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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Hello, and welcome to the Jabil Fourth Quarter and Fiscal Year 2023 Earnings Call Webcast and Investor Briefing. (Operator Instructions) As a reminder, this conference is being recorded.

It's now my pleasure to turn the call over to Adam Berry, Vice President, Investor Relations. Adam, please go ahead.

Adam Berry

Good morning, and welcome to our call today. My name is Adam Berry. I'm Head of Investor Relations, and this is our Q4 earnings call and the sixth Annual Investor Briefing.

Joining me on today's call are Chief Executive Officer, Kenny Wilson; EVP of Global Business Units, Fred McCoy; and Chief Financial Officer, Mike Dastoor.

For the sixth straight year, we're going to use this session today to accomplish the following: review our fourth quarter and fiscal 2023 results; discuss the trends underway within the end markets we serve; provide an update for our pending transaction to sell the mobility business to BYD Electronics; refresh our capital allocation policy given the pending deal; offer a thoughtful fiscal '24 outlook that demonstrates enterprise level growth in some key areas, while also remaining sensible and grounded given the realities of the dynamic global macro environment surrounding us today; and finally, we'll do our very best to walk through the many moving pieces we foresee in the upcoming year as we work to make our business more profitable and more sustainable.

But before we jump into the details, please note that today's call is being webcast live. And during our prepared remarks, we will be referencing slides. To follow along with these slides, please visit jabil.com within the Investor Relations portion of the website. At the conclusion of today's call, the entirety of today's presentation will be posted there for audio playback.

I'd now like to ask that you follow our presentation with slides on the website, beginning with the forward-looking statement. During this call, we will be making forward-looking statements, including, among other things, those regarding the anticipated outlook for our business, such as our currently expected fiscal year net revenue and earnings. These statements are based on current expectations, forecasts and assumptions involving risks and uncertainties that could cause actual outcomes and results to differ materially. An extensive list of these risks and uncertainties are identified in our annual report on Form 10-K for the fiscal year ended August 31, 2022, and other filings with the SEC.

Jabil disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

With that, I'd now like to shift our focus to our fourth quarter results, where the team delivered approximately $8.5 billion in revenue, equal to the midpoint of our guidance range.

Core operating income for the quarter came in stronger than expected at $477 million, or 5.6% of revenue. This is up 60 basis points on a year-over-year basis and 80 basis points sequentially, driven by strong execution across both segments. Net interest expense in the quarter came in better than expected at $71 million, reflecting good progress by the team on inventory and solid working capital management.

From a GAAP perspective, operating income was $441 million, and our GAAP diluted earnings per share was $1.15. Core diluted earnings per share was $2.45, a 5% improvement over the prior year and towards the upper end of our guidance range.

Revenue for the DMS segment came in better than expected at $4.4 billion, up marginally compared to the same time frame from a year ago, driven by strength in our auto and healthcare businesses. This strength was completely offset by continued weakness in connected devices. Core operating margin for the segment came in at 6.1%, 100 basis points higher than the same quarter from a year ago, given the solid mix and the normal seasonal pattern within our mobility business. Revenue for our EMS segment came in at $4 billion, down roughly 13% year-over-year and approximately $200 million below expectations.

As expected, during the quarter, we saw a major revenue shift in our cloud business, driven by our previously announced transition of certain components we procure and integrate to a customer-controlled consignment service model. In Q4, the overall mix of consigned components came in higher than expected.

For the quarter, core margins for EMS were 5.2%, up 40 basis points year-over-year, reflecting strength in renewables, which is in our industrial portion of our business, and the aforementioned consignment shift. In fiscal '23, our DMS segment revenue was $18 billion, an increase of 8% year-over-year. In particular, it's worth highlighting our automotive and healthcare businesses, which were up 42% and 12%, respectively. Core operating margin for the segment came in at 5%, up 10 basis points year-over-year.

In EMS, core margins for the year were strong, also coming in at 5%, 70 basis points higher than the prior year on revenue of $16.7 billion. The strength in fiscal '23 income was driven by growth in renewables within our industrial and semi cap market as well as the benefit from consignment.

Next, I'd like to begin with an update on our cash flow and balance sheet metrics. Beginning with inventory, which saw good improvement sequentially by 4 days to 80 days. More importantly, net of inventory deposits from our customers, inventory days were also down 4 days to 58 in Q4. Our fourth quarter cash flows from operations were strong coming in at $686 million. Net capital expenditures for the fourth quarter were $28 million and for the full fiscal year, came in lower than expected at $708 million, mainly due to the timing of CapEx payments that are shifting to Q1 from Q4.

As a result of the strong fourth quarter performance in cash flow generation, adjusted free cash flow for the year came in higher than expected at approximately $1 billion. With this, we ended the quarter with cash balances of $1.8 billion and total debt to core EBITDA levels of approximately 1.1x.

For the year, we repurchased 6.7 million shares for $487 million, leaving us with $776 million remaining on our current repurchase authorization as of August 31. Please note that in Q4 we were out of the repurchase market mostly as a result of the pending mobility deal. As Mike will share in a few minutes, when our opportunity to buy back reopens, we plan to accelerate repurchases in Q1 fiscal '24.

As I flip to the next slide, looking at the 5-year financials, it's hard to believe that another year in the books for Jabil. And as I look ahead, I can't help but think that there's so much more opportunity ahead for us. In a moment, I'll hand the call over to Kenny, Fred and Mike. But before I do, I want to spend a few minutes setting the stage for what you're going to hear today.

Over the next couple of minutes, I think you're going to hear a lot of the same from us. From a financial target perspective, you're going to hear us talk about winning our unfair share of business and leveraging those wins to drive margin expansion, free cash flow generation and further shareholder return. From an end market perspective, you're going to hear more about the areas of our business, which continue to see solid double-digit growth, and why we believe we're one of the best positioned companies to benefit from global trends, such as electric and autonomous driving, digital healthcare, AI infrastructure and the long-term shift to renewable energy.

But there are some new dynamics to share today as well. And as a team, we're excited to share a few key updates. For starters, you may have noticed that our previously announced transaction to sell our mobility business to BYD Electronics has moved from the preliminary stages of agreement to a definitive agreement as announced earlier this week. As we move through our session today, you'll hear from both Kenny and Mike as they weave the strategic rationale and financial impact into our economic model.

At the same time, we have some updates to provide today on capital allocation framework, given that the mobility definitive agreement is now in place. And then given that fiscal '24 will be transitional for Jabil, in terms of closing the mobility transaction and the subsequent planned accelerated buybacks, Mike will offer a viewpoint of fiscal '25, including the full impact of both initiatives.

So with that, I'll now hand it over to Kenny.

Kenneth S. Wilson - *Jabil Inc. - CEO & Director*

Thanks, Adam. Good morning. Thanks for joining us today. As Adam highlighted, fiscal year '23 was another strong year, and I'm pleased with the progress we have made relative to our financial objectives.

Every day at Jabil, we strive to do the right thing. It is how we are wired. So it's heartening when looking at our end-of-year report card to see that we are making progress on all fronts. Most satisfying for me is the resilience of our model, where despite end market choppiness, we posted very impressive year-on-year growth in core margins, up 40 basis points to 5%, earnings up 12% and EPS up 13%, while also driving in excess of $1 billion in free cash flows.

This time of year also sees us complete our annual strategic planning process, and it is reassuring to note that similar to last year, we reconfirmed our focus on investing in key areas of our business, including electric vehicles and autonomous driving, AI cloud solutions, renewable energy and healthcare. All of this sets a firm foundation for fiscal year '24 and beyond and is a testament to our customer-centric model, which is both robust and adaptable to changes in end market.

The next slide shows how these characteristics have shaped the last 10 years and seen in this context, fiscal '23 was just another step in the journey. If I was looking for one word to summarize activities highlighted, it would be intentionality. We have and will continue to be very intentional as we look to grow and modify the mix of business to include longer life cycle industries like healthcare with the acquisition of Nypro and our strategic collaboration with JJMD.

In addition, we have also increased investment both organically and inorganically in emerging technologies. We review our capabilities as a match for important end markets, like renewable energy infrastructure, electric vehicles and cloud data centers.

From an enterprise perspective, we began materially redirecting more and more of our free cash flows to buybacks and reinvest in ourselves at very attractive valuations. And finally, just a few weeks back, we unveiled yet another step in our journey as we announced the pending divestiture of our mobility business to BYD Electronics for $2.2 billion.

As we move into fiscal year '24 and beyond, you can continue to rely on this leadership team to allocate capital with a view to expanding shareholder value.

I'd now like to spend a little time talking about our decision to sell the mobility business. As you know, over the past 5 years, I've had the privilege both to lead and work alongside some of the most skilled and talented manufacturing engineers, operations leaders and material scientists in the world. And during that time, we were fortunate to build an incredible business, while also delivering best-in-class products for one of the world's greatest brands.

I had a front row seat, unlike any other, to truly appreciate and develop a deep understanding of the level of complexity involved and introducing and manufacturing precision mechanics at huge scale for our largest customer. This perspective provides me some credibility to make the claim that our mobility team is second to none when it comes to innovative automation, tooling design and manufacturing of these components at scale. And I also truly believe this talented organization can reach new heights, with our capabilities matched by a supportive business model focused on significant growth.

To all my friends in the mobility business, I will miss you deeply. Thanks for showing our company at its best. For never flinching from the sometimes seemly unsurmountable asks. I'm doing so all with humility, professionalism and great skill. It has been my honor to be a part of your team.

Looking forward, I think your particular skill sets can be leveraged in endless ways. And while it's bittersweet to say goodbye to some great friends and colleagues, I know this is the best route for our customers, employees and shareholders alike.

In a moment, I will turn the call over to Fred to go deeper into our end markets. But before that, I wanted to reaffirm what you can expect from me as CEO. I will work tirelessly on your behalf to ensure that we are in the correct end markets and geographies with the correct capabilities to serve our customers. I will continue to ensure that our capital allocation is shareholder-friendly, while appropriately funding our growth.

And all of this will be underpinned by an unwavering passion and commitment to preserve, protect and grow our unique culture, which is the foundation of everything that is great about our company.

Thank you for joining us today and for your interest in Jabil. I will now turn the call over to Fred.

Frederic E. McCoy - *Jabil Inc. - Executive VP & CEO of Electronics Manufacturing Services*

Thanks, Kenny. Good morning, everyone. As you've heard from Adam and Kenny, there's a lot going on at Jabil at the moment and quite a lot to be excited about. It's my privilege to join the call today, and over the next few minutes, to walk you through the demand dynamics inside our diversified markets and how we see each shaping up for the coming year.

As we move into FY '24, we continue to expect growth in our business to be headlined by end markets that are benefiting from strong multiyear tailwinds, specifically renewable energy infrastructure, electric vehicles, AI cloud data centers and healthcare.

Let's begin with what's going on in our industrial and semi cap end market on the next slide. In Industrial, we're experiencing robust growth in clean and smart energy infrastructure as governments globally implement legislation, such as the Inflation Reduction Act in the United States to increase investment in new projects.

As a reminder, we play across the entire energy value chain, from energy generation, power conversion, transmission, storage and metering and to the management of power inside homes and buildings. These projects have multiyear investment timelines, independent of underlying short-term economic growth forecasts. So we feel comfortable with the visibility we have in this space, given these elongated infrastructure build-outs.

As an example, a relatively new market that we're particularly excited about is the energy storage systems market, from grid level to inside the home and in support of rapid EV charging. On the back of several recent wins in the U.S. and Europe, we expect this space to drive solid growth in the coming years, leveraging our investments in battery module integration.

We are well positioned to support growth in the renewable energy infrastructure space due to a unique combination of power engineering expertise, in-region manufacturing and supply chain capabilities. As a result, we expect revenue for our industrial business to be up more than 20% in FY '24.

Offsetting this growth slightly is our semi-cap business as we anticipate market demand to remain muted for most of our fiscal year. As a reminder, our semi-cap business spans both front end, with peer that turns wafer into chips to the back end with peer that inspects and tests the wafer or resulting chips.

Our strategy in this end market has been very thoughtful due to the high cyclicality of the market, and we've been very focused around how we've invested in this business, expecting demand to remain muted in FY '24, while preparing the capabilities and regional footprint for us to be well positioned to grow when the market moves higher as end market demand rebounds.

Within our Automotive and Transport business, we continue to expect growth to be driven by a global transition to electric vehicles. For FY '24, we expect another year of 20-plus percent revenue growth, despite what is a choppy overall global demand environment. The global shift to EVs continues to accelerate, and we expect EVs to represent a larger share of the global auto market in FY '24, regardless of near-term global growth dynamics.

In this space, we support an increasingly diverse set of the world's leading automotive OEMs as they launch new electric vehicle platforms across multiple geographies. Our focus areas in the EV market, we refer to as ACES, or ADAS and autonomous, connectivity, electrification and software-defined vehicle architecture.

In the EV market, we support products such as compute and control modules, power conversion, battery management, optical camera modules, LiDAR and other sensors as well as charging solutions. The path to mass adoption of electric vehicles globally is exceedingly complex, and there are very few companies that are as well positioned as Jabil to support customers' multiple complex program ramps on multiple continents with industry-leading supply chain, design and manufacturing capabilities.

Moving to cloud. Our cloud solutions continue to resonate with customers of all sizes, from large hyperscalers to Tier 2 cloud providers, such as technology companies and leading financial firms. Today, cloud represents a relatively small portion of overall global IT spend, but we expect secular growth in this area to accelerate, including the related data center infrastructure, especially with the proliferation of AI and ML.

Next-generation clouds, and especially AI cloud data centers, present unique challenges to customers. AI workloads, which are powered by extremely powerful GPUs that consume significantly more energy and drive increased data generation.

This creates three challenges: insufficient power supply on the grid to support expanded data center needs, heat generation that surpasses the capabilities of air cool data centers and enhanced data interconnections between racks to support increased data inside the data center.

Our design to dust capabilities continue to resonate with customers and we are investing in the areas of data center infrastructure services, liquid cooling and silicon photonics to help our customers solve the above challenges. Jabil is extremely well positioned to support customers as they incorporate innovative technologies into their data centers.

And with the asset-light nature of the business, we have maximum flexibility to adapt and support customer needs around the world.

We are already seeing success in this area. Jabil was recently awarded and began production of our largest cloud customer's artificial intelligence rack configurations that are GPU dense, which are consigned. Because these components are among those consigned, we will see year-over-year headwinds to revenue, especially in the first half of the year. In spite of the revenue decline, the underlying business and associated unit volumes, however, are expected to grow by more than 20% in FY '24.

In healthcare, we expect another robust growth year, with revenue up 9% year-on-year. In the healthcare space, the range of products we design and manufacture lean into digital healthcare trends and include highly complex diagnostic equipment and related consumables, orthopedics, including 3D printed implantables, precision health and medical devices, like minimally invasive devices and pharma solutions, including smart injection delivery devices for diabetes and obesity drugs.

Jabil's credibility in the healthcare space as the largest EMS provider in this space positions us well to take advantage of the outsourcing of manufacturing trend. In the coming years, we expect OEMs to continue to accelerate this outsourcing trend, regardless of global macro growth.

A recession-resistant end market with long product life cycles and accretive margins and stable cash flows is why healthcare continues to be such a critical component of our diversified portfolio.

Within digital print and retail, we are seeing slower demand in legacy print and point-of-sale markets. This is being offset by growth in warehouse and retail automation markets as we have a number of key wins that will be ramping in the back half of the fiscal year. These wins leverage unique capabilities in 3D printing of production components, robotics, engineering, software and integration and complex manufacturing automation.

Our recent success shows we are well positioned in these end markets to help our customers bring next-generation automation technologies to market. Within our networking and storage end markets, we continue our ongoing efforts to optimize our portfolio as we prioritize margins and cash flows. We also expect overall market demand to be muted this year. Longer term, however, we anticipate growth coming from new programs in development for advanced optical networking for high-performance data center interconnect that will support growth in cloud and AI data center applications. And finally, within our Connected Devices business, demand remains soft, reflective of weakness in consumer goods spending.

We expect another year of market contraction for the coming year. We remain committed to this business, however, as shorter life cycle products helped drive product and capability innovation that we leverage across our other end markets. In closing, I feel strongly that we have the right team, capabilities and play in the right end markets to support fantastic momentum into FY '24 and beyond. It's now my pleasure to turn the call over to Mike to walk you through our financial forecast, including the impacts of the divestiture of our mobility business.

Michael Dastoor - *Jabil Inc. - Executive VP & CFO*

Thanks, Fred. Good morning, everyone, and thanks for joining us today. Over the next few minutes, I plan to provide more information on the following: the expected net proceeds of the mobility transaction and the refunds. Next, I'll walk you through our financial outlook for FY '24, along with how we plan to report and forecast the business considering the pending sale followed by an update on our buyback execution plans through FY '24 and FY '25. And finally, I'll also share with you how our financial outlook looks for FY '25, excluding our mobility business.

With that, let's turn to the next slide. As Kenny mentioned, the sales proceeds from the transaction are expected to be $2.2 billion. We expect tax and transaction costs to be approximately $300 million, which will result in net proceeds of $1.9 billion. Upon closing of the transaction, we expect to utilize roughly $300 million, of which $200 million is in cash towards restructuring of stranded costs and footprint optimization, resulting in total cash available of $1.7 billion after these activities. We expect to record a gain of approximately $300 million to $500 million associated with this transaction, net of the above noted expenses. The $1.7 billion in cash, we expect upon closing of the transaction will afford us the flexibility to execute accelerated share repurchases, while at the same time drive further growth in key secular end markets. Over the past several years, Jabil has been on a journey, a journey of diversification, a journey of portfolio optimization, a journey of strong financial performance, all while being extremely shareholder-friendly and returning funds to shareholders.

This has been reflected in a resilient model delivering core operating margin expansion, sustainable earnings growth and strong predictable cash flows. All this throughout a range of economic cycles, including a pandemic, a war, increased supply chain complexities, elevated inflation and reshoring. During this time, we also optimized our capital structure to maximize flexibility. All of this has been evidenced by our consistent core return on invested capital of around 30%. Moving forward, we continue to be conservative in our approach, given the current macroeconomic dynamics while remaining confident that we've aligned our resources with the right end markets, and we have the best team and set of capabilities to deliver for our customers.

With that, let's turn to the next slide. We heard Fred take us through each of our end markets and how we plan to optimize this portfolio even further. We continue to benefit from multiple long-term secular growth end markets such as electric vehicles, healthcare, renewables and AI-driven cloud data centers. In fact, for FY '24, we expect these 4 end markets to make up nearly 70% of our FY '24 revenue mix, excluding the revenue associated with the mobility sale.

Upon closing the Mobility transaction, we no longer anticipate having any customer that represents 10% or more of revenue. The long-term viability of these end markets continues to give me a high level of confidence as we navigate a range of economic scenarios while expanding margins and free cash flows. Next slide. FY '24 is a pivotal year in our journey. After considering a range of scenarios with differing outcomes associated with the timing of the mobility transaction clause, we thought it might be helpful to provide a time-based range for FY '24 results, including our mobility business until the transaction close date and highlight the FY '25 outlook, excluding mobility and after considering the full impact of accelerated share repurchases. But before I do that, I'd like to walk you through some assumptions we have used, most of which we have already discussed on this call.

For FY '24, we assume economic conditions remain challenged for the consumer, which we have reflected in our consumer-related end market guidance. In the coming year, we continue to optimize our end market portfolio in networking and storage. As Fred mentioned earlier, we began production of our largest cloud customers artificial intelligence rack configurations. These racks are GPU dense and are among the components that have transitioned to a customer control consignment service model, which has effectively doubled the consignment percentage from a year ago.

While volumes are expected to grow by more than 20%, we expect the shift to result in lower revenue as compared to last year of approximately $500 million in Q1 and approximately $200 million in Q2. Within our Mobility business in Q1, we expect the change in more content associated with new products to impact year-over-year revenue growth by approximately $300 million to $400 million. And finally, we anticipate the mobility transaction to close some time during Q2 of FY '24. The exact date of the close will drive where we land on the time-based range. With that, let's turn to the next slide for our first quarter guidance.

For Q1, we expect total company revenue to be in the range of $8.4 billion to $9 billion. At the midpoint, this anticipates DMS and EMS revenue to be $5.1 billion and $3.6 billion, respectively. Core operating income is estimated to be in the range of $474 million to $534 million. GAAP operating income is expected to be in the range of $423 million to $483 million. Core diluted earnings per share is estimated to be in the range of $2.40 to $2.80. This includes the benefit of approximately $0.25 associated with accounting impacts of assets held for sale.

GAAP diluted earnings per share is expected to be in the range of $2.02 to $2.42. Net interest expense in the first quarter is estimated to be $73 million. Moving on to full year guidance, beginning on the next slide. For FY '24, we expect revenue at an enterprise level to be in the range of $33 billion to $34 billion. As I mentioned a moment ago, we anticipate closing the transaction during Q2 of our fiscal year. Therefore, our FY '24 guidance range reflects a range of potential outcomes. I would caution against reverting to the midpoint of these ranges as they are time-based ranges and will be highly dependent on actual transaction close date.

For FY '24, we expect core operating margins to improve by 30 to 50 basis points year-on-year, mainly driven by our improved mix of business. Our investments in IT and factory automation will also drive improved optimization across our footprint and are anticipated to lead to higher margins in the future. Moving to our thoughts around CapEx for FY '24. In the coming year, we expect net capital expenditures to be in the range of 2.2% to 2.5% of net revenue. This is higher than the 2% in FY '23 due mainly to timing of CapEx investments rolling into the first quarter of FY '24.

Upon closing of the Mobility transaction, longer term, we now anticipate our CapEx to be lower as a percentage of revenue in the range of 2% to 2.3%. Our CapEx investments this year are expected to include a combination of maintenance and strategic investments for future growth and efficiency gains. We plan to continue to invest in targeted areas of our business with the bulk of growth CapEx aimed at the automotive EV space along with healthcare and renewable energy end markets.

Moving on to cash flow generation. We closed out FY '23 with strong free cash flow is north of $1 billion. We expect to continue generating strong cash flows in FY '24 with adjusted free cash flow of more than $1 billion. With that, let's now turn to our capital structure on the next slide. We have a solid and flexible debt and liquidity profile with current maturities appropriately staggered at an attractive interest rates. We ended FY '23 with committed capacity under our global credit facilities of $3.8 billion. With this available capacity and our year-end cash balance, we had access to more than $5.6 billion of available liquidity, which we believe affords us ample flexibility. We also remain fully committed to maintaining our investment-grade credit profile.

In fiscal '24 and beyond, we expect to generate significant free cash flow. Given this dynamic, along with expected net proceeds from the mobility business sale, I believe it's an appropriate time to reiterate our capital allocation priorities and at a high level, how we plan to deploy our capital over the next 2 years.

Please turn to the next slide. This morning, included in our earnings filing, we announced that our Board of Directors expanded our current share repurchase authorization to $2.5 billion. We expect to begin executing on this upsized authorization immediately. You heard Adam say that we were unable to complete our Q4 share repurchases due to restrictions around the mobility transaction. We plan to launch a $500 million accelerated share repurchase transaction in October prior to the close of our mobility transaction.

Post closing of the mobility transaction, we intend to execute a series of additional accelerated buybacks throughout FY '24 and FY '25, with the intent of optimizing share repurchases and interest expense, thereby maximizing the EPS impact.

Moving forward, we are comfortable with our ability to generate strong cash flows and will remain balanced and thoughtful in how we allocate our capital. We believe this capital allocation framework will allow us to continue to grow our business and create value for shareholders. As a reminder, we have already reduced our outstanding shares from 203 million in 2013 to 131 million at the end of FY '23, a 35% reduction over this time period. Over the past 10 years, we bought back our shares at an average price of $32.71 a share.

Next, let's look at our FY '24 guidance. For FY '24, we expect the momentum underway across our business to continue even in a subdued economic environment. Today, our business serves a diverse blend of end markets in areas that provide confidence in future earnings and cash flows. We have deep domain expertise, complemented by investments we made in capabilities, all of which gives us confidence in our ability to deliver 30 to 50 basis points of core margin expansion in FY '24, along with core EPS in the range of $9.30 to $9.70 and more than $1 billion in free cash flow. And importantly, our balanced capital allocation framework approach is aligned and focused on driving long-term value creation to shareholders.

As we transition to our final slide, I thought it made sense to provide you with a view of FY '25, excluding our mobility business, but including the impact of our accelerated share repurchases post closing. We believe we're on the path to deliver our core operating margins at or above 5.6% in FY '25 and deliver more than $10.65 in core EPS.

To deliver this, we need to only grow our revenues by a conservative 3%, while continuing to execute a series of accelerated share repurchases. In my view, Jabil is well positioned to navigate the current economic environment evidenced by our performance over the past several years. We are not only well diversified, but also markedly more resilient than we were several years ago due to our intentional efforts to invest and align our resources with areas in key end markets that are undergoing multiyear secular growth, all of which gives me confidence as we march towards 6% core operating margins in the future.

Thank you for your time today and for joining us this morning. I'll now turn the call over to Adam.

Adam Berry

Thanks, Mike. As we talked about at the outset of the call, there's a lot to be excited about here at Jabil. And we've given you a forecast for fiscal '24, which we believe will be a bit transitional and fiscal '25, which we believe will be a bit more normalized and will include the full impact of the share repurchases from both our previous program as well as the portion from the mobility deal. There's a lot to be excited about here at Jabil and we're ready to get into your Q&A. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is coming from Ruplu Bhattacharya from Bank of America.

Ruplu Bhattacharya - *BofA Securities, Research Division - Director & Research Analyst*

Congrats on the strong results and the very strong guidance. In fact, your margin guidance is significantly higher than we had expected. You're guiding for 60 basis points of improvement over 2 years, and you've also talked about 6% operating margin.

So can you help us dive a little bit into that? I mean how much of this margin improvement is coming from mix shift within the portfolio? How much would you say is like-for-like pricing improvement? I mean I would think that by fiscal '25, you'd had some recovery in semi cap, maybe there's less inflation passed through and maybe you're taking some cost actions.

So any color you can give in terms of what are the different drivers for such a strong margin improvement?

Kenneth S. Wilson - *Jabil Inc. - CEO & Director*

Thank you for the question. I mentioned in my prepared remarks that we're really intentional. We just came out of our annual review of our strategic planning. And I think you'll see in Mike's comments also that we're viewing, post the mobility divestiture that, 70% directly of our business is going to be in the EVs, AI, cloud, renewables and healthcare.

So if you look at that, that's all areas of our business that we believe are accretive from a margin perspective. And if you just roll forward what we expect our growth to be in those areas that it really is a big chunk of that. Also obviously, as you'd expect, as the mobility business moves out of the company, we're looking at rightsizing our footprint and just aligning with the new normal for our business.

So it really is part of what we've been planning to do. We've been very intentional on it. And it really is just a function of -- as business with higher margin growth and becomes a bigger part of our portfolio, that's where we see we get to from a margin perspective.

It's not a function of a comeback and trying to renegotiate higher prices with our customers. It really is a function of us adding more value and key end markets, and that's where we end up. So we -- and my other comment here would be, as you know, we are generally quite conservative, so we wouldn't be talking to you about that if we didn't think there was a high degree of likelihood that we would achieve that.

Ruplu Bhattacharya - *BofA Securities, Research Division - Director & Research Analyst*

If I can ask you on automotive, I mean, you've had very strong growth over the last couple of years. I mean this past year, you grew 40% plus, and now you're guiding another year of 20% plus. I mean the business now is sizable, right? It's like $4.5 billion.

So I mean do you think that this level of growth can sustain? And what drives that? Is it -- are you increasing the content per vehicle? Or is it that you're going to more OEMs than before? Just -- if you can just expand on how you're thinking about what drives that growth? And are you concerned about the competition in this space as more companies look to try and gain share in different aspects of automotive?

Kenneth S. Wilson - *Jabil Inc. - CEO & Director*

Yes. Yes, let me talk to that also. So I think I said previously that the automotive business is hard and being hard is good for us. And also, you need to have a global footprint with consistent and standard processes and capabilities and be able to launch products simultaneously in different geographies at the same time.

There's not that many companies that can do that. And so that certainly helps us. We've been on a journey in the automotive space for quite some time. Chad Morley and his team have been driving that. We identified pretty early that your electrification was going to be a huge trend, and so we doubled down on that.

And obviously, as you listen to Fred talking about ACES, we were looking at software-defined also. Now -- so we've been thoughtfully focused on adding more of the key logos to our portfolio. And what we see is as we add more logos or more companies, that we're involved in more and more programs.

And I think Mike's talked previously about how the business -- it's like 7-year life cycles. You've introduced them at different rates. So what we see is, going forward, the products that we're incubating now are going to be revenue and margin accretive in the next 2, 3, 4, 5 years. So we're feeling quite confident about our growth. Certainly, 20%, we think is probably reasonable.

From a competition perspective, we compete globally with really, really good companies. Competition mix is better. So we are well aware and we're pretty paranoid about our capability and our competitors. So I would say that we don't have any real surprises with our competitors in terms of capability relative to ours. And we're pretty confident that what we can offer, being a U.S. domicile, but with wonderful capabilities in Asia, Europe and North America, we think that, that model is a winner for our customers and for Jabil. So we're feeling quite confident about our automotive growth in the short, medium and long term.

Ruplu Bhattacharya - *BofA Securities, Research Division - Director & Research Analyst*

Okay. I'm going to try and sneak one more quick one in. I mean you're guiding for strong growth in new areas that I haven't heard of before, like the energy storage side is now much stronger for you and the data center side. So do you think you have enough footprint to support this growth over the next few years?

And when I look at your CapEx guidance, it's still in that normal range of 2.2% to 2.5%. So -- I mean do you think that is enough CapEx to support this new growth? So just your thoughts on the footprint and CapEx and areas of investment. Congrats on the quarter end and the guidance.

Frederic E. McCoy - *Jabil Inc. - Executive VP & CEO of Electronics Manufacturing Services*

Ruplu, this is Fred McCoy. I'll take that for you. Yes, we've announced some expansions in previous calls. We've expanded our footprint both in North America and Europe. So we feel really confident and comfortable in supporting the regional needs for those markets that you cite.

We've seen some movement, as I mentioned, with some of the legislation in Europe and the U.S., driving specific regional requirements. And we think we're well positioned to support those energy storage and energy conversion programs in those regions. And all that's within the CapEx that we guided in the call. That's just part of our normal course of business in adjusting our capacity to meet customer needs.

Michael Dastoor - *Jabil Inc. - Executive VP & CFO*

And Ruplu, if I can just add. If you look at our CapEx, historically, a few years ago, it was in the range of 3.5%. Over the years, we've taken it down to -- we've always suggested a 2.5%, 2.6% range. We will have the mobility transaction going through. We are working on taking this CapEx number down quite a bit.

I think the normalized range, if you look at what happened in FY '23, is our CapEx went down to 2%, but that was little bit of a timing difference. So FY '24, we expect CapEx to still be in the 2.3% to 2.5% range. But going forward, the 2% to 2.2%, 2.3% sounds highly doable.

If you look at what we've done over the last few years, we've grown from $17 billion to $35 billion. So we've doubled our revenues. And we've always managed our CapEx through that doubling phase. It will be the same with automotive. It will be the same with all the other high-margin secular growth end markets. We will continue to manage CapEx with a lot of discipline. And I think the numbers already reflect it. All expansion is reflected when we give out CapEx percentages.

Operator

Next question is coming from Steven Fox from Fox Advisors.

Steven Bryant Fox - *Fox Advisors LLC - Founder & CEO*

A couple of questions for me. First of all, I was wondering if you could dig in a little more into the cloud slide that you presented from the aspect of the growth. Mike, you mentioned 20% sort of like-for-like growth on the rack configurations. but it seems like the drivers are a couple of different areas.

Like can you explain what you meant by customer diversity? And then also how investing in new technologies, like liquid cooling, is driving some of the growth? And along those lines, I noticed you mentioned OSAT packaging, which I think is new. Can you just sort of give us an explanation on that bullet point? And then I had a quick follow-up.

Kenneth S. Wilson - *Jabil Inc. - CEO & Director*

Yes. So we were talking about that just this morning actually. And I think it's worth as just reaffirming in the cloud space that we really think the model we have is outstanding. So it's asset-light. It's co-located with our customer. We also think that as our customer looks to -- our customers look to disaggregate a lot of the other parts of the data center, that it plays to our strength. And I'll get to the kind of optics and OSAT in a second.

So what we find is that, that relationship drives effectively sitting at the same side of the table, trying to solution how can we do things efficiently and how can we help them grow? Because we view there's going to be significant growth, especially underpinned by AI.

So what we see is we've got -- if you take our existing cloud business and what we see that's been augmented by a real pivot to AI, from a consignment perspective, we -- if you look at the GPUs, as Mike mentioned, that's going to be a pass-through for us because we don't add any value there.

But what you find in cloud is that really just the model we have has allowed us to really go deep with our customers and grow our business there.

In terms of -- you mentioned about OSAT, let me talk about that. As we discussed with our customers, and Fred mentioned in liquid cooling, the power requirements for what we're doing in data centers have become significant. Air cooling no longer works. So they're looking for a liquid cooled capability. You need to use photonics extensively, again, because of the power requirements.

So sitting with our customers means that they ask us, "Can you help us in liquid cooling? Can you help us in photonics? Can you help us in pluggable transceivers, et cetera, et cetera?" So that helps us as we go into a strategic planning to look at where should we be investing our dollars and capabilities to help our customers.

The good thing for us, Steve, is that as we go more vertical in end markets, it simplifies our customers' lives. And it makes our solutions more robust and it effectively allows us to grow our business there. So that's kind of how we see things in the cloud, and hopefully, that answers your question.

Steven Bryant Fox - *Fox Advisors LLC - Founder & CEO*

Yes. No, that's very helpful. And then just as a follow-up, Mike, it sounds like what you're saying with the fiscal '25 guidance is to assume that you sort of execute on $2.5 billion of buybacks by then. And if that's the case, is there any way to sort of give us an idea of how much we should assume in buybacks or how the share count conservatively comes down this year? I know there's a lot of timing issues there, but it seems like that's an important part of the EPS model to understand now for a little while.

Michael Dastoor - *Jabil Inc. - Executive VP & CFO*

Absolutely, Steve. I think you're absolutely right. the buyback scenario is dependent on the timing of the close. But regardless, let me just -- I think this morning, you saw the Board expanded our authorization -- current authorization to $2.5 billion.

I think if you remember, Adam mentioned in his prepared remarks that in Q4, we were unable to complete our Q4 share buybacks due to the restrictions that are associated with the mobility transaction. So in October, like starting next week, we will therefore -- we will be executing an accelerated share repurchase program of $500 million, regardless of the timing of the close.

So think of that as almost like a catch-up and taking advantage of current market situation as well. Post-close, we will execute a series. Obviously, it will depend when in Q2 it closes, but we will execute a series of accelerated share repurchases. We'll start as soon as the mobility transaction closes and we've received all the cash.

We probably wouldn't do a full accelerated share buyback on day 1 itself for the entire amount. We're going to do a series of buybacks. And the reason for that is we're trying to balance the impact of interest costs, along with the benefit of the (inaudible) like you suggested. All the calculations we've run is a balanced approach actually maximizes EPS. So that's what we're going to do, which means by the end of FY '24, we still won't be completed fully with our buybacks.

I think out of the $2.5 billion, I expect about $1.5 billion, $1.7 billion to be completed by FY '24. And in FY '25, we'll complete the balance of that transaction. I think from a (inaudible) perspective, I'm looking at end of '24 and the range of that 126 million, 128 million shares. While in '24, again, depending on how we manage it through FY '25, it will be in the 115 million, 118 million range.

Steven Bryant Fox - *Fox Advisors LLC - Founder & CEO*

Great. That's helpful. And one just quick question on all that. Should an acquisition come up, would that possibly change the goals you just laid out? Or could you do M&A and still do this amount of buyback?

Michael Dastoor - *Jabil Inc. - Executive VP & CFO*

No, I think the company, the management team, everyone feels we're highly undervalued still. And the best return that we can get is in buybacks.

Having said that, if an M&A comes up, I'll just remind you, our debt leverage is at a very low point. It's like 1.1 and that gives us sufficient room to do an acquisition, if needed, from that -- if the financials work out, and it's capability-driven. It's all in the right end markets, et cetera. So it will be based off of our debt structure.

So I would think of the buybacks as we're definitely going to go and do that, and any M&A will be on top of that, and we have plenty of liquidity and plenty of leverage to do that.

Operator

Next question is coming from Matt Sheerin from Stifel.

Matthew John Sheerin - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst*

A couple of questions for me, if I can. One on -- in terms of your guidance for EMS, it looks like your guiding, networking and storage down 6%. And you also talked about, Kenny, the fact that you're disciplined. You sort of optimized your customer portfolio there.

So does that guidance reflect just weakness in end markets in terms of visibility with customers? Or are you disengaging with some programs that don't meet your return or profitability goals?

Kenneth S. Wilson - *Jabil Inc. - CEO & Director*

Yes, it's a little bit of both in this instance.

Matthew John Sheerin - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst*

Okay. Maybe drill down a little bit in terms of what you're seeing in those markets?

Kenneth S. Wilson - *Jabil Inc. - CEO & Director*

Yes. I mean just that -- there are kind of some legacy EMS type kind of build-to-print type of models in some instances. And our view there is that -- where we can serve -- we're always looking to find where we can serve and add value.

If our serve and add value becomes 100% built-to-print, then probably there's people that can do that cheaper than us and can do it and allow us to add value for other customers where we can be vertical, or where we can do -- just do more engineering services or whatever.

So -- I mean we're not walking away from customers. It's a discussion around, look -- I'm not sure it's -- this is the right fit for ourselves and for our customers. So there's a little bit of that. And then some of it is just the end market softness right now. We see some softness in that market as well as in the consumer space. So we do expect that to recover.

I mean we are not walking away from the network and the storage business, just to be clear. We also see that in that area of our business that the amount of enhanced or advanced network that's required to support the AI data center is significant also. So we think, longer term, this business will be okay for us, but we're just seeing a little bit of softness in the short term, plus you got some discussions with a couple of customers.

Matthew John Sheerin - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst*

Okay. And then my next question, just regarding the inventory picture, supply chain challenges that you've had and how we should think about how that flows through the model in the next year?

You had nice inventory reduction quarter-on-quarter. That net number is down. So are you expecting that to reduce further? And are you seeing any of the supply chain issues that you've called out in previous quarters, particularly in auto and medical in terms of legacy parts?

Michael Dastoor - *Jabil Inc. - Executive VP & CFO*

Let me try and take that. The inventory days did come down by 4 days. I think the team did an excellent job. If you look at our supply chain team, our ops team, our BD teams, finance teams, all of them have done a fantastic job in getting that particular metric down. I think the focus that we put on that from a free cash flow perspective, from a working capital perspective, is all paying off.

Having said that now, I don't expect it to go down into the low 50s. I think that 55 to 60, I think on previous calls, I mentioned that's the range I was expecting mid to long term. It came sooner than expected, which is always a pleasant surprise, but I would expect that 55- to 60-day sort of range to be maintained. It might differ by nuances in particular quarters. It might go up a little bit, it might go down a little bit. But over the long term, I expect 55 to 60 days to be maintained.

From a supply chain perspective, yes, supply chain constraints are coming down, having -- however, I think the -- like you mentioned, the automotive and healthcare pieces, there still are some shortages going on there. Maybe not at the same level that they were at 3 to 6 months ago, but we're still seeing some issues in those end markets all because of the legacy chips like you said as well. So something we're watching. And when that starts coming down and normalizing, we'll get to the 55-ish range over a long period as well.

Matthew John Sheerin - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst*

Okay. And just lastly, on the interest expense line, which was -- which you're guiding $73 million. What should we think about the full year, particularly with your excess cash in terms of bringing down your short-term borrowings? Is there a number that we should model for the year?

Michael Dastoor - *Jabil Inc. - Executive VP & CFO*

Yes, the excess cash has been built into our forecast. I think the number I'd say for FY '24 would be in the range of $290 million to $300 million. Again, we're being conservative there.

If interest rates continue to go up, we don't have a crystal ball around that. But it's mainly a variable rate, which is higher right now because of everything that's going on in the market. So conservatively, I'd model $290 million to $300 million, Matt.

Operator

Your next question is coming from Mark Delaney from Goldman Sachs.

Mark Trevor Delaney - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

First on mobility. By exiting that business, you think you can allow Jabil to better pursue some of these other end markets? And if so, maybe give us a little bit more details as you think about things like management time, perhaps feeling less constrained by customer diversification considerations, or having more capital to invest?

Kenneth S. Wilson - *Jabil Inc. - CEO & Director*

Thanks for the question. So Mark, yes, so firstly, I mentioned in my prepared remarks about the mobility and the mobility team. And I'd just like to call out again our gratitude is as an organization for the work that they've done, which has been outstanding.

Also, I think it would be remiss of me not to -- we are right in the middle of the transition right now, and the collaboration between our team and the BYD team is absolutely outstanding. So we're really pleased about how that's going.

In terms of the business, for sure what we've been looking at here is -- and the way we try and focus our growth is, where can we add most value for our customer and look at the world through the eyes of our customer? And that's why you see, when we look at the end markets that we're focused on, we think it's in markets where the range of capabilities that we have in our company and the global presence that we have can really help our customers grow and develop.

So yes, we'll be focusing much more on automotive, healthcare, just the renewables that we've mentioned previously. So for sure -- and I inquired, for sure, that's going to give us the opportunity to do that. From a use of capital perspective, it helps us here also. So yes certainly, from a management bandwidth, it's going to free up some of our time to go down in these secular -- strong secular growth areas.

Mark Trevor Delaney - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Okay. And speaking of AI, you spoke about some of the nice growth you're seeing and opportunities. Could you clarify how much of your cloud and 5G business is tied to AI at this stage? And how do you see that progressing in your '24 and '25 outlook?

Kenneth S. Wilson - *Jabil Inc. - CEO & Director*

Yes. So '24, it's roughly 20% to 25%. And we think that, that's going to grow in the longer term and going to become a much bigger part of our cloud business.

Mark Trevor Delaney - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Very helpful. And just a clarification on the data center business. I mean I think this is the third year you're seeing this transition to the consignment model, which has the revenue impact that helps the profit margins.

With the shift you're expecting this year away from some of the consignment, do you think you're fully done now? And is it the last year of that transition? Or could this continue beyond fiscal '24?

Kenneth S. Wilson - *Jabil Inc. - CEO & Director*

I think it's going to be really dependent on the mix of the businesses. So we are expanding the space there to allow us to do more cloud. Mike mentioned that we're up 20% year-over-year.

And we don't see any slowdown in terms of cloud rollout. So I think it depends. But certainly, for sure, we think that -- I think -- we think our volumes are going to grow, but it will grow in the AI space. So probably that -- our revenues would probably be relatively consistent at that level, I would think, in the next year or 2.

Michael Dastoor - *Jabil Inc. - Executive VP & CFO*

And Mark, I feel the consignment levels that we are at today will be consistent going forward. I think we've done -- we've doubled our consignment. So even though volumes are up by 20%. We've actually doubled our consignment levels over this period, and that's impacting our total revenue number.

But it -- this is all goodness, right? So I don't think this is something that is negative. It's actually a big positive for us because it helps with our balance sheet. It helps with our margins. It helps flow through. It helps the customer. It helps Jabil. So it's win-win for everyone.

But now that we've doubled our consignment levels, there might be another 5%, 10% that might come through. But I think we're at a good -- decent stage currently with the indicators we provided.

Operator

Your next question is coming from David Vogt from UBS.

David Vogt - *UBS Investment Bank, Research Division - Analyst*

I have a couple of questions and maybe one for Kenny and a couple for Mike. So Kenny, just on the mobility transaction, I know you're probably limited in terms of what you can say.

But what gives you confidence -- I'm just trying to think through. Like what gives you confidence if this deal could close, let's say, within 2 quarters? Because I'm sure you're aware there's other deals that have been pending earlier in the year that are taking upwards of 12 months, if not longer.

So kind of what's going on there? And kind of what are the steps that we should be looking at following sort of the purchase agreement data that you published last night? And then I'll just hold off and ask Mike my follow-ups, if that's okay.

Kenneth S. Wilson - *Jabil Inc. - CEO & Director*

Yes, thanks for the question, David. So yes, we are really, really deep in this right now. I mentioned previously about the -- how effectively we're working together with BYDE. And that is really, really pleasing, especially for our people that are going to go work in that organization. And the leadership team is outstanding.

Yes, we're -- it's really detailed. We've spoken to all the stakeholders. We think we're -- we've got a really good plan, a detailed plan. And we're very, very confident that we'll close this in the timeline that we covered in our prepared remarks, we are actually focused on trying to close it as soon as possible, obviously.

If we could do that in this calendar year, it would be wonderful. But yes, with BYD support in Asia and our support in North America, we think that -- we're very confident that it's going to be closed in the timeline that we mentioned.

David Vogt - *UBS Investment Bank, Research Division - Analyst*

Great. And then maybe for Mike, I appreciate the color on the margins and the mix shift embedded in sort of the outlook for fiscal '24. But can you kind of touch on 1Q to start? It looks like at the high end, operating margins are closing in on 6%. And I would imagine that includes mobility for at least a full quarter to Kenny's point.

And -- but when we look at the full year of '24, I would imagine the base case and the projections are mobility exiting the business by the end of, let's say, fiscal 2Q, and margins kind of trend lower in, I would imagine 2Q and the back half of the year.

So kind of what's going on in the first quarter? I know mix you mentioned earlier, it's a faster growing business that helped margins in the full year, but specifically in 1Q, why are margins so strong? And what does that imply for mobility margins?

And then maybe just as a quick follow-up. I'll give it to you both at the same time. I think you made a comment that your fiscal '25 outlook only contemplates growth of about 3%. I would assume that's based off of a '24 number that is pro forma, excluding mobility. Is that maybe the right way to think about it? And I'll just stop there.

Michael Dastoor - *Jabil Inc. - Executive VP & CFO*

And David, let me answer your second question first. The answer is yes. It excludes mobility. So when we're looking forward to FY '25, the 3% growth is on the non-mobility piece.

As it relates to Q1 margin, there's a couple of dynamics going on. We talked about consignment in the cloud. That has a little bit of an impact for margins in Q1 and for all of FY '24 as well. Our mix continues to shift into the higher mix end markets, the higher-margin end markets.

So there is a shift taking place there, which is working for us. I think I highlighted and Kenny talked about as well, 70% of our non-mobility business now is in -- is going to be in those four end markets.

There's no major change in the mobility piece, other than some, I think, I called out a couple of pieces that I called out the consignment piece and I called out a shift-to-work content, which is more bill of material-driven rather than anything else. There's no manufacturing change at all, and the value add that we provide is still the same. But it was just a bill of material moving upstream rather than through us. So that has a little bit of a positive impact on margin.

And then last but not least, we did -- we signed a preliminary agreement on 27th of August. On the 27th of August, we -- it triggered an asset held for sale sort of accounting treatment under U.S. GAAP. In Q4, there wasn't much of an impact at all. There's 0 impact on the P&L. There was some tax that we had to provide for under GAAP for Q4.

But in Q1, there is about a $40 million, $50 million pickup because we're pulling out depreciation as part of this accounting treatment for assets held for sale. I called it out, in my prepared remarks, I mentioned there's about a $0.25 improvement because of this. But don't forget, through the year, there'll be -- this sort of improvement gets offset by stranded costs that will take time to pull out towards the end of the year.

But in Q1, these are -- there's quite a few dynamics moving around whereby our revenue is -- looks lower, but it's not because it's mainly bill of material-driven and there's some other dynamics as well.

David Vogt - *UBS Investment Bank, Research Division - Analyst*

And Mike, just to clarify, so is the stranded cost and the sort of triggered gain embedded in the core non-GAAP projections? Or is that just strictly in the GAAP numbers for '24?

Michael Dastoor - *Jabil Inc. - Executive VP & CFO*

No. The asset held for sale, the depreciation is embedded in our core. I think I mentioned that specifically, when I was talking about the core EPS, there was a $0.25 impact. The stranded costs are also included in core. We've got stranded costs towards the end of the year. We'll only be able to get to restructure those in maybe Q3 or Q4 well after the transaction closes.

Operator

Our next question is coming from George Wang from Barclays.

Unidentified Analyst

Congrats on the quarter and the strong guide. Just a couple of quick questions. Firstly, can you kind of talk about share gains? Just maybe toss out kind of what are you seeing in terms of the continued share gains, whether that's mostly from like certain new markets or kind of existing growth markets you guys are already in right now?

Kenneth S. Wilson - *Jabil Inc. - CEO & Director*

George, nice to talk to you. Yes, so what we're seeing is -- I think we've seen some offset in end markets right now. So if you look at the consumer, for example, we called it network and storage that's down. So we're not losing market share there.

But in the markets that we're focused on, like in automotive and healthcare renewables, for sure, we're gaining share in those areas. So that is allowing us to offset some softness in consumer, for example, and still being able to grow -- normally grow our business. So we are seeing share gains in those targeted areas.

Unidentified Analyst

Okay. Great. And also I kind of want to double-click on the opportunities out of China, especially given the reshoring trends and maybe kind of specifically in Eastern Europe kind of on the EV production side and also Mexico.

Would you like to call out a few other regions kind of outside of China, also in particular vertical, like that could drive incremental growth as this reshoring trend continues?

Kenneth S. Wilson - *Jabil Inc. - CEO & Director*

Yes. Okay. So let me -- yes. If this doesn't satisfy your question, just let me know, George. But so we have a phenomenal capability and a really robust footprint in China. We leverage a lot of capabilities across the company from our footprint there.

What we do see is that we see opportunities in China for China. So we think that whether it's in EVs or multiple different end markets, we think our facilities are full, and we're adding more demand in our China facility. So when we talk about regionalization, we're not -- it's not cannibalizing our footprint in China, and we think that the demand is going to increase for us there in the longer term, which is great because the teams and the people we have in China are absolutely outstanding.

But to answer your other question, yes, we see -- we look at reshoring in Europe and North America. It's a big part of what we're doing and what you see growth in our targeted end markets. The good thing about our company and our capability is that we have standard processes. We have a consistent culture, of course, in different parts of the world. We have a standard unified ERP system.

So what it means is it means our ability to take capabilities and products and move them around the world and build them in the same -- different geographies at the same time. I would argue that we're among the best in the world at that.

So we see -- our focus is on China to support China market and also for export, but also we see leveraging those capabilities in different parts of the world is something that's going to help us grow in the longer term.

So I guess in summary, the regionalization, as we call it, our reshoring, that's a net positive for us. So we're feeling pretty confident with that in the future.

Operator

Next question is coming from Samik Chatterjee from JPMorgan.

Unidentified Analyst

This is Joe Cardoso on for Samik Chatterjee. Just one question for me, but maybe a 2-parter. Your outlook for industrial and semi cap encompasses more muted forecast for your semi-cap business for '24.

Within that, can you just bifurcate between what you're seeing in the front end and back end of the business? And how you see those tracking through the year? And then you talked about prepping or investing into that business for '25. Can you just dive into that a bit and touch on if there's any specific areas you're investing in? Or is that more of just a broader comment relative of being prepared for that end market as it recovers?

Frederic E. McCoy - *Jabil Inc. - Executive VP & CEO of Electronics Manufacturing Services*

This is Fred. I'll try to take that question for you. So right now, we're seeing a lot of uncertainty in our fiscal '24. I think the industry is looking at kind of the back half of calendar '24 for a rebound. So that's how we've modeled the semi-cap business for FY '24. I think that's both front end and back end. We're seeing those challenges.

In terms of the investment, I mean, we -- we're well aware of the CHIPS Act and then the other investment acts in Europe. And we are also well positioned in some of the regional trends that are going on, both on the manufacturing and the components that go into the semi capital equipment.

So we're really using this period to kind of optimize our footprint, optimize our capability and our capacity in the right regions to support what we see as where the bounce back will happen when it does late in 2024 or early 2025.

So we feel really comfortable that -- again, as Kenny alluded to on the prior question, our global footprint and our standard practices will allow us to be the key supplier to this market in all three regions of the world.

Operator

We reached the end of our question-and-answer session. I'd like to turn the floor back over to management for any further or closing comments.

Adam Berry

Thank you. Our call has now ended. If you have any further questions, please reach out. Thanks.

Operator

Thank you. That does conclude today's teleconference and webcast. You may disconnect your line at this time, and have a wonderful day. We thank you for your participation today.