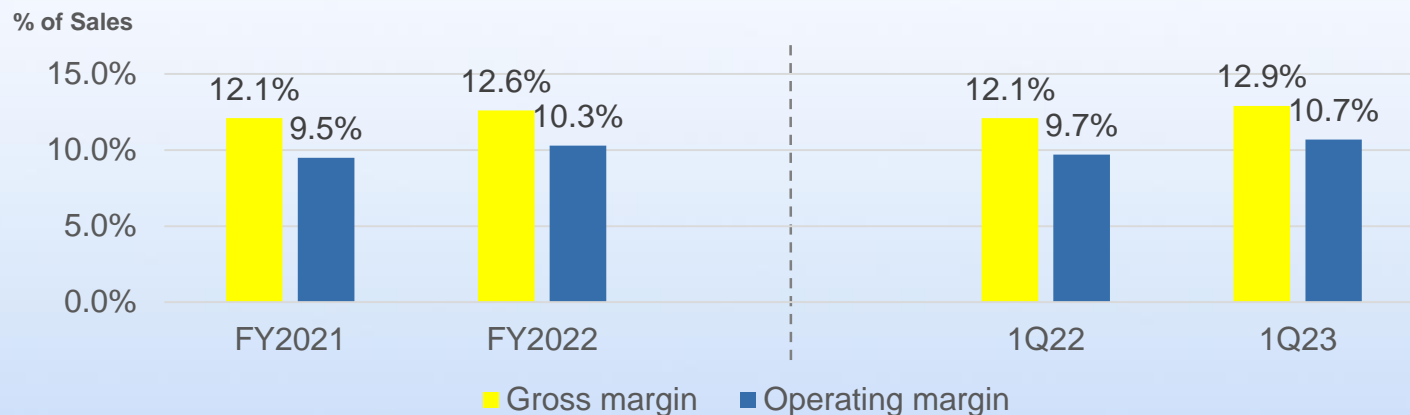
US\$MM



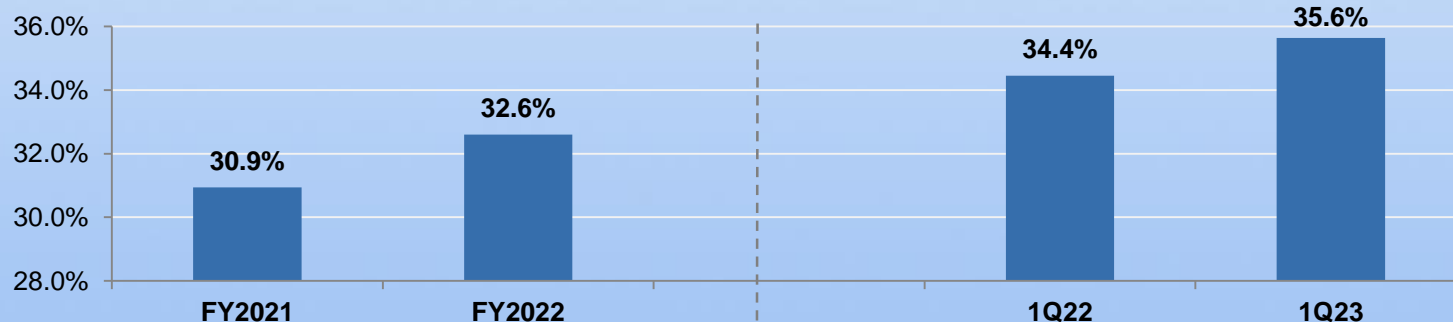
\*The quarter ended September 30, 2022 benefited from an additional week in the quarter

# Consistent Profitability Through the Cycles

## Non-GAAP gross margin and non-GAAP operating margin <sup>(1)</sup>



## ROIC <sup>(2)</sup>



(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-Sep-22 (2)

24-Sep-21

Revenue	655.4	543.3
<i>Y-o-Y change</i>	21%	24%
Gross profit (non-GAAP) (1)	84.7	65.7
<i>Gross margin (non-GAAP) (1)</i>	12.9%	12.1%
Operating profit (non-GAAP) (1)	70.0	52.5
<i>Operating margin (non-GAAP) (1)</i>	10.7%	9.7%
Net Income (GAAP)	64.6	44.7
Net Income (non-GAAP) (1)	72.4	54.2
Diluted EPS (GAAP)	1.76	1.20
Diluted EPS (non-GAAP) (1)	1.97	1.45

(1) See Appendix for a reconciliation to most comparable GAAP measure

(2) The quarter ended September 30, 2022 benefited from an additional week in the quarter

- Q1 revenue of \$655.4 million was above the upper end of the guidance range
- Q1 non-GAAP operating margin was a strong 10.7%
- Q1 non-GAAP EPS of \$1.97 was above the guidance range

# Balance Sheet Supports Growth

## Selected Items

US\$MM

As of Sept 30, 2022

Cash, cash equivalents <sup>(1)</sup>	499.9
Working capital <sup>(2)</sup>	581.0
Property, plant & equipment, net	294.9
Total debt <sup>(3)</sup>	21.3
Total shareholders' equity	1,302.4

(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



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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			
	September 30, 2022	June 24, 2022	September 24, 2021	June 24, 2022	June 25, 2021	June 26, 2020	June 28, 2019
Revenue	\$ 655,429	\$ 587,874	\$ 543,322	\$ 2,262,224	\$ 1,879,350	\$ 1,641,836	\$ 1,584,335
Gross profit (GAAP)	\$ 82,756	\$ 74,933	\$ 63,597	\$ 278,594	\$ 221,363	\$ 186,105	\$ 179,224
Share-based compensation expenses	1,915	1,388	1,975	5,967	6,185	6,098	5,655
Depreciation of fair value uplift	-	-	92	92	347	327	341
ASC 606 adoption impact on gross profit	-	-	-	-	-	-	(31)
Gross profit (Non-GAAP)	\$ <u>84,671</u>	\$ <u>76,321</u>	\$ <u>65,664</u>	\$ <u>284,653</u>	\$ <u>227,895</u>	\$ <u>192,530</u>	\$ <u>185,189</u>
Gross margin (GAAP)	12.6%	12.7%	11.7%	12.3%	11.8%	11.3%	11.3%
Gross margin (Non-GAAP)	12.9%	13.0%	12.1%	12.6%	12.1%	11.7%	11.7%

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

(in thousands of U.S. dollars)

	Three Months Ended			Twelve Months Ended			
	September 30, 2022	June 24, 2022	September 24, 2021	June 25, 2021	June 25, 2021	June 26, 2020	June 28, 2019
Revenue	\$ 655,429	\$ 587,874	\$ 543,322	\$ 2,262,224	\$ 1,879,350	\$ 1,641,836	\$ 1,584,335
Operating profit (GAAP)	\$ 62,191	\$ 56,404	\$ 43,010	\$ 204,518	\$ 150,753	\$ 117,402	\$ 122,641
Share-based compensation expenses	7,723	6,347	9,292	28,048	25,462	22,203	17,157
Depreciation of fair value uplift	-	-	92	92	347	327	341
ASC 606 adoption impact on gross profit	-	-	-	-	-	-	(31)
Expenses related to reduction in workforce	-	-	-	135	43	329	1,516
Expenses related to CFO/CEO search	-	-	-	-	-	-	290
Amortization of intangibles	83	94	119	422	506	562	694
Goodwill impairment charge	-	-	-	-	-	3,514	-
Business combination expenses and consulting fee	-	-	-	-	-	-	552
Severance payment	-	-	-	105	755	150	1,120
Operating profit (Non-GAAP)	\$ <u>69,997</u>	\$ <u>62,845</u>	\$ <u>52,513</u>	\$ <u>233,320</u>	\$ <u>177,866</u>	\$ <u>144,487</u>	\$ <u>144,280</u>
Operating margin (GAAP)	9.5%	9.6%	7.9%	9.0%	8.0%	7.2%	7.7%
Operating margin (Non-GAAP)	10.7%	10.7%	9.7%	10.3%	9.5%	8.8%	9.1%

# Non-GAAP Reconciliation of Net Profit and EPS

(in thousands of U.S. dollars, except per share data)

GAAP and Non-GAAP EPS-Rolling 4 Quarters	Three Months Ended					
	September 30, 2022	September 30, 2022	June 24, 2022	June 24, 2022	September 24, 2021	September 24, 2021
	Net income	Diluted EPS	Net income	Diluted EPS	Net income	Diluted EPS
<b>GAAP measures</b>	<b>64,615</b>	<b>1.76</b>	<b>56,189</b>	<b>1.51</b>	<b>44,651</b>	<b>1.20</b>
Items reconciling GAAP net income & EPS to non-GAAP						
Related to cost of revenues:						
Share-based compensation expenses	1,915	0.05	1,388	0.04	1,975	0.05
Depreciation of fair value uplift	-	0.00	-	0.00	92	0.00
Total related to gross profit	<u>1,915</u>	<u>0.05</u>	<u>1,388</u>	<u>0.04</u>	<u>2,067</u>	<u>0.05</u>
Related to selling, general and administrative expenses:						
Share-based compensation expenses	5,808	0.16	4,959	0.13	7,317	0.20
Amortization of intangibles	83	0.00	94	0.00	119	0.00
Severance payment and others	-	0.00	-	0.00	-	0.00
Total related to selling, general and administrative expenses	<u>5,891</u>	<u>0.16</u>	<u>5,053</u>	<u>0.14</u>	<u>7,436</u>	<u>0.20</u>
Related to other incomes and other expenses:						
Amortization of debt issuance costs	8	0.00	8	0.00	8	0.00
Total related to other incomes and other expenses	<u>8</u>	<u>0.00</u>	<u>8</u>	<u>0.00</u>	<u>8</u>	<u>0.00</u>
Total related to net income & EPS	<b><u>7,814</u></b>	<b><u>0.21</u></b>	<b><u>6,449</u></b>	<b><u>0.17</u></b>	<b><u>9,511</u></b>	<b><u>0.25</u></b>
<b>Non-GAAP measures</b>	<b><u>72,429</u></b>	<b><u>1.97</u></b>	<b><u>62,638</u></b>	<b><u>1.68</u></b>	<b><u>54,162</u></b>	<b><u>1.45</u></b>
Shares used in computing diluted net income per share						
GAAP diluted shares		36,758		37,222		37,328
Non-GAAP diluted shares		36,758		37,222		37,328

# Revenue Mix

	F1Q21	F2Q21	F3Q21	F4Q21	F1Q22	F2Q22	F3Q22	F4Q22	F1Q23
<b>Optical Communications</b>	<b>79%</b>	<b>77%</b>	<b>75%</b>	<b>76%</b>	<b>79%</b>	<b>80%</b>	<b>78%</b>	<b>79%</b>	<b>76%</b>
Datacom	24%	21%	22%	20%	21%	22%	19%	20%	19%
Telecom	76%	79%	78%	80%	79%	78%	81%	80%	81%
<b>Non-Optical Communications</b>	<b>21%</b>	<b>23%</b>	<b>25%</b>	<b>24%</b>	<b>21%</b>	<b>20%</b>	<b>22%</b>	<b>21%</b>	<b>24%</b>

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