

JABIL INC
Form 10-Q
January 04, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 30, 2017

or

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

For the transition period from _____ to _____

Commission File Number: 001-14063

JABIL INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
10560 Dr. Martin Luther King, Jr. Street North, St. Petersburg, Florida 33716
(Address of principal executive offices) (Zip Code)
(727) 577-9749
(Registrant's telephone number, including area code)

38-1886260
(I.R.S. Employer
Identification No.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

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

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

As of January 1, 2018, there were 175,235,660 shares of the registrant's Common Stock outstanding.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****JABIL INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except for share data)

	November 30, 2017 (Unaudited)	August 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 746,258	\$ 1,189,919
Accounts receivable, net of allowance for doubtful accounts of \$13,787 as of November 30, 2017 and \$14,134 as of August 31, 2017	1,534,754	1,397,424
Inventories, net	3,283,215	2,942,083
Prepaid expenses and other current assets	1,357,901	1,097,257
Total current assets	6,922,128	6,626,683
Property, plant and equipment, net of accumulated depreciation of \$3,273,964 as of November 30, 2017 and \$3,125,390 as of August 31, 2017	3,289,754	3,228,678
Goodwill	630,539	608,184
Intangible assets, net of accumulated amortization of \$275,565 as of November 30, 2017 and \$269,212 as of August 31, 2017	300,950	284,596
Deferred income taxes	216,830	205,722
Other assets	159,364	142,132
Total assets	\$ 11,519,565	\$ 11,095,995
LIABILITIES AND EQUITY		
Current liabilities:		
Current installments of notes payable, long-term debt and capital lease obligations	\$ 427,019	\$ 445,498
Accounts payable	4,803,194	4,257,623
Accrued expenses	2,019,511	2,167,472
Total current liabilities	7,249,724	6,870,593
Notes payable, long-term debt and capital lease obligations, less current installments	1,693,433	1,632,592
Other liabilities	75,627	74,237
Income tax liabilities	106,488	100,902
Deferred income taxes	49,601	49,327

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Total liabilities	9,174,873	8,727,651
Commitments and contingencies		
Equity:		
Jabil Inc. stockholders' equity:		
Preferred stock, \$0.001 par value, authorized 10,000,000 shares; no shares issued and no shares outstanding		
Common stock, \$0.001 par value, authorized 500,000,000 shares; 255,770,343 and 253,266,684 shares issued and 176,305,660 and 177,727,653 shares outstanding as of November 30, 2017 and August 31, 2017, respectively	256	253
Additional paid-in capital	2,149,173	2,104,203
Retained earnings	1,779,335	1,730,893
Accumulated other comprehensive income	51,484	54,620
Treasury stock at cost, 79,464,683 and 75,539,031 shares as of November 30, 2017 and August 31, 2017, respectively	(1,650,509)	(1,536,455)
Total Jabil Inc. stockholders' equity	2,329,739	2,353,514
Noncontrolling interests	14,953	14,830
Total equity	2,344,692	2,368,344
Total liabilities and equity	\$ 11,519,565	\$ 11,095,995

See accompanying notes to Condensed Consolidated Financial Statements.

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JABIL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except for per share data)

(Unaudited)

	Three months ended	
	November 30,	November 30,
	2017	2016
Net revenue	\$ 5,585,532	\$ 5,104,898
Cost of revenue	5,116,247	4,673,392
Gross profit	469,285	431,506
Operating expenses:		
Selling, general and administrative	293,055	214,052
Research and development	9,109	7,623
Amortization of intangibles	9,979	8,322
Restructuring and related charges	11,388	35,902
Operating income	145,754	165,607
Other expense	5,882	4,680
Interest income	(3,813)	(2,455)
Interest expense	36,246	32,844
Income before income tax	107,439	130,538
Income tax expense	43,520	43,837
Net income	63,919	86,701
Net income (loss) attributable to noncontrolling interests, net of tax	124	(1,326)
Net income attributable to Jabil Inc.	\$ 63,795	\$ 88,027
Earnings per share attributable to the stockholders of Jabil Inc.:		
Basic	\$ 0.36	\$ 0.48
Diluted	\$ 0.35	\$ 0.47
Weighted average shares outstanding:		
Basic	176,936	185,292
Diluted	180,203	187,856
Cash dividends declared per common share	\$ 0.08	\$ 0.08

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See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents**JABIL INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(in thousands)****(Unaudited)**

	Three months ended	
	November 30, 2017	November 30, 2016
Net income	\$ 63,919	\$ 86,701
Other comprehensive (loss) income:		
Foreign currency translation adjustment	(3,801)	(23,619)
Changes in fair value of derivative instruments, net of tax	7,744	8,234
Reclassification of net (gains) losses realized and included in net income related to derivative instruments, net of tax	(5,191)	3,597
Unrealized loss on available for sale securities, net of tax	(1,465)	(1,250)
Actuarial loss, net of tax	(423)	
Total other comprehensive loss	(3,136)	(13,038)
Comprehensive income	\$ 60,783	\$ 73,663
Comprehensive income (loss) attributable to noncontrolling interests	124	(1,326)
Comprehensive income attributable to Jabil Inc.	\$ 60,659	\$ 74,989

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents**JABIL INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(in thousands, except for share data)

(Unaudited)

	Jabil Inc. Stockholders Equity								
	Common Stock			Accumulated Other					Total Equity
	Shares Outstanding	Par Value	Additional Paid-in Capital	Retained Earnings	Comprehensive Income	Treasury Stock	Noncontrolling Interests		
Balance as of August 31, 2017	177,727,653	\$ 253	\$ 2,104,203	\$ 1,730,893	\$ 54,620	\$ (1,536,455)	\$ 14,830	\$ 2,368,344	
Shares issued upon exercise of stock options	29,534								
Vesting of restricted stock awards	2,474,125	3	(3)						
Purchases of treasury stock under employee stock plans	(724,323)					(20,745)		(20,745)	
Treasury shares purchased	(3,201,329)					(93,309)		(93,309)	
Recognition of stock-based compensation			44,973					44,973	
Declared dividends				(15,353)				(15,353)	
Comprehensive income				63,795	(3,136)		124	60,783	
Foreign currency adjustments attributable to noncontrolling interests							(1)	(1)	
	176,305,660	256	\$ 2,149,173	\$ 1,779,335	\$ 51,484	\$ (1,650,509)	\$ 14,953	\$ 2,344,692	

Balance as of
November 30,
2017

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents**JABIL INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(Unaudited)**

	Three months ended	
	November 30,	November 30,
	2017	2016
Cash flows from operating activities:		
Net income	\$ 63,919	\$ 86,701
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	194,633	188,901
Restructuring and related charges	6,812	12,640
Recognition of stock-based compensation expense and related charges	44,974	(291)
Deferred income taxes	(11,507)	(16,495)
Other, net	3,812	4,421
Change in operating assets and liabilities, exclusive of net assets acquired:		
Accounts receivable	(125,627)	(170,932)
Inventories	(320,814)	(32,520)
Prepaid expenses and other current assets	(250,857)	(218,379)
Other assets	(13,549)	(34,987)
Accounts payable, accrued expenses and other liabilities	354,617	332,881
Net cash (used in) provided by operating activities	(53,587)	151,940
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(218,617)	(163,866)
Proceeds and advances from sale of property, plant and equipment	20,330	1,472
Cash paid for business and intangible asset acquisitions, net of cash	(95,858)	