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JBL.N - Q4 2025 Jabil Inc Earnings Call

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**OVERVIEW:**

Company Summary

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## PRESENTATION

**Operator**

Greetings, and welcome to the Jabil fourth quarter and fiscal year 2025 financial results and investor briefing. (Operator Instructions) As a reminder, this conference is being recorded. It's now my pleasure to (inaudible) your host, Adam Berry. Please go ahead, sir.

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**Adam Berry** *- Jabil Inc - Senior Vice President of Investor Relations and Corporate Affairs*

Good morning, and welcome to Jabil's fourth quarter and fiscal-year 2025 earnings call. This is also Jabil's eighth annual investor briefing. I'm Adam Berry, Senior Vice President of Investor Relations and Corporate Affairs. This is an important day for us at Jabil, and we appreciate your continued interest in our company. Our investor briefing is always one of the highlights of our calendar. It's our opportunity to step back from the quarter-to-quarter rhythm and give you a deeper look at how we're shaping the business, how we're allocating capital, and how we're positioning Jabil for sustainable long-term growth.

Before we dive in, I need to cover a quick but important point. Some of the information you'll hear during our discussion today will consist of forward-looking statements, including, without limitation, those regarding our financial guidance for the first quarter and fiscal-year 2026 and our future business outlook. These statements involve risks and uncertainties that may cause actual results or trends to differ materially from our expectations. 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. You're going to hear from a number of our leaders across the organization. Each of them will bring their perspective on Jabil's performance, opportunities, and direction. We'll begin with Greg Hebard, our Chief Financial Officer, who will walk through our fiscal 2025 results and share the outlook for the first quarter of fiscal 2026. Greg will also frame how we think about the balance sheet, free cash flow, and capital allocation.

Next, Steve Borges will cover regulated industries. This is a critical part of our business, encompassing healthcare, automotive and transportation, and renewable and energy infrastructure. These are markets where quality and trust are non-negotiable, and Steve will share both the near-term realities and the long-term opportunities.

After Steve, you'll hear from Matt Crowley, who leads Intelligent Infrastructure. This is our fastest-growing segment and the growth is being fueled by unprecedented demand for AI-related systems from semiconductor capital equipment to racks, servers, and advanced cooling solutions. Matt will explain how Jabil is positioned to capture this wave of growth with system-level integration that very few companies can deliver.

Following Matt, Andy Priestley will take us through Connected Living and Digital Commerce. This is a segment in transition as we deliberately move away from lower-margin legacy consumer programs and strengthen our position in automation and advanced technologies. Andy will share how this pivot is improving the quality of earnings today and positioning Jabil for long-term opportunity in robotics, warehouse automation, and next-generation connected devices.

Finally, we'll conclude with our CEO, Mike Dastoor with help from EVP of Operations, Fred McCoy; and Chief Supply Chain and Procurement Officer, Frank McKay. Mike and team will bring it all together by describing how our portfolio strategy, capital allocation discipline, and culture of execution position Jabil to thrive in an evolving market. You'll also hear from Mike about the priorities that guide us, serving our customers with precision, driving sustainable earnings growth, and returning significant value to shareholders. All in, we expect today to give you a clear, transparent picture of how Jabil is positioned not just for fiscal 2026 but for the years ahead.

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

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**Gregory Hebard** - *Jabil Inc - Chief Financial Officer*

Thank you, Adam. Good morning, everyone, and thank you for joining us. I'll begin this morning with our Q4 results. For the fourth quarter, our team delivered strong performance, reaching approximately $8.3 billion in revenue, which exceeded the midpoint of our guidance by roughly $800 million. This better-than-expected growth was broad-based as all three segments came in higher than anticipated.

Driven by strong underlying revenue growth, core operating income for the quarter came in at $519 million, well above the high end of our expected range. Our core operating margin was 6.3% of revenue, representing a 50-basis-point improvement year-over-year. Net interest expense for Q4 was $65 million. On a GAAP basis, operating income totaled $337 million and diluted earnings per share came in at $1.99. Core diluted earnings per share was $3.29.

Moving on to our segment performance for Q4. Regulated Industries revenue was $3.1 billion, reflecting stronger-than-anticipated growth. Healthcare was in line while renewable and energy infrastructure and automotive and transportation, both exceeded expectations, supported by incentive-related demand pull forward and stronger volumes across core programs. On a year-over-year basis, revenue increased approximately 3% and core operating margin expanded by 40 basis points to 6.5% driven by a better mix.

Turning to Intelligent Infrastructure, where revenue for Q4 was $3.7 billion, $400 million above expectations. The upside was driven primarily by three factors within cloud and data center. First, we reached efficiency faster than planned for more than 700 new employees hired and trained as we move multiple sites to 24/7 operations in Q3, which lifted shipments. Second, we benefited from a more favorable mix versus Q3, leading to higher average selling prices. And third, in storage, we ramped our second hyperscaler faster than expected and saw stronger-than-anticipated end-of-quarter demand from traditional storage customers.

Core operating margin for this segment was 5.9%. In Connected Living and Digital Commerce, revenue totaled $1.4 billion, coming in slightly ahead of our outlook from 90 days ago. On a year-over-year basis, revenue declined approximately 14%, primarily due to softness in consumer-driven products. This was partially offset by continued growth in warehouse and retail automation. Core operating margin for this segment was 6.6% in Q4, up 210 basis points year-over-year. The increase reflects cost actions taken earlier in the year and a deliberate shift towards higher-margin programs and markets within the segment.

Let's move to our cash flow and balance sheet metrics. In the fourth quarter of fiscal 2025, inventory ended at 69 days, a 5-day improvement last quarter. Including inventory deposits, net inventory days were 55, down 4 days sequentially. This working capital discipline supported strong cash generation with cash from operations of $588 million in the quarter and $1.64 billion for the year. Net CapEx expenditures were $83 million in Q4 and $322 million for the full year or 1.1% of revenue.

Full-year adjusted free cash flow came in very strong at more than $1.3 billion. We exited the fiscal year with a healthy balance sheet with debt to core EBITDA of 1.3 times, cash balances of approximately $1.9 billion. During the fourth quarter, we completed our prior $1 billion share repurchase authorization, consistent with our framework to return 80% of annual adjusted free cash flow to shareholders.

With that, let's now turn to our capital structure. We ended FY '25 with $4 billion of unused capacity under our global credit facilities. Including that capacity and our year-end cash balance, total available liquidity exceeded $5.9 billion. Our debt and liquidity position remains strong and well structured. Maturities are appropriately staggered and carry attractive interest rates. Importantly, we remain fully committed to maintaining our investment-grade credit profile.

Let's now turn to capital allocation and return to shareholders. Since FY13, we've reduced our shares outstanding from $203 million to $107 million in FY25, a 47% decline driven by our disciplined share repurchase strategy. Over that period, we've repurchased 136 million shares at an average price of approximately $52 contributing to total shareholder returns of $7.7 billion, including both dividends and buybacks.

As a reminder, in July, our Board authorized a new $1 billion share repurchase program, giving us continued flexibility to return capital thoughtfully and opportunistically, we intend to fully execute the current opposition in fiscal '26. With that, let's turn to the next slide for our Q1 FY26 guidance. Beginning with revenue by segment. For Q1, we anticipate regulated industries revenue will be $3.05 billion, up 3% year-on-year as we expect some of the dynamics that benefited Q4 particularly in automotive and renewables to carry into the early part of the first quarter.

For our Intelligent Infrastructure segment, we expect strong growth to continue with revenue for the quarter to be $3.67 billion, up approximately 47% year-over-year. We expect this increase to be driven by sustained broad-based AI-related growth in cloud data center infrastructure and capital equipment markets. In our Connected Living and Digital Commerce segment, revenues are expected to be $1.29 billion, down 16% year-on-year. This reflects continued softness in consumer-centric products, offset slightly by growth in warehouse and retail automation markets.

It's important to note that some of the year-on-year decline is intentional as we focus on strengthening the quality of the portfolio by exiting or pruning lower-margin programs and remixing the segment toward more durable growth opportunities. Putting it all together at the enterprise level, total company revenue for Q1 is expected to be in the range of $7.7 billion to $8.3 billion.

Core operating income for Q1 is estimated to be in the range of $400 million to $460 million. GAAP operating income is expected to be in the range of $263 million to $343 million. Core diluted earnings per share is estimated to be in the range of $2.47 to $2.87. GAAP diluted earnings per share is expected to be in the range of $1.27 to $1.84. Net interest expense for the fourth quarter is estimated to be approximately $64 million. And for the year, we expect to be in the range of $240 million to $250 million. Our core tax rate for Q1 and for the year is expected to be 21%, consistent with FY25.

In summary, turning to the next slide. FY25 was marked by disciplined execution. We sharpened the portfolio, improved business mix, delivered strong margins, and converted that execution into strong free cash flow. These results highlight the strength of our diversified model and the alignment of our business with secular growth drivers. We enter fiscal '26 to well positioned to continue delivering growth, margin expansion and robust free cash flow.

With that, I'll now turn the call over to Steve.

**Steve Borges** - *Jabil Inc - Executive Vice President - Global Business Units*

Hello. I'm Steve Borges, and I lead Jabil's regulated industry segment. This segment spans three major areas: automotive and transportation, healthcare and renewables and energy infrastructure. Each of these markets are undergoing significant transformation. And our engineering led teams are deeply engaged in helping customers navigate that change with speed, precision, and a focus on long-term value.

Let's start with automotive and transportation. This industry is emerging from a global market correction. And while near-term growth in battery electric vehicles has slowed, the long-term outlook remains strong. Regulatory shifts, changing incentives, and trade pressures, particularly around Chinese EVs and US tariffs are reshaping OEM strategies.

Customers continue to design platforms that can be leveraged across their entire portfolio versus being specific to an EV, hybrid, or ICE vehicle. As such, and throughout the softness in automotive, Jabil continues to add new customers in vehicle-agnostic programs, helping to bring more stability to the business. We are leaning into technologies that will define industry's future, software-defined vehicles, advanced driver assistance systems, compute, and other powertrain agnostic solutions are all growth areas.

Jabil continues to bring collaborations, like the one we announced recently with ABL to co-develop designs and manufacturing solutions for the automotive and transportation market. Beyond specific collaborations, our automotive teams continue to strengthen partnerships through execution and capability expansion. That combination of technical know-how and trusted relationships positions as well as this market continues its transformation.

Turning to healthcare. We see an equally dynamic environment shaped by innovation, demographics, and patient needs. Connected Care continues to create new markets, enabling care and delivery in ways that are more accessible and more personal. Virtualized medicine is driving improved outcomes for chronic diseases, while new care settings from hospitals to the home are broadening opportunities renovation. At the same time, healthcare companies face growing pressure to simplify their supply chains. This is where Jabil will adds unique value.

Our scale, quality systems and engineering expertise allows us to provide comprehensive solutions that are difficult for others to replicate. Our acquisition of PII has brought us into the CDMO space. And our sterilization initiative is opening doors with new customers. We're also advancing our capabilities in minimally invasive devices, medical device reprocessing, and injectables, including GLP-1s and biologics, which remain a key area of focus.

We remain committed to expanding our capabilities, whether through M&A or organic growth. We are unlocking new markets, creating more value for our customers and further differentiating Jabil in a competitive landscape. In short, Jabil is helping health care innovators bring life-changing solutions to patients faster, more reliably, and at scale.

Finally, in renewables and energy infrastructure, the macro picture is dynamic. Global electricity demand is projected to increase by as much as 70% by 2040, driven in large part by the growth of data centers and industrial use. Meanwhile, interest rates, tariffs, and policy changes are reshaping near-term demand in areas like solar and energy storage.

Even with these shifts, we've been able to support our customers without disruption, including complex product transfers. Despite the headwinds, renewables remain the fastest-growing and lowest-cost source of new energy. Solar continues to be the largest driver of growth worldwide, while energy storage systems and grid modernization are increasingly critical to balancing supply and demand.

Here again, Jabil is leaning into complexity, supporting customers with design and manufacturing capabilities that extend from inverters to battery modules to smart grid technologies. We're also embedding ourselves deeper into building infrastructure. We're rising demand for HVAC systems, especially for data centers and the increasing need for modern security and access control solutions present strong opportunities.

Across these markets, our ability to combine engineering depth with global manufacturing scale gives us a distinctive edge. To sum it up, in automotive and transportation, healthcare, and renewables and energy infrastructure, our strategy is thoughtful and deliberate. We build capabilities that matter. We deliver with speed and quality and stay ahead of what's next. This is how we're helping customers solve complex challenges in regulated environments, while driving long-term growth and value for Jabil and our shareholders. Thank you.

**Matt Crowley** - *Jabil Inc - Executive Vice President, Global Business Units*

Good morning, everyone. For those of you I haven't met, my name is Matt Crowley, and I lead Jabil's Intelligent Infrastructure business. My team and I are focused on enabling growth across three key in markets that sit at the heart of today's technology transformation. Capital equipment, cloud and data center infrastructure, and networking and communications, AI and advanced compute are driving one of the most profound infrastructure build-outs in decades.

At the same time, our customers are demanding speed, resiliency and cost efficiency, and how they scale. Our role is clear: to be the trusted engineering-led manufacturing partner that helps our customers scale faster integrate more seamlessly, and deploy new platforms with confidence. And what differentiates ecosystem, not just a single piece of the puzzle, but the combination of compute, storage, networking, power, cooling, and the tools that make all of this possible.

Let me start with cloud and data center infrastructure. This is where the acceleration of AI workloads is most visible. The largest global platforms are redesigning servers, racks, and data center architectures around liquid cooling, next-generation processors, and unprecedented bandwidth demand. Instead of supplying individual parts, we're integrating full racks into one deliverable system.

That's a huge differentiator. It shortens our customers' time to deployment and allows them to scale with confidence. We've also aligned our footprint with these needs. In North America, for example, we're standing up new capacity that is perfectly built for liquid cool drags. That gives our customers not only scale but also the regional diversification they're asking for.

Another critical piece of our data center strategy is thermal management. As processors get hotter and denser, traditional air cooled solutions aren't enough. We're investing in advanced cooling technologies and integrating them into our data-center platforms, and power is just as important as cooling. We're expanding into low and medium volt switch gear, PDUs, and UPS systems, integrating them directly into rack and data-center designs. This allows us to deliver a truly end-to-end solution where compute, networking, power, and cooling all come together in one integrated system.

Turning to capital equipment. This is the technology that underpins the entire semiconductor industry from wafer fabrication to automated test equipment, the capital equipment market is where the building blocks of AI infrastructure are created. Here, our strategy is to move closer to the chamber to the most critical parts of the tool or precision, quality, and reliability matter most.

We're working with leading equipment makers to expand our role in RF power systems, gas-delivery sensors, and other chamber-adjacent technologies. By doing this, we become more embedded in our customers' platforms, which makes us harder to replace and more valuable over time.

We're also investing in geographic expansion to align with our customers' global supply chains. That means adding capability in India, Poland, Southeast Asia, so that when our customers expand capacity, we're already there to support them. The same thermal-management automation and precision-manufacturing techniques we use in semiconductor tools are being leveraged in data center and networking applications.

That's the power of having a portfolio that spans multiple interconnected ones. The third piece of intelligent infrastructure is networking and communications. Here, our strategy is anchored in liquid-cooled switching and system-level integration. The explosive growth of AI workloads is driving unprecedented bandwidth requirements. And traditional air-cooled networking year is no longer sufficient.

We're investing in liquid-cooled switch technology, integrating it with compute, power, and thermal solutions to deliver complete rack-level systems. This is a space where Jabil is uniquely positioned because we're not just supplying a switch. We're engineering the entire system around it. And we continue to focus on our silicon photonics business where we've developed advanced packaging capabilities to support the ongoing scale out of transceiver platforms and the backbone of high-speed optics, and our strategic focus remains at the system level where all elements of the rack architecture are converging.

So let me bring it all together. Our customers are no longer looking at servers, racks, or switches in isolation. They're designing entire systems that must work together seamlessly. And Jabil is positioned uniquely to deliver that. By operating across capital equipment, data-center infrastructure, and networking, we bring insights and capabilities from each domain into the others creating leverage that few competitors can match. By executing flawlessly for our existing partners and continuing to invest in differentiated capabilities, we're laying the foundation not only for today's demand but for the data center and networks of the future. Thank you.

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**Andy Priestley** - *Jabil Inc - Executive Vice President, Global Business Units*

Hello. I'm Andy Priestley, and I lead Jabil's Connected Living and Digital Commerce segment. This segment is built around two major areas: consumer devices, and digital commerce, and robotics. Together, they represent the best and dynamic mix of technologies that are shaping how people live, shop, and interact with the world around them.

Let's start with digital commerce and robotics, where the pace of change is fastest. This part of our business includes retail automation e-commerce, robotics, and AI-driven systems that are being fueled by powerful mega trends. Across the supply chain, full-scale automation has taken hold from lights-out warehouses to autonomous last-mile delivery. Physical retail is being reimagined through smart shelf labels, connectivity and robotics, turning stores into digital assets that support omnichannel experiences.

Payment technologies are also evolving. Fintech and biometrics are transforming how transactions happen, particularly in small and medium-sized markets where contactless and custom point-of-sale solutions are becoming the norm. Turning to Automated Retail. This market segment is growing very quickly, driven by demand for speed, convenience, and self-service in areas such as autonomous vending and ghost kitchens.

Lastly, robotics and AI are both advancing quickly. GenAI and large language models are enabling robots even humanoids to learn from existing models and images, making them more adaptable, capable, and widespread. At Jabil, we're investing in engineering and design expertise that allows us to support the most complex and demanding technologies in the market.

From computer vision and high-speed automation to complex assembly, we're enabling the next generation of intelligent systems. These strengths are also opening doors into fast-growing markets where innovation and flawless execution are non-negotiable. The shift towards more complex, higher value technologies is driving margin expansion and positioning Jabil as a key enabler of next-generation commerce.

This is where Jabil moves up the value chain. Not just producing systems, but partnering with customers to solve labor challenges, improve performance, and deliver better customer experiences. Jabil is the largest manufacturing solutions provider for digital commerce and warehouse-automation customers.

Our scale and expertise allows us to support the largest players in this industry as they navigate today's challenges and beyond. On the consumer devices side, we're focused on products that enhance everyday life, from small and major appliances to home comfort and outdoor living. Consumers want smarter, more connected products enabled by AI, machine learning, and IoT. Wireless power, energy efficiency, and intuitive interfaces are becoming standard. At the same time, there's a growing appetite for creating experiences at home, bringing indoor comfort outdoors, and elevating how people live.

Safety and security is becoming a critical pillar of our future success. Our work in commercial drones and vision systems continues to support safer environments and a more enjoyable experience. We're extremely proud of the innovation happening in these areas. While segment revenues show a slight year-over-year decline, the underlying story reflects a thoughtful evolution towards more sophisticated technologies in digital commerce and robotics.

Over time, we will concentrate our consumer device business in areas where our engineering debt provide margin of creative opportunities with premium brands. It's also very important to note that our consumer business remains a vital driver of positive cash flow, helping to fuel the innovation and investment that power our growth in areas such as automation, AI, and robotics.

Connected Living and the Digital Commerce segment has been playing a major role in our geographic mix shift since 2023, with strategic moves from China to Mexico. That said, China remains essential to our future success. It continues to teach the world how to manufacture with efficiency at scale, and we value its role in the larger ecosystem.

To summarize, the Connected Living and Digital Commerce segment is evolving quickly. We're enabling smarter systems, more connected experiences, and helping our partners stay ahead of the curve. That's how Jabil is creating value today while building the foundation for long-term growth.

In closing, I'd like to thank the extended team for what has been an exceptional year. This team has delivered record performance and won multiple new programs with new and existing customers.

Thank you.

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**Michael Dastoor** - *Jabil Inc - Chief Executive Officer, Director*

Thanks, Andy. Good morning, everyone, and thank you for joining us. As you heard from the group today, fiscal 2025 was a great year for Jabil. We delivered solid revenue growth, expanded core operating margins, grew core EPS, and generated strong free cash flow and extremely strong return on invested capital. Upon taking a closer look, the dynamics varied by end market.

In regulated industries, automotive and renewable space pressure. In shop contrast, Intelligent Infrastructure was a growth engine as AI-related demand accelerated across capital equipment, data center, and networking. And in Connected Living and Digital Commerce, we continue to rationalize the portfolio and execute a deliberate mix shift, deemphasizing lower-margin legacy consumer programs while strengthening our position in advanced warehouse and retail automation.

So stepping back, FY25 demonstrated two things at once. Some in markets were choppy, yet the company remained resilient. Where automotive and renewables slowed, AI-driven demand more than offset. Where consumer categories soften, CLDC expanded margins through portfolio pruning, and across the enterprise, free cash flow came in extremely strong. Let me take a moment to talk about what sets Jabil apart, what we call the Jabil advantage. Our competitive success is driven by the effective integration of five key pillars.

First, our long-tenured team and culture of operational execution. Around the world, teams deliver with safety, quality, and accountability in a complex environment that consistency is difference between promises and performance. Second, a regional manufacturing footprint over the past decade, we've shifted to a regionalized model, designing, building and delivering products where they're consumed.

In today's environment of tariffs, policy shifts and supply chain complexity, this is proving to be a clear competitive advantage. Our geographic mix has also transformed. In FY18, we were heavily weighted towards Asia. By FY25, our revenue profile is more balanced, resilient, and flexible. Two factors drove the shift. The FY24 divestiture of our Mobility business which reduced concentration and free resources for higher growth opportunities and the rapid build-out of AI infrastructure in the US, which raised our Americas share of revenue from 25% in FY18 to 46% in FY25. This improved balance highlights the strength of Jabil's strategy, building capabilities everywhere to serve customers wherever they operate.

Third, scale rationalization and diversification. Hundreds of customers across a number of end markets trust us with mission-critical programs. That diversification provides both stability and optionality as technologies converge and market demand ships. Today, as we continue to scale in AI-related growth areas, rationalized part of our portfolio, particularly in CLDC and diversify further within customers and end markets, the same strengths have well positioned Jabil to keep delivering through various cycles.

Fourth, supply chain orchestration. We managed one of the world's most complex supply chains with over 38,000 global suppliers and over 700,000 unique parts, which enables us to help customers redesign biller materials, qualify new suppliers, and secure continuity. That capability matters most when markets are tight or trade policy shared.

And finally, our last pillar is automation and AI-inside our factories. As programs move into higher cost regions, competitiveness depends not just on labor cost, but also on labor availability and the concentration of skilled workers in certain areas. To address this, we embed robotics, predictive maintenance, automated optical inspection, and scheduling optimization, to name a few, across our operations.

These tools improve quality, accelerate ramps, and reduce cost. With more than 30 sites in the US, our footprint here has never been larger. At this time, I would like to invite Fred to discuss how we are leveraging AI and automation throughout our factory network, followed by Frank, who will share insights into how advanced AI tools are enabling and optimizing our supply chains.

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**Frederic McCoy** - *Jabil Inc - Executive Vice President - Operations*

Thanks, Mike. I'm Fred McCoy, and I lead Jabil's global operations. At Jabil, we're building the future of manufacturing, where intelligent automation, AI-driven processes, and a fully connected ecosystem empower our people to deliver value to customers and elevate our performance. The reality is that we've been using AI and operations for years.

On our production lines, we deploy several 1,000 proprietary cameras with embedded AI computer vision models for inline quality inspections. We use tools for modeling our inventory levels and logistics planning. And we optimize our equipment utilization across our network.

By connecting our more than 400 SMT lines, and now our injection molding and CNC machining equipment, we're deploying AI agents to categorize and optimize downtime, attrition, and yield loss, which helps us self-correct and improve efficiency and make faster decisions.

We've deployed Generative AI tools that give our operators quick access to the information they need on the manufacturing floor. This means problems can be solved in place without interrupting production and teams have more confidence in the data behind their decisions.

Simultaneously, automation is expanding rapidly across our network. Today, we have more than 25,000 robots in production and a team of over 2,000 trained automation engineers and technicians. They design, build, and maintain solutions ranging from simple robotic arms to complex high-speed systems.

For mid-volume production, our proprietary modular gear delivers flexible and cost-effective automation that can be reconfigured as products change, lowering costs, and accelerating deployment. We've also developed and are deploying a blueprint for material automation, including autonomous-guided vehicles and automated storage and retrieval systems. These solutions improve safety, provide real-time material traceability, and eliminate millions in manual handling costs.

Across the industry and at Jabil, investment in AI and automation is accelerating. Our job is to embrace these technologies, partner with customers and suppliers, and industrialize them at scale across our facilities.

The future of our factories will bring even more collaboration between people and machines, and our employees will focus on higher value tasks that drive quality, safety, and innovation. The result will be a new level of agility, traceability, and competitiveness that sets Jabil apart in the marketplace.

I'll now pass it off to Frank to talk about the work we're doing in embedding AI into our procurement and supply chain processes.

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**Frank McKay** - *Jabil Inc* - Senior Vice President, Chief Supply Chain and Procurement Officer

Thank you, Fred. Hello. My name is Frank McKay, and I lead Jabil's global procurement and supply chain operations. At Jabil, we are integrating AI into every layer of our supply chain to make it smarter and more resilient. Our vision is an autonomous supply chain built in an AI technology stack that combines machine learning agent. Our vision is an autonomous supply chain built on an AI-technology stack that combines machine learning, Agentic AI, and Generative AI with Jabil's decades of global experience.

One example is V-command, our supply chain intelligence and orchestration platform. V-command gives our global teams full end-to-end visibility and provides customers with a secure window into their supply chain. By connecting real-time data across our ecosystem, we can break down silos, run simulations, and act quickly on the most important insights. AI-powered dashboards and intelligent alerts help us prioritize issues as they arise real time. Whether that means mitigating supply risk, tracking shipments, or improving freight performance.

The platform is also evolving with an AI-driven roadmap that includes new capabilities such as end-to-end supply chain footprint mapping, disruptive event management, and advanced tariff analytics. These features will build on the intelligent dashboards and alerts that are already in place, giving our teams and our customers even greater resiliency, transparency, and speed to action.

We also use AI in our proprietary procurement intelligence platform, which brings together billions of data points from millions of parts and suppliers. With this data, we can benchmark costs on sourcing scenarios and negotiate with much greater speed than ever before.

And in one particular case, we reduced the sourcing cycle from two weeks to one day across hundreds of thousands of parts, freeing up our teams to focus on far more strategic efforts. Through IDA Global, our joint venture was ciphered, a native AI SaaS provider, were advancing even further. This platform combines Jabil supply-chain expertise with cipher self-learning AI to autonomously manage multi-tier supply chains, respond to disruptions in real time, and deploy new applications in weeks rather than months.

Together, these tools are reshaping our procurement and supply chain management works at Jabil by embedding AI into our operations, we're improving agility, transparency, and efficiency, while setting a new standard for overall supply chain performance.

I'd now like to pass it back off to Mike.

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**Michael Dastoor** - *Jabil Inc - Chief Executive Officer, Director*

Thanks, Frank. As you just heard from the team, the five pillars are not abstract. They shape how we operate in highly regulated markets, how we capture AI growth in intelligent infrastructure, and how we're reshaping CODC per margin and durability. With that, I'd now like to walk you through the dynamics across each of our segments for FY26. I'll begin with regulated industries. Think of regulated industries as the place for reliability, compliance, and quality are non-negotiable. The near-term picture is mixed but the long-term teams are positive.

I'll start with the headwinds are most visible in the short term. While EV adoption is strong in China in both the US and Europe, demand has slowed at intensifying competition among automakers is affecting customer market share and influencing technology strategies. These dynamics will weigh on FY26. As a result, we believe our auto and transport end market will decline by 5%. Even so, there is reason for optimism.

The long-term trends remain promising as BEV still represents the fastest-growing powertrain. This, in addition to the adoption of software-defined vehicles and ADAS is increasing the content per vehicle. The team is deeply embedded with leading OEMs on the technologies that are expected to define the industry's future. Compute modules, advanced driver assistance systems, and other powertrain agnostic solutions are all growth areas as we support our customers' next-generation vehicles.

And in renewables and energy infrastructure over the last years, we have helped customers rebalance portfolios, localized supply chains, and diversify across commercial and residential projects. These actions improve resilience now and position us for upside as economics, interest rates, and demand improve. Said differently, we have done the blocking and tackling to be ready when demand improves. By contrast, we believe healthcare outsourcing is entering a growth phase.

Growth in FY26 is expected to be led by drug delivery systems, including GLP-1 auto injectors and on-body monitoring such as continuous glucose monitors. Although these programs have long incubation lead times, they are sticky for customers, valuable for patients, and margin accretive for Jabil. It's worth noting healthcare with a healthy pipeline of new business awarded is expected to be an important contributor to our path towards 6% core operating margins.

Putting the segment together in FY26, we expect regulated industries to be flat on revenue with margin expansion as healthcare growth helps offset automotive and renewables. If regulated industries is about trust and durability, intelligent infrastructure is about velocity.

Our strategy here is clear within at the system level. Instead of treating servers, racks, switches, power and cooling as separate silos, we design and deliver integrated systems that combine compute, networking, power distribution, and advanced cooling. That integration shortens time to deploy and lowers total cost for customers exactly what they need as AI capacity scales.

You can see the strategy at work across the three end markets in this segment. In capital equipment, we're moving closer to the chamber with RF power, gas delivery, and sensors, capabilities at the heart of semiconductor tools that manufacture AI chips.

As AI continues to drive demand for more large memory and system on-chip designs, we expect demand for automated test equipment to remain strong for the foreseeable future. As we said today, we expect another strong year with 16% revenue growth year-over-year. And in cloud and data center infrastructure, we operate at rack scale, designing and delivering complete systems with advanced liquid cooling and integrated power spanning low- and medium-voltage switchgear and other solutions that enable power delivery from grid to chip and thermal management from chip to the outside.

And in networking and communications, we are scaling liquid cold switching today while preparing for the eventual shift to co-packaged optics as industry standards mature. In the meantime, pluggable optics remain the backbone and we continue to build those platforms. Strength in networking is expected to be offset with continued softness in the 5G infrastructure market. Putting it all together for the II segment, Jabil's engineering-led system-level capabilities extend across multiple interconnected markets in the AI space.

That reach enable us to transfer technologies and connect these markets seamlessly and it's this integration that stands out as a key differentiator, placing us right at the center of the AI ecosystem. In FY24, our AI-related revenues to approximately $5 billion, rising to approximately $9 billion in FY25 as we brought on additional capacity in the US. Looking ahead, we expect AI-related revenue to grow by roughly 25% in FY26, reaching about $11.2 billion. It's worth noting that demand continues to be extremely strong, as evidenced by our recent performance.

However, it's also worth noting that we're now bumping up against capacity in the US. As you may recall, in June, we announced a new facility in North Carolina to address these capacity constraints. Notably, this new state-of-the-art side is set to come online in the summer of 2026 and will serve as a showcase for Jabil's AI rack manufacturing capabilities and will be designed from day one with key part capabilities like NVIDIA's Omniverse and endeavors power and cooling solutions. Which positions us very well to meet future demand with greater agility and expertise.

Once operational, we expect the site to empower us to sustain robust double-digit growth in AI-related revenue in fiscal '27 and beyond. For FY26, overall, we expect Intelligent Infrastructure revenue to grow 18% with double-digit contributions from cloud and data center and from capital equipment. Segment margins should remain consistent with Jabil's overall level in the mid-5% range.

Turning now to our CLDC segment, which is in the midst of a planned transition and the logic is straightforward. On one hand, we are pruning lower margin short life-cycle programs in legacy consumer electronics that don't match the margin profile we desire. On the other hand, we're investing with growth and margin stronger like digital commerce where automation has become essential for customers to accelerate the delivery of products to and from putamen centers and physical stores.

We design, manufacture and scale robotics, warehouse-automation systems, and physical AI platforms, helping customers move from pilots to global deployments with speed and confidence. Over time, we expect our early engagement in humanoids will be another option for growth and diversification. In Connected Living, the pivot is towards advanced technologies, wireless power, human-machine interfaces, and connectivity platforms.

We pay these technologies to realize manufacturing in Mexico, Eastern Europe, and Southeast Asia to shorten supply chains and reduce tariff exposure. The anticipated result is a smaller yet healthier business with better earnings quality.

For FY26, we expect CLDC revenue declined about 13%. So what does all this mean for the enterprise level? Yes, the FY26 outlook. Collectively, our portfolio remains balanced and well positioned for sustainable value creation. For FY26, we expect approximately 5% revenue growth to about $31.3 billion. We expect core operating margin to expand by roughly 20 basis points to around 5.6% in spite of the underutilized capacity in multiple geographies. Core earnings per share is expected to be $11 in FY26 and we anticipate free cash flow to be greater than $1.3 billion.

Moving on to capital allocation, our priorities are straightforward. First, we'll invest organically in the highest return areas such as AI infrastructure, healthcare, and advanced warehouse and retail automation. Second, we pursue acquisitions that build capability and where it makes sense, step into higher-value markets where we bring something distinctive to customers. Our M&A philosophy is simple. one plus one must equal three.

Third, over time, we expect to return about 80% of free cash flow to shareholders through a mix of buybacks and dividends while maintaining a strong, flexible balance sheet. The filter is simple. Every dollar must raise returns, build resilience, or both.

Looking beyond FY26, here is the long-term model. Stepping past the next four quarters, our focus is unchanged. We target 6%-plus core operating margins and north of $1.5 billion in adjusted free cash flow over time. How do we get there? Three levels: first, better mix leaning into healthcare, AI, and digital commerce, where our system-level capabilities can be leveraged best. Second, better execution, embedding automation, AI, and robotics in our operations to raise quality and speed while lowering cost. Third, better capacity utilization across our global network. So every site contributes more often. In short, better mix, better execution, better asset terms.

Before I close the word to our people, strategy is only as strong as the team that runs it. In Asia, the Americas, and Europe, I see the same hallmarks as I visit Jabil sites, a commitment to safety, respect, culture, and belonging, execution, and customer focus. Thank you for what you do every day for our customers and communities. Let me close by answering a straightforward question. Why do I feel Jabil is uniquely positioned for continued success?

Let me bring it back to where I began. FY25 demonstrated the strength of our diversified resilient portfolio and our ability to successfully navigate a complex and dynamic tariff environment even as market conditions shifted and geopolitical uncertainty increased. Our competitive edge is clear. System-level engineering expertise, robust regionalized manufacturing footprint and global scale, world-class supply chain management, and a culture that executes. We are powering the buildout of AI infrastructure, operating with precision in regulated markets, automating digital commerce and building capabilities such as humanoids for the future, all while consistently returning the vast majority of cash flow to shareholders.

Thank you. I'll now turn it back over to Adam.

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**Adam Berry** *- Jabil Inc - Senior Vice President of Investor Relations and Corporate Affairs*

Thanks, Mike. As we wrap up our prepared remarks and before we move into Q&A, let me leave you with five key takeaways from today's discussion. First, fiscal 2025, we believe, proved out the strength of Jabil's diversified model. Second, regulated industries highlights both resilience and long-term opportunity. Third, Intelligent Infrastructure continues to be our growth engine. Fourth, our deliberate portfolio shift in Connected Living and Digital Commerce is paying off. And fifth, capital allocation remains disciplined and consistent.

On behalf of the entire leadership team, thank you for spending the time with us today. We appreciate your engagement, your feedback, and your continued interest in Jabil.

With that, let's open it up for questions. Operator, we're now ready for Q&A.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Ruplu Bhattacharya, Bank of America.

**Ruplu Bhattacharya** - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Hi, thanks for taking my questions. I want to start with AI. Can you give us some more details on which of the three areas you see more growth? Is it in core rack manufacturing or go transceivers or in switching, where do you see Jabil outpacing market growth? And there's some investor concern that Jabil could be losing some share in data center and AI. Can you talk about any share shifts that are happening? And how do you see margins in this segment?

**Matt Crowley** - *Jabil Inc - Executive Vice President, Global Business Units*

Hey, Ruplu, this is Matt. Thanks for the question. So first, I would just start with -- Mike mentioned in his prepared remarks, but we're growing 25% in our AI revenue year-on-year. So going from $9 billion to $11.2 billion. And when you think about the base that we built up in '25, we're really pleased with that business and where it's going. Now across the three sectors, we're growing pretty well in H1. In capital equipment, we'll maintain our positions with the right customers that we have.

We'll also add capabilities to get us closer to the chamber, which will help us defend our positions that we have that exist and also go get new business. In the cloud and data center infrastructure, that's probably where we see the most position to take share. So if you think about our data center infrastructure business, that will grow triple digits where we build electrical switch gear, et cetera. And our cloud business will continue to grow.

So we feel really good about it. That's headed. And while in the networking and comms space, our communications business is offsetting the networking growth. We're going to grow at roughly 25% networking. So across the board, we feel good about the share that we're taking. We actually don't see any share loss. We feel like we're gaining share, especially in the data center infrastructure business. So we feel good across the board about where our AI revenue trajectories head.

**Ruplu Bhattacharya** - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Okay. Thanks for that, Matt. Maybe I'll switch to healthcare. So it looks like from your fiscal '26 guide, you're guiding to the low end of mid-single-digit growth. Can you talk about where you see growth? Is it in devices, equipment, or drug delivery? And specifically, the Croatia facility? It seems like it's getting delayed in terms of getting populated, how do you see the impact to margins of that in fiscal '26? And then how should we think about margins beyond that?

**Steve Borges** - *Jabil Inc - Executive Vice President - Global Business Units*

Hey, Ruplu, Steve here. Thanks for the question. So to answer your question, first, let me go back to my comments this time last year and then I'll give you the go-forward perspective. First, I mentioned last year at this time, the overall med device market is growing roughly 3% to 4%. And on that call, I said my expectation was we would return to growth in fiscal year '26, driven by our past wins in the areas that Mike mentioned in his opening remarks, GLP and biologics growing and getting into production. And that's continued as planned, most especially to answer your question on Croatia, in Croatia, it's on track as planned. There has been no changes. There are no delays. So that's moving forward as we anticipated.

In addition, this year, your question about new wins, in addition, I'd say that we have quite a few new wins. They're in the areas of med devices, CGMs and general auto-injector growth. That's driven not just by GLP-1s though, but by biologics. I've mentioned in prior calls, the growth that we're seeing in the Pharma segment as it relates to biologics and the need for injectors to support that. And as a matter of fact, we recently added a new win for our Dominican Republic site that's going to leverage our new sterilization capability, which we recently invested in.

But as we've talked about before, these rents due to automation, real-time regulatory validation requirements will take some time to ramp, but those are some really, really good new wins for us. And I'd say, in addition, we sit today with our largest funnel of B2Bs, which is obviously not forecasted, but could create some opportunities this fiscal year depending on timing.

And then I'd say last but not least, in our video, we mentioned the PII transaction, and it is on track, and we're excited that the team has already added a new customer, and we have many visits planned now that the integration is complete. So to summarize, a very long answer, sorry, is what I'm trying to say is that with the new wins even from last year and the ones this year that I expect growth rate in healthcare to be at or above the 5% range going forward.

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**Michael Dastoor** - *Jabil Inc - Chief Executive Officer, Director*

If I could just add, I think your question around Croatia in FY26. Croatia was never meant to be an FY26 event. It was always in FY27, almost second half of FY27 event. And that's completely planned and that is exactly how it's turning out. So absolutely no delays, as Steve mentioned.

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**Ruplu Bhattacharya** - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Okay. Thanks for the details there, Steve and Mike. I'm going to try and sneak one more in. Mike, looks like you met with the Indian Prime Minister Shri Narendra Modi. Can you talk about how the meeting went. And give us specifically your thoughts on investing in the US versus in India because there are different tariff rates. How do you prioritize those two regions in terms of investment?

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**Michael Dastoor** - *Jabil Inc - Chief Executive Officer, Director*

Thank you, Ruplu. Very positive meeting, very pro-business. I think, the pro-investment atmosphere there is very pleasing to see. Of course, by meeting was before the whole tariff situation, so we're monitoring that. But having said that, don't forget, India has the largest middle-class population in the world, huge domestic demand. So it has a manufacturing right by South regardless of tariffs. One of the things we focused on quite a bit here in the US is the manufacturing.

We've gone from 14, 15 sites, to more than 30 sites in the US Over the last few years, we prioritized our manufacturing to the US. And that paying dividends, all our AI growth is coming through these sites in the US as well. We're opening up a new facility in North Carolina. It will be a state-of-the-art facility. It will probably be our largest site in the US going forward as well. So we're focused on both. I think, the US obviously is a priority for us. We're a US-domiciled company with -- we've been here for 60 years in the US, so definitely prioritizing the US.

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**Ruplu Bhattacharya** - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Okay. Thanks for all the details.

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**Operator**

Mark Delaney, Goldman Sachs Asset Management.

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**Mark Delaney** - *Goldman Sachs Group Inc - Analyst*

Hi, yes. Thank you, and good morning very much for taking the questions. I wanted to start, if I could please, with the data-center business. Can you help us better understand how Jabil is managing its capacity in order of data center related products both in the first quarter and also this fiscal year? And I ask because you've commented that some of your sites are running 24/7 and have been at peak levels. So what are you doing in order to meet that demand? And what does that mean for the shape of growth this year?

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**Matt Crowley** - *Jabil Inc - Executive Vice President, Global Business Units*

Yeah. So -- hey, thanks, Mark, this is Matt. First, I would say we are going to continue to operate sites at 24/7. Additionally, we're going to sites in the US where we had some underutilization and we're going to go and consume that capacity. So in our data-center infrastructure business where we're going to be building chillers, we'll be consuming capacity in our Salt Lake City facility. So we're utilizing the network of capacity across the country. And then in addition to that, we are going right now to start retrofitting the sites that exist to be prepared for liquid cooling.

So as customers transition and as data centers move from air to liquid to liquid to liquid, we have to be ready to manufacture at the same scale and support that liquid and power requirement. So we are in the process right now across the network of factories in the US retrofitting them so that we can build liquid-cooled infrastructure. And that will be throughout the year, which is why you see the shape of the year coming together the way it does. But as we get through the year, it positions us perfectly for '27. So we feel good about where we're headed.

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**Mark Delaney** - *Goldman Sachs Group Inc - Analyst*

Thanks for that, Matt. And so I wanted to understand the margin dynamics within the Intelligent Infrastructure business. If I heard correctly, company is expecting margins this year to be in the mid-5% range. That's relatively flattish on very robust top line growth. So maybe help us understand some of the puts and takes to that segment for fiscal '26. And how should investors think about in that space over the longer term, there's been a lot of growth. There's also been some investor debates around the degree of competition. So if you can share more around thinking about profitability, that would be helpful. Thank you.

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**Matt Crowley** - *Jabil Inc - Executive Vice President, Global Business Units*

Yeah. I mean, look, so we're absolutely across the portfolio. We have a business that's going to be accretive. We have a business that's going to be in line with the enterprise, and we're managing the portfolio appropriately. I would tell you that where we have invested in specific capabilities like our silicon photonics business, like our data-center infrastructure business, we expect margins to be accretive. But across the portfolio, there is going to be a business that is more in line with the enterprise.

So we're trying to manage and invest in the right places. And by the way, this year, we will be investing in more capability position us well into the future. So we're going to manage the portfolio appropriately to enterprise-level targets.

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**Operator**

Steven Fox, Fox Advisors.

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**Steven Fox** - *Fox Advisors LLC - Analyst*

Hi, good morning, everyone. I had a couple of questions. I guess, first off, could you guys unpack the gross -- the operating margin guidance for the new fiscal year? It looks like sales are going up about $1.5 billion and margins by 20 basis points. But it seems like I'm just listening to the conversation so far, there's a lot of puts and takes in there. So I was just wondering of you could address some of those and to figure out how we got to the guidance there. And then I had a follow-up.

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**Gregory Hebard** - *Jabil Inc - Chief Financial Officer*

Yeah. Hey, Steve, it's Greg. Yes, so we do see a 20-basis-point pickup in our margins from '26 to '25. It's really -- we're seeing a good mix in the business that's improving margins. We still have some headwinds on unutilized capacity outside of the US. So that's still a 20 to 25 basis points of headwinds for us for this fiscal year. But as we look at the shape of the year, it's a little bit more flat versus last year, more of a 50-50 first half, second half, where we do see margins continuing to increase as we go through the balance of the year.

**Steven Fox** - *Fox Advisors LLC - Analyst*

That's helpful. And but maybe can you add color just on the product pruning and also the investments in II, whether those are like material headwinds that we'll notice, within that five, six or something that's flying under the radar more?

**Gregory Hebard** - *Jabil Inc - Chief Financial Officer*

Yeah. So I'll let m --, let's hand over the call to Andy to talk about the product pruning on on consumer --

**Andy Priestley** - *Jabil Inc - Executive Vice President, Global Business Units*

Sure. Hi, Steve, it's Andy here. And so I think you heard in the prepared remarks from from Greg and Mike. We have made a conscious decision over the last 12, 18 months, and a deliberate shift away from some of the lower margins, and commoditized products towards more of an engineering-led and margin-accretive product, with some of the most premium brands on the planet. So that that's certainly having an effect on the overall revenues, but having a positive effect on the [annual growth] margins.

**Michael Dastoor** - *Jabil Inc - Chief Executive Officer, Director*

And if I can just, add, I think, I talked about it in my prepared remarks a little bit. We're still marching strong towards the 6%, 6%-plus target, I should say, that we have for the enterprise. I talked about mix efficiency and capacity utilization. The mix is actually one of the key factors that we're focused on. In healthcare, you have margins getting better. The growths coming through. We've actually booked a decent pipeline, obviously, but the longer incubation that will take a little bit of time.

In AI data-center infrastructure we see growth. There's absorption of SG&A, so that's going well. Capital equipment, liquid cooling, again, higher margin profiles. And then if you look at digital commerce and robotics, that's higher margin as well. So overall, that AI -- or that sorry, the mix that we're focused on will help us get to that 6% efficiency is another one that I've talked about. I, think, Fred and Frank talked about on the video automation, AI, just normal efficiencies.

Can I expect contribution of about 10 bps annually from efficiency and then. Greg talked about capacity utilization. Our capacity utilization normally runs at 85%. Today, it's still at 75%. A lot of the growth that we've seen has come in the US. There's been a little bit of a mismatch between where our capacity was surplus and where we have to put up new sites and new capacity.

The bad thing is it's hurting our margins right now. The good thing is the surplus capacity is available for new business going forward, so that would be a greater to the margins as well. So overall, no change in our 6% profile. I know your question was more on up by 26%, but I want to make sure that the investors understand that 6% is very much in play for us.

**Steven Fox** - *Fox Advisors LLC - Analyst*

Great, Mike, that's very helpful. And just one question for Matt. Maybe just -- I know there's a lot of detail here on this question, but maybe from a big-picture standpoint, when we think of -- you mentioned chillers and other power-management products. I mean on one hand, there's traditional EMS production and programs that you're doing. On the other hand, you guys have obviously increased your capabilities, as you mentioned. Like how is that all play out in terms of the market, especially when we think of a large competitor of yours that is more of an OEM play on power? How is Jabil compare within that range of what you could be doing and what it means for the margins? Thanks.

**Michael Dastoor** - *Jabil Inc - Chief Executive Officer, Director*

Yeah, thanks Steve. So I mean we've really focused on building capability. If you think about the market today and where a ton of volume is being driven, especially in the hyperscale space products, OEM approached, we don't see that as the future. We see the ability to configure and support scale globally as what these customers want.

So that's where we've invested, that's the capability we've created. And we feel really good about how that business is growing and as I mentioned, it's grown in the triple digits. So we think as we scale out across our first hyperscale customer, our second hyperscale customer, it is probably where we will land our third hyperscale customer. So it's -- a focus area where we've invested and we think it's going to help us grow.

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**Steven Fox** - *Fox Advisors LLC - Analyst*

Great. Thank you very much.

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**Operator**

Melissa Fairbanks, Raymond James.

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**Melissa Fairbanks** - *Raymond James - Analyst*

Hey guys, thanks so much. I wanted to start off with a question for Steve. This may not be a fair question because it all just materialized overnight, but I'm curious about any trends that you're seeing with some of your healthcare customers related to the latest Section 232 issues. I know there hasn't been much time to digest, and from what I understand, it was kind of unexpected. I'd expect that most of your programs, like in Mexico, are MCA compliant. But I'm just wondering if you've seen any changes in customer behavior, given the possibility of more tariffs, or if this might just be a net neutral impact to your customer plans?

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**Michael Dastoor** - *Jabil Inc - Chief Executive Officer, Director*

Yeah, thanks Melissa. Yeah, it is fresh news for sure. But when we look at it on the surface, there's areas such as the gloves, wheelchairs, et cetera, and commodity stuff that we actually don't play in. But then there are areas like pharma and others that we do. The good news is that, as we've talked about before, our healthcare business and our auto business for that matter is region-for-region consumption. So we're in a good place from a manufacturing standpoint.

I actually view the potential impact on the pharmaceutical side of the business is a great opportunity because if that business gets tariffs at a certain rate then the opportunity for US production would actually be good for us, especially in our PII operations. So we'll have to see how it plays out, but I view it as a net positive.

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**Melissa Fairbanks** - *Raymond James - Analyst*

Okay, great, thanks. That's very helpful. Maybe just one for the team. I -- well, Steve, this might be for you too. I'd also like to ask about the overall capacity utilization or the inefficiencies that you've been seeing. Correct me if I'm wrong, but I think a lot of the margin headwinds are inefficiencies outside the US were related to the auto business. If we do finally see an inflection point in that auto-transport business, do you have the capacity to address potential upside or is this something that it's going to take some time to flow through the P&L?

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**Michael Dastoor** - *Jabil Inc - Chief Executive Officer, Director*

Yeah. I mean, I guess, I'd say this as it relates to the auto part of the business. We have capacity in place to be able to support upside. Now as you can tell by our numbers, we're not predicting in this fiscal year to see growth, and I can certainly talk to you a little bit about that in terms of the why. But going forward, we do see growth coming back, especially with the advent of software-divine vehicle architecture becoming stronger into the vehicle which is adding more electronic content. So I do see growth down the road and that'll fill that capacity, so we're in a good place because it relates to that for auto.

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**Melissa Fairbanks** - *Raymond James - Analyst*

Okay. Great. And maybe just sneak in one more. The new North Carolina facility that's coming on mid next year. I'm wondering what the expectations are to get that facility fully loaded in terms of timeline. It kind of seems like it might be more of what you're already doing. So maybe the demand is already there to support it right off. Maybe for Greg, what should we expect in terms of either the margin profile of that facility, revenue contribution toward late next year into fiscal '27 and even expectation for the depreciation expense.

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**Matt Crowley** - *Jabil Inc - Executive Vice President, Global Business Units*

Hey Melissa, this is Matt. Let me take part of that and I can hand the depreciation expense back to Greg. But --

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**Melissa Fairbanks** - *Raymond James - Analyst*

Okay. (laughter)

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**Matt Crowley** - *Jabil Inc - Executive Vice President, Global Business Units*

So we are expecting, number one, we do have plenty of demand. So we feel good about getting the side sail. Now the site will be ready in the back half of the second half. So we don't expect for it to get to be fully loaded until probably middle of '27 as we ramp and bring on new customers. It's going to be 500, it'll be a 500 square foot facility. It's going to have 12 megawatts piped in to start. We'll move to 25 over 18 months and then over the next 3 years, it'll get to 80 megawatts.

So as we grow and as we fill up the facility, clearly there will be a different revenue profile of what that facility will generate over time, but we feel really good about it. There is plenty of demand, and as I mentioned, the fact of the matter is that we are bumping up against capacity. So as soon as that comes on, we feel good about starting to get it filled up. I don't think you're going to see a big hit, a big impact in '26. It will make a significant contribution in '27.

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**Melissa Fairbanks** - *Raymond James - Analyst*

Okay. Perfect.

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**Gregory Hebard** - *Jabil Inc - Chief Financial Officer*

Hey, Melissa. And just on the investment side of that, the North Carolina investment will be mostly in '26 from a CapEx perspective. We see that in the range of $75 million to $100 million, and that will absolutely be in our range of CapEx overall, which is in that 1.5% to 2% of of CapEx to revenue. And as you can see from our numbers we printed in '25, we -- we've been on the low end of CapEx, $1.1 billion in '25. So we still feel really comfortable on the overall investment that Jabil is doing in -- from a -- CapEx point of view.

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**Melissa Fairbanks** - *Raymond James - Analyst*

Great. Very helpful. Thanks so much, guys.

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**Operator**

[David Gold], UBS.

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**Unidentified Participant**

Hi, this is Brian on for David. Thanks for taking the question. Just to start, you guys touched on it, but why are you expecting EV to be down in fiscal year '26 when new programs should be ramping? I know you talked about weakness in Europe and the US as well as strength in China. But just further color there would be helpful. And then I have a follow-up.

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**Steve Borges** - *Jabil Inc - Executive Vice President - Global Business Units*

Sure. This is Steve. Brian, I'll take that one. Yeah, I mean, we remain prudent, I'd say, in our thoughts related to the auto and transportation segment. I mean there's still lots of volatility as automakers reset their portfolio strategies between EVs, ICE, and hybrid based on the overall environment.

So -- but I'd say inclusive of that, we continue to see a decline in EV market share in the US As you mentioned, yes, Europe is up, but off a very small base of only about 2 million units. China continues to be the growth area, and we're participating there to help offset softness in the US market. And what I'd say there is we've also been able to add -- we've doubled our business year-on-year with our first Chinese OEM customer.

We've added a second Chinese OEM customer to our portfolio which will ramp, starting late '26 into '27, which gives us, the opportunity down the road for continued growth of that business. I'd also say that when I look at our ADAS strategy, which is agnostic to vehicle types. So think of domain controllers which control parts of the vehicle, zonal control is the same thing and compute modules, we continue to add those portfolios. But what's happening is that you have the decline that exists, the reset of the portfolios, the cancellation of some some programs is a new programs launched, and it takes a couple of years to launch those new platforms, and that's kind of where we're at at this point.

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**Michael Dastoor** - *Jabil Inc - Chief Executive Officer, Director*

And Brian, if I can just add, I think if you look back at our history, we've been very conservative with our forecasts. Obviously, there's a lot of moving parts with what's going on in some of the end markets. So we err on the side of conservatism there. I think, Steve mentioned prudent, that's the perfect word to describe our philosophy, not just on [EVs] but on a number of end markets because we expect. Yeah, we'd rather be right than wrong there. So the conservative approach is something we've worked on over the last few quarters as well.

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**Unidentified Participant**

Got it. That's helpful. And then just to add on, I know you guys touched upon this as well. I just wanted to get your guys' thoughts if there's anything else that you could add regarding a warrant deal between one of your competitors in Amazon, just any implications for the industry or the company itself? Thank you.

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**Matt Crowley** - *Jabil Inc - Executive Vice President, Global Business Units*

Hey, Brian, it's Matt. So I guess, first, I would say, we were the first EMS to do warrants with that company. That put us in a really good position. I would also point to the portfolio of warrants that they manage. It is not complementary, it's redundant. So it makes sense that they would go and acquire other similar-like companies from a warrant portfolio perspective. And again, the demand is just so great that having backup agreements make sense.

So from our perspective, we were the first to do it in the EMS space. It's going to be a benefit to us. We have very little to no concern over the fact that they would do it with a competitor because we expected them to.

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**Operator**

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

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**Adam Berry** - *Jabil Inc - Senior Vice President of Investor Relations and Corporate Affairs*

That concludes our call today. If you have any further questions, please reach out. Thank you.

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**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.

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