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Market Intelligence

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Earnings Call

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Presentation

Adam E. Berry

Senior Vice President of Investor Relations & Corporate Affairs

Good morning, and welcome to Jabil's Fourth Quarter Earnings Call and Ninth Annual Investor Briefing. My name is Adam Berry. I'm Senior Vice President of Investor Relations and Corporate Affairs. Thank you for joining us today.

Each September, this call is an opportunity for us to both report the quarter as well as give you a deeper look at our business and the opportunities that lie ahead. And as you'll hear throughout today's presentation, we have a lot to feel good about as the momentum we've seen in fiscal 2026 continues into fiscal 2027.

Before we begin, it's worth noting that today's presentation is being live streamed. The slides are available in the Investor Relations section of jabil.com, and a recording will be available after this event.

In addition, we will be making forward-looking statements during this presentation, including, among other things, those regarding the anticipated outlook for our business, such as our currently expected first quarter and full fiscal year 2027 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 is identified in our annual report on Form 10-K for the fiscal year ended August 31, 2025, and in 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.

Now let me set the stage for what we'll cover today. We'll begin with Greg Hebard, our Chief Financial Officer, who will review our fourth quarter and fiscal year results, cash flow and balance sheet, capital returns as well as our first quarter outlook. We will then move to Steve Borges, who will cover our Regulated Industries segment, including automotive and transportation, healthcare and renewable and energy infrastructure. Next, Matt Crowley will follow with Intelligent Infrastructure and how we're expanding our role across AI infrastructure as customer demand continues to accelerate. Following Matt will be Rafael Renno, who will discuss our newly renamed segment, Intelligent Devices and Robotics, or IDR, which will take the place of Connected Living & Digital Commerce. We feel this name change better reflects where the segment is heading in terms of automation and robotics capabilities as the mix of business continues to shift towards more highly complex engineered solutions.

Upon hearing from these 3 leaders, it will become further evident that the business remains strong and in good shape with growth coming in many key areas. In fact, when you put all of this diversified growth together, we're anticipating adding in excess of \$8.5 billion of revenue in fiscal '27 after having added over \$6 billion in fiscal '26. That's an unprecedented amount of growth for Jabil. Hence, we felt it was critically important for Frank McKay, our Chief Supply Chain Officer; and Andy Priestley, our Chief Operations Officer, to discuss how we're preparing to deliver this growth as well as our unique model for working with both customers and suppliers to secure the necessary components to ensure customer success. And finally, our CEO, Mike Dastoor, will bring it all together, starting with how Jabil has evolved as an engineering-led, supply chain-enabled manufacturing solutions company, followed by our fiscal 2027 outlook by end market, our capital allocation priorities and how we're thinking about the business beyond fiscal 2027. We'll then open the call for your questions.

As you will hear from the team, there are 3 key messages today. First, we're positioned for growth in fiscal '27. Our strong customer relationships and capabilities are expanding what we can deliver, while committed customer demand is filling the additional capacity we have added. Second, our commitment to product, end market and customer diversification continues to create meaningful value. AI remains strong with a broadening customer base, complemented by growth in automotive, defense and aerospace, healthcare, energy infrastructure and warehouse and retail automation. These businesses broaden our customer base and allow us to apply capabilities across markets. Finally, we're focused on converting this

growth into earnings, cash flow and shareholder returns through disciplined execution, investment and capital allocation.

With that, let's get started. It's my pleasure to introduce Chief Financial Officer, Greg Hebard.

Gregory B. Hebard
Chief Financial Officer

Thank you, Adam. Good morning, everyone, and thank you for joining us. I am very excited with our strong finish to fiscal '26.

Fourth quarter revenue and core earnings per share both exceeded the high end of our guidance, reflecting solid execution across the business. Revenue was approximately \$10.6 billion, up 29% year-over-year and more than \$1 billion above the midpoint of our June outlook. The upside was driven from Intelligent Infrastructure and Regulated Industries. I'll provide additional detail on both segments later in my remarks.

Turning to profitability. GAAP operating income was \$602 million or 5.7% of revenue. Core operating income was \$675 million, representing a core operating margin of 6.4%. GAAP diluted earnings per share were \$3.76, while core diluted earnings per share were \$4.40, up 34% year-over-year. Net interest expense for the quarter was \$87 million.

Turning now to our performance by segment. Regulated Industries revenue was \$3.4 billion, up 9% year-over-year and above our outlook for the quarter. Auto and transportation was the largest contributor to that upside with demand stronger than we expected. Renewable and energy infrastructure also finished ahead of our outlook. Together, those businesses more than offset lower-than-expected revenue in healthcare and packaging, where results were impacted by delays in automation equipment and the timing shift of a customer program. Core operating margin for the segment was 5.8%. In Intelligent Infrastructure, revenue was approximately \$5.8 billion, up 56% year-over-year and roughly \$900 million above our June outlook.

The upside was driven by 2 factors. First, AI-related demand remained very strong and continued to accelerate, exceeding the significant growth we had already incorporated in our June outlook. Second, capacity came online sooner than planned and customer ramps progressed better than anticipated, allowing us to support that higher level of demand. That growth was supported by the ramp of our second hyperscaler in Mexico and continued strength in our networking programs in India. Our power business also performed better than expected, contributing to the upside for the quarter. After being capacity constrained for much of the year, we're beginning to see our capacity investments drive growth. Core operating margin for the segment was 6.5%, up 60 basis points year-over-year, reflecting an improving mix, including the contribution of our margin-accretive Hanley Energy acquisition.

In Connected Living & Digital Commerce, revenue was approximately \$1.4 billion, roughly flat year-over-year. Core operating margin was 7.1%. As Adam mentioned, we will refer to this business as Intelligent Devices & Robotics in our outlook.

Turning to cash flow and our balance sheet. Let me begin with inventory. We made solid progress in the fourth quarter, reducing net inventory days by approximately 4 days sequentially to 64, including inventory deposits. Gross inventory days ended the year at approximately 82. While net inventory days remain above our target range of 55 to 60 days, we expect continued improvement and a return to that range as we move through fiscal 2027. Cash from operations was \$733 million in the quarter and approximately \$2 billion for the full year. Net capital expenditures were \$192 million in Q4 and \$470 million for the year or 1.3% of revenue. As a result, strong adjusted free cash flow was \$541 million in the quarter and more than \$1.5 billion for the year, exceeding our initial FY '26 outlook of \$1.3 billion plus.

Looking ahead, we continue to expect net capital expenditures of 1.5% to 2% of revenue. The asset-light nature of Intelligent Infrastructure enables us to support strong growth while continuing to invest across our diversified portfolio. We exited fiscal 2026 with a strong balance sheet with debt to core EBITDA of 1.3x and cash balances of approximately \$1.7 billion.

Turning to our capital structure. We ended fiscal 2026 with approximately \$6.1 billion of total available liquidity, including \$4.4 billion of unused borrowing capacity. Balance sheet debt was approximately \$3.4 billion. Our strong financial position provides the flexibility to support customer growth, continue returning capital to shareholders while maintaining our commitment to an investment-grade credit profile.

Turning to shareholder returns. We repurchased approximately \$169 million of shares in the fourth quarter and approximately \$1.1 billion for the full year. That builds on our consistent track record of returning capital to shareholders. Since fiscal 2013, we've reduced shares outstanding from approximately 203 million to approximately 104 million, a reduction of 49%. Over that period, we've repurchased shares at an average price of \$58 and returned \$8.8 billion to shareholders through repurchases and dividends. During the fourth quarter, we completed our prior repurchase authorization and began repurchasing shares under the new \$1.5 billion program authorized by our Board in July. Approximately \$1.4 billion remained available at year-end. Our long-term framework remains unchanged: return 80% or more of adjusted free cash flow to shareholders over time while continuing to invest for growth.

With that, let's turn to our first quarter guidance, beginning with revenue by segment. For Q1, we anticipate Regulated Industries revenue of approximately \$3.5 billion, up about 12% year-over-year. The growth is expected to be led by auto and transportation, driven by programs in defense and aerospace and automotive, along with continued momentum in renewable and energy infrastructure. For Intelligent Infrastructure, we expect strong growth to continue, with revenue of approximately \$6.3 billion, up about 63% year-over-year. AI-related demand remains very strong and continues to accelerate. We expect customer ramps and additional capacity coming online to support that growth. In Intelligent Devices & Robotics, we expect revenue of approximately \$1.2 billion, down about 10% year-over-year.

Putting it all together at the enterprise level, total company revenue for Q1 is expected to be in the range of \$10.6 billion to \$11.4 billion. GAAP operating income is expected to be in the range of \$481 million to \$541 million. Core operating income is estimated to be in the range of \$592 million to \$652 million. GAAP diluted earnings per share is expected to be in the range of \$2.78 to \$3.18. Core diluted earnings per share is estimated to be in the range of \$3.80 to \$4.20. Net interest expense is estimated to be approximately \$95 million for Q1 and in the range of \$390 million to \$400 million for the full year. Our core tax rate for Q1 and for the fiscal year is expected to be 20%.

Let me close with our full year results and the longer-term progress shown on the next 2 slides. Since fiscal 2020, core operating margin has increased from 3.2% to 5.8%, and together with our share repurchase program has driven core earnings per share at a compound annual rate of approximately 29%. Our asset-light model has also enabled stronger cash generation with less capital, reducing net capital expenditures from 2.9% of revenue to 1.3%, while more than tripling annual free cash flow. That's a strong track record and one we are proud of.

Our business has evolved considerably over that period, but our focus has remained consistent: strengthening the portfolio, expanding margins and converting earnings into cash. We saw the value of that approach again this year. Intelligent Infrastructure led our growth; and automotive, energy infrastructure and digital commerce also contributed. The strength of our diversified portfolio gives us multiple opportunities to grow, and we'll continue to allocate capital toward the market and capabilities where we see the most attractive long-term returns.

We enter fiscal 2027 with strong momentum and broader participation across our end markets. Our focus remains on delivering that growth with the same financial discipline that has driven our progress to date. Our business leaders will now discuss those opportunities in more detail before Mike takes you through our strategy and full year outlook.

Steve, let me turn it over to you to begin with Regulated Industries.

Steven D. Borges

Executive Vice President of Global Business Units

Thanks, Greg. Good morning, everyone. I lead Jabil's Regulated Industries segment, which brings together automotive and transportation, defense and aerospace, healthcare and packaging and renewable energy

infrastructure. These businesses share an important characteristic. They compete in markets where trust is earned over years, not quarters. Qualification cycles are lengthy, certification requirements are rigorous and customers depend on consistent execution throughout programs that often remain in production for a decade or longer. That creates durable customer relationships and gives us the opportunity to expand our role over time. We often begin by supporting a specific product, and as confidence and performance increase, we broaden our engagement into adjacent technologies, additional manufacturing processes and increasingly complex system-level solutions. Deepening these relationships remains one of the strongest drivers of value creation across the segment.

Looking ahead to fiscal 2027, we remain optimistic about the outlook across Regulated Industries. Automotive is benefiting from a more balanced technology mix. Defense and aerospace is gaining momentum as new programs move into production. Healthcare is expected to return to growth, while renewable and energy infrastructure is benefiting from improving market conditions and overall demand. Although we remain mindful of the broader demand environment, the long-term trends supporting these businesses remain compelling.

Let me start with automotive and transportation. This business returned to growth faster than we anticipated, driven by strong operational execution, improved win rates with strategic customers and disciplined portfolio management. Over the past several years, we have intentionally repositioned the automotive business towards higher-value opportunities, including software-defined vehicles, advanced driver assistance systems, vehicle compute and powertrain-agnostic technologies that support internal combustion, hybrid and battery electric platforms.

That strategy is working. We have reduced the share of electrification and powertrain programs in our portfolio from approximately 80% in fiscal 2023 to about 40% in fiscal 2026. Software-defined vehicle, compute and advanced driver assistance programs represent much of the balance. This more balanced mix positions us to perform across multiple technology pathways as the market evolves. While regional dynamics vary, we continue to see strong momentum across the board. In the U.S., our growth is increasingly tied to powertrain-agnostic technology. In Europe and in China, we are seeing increased adoption of advanced technologies across battery electric platforms. Our European pipeline continues to expand as existing customers extend these architectures across global vehicle platforms and respond to ongoing localization requirements. Approximately 90% of fiscal 2026 automotive revenue came directly from original equipment manufacturers. As OEMs rethink their strategies, outsourcing is becoming more prevalent.

Jabil is well positioned to benefit from these trends. Our customer relationships, engineering expertise, advanced manufacturing know-how and resilient global supply chain enable us to participate in the highest value, most complex areas of the autonomous, connected, electrified and software-defined vehicle market. Beyond automotive, we see attractive potential across the broader portfolio. Defense and aerospace is expected to become an increasingly meaningful contributor in fiscal 2027 as new programs move into production. Across both established industry leaders and emerging technology companies, customers need partners that can move complex products from design to high-volume production while meeting demanding quality, security and scale requirements.

This is where Jabil's breadth of capabilities becomes a competitive advantage. By bringing together engineering, systems integration and supply chain expertise from across Jabil, we can support increasingly complex products and expand our role from electronic assemblies to complete integrated systems. Our immediate focus is executing today's program ramps while preparing the business for its next phase of expansion.

Turning to healthcare. This remains a stable business with an attractive long-term growth profile. As I mentioned earlier, these customer relationships are built over many years, creating durable partnerships and strong visibility. We expect the business to return to growth in fiscal 2027 as customers launch new products and increasingly rely on Jabil for complex manufacturing solutions. Medical technology companies increasingly need partners that can integrate engineering, global supply chain expertise and regulated manufacturing at scale. That combination differentiates Jabil and enables us to capture additional share as outsourcing expands.

We are investing in high-value areas, including minimally invasive technologies, sterilization, medical device reprocessing and pharmaceutical solutions. These investments broaden our addressable market, deepen existing relationships and support long-term value creation with attractive margin opportunities. Drug delivery is a good example of that strategy in action. Across insulin delivery, biologics and weight loss therapies, customers need partners that can manufacture highly reliable devices at scale. We combine precision manufacturing with deep process expertise to help our customers bring these next-generation therapies to market efficiently.

To illustrate the scale of that opportunity, we expect to manufacture more than 700 million injectors and delivery pens in fiscal 2027. This reflects both the breadth of our participation in drug delivery market and our growing role in several of the fastest expanding therapeutic categories. Our pharmaceutical solutions business, which we expanded through the acquisition of Pii is a natural extension of that strategy. As we move through fiscal 2027, our focus is on executing customer product launches, expanding capacity where demand supports it and investing selectively in the technologies that will sustain growth in the years ahead.

Finally, let's turn to renewable and energy infrastructure, where market conditions improved throughout fiscal year 2026. We're seeing encouraging signs across our energy-related business with solar remaining an important part of the portfolio. More importantly, customer investment is broadening into energy storage, electrical infrastructure and thermal management solutions. Electricity demand continues to accelerate, driven by electrification, industrial expansion and the rapid growth of data centers. That demand is increasing investment across the energy value chain from power generation and storage to grid modernization, distribution equipment and power management.

While the pace of customer investment will vary by end market, our strategy is focused on the areas with the strongest long-term potential, energy storage, grid power solutions, HVAC and data center cooling, commercial power and the broader energy infrastructure. To strengthen our position, we are investing in engineering capabilities, vertical integration, strategic partnerships and targeted inorganic growth in power electronics and low-voltage switchgear.

In closing, trust remains the common thread across Regulated Industries. Long-standing customer relationships, differentiated technical expertise and disciplined investment provide a strong foundation for sustainable growth and attractive long-term returns.

I'll now turn it over to Matt to discuss Intelligent Infrastructure.

Matthew Crowley

Executive Vice President of Global Business Units

Thanks, Steve. Good morning, everyone. I lead Jabil's Intelligent Infrastructure segment. We continue to feel very good about Intelligent Infrastructure. Demand for AI infrastructure remains strong and continues to accelerate. As customers expand their infrastructure, the systems they need are becoming more complex. That creates more opportunities for Jabil. Fiscal '26 reflected that. Segment revenue grew more than 40% and AI-related revenue was up 60% year-over-year. And we ended the year with 4 customers with AI-related revenue above \$1 billion annually, up from one \$1 billion customer 2 years ago. Additionally, we added a third hyperscale customer in the third quarter of this year, all proof points that our strategic focus on capability is resonating with customers and the market.

Behind those results is how we think about the data center. It's one complete system, and we've built the capabilities required across the entire system. Compute, storage and networking need to work with the power and cooling around them. A change in one area affects the others. A simple example of this is putting more compute and GPUs into a rack requires more power and generates more heat. This changes both the cooling design and the way power is delivered, while the network and optical connections have to keep pace.

Working through those choices with the customer is where our engineering is making a difference. We're investing in those capabilities and getting involved earlier, often before a program reaches the quotation stage. 4 of our 6 largest data center wins this year began that way as design engagements. That early

involvement is what we mean by engineering-led and silicon to solutions. We can engage around the silicon, help design and integrate the rack and support the infrastructure around it.

With that strategic concept in mind, let me walk you through our 3 end markets in the order we report them. Capital equipment comes first because it's where we participate earliest in the investment cycle. AI complexity and custom silicon are raising the demands on semiconductor test, and wafer fab investment is creating opportunities in the tools that make chips. In both areas, we're taking on more of the tool, moving from components into modules and subsystems. This year, we brought a new site in Vietnam into production, and we're building complete subsystems for a new generation of memory testers using thermal control that came out of our data center work. Capital equipment revenue grew about 20% in fiscal '26, and we expect fiscal '27 to be an even stronger year with growth of 40% as the wafer fab equipment cycle recovers and ATE demand remains strong.

Cloud and data center infrastructure is our largest end market. Liquid cooling is a good example of how we grow there. A customer may come to us with a thermal problem. As we work through it, the discussion expands to the design and integration of the rack. We solve the initial problem, demonstrate what we can do and earn the opportunity to take on more. That's how our largest account developed, from a server and rack program into servers, racks, power, cooling and services. Our second hyperscale customer started with a single capability and has grown into a storage program above \$1 billion in annual revenue. That expansion doesn't stop at the rack. The power and cooling infrastructure around it also has to be ready, and customers increasingly want that equipment built and tested before it reaches the site.

In Guadalajara and Salt Lake City, we're building modular data centers, power and cooling modules built and tested in the factory, so customers reach power months sooner. Prefabricated modules aren't tied to critical path at the construction site and customers can line up revenue much more closely with their costs.

Hanley takes that one step further. It adds power engineering, deployment and services to our manufacturing capabilities so we can help customers commission equipment and maintain it after installation. That services capability is the highest margin business in the segment. We're seeing the same pattern in networking, which is one of the opportunities we're most excited about. As AI workloads grow, more of the network is moving into dedicated racks with higher capacity systems to address more complex topologies for neural networks.

When a switch customer needed capacity for a new generation of AI switches, we brought production in India online at record pace. Those lines now build liquid-cooled network racks. Our photonics team supplies the silicon photonics transceivers that connect them and co-packaged optics move the optics onto the switch silicon. It also grows with how much AI is used, not with the size of any single model, but I'll come back to that.

Across all 3 markets, we've built the business around capabilities that work across different customer platforms. Customers can choose different silicon and networking architectures, and we can help them bring the system together. That's a deliberate choice. Others in the industry are building product companies around their own power and cooling platforms and asking customers to standardize on them. That's a legitimate model.

Ours is different. We help customers build the system they've designed with their silicon, their architecture and whichever suppliers they choose. And we bring our own technology where it fills a gap in cold plates, chillers and power distribution. That matters in 2 ways. It widens the programs we can win because we aren't competing with the customers' other choices and our position doesn't depend on any single product surviving the next architecture change. The engineering, integration and test carry forward.

Turning to fiscal '27. We expect Intelligent Infrastructure revenue to grow 43% year-over-year with all 3 end markets growing double digits. We expect AI-related revenue to grow 50-plus percent year-on-year and 5 customers with revenue above \$1 billion. The business should also continue to be asset-light because the capacity we're adding is tied to programs already booked. That is central to our strategy, and it shows up in return on invested capital, which we believe is a clear advantage of our model over our competitors.

An outlook like that raises a fair question about volatility in the AI trade. So let me be direct about how we think about it. To me, it all starts with where our demand comes from. The AI spending that makes headlines is at the frontier, small number of labs training the most capable models on the largest clusters ever built. Most of our business is not there. It is in deployed AI models that already exist, running at scale for the world's largest cloud platforms and the enterprises they serve. That's inference. It grows with usage. It needs storage, networking, power and cooling as much as accelerators. And much of what we build is needed whether a customer is adding capacity or upgrading what's already installed.

I also said I'd come back to networking because it's the clearest example. Our direct exposure to frontier model developers is a small fraction of our AI-related revenue. And then something else worth highlighting is the diversification across the segment. Capital equipment follows the semiconductor cycle, while cloud infrastructure and networking follow data center deployment. Within the data center, racks, power and cooling, service and test have different buyers and different timing. And a large share of Jabil's revenue and operating profit sits outside this segment, where the same thermal, power and test capabilities are increasingly relevant as AI reaches energy, healthcare, automotive and automation. That helps to lower the volatility of our earnings and lets us keep investing through a downturn.

Our immediate focus is to turn that capacity into reliable production. We're working with operations and supply chain to have people, processes and materials ready as programs ramp. The combination of a broader role with customers and disciplined investment gives us confidence in the business we're building.

Rafael, I'll turn it over to you.

Rafael Renno

Senior Vice President of Global Business Units

Thank you, Matt. Good morning, everyone. My name is Rafael Renno, and I'm pleased to be here with you today. Over the past 21 years at Jabil, I've held a variety of leadership roles, building and managing strategic customer relationships across the company. Today, I lead Jabil's Intelligent Devices & Robotics segment. As Adam mentioned briefly, we renamed the segment to better reflect our strategy and the ongoing evolution of the business. Today, our portfolio spans intelligent devices, automation platforms and robotics that bring AI into the physical world from warehouses to industrial environments to public spaces and our homes.

Over the past several years, we've been reshaping the segment around opportunities that deliver stronger margins, better returns and deeper customer relationships. That strategy continues to guide both end markets, Connected Living and Commerce & Robotics. To accomplish the ongoing transition from consumer-based products to robotics and automation, we leverage our strong capabilities in optics, robotics and advanced precision mechanics to enable the design, industrialization and delivery of our customers' complex engineered products. This expertise also forms the foundation of our physical AI stack and will remain an important investment area.

Within Connected Living, we continue to prioritize profitability over volume, exiting or deemphasizing programs that did not meet our return requirements. As a result, the business is more focused, more disciplined and better positioned for long-term success. Today, Connected Living serves customers across public safety and vision systems, home automation and lifestyle devices as well as other complex consumer and commercial systems. We are increasingly concentrating the portfolio on higher-value products where engineering complexity, supply chain execution and regional manufacturing create meaningful differentiation.

Regional manufacturing has become especially important as customers respond to evolving geopolitical dynamics and new regulatory requirements, particularly for products such as foreign-produced drones and communication devices. Within Commerce & Robotics, we continue to evolve the portfolio with an even greater emphasis on robotics and automation and the physical AI stack across warehouses, retail environments, fulfillment networks and other industrial settings, customers are investing in automation to improve efficiency, address labor constraints and increase productivity. These are long-term secular trends that continue to gain momentum.

Jabil supports a broad range of automation platforms, including ASRS warehouse systems, mobile robots, retail technologies and autonomous last-mile delivery solutions. Our ability to help customers industrialize and scale complex products globally position us well to benefit from continued adoption. One of our customers described the value of this partnership well.

Michael Trueblood

Hello, my name is Michael Trueblood, Vice President of Procurement at Symbotic. Since 2023, Jabil has been a trusted partner in scaling Symbotic's bot production. Their engineering rigor, manufacturing expertise, global sourcing capabilities and commitment to world-class quality enable us to move quickly while maintaining disciplined execution. Since entering mass production in early 2024, we reached 10,000 bots in June of 2025 and are now approaching 20,000 in total. Jabil's collaborative approach helps us address challenges early, supporting our continued growth and next generation of innovation.

Rafael Renno

Senior Vice President of Global Business Units

That reflects exactly how we're building across this business, long-term customer relationships grounded in engineering depth, manufacturing excellence and disciplined operational execution. Those capabilities also give us the foundation to participate in emerging markets. For example, our experience in complex automation and high-volume manufacturing allow us to engage early with customers developing humanoid robots and the precision mechanical systems that enable them, including actuators and robotic hands. We help move these products from design into repeatable, reliable, high-volume manufacturing. Over time, we expect these capabilities to extend further into physical AI as more intelligence moves into machines, warehouses, retail environments, public spaces and industrial settings.

As we enter fiscal '27, we have a stronger business. Connected Living is more focused. Commerce & Robotics is a credible growth engine today. The capabilities we've built create additional avenues for expansion while physical AI represents a significant long-term opportunity as the market develops. That is how we intend to build the business behind the new name.

Andy will now explain how our global operations team prepares new programs for production and supports them as they scale.

Andy, over to you.

Andrew D. Priestley

Executive VP & Chief Operations Officer

Thanks, Rafael. Good morning, everyone. I lead Jabil's global operations across more than 120 facilities. We spent much of the past year preparing those factories for our customers' growth. We're now beginning to fill the additional capacity with the committed business. For our operations team, that means flawlessly bringing programs into production and increasing output all while maintaining the highest standards for safety, quality and delivery.

As production moves closer to the end customers, we're expanding our footprint across the United States in places like Mississippi and Virginia as well as internationally in India, Mexico, Brazil and Vietnam. Our expansion gives us more room to grow in the regions where our customers need us most. The equipment, people, processes and supply chain all have to come together before a facility can deliver at scale. That work becomes even more demanding as products become more complex. Liquid-cooled systems, for example, require specialized assembly and test capabilities alongside the space to build them. We're preparing our people and manufacturing processes around those requirements, so customer programs can move seamlessly into mass production.

To handle that combination of greater volume and greater complexity, we're continuing to invest in physical AI and automation. On the factory floor, we're expanding automation in areas such as material movement and inspection. These investments improve consistency and productivity while allowing our people to focus on the higher value work that requires their expertise. This is particularly important as we support customers closer to their end markets, including in the high-cost regions. We're also focused

on making those investments more fungible. Flexible automation allows us to adapt and reuse equipment as products change, helping us respond faster to new customer requirements while improving returns on deployed capital.

Alongside that automation, we're investing in computer vision to support automated optical inspection with the goal of using what we learn to prevent defects before they occur. The opportunity also extends outside of the production line. AI tools that simplify workflows and automate transactions give our teams more time to resolve issues and support launches. All these capabilities help us ramp programs faster, identify issues earlier and use equipment more effectively and efficiently. Once a solution has proven effective, we want other sites and businesses to benefit from it. Our regulated customers in healthcare and automotive, for example, require validated processes, consistent quality and traceability.

Commerce & Robotics customers need help bringing complex large form factor automation products into production. The requirements often differ, but experiences developed in one part of Jabil can improve how we serve customers elsewhere. This is one practical benefit of our diversified portfolio and our focus for the coming years to put it to work as new programs ramp. We want customers to know that they can grow with Jabil. We want that growth to come with better productivity and disciplined investment. Material availability has to keep pace with that production, however. Frank and his team are working alongside us to make that happen.

Frank, over to you.

Francis G. McKay

Senior VP & Chief Supply Chain Officer

Thanks, Andy, and good morning, everyone. As Andy said, being ready to manufacture is only part of being ready to deliver. Customers also need confidence that components will be available when production needs them. That confidence starts with supply chain resilience, which for Jabil is an operating discipline that directly affects continuity, cost and growth for our customers. We're seeing real constraints today. Memory, in particular, is being reallocated towards AI and hyperscale demand, tightening supply across many of the diversified end markets that we serve. We view this as a structural shift in global capacity compounded by ongoing geopolitical disruption, and we work with customers and suppliers to understand where those pressures could affect a launch or production schedule so that we can act early.

Our supplier relationships are central to that work. We've identified about 120 strategic partners that we engage like customers. We share road maps and executive-level relationships. In constrained markets, allocation follows trust as much as order size does. That's where those relationships pay off directly for our customers, helping us work through allocation, qualify alternate sources and coordinate commitments needed to support a ramp. We bring Jabil's purchasing scale to those discussions alongside our customers' own procurement capabilities. In cloud and data center infrastructure, for example, large customers play a key role in securing supply and coordinating their requirements with our supplier relationships and production plans helps us get material to the factories where needed.

Structurally, what we do works in part because procurement reports into supply chain. Sourcing, execution and tailor-made customer supply chain architecture decisions are not made in silos. We're building on that foundation by improving visibility across suppliers and our logistic networks, evaluating regional production and nearshoring strategies and developing AI tools to identify constraints much earlier than we could have in the past. The goal is simple, know which customer programs are affected when demand shifts or a supplier falls behind and have options ready before issues reach the production line.

For the year ahead, our focus is on delivering reliably as customers scale, managing cost and keeping material commitments aligned with demand, helping customers maintain continuity while protecting the capital needed to fund their growth. As we do this, Jabil becomes a more strategic partner in an increasingly uncertain environment.

I'll now pass it off to Mike Dastoor. Thank you.

Michael Dastoor

CEO & Director

Thanks, Frank. Good morning, everyone. Before I get into the outlook, I want to thank our teams around the world. We asked a great deal of them this year, bringing capacity online, supporting demanding customer ramps and delivering a much stronger finish than we expected in June. I'm extremely pleased with what they accomplished and grateful for their commitment to our customers and each other.

As you heard from Greg today, fiscal 2026 was yet another exceptional year for Jabil. Year-on-year, we grew revenue by 21%, expanded core operating margin by 40 bps, delivered 34% growth in core earnings per share and expanded free cash flow by more than \$200 million. Our AI-related business drove much of that growth, but automotive, energy infrastructure and digital commerce performed very well, too. And we accomplished all of this while progressing extremely well on a number of customer ramps and bringing critical capacity online in Southeast Asia, the U.S., Mexico and India, which sets us up to deliver even more growth in fiscal 2027 and beyond.

But before we get to fiscal 2027, I want to spend a few minutes on how this company has evolved over the last several years because it explains why we're so confident in what comes next. Let's start with gross margin. The mix shift toward higher-value markets has lifted it more than 200 basis points since fiscal 2020 to 9.2%. We exited lower-margin business with the mobility divestiture and more of our revenue now comes from Regulated Industries, Intelligent Infrastructure and Digital Commerce, where the work is more complex and the relationships run deeper. Put simply, we're moving up the value chain, taking on more of the engineering, supply chain integration and complexity that increases our value proposition to customers. And we did that in a year when revenue grew 21%, and we were building out significant new capacity for the growth ahead.

At the same time, we've become structurally less capital intensive. Net CapEx is down to 1.3% of revenue from 2.9% in fiscal 2020. Our AI business is growing rapidly with lower capital intensity. We structure programs with customers so the investment matches the commitment, and we prioritize organic investment toward the higher returning parts of the portfolio. Last year, we supported \$36 billion of revenue on about \$470 million of net CapEx. Not everyone in our space can say that. And looking ahead, we expect that asset-light model to continue with net CapEx in the range of 1.5% to 2% of revenue. Higher margins and lower CapEx shows up in cash flow. Adjusted free cash flow has more than tripled since fiscal 2020 to \$1.5 billion, and we converted approximately 110% of core net earnings into cash last year, even as revenue grew 21%. That cash gives us the flexibility to invest in the business and return capital to shareholders at the same time. And with the growth ahead, I expect it to keep building.

The higher margins and asset-light model and strong free cash flow has resulted in strong return on invested capital even as we continue to grow. Our core ROIC has nearly tripled since fiscal 2020 to 59%. I like that a lot. It tells me the quality of the business is improving, not just the size. Over the years, we've evolved from a contract manufacturer to an end-to-end complex manufacturing solutions service provider. We've been deliberate about building an engineering-led, supply chain-enabled manufacturing solutions company. That's more than a tagline. It says something important about what we are and what we are not. We are not a contract manufacturer competing with low-cost EMS companies, nor are we a product company competing with our customers. We build a diverse set of capabilities and deploy them in whatever combination the customer needs to deliver complex solutions for their products and services. That's why they trust us with their most important programs, and it's why our vision is to be the world's most technologically advanced and trusted manufacturing solutions service provider.

That vision rests on 3 core strands. Let me take each in turn. First, engineering. We have more than 9,000 engineers helping customers solve technical problems and develop products that can be built efficiently and at scale. Being engineering-led means we get involved earlier in the customer's decision cycle often before the product design is locked. That's where design for manufacturing matters most. Our engineers shape the design so it can be built reliably at the right cost and at volume, followed by industrialization, the work of taking a product from prototype to a stable scale production line, and we use value engineering to take cost out along the way. We do that faster than most, and it's one of the reasons customers bring us their most demanding ramps. Once we're embedded that early, we're very hard to displace. Design wins become long-term relationships, and we take on more of the customers' challenge from development through production.

Second, supply chain. This is a capability people tend to underestimate. We manage approximately \$35 billion of global spend, 40,000 suppliers and 1 million parts with roughly 3,500 procurement and supply chain professionals. Our supply chain expertise is even more valuable in today's increasingly complex global environment where geopolitical uncertainty, regional conflicts and structural component constraints continue to challenge our customers. Our continued investment in supply chain capabilities, systems and long-term supplier relationships enables us to help customers mitigate risk, enhance resilience and maintain continuity.

Third, manufacturing, and this is where the diversity of our capabilities really shows up. While each customer has its own unique requirements, our advantage lies in combining the full breadth of Jabil's capabilities under one roof, enabling every customer to benefit from expertise developed across the enterprise. Thermal management developed for data centers helps in semiconductor test, automotive and energy storage. Precision manufacturing built for healthcare helps in other regulated markets. Very few manufacturing companies can bring that breadth to our customer, and I like that combination, deep domain expertise with the resources of the broader company behind it.

Behind those strengths is a leadership team with more than 200 years of Jabil tenure. They know our customers, they know our factories, and they've worked together through several up and down economic cycles. That continuity matters when you're ramping the kind of capacity we are. And this team runs a footprint of more than 120 sites in 30 countries around the world, which lets us build where our customers need us. The capacity we added this year in Southeast Asia, the U.S., Mexico and India is the latest example. It's worth highlighting that we now have more than 40 sites in the U.S. as we continue to support our customers' reshoring activities. Jabil manages a balanced portfolio of long-term strategic partnerships across 3 focus segments with many of the world's most respected companies. These aren't transactional relationships. Many of them go back a decade or more, and they've grown as our capabilities have grown.

Let me now walk through our fiscal 2027 outlook for each segment, beginning with Regulated Industries. The outlook for Regulated Industries has improved considerably from where we started fiscal 2026. We now have several end markets contributing to growth. In automotive and transport, we expect approximately \$5 billion in revenue, up about 9%. We finished fiscal 2026 at approximately \$4.6 billion in revenue and now expect another year of growth. Within automotive, we continue to feel very good about our position with some of the world's best makers of electric and ICE vehicles, and we broaden those relationships through vehicle compute, advanced driver assistance and the high-performance electronics behind increasing adoption of FSD and autonomous vehicles.

We believe defense and aerospace, which sits within this end market, will be an important growth driver in fiscal 2027 and beyond. Governments are modernizing platforms and replenishing inventories of critical systems, increasing the role played by Jabil, a U.S.-based ITAR-compliant manufacturing solutions provider. That's a market with real barriers to entry, registered facilities, security cleared personnel and a qualified quality system. We have all 3 in place. Our faster production lead times are critical here as efforts to replenish inventories gains momentum.

Healthcare is another end market I feel very good about. For healthcare and packaging, we expect approximately \$5.6 billion in revenue, up about 6%. Outsourcing in healthcare continues to be relatively immature and customers are increasingly looking for a partner that brings engineering, supply chain scale and regulated manufacturing together. That plays directly to what we do. Our healthcare pipeline for FY '28, particularly looks robust with book business coming online towards the end of FY '27.

In renewable and energy infrastructure, we expect approximately \$3 billion in revenue, up about 7%. Here, the business we're building has broadened beyond residential solar. Commercial projects and energy storage are increasingly important as data center power demand continues to create opportunity in this end market. Putting those markets together, we expect Regulated Industries revenue of approximately \$13.6 billion in revenue, up about 7%. Defense and aerospace, automotive, healthcare and energy infrastructure each bring different customer programs and different growth drivers. That breadth is invaluable.

Turning to Intelligent Infrastructure. AI demand remains strong, and our outlook continues to accelerate. In fiscal 2026, the team delivered approximately \$14.4 billion of AI-related revenue, up \$5.4 billion year-over-year. In fiscal 2027, we expect that to grow to approximately \$22.1 billion, up 54%. What is really impressive about this is that's another \$7.7 billion at a higher growth rate on top of a much larger base, even from our expectations in June. As Matt said earlier, most of our AI business supports everyday AI usage rather than frontier model training, which makes our demand less exposed to swings in the AI spending boom. Our holistic approach of focusing on various engineering capabilities across semi-cap equipment and data center build-outs is clearly resonating with customers.

Starting with capital equipment. For fiscal 2027, we expect approximately \$4.2 billion in revenue, up approximately 40%. Demand for automated test equipment remains strong as customers introduce more complex silicon and memory. At the same time, the wafer fabrication equipment market is inflecting higher, providing another driver of growth. I like both the improving demand outlook and the durable customer relationships we're building in this business.

In cloud and data center infrastructure, we expect approximately \$17.5 billion in revenue, up approximately 52% as the capacity we've invested in throughout the year ramps. We're filling that capacity with committed business. We've expanded the relationships with our second hyperscaler by executing well and bringing them additional capabilities, and that ramp in Mexico is contributing to growth. I expect the second hyperscaler to be a 10% plus customer in FY '27. We also discussed our third hyperscaler win in June. We continue to expect modest contribution in fiscal 2027 with the greater opportunity beyond that. Our role is also broadening beyond the rack. Higher density systems need more sophisticated power distribution and liquid cooling. Our Hanley Energy acquisition adds modular power and energy management together with deployment and service expertise.

In networking and communications, in spite of a subdued 5G market, we expect to be up approximately 15% at approximately \$3.9 billion in revenue with our advanced AI networking programs in India being a major contributor. The investments we made back in 2023 with the Intel acquisition, along with our investments in high-speed interconnects and optics position us well to support co-packaged optics and co-packaged copper technologies as they start to scale. For the Intelligent Infrastructure segment overall, we expect approximately \$25.6 billion in revenue, up about 43%. Not only do we have a diverse set of capabilities, we have a diversified customer portfolio. In fiscal 2027, we expect 6 customers in this segment to each generate more than \$1 billion of revenue. That breadth and the capabilities behind it is why I feel so good about this outlook.

Turning to Intelligent Devices & Robotics. The new name reflects where we're taking the business, led by Digital Commerce & Robotics, which we expect to generate approximately \$3 billion in revenue, up approximately 11%. Retailers, warehouses and distribution centers continue to invest in automation, whether that's behind the scenes in the aisle or at checkout. We have the engineering, robotics and system integration capabilities to support those investments, and I continue to like the opportunity here. As early participants, we continue to make good headway in building out our engineering capabilities around physical AI. Our forecast for physical AI continues to be modest and conservative. I expect that to grow substantially in the mid- to longer term beyond FY '27.

In Connected Living, we expect revenue to decline about 15% to approximately \$2.3 billion. Here, we remain committed to competing on capability, complexity and value creation, not on being the lowest cost provider. We also remain conservative around memory constraints in this market. The decline in Connected Living more than offsets the growth in Digital Commerce & Robotics, bringing our IDR outlook to approximately \$5.3 billion in revenue, down about 2%.

So when I add up all 3 segments, we expect fiscal 2027 revenue of approximately \$44.5 billion, up about 24%. AI is clearly our largest growth driver. At the same time, we expect robust growth in warehouse and retail automation, defense and aerospace, automotive, healthcare and energy infrastructure. Those areas serve different customers on different time lines. There's no single point of dependence, and I like that breadth.

So what does that growth mean for the bottom line? On that revenue base, we expect core operating margin of 6.1%, an improvement of 30 basis points and core diluted earnings per share of \$17.55, up

about 34%. The margin expansion comes from 3 areas: strong revenue growth, better utilization of the capacity we've invested in and an improving mix of business. As volumes scale, we leverage our fixed costs more effectively, and that's a more durable foundation for earnings and cash flow. We expect that earnings growth to support another year of strong adjusted free cash flow generation of approximately \$1.6 billion.

On capital allocation, our priorities haven't changed. Our strong balance sheet and low leverage provides us with optionality. We'll invest organically where we see attractive returns, including AI infrastructure, healthcare and warehouse and retail automation. We have substantial opportunities within this business, and we intend to continue building out our capabilities with one eye on the rapid pace of technology evolution and another eye on line of sight capacity requirements while staying disciplined about returns. We'll also consider acquisitions that add capabilities that will enable us to offer end-to-end solutions to our customers. Mikros Technologies and Hanley Energy are good examples, specialized expertise in liquid cooling that we can apply in semi-cap equipment, networking, servers and racks and data center power that we can combine with our data center infrastructure business. And we remain committed to returning 80% or more of adjusted free cash flow to shareholders over time.

Share repurchases remain a top priority as is evidenced by our continued aggressive buybacks. We fully utilized the prior authorization in Q4 and have begun buying shares under the new \$1.5 billion program our Board authorized in July. We'll do all of that while maintaining our investment-grade credit profile and the flexibility to support our customers. I feel good about our ability to invest for growth while returning substantial cash to shareholders.

For fiscal '28 and beyond, here's how I'm thinking about the business. I don't see AI growth slowing down anytime soon. Inference workloads keep expanding, and that drives demand for the infrastructure we build. And the capacity we're ramping for fiscal '27 means we exit the year at a meaningfully higher capacity, which sets us up well for FY '28. At the same time, the rest of the portfolio is growing, too, rising defense spending, data center power demand pulling through energy storage, a healthcare pipeline that includes Croatia. I also remain extremely bullish on the India data center build-out through our strategic alliance with the Adani Group. And I'm excited about the opportunity that co-packaged optics proliferation presents for us in networking, along with physical AI moving to the next stage of commercial deployment.

So while AI is leading the way, we expect all 3 segments to contribute. And as we continue to move up the value chain, we expect that mix to keep pushing core operating margin higher over time. When you put that kind of revenue growth and margin expansion together and add the buybacks on top of it, that's what gets core earnings per share growing well above revenue. And because we run an asset-light model with net CapEx in that 1.5% to 2% range, it also drives strong free cash flow. We continue to expect free cash flow conversion above 100% over time. That's what allows us to keep returning 80% or more of it to shareholders, primarily through buybacks while maintaining our investment-grade credit profile and sustaining strong returns on invested capital.

So when I step back, I'm confident in where Jabil sits today, strong customer demand across multiple end markets, committed business filling the capacity we've invested in, a model that turns that growth into strong returns and cash flows with further growth opportunities beyond FY '27. And we have the people to bring it all together. To our teams around the world, thank you for the integrity, ingenuity and inspiration you bring to our customers, our communities and each other every day. You are the foundation of this business and the reason we can look ahead with confidence.

With that, I'll turn it back to Adam.

Adam E. Berry

Senior Vice President of Investor Relations & Corporate Affairs

Thanks, Mike. Before we open the call for questions, let me come back to the 3 messages we started with. First, we're entering fiscal 2027 with strong demand, committed customer business and added capacity. Second, diversification is creating value across AI infrastructure, defense and aerospace, automotive, healthcare, energy infrastructure and automation. In AI infrastructure alone, 5 customers are expected to exceed \$1 billion in fiscal 2027. Finally, disciplined execution, capital allocation and Intelligent

Infrastructure's asset-light model are helping convert this growth into earnings, cash flow and shareholder returns.

Thank you for joining us today. Operator, we're now ready for questions.

Question and Answer

Operator

[Operator Instructions] Today's first question is coming from Steven Fox of Fox Advisors.

Steven Bryant Fox

Fox Advisors LLC

Thanks for all the great detail this morning. I guess for my first question, kind of big picture, Mike, but maybe you just gave a ton of detail on how you guys are executing. But as we think out to sort of this -- what have you done for us lately question now that you're looking at like \$8.5 billion of growth. I guess, how do we think about the challenges to execute to that number in this year and how they're different from last year? And then along those lines, how that gets you to the 6.1% operating margin? In other words, how much is just sheer operating leverage from volume versus things that you control? And then I had a follow-up.

Michael Dastoor

CEO & Director

Thanks, Steve. I actually feel really good about the 6.1% for the year. I think that's 30 bps up year-on-year. The \$8.4 billion of revenue, I think we're growing capacity by about 4 million square feet, and that's quite a big task. Obviously, involves a lot of execution. We've been on that journey for a while. So it's not something we're doing now. I feel really good about the team executing to that \$8.4 billion. There might be some upside on that as well if the execution comes in better than expected.

I think the capacity is something we always watch. We have a line of sight to all the capacity that we're adding. We have booked orders. We have customers ready to go. So it comes on through the year, and that's one of the reasons you'll find the revenue through the year is relatively well balanced. I think it's 45% to 55% first half to second half. The margins, though, are a little bit back-end loaded because of the initial ramp that you get when you put out that much capacity. And when I say ramp, it's not just revenue, it's yield, it's additional expenses, it's training. There's a whole bunch of things that go into bringing on capacity online. So feel really good about that. And it's 6.1% number there. We're going to try and outperform that as well.

Steven Bryant Fox

Fox Advisors LLC

Great. That's helpful. And just as a follow-up, I'm sure there'll be a lot of other AI questions. I was wondering if you could focus on what could be an emerging market for you in terms of physical AI. You mentioned how you're using it internally and then obviously driving new customer wins. And it sounds like a longer-term benefit, but it's also driving some growth this year. So like how confident are you that these markets develop? And where is Jabil going to play, say, beyond this year and into next year and the year after?

Michael Dastoor

CEO & Director

So Steve, I think if you look at physical AI, it's still very, very early commercialization stage. Real-world deployment is negligible, especially in the West. I think China might be ahead of us, but it's a cost issue and a complexity issue still the price points still haven't made it to that full adoption phase. But if you sit back and look at Jabil and what we do, so what are some of the devices and machines that are impacted with physical AI, you have your retail warehouse robots, you have drones, you have autonomous vehicles, you have robotics, humanoids, industrial automation systems, intelligent edge devices. All of that Jabil plays in.

So we're well positioned in all the devices and the peripherals that will come through those devices on physical AI. And then if you think of all the capabilities that we have, you think of sensors, think of

onboard compute, connectivity, power, thermal solutions and liquid cooling, every humanoid is going to need liquid cooling there, your motion and actuated related systems. We've been doing that for a while now. So from a capability standpoint, we're really, really well positioned as well. So I can't wait for the adoption. I just -- at this stage, for FY '27, we haven't built in that much from a physical AI perspective. But hey, is this a '28 event? Is it a '29? Only time will tell. One thing you can definitely take away is that Jabil as an early participant and early adopter actually is probably the best positioned in this end market as of today.

Operator

The next question is coming from Mark Delaney of Goldman Sachs.

Mark Trevor Delaney

Goldman Sachs Group, Inc., Research Division

I appreciate all the details in the presentation today. For either Mike or Matt, I'm hoping you can share more on what you're hearing from your conversations with customers and government officials on how potential regulations could impact both data center infrastructure and AI development. And to what extent you've seen any changes in where or when customers are looking to build out that data center capacity?

Matthew Crowley

Executive Vice President of Global Business Units

Yes. Thanks, Mark. Obviously, we spend a lot of time working with the government, understanding where regulation is headed. What I would tell you is, at this point, we don't see any significant impact and/or disruption. I think, obviously, with the midterms ahead, there is potential inflection points depending on how that turns out. But even with that, it feels like there's nothing that is going to create a significant impact to '27 fiscal. And certainly, at this point, we also don't see anything hitting fiscal '28. But it's something we watch closely, and we'll continue to. And so as the midterms evolve, we'll have to see what comes out of that.

Mark Trevor Delaney

Goldman Sachs Group, Inc., Research Division

Understood. And my question was a follow-up on the linearity of the year. Mike, I heard the 45-55 weighting comment. I think if you take the 1Q revenue and annualize it, I mean, you're already at about \$44 billion. So it does suggest a pretty more flattish year this year than some of the past years. And you did talk about some capacity coming online as the year progresses. So maybe talk about what some of the offsets are that are maybe leading to a more flattish trajectory in the fiscal '27 outlook.

Michael Dastoor

CEO & Director

I think you'll see a little bit of a drop in Q2 just from a seasonality. If you go back to all our Q2s in the last 2 or 3 years, that's a seasonal event for us as you come off some of the holiday season spend, as you come off some of the seasonality that's built into our various end markets. I think from an income standpoint, you'll find even the revenue is 45-55, I think income is a little bit more back-end loaded. Like I said, on the ramp and bringing on capacity, the revenues are there. So it's not about revenues as much as it is about getting the yields up. It's about getting the cost through initially, the first 1 or 2 quarters in any ramp, the costs are going to be much higher as a result of which margins can be a little bit lower in the first half.

Having said that, if you look at Q1 of '27, it's actually year-on-year, we're up by 20 bps. So we're doing much better than in previous years. It's just the shape of the year is slightly different this time around because of the heavy ramp in capacity that we're bringing online.

Mark Trevor Delaney

Goldman Sachs Group, Inc., Research Division

And just -- I guess just lastly for me and then I'll pass it on, but the ability to get supply from a materials and semiconductor perspective to support that 2H ramp, your visibility into having enough to meet that ramp that you expect?

Francis G. McKay

Senior VP & Chief Supply Chain Officer

Mark, it's Frank McKay. Yes. So I wouldn't suggest that we're immune from everything that's going on from a constrained market out there, but I definitely feel that Jabil is really, really well positioned just because of -- this has been decades in the building around developing supplier relationships that are strong enough and that we have confidence in them. They're mature and there's a level of trust built in there. So while we'll navigate some bumps in the night through fiscal '27, I'm really confident that we've put a structure in place. We've developed and invested in the right tools. We've got the right team. And I think we've got the right relationship to see us through kind of whatever the world throws at us, but certainly through this constrained market.

Operator

The next question is coming from Joseph Cardoso of JPMorgan.

Joseph Lima Cardoso

JPMorgan Chase & Co, Research Division

Maybe just a follow-up on the seasonality question that you guys have talked to, but maybe in the context of the margin progression as we think of the year, just given the commentary that you made around some of the underutilization costs and the ramps around programs and manufacturing footprint, how should we think about margins stepping up as we kind of progress through the year and the exit run rate, particularly if we compare it to kind of the historical trends that you typically see first half versus second half? And then I do have a follow-up.

Gregory B. Hebard

Chief Financial Officer

Joe, this is Greg. Yes. So again, as Mike mentioned, the shape of the year will be very similar to last year. Again, we're going to be a little bit lighter on the first half from a margin perspective and then ramping up as we fill capacity and the utilization of that in the back half. So we'll continue to see leverage on our SG&A, better mix as we go in the back half. And the key point is just the capacity we're bringing online, that will be better utilized as we go into the back half.

Joseph Lima Cardoso

JPMorgan Chase & Co, Research Division

Got it. And then maybe just wanted to double-click on the networking and communications growth expectations of 15% for fiscal '27 below the other Intelligent Infrastructure end markets and just trying to understand the variance relative to the other markets and maybe broader commentary from OEMs in the space that anecdotally are highlighting very strong demand kind of entering at least calendar '27. So just trying to bridge your expectations maybe versus the interpretation around the underlying markets there? And should we just think about it as largely being correlated to 5G? Or is there other moving pieces there?

Matthew Crowley

Executive Vice President of Global Business Units

Yes. Thanks for the question, Joe. So yes, that's exactly it. On the networking side, we're actually growing roughly 45% to 50%. And so what you're seeing pull-through in the 15% in that reporting line is really effectively some of the downside that we're seeing in the communications space. So we're actually very happy with where the networking business is, and we'll continue to manage through the bouncing around the bottom that comms continues to see. But at the end of the day, 45% to 50% growth in the networking space, we feel like is very much well in line with, if not ahead of the market.

Operator

The next question is coming from Ruplu Bhattacharya of Bank of America.

Ruplu Bhattacharya

BofA Securities, Research Division

Mike, you mentioned asset-light model several times. You've guided for strong growth this year, fiscal '27 and also some comments on fiscal '28. Can you talk about how much total revenue your manufacturing footprint can support today? And where do you see incremental investments? If capital equipment is really going to grow 40% year-on-year and cloud data center 52%, can the model still remain asset-light? Or should investors expect higher CapEx or higher working capital? And would you need to come to the markets to raise funds for that?

Michael Dastoor

CEO & Director

So I absolutely and categorically think we still have an asset-light model. Our CapEx requirements are going to be in that 1.5% to 2% range, almost closer to the 1.5% in my view. I'll let Greg answer on the capacity piece. But I think overall, the capitalization, the strong balance sheet that we have, there's no need to get any more funds like some of our competitors. But I feel asset-light model is probably one of the biggest differentiators that Jabil is now providing. I do believe the level of growth we're seeing, the level of returns that we're able to provide, the free cash flow generation that we're able to get is differentiated from some of the others.

Gregory B. Hebard

Chief Financial Officer

Ruplu, just to add to Mike's comments, it's Greg. Again, we're -- as we mentioned, we're adding 4 million of square footage across the organization. So we feel really good of supporting incremental revenue above our guide. CapEx, absolutely 1.5% to 2%. And when we look at the Intelligent Infrastructure segment, that itself is really closer to 1% of revenue. So we really feel, again, asset-light on that. What I would say is working capital as we go into next year, with \$8 billion plus of growth, we do see a dollar increase in just managing net working capital for the year, but we still feel really good about generating free cash flow of \$1.6 billion. So again, feel really good of how we're positioned for the year on that.

Ruplu Bhattacharya

BofA Securities, Research Division

Okay. Thanks for the details there. Can I ask -- can you give us a little bit more update on the Croatia facility and your opportunity with GLP-1? It seems like that's been delayed a bit. Of the 6% year-on-year growth for the Healthcare segment fiscal '27, is there anything from that? And how is that impacting revenue margins today? And what is the opportunity set there?

Steven D. Borges

Executive Vice President of Global Business Units

Yes. Thanks, Ruplu. This is Steve. On Croatia, that remains as planned with the ramp continuing in fiscal year '27. And then as I've stated before, really moving into full production in fiscal year '28. And what I would say there is the bottom line is that, that continues to be on track.

Relating to growth, and I guess, related to GLP-1 question, there is a small element of growth kind of linked to GLP-1. But I'd tell you what has me excited in the healthcare part of the business is the growth is actually across all the subsegments of healthcare. We have new wins in auto-injectors, but that's across biologics, diabetes, insulin, GLP-1s, and that's requiring expansion in our North Carolina site. We have new wins in med devices and patient monitoring and continuous glucose monitoring devices. I'd tell you, we also have new wins in orthopedics as well as diagnostics that relate to advanced testing platforms. So we have a great foundation now to -- with the new wins of this past year and launching those as we move into '27 and beyond for a really good foundational business for that 5% to 7% growth of health care as we go forward.

Ruplu Bhattacharya

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BofA Securities, Research Division

Got it. I'm going to try and sneak one quick one in, and this is another take on a prior question that's already been asked. But Mike, if I look at the guide for fiscal '27, revenue and EPS, you're guiding \$1.6 billion, \$0.70 above Street, right? But some investors might say, well, \$1 billion and \$0.40 of that is already in 1Q. I mean, should we really assume that this is a front-end loaded year? Or is there some conservatism in the guide?

Michael Dastoor

CEO & Director

Look, we're always appropriately conservative. There's a whole bunch of geopolitics, inflation, supply chain constraints that we're always cognizant of. So we have estimated where our 6.1% margin for the year falls out. I think if you look at year-over-year, I do expect each of the quarters to outperform the year-on-year quarter comps. Overall, I think is there some upside? Sure, there might be some upside if we have a flawless execution. Like I said, we're bringing on 4 million square feet of capacity. All of that, if that comes together, and there's no major issues in supply chain, we could well have a higher margin profile there as well.

Operator

The next question is coming from David Vogt of UBS.

David Vogt

UBS Investment Bank, Research Division

I appreciate all the detail, very helpful. Maybe, Mike, I just want to pull together a lot of the comments on the call that were made and just maybe get a better sense how you're thinking about the longer-term outlook philosophically because I think Steve mentioned that healthcare is starting to improve this year. Matt talked about not seeing any sort of impact from the geopolitical on the data center side. And you talked about obviously adding 4 million square feet, which helps obviously the ramp in not just in '27, but clearly in '28 and beyond.

So how do we think about sort of the growth algorithm for the company given sort of where the CapEx profile is, where the square footage is and sort of the strength that you're seeing across some of the key markets, particularly across, obviously, within regulated getting better and obviously, data center remaining strong. Because I think you made a reference in the deck to exiting fiscal '27 at a higher Q4 exit run rate. So just trying to get a sense for how do we think about the growth algorithm for Jabil and what that ultimately means for margins given the volume leverage and the economies of scale that you're getting?

Michael Dastoor

CEO & Director

So I won't provide FY '28 growth sort of numbers, but I do think you hit all the right spots. If you look at regulated, which was sort of in a recovery mode over the last 2 or 3 years. Actually, I'm really pleased with how regulated is turning out. And the expectation is for each of those end markets in regulated to start growing. I think Matt talked about Intelligent Infrastructure and how demand continues to be through the roof. Demand is way outweighing supply right now. So I think that's a long leg on data center infrastructure. And by the way, the capabilities that we're providing, the holistic approach that the team has taken in providing all these various capabilities is actually resonating with customers. So I think that is going really well.

And then in Rafael's business, if you think of warehouse and retail automation, robots, intelligent devices, all of that is doing well. The only one that I highlighted earlier in my prepared remarks was on the Connected Living side, where one of the things we're trying to do is compete on capability there. It's got to be complex. It's got to be a high level of capability required. We're not competing on low cost. So that might be -- and we factored that into our guide. I think if you look at the Connected Living piece, that's down 15%.

But overall, '27, I think year-on-year, if you look at '26 over '25, I think it was 21%. If you look at '27 over '26, it's 24%. Am I saying '28 will be similar? Maybe. I don't know at this stage. But all the -- everything is in place for us to be able to deliver a good FY '28 as well. I think, like I said, on a CapEx basis, the bulk of the growth is coming and the new capacity that we're adding is coming through the Intelligent Infrastructure space. The regulated and the warehouse automation piece is actually utilizing some of our surplus capacity. So overall, the company is well set for a decent period of growth going forward.

David Vogt

UBS Investment Bank, Research Division

Great. Can I just ask a follow-up, Mike? So when you think about the demand signals across Intelligent Infrastructure, what do you need to see to get more aggressive in terms of adding capacity for that particular segment? I would imagine you still have plenty of capacity for healthcare and regulated given what's going on in Croatia. But how long of a lead time and what are the demand signals that you need to see to potentially add more capacity, maybe not in '27, but lining it up for, I guess, fiscal '28 and beyond?

Matthew Crowley

Executive Vice President of Global Business Units

David, thanks for the question. Yes, I would say, one, we did spend a big part of '26, adding capacity in preparation for '27. So we feel really good about that. From an outlook on demand, currently, we feel good about what we see 12 to 24 months out. And certainly, we have felt that way for at least the last 2 quarters. So we really have been preparing for more of an 18-month horizon.

If we start to see some unanticipated demand coming from new customer wins that we don't currently have in the funnel, then it's something we'd look at. But again, if you think about our strategy, which is capability-based, it kind of depends on where the upside would potentially come from. In our data center infrastructure space, we can add capacity with lower power requirements at 2 to 4 megawatts at 1 million square feet relatively quickly inside 3 to 4 months. If the demand is coming from an increase in need for highly complex AI racks that are going to require 20 to 30 megawatts of power towards test infrastructure, then that's a different profile. But at this point, we've brought on the capacity that we think we're going to need, and we feel good about the next 12- to 18-month outlook.

Operator

The next question is coming from Melissa Fairbanks of Raymond James.

Melissa Ann Dailey Fairbanks

Raymond James & Associates, Inc., Research Division

I actually had a question for Greg and Frank, and I apologize I've been bouncing around a bunch traveling. So I apologize if this has been addressed. I know, Frank, you gave us some pretty good views into the way that you're managing the supply chain. Mike kind of echoed that as well. We have seen days of inventory come up, and I have been asked about that quite a bit. I'm wondering how much of that is just rising input costs, meaning the inventory is more expensive or that your customers are asking you to preplace that inventory ahead of where their actual demand is?

Gregory B. Hebard

Chief Financial Officer

Melissa, it's Greg. So let me start that and then hand it off to Frank. So yes, our net inventory days is 64. We're down 4 days from Q3, so progressing well there, but we are above our target range of 55 to 60 days. We have seen -- as our gross inventory has gone up, we have seen an incremental increase in our inventory deposits, which has helped support the market at this time. But there is some higher commodity pricing. We also have a higher weighting of our inventories in the cloud DCI space. And maybe I'll let Frank kind of add from there, any color.

Francis G. McKay

Senior VP & Chief Supply Chain Officer

Yes. Thanks for the question, Melissa. This is -- it's not -- this isn't kind of rocket science here. I mean this is just a lot of rolling up the sleeves and really hard work to try and keep the inventory as low as we possibly can. I do think we are going to normalize a little bit back to the range that Mike has been chatting about over the last couple of years and that kind of 55, 60-day range as long as we continue to get support from customers on the inventory deposits as well, which I believe we will.

And then just lock in hands with operations and making sure that we have the right tools and people in place to execute. And it's just blocking, tackling, rolling the sleeves up and working closely with each other. I mean it's really that simple. And I think the team is doing a really good job. And I think we're going to be able to continue to execute in a very, very challenging environment.

Melissa Ann Dailey Fairbanks

Raymond James & Associates, Inc., Research Division

For sure. Frank, I always have to call you and Greg out on every call.

Francis G. McKay

Senior VP & Chief Supply Chain Officer

Thank you. Appreciate it.

Melissa Ann Dailey Fairbanks

Raymond James & Associates, Inc., Research Division

Maybe just a follow-up on that. Have there been any issues in terms of moving that inventory into different regions as the demand is kind of shifting to different businesses and maybe within different facilities? Have there been any issues with getting that inventory to the right place?

Francis G. McKay

Senior VP & Chief Supply Chain Officer

We're really well there, Melissa, in terms of our logistics flow and the way we have that set up, and we're really good at moving programs and inventory from region to region where customers decide maybe their new strategy is going to be a little bit more of a near-shoring position as we continue to navigate through the ever-changing dynamics of legislation change. So I feel really good that wherever those moves are needed, we've got a process and a methodology to go execute really, really well.

So yes, not anything that's keeping me up at night. I think the thing that keeps me up at night is still getting access to supply. And as I mentioned in the prepared remarks and from the question earlier, I think it will be the right combination of relationships with suppliers. I think our customers are doing a really nice job getting in front of this for us and in combination, making sure that we are positioned in Jabil for success when we think about access to our unfair share in, again, what is a very, very constrained marketplace.

Melissa Ann Dailey Fairbanks

Raymond James & Associates, Inc., Research Division

Great. That's excellent to hear. I have to give Matt a little bit of a break. Appreciate the comments.

Operator

Thank you. At this time, I'd like to turn the floor back over to Mr. Berry for closing comments.

Adam E. Berry

Senior Vice President of Investor Relations & Corporate Affairs

Thank you very much. This concludes our call.

Operator

Ladies and gentlemen, thank you for your participation. This concludes today's event. You may disconnect your lines or log off the webcast at this time, and enjoy the rest of your day.

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