

PLEXUS CORP  
Form 10-Q  
February 01, 2019  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

---

FORM 10-Q

---

ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended December 29, 2018  
OR

“ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
Commission File Number 001-14423

---

PLEXUS CORP.  
(Exact name of registrant as specified in charter)

---

Wisconsin 39-1344447  
(State of Incorporation) (IRS Employer Identification No.)  
One Plexus Way  
Neenah, Wisconsin 54957  
(Address of principal executive offices)(Zip Code)  
Telephone Number (920) 969-6000  
(Registrant’s telephone number, including Area Code)

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 ý No “

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ý No “

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 ý Accelerated filer “ Non-accelerated filer “ 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 ý

As of January 29, 2019, there were 30,914,029 shares of common stock outstanding.



Table of Contents

PLEXUS CORP.  
TABLE OF CONTENTS  
December 29, 2018

<u>PART I. FINANCIAL INFORMATION</u>	<u>3</u>
<u>ITEM 1. FINANCIAL STATEMENTS</u>	<u>3</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>4</u>
<u>Condensed Consolidated Statements of Shareholders' Equity</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>19</u>
<u>"Safe Harbor" Cautionary Statement Under the Private Securities Litigation Reform Act of 1995</u>	<u>19</u>
<u>Overview</u>	<u>19</u>
<u>Results of Operations</u>	<u>20</u>
<u>Liquidity of Capital Resources</u>	<u>24</u>
<u>Contractual Obligations, Commitments and Off-Balance Sheet Obligations</u>	<u>28</u>
<u>Disclosure About Critical Accounting Policies</u>	<u>29</u>
<u>New Accounting Pronouncements</u>	<u>29</u>
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>30</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>30</u>
<u>PART II. OTHER INFORMATION</u>	<u>31</u>
<u>ITEM 1A. Risk Factors</u>	<u>31</u>
<u>ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>31</u>
<u>ITEM 6. Exhibits</u>	<u>31</u>
<u>SIGNATURES</u>	<u>32</u>

---

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## PLEXUS CORP. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands, except per share data)

Unaudited

	Three Months Ended	
	December 2018	December 30, 2017
Net sales	\$765,544	\$ 677,294
Cost of sales	693,161	613,771
Gross profit	72,383	63,523
Selling and administrative expenses	35,432	31,966
Operating income	36,951	31,557
Other income (expense):		
Interest expense	(2,249 )	(3,725 )
Interest income	525	1,555
Miscellaneous, net	(1,112 )	(346 )
Income before income taxes	34,115	29,041
Income tax expense	11,889	127,534
Net income (loss)	\$22,226	\$ (98,493 )
Earnings (loss) per share:		
Basic	\$0.71	\$ (2.93 )
Diluted	\$0.69	\$ (2.93 )
Weighted average shares outstanding:		
Basic	31,403	33,567
Diluted	32,286	33,567
Comprehensive income (loss):		
Net income (loss)	\$22,226	\$ (98,493 )
Other comprehensive income (loss):		
Derivative instrument fair value adjustment	378	1,539
Foreign currency translation adjustments	(1,871 )	2,142
Other comprehensive income (loss)	(1,493 )	3,681
Total comprehensive income (loss)	\$20,733	\$ (94,812 )

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

Table of Contents

PLEXUS CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

Unaudited

	December 29, 2018	September 29, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 188,799	\$ 297,269
Restricted cash	4,074	417
Accounts receivable, net of allowances of \$1,094 and \$885, respectively	428,487	394,827
Contract assets	82,775	—
Inventories, net	798,271	794,346
Prepaid expenses and other	31,435	30,302
Total current assets	1,533,841	1,517,161
Property, plant and equipment, net	361,311	341,306
Deferred income taxes	10,832	10,825
Intangible assets, net	7,807	8,239
Other	55,892	55,111
Total non-current assets	435,842	415,481
Total assets	\$ 1,969,683	\$ 1,932,642
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	\$ 8,633	\$ 5,532
Accounts payable	516,989	506,322
Customer deposits	112,663	90,782
Accrued salaries and wages	58,532	66,874
Other accrued liabilities	83,004	68,163
Total current liabilities	779,821	737,673
Long-term debt and capital lease obligations, net of current portion	187,567	183,085
Long-term accrued income taxes payable	63,848	56,130
Deferred income taxes payable	14,610	14,376
Other liabilities	18,674	20,235
Total non-current liabilities	284,699	273,826
Total liabilities	1,064,520	1,011,499
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$.01 par value, 5,000 shares authorized, none issued or outstanding	—	—
Common stock, \$.01 par value, 200,000 shares authorized, 52,591 and 52,567 shares issued, respectively, and 30,992 and 31,838 shares outstanding, respectively	526	526
Additional paid-in capital	587,011	581,488
Common stock held in treasury, at cost, 21,599 and 20,729 shares, respectively	(761,189)	(711,138)
Retained earnings	1,092,287	1,062,246
Accumulated other comprehensive loss	(13,472)	(11,979)
Total shareholders' equity	905,163	921,143
Total liabilities and shareholders' equity	\$ 1,969,683	\$ 1,932,642

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

Table of Contents

PLEXUS CORP. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
 (in thousands)  
 Unaudited

	Common Stock				Retained Earnings	Accumulated Other Comprehensive Total	
	Shares	Amount	Additional Paid-In Capital	Treasury Stock		Income (Loss)	
Balances, September 30, 2017	33,464	\$ 519	\$ 555,297	\$(574,104)	\$1,049,206	\$ (4,979 )	\$1,025,939
Net income (loss)	—	—	—	—	(98,493 )	—	(98,493 )
Other comprehensive income (loss)	—	—	—	—	—	3,681	3,681
Treasury shares purchased	(158 )	—	—	(9,547 )	—	—	(9,547 )
Share-based compensation expense	—	—	3,896	—	—	—	3,896
Exercise of stock options, including tax benefits	301	3	8,369	—	—	—	8,372
Balances, December 30, 2017	33,607	\$ 522	\$ 567,562	\$(583,651)	\$950,713	\$ (1,298 )	\$933,848
Balances, September 29, 2018	31,838	\$ 526	\$ 581,488	\$(711,138)	\$1,062,246	\$ (11,979 )	\$921,143
Net income (loss)	—	—	—	—	22,226	—	22,226
Cumulative effect adjustment for adoption of new accounting pronouncement (1)	—	—	—	—	7,815	—	7,815
Other comprehensive income (loss)	—	—	—	—	—	(1,493 )	(1,493 )
Treasury shares purchased	(870 )	—	—	(50,051 )	—	—	(50,051 )
Share-based compensation expense	—	—	4,753	—	—	—	4,753
Exercise of stock options, including tax benefits	24	—	770	—	—	—	770
Balances, December 29, 2018	30,992	\$ 526	\$ 587,011	\$(761,189)	\$1,092,287	\$ (13,472 )	\$905,163

(1) See Note 1, "Basis of Presentation", for a discussion of recently adopted accounting pronouncements.

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

Table of Contents

PLEXUS CORP. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (in thousands)  
 Unaudited

	Three Months Ended	
	December 2018	December 30, 2017
Cash flows from operating activities		
Net income (loss)	\$22,226	\$ (98,493 )
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	12,574	11,702
Deferred income taxes	943	21,906
Share-based compensation expense	4,753	3,896
Other, net	51	(46 )
Changes in operating assets and liabilities, excluding impacts of acquisition:		
Accounts receivable	(34,240 )	31,461
Contract assets	(6,339 )	—
Inventories	(74,344 )	(14,016