

FLEX LTD.
Form 10-Q
October 30, 2017
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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 September 29, 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 0-23354

FLEX LTD.
(Exact name of registrant as specified in its charter)
Singapore Not Applicable
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
2 Changi South Lane,
Singapore 486123
(Address of registrant's principal executive offices) (Zip Code)
Registrant's telephone number, including area code
(65) 6876-9899

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 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 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

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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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

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Class	Outstanding at October 26, 2017
Ordinary Shares, No Par Value	528,471,586

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Flex Ltd.
Singapore

We have reviewed the accompanying condensed consolidated balance sheet of Flex Ltd. and subsidiaries (the “Company”) as of September 29, 2017, and the related condensed consolidated statements of operations and comprehensive income for the three-month and six-month periods ended September 29, 2017 and September 30, 2016, and the related condensed consolidated statements of cash flows for the six-month periods ended September 29, 2017 and September 30, 2016. These interim financial statements are the responsibility of the Company’s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Flex Ltd. and subsidiaries as of March 31, 2017, and the related consolidated statements of operations, comprehensive income, shareholders’ equity, and cash flows for the year then ended (not presented herein); and in our report dated May 16, 2017, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 2017 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP
San Jose, California
October 30, 2017

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CONDENSED CONSOLIDATED BALANCE SHEETS

	As of September 29, 2017	As of March 31, 2017
	(In thousands, except share amounts) (Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,369,502	\$ 1,830,675
Accounts receivable, net of allowance for doubtful accounts of \$63,000 and \$57,302 as of September 29, 2017 and March 31, 2017, respectively	2,632,934	2,192,704
Inventories	3,773,654	3,396,462
Other current assets	1,091,957	967,935
Total current assets	8,868,047	8,387,776
Property and equipment, net	2,415,574	2,317,026
Goodwill	1,086,978	984,867
Other intangible assets, net	420,459	362,181
Other assets	770,848	541,513
Total assets	\$ 13,561,906	\$ 12,593,363
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank borrowings and current portion of long-term debt	\$ 46,977	\$ 61,534
Accounts payable	5,231,130	4,484,908
Accrued payroll	400,074	344,245
Other current liabilities	1,552,254	1,613,940
Total current liabilities	7,230,435	6,504,627
Long-term debt, net of current portion	2,909,144	2,890,609
Other liabilities	550,042	519,851
Shareholders' equity		
Flex Ltd. shareholders' equity		
Ordinary shares, no par value; 579,167,500 and 581,534,129 issued, and 528,928,145 and 531,294,774 outstanding as of September 29, 2017 and March 31, 2017, respectively	6,627,225	6,733,539
Treasury stock, at cost; 50,239,355 shares as of September 29, 2017 and March 31, 2017	(388,215)	(388,215)
Accumulated deficit	(3,242,852)	(3,572,648)
Accumulated other comprehensive loss	(123,873)	(128,143)
Total Flex Ltd. shareholders' equity	2,872,285	2,644,533
Noncontrolling interests	—	33,743
Total shareholders' equity	2,872,285	2,678,276
Total liabilities and shareholders' equity	\$ 13,561,906	\$ 12,593,363

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

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three-Month Periods Ended		Six-Month Periods Ended	
	September 29, 2017	September 30, 2016	September 29, 2017	September 30, 2016
	(In thousands, except per share amounts)			
	(Unaudited)			
Net sales	\$6,270,420	\$6,008,525	\$12,278,692	\$11,885,338
Cost of sales	5,877,095	5,694,834	11,478,435	11,165,652
Gross profit	393,325	313,691	800,257	719,686
Selling, general and administrative expenses	274,149	243,943	524,960	483,489
Intangible amortization	16,376	21,986	36,277	43,584
Interest and other, net	27,554	24,632	54,430	49,031
Other charges (income), net	(143,167)	8,388	(179,332)	11,917
Income before income taxes	218,413	14,742	363,922	131,665
Provision for income taxes	13,327	17,250	34,126	28,444
Net income (loss)	\$205,086	\$(2,508)	\$329,796	\$103,221