

Fabrinet  
Form 10-Q  
May 03, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended March 29, 2013

OR

.. **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
Commission File Number: 001-34775

**FABRINET**

(Exact name of registrant as specified in its charter)

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**Cayman Islands**  
(State or other jurisdiction of  
incorporation or organization)

**Not Applicable**  
(I.R.S. Employer  
Identification No.)

**c/o Intertrust Corporate Services (Cayman) Limited**

**190 Elgin Avenue**

**George Town**

**Grand Cayman**

**Cayman Islands**  
(Address of principal executive offices)

**KY1-9005**  
(Zip Code)

**+66 2-524-9600**

(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 (the Exchange Act ) 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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if smaller reporting company) Smaller reporting company

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 April 26, 2013, the registrant had 34,626,335 ordinary shares, \$0.01 par value, outstanding.

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**QUARTER ENDED March 29, 2013**

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

	March 29, 2013	June 29, 2012
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 157,479	\$ 115,507
Trade accounts receivable, net	122,926	128,253
Inventory, net	94,310	103,223
Deferred tax assets	2,158	4,088
Prepaid expenses	2,605	3,571
Other current assets	7,593	6,029
<b>Total current assets</b>	<b>387,071</b>	<b>360,671</b>
Non-current assets		
Property, plant and equipment, net	98,173	97,923
Intangibles, net	196	380
Deferred tax assets	2,435	1,764
Deposits and other non-current assets	655	624
<b>Total non-current assets</b>	<b>101,459</b>	<b>100,691</b>
<b>Total assets</b>	<b>\$ 488,530</b>	<b>\$ 461,362</b>
<b>Liabilities and Shareholders Equity</b>		
Current liabilities		
Long-term loans from bank, current portion	\$ 9,668	\$ 9,668
Trade accounts payable	74,329	86,000
Construction-related payable	2,222	2,222
Income tax payable	1,171	353
Deferred tax liability	1,761	1,405
Accrued payroll, bonus and related expenses	7,442	5,181
Accrued expenses	3,254	2,630
Other payables	4,760	6,601
Liabilities to third parties due to flood losses	48,390	61,198
<b>Total current liabilities</b>	<b>150,775</b>	<b>175,258</b>
Non-current liabilities		
Long-term loans from bank, non-current portion	21,660	28,911
Severance liabilities	5,464	4,420
Other non-current liabilities	1,618	2,064
<b>Total non-current liabilities</b>	<b>28,742</b>	<b>35,395</b>

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<b>Total liabilities</b>	179,517	210,653
<b>Commitments and contingencies (Note 13)</b>		
<b>Shareholders' equity</b>		
Preferred shares (5,000,000 shares authorized, \$0.01 par value; no shares issued and outstanding as of March 29, 2013 and June 29, 2012)		
Ordinary shares (500,000,000 shares authorized, \$0.01 par value; 34,626,335 shares and 34,470,829 shares issued and outstanding as of March 29, 2013 and June 29, 2012, respectively)	346	345
Additional paid-in capital	69,938	65,462
Retained earnings	238,729	184,902
<b>Total shareholders' equity</b>	<b>309,013</b>	<b>250,709</b>
<b>Total Liabilities and Shareholders' equity</b>	<b>\$ 488,530</b>	<b>\$ 461,362</b>

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

**Table of Contents****FABRINET****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	Three Months Ended		Nine Months Ended	
	March 29, 2013	March 30, 2012	March 29, 2013	March 30, 2012
Revenues	\$ 155,557	\$ 139,019	\$ 481,608	\$ 421,975
Cost of revenues	(139,302)	(124,138)	(429,261)	(375,281)
Gross profit	16,255	14,881	52,347	46,694
Selling, general and administrative expenses	(6,801)	(6,586)	(18,447)	(18,543)
Income (expense) related to flooding	11,419	(55,623)	21,064	(95,888)
Operating income (loss)	20,873	(47,328)	54,964	(67,737)
Interest income	302	209	761	628
Interest expense	(239)	(64)	(788)	(206)
Foreign exchange gain, net	978	714	1,085	1,314
Other income	139	57	512	213
Income (loss) before income taxes	22,053	(46,412)	56,534	(65,788)
Income tax (expense) benefit	(927)	87	(2,707)	1,864
Net income (loss)	\$ 21,126	\$ (46,325)	\$ 53,827	\$ (63,924)
<b>Earnings (loss) per share</b>				
Basic	\$ 0.61	\$ (1.35)	\$ 1.56	\$ (1.86)
Diluted	0.61	(1.35)	1.55	(1.86)
<b>Weighted average number of ordinary shares outstanding</b> (thousands of shares)				
Basic	34,596	34,440	34,532	34,353
Diluted	34,909	34,440	34,794	34,353

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

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(in thousands of U.S. dollars)

	<b>Nine Months Ended</b>	
	<b>March 29, 2013</b>	<b>March 30, 2012</b>
<b>Cash flows from operating activities</b>		
Net income (loss) for the period	\$ 53,827	\$ (63,924)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	7,512	6,995
Amortization of intangibles	185	288
Gain on disposal of property, plant and equipment	(23)	(7)
Income related to flooding	(21,064)	
Proceeds from insurers for business interruption losses related to flooding	4,741	
Proceeds from insurers for inventory losses related to flooding	11,419	
(Reversal of) allowance for doubtful accounts	(94)	28
Unrealized gain on exchange rate and fair value of derivative	(1,566)	(1,364)
Share-based compensation	3,969	3,930
Deferred income tax	1,615	(2,331)
Other non-cash expenses	598	637
(Reversal of) inventory obsolescence	(589)	528
Loss from written-off assets and liabilities to third parties due to flood losses		83,871
Changes in operating assets and liabilities		
Trade accounts receivable	3,421	(807)
Inventory	8,945	(9,550)
Other current assets and non-current assets	(2,775)	(2,758)
Trade accounts payable	(11,671)	(17,289)
Income tax payable	818	(1,038)
Other current liabilities and non-current liabilities	48	2,929
Liabilities to third parties due to flood losses	(8,059)	
<b>Net cash provided by operating activities</b>	<b>51,257</b>	<b>138</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(8,634)	(26,394)
Purchase of intangibles	(1)	(17)
Purchase of assets for lease under direct financing leases		(2,940)
Proceeds from direct financing leases		1,217
Proceeds from disposal of property, plant and equipment	25	22
Proceeds from insurers in settlement of claims related to flood damage	4,904	
<b>Net cash used in investing activities</b>	<b>(3,706)</b>	<b>(28,112)</b>