NOTICE OF 2019 ANNUAL MEETING OF SHAREHOLDERS

Annual Meeting Date: Thursday, December 12, 2019
Time: 9:00 a.m., Pacific time
Location: Wilson Sonsini Goodrich & Rosati, 650 Page Mill Road, Palo Alto, California 94304

Meeting Agenda

1. Elect three Class I directors listed in the accompanying proxy statement and recommended by Fabrinet's board of directors to serve for a term of three years, or until their respective successors have been duly elected and qualified;
2. Approve the Fabrinet 2020 Equity Incentive Plan;
3. Ratify the appointment of PricewaterhouseCoopers ABAS Ltd. as Fabrinet's independent registered public accounting firm for Fabrinet's fiscal year ending June 26, 2020;
4. Hold an advisory vote to approve the compensation paid to Fabrinet's named executive officers; and
5. Transact such other business as may properly come before the meeting, or any adjournment or postponement thereof.

These items of business are more fully described in the proxy statement accompanying this notice. Any action on the items of business described above may be considered at Fabrinet's 2019 Annual Meeting of Shareholders (the "**Annual Meeting**") at the time and on the date specified above, or at any time and date to which the meeting may be properly adjourned or postponed.

Record Date

Only shareholders of record at the close of business on October 14, 2019, are entitled to notice of and to vote at the Annual Meeting, and at any postponements or adjournments of the meeting.

Voting

Your vote is very important. Even if you plan to attend the Annual Meeting in person, we encourage you to read the proxy statement and to vote as quickly as possible, to ensure your vote is recorded. For specific instructions on how to vote your shares, please follow the procedures outlined in your Notice of Internet Availability of Proxy Materials, or refer to the section of the proxy statement entitled "Questions and Answers About the Annual Meeting and Procedural Matters."

If you have any questions or require any assistance with completing your proxy, please contact Kingsdale Advisors by telephone at (866) 228-3049 (toll-free within North America) or (416) 867-2272 (call collect outside North America), or by email at contactus@kingsdaleadvisors.com.

Thank you for your ongoing support of Fabrinet.

By order of the Board of Directors,

/s/ David T. Mitchell

David T. Mitchell
Chairman of the Board of Directors

Grand Cayman, Cayman Islands
October 18, 2019

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on Thursday, December 12, 2019

The proxy statement and our 2019 Annual Report to Shareholders are available at www.proxyvote.com.

PROXY STATEMENT

FOR 2019 ANNUAL MEETING OF SHAREHOLDERS

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2019 PROXY STATEMENT SUMMARY

2019 Annual Meeting

Date:	Thursday, December 12, 2019
Time:	9:00 a.m., Pacific time
Location:	Wilson Sonsini Goodrich & Rosati, 650 Page Mill Road, Palo Alto, California 94304
Record Date:	October 14, 2019
Voting:	Shareholders as of the record date are entitled to vote. Shareholders may cast one vote for each ordinary share held by them as of the record date on all matters properly presented at the Annual Meeting. At the close of business on the record date, there were 37,001,780 ordinary shares outstanding and entitled to vote at the Annual Meeting, as well as 1,389,103 ordinary shares outstanding and held as treasury shares.
Admission to Meeting:	You are invited to attend the Annual Meeting if you were a shareholder of record or a beneficial owner as of the record date. You should bring photo identification for entrance to the Annual Meeting. The meeting will begin promptly at 9:00 a.m., Pacific time, and you should leave ample time for the check-in procedures. Shareholders may request directions to the offices of Wilson Sonsini Goodrich & Rosati by calling (650) 493-9300.

Matters to Be Voted on at the Annual Meeting

Matter		Board Recommendation	Page Reference for More Information
Proposal 1:	Election of three Class I directors	**FOR** each nominee	Page 12
Proposal 2:	Approval of the Fabrinet 2020 Equity Incentive Plan	**FOR**	Page 17
Proposal 3:	Ratification of the appointment of PricewaterhouseCoopers ABAS Ltd. as Fabrinet's independent auditor for the fiscal year ending June 26, 2020	**FOR**	Page 30
Proposal 4:	Advisory vote to approve named executive officer compensation	**FOR**	Page 31

Business and Financial Highlights

During fiscal 2019, we had the best fiscal year in our history primarily due to an increase in customers' demand for optical communications manufacturing services, particularly telecom manufacturing services. For fiscal 2019, we reported record annual revenue of $1,584.3 million, an increase of $212.4 million, or 15.5%, compared to annual revenue of $1,371.9 million for fiscal 2018. The following table illustrates our fiscal 2019 results in terms of revenue, gross margin, operating margin, net income, net income per diluted share and fiscal year-end closing share price, relative to fiscal 2018:

	Fiscal 2019(1)	Fiscal 2018	% Change
Revenue	$1,584.3 million	$1,371.9 million	15.5%
GAAP gross margin	11.3%	11.2%	0.9%
Non-GAAP gross margin(2)	11.7%	11.7%	None
Operating margin	7.7%	6.8%	13.2%
Non-GAAP operating margin	9.1%	8.9%	2.2%
Net income	$121.0 million	$84.2 million	43.7%
Non-GAAP net income(2)	$142.6 million	$113.5 million	25.6%
Net income per diluted share	$3.23	$2.21	46.2%
Non-GAAP net income per diluted share(2)	$3.81	$2.98	27.9%
Closing share price (on last trading day of fiscal year)	$49.67	$36.89	34.6%

(1) Please see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended June 28, 2019 (filed with the Securities and Exchange Commission on August 20, 2019), for a more detailed discussion of our fiscal 2019 financial results.

(2) Please refer to **Appendix A** for a reconciliation of this non-GAAP financial measure to the most directly comparable financial measure calculated in accordance with generally accepted accounting principles in the United States ("GAAP").

Other fiscal 2019 highlights include:

- Total revenue during the fourth quarter of fiscal 2019 was a record $405.1 million, up 17.3% from the fourth quarter of fiscal 2018 and up 1.5% from the third quarter of fiscal 2019. During the fourth quarter of fiscal 2019, we also achieved record revenue of $105 million from non-optical communications programs, with gains primarily coming from the industrial laser market.
- In May 2019, our board of directors approved an increase of $50.0 million to our share repurchase program, bringing the aggregate authorization to $110.0 million. During fiscal 2019, we repurchased 100,000 ordinary shares under this program for an aggregate purchase price of $5.4 million, which offset dilution from issuances under our equity incentive plans. As of June 28, 2019, we had a remaining authorization to purchase up to an additional $62.2 million worth of our ordinary shares.

Executive Compensation Program Highlights

Our executive compensation program is designed to be heavily weighted towards compensating our executives based on company performance. To that end, we have implemented executive compensation policies and practices that reinforce our pay-for-performance philosophy and align with commonly viewed best practices and sound governance principles. The following chart summarizes these policies and practices:

What We Do	What We Don't Do
✓ Pay-for-performance, with significant portion of compensation at risk	× No targeting specific percentiles
✓ Caps on performance-based incentive compensation	× No guaranteed bonus
✓ Multi-year performance periods	× No changing of multi-year targets after they are set
✓ Claw back on cash and equity incentive compensation	× No repricing or buyouts of equity awards
✓ Share ownership guidelines for executive officers and directors	× No share "recycling"
✓ 100% independent directors on the Compensation Committee	× No short sales, hedging, or pledging of our ordinary shares
✓ Independent compensation consultant engaged by the Compensation Committee	× No transactions involving derivatives of our ordinary shares
✓ Annual review and approval of our compensation strategy	× No paying dividends or dividend equivalents on unvested equity awards
✓ Engagement with shareholders	
✓ Annual shareholder advisory vote on executive compensation	

Fiscal 2019. Our fiscal 2019 executive compensation program continued to use key performance measures (revenue and non-GAAP gross margin) to link executive compensation with Fabrinet's performance. Taking into account the results of previous shareholder advisory votes on our executive compensation and feedback received from shareholders in 2016 and 2017, the Compensation Committee approved our fiscal 2019 executive compensation program in August 2018 with the following key components:

- A mix of long-term and short-term compensation components align executive interests with shareholders and serve to attract, retain and motivate executives.
- We increased the annual base salary of our CEO (by 11%). No other executive officers received raises for fiscal 2019.
- 66% of the target total compensation for our CEO, COO and CFO was variable and performance-based, and a substantial portion (74% for CEO, 66% for COO and 71% for CFO) was equity-based. Target total compensation consists of annual base salary, target bonus opportunity under our cash-based incentive plan and the aggregate grant date fair value of time-based and performance-based equity award grants in fiscal 2019 (assuming maximum achievement of performance conditions).
- We increased the percentage of equity awards granted in fiscal 2019 that are performance-based from 67% in fiscal 2018 to 70% for our CEO, 71% for our COO and 70% for our CFO in fiscal 2019. These performance-based equity awards consisted of performance-based restricted share units (PSUs) with challenging two-year cumulative performance targets.
- We increased the target amount that could become payable to our CEO (by 15%) under our fiscal 2019 cash-based incentive plan. No other executive officers received increases in their target cash bonus opportunity amounts.

- Our fiscal 2019 cash-based incentive plan, which we refer to herein as the Fiscal 2019 Bonus Plan, continued to use annual revenue and non-GAAP gross margin as the sole performance measures under the plan. We established challenging performance goals at the beginning of fiscal 2019 to determine payouts, if any, following the completion of fiscal 2019. **Because we did not fully achieve such pre-established performance goals, and consistent with our pay for performance philosophy, our CEO, COO and CFO received 79% of their target bonuses under the Fiscal 2019 Bonus Plan**.

In addition, **despite having achieved record annual revenue during fiscal 2019, none of the PSUs that we granted to our executive officers in August 2017 (in the case of our COO and CFO) and November 2017 (in the case of our CEO) vested following the completion of fiscal 2019** because we did not achieve the two-year cumulative performance metrics under such PSUs.

The Compensation Committee also continued its dialogue with shareholders on our executive compensation practices by soliciting the views of 26 of our then largest institutional shareholders representing approximately 80% of our shares outstanding as of the last day of fiscal 2018, and having discussions in November 2018 with investors representing approximately 8% of our shares outstanding as of the last day of fiscal 2018, including four of our twenty then largest shareholders.

Fiscal 2020 Updates. In August 2019, the Compensation Committee approved our fiscal 2020 executive compensation program, which continues to use a mix of long-term and short-term compensation components to align executive interests with shareholders and attract, retain and motivate executives. In light of our record performance in fiscal 2019 and following a year in which our COO and CFO did not receive raises or increases to their target cash bonus opportunity amounts, our fiscal 2020 executive compensation program was approved with the following key components:

- We increased the annual base salaries of our CEO (by 11%), COO (by 4%) and CFO (by 5%).
- More than half of the target total compensation (57% for CEO, 61% for COO and 60% for CFO) is variable and performance-based, and a substantial portion (78% for CEO, 69% for COO and 74% for CFO) is equity-based. Target total compensation consists of annual base salary, target bonus opportunity under our cash-based incentive plan and the aggregate grant date fair value of time-based and performance-based equity award grants in fiscal 2020 (assuming maximum achievement of performance conditions).
- We decreased the percentage of equity awards granted in fiscal 2020 that are performance-based (from 70% in fiscal 2019 to 57% in fiscal 2020 for our CEO; from 71% in fiscal 2019 to 62% in fiscal 2020 for our COO; and from 70% in fiscal 2019 to 61% in fiscal 2020 for our CFO). These performance-based equity awards consist of PSUs with challenging performance measures that are based on achievement of revenue and non-GAAP operating margin over a two-year period.
- We increased the target amount that could become payable to our CEO (by 11%), COO (by 4%) and CFO (by 4%) under our fiscal 2020 cash-based incentive plan. This plan uses annual revenue and non-GAAP operating margin targets as the sole performance measures that will determine payouts, if any, following the completion of fiscal 2020.

The Compensation Committee plans to continue its practice of shareholder outreach regarding our executive compensation practices by again soliciting the views of institutional shareholders representing approximately 80% of our shares outstanding as of the last day of fiscal 2019, including our ten largest shareholders as of that date. The Compensation Committee expects to contact such shareholders between the filing of this proxy statement and the date of the Annual Meeting.

c/o Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

PROXY STATEMENT
FOR 2019 ANNUAL MEETING OF SHAREHOLDERS

This proxy statement is being provided to holders of ordinary shares of Fabrinet at the close of business on the record date (October 14, 2019) in connection with the solicitation of proxies by Fabrinet's board of directors (the "**Board**") for use at Fabrinet's 2019 Annual Meeting of Shareholders, and any postponements, adjournments or continuations thereof (the "**Annual Meeting**"), for the purpose of considering and acting upon the matters set forth in this proxy statement and the accompanying notice. The Annual Meeting will be held on Thursday, December 12, 2019, at the offices of Wilson Sonsini Goodrich & Rosati, 650 Page Mill Road, Palo Alto, California 94304, commencing at 9:00 a.m., Pacific time.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND PROCEDURAL MATTERS

Q: Can I attend the Annual Meeting?

A: You are invited to attend the Annual Meeting if you were a shareholder of record or a beneficial owner as of October 14, 2019 (the "**Record Date**"). You should bring photo identification for entrance to the Annual Meeting. The meeting will begin promptly at 9:00 a.m., Pacific time, and you should leave ample time for the check-in procedures. Shareholders may request directions to the offices of Wilson Sonsini Goodrich & Rosati by calling (650) 493-9300.

Q: Who is entitled to vote at the Annual Meeting?

A: You may vote your Fabrinet ordinary shares if our records show that you owned your shares at the close of business on the Record Date. At the close of business on the Record Date, there were 37,001,780 ordinary shares outstanding and entitled to vote at the Annual Meeting, as well as 1,389,103 ordinary shares outstanding and held as treasury shares. You may cast one vote for each ordinary share held by you as of the Record Date on all matters presented.

Q: Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

A: In accordance with rules adopted by the Securities and Exchange Commission (the "**SEC**"), we have elected to provide access to our proxy materials over the Internet. Accordingly, we began sending a Notice of Internet Availability of Proxy Materials (the "**Notice**") to our shareholders of record and beneficial owners on or about October 18, 2019.

All shareholders will be able to access the proxy materials on the website referred to in the Notice, or to request a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy can be found in the Notice. In addition, shareholders may request the proxy materials be sent by mail or email on an ongoing basis. Choosing to receive future proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the impact of our annual meetings on the environment.

Q: What proposals will be voted on at the Annual Meeting?

A: The proposals scheduled to be voted on at the Annual Meeting are:

Proposal One:	Election of three Class I directors listed in this proxy statement and recommended by the Board to serve for a term of three years, or until their respective successors have been duly elected and qualified;
Proposal Two:	Approval of the Fabrinet 2020 Equity Incentive Plan;
Proposal Three:	Ratification of the appointment of PricewaterhouseCoopers ABAS Ltd. as our independent registered public accounting firm for our fiscal year ending June 26, 2020; and
Proposal Four:	An advisory vote to approve the compensation paid to our named executive officers.

Q: How does the Board of Directors recommend that I vote?

A: The Board recommends that you vote your shares:

- "**FOR**" each of the nominees listed in this proxy statement and recommended by the Board for election as Class I directors (Proposal One);
- "**FOR**" the approval of the Fabrinet 2020 Equity Incentive Plan (Proposal Two);
- "**FOR**" the ratification of the appointment of PricewaterhouseCoopers ABAS Ltd. as our independent registered public accounting firm for our fiscal year ending June 26, 2020 (Proposal Three); and
- "**FOR**" the approval, on an advisory basis, of the compensation paid to our named executive officers (Proposal Four).

Q: What is the voting requirement to approve each of the proposals and how are votes counted?

A: A plurality of the votes cast is required for the election of directors (Proposal One). You may vote "FOR" or "WITHHOLD" on each nominee for election as director. The nominees for director receiving the highest number of affirmative votes will be elected as directors. Abstentions and broker non-votes will not affect the outcome of the election. However, as set forth under "Corporate Governance—Majority Voting Policy in Uncontested Elections," we have a policy that if a director receives more "Withhold" votes than "For" votes in an uncontested election such as this one, the director shall offer his or her resignation for consideration by the Board.

The affirmative vote of a majority of the votes cast is required to (1) approve the Fabrinet 2020 Equity Incentive Plan (Proposal Two), (2) ratify the appointment of PricewaterhouseCoopers ABAS Ltd. as our independent registered public accounting firm for our fiscal year ending June 26, 2020 (Proposal Three), and (3) approve, on an advisory basis, the compensation paid to our named executive officers (Proposal Four). You may vote "FOR," "AGAINST" or "ABSTAIN" on these proposals. Abstentions have the same effect as votes against these proposals. However, broker non-votes are not deemed to be votes cast and, therefore, are not included in the tabulation of voting results on these proposals.

All shares entitled to vote and represented by properly submitted proxies received prior to the Annual Meeting (and not revoked) will be voted at the Annual Meeting in accordance with the instructions indicated by such proxy. If no instructions are indicated on such proxy, the shares represented by that proxy will be voted as recommended by the Board.

Q: How many shares must be present or represented to conduct business at the Annual Meeting?

A: The presence of the holders of at least one-third of the total shares entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. Such shareholders are counted as present at the meeting if (1) they are present in person at the Annual Meeting or (2) have properly submitted a proxy.

Abstentions and broker "non-votes" are counted as present and entitled to vote and are, therefore, included for the purposes of determining whether a quorum is present at the Annual Meeting.

A broker "non-vote" occurs when a nominee holding shares for a beneficial owner has not received voting instructions from the beneficial owner, and the broker does not have, or declines to exercise, discretionary authority to vote those shares.

Q: How can I vote my shares in person at the Annual Meeting?

A: Shares held in your name as the shareholder of record may be voted in person at the Annual Meeting. Shares held beneficially in street name may be voted in person at the Annual Meeting only if you obtain a "legal proxy" from the broker, bank or nominee that holds your shares giving you the right to vote the shares. **Even if you plan to attend the Annual Meeting, we recommend you also submit your vote as described in the Notice and as described below, so your vote will be counted even if you later decide not to attend the meeting**.

Q: How can I vote my shares without attending the Annual Meeting?

A: Whether you hold shares directly as the shareholder of record or beneficially in street name, you may direct how your shares are voted without attending the Annual Meeting. If you are a shareholder of record, you may vote by submitting a proxy; please refer to the voting instructions in the Notice or below. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, bank or nominee; please refer to the voting instructions provided to you by your broker, bank or nominee.

By Internet—Shareholders of record with Internet access may submit proxies until 11:59 p.m., Eastern time, on December 11, 2019, by following the "Vote by Internet" instructions described in the Notice, or by following the instructions at www.proxyvote.com. Most Fabrinet shareholders who hold shares beneficially in street name may vote by accessing the website specified in the voting instructions provided by their brokers, trustees or nominees. If you are a beneficial owner, please check the voting instructions provided by your broker, trustee or nominee for information regarding Internet voting availability.

By telephone—Depending on how your shares are held, you may be able to vote by telephone. If this option is available to you, you will have received information with the Notice or the voting instructions provided by your broker, bank or nominee explaining this procedure.

By mail—Shareholders of record may request a paper proxy card from Fabrinet and indicate their vote by completing, signing and dating the card where indicated and by returning it in the prepaid envelope that will be included with the proxy card. Please follow the procedures outlined in the Notice to request a paper proxy card.

We may use the may use the Broadridge QuickVote™ service to assist beneficial shareholders with voting their shares over the telephone. Alternatively, Kingsdale Advisors may contact such beneficial shareholders to assist them with conveniently voting their shares directly over the phone. If you have any questions about the Annual Meeting, please contact Kingsdale by telephone at (866) 228-3049 (toll-free in North America) or (416) 867-2272 (call collect outside North America), or by email at contactus@kingsdaleadvisors.com.

Q: What is the difference between holding shares as a shareholder of record and as a beneficial owner?

A: *Shareholder of Record.* If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, you are considered the "shareholder of record" with respect to those shares, and we have sent the Notice directly to you. As a shareholder of record, you have the right to grant your voting proxy directly to us or to a third party, or to vote in person at the Annual Meeting.

Beneficial Owner. If your shares are held in a brokerage account or by a bank or nominee, you are considered the "beneficial owner" of shares held in "street name," and the Notice is being forwarded to you by your broker, bank or nominee (who is considered the shareholder of record with respect to those shares).

As the beneficial owner, you have the right to direct your broker, bank or nominee how to vote your shares. Your broker, bank or nominee has enclosed or provided voting instructions for you to use in directing the broker, bank or nominee how to vote your shares. You are also invited to attend the Annual Meeting. However, because you are not the shareholder of record, you may not vote your shares in person at the Annual Meeting unless you obtain a "legal proxy" from your broker, bank or nominee giving you the right to vote the shares at the Annual Meeting.

If you hold your shares through a broker and do not provide your broker with specific voting instructions, your broker will have the discretion to vote your shares only on routine matters. As a result:

- Your broker will not have the authority to exercise discretion to vote your shares with respect to the election of directors, approval of our 2020 Equity Incentive Plan, and the advisory vote to approve the compensation paid to our named executive officers because the rules of The New York Stock Exchange ("NYSE") treat those matters as non-routine; but
- Your broker will have the authority to exercise discretion to vote your shares with respect to the ratification of the appointment of PricewaterhouseCoopers ABAS Ltd. as our independent registered public accounting firm for our fiscal year ending June 26, 2020, because NYSE rules treat that matter as routine.

Q: What happens if additional matters are presented at the Annual Meeting?

A: If any other matters are properly presented for consideration at the Annual Meeting, including, among other things, consideration of a motion to adjourn the Annual Meeting to another time or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named as proxy holders will have discretion to vote on those matters in accordance with their best judgment. We do not currently anticipate that any other matters will be raised at the Annual Meeting.

Q: Can I change my vote?

A: Subject to any rules your broker, bank or nominee may have, you may change your vote at any time before your proxy is voted at the Annual Meeting.

If you are the shareholder of record, you may change your vote by (1) granting a new proxy bearing a later date (which automatically revokes the earlier proxy) using any of the voting methods described above (and until the applicable deadline for each method), (2) providing a written notice of revocation to our Corporate Secretary, c/o Fabrinet USA, Inc., 4900 Patrick Henry Drive, Santa Clara, CA 95054 prior to your shares being voted, or (3) attending the Annual Meeting and voting in person. Attending the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically request this.

If you are the beneficial owner of shares held in street name, you may change your vote by (1) submitting new voting instructions to your broker, bank or nominee, or (2) attending the Annual Meeting and voting in person if you first have obtained a legal proxy from your broker, bank or nominee giving you the right to vote your shares at the Annual Meeting.

Q: What happens if I decide to attend the Annual Meeting but I have already voted or submitted a proxy card covering my shares?

A: Subject to any rules your broker, bank or nominee may have, you may attend the Annual Meeting and vote in person even if you have already voted or submitted a proxy card. Any previous votes that were submitted by you will be superseded by the vote you cast at the Annual Meeting. Please be aware that attendance at the Annual Meeting will not, by itself, revoke a proxy.

If a broker, bank or nominee beneficially holds your shares in street name and you wish to attend the Annual Meeting and vote in person, you must obtain a legal proxy from the broker, bank or nominee holding your shares that gives you the right to vote the shares.

Q: What should I do if I receive more than one set of voting materials?

A: If you received more than one Notice, voting instruction card or set of proxy materials, your shares are registered in more than one name or brokerage account. Please follow the instructions on each Notice or voting instruction card that you receive, to ensure that all of your shares are voted.

Q: Is my vote confidential?

A: Proxy instructions, ballots and voting tabulations that identify individual shareholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Fabrinet or to third parties, except: (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote, and (3) to facilitate a successful proxy solicitation. Occasionally, shareholders provide written comments on their proxy cards, which may be forwarded to Fabrinet's management.

Q: Where can I find the voting results of the Annual Meeting?

A: We will announce preliminary voting results at the Annual Meeting. We will also disclose voting results on a Form 8-K filed with the SEC within four business days after the Annual Meeting, which will also be available in the "Investors—Financials—SEC Filings" section of our website at www.fabrinet.com.

Q: Who will bear the cost of soliciting votes for the Annual Meeting?

A: We will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. We may reimburse brokerage firms, custodians, nominees, fiduciaries and other persons representing beneficial owners for their reasonable expenses in forwarding solicitation material to such beneficial owners. We have engaged Kingsdale Advisors as our shareholder advisor and proxy solicitation agent and will pay fees of approximately $20,500, plus certain out-of-pocket expenses, to Kingsdale to assist us with the solicitation of proxies. Our directors, officers and employees also may solicit proxies in person or by other means of communication. Such directors, officers and employees will not be additionally compensated, but may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation.

If you choose to access the proxy materials and/or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur.

Q: What is the deadline to propose actions for consideration at next year's annual meeting of shareholders or to nominate individuals to serve as directors?

A: You may submit proposals, including recommendations of director candidates, for consideration at future shareholder meetings.

For inclusion in Fabrinet's proxy materials—Shareholders may present proper proposals for inclusion in our proxy statement and for consideration at our next annual meeting of shareholders by submitting their proposals in writing to our Corporate Secretary in a timely manner. In order to be included in the proxy statement for our 2020 annual meeting of shareholders, shareholder proposals must be received by our Corporate Secretary no later than June 20, 2020 and must otherwise comply with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

To be brought before an annual meeting—In addition, our memorandum and articles of association establish an advance notice procedure for shareholders who wish to present certain matters before an annual meeting of shareholders.

Nominations for the election of directors only can be made (1) by or at the direction of the Board, or (2) by a shareholder who has delivered written notice to our Corporate Secretary within the Notice Period (as

defined below) and who was a shareholder at the time of such notice and as of the record date for such meeting. The notice must contain specified information about the nominees and about the shareholder proposing such nominations.

Our memorandum and articles of association also provide that the only business that may be conducted at an annual meeting is business that is (1) properly brought before the meeting in accordance with our proxy materials with respect to such meeting, (2) properly brought before the meeting by or at the direction of the Board, or (3) properly brought before the meeting by a shareholder who has delivered written notice to our Corporate Secretary, c/o Fabrinet USA, Inc., 4900 Patrick Henry Drive, Santa Clara, CA 95054 within the Notice Period (as defined below) and who is a shareholder at the time of such notice and as of the record date for such meeting. The notice must contain specified information about the matters to be brought before such meeting and about the shareholder proposing such matters.

The "Notice Period" is defined as that period not less than 45 days nor more than 75 days prior to the one year anniversary of the date on which we first mailed our proxy materials or a notice of availability of proxy materials (whichever is earlier) to shareholders in connection with the preceding year's annual meeting of shareholders. As a result, the Notice Period for the 2020 annual meeting of shareholders will start on August 4, 2020 and end on September 3, 2020.

If a shareholder who has notified us of his or her intention to present a proposal at an annual meeting does not appear to present his or her proposal at such meeting, we need not present the proposal for vote at such meeting.

A copy of the full text of the provisions of our memorandum and articles of association discussed above may be obtained by writing to our Corporate Secretary, c/o Fabrinet USA, Inc., 4900 Patrick Henry Drive, Santa Clara, CA 95054, or by accessing Fabrinet's filings on the SEC's website at www.sec.gov.

All notices of proposals by shareholders, whether or not included in our proxy materials, should be sent to our Corporate Secretary, c/o Fabrinet USA, Inc., 4900 Patrick Henry Drive, Santa Clara, CA 95054.

Q: How may I obtain a separate set of proxy materials or the 2019 Annual Report?

A: If you share an address with another shareholder, each shareholder may not receive a separate copy of our proxy materials and 2019 Annual Report. Upon written request we will promptly send a separate copy of our proxy materials and 2019 Annual Report, without charge, to any shareholder at a shared address where a single copy of the documents was delivered. Shareholders may request additional copies of our proxy materials and 2019 Annual Report by contacting our investor relations at IR@fabrinet.com, or writing to Fabrinet, c/o Fabrinet USA, Inc., 4900 Patrick Henry Drive, Santa Clara, CA 95054, Attention: Investor Relations. Shareholders who share an address and receive multiple copies of our proxy materials and 2019 Annual Report can also request to receive a single copy by following the instructions above.

Q: Whom do I contact if I have questions?

A: If you have any questions or need assistance completing your proxy or voting instruction form, please contact Kingsdale Advisors by telephone at (866) 228-3049 (toll-free within North America) or (416) 867-2272 (call collect outside of North America), or by email at contactus@kingsdaleadvisors.com.

FISCAL YEAR END

This proxy statement provides information about the matters to be voted on at the Annual Meeting and additional information about Fabrinet and its executive officers and directors. Some of the information is provided as of the end of our 2017, 2018 or 2019 fiscal years, and some information is more recent. Our fiscal years end on the last Friday of June of each calendar year. Our 2017, 2018 and 2019 fiscal years ended on June 30, 2017, June 29, 2018, and June 28, 2019, respectively. Our 2020 fiscal year will end on June 26, 2020.

PROPOSAL ONE

ELECTION OF DIRECTORS

General

Our amended and restated memorandum and articles of association provide that the number of our directors will be fixed from time to time by the Board, but may not consist of more than 15 directors. The Board presently consists of seven directors who are divided into three classes with overlapping three-year terms as set forth below. Upon expiration of the term of a class of directors, directors for that class will be elected for three-year terms at the annual meeting of shareholders in the year in which that term expires.

Class I Directors (Term Expires in 2019)	Class II Directors (Term Expires in 2020)	Class III Directors (Term Expires in 2021)
Dr. Homa Bahrami	Seamus Grady	Dr. Frank H. Levinson
Gregory P. Dougherty	Thomas F. Kelly	David T. Mitchell
Rollance E. Olson		

Nominees for Director

Three candidates have been nominated for election at the Annual Meeting as Class I directors for a three-year term expiring in 2022. Upon the recommendation of the Nominating & Corporate Governance Committee, the Board nominated Dr. Homa Bahrami, Gregory P. Dougherty and Rollance E. Olson for election as Class I directors. Biographical information for each of the nominees is set forth below. Mr. Dougherty, who was appointed to the Board by our other directors in February 2019, was initially suggested to the Nominating & Corporate Governance Committee for consideration as a potential director by our chief executive officer.

Each nominee has consented to being named in this proxy statement and to serving as a director if elected, and we have no reason to believe any nominee will be unavailable to serve. In the event Dr. Bahrami, Mr. Dougherty or Mr. Olson is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who may be proposed by the Nominating & Corporate Governance Committee and designated by the Board to fill the vacancy.

If you sign your proxy or voting instruction card or vote by telephone or over the Internet, but do not give instructions with respect to the election of directors, your shares will be voted for the three persons recommended by the Board. If you wish to give specific instructions with respect to the election of directors, you may do so by indicating your instructions on your proxy or voting instruction card, or when you vote by telephone or over the Internet. If you do not give voting instructions to your broker, your broker will not vote your shares on this matter.

Recommendation of the Board of Directors

The Board recommends a vote "**FOR**" the election of Dr. Homa Bahrami, Gregory P. Dougherty and Rollance E. Olson to the Board.

Biographical Information

The names of the members of the Board, their ages, their positions with Fabrinet and other biographical information as of October 14, 2019, are set forth below. A discussion of the qualifications, attributes and skills of each of the directors and the director nominee that led the Board and the Nominating & Corporate Governance Committee to conclude that he or she should serve as a director follows each of the biographies below. There are no family relationships among any of our directors or executive officers.

					Committee Memberships			Other Public Co. Boards
Name	**Age**	**Director Since**	**Position with Fabrinet**	**Independent**	**AC**	**CC**	**NCGC**	
David T. (Tom) Mitchell	77	2000	Founder and Chairman of the Board					0
Seamus Grady	52	2017	Chief Executive Officer and Director					0
Dr. Homa Bahrami	64	2012	Director (Director Nominee)	✓		✓	Chair	0
Gregory P. Dougherty	59	2019	Director (Director Nominee)	✓	✓		✓	2
Thomas F. Kelly	66	2010	Director	✓	Chair	✓		0
Dr. Frank H. Levinson	66	2001	Director	✓	✓	Chair		1
Rollance E. Olson	76	2004	Lead Independent Director (Director Nominee)	✓			✓	0

AC – Audit Committee   CC – Compensation Committee   NCGC – Nominating & Corporate Governance Committee

David T. (Tom) Mitchell is our founder and has served as our non-employee chairman of the Board since June 2018. Mr. Mitchell previously served as our executive chairman of the Board from September 2017 until June 2018, as our chief executive officer and chairman of the Board from our inception in 2000 until September 2017, and as our president from 2000 to January 2011. In 1979, Mr. Mitchell co-founded Seagate Technology, a disk drive manufacturing company. Mr. Mitchell served as the president of Seagate Technology from 1983 to 1991. From 1992 to 1995, Mr. Mitchell served as the chief operating officer of Conner Peripherals, a disk drive manufacturing company. From 1995 to 1998, Mr. Mitchell served as the chief executive officer of JTS Corp., a mobile disk drive manufacturing company. During his tenure in the data storage industry, Mr. Mitchell established manufacturing operations in Singapore, Thailand, Malaysia, the PRC and India. Mr. Mitchell was a member of the board of directors of GigOptix, Inc. from June 2012 through July 2013. Mr. Mitchell earned a bachelor of science degree in economics from Montana State University.

Among other skills and qualifications, Mr. Mitchell brings to the Board extensive knowledge and understanding of Fabrinet's business, operations and employees, having founded Fabrinet and served on the Board since our inception, as well as more than 30 years of experience in an array of executive management roles within the disk drive and optoelectronics manufacturing industries.

Seamus Grady has served as our chief executive officer and on the Board since September 2017. Prior to joining us, Mr. Grady served as executive vice president and chief operating officer, mechanical systems division, at Sanmina Corporation, an electronics manufacturing services company, from October 2012 to May 2017. Prior to that, Mr. Grady held various operations roles at Sanmina beginning in 2000, including as senior vice president medical division, from June 2011 to October 2012, and senior vice president global medical operations from March 2009 to June 2011. From 1999 to 2000, Mr. Grady served as director of materials and supply chain management at Lucent Technologies Inc. (formerly Ascend Communications). From 1989 to 1999, Mr. Grady served in a variety of operations roles at Manufacturers Services Limited (now Celestica), an electronic manufacturing and supply chain services company. Mr. Grady holds a B. Tech in Manufacturing Technology from the National University of Ireland, Galway (NUIG).

Among other skills and qualifications, Mr. Grady brings to the Board broad and deep experience in the electronics manufacturing services industry, including overseeing operations at multiple international facilities.

Dr. Homa Bahrami has served on the Board since August 2012. Dr. Bahrami is a Senior Lecturer at the Haas School of Business, University of California, Berkeley. She is also a Faculty Director of the Center for Executive Education and a board member of the Center for Teaching Excellence at the Haas School of Business, where she has served on the faculty since 1986. Dr. Bahrami was a member of the board of directors of FEI Company (acquired by Thermo Fisher Scientific Inc. in 2016) from February 2012 through September 2016, where she served on the audit and compensation committees. Dr. Bahrami earned a bachelor of arts degree with honors in sociology and social administration from Hull University and a master of science degree in industrial administration and a doctor of philosophy degree in organizational behavior from Aston University in the United Kingdom.

Among other skills and qualifications, Dr. Bahrami brings to the Board experience in organizational design and executive development for global enterprises.

Gregory P. Dougherty has served on the Board since February 2019. Mr. Dougherty served as chief executive officer of Oclaro, Inc., a maker of optical components and modules for the long-haul, metro and data center markets, from June 2013 and served as a director of Oclaro from April 2009, until its December 2018 acquisition by Lumentum Holdings Inc. Previously, Mr. Dougherty served as a director of Avanex Corporation, a leading global provider of intelligent photonic solutions, from April 2005 to April 2009, when Avanex and Bookham merged to create Oclaro. He also served as a board member of the Ronald McDonald House at Stanford from January 2004 to December 2009, and the Bay Area Make-A-Wish Foundation. From February 2001 until September 2002, Mr. Dougherty was the chief operating officer at JDS Uniphase Corporation, an optical technology company. Prior to JDS, he was the chief operating officer of SDL, Inc., a maker of laser diodes, from March 1997 to February 2001 when they were acquired by JDS. Mr. Dougherty currently serves as a director of IPG Photonics Corporation and Infinera Corporation. Mr. Dougherty earned a bachelor's degree in optics from the University of Rochester.

Among other skills and qualifications, Mr. Dougherty brings to the Board significant public company executive and board experience at global organizations and knowledge of the fiber optic component and transceiver markets, having served as chief executive officer of Oclaro and on several public company boards.

Thomas F. Kelly has served on the Board since 2010. Since August 2017, Mr. Kelly has served as chief executive officer of ID Experts, a provider of software and services for cyber breach and identity fraud protection. From March 2015 until its acquisition by Fortinet in June 2016, Mr. Kelly served as chief executive officer of AccelOps, a provider of network security monitoring and analytics solutions. From June 2010 to January 2014, Mr. Kelly served as chief executive officer and president of Moxie Software, a provider of enterprise social software. From June 2006 to June 2009, Mr. Kelly was chairman of the board of MontaVista Software (acquired by Cavium Networks, Inc. in 2009), a provider of Linux-based development software, where he was also chairman, president and chief executive officer from June 2006 to June 2008. From February 2008 to January 2009, Mr. Kelly was president and chief executive officer of Epicor Software, an enterprise resource planning software company, where he also served on the board of directors from 2000 to 2009. In 2004 and 2005, Mr. Kelly was with Trident Capital, a venture capital company. From 2001 to 2004, he was chairman, president and chief executive officer of BlueStar Solutions (acquired by Affiliated Computer Services, Inc. in 2004), an enterprise resource planning software hosting company. From 1998 to 2001, Mr. Kelly was chairman and chief executive officer of Blaze Software, Inc. (acquired by Brokat Infosystems AG in 2001). Prior to that, he served as chief financial officer or chief operating officer at several software and semiconductor companies, including Cirrus Logic, Inc., Frame Technology, Cadence Design Systems, Valid Logic Corporation and Analog Design Tools. Earlier in his career he was with Arthur Anderson & Company. Mr. Kelly was a member of the board of directors of FEI Company (acquired by Thermo Fisher Scientific Inc. in 2016) from September 2003 through September 2016, where he served as chairman of the board and chairman of the audit committee. He is

also on the Board of Regents of Santa Clara University. Mr. Kelly earned a bachelor of science degree in economics from Santa Clara University.

Among other skills and qualifications, Mr. Kelly brings to the Board audit and financial reporting expertise as well as managerial and operational experience gained from his service on the audit committees of multiple public companies and his roles at Cadence Design Systems, Cirrus Logic, Frame Technology, Epicor Software, Trident Capital and various emerging growth technology companies.

Dr. Frank H. Levinson has served on the Board since 2001. Since 2006, Dr. Levinson has served as the managing director of Small World Group, a group primarily involved in investing in and growing small companies. Dr. Levinson served as the chairman of the board of directors and chief technical officer of Finisar Corporation, a provider of fiber optic components and network performance test and monitoring systems, from August 1999 to January 2006, and remained as a director of Finisar until August 2008. From 1988 to 1999, Dr. Levinson served as the chief executive officer of Finisar. From January 1986 to February 1988, Dr. Levinson served as the optical department manager at Raynet, Inc., a fiber optic systems company and, from April 1985 to December 1985, as the chief optical scientist at Raychem Corporation. From January 1984 to July 1984, Dr. Levinson was a member of the technical staff at Bellcore, a provider of services and products to the communications industry. From 1980 to 1983, Dr. Levinson was as a member of the technical staff at AT&T Bell Laboratories. Since July 2014, Mr. Levinson has been a member of the board of directors of Interlink Electronics, Inc., where he currently serves as chairman of the compensation committee and a member of the audit and nominating and governance committees. Dr. Levinson earned a bachelor of science degree in mathematics and physics from Butler University, and a master's degree in astronomy and a doctor of philosophy degree in astronomy from the University of Virginia.

Among other skills and qualifications, Dr. Levinson brings to the Board executive leadership and management experience in a global organization and semiconductor industry experience, having served as chairman of the board of directors, chief technical officer and chief executive officer of Finisar Corporation.

Rollance E. Olson has served on the Board since 2004, including as lead independent director since January 2011. From 1986 to 2011, Mr. Olson served as chief executive officer of Parts Depot Inc., a wholesale automotive replacement parts and supplies business in Virginia. From 1980 to 1985, Mr. Olson served as the president of Brake Systems, Inc., and from 1973 to 1980, Mr. Olson served in various positions at Bendix Corporation, an automotive safety brake and control systems company, including as general manager of the Fram/Autolite division, general manager of the Bendix automotive aftermarket division and corporate staff consultant. From 1968 to 1973, Mr. Olson served as a management consultant and project leader with Booz, Allen & Hamilton, a management and technology consultant firm. Mr. Olson's business career started with Honeywell, Inc. in Minneapolis, Minnesota. Mr. Olson also served on the board of directors for several privately owned retail and technology companies. He served as a board member (9 years) and chairman of the board of the largest automotive aftermarket trade association, and was a guest lecturer at the Darden School of Business (University of Virginia). Mr. Olson earned a bachelor of arts degree from the University of Minnesota.

Among other skills and qualifications, Mr. Olson brings to the Board executive leadership and management experience gained from his service as chief executive officer of Parts Depot Inc. for more than 25 years.

See "Corporate Governance Matters" below for additional information regarding the Board.

Compensation of Directors

Compensation for Fiscal 2019

The following table presents information regarding the compensation earned or paid in fiscal 2019 to individuals who were members of the Board at any time during fiscal 2019, and who also were not our

employees. We refer to those directors as non-employee directors. During fiscal 2019, Mr. Grady did not receive additional compensation for his service as a director.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)(2)	All Other Compensation ($)	Total ($)
Homa Bahrami	91,875	199,970(3)	—	291,845
Greg Dougherty	20,875	158,853(4)	—	179,728
Thomas Kelly	108,000	199,970(3)	—	307,970
Frank Levinson	98,500	199,970(3)	—	298,470
David T. Mitchell	265,000	290,904(5)	35,148(6)	591,052
Rollance Olson	116,000	199,970(3)	—	315,970

(1) Reflects the aggregate grant date fair value of the shares in accordance with FASB Accounting Standards Codification Topic 718 ("ASC 718"). The assumptions used in the valuation of these awards are set forth in the notes to our consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended June 28, 2019, filed with the SEC on August 20, 2019. These amounts do not correspond to the actual value that will be realized by the directors.

(2) The following table presents the aggregate number of shares underlying unvested stock awards and outstanding options held by each of our non-employee directors as of the end of fiscal 2019.

Name	Aggregate Number of Shares Underlying Unvested Stock Awards	Aggregate Number of Shares Underlying Outstanding Options
Dr. Bahrami	4,107	—
Mr. Dougherty	2,677	—
Mr. Kelly	4,107	—
Dr. Levinson	4,107	—
Mr. Mitchell	211,053*	—
Mr. Olson	4,107	—

* Represents (i) 4,107 shares underlying RSUs granted to Mr. Mitchell in December 2018 for service as a non-employee director, (ii) 67,176 shares underlying RSUs granted to Mr. Mitchell in August 2016 and August 2017 before becoming a non-employee director, and (iii) 139,770 shares underlying PSUs granted to Mr. Mitchell in August 2017 before becoming a non-employee director. Following the completion of fiscal 2019, all of the shares underlying the PSUs granted to Mr. Mitchell in August 2017 were forfeited because we did not achieve the two-year cumulative performance metrics under such PSUs.

(3) On December 13, 2018, each of Dr. Bahrami, Mr. Kelly, Dr. Levinson and Mr. Olson was granted 4,107 RSUs, which are scheduled to vest on January 1, 2020, subject to continued service with us.

(4) On February 26, 2019, Mr. Dougherty was granted 2,677 RSUs that are scheduled to vest on January 1, 2020, subject to continued service with us.

(5) On June 30, 2018, Mr. Mitchell was granted 2,465 RSUs (aggregate grant date fair value of $90,934), which vested in full on January 1, 2019. On December 13, 2018, Mr. Mitchell was granted 4,107 RSUs (aggregate grant date fair value of $199,970), which are scheduled to vest on January 1, 2020, subject to continued service with us.

(6) Represents foreign tax liability payments by Fabrinet on Mr. Mitchell's behalf to satisfy all applicable non-U.S. taxes of Mr. Mitchell for calendar year 2017. As part of Mr. Mitchell's separation agreement entered into with us on June 29, 2018 when he transitioned from his role as executive chairman of our Board to a non-employee member of the Board and its chairman, Mr. Mitchell is eligible to receive continued tax equalization benefits under our expatriate policy.

Standard Director Compensation Arrangements for Fiscal 2019

In June 2018, the Board approved the following cash and equity compensation for service by non-employee directors on the Board, effective June 30, 2018 (the beginning of fiscal 2019).

- an annual retainer of $65,000;
- $200,000 per year for serving as Chairman of the Board (applicable only if the chairman is a non-employee director), which was approved by the Board in connection with Mr. Mitchell's transition from executive chairman of the Board to non-employee Chairman of the Board in light of Mr. Mitchell's ongoing significant involvement with Fabrinet and the valuable leadership and guidance he provides to Fabrinet;
- $45,000 per year for serving as lead independent director of the Board (applicable only if the chairman is not an independent director);
- $12,500 per year for each member of the Audit Committee (or $33,000 if such member is the chairperson);
- $10,000 per year for each member of the Compensation Committee (or $21,000 if such member is the chairperson);
- $6,000 per year for each member of the Nominating & Corporate Governance Committee (or $15,000 if such member is the chairperson);
- upon joining the Board on or after June 30, 2018, and effective as of the date an individual becomes a non-employee member of the Board, an award of restricted share units, on a prorated basis, to cover a number of our ordinary shares equal to: $200,000, divided by the closing price of Fabrinet's ordinary shares on the New York Stock Exchange on the date of grant, and multiplied by the ratio of (i) the number of days beginning with the date the director joins the Board and ending on the day immediately preceding the one year anniversary of the prior year's annual shareholder meeting, divided by (ii) 365 days, with the resulting number rounded down to the nearest whole share (an "Initial Grant"); and
- on the date of each annual shareholder meeting of Fabrinet occurring on or after June 30, 2018, an award of RSUs covering a number of our ordinary shares equal to: $200,000, divided by the closing price of Fabrinet's ordinary shares on the New York Stock Exchange on the date of each such annual shareholder meeting, with the resulting number rounded down to the nearest whole share (an "Ongoing Grant"), provided that the individual is a non-employee director as of such date of grant.

Restricted share units granted pursuant to an Initial Grant and an Ongoing Grant will be scheduled to vest in full on January 1 following the next annual meeting of shareholders after the applicable date of grant, provided the director continues to remain a service provider to Fabrinet through such date. For the avoidance of doubt, an individual who becomes a non-employee director as a result of ceasing to be an employee will be eligible to receive an Initial Grant. Any non-employee member of the Board who is not continuing as a Board member following the applicable annual meeting will not receive an Ongoing Grant with respect to such annual meeting.

Any Initial Grants and Ongoing Grants will be automatic and nondiscretionary. Any Initial Grants and Ongoing Grants will be granted subject to the terms and conditions of Fabrinet's Amended and Restated 2010 Performance Incentive Plan (the "**2010 Plan**") and form of Restricted Share Unit Agreement previously approved for use under the 2010 Plan or, if shareholders approve Fabrinet's 2020 Equity Incentive Plan (the "**2020 Plan**") at the Annual Meeting, such grants will be granted subject to the terms and conditions of Fabrinet's 2020 Plan and form of Restricted Share Unit Agreement previously approved for use under the 2020 Plan. Any RSUs subject to an Initial Grant or Ordinary Grant that vest will be settled in ordinary shares of Fabrinet, and the par value of ordinary shares of Fabrinet issued upon such settlement will be considered to have been paid with past services rendered.

In addition, as part of Mr. Mitchell's separation agreement entered into with us on June 29, 2018 when he transitioned from his role as executive chairman of our Board to a non-employee member of the Board and its

chairman, Mr. Mitchell is eligible to receive continued tax equalization benefits under our expatriate policy, and each outstanding award of RSUs and PSUs granted by us to Mr. Mitchell in connection with his employment with us that were outstanding as of June 29, 2018, will remain outstanding and subject to the terms of the applicable award agreement and equity plan governing the awards, including continued vesting while Mr. Mitchell remains a non-employee member of the Board. Following the completion of fiscal 2019, all of the shares underlying unvested PSUs granted to Mr. Mitchell in August 2017 were forfeited because we did not achieve the two-year cumulative performance metrics under such PSUs.

Standard Director Compensation Arrangements for Fiscal 2020

In 2019, the Compensation Committee reviewed our standard compensation arrangements for non-employee directors and determined not to make any changes for fiscal 2020.

PROPOSAL TWO

APPROVAL OF FABRINET 2020 EQUITY INCENTIVE PLAN

General

We are asking our shareholders to approve our 2020 Equity Incentive Plan (the "**2020 Plan**").

In October 2019, the Board and the Compensation Committee approved the 2020 Plan and the termination of our Amended and Restated 2010 Performance Incentive Plan (the "**2010 Plan**"), subject to shareholder approval of the 2020 Plan. If our shareholders do not approve the 2020 Plan, the 2010 Plan will continue under its current terms until it expires in June 2020 or is terminated earlier in accordance with the terms of the 2010 Plan. The Board and the Compensation Committee have determined that it is in the best interests of the Company and its shareholders to adopt a new equity incentive plan and are asking shareholders to approve the 2020 Plan.

We believe that approval of our 2020 Plan is essential to our continued success as our employees are our most valuable assets, and the awards permitted to be granted under the 2020 Plan are vital to our ability to attract and retain outstanding individuals in the competitive labor markets in which we compete. The Compensation Committee, the Board, and management believe that grants of equity awards to employees motivate high levels of performance to achieve Fabrinet's goals, provide an effective means for recognizing employee contributions that promote our success, and promote closer alignment of the interests of employees with those of our shareholders by giving employees a perspective of an owner with an equity stake in Fabrinet.

The 2020 Plan's share reserve, which shareholders are being asked to approve, is (i) 1,700,000 of our ordinary shares, plus (ii) any of our ordinary shares that, as of immediately prior to the termination of the 2010 Plan, have been reserved but not issued pursuant to any awards granted under the 2010 Plan and are not subject to any awards thereunder, with the maximum number of ordinary shares to be added to the 2020 Plan pursuant to the foregoing clause (ii) equal to 1,300,000 ordinary shares.

Background of the Share Reserve Under the 2020 Plan

In determining the number of shares to be reserved under the 2020 Plan, the Board and the Compensation Committee considered a number of factors, including the following:

- *Shares Available for Grant.* Currently, the maximum number of ordinary shares that may be delivered pursuant to awards under the 2010 Plan is 7,800,000 ordinary shares, plus any shares subject to share options under our predecessor Amended and Restated 1999 Share Option Plan (the "**1999 Plan**") outstanding as of June 24, 2010, that had expired, were canceled or had terminated after June 24, 2010, without being exercised. Currently, the maximum number of ordinary shares that may be delivered pursuant to awards under our 2017 Inducement Equity Incentive Plan (the "**Inducement Plan**") is 160,000 ordinary shares. **As of October 7, 2019, 1,302,154 ordinary shares remained available for grant under the 2010 Plan and 111,347 ordinary shares remained available for grant under the Inducement Plan.** As of the same date, no awards have been granted under the 2020 Plan and no benefits or amounts relating to the 1,700,000 ordinary shares to be reserved under the 2020 Plan have been received by, or allocated to, any individuals. The proposed 2020 Plan would increase the maximum number of shares available for grant under our equity plans by 1,700,000 ordinary shares.
- *Shares Outstanding.* As of October 7, 2019, (a) under the 2010 Plan there were (i) no ordinary shares subject to outstanding options, (ii) 806,573 ordinary shares subject to outstanding restricted share units, and (iii) 436,304 ordinary shares subject to outstanding performance-based restricted share units (assuming maximum achievement of any applicable performance goals), and (b) under the Inducement Plan there were (i) no ordinary shares subject to outstanding options, (ii) 24,327 ordinary shares subject to outstanding restricted share units, and (iii) no ordinary shares subject to outstanding performance-

based restricted share units. The 1999 Plan was terminated in June 2010. No equity awards have been granted under the 1999 Plan since its termination or will be granted under the 1999 Plan in the future. As of October 7, 2019, there were no awards outstanding under the 1999 Plan.

- *Overhang.* As of October 7, 2019, our overhang is 3.4%. For this purpose we calculated overhang as (a) the sum of (i) 830,900 ordinary shares subject to outstanding restricted share units under the 2010 Plan and Inducement Plan, and (ii) 436,304 ordinary shares subject to outstanding performance-based restricted share units under the 2010 Plan (assuming maximum achievement of any applicable performance goals), divided by (b) the sum of (i) 37,001,497, which is the total number of our ordinary shares outstanding as of October 7, 2019, (ii) 1,267,204 ordinary shares underlying outstanding awards under the 2010 Plan and Inducement Plan, and (iii) 1,413,501 ordinary shares available for grant under the 2010 Plan and Inducement Plan.

- *Burn Rate.* Burn rate measures our usage of our ordinary shares for the 2010 Plan and Inducement Plan as a percentage of the total outstanding shares of our ordinary shares. For our fiscal years 2019, 2018 and 2017, our burn rates were 1.6%, 2.5% and 3.0%, respectively. The rates were calculated by dividing the number of our ordinary shares subject to equity awards granted during the year by the weighted average number of our ordinary shares outstanding during the year. Our average annual burn rate of 2.4% over this three-year period was within Institutional Shareholder Services Inc., or ISS, guidelines for Russell 3000 companies in the "Technology Hardware & Equipment" industry.

- *Forecasted Grants.* The Compensation Committee anticipates that the ordinary shares reserved under the 2020 Plan, based on currently projected share use, will be sufficient for the granting of equity awards under the 2020 Plan through approximately June 2024. This forecast is based on our expectation that through June 2024 we will grant restricted share units and performance-based restricted share units covering approximately 2,800,000 ordinary shares. As a result, we anticipate that we will be requesting additional shares under the 2020 Plan at our 2023 annual meeting of shareholders. Since we determine the size of equity awards to be granted based on the competitive dollar value to be delivered to participants, our actual share usage could be substantially different from our forecasted share usage if our share price on the date the award is granted is significantly different from the share price assumed in the forecast (which was $50.00). For example, if our share price on the date the award is granted is lower than the share price assumed in the forecast, we would need a larger number of shares than the number projected by the forecast in order to deliver the same value to participants. In addition, future circumstances and business needs, such as higher than expected headcount increases, including officers to support growth in development or commercial activities or merger and acquisition activity, may result in a significant increase in projected restricted share unit grants.

- *Proxy Advisory Firm Guidelines*. In light of our significant institutional shareholder base, the Board and the Compensation Committee considered proxy advisory firm guidelines.

- *No Share Recycling.* The Board and the Compensation Committee considered the 2020 Plan's prohibition on share recycling.

Certain Material Differences Between the 2020 Plan and 2010 Plan

The following is a summary of certain material differences between the 2020 Plan and the 2010 Plan. This summary is qualified in its entirety by reference to the 2020 Plan itself set forth in **Appendix B**.

- Shareholders are being asked to authorize for issuance under the 2020 Plan a number of ordinary shares equal to (i) 1,700,000 ordinary shares, plus (ii) any of our ordinary shares that, as of immediately prior to the termination of the 2010 Plan, have been reserved but not issued pursuant to any awards granted under the 2010 Plan and are not subject to any awards thereunder, with the maximum number of ordinary shares to be added to the 2020 Plan pursuant to the foregoing clause (ii) equal to 1,300,000 ordinary shares. The maximum number of ordinary shares that may be delivered pursuant to awards

under the 2010 Plan is 7,800,000 ordinary shares, plus any shares subject to share options under our predecessor 1999 Plan outstanding as of June 24, 2010, that had expired, were canceled or had terminated after June 24, 2010, without being exercised. As of October 7, 2019, a total of 1,302,154 ordinary shares remained available for grant under the 2010 Plan, no ordinary shares subject to options granted under the 2010 Plan remained outstanding, 806,573 ordinary shares subject to restricted share units granted under the 2010 Plan remained outstanding, 436,304 ordinary shares subject to performance-based restricted share units granted under our 2010 Plan (assuming maximum achievement of any applicable performance goals) remained outstanding, and no awards remained outstanding under the 1999 Plan.

- The 2020 Plan provides that rights, payments, and benefits with respect to an award granted under the 2020 will be subject to reduction, cancellation, forfeiture, recoupment, reimbursement, or reacquisition upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of the award and that awards granted under the 2020 Plan will be subject to the our clawback policy as may be established and/or amended from time to time to comply with applicable laws.
- The 2020 Plan provides that with respect to awards granted to a non-employee director that are assumed or substituted for, if after such assumption or substitution the participant's status as a director is terminated other than upon a voluntary resignation (unless such resignation is at the request of the acquirer), then the non-employee director's awards granted under the 2020 Plan will fully vest, unless specifically provided otherwise under the applicable award agreement or other written agreement between the participant and us or any of our parent or subsidiaries, as applicable.
- In the event of our change in control within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**"), the 2010 Plan imposes forfeiture of awards, vesting acceleration of awards, or other compensation and benefits in certain circumstances if the awards or other compensation and benefits of the award recipient would fail to be fully deductible by us or our subsidiaries for U.S. federal income tax purposes, unless provided otherwise in an agreement with or plan of the Company. The 2020 Plan eliminates this forfeiture provision under the 2010 Plan, for participants of the 2020 Plan.

The Board has approved the 2020 Plan, subject to the approval of our shareholders at the Annual Meeting. The affirmative vote of the holders of a majority of the ordinary shares present in person or represented by Proxy and entitled to vote at the Annual Meeting will be required to approve this proposal. If our shareholders do not approve our 2020 Plan, the 2010 Plan will continue under its current terms and we will continue to grant future equity awards from the 2010 Plan, until the 2010 Plan expires or is terminated in accordance with its terms. This would mean that we may soon be unable to continue making grants under the 2010 Plan, jeopardizing our ability to attract and retain the talent necessary for us to continue and succeed in our business. Awards granted under the 2010 Plan will continue to be governed by the 2010 Plan's terms, notwithstanding the termination of the 2010 Plan.

Summary of the 2020 Equity Incentive Plan

The following is a summary of the principal features of the 2020 Plan and its operation, as approved by the Board and Compensation Committee in October 2019, subject to shareholder approval. This summary does not contain all of the terms and conditions of the 2020 Plan and is qualified in its entirety by reference to the 2020 Plan as set forth in **Appendix B**.

General

The purposes of the 2020 Plan are to attract and retain the best available personnel for positions of substantial responsibility; to provide additional incentives to employees and consultants of ours and any of our

parent or subsidiaries, and our directors; and to promote the success of our business. These incentives are provided through the grant of share options, share appreciation rights, restricted share awards, restricted share units, performance shares and performance units.

Authorized Shares

Upon shareholder approval of the 2020 Plan, and subject to adjustment upon certain changes in our capitalization as described in the 2020 Plan, the maximum aggregate number of ordinary shares that will be available for issuance under the 2020 Plan will equal (i) 1,700,000 ordinary shares, plus (ii) any of our ordinary shares that, as of immediately prior to the termination of the 2010 Plan, have been reserved but not issued pursuant to any awards granted under the 2010 Plan and are not subject to any awards thereunder, with the maximum number of ordinary shares to be added to the 2020 Plan pursuant to the foregoing clause (ii) equal to 1,300,000 ordinary shares. Ordinary shares under the 2020 Plan may be our authorized but unissued ordinary shares or our ordinary shares held in treasury.

Ordinary shares subject to an award will be counted against the share limits of the 2020 Plan and will not be returned to the 2020 Plan and will not become available for future distribution under the 2020 Plan, regardless of whether (i) the award expires or becomes unexercisable without having been exercised in full or, with respect to restricted shares, restricted share units, performance units or performance shares, is forfeited to or repurchased by us due to failure to vest; (ii) the ordinary shares are repurchased by us or are forfeited to us due to failure to vest; (iii) the ordinary shares are used to pay the exercise price of an award or to satisfy the tax withholding obligations related to an award; or (iv) the award is paid out (in any part) in cash or any form other than ordinary shares. Awards granted in substitution for or in connection with the assumption of equity awards granted by entities other than us, pursuant to a transaction described in Section 424(a) of the Code will not be counted against the share limits of the 2020 Plan or other limits set forth in the 2020 Plan.

Adjustments to Shares Subject to the 2020 Plan

In the event that any dividend or other distribution (whether in the form of cash, ordinary shares, other securities, or other property), recapitalization, share split, reverse share split, reorganization, merger, consolidation, split-up, spin-off, combination, reclassification, repurchase, or exchange of our ordinary shares or other securities, or other change in our corporate structure affecting the ordinary shares occurs (other than any ordinary dividends or other ordinary distributions), the Administrator (as defined below), in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the 2020 Plan, will adjust the number and class of shares that may be delivered under the 2020 Plan and/or the number, class, and price of shares covered by each outstanding award under the 2020 Plan, and the numerical ordinary share limits of the 2020 Plan.

Administration of the 2020 Plan

The 2020 Plan will be administered by the Board or a committee of individuals satisfying applicable laws appointed by the Board, including the Compensation Committee (the "**Committee**") of the Board (the "**Administrator**"). Until and unless determined otherwise by the Board, the Committee will have full authority to act as Administrator. To the extent desirable to qualify transactions relating to awards granted under the 2020 Plan to be exempt under Rule 16b-3 of the Exchange Act ("**Rule 16b-3**"), such contemplated transactions will be structured in a manner that satisfies the requirements for exemption under Rule 16b-3 (including, for example, that the members of the committee administering the 2020 Plan must qualify as non-employee directors under Rule 16b-3). Different committees with respect to different groups of service providers may administer the 2020 Plan.

Subject to the provisions of the 2020 Plan, the Administrator has full authority to:

- determine the fair market value of an ordinary share;

- select the service providers to whom awards may be granted under the 2020 Plan;
- determine the number of ordinary shares to be covered by each award granted under the 2020 Plan;
- approve forms of award agreement for use under the 2020 Plan;
- determine the terms and conditions, not inconsistent with the terms of the 2020 Plan, of any award granted under the 2020 Plan;
- prescribe, amend and rescind rules and regulations relating to the 2020 Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable non-U.S. laws or for qualifying for favorable tax treatment under applicable non-U.S. laws;
- construe and interpret the terms of the 2020 Plan and awards granted under the 2020 Plan;
- modify or amend each award (subject to the provisions of the 2020 Plan);
- allow participants to satisfy tax withholding obligations in a manner prescribed in the 2020 Plan;
- authorize any person to execute on our behalf any instrument required to effect the grant of an award previously granted by the Administrator;
- temporarily suspend the exercisability of an award if the Administrator deems such suspension to be necessary or appropriate for administrative purposes or to comply with applicable laws;
- allow a participant to defer the receipt of the payment of cash or the delivery of ordinary shares that otherwise would be due to the participant under an award, and provide for crediting of interest or other earnings on deferred payments, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in ordinary shares; and
- make all other determinations deemed necessary or advisable for administering the 2020 Plan.

The Administrator will not be permitted to implement any program under which (i) outstanding awards granted under the 2020 Plan are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type, and/or cash, (ii) participants would have the opportunity to transfer any outstanding awards granted under the 2020 Plan to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding award is reduced.

The Administrator may determine the methods by which participants may satisfy tax withholding obligations relating to awards granted under the 2020 Plan which includes without limitation, paying cash, electing to have the Company withhold otherwise deliverable cash or shares having a fair market value equal to the minimum statutory amount required to be withheld (or such greater amount as the Administrator may determine if the Administrator determines such amount would not have adverse accounting consequences), delivering to the Company already owned shares of our common stock having a fair market value equal to the statutory amount required to be withheld (or such greater amount as the Administrator may determine if the Administrator determines such delivery would not have adverse accounting consequences), selling a sufficient number of shares otherwise deliverable to the participant through means that the Administrator may determine equal to the amount required to be withheld, other consideration and method of payment permitted by applicable laws, or any combination of these methods. The amount of withholding will include any amount the Administrator approves for withholding at the time the election is made, not to exceed the amount determined by using the maximum federal, state or local marginal income tax rates applicable to the participant with respect to the award on the date the tax to be withheld is determined, or such greater amount if the Administrator determines such amount would not have adverse accounting consequences.

The Administrator’s decisions, determinations and interpretations with respect to the 2020 Plan will be final and binding on all participants and other award holders and will be given the maximum deference permitted by applicable laws.

Eligibility

Awards may be granted to our employees and consultants, employees and consultants of any of our parent or subsidiaries, and members of the Board. Incentive stock options, within the meaning of Section 422 of the Code, may be granted only to employees who, as of the time of grant, are our employees or employees of any of our parent or subsidiaries. As of October 7, 2019, the individuals eligible to participate in the 2020 Plan consisted of approximately 469 employees (including four (4) executive officers), six (6) non-employee directors and no consultants.

Award Limitations

Awards will vest no earlier than the one (1) year anniversary of the award's date of grant; provided that the Administrator, in its sole discretion, may provide that an award may accelerate vesting by reason of the participant's death, disability, termination of employment, reaching retirement age, or our merger of with or into another corporation or other entity or our change in control (as defined in the 2020 Plan); and provided further that, notwithstanding anything in the 2020 Plan to the contrary, awards up to a maximum of five percent (5%) of the ordinary shares available for issuance pursuant to the 2020 Plan's share reserve provision may be granted without regard to the minimum one (1) year vesting requirements.

No non-employee director may be granted, in any fiscal year of ours, awards under the 2020 Plan with an aggregate grant date fair value (determined in accordance with U.S. generally accepted accounting principles) of more than $400,000, provided that such amount is increased to $600,000 in the fiscal year of his or her initial service as a non-employee director. Any awards granted to an individual while he or she was an employee or consultant other than a non-employee director will not count for purposes of the limitation.

Share Options

Each option granted under the 2020 Plan will be evidenced by a written or electronic agreement between us and a participant, specifying the exercise price, the number of shares subject to the option, the exercise restriction, if any, and the other terms and conditions of the option, consistent with the requirements of the 2020 Plan (including the restrictions described in the "Award Limitations" section above). The exercise price per share of each option may not be less than the fair market value of a share of our ordinary shares on the date of grant, except in limited circumstances specified in Code Section 424(a). Any incentive stock option granted to a person who at the time of grant owns shares possessing more than 10% of the voting power of all classes of our shares or of any parent or subsidiary of ours (a "**Ten Percent Shareholder**") must have an exercise price per share equal to at least 110% of the fair market value of a share of our ordinary shares on the date of grant. The aggregate fair market value of the shares (determined on the grant date) covered by incentive stock options held by a participant that first become exercisable by the participant during any calendar year also may not exceed $100,000. Generally, the fair market value of an ordinary share is its closing sales price (or closing bid, if no sales were reported) (during regular trading) as quoted on the New York Stock Exchange on the day of determination, but not less than the ordinary share's par value. On October 14, 2019, the closing price of an ordinary share on the New York Stock Exchange was $50.40 per share.

The 2020 Plan provides that the option exercise price may be paid, as determined by the Administrator and subject to the terms of the 2020 Plan, in cash (or cash equivalents), check, promissory note (to the extent permitted by applicable laws), other ordinary shares of ours having a fair market value equal to the aggregate exercise price of the exercised shares, consideration received under a broker-assisted (or other) cashless exercise program (whether through a broker or otherwise) that we implement in connection with the 2020 Plan, net exercise, such other consideration and method of payment for the issuance of shares to the extent permitted by applicable laws, or by any combination of these methods. With respect to any specific incentive stock option, the methods of payment of the option exercise price will be authorized by the Administrator at the time of grant. An option will be deemed exercised when we receive the notice of exercise and full payment for the shares to be

exercised, together with any applicable tax withholdings. Options will be exercisable at such times or under such conditions as determined by the Administrator and set forth in the award agreement. The maximum term of an option will be specified in the award agreement, provided that the term of an incentive stock option will be no more than 10 years, and provided further that an incentive stock option granted to a Ten Percent Shareholder must have a term not exceeding 5 years. Unless determined otherwise by the Administrator, to the extent an option is exercisable, the minimum number of ordinary shares subject to the option that the participant may exercise is the lesser of (x) one hundred ordinary shares or (y) the total number of ordinary shares subject to the option that is exercisable.

The Administrator will determine and specify in each award agreement, and solely in its discretion, the period of exercisability following termination of service applicable to each option. In the absence of such a determination by the Administrator, the participant generally will be able to exercise his or her option (to the extent vested) for (i) three months following cessation of his or her service provider status for reasons other than death or disability, and (ii) 12 months following cessation of his or her service provider status due to disability or following his or her death while holding the option, but in no event later than the expiration of the term of the option as set forth in the award agreement. An award agreement also may provide that if exercising an option following cessation of a participant's status as a service provider (other than upon death or disability) would result in liability under Section 16(b) of Exchange Act ("**Section 16(b)**") then the option will terminate 10 days after the last date on which exercise would result in liability under Section 16(b), but no later than the option's maximum term. An award agreement also may provide that if exercising an option following cessation of a participant's status as a service provider (other than upon death or disability) would be prohibited solely due to a violation of registration requirements under the Securities Act of 1933, as amended, then the option will terminate thirty days after cessation of the participant's status as a service provider during which exercising the option would not violate such registration requirements, but no later than the option's maximum term.

Share Appreciation Rights

A share appreciation right gives a participant the right to receive the appreciation in the fair market value of our ordinary shares between the date of grant of the award and the date of its exercise. Each share appreciation right granted under the 2020 Plan will be evidenced by a written or electronic agreement between us and the participant specifying the exercise price, the term of the share appreciation right, the conditions of exercise, and the other terms and conditions of the award, consistent with the requirements of the 2020 Plan (including the restrictions described in the "Award Limitations" section above). At the Administrator's discretion, the payment upon exercise of share appreciation rights may be in cash, our ordinary shares of equivalent value, or a combination of both. The exercise price per share of each share appreciation right may not be less than the fair market value of a share of our ordinary shares on the date of grant, except in limited circumstances specified in Code Section 424(a). Upon exercise of a share appreciation right, the holder of the award will be entitled to receive an amount determined by multiplying (i) the difference between the fair market value of a share on the date of exercise over the exercise price by (ii) the number of exercised shares. The term of a share appreciation right will be no more than 10 years from the date of grant. The terms and conditions relating to the period of exercisability following termination of service with respect to options described above also apply to share appreciation rights. Unless determined otherwise by the Administrator, to the extent a share option right is exercisable, the minimum number of ordinary shares subject to the share appreciation right that the participant may exercise is the lesser of (x) one hundred ordinary shares or (y) the total number of ordinary shares subject to the share appreciation right that is exercisable.

Restricted Share Awards

Awards of restricted shares are rights to acquire or purchase ordinary shares, which vest in accordance with the terms and conditions established by the Administrator in its sole discretion. Each restricted share award granted will be evidenced by a written or electronic agreement between us and the participant specifying any period during which the transfer of the restricted shares is subject to restriction, the number of shares subject to

the award, and the other terms and conditions of the award, consistent with the requirements of the 2020 Plan (including the restrictions described in the "Award Limitations" section above). Restricted share awards may be subject to vesting conditions as the Administrator specifies, and the shares acquired may not be transferred by the participant until vested.

During any applicable period of restriction, a participant holding restricted shares will be entitled to receive all dividends and other distributions paid with respect to such restricted shares, unless the Administrator provides otherwise. However, any such dividends or other distributions will be subject to the same restrictions on transferability and forfeitability as the restricted shares with respect to which they were paid.

Unless otherwise provided by the Administrator, a participant will forfeit any shares of restricted shares as to which the restrictions have not lapsed as specified in the restricted share award agreement. Unless the Administrator provides otherwise, participants holding restricted shares will have the right to vote the shares. The Administrator, in its discretion, generally may accelerate the time at which any restrictions will lapse or be removed, subject to the restrictions described in the "Award Limitations" section above.

Restricted Share Units

The Administrator may grant restricted share units, which represent a right to receive our ordinary shares at a future date as set forth in the participant's award agreement. Each restricted share unit granted under the 2020 Plan will be evidenced by a written or electronic agreement between us and the participant specifying the number of shares subject to the award and other terms and conditions of the award, consistent with the requirements of the 2020 Plan (including the restrictions described in the "Award Limitations" section above). Restricted share units will result in a payment to a participant if the vesting criteria the Administrator may establish are satisfied or the awards otherwise vest. Earned restricted share units will be settled, in the sole discretion of the Administrator, only in the form of cash, shares, or in a combination of both. The Administrator may establish vesting criteria in its discretion, which may be based on achievement of Company-wide, divisional, business unit or individual goals (including without limitation continued employment or service), applicable federal or state securities laws, or any other basis determined by the Administrator. After the grant of a restricted share unit award, the Administrator, in its sole discretion, generally may reduce or waive any vesting criteria that must be met to receive a payout, subject to the restrictions described in the "Award Limitations" section above. A participant will forfeit any unearned restricted share units as of the date set forth in the restricted share unit award agreement.

Performance Units and Performance Shares

Performance units and performance shares also may be granted under the 2020 Plan. Each award of performance shares or units granted under the 2020 Plan will be evidenced by a written or electronic agreement between us and the participant specifying any performance period and other terms and conditions of the award, consistent with the requirements of the 2020 Plan (including the restrictions described in the "Award Limitations" section above). Performance units and performance shares will result in a payment to a participant if any performance goals or other vesting criteria the Administrator may establish are achieved or the awards otherwise vest. Earned performance units and performance shares will be paid, in the sole discretion of the Administrator, in the form of cash, shares (which will have an aggregate fair market value equal to the earned performance units or shares at the close of the applicable performance period), or in a combination of both.

The Administrator may establish performance objectives in its discretion, which may be based on Company-wide, divisional, business unit or individual goals (including without limitation continued employment or service), applicable federal or state securities laws, or any other basis determined by the Administrator. After the grant of a performance unit or performance share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such performance units or shares, subject to the restrictions described in the "Award Limitations" section above. Performance units will have an initial value

established by the Administrator on or before the date of grant. Each performance share will have an initial value equal to the fair market value of a share of our ordinary shares on the award's grant date. A participant will forfeit any performance shares or units that are unearned as of the date set forth in the award agreement.

Dividends

Other than with respect to the adjustments referenced under the "Adjustments to Shares Subject to the 2020 Plan" section above, no dividends may be paid to a participant with respect to an award (or portion thereof, as applicable), prior to the vesting of the award (or portion thereof, as applicable).

Transferability of Awards

Awards under the 2020 Plan generally are not transferable other than by will or by the laws of descent and distribution (and in the case of restricted shares, until any applicable period of restriction has ended), and may be exercised during a participant's lifetime only by the participant, unless the Administrator determines otherwise.

Dissolution or Liquidation

In the event of our proposed dissolution or liquidation, the Administrator will notify each participant as soon as practicable prior to the effective date of such proposed transaction. An award will terminate immediately prior to consummation of such proposed action to the extent the award previously has not been exercised.

Change in Control

The 2020 Plan provides that, in the event of our merger with or into another corporation or other entity or our "change in control" (as defined in the 2020 Plan), the Administrator will have authority to determine the treatment of outstanding awards (without participants' consent), including, without limitation, that:

- awards will be assumed or substantially equivalent awards will be substituted by the acquiring or succeeding corporation or its affiliate;
- awards will terminate upon or immediately prior to consummation of such transaction, upon providing written notice to the participant;
- outstanding awards will vest and become exercisable, realizable, or payable, or restrictions applicable to an award will lapse, in whole or in part prior to or upon consummation of such transaction and, to the extent the Administrator determines, terminate upon or immediately prior to the effectiveness of the transaction;
- an award will terminate in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon exercise of the award or realization of the participant's rights as of the date of the transaction, or an award will be replaced with other rights or property selected by the Administrator in its sole discretion; or
- any combination of the above.

If the successor corporation does not assume or substitute outstanding awards (or portions thereof), then with respect to those awards (or portions thereof) not assumed or substituted, options and share appreciation rights will become fully vested and exercisable, all restrictions on restricted shares, restricted share units, performance shares and performance units will lapse, and, with respect to such awards with performance-based vesting (or portions thereof) not assumed or substituted, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions met, in each case unless specifically provided otherwise under the applicable award agreement or other written agreement between the participant and us or any of our parent or subsidiaries, as applicable. The Administrator will not be required to treat all awards,

all awards held by a participant, all awards of the same type, or all portions of awards similarly in the transaction. In addition, if an option or share appreciation right (or portion thereof) is not assumed or substituted for in the event of our merger or change in control, the Administrator will notify the participant in writing or electronically that such option or share appreciation right (or its applicable portion) will be fully vested and exercisable for a period of time determined by the Administrator in its sole discretion, and the option or share appreciation right (or its applicable portion) will terminate upon the expiration of such period.

Additionally, the 2020 Plan provides that with respect to awards granted to a non-employee director that are assumed or substituted for, if on the date of or following such assumption or substitution the non-employee director's status as a director of the Company or the successor corporation, as applicable, is terminated other than upon a voluntary resignation by the participant (unless such resignation is at the request of the acquirer), then the non-employee director will fully vest in and have the right to exercise options or share appreciation rights as to all of the shares underlying the award and all restrictions on restricted shares and restricted share units will lapse, and with respect to awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met, unless specifically provided otherwise under the applicable award agreement or other written agreement between the participant and us or any of our parent or subsidiaries, as applicable.

For purposes of the 2020 Plan, our "change in control" is defined in the 2020 Plan and generally includes, with certain exceptions as described in the 2020 Plan, a change in our ownership that occurs upon acquisition by a person, or persons acting as a group, of shares resulting in such person(s) having more than 50% of the total voting power of our shares, or a change in our effective control due to a majority of our directors being replaced during a 12-month period by directors whose appointments or elections are not endorsed by the majority of the directors before the date of appointment or election, or a change in a substantial portion of our assets that occurs when a person or persons acting as a group acquires or has acquired within 12 months our assets having a total gross fair market value equal to at least 50% of the total gross fair market value of all of our assets.

In the event of our change in control (within the meaning of Code Section 280G (the "**golden parachute provisions**")), the 2010 Plan provides that unless provided otherwise in an agreement with or plan of the Company, no award may be granted under the 2010 Plan and no vesting of an award may be accelerated under the 2010 Plan, if such grant or vesting acceleration, together with any other compensation and benefits provided to the recipient of the award, would fail to be fully deductible by us or one of our subsidiaries for federal income tax purposes due to the golden parachute provisions. In the event of such non-deductibility under the golden parachute provisions, the 2010 Plan provides that certain compensation and benefits of the award recipient, including the grant or vesting acceleration of the award, would be cancelled (unless provided otherwise in an agreement with or plan of the Company). The 2020 Plan provides that a participant in the 2020 Plan will not be subject to the 2010 Plan's provisions specifying the cancellation of certain of his or her compensation or benefits, including any potential cancellation of any awards granted under the 2020 Plan or their vesting acceleration, even if the participant's compensation and benefits may not be fully deductible by us or our subsidiaries for federal income tax purposes due to the golden parachute provisions. The 2020 Plan does not include any obligation by us to reimburse any participant for any tax imposed by Code Section 4999 in relation to the golden parachute provisions.

Termination or Amendment

The 2020 Plan was adopted by our Board and the Compensation Committee in October 2019, subject to shareholder approval of the 2020 Plan within 12 months of adoption by our Board. The 2020 Plan automatically will terminate 10 years from the date of its adoption by the Board, unless terminated at an earlier time by the Administrator. The Administrator may terminate, alter, suspend or amend the 2020 Plan at any time, provided that we will obtain shareholder approval of any amendment to the 2020 Plan to the extent necessary and desirable to comply with any applicable laws. No amendment, alteration, suspension or termination of the 2020 Plan may materially impair the rights of any participant unless mutually agreed otherwise between the participant and the Administrator.

Forfeiture of Awards

The 2020 Plan permits the Administrator to specify in an award agreement that the participant's rights, payments, and benefits with respect to an award granted under the 2020 will be subject to reduction, cancellation, forfeiture, recoupment, reimbursement, or reacquisition upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of the award. The 2020 Plan also provides that awards granted under the 2020 Plan will be subject to our clawback policy as may be established and/or amended from time to time to comply with applicable laws (the "**Clawback Policy**"). The Administrator may require a participant to forfeit, return or reimburse us all or a portion of the award and any amounts paid under the 2020 Plan pursuant to the terms of the Clawback Policy or as necessary or appropriate to comply with applicable laws.

Number of Awards Granted to Employees and Directors

The number of awards that an employee, director or consultant may receive under the 2020 Plan is in the discretion of the Administrator (other than the automatic awards for non-employee directors described in the section titled "Proposal One—Election of Directors—Compensation of Directors" above), and, therefore, cannot be determined in advance. If shareholders approve the 2020 Plan at the Annual Meeting, then as of the date of the Annual Meeting, each individual continuing as a non-employee director as of such date will receive an Ongoing Grant. The following table sets forth the dollar value of restricted share units of any Ongoing Grant expected to be granted on the date of the Annual Meeting. The number of shares that will be subject to such Ongoing Grant will not be known until the day of the Annual Meeting.

Name of Non-Employee Director or Group	Grant Date Fair Value of RSUs Expected to Be Granted ($)	Number of Shares Subject to RSUs Expected to Be Granted (#)
Homa Bahrami	200,000	(1)
Greg Dougherty	200,000	(1)
Thomas Kelly	200,000	(1)
Frank Levinson	200,000	(1)
David T. Mitchell	200,000	(1)
Rollance Olson	200,000	(1)
All current directors who are not executive officers, as a group	1,200,000	(1)

(1) Number of shares will be determined as the quotient of (a) $200,000, divided by (b) the closing price of Fabrinet's ordinary shares on the New York Stock Exchange on the date of the Annual Meeting, with such quotient rounded down to the nearest whole share.

If shareholders do not approve the 2020 Plan, the 2010 Plan will continue under its current terms. In that case, the Ongoing Grants described above will be granted to our continuing non-employee directors under the 2010 Plan.

Our executive officers and non-employee directors have an interest in this proposal because they are eligible to receive awards under the 2020 Plan. The following table sets forth information with respect to the grant of restricted share units (RSUs) and performance-based restricted share units (PSUs) under the 2010 Plan during fiscal 2019 (no other type of award was granted under the 2010 Plan during this time):

Name of Individual or Group	RSUs Granted (#)	Weighted Average Dollar Value of RSUs Granted ($)	PSUs Granted (#)(1)	Weighted Average Dollar Value of PSUs Granted ($)
Seamus Grady *Chief Executive Officer*	31,236	48.02	72,886	48.02
Dr. Harpal S. Gill *President and Chief Operating Officer*	24,989	48.02	62,472	48.02
Toh-Seng Ng *Executive Vice President, Chief Financial Officer*	22,907	48.02	54,144	48.02
Dr. Hong Hou *Former Executive Vice President, Chief Technical Officer*	—	—	—	—
All current executive officers as a group (4 people)	97,890	50.06	189,502	48.02
All current non-employee directors as a group (6 people)	25,677	48.67	—	—
All employees who are not executive officers as a group	267,761	50.16	12,492	48.02

(1) Amounts indicated are based on maximum achievement of the applicable performance goals.

Summary of U.S. Federal Income Tax Consequences

The following summary is intended only as a general guide to the material U.S. federal income tax consequences of participation in the 2020 Plan. The summary is based on existing U.S. laws and regulations, and there can be no assurance that those laws and regulations will not change in the future. The summary does not purport to be complete and does not discuss the tax consequences upon a participant's death, or the provisions of the income tax laws of any municipality, state or non-U.S. jurisdiction to which the participant may be subject. As a result, tax consequences for any particular participant may vary based on individual circumstances.

Incentive Share Options

No taxable income is reportable when an incentive share option is granted or exercised, although the exercise may subject the participant to the alternative minimum tax or may affect the determination of the participant's alternative minimum tax (unless the shares are sold or otherwise disposed of in the same year). If the participant exercises the option and then later sells or otherwise disposes of the shares acquired more than two years after the grant date and more than one year after the exercise date, the difference between the sale price and the exercise price generally will be taxed as capital gain or loss. If the participant exercises the option and then later sells or otherwise disposes of the shares before the end of the two- or one-year holding periods described above, he or she generally will have ordinary income at the time of the sale equal to the fair market value of the shares on the exercise date (or the sale price, if less) minus the exercise price of the option. For purposes of the alternative minimum tax, the difference between the option exercise price and the fair market value of the shares on the exercise date generally is treated as an adjustment item in computing the participant's alternative minimum taxable income in the year of exercise. In addition, special alternative minimum tax rules may apply to certain subsequent disqualifying dispositions of the shares or provide certain basis adjustments or tax credits for alternative minimum tax purposes.

Nonstatutory Share Options

No taxable income is reportable when a nonstatutory share option with a per share exercise price at least equal to the fair market value of a share of the underlying share on the date of grant is granted to a participant. Upon exercise, the participant will recognize ordinary income in an amount equal to the excess of the fair market value (on the exercise date) of the shares purchased over the exercise price of the exercised shares subject to the option. Any taxable income recognized in connection with the exercise of a nonstatutory share option by an employee is subject to tax withholding by us. Any additional gain or loss recognized upon any later disposition of the shares generally would be capital gain or loss to the participant.

Share Appreciation Rights

No taxable income is reportable when a share appreciation right with a per share exercise price equal to at least the fair market value of a share of the underlying share on the date of grant is granted to a participant. Upon exercise, the participant generally will recognize ordinary income in an amount equal to the amount of cash received and the fair market value of any shares received. Any taxable income recognized in connection with the exercise of a share appreciation right by an employee is subject to tax withholding by us. Any additional gain or loss recognized upon any later disposition of the shares generally would be capital gain or loss to the participant.

Restricted Shares, Restricted Share Units, Performance Units and Performance Shares

A participant generally will not have taxable income at the time an award of restricted shares, restricted share units, performance units or performance shares, are granted. Instead, he or she will recognize ordinary income in the first taxable year in which his or her interest in the shares underlying the award becomes either (i) freely transferable, or (ii) no longer subject to substantial risk of forfeiture. If the participant is an employee, such ordinary income generally is subject to tax withholding by us. However, the recipient of a restricted share award may elect to recognize income at the time he or she receives the award in an amount equal to the fair market value of the shares underlying the award (less any cash paid for the shares) on the date the award is granted.

Medicare Surtax

A participant's annual "net investment income," as defined in Section 1411 of the Code may be subject to a 3.8% federal surtax (generally referred to as the "**Medicare Surtax**"). Net investment income may include capital gain and/or loss arising from the disposition of shares subject to a participant's awards under the 2020 Plan. Whether a participant's net investment income will be subject to the Medicare Surtax will depend on the participant's level of annual income and other factors.

Section 409A

Section 409A of the Code provides certain requirements for nonqualified deferred compensation arrangements with respect to an individual's deferral and distribution elections and permissible distribution events. Awards granted under the 2020 Plan with a deferral feature will be subject to the requirements of Section 409A of the Code. Section 409A also generally provides that distributions must be made on or following the occurrence of certain events (e.g., the individual's separation from service, a predetermined date, or the individual's death). For certain individuals who are officers, subject to certain exceptions, Section 409A requires that distributions in connection with the officer's separation from service commence no earlier than six months after such officer's separation from service.

If an award granted under the 2020 Plan is subject to and fails to satisfy the requirements of Section 409A of the Code, the recipient of that award may recognize ordinary income on the amounts deferred under the award, to the extent vested, which may be prior to when the compensation is actually or constructively received. Also, if an

award that is subject to Section 409A fails to comply with Section 409A's provisions, Section 409A imposes an additional 20% federal income tax on compensation recognized as ordinary income, as well as interest on such deferred compensation. Certain states, such as California, have enacted laws similar to Section 409A which impose additional taxes, interest and penalties on nonqualified deferred compensation arrangements. We will also have withholding and reporting requirements with respect to such amounts. In no event will we or any of our parent or subsidiaries have any obligation under the terms of the 2020 Plan to reimburse, indemnify, or hold harmless a participant for any taxes, interest or penalties imposed, or other costs incurred, as a result of Section 409A.

Tax Effect for Fabrinet

We generally will be entitled to a tax deduction in connection with an award under the 2020 Plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income (for example, the exercise of a nonstatutory share option). Special rules limit the deductibility of compensation paid to our chief executive officer and other "covered employees" within the meaning of Code Section 162(m). Under Code Section 162(m), the annual compensation paid to any of these specified employees will be deductible only to the extent that it does not exceed $1,000,000.

Required Vote

Approval of the 2020 Plan and its material terms requires the affirmative "**FOR**" vote of a majority of the shares present in person or represented by proxy entitled to vote at the Annual Meeting. If shareholders do not approve the 2020 Plan, the 2010 Plan will continue under its current terms until it expires or is terminated in accordance with the terms of the 2010 Plan, and we will continue to grant future equity awards from the 2010 Plan.

Recommendation of the Board of Directors

The Board recommends a vote "**FOR**" the approval of the 2020 Equity Incentive Plan.

We believe strongly that the approval of the 2020 Plan is essential to our continued success. Our employees are one of our most valuable assets. Share options, restricted share units and other awards provided under the 2020 Plan are vital to our ability to attract and retain outstanding and highly skilled individuals. Such awards also are crucial to our ability to motivate employees to achieve our goals. For the reasons stated above, you are being asked to approve the 2020 Plan and its material terms.

PROPOSAL THREE

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

General

The Audit Committee has appointed PricewaterhouseCoopers ABAS Ltd. and its network firm (“PwC”) as our independent registered public accounting firm for our fiscal year ending June 26, 2020. Although ratification by shareholders is not required by any applicable legal requirements, the Board has determined it is desirable to request ratification of this selection by our shareholders. Notwithstanding its selection, the Audit Committee, in its discretion, may appoint a new independent registered public accounting firm at any time during the year if the Audit Committee believes that such a change would be in the best interests of Fabrinet and its shareholders. If our shareholders do not ratify the appointment of PwC, the Audit Committee may reconsider its selection.

A representative of PwC is expected to be present at the meeting, will have the opportunity to make a statement if he or she desires to do so, and is expected to be available to respond to appropriate questions.

Recommendation of the Board of Directors

The Board recommends a vote “**FOR**” the ratification of the appointment of PricewaterhouseCoopers ABAS Ltd. as Fabrinet’s independent registered public accounting firm for Fabrinet’s fiscal year ending June 26, 2020.

Accounting Fees

The following table presents fees paid or accrued by Fabrinet for audit and other services rendered by PwC for fiscal 2019 and fiscal 2018.

	Fiscal 2019	Fiscal 2018
Audit Fees(1)	$1,441,313	$1,186,832
Audit-Related Fees	—	—
Tax Fees(2)	15,000	—
All Other Fees(3)	30,360	130,960
Total	$1,486,673	$1,317,792

(1) Audit Fees consist of fees for professional services provided in connection with the audit of our annual consolidated financial statements, the review of our quarterly consolidated financial statements, and audit services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements for those fiscal years, such as statutory audits, as well as out of pocket expenses.

(2) Tax fees consist of fees for international tax consulting services.

(3) All other fees consist of fees for providing consent letters and accounting advisory services during the fiscal year.

Pre-Approval of Audit and Non-Audit Services

Pursuant to its charter, the Audit Committee is required to (1) review and approve, in advance, the scope and plans for all audits and audit fees and (2) approve, in advance, all non-audit services to be performed by our independent auditors.

All services and fees of PwC were pre-approved by the Audit Committee.

PROPOSAL FOUR

ADVISORY VOTE TO APPROVE COMPENSATION PAID TO NAMED EXECUTIVE OFFICERS

General

In accordance with SEC rules, we are providing our shareholders with the opportunity to vote to approve, on an advisory or non-binding basis, the compensation of our named executive officers (or "Named Officers") as disclosed in this proxy statement in accordance with rules of the SEC. This proposal, commonly known as a "say-on-pay" proposal, gives our shareholders the opportunity to express their views on our Named Officers' compensation as a whole. This vote is not intended to address any specific item of compensation or any specific Named Officer, but rather the overall compensation of all of our Named Officers and the compensation philosophy, policies and practices described in this proxy statement. We currently hold our say-on pay vote every year.

While this advisory vote to approve executive compensation is non-binding, it will provide information to us regarding investor sentiment about our executive compensation philosophy, policies and practices, which the Compensation Committee will be able to consider when making future executive compensation decisions. The Board and the Compensation Committee value the opinions of shareholders and, to the extent there is any significant vote against the Named Officer compensation as disclosed in this proxy statement, will endeavor to communicate with shareholders to better understand the concerns that influenced the vote, consider those shareholders' concerns and evaluate whether any actions are necessary to address those concerns.

We urge shareholders to read the "Executive Compensation" section of this proxy statement, and in particular the information discussed under the heading "Executive Compensation—Compensation Discussion and Analysis", which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives. We believe that our executive compensation program is working to ensure management's interests are aligned with our shareholders' interests to support long-term value creation. Accordingly, pursuant to Section 14A of the Exchange Act, you are being asked to vote "FOR" the following resolution at the Annual Meeting:

> "RESOLVED, that Fabrinet's shareholders approve, on an advisory basis, the compensation of Fabrinet's named executive officers, as disclosed in Fabrinet's Proxy Statement for the 2019 Annual Meeting of Shareholders pursuant to the executive compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables, and related narrative disclosures."

Recommendation of the Board of Directors

The Board recommends a vote "**FOR**" the approval, on an advisory basis, of the compensation paid to our Named Officers.

AUDIT COMMITTEE REPORT

The Audit Committee assists the Board in fulfilling its responsibilities for oversight of the integrity of our financial statements, our internal accounting and financial controls, our compliance with legal and regulatory requirements, the organization and performance of our internal audit function and the qualifications, independence and performance of our independent registered public accounting firm.

Our management is responsible for establishing and maintaining internal controls and preparing our consolidated financial statements. The independent registered public accounting firm is responsible for auditing the financial statements. It is the responsibility of the Audit Committee to oversee these activities.

The Audit Committee has:

- Reviewed and discussed the audited financial statements with management and with PricewaterhouseCoopers ABAS Ltd., our independent registered public accounting firm;
- Discussed with PricewaterhouseCoopers ABAS Ltd. the matters required to be discussed under the rules adopted by the Public Company Accounting Oversight Board (the "**PCAOB**"); and
- Received the written disclosures and the letter from PricewaterhouseCoopers ABAS Ltd. required by applicable requirements of the PCAOB regarding PricewaterhouseCoopers ABAS Ltd.'s communications with the Audit Committee concerning independence and has discussed with PricewaterhouseCoopers ABAS Ltd. its independence.

Based upon these discussions and review, the Audit Committee recommended to the Board that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended June 28, 2019, for filing with the United States Securities and Exchange Commission.

Respectfully submitted by the members of the Audit Committee of the Board of Directors.

Thomas F. Kelly (Chair)
Gregory P. Dougherty
Dr. Frank H. Levinson

CORPORATE GOVERNANCE MATTERS

Corporate Governance Guidelines

We have adopted Corporate Governance Guidelines that establish the corporate governance policies the Board intends to follow in overseeing our business in accordance with its fiduciary duties. The Corporate Governance Guidelines are available in the "Investors—Governance" section of our website at www.fabrinet.com.

Code of Business Conduct

We are committed to maintaining the highest standards of ethical conduct, with business practices and principles of behavior that support this commitment. Accordingly, the Board has adopted a Code of Business Conduct, which is applicable to all of our directors, officers (including our principal executive officer and senior financial and accounting officers) and employees. The Code of Business Conduct is available in the "Investors—Governance" section of our website at www.fabrinet.com. We will disclose on our website any amendments to the Code of Business Conduct, as well as any waivers, required to be disclosed by SEC or NYSE rules.

Majority Voting Policy in Uncontested Elections

The Board endorses the principle of using a majority voting standard for uncontested elections of directors. Accordingly, in an election of directors such as this one, a nominee who receives more "Withhold" votes than "For" votes is expected to promptly tender his or her resignation as a director to the Board for consideration. After considering any information the Board deems appropriate, the Board will act to accept or reject each tendered director resignation. Any director who tenders a resignation under the majority voting policy may not participate in the action of the Board regarding whether to accept or reject his or her tender of resignation.

Board Leadership Structure

Our Corporate Governance Guidelines provide that the Board will fill the chairman and chief executive officer positions based upon what it believes is in our best interests at any point in time. Mr. Mitchell served in both positions until his retirement as chief executive officer in September 2017. We separated the two roles effective upon this transition, with Mr. Mitchell continuing as executive chairman of the Board from September 2017 until June 2018, and as a non-employee chairman of the Board beginning in June 2018. The Board believes that as our founder and having served as our chief executive officer from our inception until September 2017, Mr. Mitchell is in the best position to direct the focus and attention of the Board on the areas most relevant for us and our shareholders, as Mr. Mitchell is the most familiar with our business, industry and strategic priorities. In the role of chairman, Mr. Mitchell also is able to provide strong and valuable leadership for us both internally and externally.

In addition, our Corporate Governance Guidelines provide that if the chairman is not independent, the Board shall appoint a lead independent director. Rollance Olson has served as our lead independent director since January 2011. The lead independent director's duties include coordinating the activities of the independent and other non-employee directors, coordinating the agenda for and moderating sessions of the independent and other non-employee directors, and facilitating communications among the entire Board.

Our independent directors meet in executive session at each regularly scheduled meeting of the Board, and at such other times as necessary or appropriate as determined by the independent directors. Our lead independent director presides at such executive sessions of the Board.

Risk Oversight

The Board is responsible for the oversight of our enterprise risk management. Together with its committees, the Board ensures that any material risks relevant to us or our business are appropriately considered and

addressed. Our management team is responsible for day-to-day risk management. Management's responsibilities include identifying, evaluating and addressing potential risks that may exist at the enterprise, strategic, financial and operating levels and the development of processes for mitigating these risks, and the Board, together with its committees, oversees management in its execution of these responsibilities. At periodic meetings of the Board and its committees, and in other meetings and discussions, our management reports to and seeks guidance from the Board and its committees, as applicable, with respect to matters that could affect our business. In addition, our legal counsel provides reports of legal risks to the Board and its committees. Similarly, our chief financial officer provides reports to the Audit Committee concerning financial, tax and audit related risks. In addition, the Audit Committee receives periodic reports from management on our compliance programs and efforts, investment policy and practices.

The Board reviews the strategic, financial and operational risks inherent in our business through its consideration of the various matters presented to the Board or its committees by management for review or approval. Furthermore, each board committee regularly reviews and evaluates various aspects of enterprise risk as part of its specific functions and responsibilities delegated by the Board. The Audit Committee considers risk in connection with its oversight of our financial review and reporting processes and regulatory and corporate compliance matters. In addition, the Audit Committee is responsible for the oversight and review of certain risk management policies, including our insurance, investment and business continuity policies. The Compensation Committee considers risk in connection with its oversight of the design and administration of our compensation policies, plans and programs. The Nominating & Corporate Governance Committee considers risk in connection with its oversight of our governance structure, policies and processes, including conflicts of interest (other than related party transactions reviewed by the Audit Committee).

We believe that the Board's role is consistent with our leadership structure, with our chief executive officer and management primarily responsible for enterprise risk management, and with the Board and its committees providing oversight of these efforts.

Contacting the Board of Directors

Shareholders and other interested parties may communicate directly with our lead independent director by sending an email to leadindependentdirector@fabrinet.com. Communications received at this email address are automatically routed directly to our lead independent director. Shareholders and other interested parties who wish to communicate with the Board may do so by sending an email to board@fabrinet.com or a written communication addressed to Fabrinet, c/o Fabrinet USA, Inc., 4900 Patrick Henry Drive, Santa Clara, CA 95054, Attention: Board of Directors. Our legal counsel reviews all incoming communications from shareholders and other interested parties (except for communications sent directly to the lead independent director, mass mailings, product complaints or inquiries, job inquiries, business solicitations and patently offensive or otherwise inappropriate material) and, as appropriate, routes such communications to the appropriate member(s) of the Board, or if none is specified, to the executive chairman of the Board.

Attendance at Annual Meetings of Shareholders by the Board of Directors

Although we do not have a formal policy regarding attendance by members of the Board at our annual meeting of shareholders, we encourage, but do not require, directors to attend. All of our directors attended our 2018 annual meeting of shareholders.

Director Independence

Our ordinary shares are listed on the NYSE. Pursuant to the NYSE listing standards, independent directors must comprise a majority of the Board, and each member of our Audit, Compensation and Nominating & Corporate Governance Committees must be independent. A director will only qualify as an "independent director" if, in the opinion of the Board, that director does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Audit Committee members also must satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act. In order to be considered independent for purposes of Rule 10A-3, a member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board, or any other board committee: (1) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from us or any of our subsidiaries; or (2) be an affiliated person of us or any of our subsidiaries.

Compensation Committee members must satisfy additional independence criteria set forth under the NYSE listing standards. In order for a member of the Compensation Committee to be considered independent, the Board must consider all factors specifically relevant to determining whether a director has a relationship to us that is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to: (1) the source of compensation of such director, including any consulting, advisory, or other compensatory fee paid by us to such director; and (2) whether such director is affiliated with us, any of or subsidiaries, or an affiliate of any of our subsidiaries.

The Board has reviewed the independence of each director and determined that Dr. Bahrami, Mr. Dougherty, Mr. Kelly, Dr. Levinson and Mr. Olson, representing five out of our seven directors, do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the applicable rules and regulations of the SEC and the NYSE listing standards. In making these determinations, the Board considered the current and prior relationships that each non-employee director has with us and all other facts and circumstances the Board deemed relevant.

Board Meetings and Committees

During fiscal 2019, the Board held nine meetings and also took certain actions by written consent. Each of our directors attended at least 75% of the meetings of the Board and the committees on which he or she served during fiscal 2019. The Board has established an Audit Committee, a Compensation Committee and a Nominating & Corporate Governance Committee, each of which has the composition and responsibilities described below.

Audit Committee

The Audit Committee currently consists of Mr. Dougherty, Mr. Kelly (chair) and Dr. Levinson, each of whom is independent under the NYSE listing standards and the rules and regulations of the SEC. The Board has determined that Mr. Kelly qualifies as an "audit committee financial expert" under the rules and regulations of the SEC and that each member of the Audit Committee meets the financial literacy requirements of the NYSE listing standards. The Audit Committee held four meetings during fiscal 2019.

Among other responsibilities, the Audit Committee (1) oversees our accounting and financial reporting processes and the audit of our financial statements, (2) assists the Board in overseeing the integrity of our financial statements (including, without limitation, internal control over financial reporting), (3) oversees our compliance with ethics policies and legal and regulatory requirements, (4) oversees the performance of our independent auditors, (5) prepares the disclosure required by applicable law and SEC rules, and (6) provides to the Board such information and materials as it may deem necessary to make the Board aware of significant financial matters that require the attention of the Board. The Audit Committee acts in accordance with a written charter adopted by the Board, which is available in the "Investors—Governance" section of our website at www.fabrinet.com.

The Audit Committee report is included in this proxy statement on page 33.

Compensation Committee

The Compensation Committee currently consists of Dr. Bahrami, Dr. Levinson (chair) and Mr. Kelly, each of whom is independent under the NYSE listing standards and the rules and regulations of the SEC. In addition,

the Board has determined that Dr. Bahrami, Dr. Levinson and Mr. Kelly meet the requirements of the non-employee director definition of Rule 16b-3 promulgated under the Exchange Act and the outside director definition of Section 162(m) of the Internal Revenue Code, as amended. The Compensation Committee held five meetings during fiscal 2019 and also took certain actions by written consent.

Among other responsibilities, the Compensation Committee (1) develops, reviews and approves our overall compensation policies and goals, including policies and forms of compensation provided to our directors and executive officers, (2) oversees the administration of our equity compensation and employee benefit plans and programs, and (3) produces an annual report on executive officer compensation for inclusion in our annual proxy statement. The Compensation Committee acts in accordance with a written charter adopted by the Board, which is available in the "Investors—Governance" section of our website at www.fabrinet.com.

The Compensation Committee report is included in this proxy statement on page 51.

Nominating & Corporate Governance Committee

The Nominating & Corporate Governance Committee currently consists of Dr. Bahrami (chair) and Messrs. Dougherty and Olson, each of whom is independent under the NYSE listing standards and the rules and regulations of the SEC. The Nominating & Corporate Governance Committee held five meetings during fiscal 2019 and also took certain actions by written consent.

Among other responsibilities, the Nominating & Corporate Governance Committee (1) assists the Board in identifying prospective director nominees, (2) recommends candidates for election to the Board at each annual meeting of shareholders, (3) reviews and recommends updates to our corporate governance principles, as appropriate, (4) reviews and recommends directors to serve on each board committee, (5) oversees the annual evaluation of the Board and its committees, and (6) monitors and reviews matters related to succession planning for our executives officers. The Nominating & Corporate Governance Committee acts in accordance with a written charter adopted by the Board, which is available in the "Investors—Governance" section of our website at www.fabrinet.com.

The Nominating & Corporate Governance Committee will consider recommendations of candidates for election to the Board submitted by shareholders of Fabrinet. For more information, see "Process for Recommending Candidates for Election to the Board of Directors" below.

Share Ownership Guidelines

We have adopted share ownership guidelines for our directors and executive officers. For information regarding such guidelines, see the section of this proxy statement entitled "Executive Compensation—Compensation Discussion and Analysis—Share Ownership Guidelines."

Hedging Policy

Members of our board of directors and our officers, employees and consultants are prohibited from trading in derivative securities with respect to our securities, including put and call options and other financial instruments whose value varies with the value of our ordinary shares. This prohibition also extends to short sales.

Compensation Committee Interlocks and Insider Participation

During fiscal 2019, Dr. Bahrami, Mr. Kelly and Dr. Levinson served as members of the Compensation Committee. None of the members of the Compensation Committee is or has in the past served as an officer or employee of Fabrinet. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of the Board or Compensation Committee.

Process for Recommending Candidates for Election to the Board of Directors

The Nominating & Corporate Governance Committee is responsible for, among other things, determining the criteria for membership to the Board, and recommending candidates for election to the Board. The Nominating & Corporate Governance Committee will consider recommendations from shareholders for candidates to serve on the Board. There are no differences in the manner by which the Nominating & Corporate Governance Committee evaluates nominees for director based on whether the nominee is recommended by a shareholder or a member of the Board.

Shareholder Recommendations and Nominees

Shareholder recommendations for candidates to the Board must be directed in writing to our Corporate Secretary, c/o Fabrinet USA, Inc., 4900 Patrick Henry Drive, Santa Clara, CA 95054, and must include (1) the candidate's name, age, business address and residence address, (2) the candidate's principal occupation or employment, (3) the class and number of shares that are held of record or beneficially owned by the candidate and any derivative positions held or beneficially held by the candidate, (4) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of the candidate with respect to any of our securities, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of our shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit of share price changes for, or to increase or decrease the voting power of the candidate, (5) a description of all arrangements or understandings between the nominating shareholder and each candidate and any other person or persons pursuant to which the nominations are to be made by the nominating shareholder, (6) a written statement executed by the candidate acknowledging that as a director, the candidate will owe a fiduciary duty under Cayman Islands law with respect to Fabrinet and its shareholders, and (7) any other information relating to the candidate that would be required to be disclosed about such candidate if proxies were being solicited for the election of the candidate as a director, or that is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including, without limitation, the candidate's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected).

Shareholder recommendations for candidates to the Board must also contain specified information about the shareholder proposing such nomination. For more information, please refer to our memorandum and articles of association, which may be obtained by writing to our Corporate Secretary, c/o Fabrinet USA, Inc., 4900 Patrick Henry Drive, Santa Clara, CA 95054, or by accessing Fabrinet's filings on the SEC's website at www.sec.gov.

Director Qualifications

The Nominating & Corporate Governance Committee will evaluate and recommend candidates for membership on the Board consistent with any criteria established by the committee. The consideration of any candidate for director will be based on the committee's assessment of the individual's background, experience, skills and abilities, and if such characteristics qualify the individual to fulfill the needs of the Board at that time. While the Nominating & Corporate Governance Committee has not established specific minimum qualifications or a formal diversity policy for director candidates, the committee believes that candidates and nominees should reflect a board of directors that is predominately independent and that is comprised of directors who (1) are of high integrity, (2) have broad, business-related knowledge and experience, (3) have qualifications that will increase overall board effectiveness, (4) have diverse backgrounds and perspectives, and (5) meet other requirements as may be required by applicable rules, such as financial literacy or financial expertise with respect to Audit Committee members.

Identification and Evaluation of Director Nominees

The Nominating & Corporate Governance Committee uses a variety of methods for identifying and evaluating director nominees. The committee assesses the appropriate size and composition of the Board, the needs of the Board and its committees and the qualifications of candidates in light of these needs. Candidates may come to the attention of the Nominating & Corporate Governance Committee through shareholders, management, current members of the Board or search firms. The evaluation of these candidates may be based solely upon information provided to the committee or may also include discussions with persons familiar with the candidate, an interview of the candidate or other actions the committee deems appropriate, including the use of third parties to review candidates.

EXECUTIVE OFFICERS

The names of our executive officers, their ages, their positions with us and other biographical information as of October 14, 2019, are set forth below. There are no family relationships among any of our directors or executive officers.

Name	Age	Position
Seamus Grady	52	Chief Executive Officer and Director
Dr. Harpal Gill	66	President and Chief Operating Officer
Toh-Seng Ng	65	Executive Vice President, Chief Financial Officer
Edward T. Archer	56	Executive Vice President, Sales & Marketing

Seamus Grady. For Mr. Grady's biography, please see "Proposal One—Election of Directors—Biographical Information" above.

Dr. Harpal Gill has served as our president since January 2011, and as our chief operating officer since March 2009. Previously, Dr. Gill was our senior vice president, operations from May 2005 to March 2009. He also has served as executive vice president, operations of Fabrinet Co., Ltd., our subsidiary in Thailand, since July 2007. From July 2003 to January 2005, Dr. Gill served as vice president of engineering and then senior vice president of engineering for Maxtor Corporation, a disk drive manufacturer. From January 1999 to July 2003, Dr. Gill served as the vice president of engineering for Read Rite Corporation, a supplier of magnetic recording heads for data storage devices. From June 1996 to October 1998, Dr. Gill served as the managing director of JTS Corp., a disk drive manufacturer. Dr. Gill also has held senior management positions with Seagate Technology and Stanton Automation. Dr. Gill earned a bachelor of science degree in mechanical engineering from Brunel University and a doctor of philosophy degree in engineering from the University of Bradford.

Toh-Seng Ng has served as our executive vice president and chief financial officer since March 2012. Previously, he was senior vice president of finance and managing director of Casix, Inc., our subsidiary in the People's Republic of China, from March 2010 to March 2012, and senior vice president and operations controller of Fabrinet from January 2007 to March 2010. Mr. Ng joined us with nearly 28 years of international financial management experience in the semiconductor and data storage industries. Prior to joining us, Mr. Ng managed financial operations at Magnecomp Precision Plc. in Thailand, Hitachi Global Storage Technologies in San Jose, and Read-Rite Corporation in a series of positions, culminating in his role as corporate controller and vice president of finance. Mr. Ng earned a bachelor of science degree in accountancy from the University of Singapore, and a master of business administration degree in international management from Golden Gate University.

Edward T. Archer has served as our executive vice president, sales & marketing since January 2019. Prior to joining Fabrinet, Mr. Archer was the senior vice president of sales for the Integrated Manufacturing Services Division of Sanmina Corporation from October 2014 to December 2018. He is a thirty-year veteran of the electronics industry, with broad sales and marketing experience in technical services, products and electronic manufacturing services. He began his career in sales leadership roles at Future Electronics, Wyle Electronics and Arrow Electronics, followed by nine years at Altera Corporation (now Intel) as its regional sales director for both FPGA and ASIC products. Mr. Archer earned a bachelor of science degree in industrial technology (technical marketing) from California Polytechnic State University.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This section contains a discussion of the material elements of compensation awarded to, earned by or paid to our principal executive officer, principal financial officer, and the other individuals included in the "Summary Compensation Table" beginning on page 52. We refer to these individuals as our "Named Officers" in this proxy statement. For fiscal 2019, our Named Officers were:

- Seamus Grady, Chief Executive Officer ("CEO");
- Dr. Harpal S. Gill, President and Chief Operating Officer ("COO");
- Toh-Seng Ng, Executive Vice President, Chief Financial Officer ("CFO"); and
- Dr. Hong Hou, former Executive Vice President, Chief Technical Officer ("former CTO").

During fiscal 2019, Dr. Hou served as our executive vice president, chief technical officer until August 25, 2018.

Shareholder Engagement Following Recent Say-on-Pay Votes

We are committed to maintaining an active dialogue to understand the priorities and concerns of our shareholders and believe that ongoing engagement builds mutual trust and understanding with our shareholders.

While approximately 97%, 75% and 78% of the votes cast in the say on-pay advisory vote at our 2018, 2017 and 2016 annual meetings of shareholders, respectively, were voted in favor of our executive compensation as disclosed in our 2018, 2017 and 2016 proxy statements, only 28% of the votes cast in the say-on-pay advisory vote at our 2015 annual meeting of shareholders were voted in favor of our executive compensation as disclosed in our 2015 proxy statement. In response to the results of our 2015 say-on-pay advisory vote, the Compensation Committee contacted shareholders to understand better their priorities and concerns with respect to our executive pay practices, examined the reports and analyses issued by the principal proxy advisory services, conferred with representatives of Institutional Shareholder Services in the spring of 2016 to discuss our compensation practices, and engaged Kingsdale Advisorsto advise the Compensation Committee.

In fiscal 2018, the Compensation Committee continued its dialogue with shareholders on our executive compensation practices by soliciting the views of institutional investors representing approximately 48% of our shares outstanding as of the last day of fiscal 2017, and having discussions in October 2017 with investors representing approximately 24% of our shares outstanding as of the last day of fiscal 2017, including four of our ten then-largest shareholders. In fiscal 2019, the Compensation Committee continued its dialogue with shareholders on our executive compensation practices by soliciting the views of 26 of our then largest institutional shareholders representing approximately 80% of our shares outstanding as of the last day of fiscal 2018, and having discussions in November 2018 with investors representing approximately 8% of our shares outstanding as of the last day of fiscal 2018, including four of our twenty then largest shareholders.

The Compensation Committee plans to continue its practice of shareholder outreach regarding our executive compensation practices by again soliciting the views of institutional investors representing approximately 80% of our shares outstanding as of the last day of fiscal 2019, including our ten largest shareholders as of that date. The Compensation Committee expects to contact such shareholders between the filing of this proxy statement and the date of the Annual Meeting.

Fiscal 2019 Compensation Decisions

In light of the results of our recent say-on-pay votes and the feedback received from shareholders, the Compensation Committee maintained a similar overall design and continued to enhance the link between

executive pay and longer-term company performance when it approved in August 2018 our executive compensation program for fiscal 2019, as summarized below.

Compensation Element	Decision	Weighting of Performance Measures
Base salary	• CEO: increased by 11% as compared to fiscal 2018 • All other Named Officers: no increase as compared to fiscal 2018	N/A
Short-term cash incentive	• CEO: increased target cash bonus opportunity by 15% as compared to fiscal 2018 • All other Named Officers: no increase in target cash bonus opportunity as compared to fiscal 2018	For all of our Named Officers, we kept the same structure for fiscal 2019 as our fiscal 2018 short-term cash incentive plan, with bonuses payable as follows: • 50% based on achievement of a revenue target • 50% based on achievement of a non-GAAP gross margin target • no individual performance component • the maximum bonus a Named Officer could receive was his target bonus **Because we did not fully achieve the pre-established performance goals, and consistent with our pay for performance philosophy, our Named Officers received 79% of their target bonuses under this plan for fiscal 2019**, except for Dr. Hou who resigned in August 2018 and was not a participant in this plan.
Long-term equity incentive	• Continued our practice of granting PSUs with challenging two-year cumulative performance and "stretch" performance targets • Equity grants heavily weighted toward performance: **70-71% PSUs and 29-30% RSUs** • CEO: increased total target grant date value of long-term equity-based awards by 11% as compared to fiscal 2018	For all of our Named Officers, we kept the same structure for fiscal 2019 as our fiscal 2018 PSU grants, with the number of PSUs earned and eligible to vest determined after a two-year performance period as follows: • 50% based on achievement of

Compensation Element	Decision	Weighting of Performance Measures
	• COO: increased total target grant date value of long-term equity-based awards by 27% as compared to fiscal 2018 • CFO: increased total target grant date value of long-term equity-based awards by 32% as compared to fiscal 2018	cumulative fiscal 2019 and fiscal 2020 revenue targets • 50% based on achievement of cumulative fiscal 2019 and fiscal 2020 non-GAAP gross margin targets • any earned PSUs will vest in full on the date the Compensation Committee certifies achievement of the performance criteria • PSUs are **not** subject to accelerated vesting under agreements with any of our Named Officers

Positive Compensation Practices

We monitor trends and developments in compensation practices to enhance the effectiveness of our compensation philosophy and have adopted the following:

- our executive officers' cash and equity incentive compensation is subject to a claw back;
- we have a practice of granting long-term equity to our executive officers that is based, in part, on Fabrinet achieving financial performance goals over a two-year performance period;
- we maintain share ownership guidelines for our executive officers and directors;
- our employees (including our executive officers) and directors are prohibited from margining, short-selling or pledging our securities, or trading in derivative securities;
- our Amended and Restated 2010 Performance Incentive Plan ("2010 Plan") contains the following features:
  - we are prohibited from instituting any program to reprice or exchange equity awards for awards with a lower exercise price without shareholder approval;
  - we are prohibited from "recycling" shares, which means that any shares subject to a grant are counted against the share limit in the plan and may not subsequently be re-granted, even if the shares are forfeited, expired or exchanged;
  - all awards under the 2010 Plan are subject to the participant's continued employment or other service with us and vest over a four-year period, unless otherwise set forth in the award agreement;
  - we are prohibited from paying dividends with respect to an award prior to the vesting of such award;
  - we are prohibited from granting awards after December 13, 2017, that may vest or become exercisable earlier than one (1) year after such award is granted, except that awards up to a maximum of five percent (5%) of the total shares reserved and available for grant and issuance under our 2010 Plan may be granted without regard to such minimum one (1) year vesting requirements; and

- we are prohibited from accelerating the vesting of an award granted after December 13, 2017, under our 2010 Plan before the one (1) year anniversary of the award's grant date, except in connection with death, disability, termination of employment, reaching retirement age or an event that triggers the plan's provisions relating to assumption and termination of awards; and

- we hold an annual shareholder advisory vote on executive compensation.

Executive Compensation Program Objectives and Overview

Our executive compensation programs are intended to achieve three fundamental objectives: (1) attract, retain and motivate qualified executives; (2) hold executives accountable for short-term and long-term performance; and (3) align executives' interests with the interests of our shareholders. In structuring and designing our executive compensation programs, we are guided by the following basic philosophies:

- *Competition*. We should provide competitive compensation opportunities with respect to our industry so we can attract, retain and motivate qualified executives.
- *Alignment with Shareholder Interests*. A substantial portion of compensation should be contingent on our performance for our shareholders, to align the interests of executives with the interests of our shareholders and to hold the executives accountable for our performance.

As described in more detail below, the material elements of our executive compensation programs for our Named Officers include a base salary, short-term cash incentive awards and long-term equity incentive awards. In addition, our Named Officers may participate in our 401(k) plan and employee benefit programs on substantially the same terms as our other employees. Our Named Officers also are entitled to certain perquisites and personal benefits and, in some cases, are entitled to severance benefits upon certain terminations of their employment with us.

We believe each element of our executive compensation program helps us to achieve one or more of our compensation objectives. Taken together, the compensation elements are intended to provide a total compensation package for each Named Officer that is competitive. The table below lists each material element of our executive compensation program and the compensation objective or objectives it is designed to achieve.

Compensation Element	Compensation Objectives Designed to be Achieved
Base salary	• Attract, retain and motivate qualified executives.
Short-term cash incentives	• Align executives' interests with those of shareholders; • Hold executives accountable for our performance; and • Attract, retain and motivate qualified executives.
Long-term equity incentives	• Align executives' interests with those of shareholders; • Hold executives accountable for our performance; and • Attract, retain and motivate qualified executives.
Perquisites and personal benefits	• Attract, retain and motivate qualified executives.
Severance and other benefits upon termination of employment	• Attract, retain and motivate qualified executives.

Role and Authority of the Compensation Committee

The Compensation Committee currently consists of Dr. Levinson (chair), Dr. Bahrami and Mr. Kelly, each of whom is "independent" within the meaning of NYSE rules. In addition, the Board has determined that Dr. Levinson, Dr. Bahrami and Mr. Kelly meet the requirements of the non-employee director definition of Rule 16b-3 promulgated under the Exchange Act and the outside director definition of Section 162(m) of the Internal Revenue Code, as amended. Dr. Levinson has served as chair of the Compensation Committee since

November 2011, Dr. Bahrami has served as a member of the Compensation Committee since May 2019, and Mr. Kelly has served as a member of the Compensation Committee since December 2015. No Compensation Committee member is a former or current officer or employee of Fabrinet or any of its subsidiaries. The Compensation Committee meets at least quarterly, and members of the Compensation Committee serve at the discretion of the Board.

The Compensation Committee is responsible for overseeing our compensation policies and goals and administering our equity compensation plans and executive incentive plan, including approving target and actual bonuses under our executive incentive plan. Additionally, the Compensation Committee is responsible for reviewing and approving the compensation of our chief executive officer and other Named Officers. The Compensation Committee's role is detailed in its charter, which is available in the "Investors—Governance" section of our website at www.fabrinet.com.

Pursuant to its charter, the Compensation Committee may delegate its authority to grant awards under Fabrinet's incentive compensation or other equity-based plans, except with respect to awards to executive officers and directors. The Compensation Committee has delegated limited, non-exclusive authority to a committee consisting of our chief executive officer and chief financial officer (the "**Equity Award Committee**") to grant equity awards under our 2010 Plan with respect to consultants, new hires and promotions for employees below the level of vice president (and with respect to new hires, for employees who are not expected to shortly thereafter become a vice president or above). In any fiscal year, the Equity Award Committee may grant, in the aggregate, share options and share appreciation rights, restricted share units, restricted shares or other full-value awards covering no more than the number of shares that have been budgeted and approved by the Compensation Committee for such fiscal year. The Equity Award Committee did not take action during fiscal 2019, and the Compensation Committee did not approve a budget of equity awards for the Equity Award Committee for fiscal 2019. The Compensation Committee has not delegated any of its authority with respect to any component of the compensation of our Named Officers.

Role of the Independent Compensation Consultant

The Compensation Committee has the authority, in its sole discretion, to engage the services of outside consultants to assist it in making decisions regarding the establishment of our compensation programs and philosophy. The Compensation Committee also may obtain advice and assistance from internal or external legal, accounting or other advisors. For fiscal 2019, the Compensation Committee retained Compensia, Inc. ("Compensia"), a national compensation consulting firm, to provide independent compensation consulting services. If requested by the Compensation Committee, a representative of Compensia attends meetings of the Compensation Committee. However, the Compensation Committee did not request Compensia to join any of its meetings during fiscal 2019.

Although Fabrinet pays Compensia's fees, Compensia reports directly to the Compensation Committee, and the Compensation Committee retains the authority to hire or fire Compensia and any other consultant or advisor. Compensia does not provide any services to us other than the services provided to the Compensation Committee. The Compensation Committee has assessed the independence of Compensia taking into account, among other things, the factors set forth in Exchange Act Rule 10C-1 and the listing standards of the New York Stock Exchange, and has concluded that no conflict of interest exists with respect to the work that Compensia performs for the Compensation Committee.

During fiscal 2019, Compensia provided the Compensation Committee with a blend of peer group proxy data and other market data, as discussed below, to assist the Compensation Committee in evaluating the competitiveness of our executive compensation and non-employee director compensation programs. Compensia also advised the Compensation Committee on general compensation trends in the industry among similarly situated companies.

Role of Executive Officers in Compensation Decisions

In carrying out its responsibilities, the Compensation Committee works with members of our management team, including our CEO and CFO. Typically, our management team assists the Compensation Committee in the execution of its responsibilities by providing information on corporate and individual performance and management's perspective and recommendations on compensation matters.

For fiscal 2019, our CEO made recommendations to the Compensation Committee regarding executive compensation matters. At the request of the Compensation Committee, our CEO and CFO occasionally participate in meetings of the Compensation Committee, except with respect to decisions involving their own compensation. While the Compensation Committee solicits the recommendations and proposals of our CEO and CFO with respect to executive compensation matters, these recommendations and proposals are only one factor in the Compensation Committee's decision-making process.

Fiscal 2019 Peer Group and Other Market Data

To assist the Compensation Committee in evaluating whether our executive compensation practices for fiscal 2019 were competitive and consistent with the Compensation Committee's executive compensation program objectives, Compensia provided the Committee with compensation data (the "**Blended Market Data**") consisting of an equal blend of (1) proxy statement data (where available) from our fiscal 2019 peer group, and (2) proprietary survey data from high-tech companies with annual revenues between $750 million and $2.5 billion. The Compensation Committee used the Blended Market Data to compare our Named Officers' base salary, target cash incentive opportunity, target total cash compensation, equity compensation and total direct compensation against the 25th, 50th and 75th percentiles of the same categories of compensation for executives holding positions comparable (where possible) to the positions of our Named Officers. However, the Compensation Committee does not benchmark or apply specific formulas to determine adjustments to our Named Officers' base salary, target cash incentive opportunity, target total cash compensation, equity compensation or total direct compensation.

The specific criteria for selection into our peer group are set annually by the Compensation Committee. When our peer group is reviewed each year, companies may be removed for failure to meet the selection criteria, or new companies may be added as necessary to ensure a significant sample size of companies. In selecting a peer group, the Compensation Committee considers companies that, in its view, compete with us for talent and have financial or other organizational metrics generally similar to ours. Accordingly, our peer group includes a blend of businesses classified as providing either optical electronic equipment or contract manufacturing services. The selection criteria for our fiscal 2019 peer group included 12-month trailing revenue, market capitalization, and headcount metrics. Our 12-month trailing revenue and market capitalization were in the 59th and 19th percentiles, respectively, of our fiscal 2019 peer group at the time the Compensation Committee selected the group. Compensia gathered data on the compensation practices of the companies in our fiscal 2019 peer group through publicly available information, where available.

Our fiscal 2019 peer group, as approved by the Compensation Committee, was the same as our fiscal 2018 peer group, except for the removal of six companies (Black Box Corporation, Calix, Inc., Daktronics Inc., Extreme Networks, Inc., Methode Electronics, Inc. and Novanta Inc.) and the addition of seven companies (Celestica Inc., Jabil Inc., KEMET Corporation, Kimball Electronics, Inc., Lumentum Holdings Inc., Sanmina Corporation and Viavi Solutions Inc.). Our fiscal 2019 peer group consisted of the following 20 companies:

Fiscal 2019 Peer Group		
Benchmark Electronics, Inc.	Infinera Corporation	Oclaro, Inc.
Celestica Inc.	Jabil Inc.	OSI Systems, Inc.
Ciena Corporation	KEMET Corporation	Plexus Corporation
Coherent, Inc.	Kimball Electronics, Inc.	Sanmina Corporation
CTS Corporation	Lumentum Holdings Inc.	TTM Technologies, Inc.
Finisar Corporation	MTS Systems	Viavi Solutions Inc.
II-VI Incorporated	NETGEAR, Inc.	

Executive Compensation Program Elements

Base Salaries

We provide a base salary to our executive officers and other employees to compensate them for services rendered on a day-to-day basis. Following the end of each fiscal year, the Compensation Committee typically reviews and determines whether to adjust executive base salaries on the basis of each executive officer's level of responsibility, qualifications, experience, past performance and expected future contributions. The Compensation Committee also considers whether executive base salaries are competitive as compared to salary practices gathered from the Blended Market Data.

In fiscal 2019, the Compensation Committee reviewed the salary component of the Blended Market Data provided by Compensia and considered each executive officer's past performance and expected future contributions, changes in each executive officer's responsibilities and organizational changes. As a result of its review, the Compensation Committee decided to increase the annual base salary of our CEO for fiscal 2019, as shown below.

Named Officer	Fiscal 2018 Annual Base Salary	Fiscal 2019 Annual Base Salary	% Change
Mr. Grady	$700,000	$775,000	10.7%
Dr. Gill	$950,000	$950,000	None
Mr. Ng	$650,000	$650,000	None
Dr. Hou	$525,000	$525,000	None

In recognition of Mr. Grady's performance during fiscal 2018, the Compensation Committee determined it was appropriate to increase his annual base salary by approximately 10.7% as compared to fiscal 2018.

Short-Term Cash Incentive Awards

In August 2018, the Compensation Committee approved a cash incentive plan for fiscal 2019 (the "**Fiscal 2019 Bonus Plan**") that provided each of our Named Officers (except Dr. Hou who was omitted from the plan because he resigned in August 2018) with the ability to receive cash incentive awards based (1) 50% on Fabrinet's achievement of a fiscal 2019 revenue target of $1.47 billion, and (2) 50% on Fabrinet's achievement of a fiscal 2019 non-GAAP gross margin target of 12.0%, with achievement of each financial target considered independently from the other. The Compensation Committee chose these performance goals because it believes that these goals constitute important, key performance metrics that significantly can impact our business success. For purposes of the Fiscal 2019 Bonus Plan, GAAP gross margin was adjusted for certain items. Non-GAAP gross margin excluded share-based compensation expenses, depreciation of fair value uplift and the impact of adopting ASC 606, as shown on Appendix A. As discussed further below, our CEO, COO and CFO received 79% of their target bonuses under the Fiscal 2019 Bonus Plan because we only partially achieved the plan's pre-established performance targets.

Under the Fiscal 2019 Bonus Plan, each participant's target bonus was also the maximum bonus he could have received under the plan. Achievement of a target bonus payout would have required very high levels of corporate performance that the Compensation Committee believed were possible but unlikely to be achieved. By basing a substantial portion of our Named Officers' total cash compensation on achievement of financial goals designed to drive shareholder value, the Fiscal 2019 Bonus Plan was intended to align their interests with the interests of our shareholders.

The Compensation Committee determined the target bonus opportunity for each Named Officer under the Fiscal 2019 Bonus Plan by considering the Blended Market Data provided by Compensia, evaluated against other criteria, including the Named Officer's functional responsibilities and ongoing duties. For fiscal 2019, the Compensation Committee approved the following target bonus opportunity amounts for our Named Officers:

	Target (and Maximum) Bonus Opportunity		
Named Officer	**Fiscal 2018**	**Fiscal 2019**	**% Change**
Mr. Grady	$840,000* (120% of annual base salary)	$970,000 (125% of annual base salary)	15.5%
Dr. Gill	$1,250,000 (132% of annual base salary)	$1,250,000 (132% of annual base salary)	None
Mr. Ng	$835,000 (128% of annual base salary)	$835,000 (128% of annual base salary)	None
Dr. Hou	$437,500	$0**	(100.0)%

* This represents Mr. Grady's annualized target (and maximum) bonus opportunity for fiscal 2018. Because he joined us in September 2017, his actual target (and maximum) bonus opportunity for fiscal 2018 was prorated to reflect 120% of his base salary earned during fiscal 2018.

** Because Dr. Hou resigned in August 2018, the Compensation Committee excluded him from participating in the Fiscal 2019 Bonus Plan when it approved the plan in August 2018.

Under the Fiscal 2019 Bonus Plan, if we had achieved 100% or more of a target financial metric, bonuses would have been payable to our Named Officers at 100% of target with respect to that financial metric component. If our fiscal 2019 revenue had been less than or equal to $1.34 billion (i.e., approximately 91.1% of the fiscal 2019 revenue target) or if our fiscal non-GAAP gross margin had been less than or equal to 11.3% (i.e., approximately 94.1% of the fiscal 2019 non-GAAP gross margin target), no bonuses would have been paid out with respect to the applicable financial metric component. Achievement of fiscal 2019 revenue between $1.34 billion and $1.47 billion would have resulted in a bonus amount for that metric that was scaled from 0 to 100% in a linear fashion. Achievement of fiscal 2019 non-GAAP gross margin between 11.3% and 12.0% would have resulted in a bonus amount for that metric that was scaled from 0 to 100% in a linear fashion.

For fiscal 2019, we achieved (1) revenue of $1.58 billion, or approximately 107.7% of our fiscal 2019 revenue target, resulting in a bonus that was funded at 100% with respect to that component, and (2) non-GAAP gross margin of 11.7%, or approximately 97.5% of our fiscal 2019 non-GAAP gross margin target, resulting in a bonus being funded at 57% with respect to that component. Accordingly, in August 2019, consistent with our executive compensation philosophy and commitment to pay for performance, the Compensation Committee determined that partial target bonuses would be awarded to our Named Officers under the Fiscal 2019 Bonus Plan.

The following table describes the target, maximum and actual bonus amounts for each of our Named Officers under the Fiscal 2019 Bonus Plan.

Named Officer	Target (and Maximum) Bonus Opportunity	Target (and Maximum) Bonus Opportunity (as a % of Annual Base Salary)	Actual Bonus	Actual Bonus (as a % of Annual Base Salary)	Actual Bonus (as a % of Target Bonus Opportunity)
Mr. Grady	$ 970,000	125%	$766,300	99%	79%
Dr. Gill	$1,250,000	132%	$987,500	104%	79%
Mr. Ng	$ 835,000	128%	$659,650	101%	79%
Dr. Hou	$ 0	—	—	—	—

Long-Term Equity Incentive Awards

Our equity incentive plans are a critical component of the compensation program that we believe incentivizes our executive officers and key employees to focus on building shareholder value through meeting long-term financial and strategic goals. We grant restricted share units ("**RSUs**") to our executive officers and other employees under our 2010 Plan. We also adopted our 2017 Inducement Equity Incentive Plan in November 2017 solely for the granting of inducement share options and other equity awards to new employees. RSUs function as a retention incentive for our executives as they generally vest annually over a three or four-year period after the date of grant, subject to the executive's continued service with us.

In furtherance of our commitment to the executive compensation program's philosophy to pay for performance and to help align more closely the interests of our executive officers with those of our shareholders, beginning in fiscal 2017, the Compensation Committee adopted a practice of granting PSUs to our Named Officers that will be earned, if at all, following a cumulative 2-year performance period. The Compensation Committee continued this practice in fiscal 2019 by granting PSUs to our Named Officers (except Dr. Hou) that will be earned, if at all, following a cumulative 2-year performance period covering fiscal 2019 and fiscal 2020. Any earned PSUs will vest in full on the date the Compensation Committee certifies achievement of the performance criteria described below. The Compensation Committee also granted time-based RSUs to our Named Officers (except Dr. Hou) in fiscal 2019. For fiscal 2019, equity award grants to our Named Officers were weighted heavily toward performance, with a mix of 70% to 71% PSUs and 29% to 30% RSUs. Dr. Hou did not receive any equity award grants in fiscal 2019 because he resigned in August 2018. The Compensation Committee believes that this mix of performance-based awards and service-based awards was appropriate to emphasize and more closely align pay with the achievement of important, key performance metrics that significantly can impact our business success.

The Compensation Committee bases long-term equity incentive award grants to executives on a number of factors, including the Blended Market Data provided by Compensia, the executive's vested and unvested equity holdings, the executive's position and total compensation package, and the executive's contribution to the success of our financial performance.

In August 2018, the Compensation Committee granted the following dollar value (assuming achievement of the highest level of performance conditions where applicable) of RSUs, PSUs and "stretch" PSUs to our Named Officers:

Named Officer	Grant Date Value of RSUs	Maximum Grant Date Value of PSUs	Maximum Grant Date Value of "Stretch" PSUs
Mr. Grady	$1,499,953	$1,749,993	$1,749,993
Dr. Gill	$1,199,972	$1,499,953	$1,499,953
Mr. Ng	$1,099,994	$1,299,997	$1,299,997

The RSUs will vest in equal annual installments over a period of three years on each of August 23, 2019, 2020 and 2021, subject to the individual's continued service with us through each such vesting date.

The PSUs will vest, if at all, following a 2-year performance period, on the date the Compensation Committee certifies achievement of the performance criteria set forth below, subject to the individual's continued service with us through such vesting date. Vesting of the PSUs will be based 50% on achievement of a cumulative fiscal 2019 and fiscal 2020 revenue target (the "**PSU Revenue Target**") and 50% on achievement of a cumulative fiscal 2019 and fiscal 2020 non-GAAP gross margin target (the "**PSU GM Target**"). The Compensation Committee chose these performance goals because it believes that these constitute important, key performance metrics that significantly can impact our business success. As achievement of each financial target is considered independently from the other, we must meet a threshold for each factor in order for an individual to receive any credit for that factor. If we achieve 100% or more of a target financial metric, the PSUs will vest at 100% of target with respect to that financial metric component. Achievement of the PSU Revenue Target at a

level between approximately 94.0% and 100% will result in a number of shares vesting for that metric that is scaled from 0% to 100% in a linear fashion. Achievement of the PSU GM Target at a level between approximately 97.9% and 100% will result in a number of shares vesting for that metric that is scaled from 0% to 100% in a linear fashion.

The "stretch" PSUs will vest, if at all, following a 2-year performance period, on the date the Compensation Committee certifies achievement of the performance criteria set forth below, subject to the individual's continued service with us through such vesting date. Vesting of the "stretch" PSUs will be based 50% on achievement of a cumulative fiscal 2019 and fiscal 2020 revenue target that is higher than the PSU Revenue Target (the "**Stretch PSU Revenue Target**") and 50% on achievement of a cumulative fiscal 2019 and fiscal 2020 non-GAAP gross margin target that is higher than the PSU GM Target (the "**Stretch PSU GM Target**"). As achievement of each financial target is considered independently from the other, we must meet a threshold for each factor in order for an individual to receive any credit for that factor. If we achieve 100% or more of a target financial metric, the Stretch PSUs will vest at 100% of target with respect to that financial metric component. Achievement of the Stretch PSU Revenue Target at a level between the PSU Revenue Target and 100% will result in a number of shares vesting for that metric that is scaled from 0% to 100% in a linear fashion. Achievement of the Stretch PSU GM Target at a level between the PSU GM Target and 100% will result in a number of shares vesting for that metric that is scaled from 0% to 100% in a linear fashion. **There is no overlap between the performance measures for PSUs and "stretch" PSUs.**

PSU Awards Granted in Prior Fiscal Years

The table below provides information regarding PSU awards granted prior to fiscal 2019 that were eligible to be earned in fiscal 2019 by our Named Officers, including the performance requirements and number of our ordinary shares earned as of the end of the performance period, which began on July 1, 2017 and ended on June 28, 2019 (the "**fiscal 2018-2019 cycle**"). For the fiscal 2018-2019 cycle, we achieved cumulative revenue of $2.96 billion and cumulative non-GAAP gross margin of 11.7%, both of which did not meet the minimum performance targets under such PSUs.

On August 14, 2019, the Compensation Committee certified that **none of the PSUs granted to our Named Officers in August 2017 (in the case of our COO and CFO) and November 2017 (in the case of our CEO) were earned because we did not achieve the rigorous minimum performance measures for the fiscal 2018-2019 cycle, despite having achieved record annual revenue of $1,584.3 million in fiscal 2019**. In addition, Dr. Hou forfeited all of the PSUs granted to him in August 2017 when he resigned in August 2018.

Named Officer	Date of Grant	Type of Award	Target (and Maximum) Number of Shares that Could Have Vested for Fiscal 2018-2019 Performance Period	Actual Number of Shares Vested for Fiscal 2018-2019 Performance Period	Performance Measures for Fiscal 2018-2019 Cycle
Mr. Grady	11/9/2017	PSU	48,653	None	• Up to 50% based on achievement of revenue between **$2.97 billion and $3.16 billion**
Dr. Gill	8/24/2017	PSU	27,954	None	
Mr. Ng	8/24/2017	PSU	23,761	None	
Dr. Hou	8/24/2017	PSU	13,977	None	• Up to 50% based on achievement of non-GAAP gross margin between **11.75% and 12.0%**

Proxy

Named Officer	Date of Grant	Type of Award	Target (and Maximum) Number of Shares that Could Have Vested for Fiscal 2018-2019 Performance Period	Actual Number of Shares Vested for Fiscal 2018-2019 Performance Period	Performance Measures for Fiscal 2018-2019 Cycle
Mr. Grady	11/9/2017	"Stretch" PSU	48,653	None	• Up to 50% based on achievement of revenue between **$3.16 billion and $3.26 billion**
Dr. Gill	8/24/2017	"Stretch" PSU	27,954	None	
Mr. Ng	8/24/2017	"Stretch" PSU	23,761	None	• Up to 50% based on achievement of non-GAAP gross margin between **12.0% and 12.25%**
Dr. Hou	8/24/2017	"Stretch" PSU	13,977	None	

Perquisites and Personal Benefits

In addition to base salaries, we provide our Named Officers with certain perquisites and personal benefits. We believe that perquisites and personal benefits are a tax-advantaged way to provide our Named Officers with additional annual compensation that supplements their base salaries. We do not establish the value of each Named Officer's perquisites and personal benefits in a vacuum or as some form of compensation "add on." Instead, we view the value of the perquisites as another component of annual compensation that is merely paid in a different form. When determining each Named Officer's base salary, we take the value of each Named Officer's perquisites and personal benefits into consideration.

We provide certain benefits and allowances to our international assignees, including our Named Officers, which include housing and transportation allowances, living and travel expense reimbursements and tax preparation services. Consistent with the policy we have adopted with respect to all U.S. citizens who are working on our behalf in Asia on an expatriate basis, we pay such employees a tax equalization payment that is intended to put the employee in the same position, from a tax-liability perspective, that he or she would be in if they were still located in the United States. Of our Named Officers, Dr. Gill and Mr. Ng received a tax equalization payment in fiscal 2019 because each qualified for such benefit under the policy.

In addition, in October 2014, the Compensation Committee approved the payment of additional cash compensation to Dr. Gill and Mr. Ng in the amount of 20% of their respective then-current annual base salary, determined and payable bi-monthly, with a tax gross-up (the "**Foreign Service Premium Pay**"), to incentivize them to continue working for us in Thailand and to ameliorate the resulting hardships to their families who are located in the United States. The Foreign Service Premium Pay is payable for as long as Dr. Gill and Mr. Ng are required to, and do, temporarily reside and work in Thailand. In January 2015, the Compensation Committee authorized the purchase of key man life insurance policies for each of Dr. Gill and Mr. Ng, which provide for $3 million payable to the applicable Named Officer's elected beneficiaries and $2 million payable to us. Dr. Gill and Mr. Ng also receive a family travel benefit that provides each of their immediate family members a round-trip airline ticket to visit Thailand once per year at our expense.

In October 2016, we reviewed executive perquisites and adopted a perquisite policy that excludes non-business, travel-related expenses and charitable contributions.

The perquisites and personal benefits paid to each Named Officer are reported in the "All Other Compensation" column of the Summary Compensation Table below, and are further described in the footnotes to such table.

Severance and Other Benefits Upon Termination of Employment

We and certain of our subsidiaries have entered into employment agreements or offer letters with our Named Officers that provide for them to receive severance benefits following certain terminations of their employment with us or our subsidiaries, as applicable. These arrangements are consistent with our overall compensation objectives because we believe such arrangements are critical to achieve our business objective of management retention. We evaluate the level of severance benefits to provide a Named Officer on a case-by-case basis. To ensure that the severance and change of control arrangements continue to remain consistent with our compensation philosophy and current market practices, the Compensation Committee may periodically review these arrangements. Please see "Potential Payments Upon Termination or Change in Control" below, for a description of the severance benefits our Named Officers may be entitled to receive upon termination of their employment.

Share Ownership Guidelines

To further align the interests of our executive officers and members of the Board with those of our shareholders, we have adopted share ownership guidelines for our executive officers and directors, which provide for a minimum ownership level equal to:

- chief executive officer—6x annual base salary;
- other executive officers—2x annual base salary; and
- directors—3x annual Board retainer.

Executive officers and directors are expected to have met these ownership levels by August 2017 or, if appointed or elected after August 2012, within five years of their appointment as an executive officer or election to the Board. Shares counted towards the minimum ownership levels include all shares beneficially owned by the executive officer or director and any unvested restricted share units held by the executive officer or director. Except for Mr. Grady and Mr. Dougherty, who joined us in September 2017 and February 2019, respectively, and have until September 2022 and February 2024, respectively, to meet the guidelines, all of our current executive officers and directors currently exceed their respective share ownership guidelines.

Hedging Policy

We have an insider trading policy that prohibits, among other things, short sales, hedging of stock ownership positions, and transactions involving derivative securities relating to our ordinary shares.

Tax Considerations

Section 162(m) of the Internal Revenue Code generally places a limit of $1 million per year on the U.S. corporate income tax deduction a publicly-held corporation may take for compensation paid to each of its "covered employees" (generally, the chief executive officer and the next three most highly compensated executive officers, other than the chief financial officer, as of the end of any fiscal year). In general, certain performance-based compensation approved by shareholders is not subject to this $1 million deduction limit. In fiscal 2019, we did not structure any of our compensation for our executive officers to qualify as performance-based compensation under Section 162(m). In order to maintain an executive compensation program that continues to strive to achieve the incentive, retention, pay for performance, and other objectives of the program, the Compensation Committee may provide compensation to our Named Officers that may not be deductible to the extent that the aggregate amount exceeds $1 million. However, the Compensation Committee intends to maintain an approach to executive compensation that strongly links pay to performance.

Compensation Recovery Policy

We maintain a claw back policy that applies to our executive officers. If a majority of the independent members of the Board determines that an officer's misconduct caused us to materially restate all or a portion of

our financial statements, the Board may require the officer to repay incentive compensation that would not have been payable absent the material restatement. This policy applies to all incentive compensation, excluding equity awards granted prior to the adoption of the policy, based on financial statements filed during the three years prior to the material restatement. The Compensation Committee intends to revisit our claw back policy after the SEC adopts final rules implementing the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Compensation and Risk Assessment

The Compensation Committee has assessed the risks associated with our compensation policies and practices for all employees and, based on its assessment, does not believe that such compensation policies and practices create risks that are reasonably likely to have a material adverse effect on us.

Compensation Committee Report

The Compensation Committee oversees Fabrinet's compensation policies, plans and benefit programs. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on such review and discussions, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

Respectfully submitted by the members of the Compensation Committee of the Board of Directors.

Dr. Frank H. Levinson (Chair)
Dr. Homa Bahrami
Thomas F. Kelly

Summary Compensation Table

The following table presents information regarding the total compensation of our Named Officers, who consist of (i) our principal executive officer, (ii) our principal financial officer, (iii) our other most highly compensated executive officers, other than our principal executive officer and principal financial officer, who were serving as executive officers at the end of fiscal 2019, and (iv) our former executive officer for whom disclosure would have been provided pursuant to Item 402 of Regulation S-K but for the fact that the individual was not serving as an executive officer at the end of fiscal 2019.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)(2)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)(4)	Total ($)
Seamus Grady(5)	2019	775,000	—	4,124,943	—	766,300	66,929	5,733,172
Chief Executive Officer	2018	542,500	—	4,499,916	—	—	49,015	5,091,431
Dr. Harpal S. Gill	2019	950,000	—	3,449,902	—	987,500	978,315	6,365,717
President and Chief	2018	950,000	—	3,299,970	—	—	957,687	5,207,657
Operating Officer	2017	900,000	—	2,999,931	—	1,100,000	851,654	5,851,585
Toh-Seng Ng	2019	650,000	—	3,049,990	—	659,650	729,703	5,089,343
Executive Vice President,	2018	650,000	—	2,804,986	—	—	556,565	4,011,551
Chief Financial Officer	2017	600,000	—	2,549,997	—	750,000	570,896	4,470,893
Dr. Hong Q. Hou(6)	2019	78,385	—	—	—	—	654,026	732,411
Former Executive Vice	2018	525,000	—	1,649,985	—	—	58,335	2,233,320
President, Chief Technical Officer	2017	475,000	—	749,892	—	400,000	62,827	1,687,719

(1) The amounts in this column include the aggregate grant date fair value (computed in accordance with FASB ASC Topic 718) of time-based RSU awards granted during the designated fiscal year. The assumptions used in the valuation of these awards are set forth in the notes to our consolidated financial statements, which are included in our Annual Report on Form 10-K for our fiscal year ended June 28, 2019, filed with the SEC on August 20, 2019. These amounts do not necessarily correspond to the actual value that may be recognized by the Named Officer.

(2) The amounts in this column also include the value at the grant date of performance-based RSUs (PSUs) granted during the designated fiscal year based upon the probable outcome of the performance conditions for such awards, consistent with the estimate of aggregate compensation cost to be recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures.

On August 23, 2018, the Compensation Committee granted PSUs to each of our Named Officers (other than Dr. Hou, who resigned in August 2018). The PSUs will vest, if at all, following a 2-year cumulative performance period covering fiscal 2019 and fiscal 2020. As of the date of grant, consistent with the estimate determined as of the grant date under FASB ASC Topic 718, the probable outcome of the performance conditions for these PSU grants was 75% achievement. Assuming the highest level of performance conditions will be achieved and these PSUs will vest at their maximum level of 100%, the following table sets forth the value of these PSUs at the date of grant:

Name	Maximum Value of PSUs Granted in Fiscal 2019 (Fiscal 2019-2020 Performance Period)
Mr. Grady	$3,499,986
Dr. Gill	$2,999,906
Mr. Ng	$2,599,994

(3) The amounts in this column reflect cash bonuses earned under our executive incentive plan for the applicable fiscal year. Amounts earned under our fiscal 2019 executive incentive plan are reported as compensation for fiscal 2019 but were paid in fiscal 2020. Amounts earned under our fiscal 2017 executive incentive plan are reported as compensation for fiscal 2017 but were paid in fiscal 2018. For more information, see the "Grants of Plan-Based Awards in Fiscal 2019" table below.

(4) For more information, see the "All Other Compensation for Fiscal 2019" table below.

(5) Mr. Grady joined Fabrinet in September 2017. Accordingly, only information for fiscal 2018 and fiscal 2019 is provided with respect to Mr. Grady.

(6) Dr. Hou left Fabrinet in August 2018.

All Other Compensation for Fiscal 2019

Name	Transportation ($)(1)	Housing ($)(2)	Tax Equalization Payment ($)(3)	Foreign Service Premium Pay ($)(4)	Health Insurance Premiums ($)	Term Life Insurance Premiums ($)	Company-Paid 401(k) Contributions ($)	Other ($)	Total ($)
Mr. Grady	14,540	—	—	—	31,701	—	20,688	—	66,929
Dr. Gill	77,287	120,000	479,581	190,000	33,522	56,084	21,841	—	978,315
Mr. Ng	49,933	120,000	308,715	130,000	33,434	74,210	13,411	—	729,703
Dr. Hou	2,000	—	—	—	65,274	—	1,752	585,000(5)	654,026

(1) For Mr. Grady, represents automobile expenses. For Dr. Gill, represents (i) an annual travel allowance $25,000 ($51,123, inclusive of tax gross-up), (ii) an annual automobile allowance of $12,000, and (iii) $14,164 of expenses related to a car and driver in Thailand. For Mr. Ng, represents (i) an annual travel allowance $15,000 ($26,816, inclusive of tax gross-up), (ii) an annual automobile allowance of $12,000, and (iii) $11,117 of expenses related to a car and driver in Thailand. For Dr. Hou, represents an automobile allowance.

(2) For Dr. Gill and Mr. Ng, represents an annual allowance for housing and related living expenses in Thailand.
(3) Represents foreign tax liability payments by Fabrinet on the Named Officer's behalf to satisfy all applicable non-U.S. taxes of such Named Officer for the following calendar years: Dr. Gill – calendar year 2017; Mr. Ng—calendar year 2018. Consistent with corporate policy, we pay on behalf of all U.S. citizens who are working on our behalf in Asia on an expatriate basis a tax equalization payment that is intended to put the employee in the same position, from a tax-liability perspective, that he or she would be in if they were still located in the United States.
(4) Represents additional cash compensation in the amount of 20% of Dr. Gill and Mr. Ng's respective then-current annual base salary, with a tax gross-up, to incentivize them to continue working for us in Thailand and ameliorate the resulting hardships to their families who are located in the United States.
(5) Dr. Hou left Fabrinet in August 2018. As severance compensation, he received: (i) a lump sum cash payment for twelve months of salary equal to $525,000; (ii) a lump sum cash payment in the amount of $60,000, representing reimbursement for health care insurance premiums under COBRA for a period of twelve months; and (iii) accelerated vesting with respect to an aggregate of 22,926 then-unvested restricted share units.

Grants of Plan-Based Awards in Fiscal 2019

The following table presents information concerning each grant of an award made to a Named Officer in fiscal 2019 under any plan. No option awards were granted to a Named Officer in fiscal 2019.

				Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Possible Payouts Under Equity Incentive Plan Awards(2)				
Name	Approval Date	Grant Date	Type of Award	Threshold ($)	Target ($)	Maximum ($)	Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock Awards ($)(3)
Mr. Grady	—	—	FY19 Bonus Plan	0	970,000	970,000	—	—	—	—	—
	8/14/2018	8/23/2018(4)	RSU	—	—	—	—	—	—	31,236	1,499,953
	8/14/2018	8/23/2018(4)	PSU	—	—	—	0	72,886	72,886	—	2,624,990
Dr. Gill	—	—	FY19 Bonus Plan	0	1,250,000	1,250,000	—	—	—	—	—
	8/14/2018	8/23/2018(4)	RSU	—	—	—	—	—	—	24,989	1,199,972
	8/14/2018	8/23/2018(4)	PSU	—	—	—	0	62,472	62,472	—	2,249,930
Mr. Ng	—	—	FY19 Bonus Plan	0	835,000	835,000	—	—	—	—	—
	8/14/2018	8/23/2018(4)	RSU	—	—	—	—	—	—	22,907	1,099,994
	8/14/2018	8/23/2018(4)	PSU	—	—	—	0	54,144	54,144	—	1,949,996
Dr. Hou	—	—		—	—	—	—	—	—	—	—

(1) Amounts reported represent the potential threshold, target and maximum cash incentive award amounts depending on the level of performance achieved under the Fiscal 2019 Bonus Plan, as described in "Compensation Discussion and Analysis—Executive Compensation Program Elements—Short-Term Cash Incentive Awards." Such amounts ranged from 0% of the target payout, representing the lowest payout that would have been awarded upon achievement of a certain level of performance against one of the related financial goals, to 100% of the target payout, which also represents the maximum payout possible under the Fiscal 2019 Bonus Plan. In August 2019, the Compensation Committee determined that we partially achieved the pre-established performance targets under the Fiscal 2019 Bonus Plan and awarded bonus amounts equal to 79% of each participant's target bonus. The actual bonus amounts that were awarded are reflected in the "Non-Equity Incentive Plan Compensation" column of the "Summary Compensation Table."
(2) Amounts reported represent the potential target and maximum number of performance-based RSUs (PSUs) the Named Officer could earn pursuant to his PSU award based on achievement of two-year corporate performance objectives covering fiscal 2019 and fiscal 2020. There is no threshold payout amount under the PSUs, as the minimum amount that may vest under each PSU award is 0 shares.

(3) Reflects the aggregate grant date fair value of each equity award computed in accordance with FASB ASC Topic 718. Amounts reported for PSUs are based upon the probable outcome of the performance conditions, consistent with the estimate of aggregate compensation cost to be recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effects of estimated forfeitures. As of the date of grant, the probable outcome of the performance conditions for these grants was 75% achievement. The reported amounts do not necessarily correspond to the actual value that may be recognized by the Named Officer. Assuming the highest level of performance conditions will be achieved and the PSUs will vest at their maximum level of 100%, the following table sets forth the value of the PSUs at the date of grant:

Name	Maximum Value of PSUs Granted in Fiscal 2019 (Fiscal 2019-2020 Performance Period)
Mr. Grady	$3,499,986
Dr. Gill	$2,999,906
Mr. Ng	$2,599,994

(4) Granted under our 2010 Performance Incentive Plan.

Proxy

Outstanding Equity Awards at Fiscal 2019 Year-End

The following table presents information regarding the outstanding equity awards held by each Named Officer as of the end of fiscal 2019.

		Option Awards				Stock Awards			
		Number of Securities Underlying Unexercised Options (#)							
Name	Grant Date	Exercisable	Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested ($)(2)	Equity Incentive Plan Awards: Number of Shares or Units of Stock That Have Not Vested (#)(3)	Equity Incentive Plan Awards: Market Value of Shares or Units of Stock That Have Not Vested ($)(4)
Mr. Grady	8/23/2018	—	—	—	—	31,236	1,551,492	—	—
	8/23/2018(5)	—	—	—	—	—	—	36,443	1,810,124
	8/23/2018(5)	—	—	—	—	—	—	36,443	1,810,124
	11/9/2017(6)	—	—	—	—	48,653	2,416,595	—	—
	11/9/2017(7)	—	—	—	—	—	—	48,653	2,416,595
	11/9/2017(7)	—	—	—	—	—	—	48,653	2,416,595
Dr. Gill	8/23/2018	—	—	—	—	24,989	1,241,204	—	—
	8/23/2018(5)	—	—	—	—	—	—	31,236	1,551,492
	8/23/2018(5)	—	—	—	—	—	—	31,236	1,551,492
	8/24/2017	—	—	—	—	18,636	925,650	—	—
	8/24/2017(7)	—	—	—	—	—	—	27,954	1,388,475
	8/24/2017(7)	—	—	—	—	—	—	27,954	1,388,475
	8/18/2016	—	—	—	—	8,235	409,032	—	—
Mr. Ng	8/23/2018	—	—	—	—	22,907	1,137,791	—	—
	8/23/2018(5)	—	—	—	—	—	—	27,072	1,344,666
	8/23/2018(5)	—	—	—	—	—	—	27,072	1,344,666
	8/24/2017	—	—	—	—	15,841	786,822	—	—
	8/24/2017(7)	—	—	—	—	—	—	23,761	1,180,209
	8/24/2017(7)	—	—	—	—	—	—	23,761	1,180,209
	8/18/2016	—	—	—	—	7,000	347,690	—	—
Dr. Hou	—	—	—	—	—	—	—	—	—

(1) Stock awards in this column consist of unvested time-based RSUs. Unless otherwise noted, all time-based RSUs are scheduled to vest over a three-year period at a rate of 33.3% on each anniversary of the grant date, subject to continued service with us through the applicable vesting date.

(2) Values reported were determined by multiplying the number of unvested time-based RSUs by $49.67, the closing price on the New York Stock Exchange of our ordinary shares on June 28, 2019, the last business day of fiscal 2019.
(3) Amounts reported were based on target performance measures and represent PSU awards.
(4) Values reported were based on target performance measures and determined by multiplying the number of unvested PSUs by $49.67, the closing price on the New York Stock Exchange of our ordinary shares on June 28, 2019, the last business day of fiscal 2019.
(5) The performance cycle for this PSU began on June 30, 2018 and ends on June 28, 2020 (the "**fiscal 2019-2020 cycle**"). This PSU will vest, if at all, following the end of the fiscal 2019-2020 cycle, on the date the Compensation Committee certifies achievement of the applicable performance criteria.
(6) This RSU is scheduled to vest over a four-year period at a rate of 25% on each anniversary of September 22, 2017, subject to continued service with us through the applicable vesting date.
(7) The performance cycle for this PSU began on July 1, 2017 and ended on June 28, 2019 (the "**fiscal 2018-2019 cycle**"). **In August 2018, this PSU was forfeited in full following the Compensation Committee's certification that we did not achieve the applicable performance criteria for the fiscal 2018-2019 cycle.**

Option Exercises and Shares Vested in Fiscal 2019

The following table presents information concerning the exercise of options and the vesting of stock awards in fiscal 2019 for each of our Named Officers.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(1)
Mr. Grady	—	—	12,163	553,660
Dr. Gill	—	—	66,958	2,943,962
Mr. Ng	—	—	127,773	5,826,576
Dr. Hou	—	—	44,309	2,044,991

(1) The value realized on vesting was determined by multiplying (i) the number of our ordinary shares acquired upon vesting of a restricted share unit, by (ii) the closing price per share of our ordinary shares on the New York Stock Exchange on the vesting date.

Potential Payments Upon Termination or Change of Control

We have entered into offer letters with our Named Officers that provide the general terms and conditions of their employment, including payments and benefits upon termination of their employment in specified circumstances.

Arrangement with Mr. Grady

On February 26, 2019, our Compensation Committee approved a change in control and severance agreement (the "**CIC Agreement**") for Seamus Grady. The CIC Agreement has an initial term of three years following its effective date and renews automatically annually thereafter unless either party provides notice of non-renewal at least 90 days before the date of the scheduled renewal. The CIC Agreement supersedes the severance payments and benefits set forth in Mr. Grady's offer letter dated September 20, 2017.

Pursuant to the CIC Agreement, if Mr. Grady's employment is terminated by us without "cause" and other than due to his death or disability, or by him for "good reason" (a "**Qualifying Termination**"), in each case other than during the period beginning three months prior to a change in control of Fabrinet through the one-year anniversary of any such change in control (the "**Change in Control Period**"), then subject to Mr. Grady entering into and not revoking a separation agreement and release of claims (a "**Release Agreement**"), Mr. Grady will receive the same severance payments and benefits as was set forth in his offer

letter, consisting of: (i) a lump sum payment of 100% of his then annual base salary, (ii) a lump sum payment of any earned but unpaid bonus as of the date of employment termination, (iii) a lump sum payment of two times his cost of COBRA coverage for twelve months, and (iv) to the extent Mr. Grady is receiving tax equalization benefits under our expatriate policy as of the date of employment termination, continued tax equalization benefits for the calendar year in which the employment termination occurs and the immediately following calendar year.

In the event of a Qualifying Termination during the Change in Control Period, then subject to Mr. Grady entering into and not revoking a Release Agreement, and in lieu of the severance payments and benefits described above, Mr. Grady will receive (i) a lump sum payment of 200% of his then annual base salary (or if greater, his annual base salary as in effect immediately before the change in control, (ii) a lump sum payment of any earned but unpaid bonus as of the date of employment termination, (iii) a lump sum payment of 200% of his annual target bonus opportunity in effect as of the date of employment termination (or if greater, his annual target bonus opportunity as in effect immediately before the change in control), (iv) a lump sum payment of two times his cost of COBRA coverage for twelve months, (v) 100% vesting acceleration of any unvested and outstanding time-based equity awards (i.e., awards subject to vest based on continued service but not any other performance requirements), and (vi) to the extent Mr. Grady is receiving tax equalization benefits under our expatriate policy as of the date of employment termination, continued tax equalization benefits for the calendar year in which the employment termination occurs and the immediately following calendar year.

In the event of a change in control, any PSUs held by Mr. Grady that are outstanding and for which the performance period would not be completed as of the change in control will have the performance period shortened in connection with the change in control, any revenue-related performance goals under the PSUs will be measured on a prorated basis to reflect the shortened performance period, and any gross margin-related performance goals under the PSUs will be measured over the last, four, consecutive fiscal quarters of the Company completed before the change in control. Any portion of the PSUs for which performance is deemed achieved based on the foregoing change in control-related measurement will be scheduled to vest on the last day of the original performance period subject to continued service through the vesting date. In the event of a Qualifying Termination during the Change in Control Period, any unvested portion of the PSUs outstanding as of the date of the Qualifying Termination for which performance was deemed achieved on or before the Qualifying Termination (or if the Qualifying Termination occurs before the change in control, then for which performance is deemed achieved in connection with the change in control based on the foregoing change in control-related measurement) will accelerate vesting in full.

“Cause” means Mr. Grady’s (i) commission of a felony or any crime involving moral turpitude, (ii) willful breach of his duties to us, including, but not limited to, theft from us and failure to fully disclose a personal pecuniary interest in a transaction involving us, or (iii) engaging in willful misconduct, willful or gross neglect, fraud, misappropriation, or embezzlement.

“Good reason” means (i) a material diminution in Mr. Grady’s authority, duties, or responsibilities (including following any change in control) or (ii) a material breach by us of Mr. Grady’s offer letter or the CIC Agreement. However, before terminating his employment for good reason, Mr. Grady must provide (i) written notice to the Board setting forth the condition that could constitute a “good reason” event within sixty (60) days following the initial existence of such condition and (ii) an opportunity for us to remedy the condition within 30 days after receipt of such notice.

Arrangement with Dr. Gill

Pursuant to Dr. Gill’s amended and restated offer letter dated as of January 9, 2018, Dr. Gill and Fabrinet are each free to terminate Dr. Gill’s employment at any time, effective (i) one year after providing written notice, or (ii) such lesser period ending on May 7, 2023 (the “**Gill Retirement Date**”) to the extent that the written notice is provided within the one year period prior to the Gill Retirement Date, provided that Dr. Gill’s employment can be terminated at any time for cause without advance written notice.

Subject to certain conditions, in the event Dr. Gill's employment is terminated prior to, or within 10 days after, the Gill Retirement Date, either by us without "good cause" and other than due to his death or disability, or by Dr. Gill for any reason, Dr. Gill will receive the following severance benefits: (1) a lump sum payment equal to the sum of (a) his one month's base salary multiplied by the total number of full and fractional years of his employment with us as of his termination date; (b) any earned but unpaid bonus; and (c) two times his cost of COBRA coverage for twelve months; (2) any then-outstanding and unvested performance-based equity awards that remain subject to the achievement of any performance goals as of the date of termination of employment (the "**Gill Performance Awards**") will remain outstanding and eligible to vest based on the extent that the applicable performance-based or other criteria are satisfied; and (3) continued tax equalization benefits under our expatriate policy, as in effect on the date of termination, for the calendar year in which the termination date occurs, and the following calendar year.

In the event Dr. Gill's employment is terminated on account of Dr. Gill's death or disability on or prior to the Gill Retirement Date, any then-outstanding and unvested Gill Performance Awards will remain outstanding and eligible to vest based on the extent that the applicable performance-based or other criteria are satisfied. In addition, if Dr. Gill's employment is terminated on account of Dr. Gill's death or disability, Dr. Gill will also receive the severance benefits described in clause (1) of the immediately preceding paragraph.

For purposes of Dr. Gill's offer letter, "good cause" means (i) an act of dishonesty made in connection with his responsibilities as an employee, (ii) a conviction of or plea of nolo contendere to a felony or any crime involving fraud, embezzlement or any other act of moral turpitude, (iii) gross misconduct, (iv) unauthorized use or disclosure of any proprietary information or trade secrets of Fabrinet or any other party to whom he owes an obligation of nondisclosure as a result of his relationship with us, (v) willful breach of any obligations under any written agreement or covenant with us, or (vi) continued failure to perform employment duties after receipt of a written demand for performance from us.

Arrangement with Mr. Ng

Pursuant to Mr. Ng's amended and restated offer letter dated as of January 9, 2018, Mr. Ng and Fabrinet are each free to terminate Mr. Ng's employment at any time, effective (i) one year after providing written notice, or (ii) such lesser period ending on December 30, 2023 (the "**Ng Retirement Date**") to the extent that the written notice is provided within the one year period prior to the Ng Retirement Date, provided that Mr. Ng's employment can be terminated at any time for cause without advance written notice.

Subject to certain conditions, in the event Mr. Ng's employment is terminated prior to, or within 10 days after, the Ng Retirement Date, either by us without "good cause" and other than due to his death or disability, or by Mr. Ng for any reason, Mr. Ng will receive the following severance benefits: (1) a lump sum payment equal to the sum of (a) his one month's base salary multiplied by the total number of full and fractional years of his employment with us as of his termination date; (b) any earned but unpaid bonus; and (c) two times his cost of COBRA coverage for twelve months; (2) any then-outstanding and unvested performance-based equity awards that remain subject to the achievement of any performance goals as of the date of termination of employment (the "**Ng Performance Awards**") will remain outstanding and eligible to vest based on the extent that the applicable performance-based or other criteria are satisfied; and (3) continued tax equalization benefits under our expatriate policy, as in effect on the date of termination, for the calendar year in which the termination date occurs, and the following calendar year.

In the event Mr. Ng's employment is terminated on account of Mr. Ng's death or disability on or prior to the Ng Retirement Date, any then-outstanding and unvested Ng Performance Awards will remain outstanding and eligible to vest based on the extent that the applicable performance-based or other criteria are satisfied. In addition, if Mr. Ng's employment is terminated on account of Mr. Ng's death or disability, Mr. Ng will also receive the severance benefits described in clause (1) of the immediately preceding paragraph.

For purposes of Mr. Ng's offer letter, "good cause" means (i) an act of dishonesty made in connection with his responsibilities as an employee, (ii) a conviction of or plea of nolo contendere to a felony or any crime involving fraud, embezzlement or any other act of moral turpitude, (iii) gross misconduct, (iv) unauthorized use or disclosure of any proprietary information or trade secrets of Fabrinet or any other party to whom he owes an obligation of nondisclosure as a result of his relationship with us, (v) willful breach of any obligations under any written agreement or covenant with us, or (vi) continued failure to perform employment duties after receipt of a written demand for performance from us.

Life Insurance

We provide each of Dr. Gill and Mr. Ng with a life insurance policy, which in the event of death would pay $3 million to their respective heirs or beneficiaries and $2 million to us.

The following tables provide information concerning the estimated payments and benefits that would be provided to Mr. Grady, Dr. Gill and Mr. Ng in the circumstances described above. Payments and benefits are estimated assuming the triggering event took place on the last business day of fiscal 2019 (June 28, 2019). There can be no assurance a triggering event would produce the same or similar results as those estimated below if such event occurs on any other date, of if any other assumption used to estimate potential payments and benefits is not correct. Due to the number of factors affecting the nature and amount of any potential payments or benefits, any actual payments and benefits may be different.

Termination of Employment Unrelated to a Change in Control

Name	Type of Benefit	Due to Death ($)	Due to Disability ($)	Without Cause ($)	Due to Resignation for Good Reason ($)	Due to Resignation for Any Reason ($)
Mr. Grady	Cash Severance Payment—100% Annual Base Salary(1)	—	—	775,000	775,000	—
	Cash Severance Payment—Cash Incentive Plan Compensation(2)	—	—	766,300	766,300	—
	Continued Coverage of Medical Benefits(3)	—	—	60,000	60,000	—
	Total Value of Termination Benefits(4)	—	—	1,601,300	1,601,300	—
Dr. Gill	Cash Severance Payment—Monthly Base Salary x Years of Employment(1)	1,187,500	1,187,500	1,187,500	—	1,187,500
	Cash Severance Payment—Cash Incentive Plan Compensation(2)	987,500	987,500	987,500	—	987,500
	Continued Coverage of Medical Benefits(3)	60,000	60,000	60,000	—	60,000
	Life Insurance Benefits(5)	3,000,000	—	—	—	—
	Total Value of Termination Benefits(4)	5,235,000	2,235,000	2,235,000	—	2,235,000
Mr. Ng	Cash Severance Payment—Monthly Base Salary x Years of Employment(1)	704,167	704,167	704,167	—	704,167
	Cash Severance Payment—Cash Incentive Plan Compensation(2)	659,650	659,650	659,650	—	659,650
	Continued Coverage of Medical Benefits(3)	60,000	60,000	60,000	—	60,000
	Life Insurance Benefits(5)	3,000,000	—	—	—	—
	Total Value of Termination Benefits(4)	4,423,817	1,423,817	1,423,817	—	1,423,817

(1) Assumes an annual base salary of $775,000 for Mr. Grady, $950,000 for Dr. Gill and $650,000 for Mr. Ng (salaries in effect at June 28, 2019).

(2) Reflects the amount of bonus earned under the Fiscal 2019 Bonus Plan but unpaid as of June 28, 2019.

(3) Reflects two times the annual cost of COBRA coverage to maintain the benefits provided as of June 28, 2019.

(4) Does not include the future tax equalization benefits that such Named Officer may be entitled to under our expatriate policy, as described above in "Executive Compensation—Compensation Discussion and Analysis." As of June 28, 2019, Dr. Gill and Mr. Ng were our only Named Officers that were entitled to these benefits. The amount of any future tax equalization benefit can vary significantly depending, among other factors, on the individual's personal tax circumstances with respect to the year for which the benefit is provided. The amount of tax equalization benefit paid in fiscal 2019 for Dr. Gill was $479,581 and for Mr. Ng was $308,715. Tax equalization benefits for any future years may differ substantially from such amounts.

(5) Reflects the death benefit payable to the executive's estate in the case of the executive's death.

Proxy

Termination of Employment in Connection with a Change in Control

Name	Type of Benefit	Due to Death ($)	Due to Disability ($)	Without Cause ($)	Due to Resignation for Good Reason ($)	Due to Resignation for Any Reason ($)
Mr. Grady	Cash Severance Payment—200% Annual Base Salary(1)	—	—	1,550,000	1,550,000	—
	Cash Severance Payment—Cash Incentive Plan Compensation(2)	—	—	766,300	766,300	—
	Cash Severance Payment—200% Cash Incentive Target Bonus Opportunity(3)	—	—	1,940,000	1,940,000	
	Continued Coverage of Medical Benefits(4)	—	—	60,000	60,000	—
	Equity Award Vesting Acceleration(5)	—	—	3,363,950	3,363,950	
	Total Value of Termination Benefits(6)	—	—	7,680,250	7,680,250	—
Dr. Gill	Cash Severance Payment—Monthly Base Salary x Years of Employment(1)	1,187,500	1,187,500	1,187,500	—	1,187,500
	Cash Severance Payment—Cash Incentive Plan Compensation(2)	987,500	987,500	987,500	—	987,500
	Continued Coverage of Medical Benefits(4)	60,000	60,000	60,000	—	60,000
	Life Insurance Benefits(7)	3,000,000	—	—	—	—
	Total Value of Termination Benefits(6)	5,235,000	2,235,000	2,235,000	—	2,235,000
Mr. Ng	Cash Severance Payment—Monthly Base Salary x Years of Employment(1)	704,167	704,167	704,167	—	704,167
	Cash Severance Payment—Cash Incentive Plan Compensation(2)	659,650	659,650	659,650	—	659,650
	Continued Coverage of Medical Benefits(4)	60,000	60,000	60,000	—	60,000
	Life Insurance Benefits(7)	3,000,000	—	—	—	—
	Total Value of Termination Benefits(6)	4,423,817	1,423,817	1,423,817	—	1,423,817

(1) Assumes an annual base salary of $775,000 for Mr. Grady, $950,000 for Dr. Gill and $650,000 for Mr. Ng (salaries in effect at June 28, 2019).
(2) Reflects the amount of bonus earned under the Fiscal 2019 Bonus Plan but unpaid as of June 28, 2019.
(3) Assumes an annual target bonus opportunity of $970,000 for Mr. Grady.
(4) Reflects two times the annual cost of COBRA coverage to maintain the benefits provided as of June 28, 2019.
(5) Does not include the future tax equalization benefits that such Named Officer may be entitled to under our expatriate policy, as described above in "Executive Compensation—Compensation Discussion and Analysis." As of June 28, 2019, Dr. Gill and Mr. Ng were our only Named Officers that were entitled to these benefits. The amount of any future tax equalization benefit can vary significantly depending, among other factors, on the individual's personal tax circumstances with respect to the year for which the benefit is provided. The amount of tax equalization benefit paid in fiscal 2019 for Dr. Gill was $479,581 and for Mr. Ng was $308,715. Tax equalization benefits for any future years may differ substantially from such amounts.
(6) Potential value if vesting of eligible RSUs held by Mr. Grady had been accelerated on June 28, 2019. Assumes a share price of $49.67 (based on the closing price per share of our ordinary shares on June 28, 2019).
(7) Reflects the death benefit payable to the executive's estate in the case of the executive's death.

Separation Agreement with Dr. Hou

Dr. Hou left Fabrinet on August 25, 2018. In connection with Dr. Hou's resignation, Dr. Hou entered into a separation agreement with us. As consideration for non-disparagement, non-solicitation and non-competition obligations to us and a full release of all claims related to Dr. Hou's employment with us, he received the following severance: (1) a lump sum cash payment for twelve months of salary equal to $525,000; (2) a lump sum cash payment in the amount of $60,000, representing reimbursement for health care insurance premiums under COBRA for a period of twelve months; and (3) accelerated vesting with respect to an aggregate of 22,926 then-unvested restricted share units.

Chief Executive Officer Pay Ratio

The Compensation Committee reviewed a comparison of our CEO's annual total compensation in fiscal 2019 to that of the median of all other employees for that same period. Our CEO's total fiscal 2019 compensation was $6,608,168, and our median employee's total fiscal 2019 compensation was $11,440, making our CEO's pay in fiscal 2019 approximately 578 times the pay of our median employee, who is a worker in Thailand.

The pay ratio described above is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K ("Item 402(u)"). The median employee was identified by determining the compensation for each employee using the following consistently applied compensation measures:

- salary received in fiscal 2019 (annualized if employee worked only a portion of the fiscal year, including if employee was on an unpaid leave of absence during the fiscal year);
- annual incentive bonus earned in fiscal 2019;
- grant date fair value of equity awards granted during fiscal 2019; and
- perquisites paid in fiscal 2019.

Our calculation includes all employees in the United States, China, Thailand and the United Kingdom as of June 28, 2019, the last day of fiscal 2019. As of that date, we had 227 employees located in the United States and 11,451 employees located outside of the United States. Our employees located in the Cayman Islands and Israel (an aggregate total of 2 employees) were excluded from the calculation under the de minimis exception provided

for in Item 402(u). We applied exchange rates as of June 28, 2019 to the compensation elements paid in Chinese Renminbi, Thai baht and British pounds.

Equity Compensation Plan Information

The following table provides information as of June 28, 2019 with respect to our ordinary shares that may be issued under our existing equity compensation plans.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (#)	(b) Weighted-average exercise price of outstanding options, warrants and rights ($)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column (a) (#)
Equity compensation plans approved by security holders	1,215,455(1)	—	1,832,949
Equity compensation plans not approved by security holders	133,796(2)	—	14,041
Total	1,349,251	—	1,846,990

(1) Consists of shares issuable under the 2010 Performance Incentive Plan. This amount represents an aggregate of 764,261 shares subject to RSUs and 451,194 shares subject to PSUs that were outstanding as of June 28, 2019.

(2) Consists of shares issuable under the 2017 Inducement Equity Incentive Plan. This amount represents an aggregate of 36,490 shares subject to RSUs and 97,306 shares subject to PSUs that were outstanding as of June 28, 2019. We adopted the 2017 Inducement Equity Incentive Plan on November 2, 2017, with a reserve of 160,000 ordinary shares authorized for future issuance solely for the granting of inducement share options and equity awards to new employees. The plan was adopted without shareholder approval in reliance on the "employment inducement exemption" provided under the New York Stock Exchange Listed Company Manual.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Party Transactions

We describe below transactions since the beginning of fiscal 2019 to which we were a party or will be a party, in which the amounts involved exceeded or will exceed $120,000 and in which the following persons had or will have a direct or indirect material interest:

- any of our directors or executive officers;
- any nominee for election as one of our directors;
- any person or entity that beneficially owns more than five percent of our outstanding shares; or
- any member of the immediate family of any of the foregoing persons.

Employment of Family Members

George Mitchell, brother of David T. Mitchell, was our Senior Vice President, Business Development and Corporate Quality until March 31, 2019. In fiscal 2019, he received total cash compensation of $243,624, perquisites in the amount of $42,774, and a grant of 1,561 restricted share units with an aggregate grant date fair value of $74,959 that were scheduled to vest in equal annual installments over four years from the grant date. In connection with his resignation, Mr. George Mitchell entered into a separation agreement with us. As consideration for non-disparagement, non-solicitation and non-competition obligations to us and a full release of all claims related to his employment with us, he received the following severance: (1) a lump sum cash payment in the amount of $150,000, representing 6 months of annual base salary; (2) a lump sum cash payment in the amount of $60,000, representing reimbursement for health care insurance premiums under COBRA for a period of twelve months; (3) a lump sum cash payment in the amount of $18,000, representing accrued vacation; and (4) accelerated vesting with respect to an aggregate of 4,865 then-unvested restricted share units.

Sean Mitchell, son of David T. Mitchell, is a Manager, Business Development at our Fabrinet West subsidiary. In fiscal 2019, he received total cash compensation of $217,070, perquisites in the amount of $19,916, and a grant of 728 restricted share units with an aggregate grant date fair value of $34,959 that are scheduled to vest in equal annual installments over four years from the grant date, subject to continued service with us. Sean Mitchell's current annual base salary is $125,000.

Dr. Soon Kaewchansilp, father-in-law of David T. Mitchell, was appointed in March 2015 as the first Fabrinet Fellow in recognition of his many years of exemplary service to Fabrinet. As a Fabrinet Fellow, Dr. Kaewchansilp will continue to serve as Fabrinet's ambassador to the Thai-American Chamber of Commerce, liaise with Thai government officials on behalf of Fabrinet, and mentor our employees in Thailand. In fiscal 2019, Dr. Kaewchansilp received total cash compensation of $180,000 and perquisites in the amount of $15,787. Dr. Kaewchansilp will receive a lump sum payment of $500,000 when his relationship with Fabrinet concludes.

Commercial Relationship

We have a commercial relationship with Oclaro, one of our significant customers, of which Mr. Dougherty served as Chief Executive Officer from June 2013 until December 2018. The commercial relationship includes the assembly of products and the fabrication of customized optics. The services we provided to Oclaro were pursuant to arrangements entered into in the ordinary course of business and have been conducted on an arms-length basis, and Mr. Dougherty did not have a direct or indirect material interest in such transactions.

Policy for Approval of Related Party Transactions

In accordance with the Audit Committee's charter, the Audit Committee reviews and pre-approves in writing any proposed related party transactions. The most significant related party transactions, particularly those involving our directors and officers, will be reviewed and pre-approved in writing by the Board. We will report all such material related party transactions under applicable accounting rules, federal securities laws and SEC rules and regulations. Any dealings with a related party must be conducted in such a way that does not give us or the related party preferential treatment. For purposes of these procedures, "related person" and "transaction" have the meanings contained in Item 404 of Regulation S-K.

SECURITY OWNERSHIP BY PRINCIPAL SHAREHOLDERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of September 30, 2019, for:

- each person (or group of affiliated persons) who is known by us to beneficially own more than 5% of our ordinary shares;
- each of our Named Officers;
- each of our directors and director nominees; and
- all of our directors and current executive officers as a group.

We have determined beneficial ownership in accordance with SEC rules. Except as indicated in the footnotes below, and subject to applicable community property laws, we believe, based on the information furnished to us, the persons and entities named in the table below have sole voting and investment power with respect to all ordinary shares shown as beneficially owned by them. Percentage of beneficial ownership is based on 37,001,497 ordinary shares outstanding as of October 7, 2019 (excluding 1,389,103 ordinary shares held by us as a treasury shares). In computing the number of ordinary shares beneficially owned by a person or entity and the percentage ownership of that person or entity, we deemed to be outstanding all ordinary shares as to which such person or entity has the right to acquire within 60 days of October 7, 2019, through the exercise of any option or other right. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person or entity. Unless otherwise noted below, the address of each beneficial owner named below is c/o Fabrinet USA, Inc., 4900 Patrick Henry Drive, Santa Clara, CA 95054.

Proxy

Name and Address of Beneficial Owner	Shares Beneficially Owned (#)	Percentage Beneficially Owned (%)
5% Shareholders:		
BlackRock, Inc.(1) 55 East 52nd Street New York, NY 10022	5,366,878	14.5
Dimensional Fund Advisors LP(2) Building One 6300 Bee Cave Road Austin, TX 78746	2,931,627	7.9
FMR LLC(3) 245 Summer Street Boston, MA 02210	2,740,360	7.4
The Vanguard Group(4) 100 Vanguard Blvd. Malvern, PA 19355	2,275,449	6.1
Named Officers:		
Seamus Grady	6,081	*
Dr. Harpal Gill	12,942	*
Toh-Seng Ng	—	*
Dr. Hong Hou(5)	40,338	*
Non-Employee Directors:		
Dr. Homa Bahrami	27,090	*
Gregory P. Dougherty	—	*
Thomas F. Kelly	37,216	*
Dr. Frank H. Levinson	52,361	*
David T. Mitchell(6)	174,271	*
Rollance E. Olson	43,303	*
All directors and current executive officers as a group (10 persons)	353,264	1.0

* Represents less than 1% of the total.

(1) Based on a Schedule 13G/A filed with the SEC by BlackRock, Inc. on January 28, 2019.

(2) Based on a Schedule 13G/A filed with the SEC by Dimensional Fund Advisors LP on February 8, 2019.

(3) Based on a Schedule 13G/A filed with the SEC by FMR LLC on February 13, 2019.

(4) Based on a Schedule 13G filed with the SEC by The Vanguard Group on February 11, 2019.

(5) Dr. Hou's employment with us terminated on August 25, 2018. We have provided his ownership information based on the last information known to us.

(6) All shares are held by the David T. Mitchell Separate Property Trust, of which Mr. Mitchell is the sole trustee.

OTHER MATTERS

We know of no other matters to be submitted at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as the Board may recommend. Discretionary authority with respect to such other matters is granted by the execution of the enclosed proxy.

It is important your shares be represented at the Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to vote by telephone, by using the Internet as instructed on the enclosed proxy card, or by executing and returning the enclosed proxy card in the envelope provided at your earliest convenience.

THE BOARD OF DIRECTORS

Grand Cayman, Cayman Islands
October 18, 2019

APPENDIX A

RECONCILIATION OF GAAP MEASURES TO NON-GAAP FINANCIAL MEASURES

GAAP gross profit and gross margin to non-GAAP gross profit and gross margin

(in thousands of U.S. dollars)	Twelve Months Ended	
	June 28, 2019	June 29, 2018
Revenue	$1,584,335	$1,371,925
Gross profit (GAAP)	$ 179,224	$ 153,412
Share-based compensation expenses	5,655	6,784
Depreciation of fair value uplift	341	330
ASC 606 adoption impact on gross profit	(31)	—
Gross profit (non-GAAP)	$ 185,189	$ 160,526
Gross margin (GAAP)	11.3%	11.2%
Gross margin (non-GAAP)	11.7%	11.7%

GAAP operating profit and operating margin to non-GAAP operating profit and operating margin

(in thousands of U.S. dollars)	Twelve Months Ended	
	June 28, 2019	June 29, 2018
Revenue	$1,584,335	$1,371,925
Operating profit (GAAP)	$ 122,641	$ 93,824
Share-based compensation expenses	17,157	22,581
Depreciation of fair value uplift	341	330
ASC 606 adoption impact on operating profit	(31)	—
Expenses related to reduction in workforce	1,516	1,776
Expenses related to CFO/CEO search	290	204
Amortization of intangibles	694	780
Business combination expenses	552	117
Severance payment	1,120	2,142
Operating profit (non-GAAP)	$ 144,280	$ 121,754
Operating margin (GAAP)	7.7%	6.8%
Operating margin (non-GAAP)	9.1%	8.9%

GAAP net income and net income per diluted share to non-GAAP net income and net income per diluted share

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

	Twelve Months Ended			
	June 28, 2019		June 29, 2018	
	Net income	Diluted EPS	Net income	Diluted EPS
Net income (GAAP measure)	**$120,955**	**$ 3.23**	**$ 84,167**	**$ 2.21**
Items reconciling GAAP net income & EPS to non-GAAP net income & EPS:				
Related to cost of revenues:				
Share-based compensation expenses	5,655	0.15	6,784	0.18
Depreciation of fair value uplift	341	0.01	330	0.01
ASC 606 adoption impact on gross profit	(31)	(0.00)	—	—
Total related to gross profit	5,965	0.16	7,114	0.19
Related to selling, general and administrative expenses:				
Share-based compensation expenses	11,502	0.31	15,797	0.42
Expenses related to CFO/CEO search	290	0.01	204	0.01
Amortization of intangibles	694	0.02	780	0.02
Business combination expenses and consulting fee	552	0.01	117	0.00
Severance payments	1,120	0.03	2,142	0.06
Total related to selling, general and administrative expenses	14,158	0.38	19,040	0.50
Related to other income and other expense:				
Expenses related to reduction in workforce	1,516	0.04	1,776	0.05
Amortization of debt issuance costs	—	—	1,412	0.04
Total related to other income and other expense	1,516	0.04	3,188	0.08
Total related to net income & EPS	21,639	0.58	29,342	0.77
Non-GAAP net income	**$142,594**	**$ 3.81**	**$113,509**	**$ 2.98**
Shares used in computing diluted net income per share				
GAAP diluted shares		37,415		38,035
Non-GAAP diluted shares		37,415		38,035

FABRINET

2020 EQUITY INCENTIVE PLAN

1. Purposes of the Plan. The purposes of this Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide additional incentive to Employees, Directors and Consultants, and
- to promote the success of the Company's business.

The Plan permits the grant of Incentive Share Options, Nonstatutory Share Options, Restricted Shares, Restricted Share Units, Share Appreciation Rights, Performance Units and Performance Shares.

2. Definitions. As used herein, the following definitions will apply:

(a) "Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Applicable Laws" means the legal and regulatory requirements relating to the administration of equity-based awards, including without limitation the related issuance of Ordinary Shares, including without limitation under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Ordinary Shares are listed or quoted and the applicable laws of any non-U.S. country or jurisdiction where Awards are, or will be, granted under the Plan and the requirements imposed by all applicable Company policies.

(c) "Award" means, individually or collectively, a grant under the Plan of Options, Share Appreciation Rights, Restricted Shares, Restricted Share Units, Performance Units or Performance Shares.

(d) "Award Agreement" means the written or electronic agreement between the Company and Participant setting forth the terms and provisions applicable to an Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

(e) "Board" means the Board of Directors of the Company.

(f) "Change in Control" means the occurrence of any of the following events:

(i) Change in Ownership of the Company. A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the shares of the Company that, together with the shares held by such Person, constitutes more than fifty percent (50%) of the total voting power of the shares of the Company; provided, however, that for purposes of this subsection, the acquisition of additional shares by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the shares of the Company will not be considered a Change in Control. Further, if the shareholders of the Company immediately before such change in ownership continue to retain immediately after the change in ownership, in substantially the same proportions as their ownership of shares of the Company's voting shares immediately prior to the change in ownership, direct or indirect beneficial ownership of fifty percent (50%) or more of the total voting power of the shares of the Company or of the ultimate parent entity of the Company, such event will not be considered a Change in Control under this subsection (i). For this purpose, indirect beneficial ownership will include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company, as the case may be, either directly or through one or more subsidiary corporations or other business entities; or

(ii) Change in Effective Control of the Company. A change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this subsection (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

(iii) Change in Ownership of a Substantial Portion of the Company's Assets. A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such Person) assets from the Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's shareholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's shares, (2) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding shares of the Company, or (4) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3). For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of shares, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Section 409A.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (x) its sole purpose is to change the jurisdiction of the Company's incorporation, or (y) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(g) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code or regulation thereunder will include such section or regulation, any valid regulation or other official guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing, or superseding such section or regulation.

(h) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board, or a duly authorized committee of the Board, in accordance with Section 4 hereof.

(i) "Company" means Fabrinet, an exempted company incorporated under the laws of the Cayman Islands, or any successor thereto.

(j) "Consultant" means any natural person, including an advisor, engaged by the Company or a Parent or Subsidiary of the Company to render bona fide services to such entity, provided the services (i) are not in connection with the offer or sale of securities in a capital-raising transaction, and (ii) do not directly promote or maintain a market for the Company's securities, in each case, within the meaning of Form S-8 promulgated under the Securities Act, and provided, further, that a Consultant will include only those persons to whom the issuance of Shares may be registered under Form S-8 promulgated under the Securities Act.

(k) "Director" means a member of the Board.

(l) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Share Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

(m) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

(n) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(o) "Exchange Program" means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is reduced. For the avoidance of doubt, as set forth in Section 4(c), the Administrator will not be permitted to implement an Exchange Program.

(p) "Fair Market Value" means, as of any date, the higher of the par value of an Ordinary Share and the value of an Ordinary Share determined as follows:

(i) If the Ordinary Shares are listed on any established stock exchange or a national market system, including without limitation the New York Stock Exchange, the NYSE American, the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market of The Nasdaq Stock Market, its Fair Market Value will be the closing sales price for such shares (or the closing bid, if no sales were reported) (during regular trading) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Ordinary Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Ordinary Shares on the day of determination (or, if no bids and asks were reported on that date, as applicable, on the last Trading Day such bids and asks were reported) (during regular trading), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Ordinary Shares, the Fair Market Value will be determined in good faith by the Administrator.

(q) "Fiscal Year" means the fiscal year of the Company.

(r) "Incentive Share Option" means an Option intended to qualify, and actually qualifies, as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(s) "Nonstatutory Share Option" means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Share Option.

(t) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(u) "Option" means a share option granted pursuant to the Plan.

(v) "Ordinary Shares" means the ordinary shares of the Company.

(w) "Outside Director" means a Director who is not an Employee.

(x) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(y) "Participant" means the holder of an outstanding Award.

(z) "Performance Share" means an Award denominated in Shares which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine pursuant to Section 11.

(aa) "Performance Unit" means an Award which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 11.

(bb) "Period of Restriction" means the period (if any) during which the transfer of Restricted Shares is subject to restrictions and therefore, the Restricted Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator.

(cc) "Plan" means this Fabrinet 2020 Equity Incentive Plan.

(dd) "Restricted Share Unit" means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 9. Each Restricted Share Unit represents an unfunded and unsecured obligation of the Company.

(ee) "Restricted Shares" means Shares issued pursuant to a Restricted Shares Award under Section 8 of the Plan, or issued pursuant to the early exercise of an Option.

(ff) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(gg) "Section 16(b)" means Section 16(b) of the Exchange Act.

(hh) "Section 409A" means Section 409A of the Code, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time, or any state law equivalent.

(ii) "Securities Act" means the Securities Act of 1933, as amended.

(jj) "Service Provider" means an Employee, Director or Consultant.

(kk) "Share" means an Ordinary Share, as adjusted in accordance with Section 14 of the Plan.

(ll) "Share Appreciation Right" means an Award, granted alone or in connection with an Option, that pursuant to Section 10 is designated as a Share Appreciation Right.

(mm) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

(nn) "Trading Day" means a day that the stock exchange, national market system, or other trading platform, as applicable, upon which the Ordinary Shares primarily are listed, is open for trading.

3. Shares Subject to the Plan.

(a) Shares Subject to the Plan. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is (i) 1,700,000 Shares, plus (ii) any Shares that, as of immediately prior to the termination of the Company's Amended and Restated 2010 Performance Incentive Plan, as amended (the "2010 Plan"), have been reserved but not issued pursuant to any awards granted under the 2010 Plan and are not subject to any awards thereunder, with the maximum number of Shares to be added to the Plan pursuant to the foregoing clause (ii) equal to 1,300,000 Shares. The Shares may be authorized but unissued Ordinary Shares or Ordinary Shares held in treasury by the Company.

(b) Shares Subject to Awards. Shares subject to an Award will be counted against the share limits of this Plan and will not be returned to the Plan and will not become available for future distribution under the Plan, regardless of whether (i) the Award expires or becomes unexercisable without having been exercised in full, or, with respect to Restricted Shares, Restricted Share Units, Performance Units or Performance Shares, is forfeited to or repurchased by the Company due to failure to vest; (ii) the Shares are repurchased by the Company or are forfeited to the Company due to failure to vest; (iii) the Shares are used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award; or (iv) the Award is paid out (in any part) in cash or any form other than Ordinary Shares. For the avoidance of doubt, awards granted in substitution for or in connection with the assumption of equity awards granted by entities other than the Company, pursuant to a transaction described in Section 424(a) of the Code shall not be counted against the share limits of this Plan or other limits set forth in this Plan.

(c) Share Reserve. The Company, at all times during the term of this Plan, will reserve and keep available such number of authorized but unissued Shares or treasury Shares as will be sufficient to satisfy the requirements of the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.

(ii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.

(iii) Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which committee will be constituted to satisfy Applicable Laws. Until and unless determined otherwise by the Board, the Compensation Committee of the Board will have full authority to act as Administrator.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Awards may be granted hereunder;

(iii) to determine the number of Shares to be covered by each Award granted hereunder;

(iv) to approve forms of Award Agreement for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. The terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine;

(vi) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable non-U.S. laws or for qualifying for favorable tax treatment under applicable non-U.S. laws;

(vii) to construe and interpret the terms of the Plan and Awards granted under the Plan;

(viii) to modify or amend each Award (subject to Section 19 of the Plan), including without limitation the discretionary authority to extend the post-termination exercisability period of Awards; provided, however, that in no event will the term of an Option or Share Appreciation Right be extended beyond its original maximum term;

(ix) to allow Participants to satisfy tax withholding obligations in a manner prescribed in Section 15 of the Plan;

(x) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

(xi) to temporarily suspend the exercisability of an Award if the Administrator deems such suspension to be necessary or appropriate for administrative purposes or to comply with Applicable Laws;

(xii) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that otherwise would be due to the Participant under an Award, and provide for crediting of interest or other earnings on deferred payments, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in Shares; and

(xiii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) No Exchange Program or Repricing. Notwithstanding the powers of the Administrator set forth herein, the Administrator will not be permitted to implement an Exchange Program.

(d) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards and will be given the maximum deference permitted by Applicable Laws.

5. Eligibility. Nonstatutory Share Options, Share Appreciation Rights, Restricted Shares, Restricted Share Units, Performance Shares and Performance Units may be granted to Service Providers. Incentive Share Options may be granted only to Employees.

6. Limits.

(a) Outside Director Award Limitations. No Outside Director may be granted, in any Fiscal Year, Awards (the value of which will be based on their grant date fair value determined in accordance with U.S.

generally accepted accounting principles) that, in the aggregate, exceed $400,000, provided that such amount is increased to $600,000 in the Fiscal Year of his or her initial service as an Outside Director. Any Awards provided to an individual for his or her services as an Employee, or for his or her services as a Consultant other than as an Outside Director, will be excluded for purposes of this Section 6(a).

(b) One-Year Vesting Requirement. Awards will vest no earlier than the one (1) year anniversary of the Award's date of grant; provided that the Administrator, in its sole discretion, may provide that an Award may accelerate vesting by reason of the Participant's death, Disability, termination of employment, reaching retirement age, or an event described in Section 14(c); and provided further that, notwithstanding anything in the Plan to the contrary, Awards up to a maximum of five percent (5%) of the Ordinary Shares available for issuance pursuant to Section 3(a) may be granted without regard to the minimum one (1) year vesting requirements set forth in this Section 6(b).

(c) Dividends. No dividends may be paid to a Participant with respect to an Award (or portion thereof, as applicable), prior to the vesting of such Award (or portion thereof, as applicable).

7. Share Options.

(a) Grant of Options. Subject to the terms and provisions of the Plan, including without limitation, Section 6(b) with respect to vesting requirements, the Administrator, at any time and from time to time, may grant Options to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

(b) Share Option Agreement. Each Award of an Option will be evidenced by an Award Agreement that will specify the exercise price, the number of Shares subject to the Option, the exercise restrictions, if any, applicable to the Option, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(c) Limitations. Each Option will be designated in the Award Agreement as either an Incentive Share Option or a Nonstatutory Share Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Share Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary of the Company) exceeds one hundred thousand dollars ($100,000), such Options will be treated as Nonstatutory Share Options. For purposes of this Section 7(c), Incentive Share Options will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted.

(d) Term of Option. The term of each Option will be stated in the Award Agreement. In the case of an Incentive Share Option, the term will be ten (10) years from the date of grant or such shorter term as may be provided in the Award Agreement. Moreover, in the case of an Incentive Share Option granted to a Participant who, at the time the Incentive Share Option is granted, owns shares representing more than ten percent (10%) of the total combined voting power of all classes of shares of the Company or any Parent or Subsidiary of the Company, the term of the Incentive Share Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

(e) Option Exercise Price and Consideration.

(i) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, subject to the following:

(1) In the case of an Incentive Share Option

(A) granted to an Employee who, at the time the Incentive Share Option is granted, owns shares representing more than ten percent (10%) of the voting power of all classes of shares of the

Company or any Parent or Subsidiary, the per Share exercise price will be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(2) In the case of a Nonstatutory Share Option, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(3) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

(ii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.

(iii) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Share Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of: (1) cash (or cash equivalents); (2) check; (3) promissory note, to the extent permitted by Applicable Laws, (4) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (5) consideration received by the Company under a broker-assisted (or other) cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (6) by net exercise; (7) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or (8) any combination of the foregoing methods of payment.

(f) Exercise of Option.

(i) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share. Unless determined otherwise by the Administrator, to the extent an Option is exercisable, the minimum number of Shares subject to the Option that the Participant may exercise is the lesser of (x) one hundred (100) Shares subject to the Option, or (y) the total number of Shares subject to the Option that is exercisable.

An Option will be deemed exercised when the Company receives: (i) notice of exercise (in accordance with the procedures that the Administrator may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with any applicable tax withholdings). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued (and recorded in the Company's register of members) in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry in the register of members and on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 14 of the Plan.

Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the cessation of the Participant's Service Provider status as the result of the Participant's death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of cessation of the Participant's Service Provider status (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for three (3) months following cessation of the Participant's Service Provider status (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). Unless otherwise provided by the Administrator, if on the date of cessation of the Participant's Service Provider status the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will be forfeited to the Company. If, after cessation of the Participant's Service Provider status, the Participant does not exercise his or her Option within the time specified by the Administrator, the Option will terminate, and the Shares covered by such Option will return to the Company.

(iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent the Option is vested on the date of cessation of the Participant's Service Provider status (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following cessation of the Participant's Service Provider status (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). Unless otherwise provided by the Administrator, if on the date of cessation of the Participant's Service Provider status the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will be forfeited to the Company. If, after cessation of the Participant's Service Provider status, the Participant does not exercise his or her Option within the time specified herein, the Option will terminate, and the Shares covered by such Option will return to the Company.

(iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised following the Participant's death within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of death (but in no event may the Option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's designated beneficiary, provided such beneficiary has been designated prior to the Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following Participant's death (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). Unless otherwise provided by the Administrator, if at the time of death, the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will be forfeited to the Company immediately. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will return to the Company.

(v) Tolling Expiration. A Participant's Award Agreement also may provide that:

(1) if the exercise of the Option following the cessation of Participant's status as a Service Provider (other than upon the Participant's death or Disability) would result in liability under Section 16(b), then the Option will terminate on the earlier of (A) the expiration of the term of the Option set forth in the Award Agreement, or (B) the tenth (10th) day after the last date on which such exercise would result in liability under Section 16(b); or

(2) if the exercise of the Option following the cessation of the Participant's status as a Service Provider (other than upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of Shares would violate the registration requirements under the Securities Act, then the Option will terminate on the earlier of (A) the expiration of the term of the Option or (B) the expiration of a period of thirty (30) days after the cessation of the Participant's status as a Service Provider during which the exercise of the Option would not be in violation of such registration requirements.

8. Restricted Shares.

(a) Grant of Restricted Shares. Subject to the terms and provisions of the Plan, including without limitation, Section 6(b) with respect to vesting requirements, the Administrator, at any time and from time to time, may grant Restricted Shares to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

(b) Restricted Shares Agreement. Each Award of Restricted Shares will be evidenced by an Award Agreement that will specify any Period of Restriction, the number of Restricted Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Restricted Shares until the restrictions on such Restricted Shares have lapsed.

(c) Transferability. Except as provided in this Section 8 or the Award Agreement, Restricted Shares may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of any applicable Period of Restriction.

(d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Restricted Shares as it may deem advisable or appropriate.

(e) Removal of Restrictions. Except as otherwise provided in this Section 8, Restricted Shares covered by each Restricted Shares grant made under the Plan will be released from escrow as soon as practicable after the last day of any applicable Period of Restriction or at such other time as the Administrator may determine. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(f) Voting Rights. During any applicable Period of Restriction, Service Providers holding Restricted Shares granted hereunder may exercise full voting rights with respect to those Restricted Shares, unless the Administrator determines otherwise.

(g) Dividends and Other Distributions. During any applicable Period of Restriction, Service Providers holding Restricted Shares will be entitled to receive all dividends and other distributions paid with respect to such Restricted Shares, unless the Administrator provides otherwise; provided, however, that in all cases, any such dividends or other distributions will be subject to the same restrictions on transferability and forfeitability as the Restricted Shares with respect to which they were paid.

(h) Return of Restricted Shares to Company. On the date set forth in the Award Agreement, the Restricted Shares for which restrictions have not lapsed will be forfeited to the Company.

9. Restricted Share Units.

(a) Grant. Subject to the terms and provisions of the Plan, including without limitation, Section 6(b) with respect to vesting requirements, Restricted Share Units may be granted at any time and from time to time as determined by the Administrator. After the Administrator determines that it will grant Restricted Share Units under the Plan, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions related to the grant, including the number of Restricted Share Units.

(b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Share Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, divisional, business unit, or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws or any other basis determined by the Administrator in its discretion.

(c) Earning Restricted Share Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Share Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

(d) Form and Timing of Payment. Payment of earned Restricted Share Units will be made as soon as practicable after the date(s) determined by the Administrator and set forth in the Award Agreement. The Administrator, in its sole discretion, may settle earned Restricted Share Units only in cash, Shares, or a combination of both.

(e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Share Units will be forfeited to the Company.

10. Share Appreciation Rights.

(a) Grant of Share Appreciation Rights. Subject to the terms and conditions of the Plan, including without limitation, Section 6(b) with respect to vesting requirements, a Share Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Number of Shares. The Administrator will have complete discretion to determine the number of Share Appreciation Rights granted to any Service Provider.

(c) Exercise Price and Other Terms. The per share exercise price for the Shares to be issued pursuant to exercise of a Share Appreciation Right will be determined by the Administrator and will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant, provided that the rules of Section 7(e)(i)(3) also will apply to Share Appreciation Rights. Otherwise, the Administrator, subject to the provisions of the Plan, will in its sole discretion determine the terms and conditions of Share Appreciation Rights granted under the Plan.

(d) Share Appreciation Right Agreement. Each Share Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Share Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(e) Expiration of Share Appreciation Rights. A Share Appreciation Right granted under the Plan will expire ten (10) years from the date of grant or such shorter term as may be provided in the Award Agreement, as determined by the Administrator, in its sole discretion. Notwithstanding the foregoing, the rules of Section 7(f) relating to exercise also will apply to Share Appreciation Rights.

(f) Payment of Share Appreciation Right Amount. Upon exercise of a Share Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined as the product of:

(i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; and

(ii) The number of Shares with respect to which the Share Appreciation Right is exercised.

Unless determined otherwise by the Administrator, to the extent a Share Appreciation Right is exercisable, the minimum number of Shares subject to the Share Appreciation Right that the Participant may exercise is the lesser of (x) one hundred (100) Shares subject to the Share Appreciation Right, or (y) the total number of Shares subject to the Share Appreciation Right that is exercisable. At the discretion of the Administrator, the payment upon exercise of a Share Appreciation Right may be in cash, in Shares of equivalent value, or in some combination of both.

11. Performance Units and Performance Shares.

(a) Grant of Performance Units/Shares. Subject to the terms and provisions of the Plan, including without limitation, Section 6(b) with respect to vesting requirements, Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion. The Administrator, in its sole discretion, will determine the number of Performance Units and Performance Shares granted to each Participant.

(b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

(c) Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions (including, without limitation, continued status as a Service Provider) in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out to the Service Providers. The time period during which the performance objectives or other vesting provisions must be met will be called the "Performance Period." Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine. The Administrator may set performance objectives based upon the achievement of Company-wide, divisional, business unit or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion.

(d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share.

(e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/Shares will be made as soon as practicable after the expiration of the applicable Performance Period. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination of both.

(f) Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company.

12. Leaves of Absence/Transfer Between Locations. Unless the Administrator provides otherwise or as otherwise required by Applicable Laws, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Participant will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, or any of its Subsidiaries. For purposes of Incentive Share Options, no such leave may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If

reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then six (6) months following the first (1st) day of such leave any Incentive Share Option held by the Participant will cease to be treated as an Incentive Share Option and will be treated for tax purposes as a Nonstatutory Share Option.

13. Transferability of Awards. Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent and distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate.

14. Adjustments; Dissolution or Liquidation; Merger or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, share split, reverse share split, reorganization, merger, consolidation, split-up, spin-off, combination, reclassification, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs (other than any ordinary dividends or other ordinary distributions), the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of shares that may be delivered under the Plan and/or the number, class, and price of shares covered by each outstanding Award, and the numerical Share limits in Section 3(a) of the Plan.

(b) Dissolution or Liquidation. In the event of a proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it previously has not been exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Merger or Change in Control. In the event of a merger of the Company with or into another corporation or other entity or a Change in Control, each outstanding Award will be treated as the Administrator determines (subject to the provisions of the following paragraph) without a Participant's consent, including, without limitation, that (i) Awards will be assumed, or substantially equivalent awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices; (ii) upon written notice to a Participant, that the Participant's Awards will terminate upon or immediately prior to the consummation of such merger or Change in Control; (iii) outstanding Awards will vest and become exercisable, realizable, or payable, or restrictions applicable to an Award will lapse, in whole or in part prior to or upon consummation of such merger or Change in Control, and, to the extent the Administrator determines, terminate upon or immediately prior to the effectiveness of such merger or Change in Control; (iv) (A) the termination of an Award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment), or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion; or (v) any combination of the foregoing. In taking any of the actions permitted under this Section 14(c), the Administrator will not be obligated to treat all Awards, all Awards held by a Participant, all Awards of the same type, or all portions of Awards, similarly.

In the event that the successor corporation does not assume or substitute for the Award (or portion thereof), the Participant will fully vest in and have the right to exercise the Participant's outstanding Option and Share Appreciation Right (or portion thereof) that is not assumed or substituted for, including Shares as to which such Award would not otherwise be vested or exercisable, all restrictions on Restricted Share, Restricted Share Units, Performance Shares and Performance Units (or portions thereof) not assumed or substituted for will lapse,

and, with respect to such Awards with performance-based vesting (or portions thereof) not assumed or substituted for, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met, in each case, unless specifically provided otherwise under the applicable Award Agreement or other written agreement between the Participant and the Company or any of its Subsidiaries or Parents, as applicable. In addition, if an Option or Share Appreciation Right (or portion thereof) is not assumed or substituted for in the event of a merger or Change in Control, the Administrator will notify the Participant in writing or electronically that such Option or Share Appreciation Right (or its applicable portion) will be exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Share Appreciation Right (or its applicable portion) will terminate upon the expiration of such period.

For the purposes of subsections (c) and (d) of this Section 14, an Award will be considered assumed if, following the merger or Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the merger or Change in Control, the consideration (whether stock, shares, cash, or other securities or property) received in the merger or Change in Control by holders of Ordinary Shares for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or Change in Control is not solely common stock (or ordinary shares or the equivalent thereof) of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Share Appreciation Right or upon the payout of a Restricted Share Unit, Performance Unit or Performance Share, for each Share subject to such Award, to be solely common stock (or ordinary shares or the equivalent thereof) of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Ordinary Shares in the merger or Change in Control.

Notwithstanding anything in this subsection (c) to the contrary, and unless otherwise provided in an Award Agreement or other written agreement between the Participant and the Company or any of its Subsidiaries or Parents, as applicable, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

Notwithstanding anything in this subsection (c) to the contrary, and unless otherwise provided in an Award Agreement or other written agreement between the Participant and the Company or any of its Subsidiaries or Parents, as applicable, if a payment under an Award Agreement is subject to Section 409A and if the change in control definition contained in the Award Agreement or other agreement related to the Award does not comply with the definition of "change in control" for purposes of a distribution under Section 409A, then any payment of an amount that otherwise is accelerated under this Section will be delayed until the earliest time that such payment would be permissible under Section 409A without triggering any penalties applicable under Section 409A. Section 7.4 of the Company's Amended and Restated 2010 Performance Incentive Plan shall not apply to any Awards or other payments, compensation or benefits that any Participant under the Plan would receive or has received from the Company or any other party, whether in connection with the Plan or otherwise, that may constitute a "parachute payment" within the meaning of Section 280G of the Code.

(d) Outside Director Awards. With respect to Awards granted to an Outside Director that are assumed or substituted for, if on the date of or following such assumption or substitution the Participant's status as a Director or a director of the successor corporation, as applicable, is terminated other than upon a voluntary resignation by the Participant (unless such resignation is at the request of the acquirer), then the Outside Director will fully vest in and have the right to exercise Options and/or Share Appreciation Rights as to all of the Shares underlying such Award, including those Shares which otherwise would not be vested or exercisable, all restrictions on Restricted Share and Restricted Share Units will lapse, and, with respect to Awards with

performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met, unless specifically provided otherwise under the applicable Award Agreement or other written agreement between the Participant and the Company or any of its Subsidiaries or Parents, as applicable.

15. Tax.

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof) or such earlier time as any tax withholding obligations are due, the Company (or any of its Subsidiaries, Parents or affiliates employing or retaining the services of a Participant, as applicable) will have the power and the right to deduct or withhold, or require a Participant to remit to the Company (or any of its Subsidiaries, Parents or affiliates, as applicable), an amount sufficient to satisfy U.S. federal, state and local, non-U.S., and other taxes (including the Participant's FICA obligation) required to be withheld with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (i) paying cash, check or other cash equivalents, (ii) electing to have the Company withhold otherwise deliverable cash or Shares having a fair market value equal to the minimum statutory amount required to be withheld or such greater amount as the Administrator may determine if such amount would not have adverse accounting consequences, as the Administrator determines in its sole discretion, (iii) delivering to the Company already-owned Shares having a fair market value equal to the statutory amount required to be withheld or such greater amount as the Administrator may determine, in each case, provided the delivery of such Shares will not result in any adverse accounting consequences, as the Administrator determines in its sole discretion, (iv) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld, (v) such other consideration and method of payment for the meeting of tax withholding obligations as the Administrator may determine to the extent permitted by Applicable Laws, or (vi) any combination of the foregoing methods of payment. The amount of the withholding requirement will be deemed to include any amount which the Administrator agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state or local marginal income tax rates applicable to the Participant with respect to the Award on the date that the amount of tax to be withheld is to be determined or such greater amount as the Administrator may determine if such amount would not have adverse accounting consequences, as the Administrator determines in its sole discretion. The fair market value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

(c) Compliance with Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A, the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A. In no event will the Company or any of its Subsidiaries or Parents have any responsibility, obligation or liability under the terms of this Plan to reimburse, indemnify, or hold harmless any Participant or any other person in respect of Awards, for any taxes, interest or penalties imposed, or other costs incurred, as a result of Section 409A.

16. No Effect on Employment or Service. Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider, nor interfere in any way with

the Participant's right or the right of the Company and its Subsidiaries or Parents, as applicable, to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

17. Date of Grant. The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

18. Term of Plan. Subject to Section 22 of the Plan, the Plan will become effective upon its adoption by the Board (or its designated committee). It will continue in effect for a term of ten (10) years from the date adopted by the Board, unless terminated earlier under Section 19 of the Plan.

19. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Administrator, at any time may amend, alter, suspend or terminate the Plan.

(b) Shareholder Approval. The Company will obtain shareholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan will materially impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

20. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

21. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction or to complete or comply with the requirements of any registration or other qualification of the Shares under any U.S. state or federal law or non-U.S. law or under the rules and regulations of the Securities and Exchange Commission, the stock exchange on which Shares of the same class are then listed, or any other governmental or regulatory body, which authority, registration, qualification or rule compliance is deemed by the Company's counsel to be necessary or advisable for the issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority, registration, qualification or rule compliance will not have been obtained.

22. Stockholder Approval. The Plan will be subject to approval by the shareholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such shareholder approval will be obtained in the manner and to the degree required under Applicable Laws.

23. Forfeiture Events. The Administrator may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award will be subject to reduction, cancellation, forfeiture,

recoupment, reimbursement, or reacquisition upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Notwithstanding any provisions to the contrary under this Plan, an Award will be subject to the Company's clawback policy as may be established and/or amended from time to time to comply with Applicable Laws (including without limitation pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as may be required by the Dodd-Frank wall Street Reform and Consumer Protection Act) (the "Clawback Policy"). The Administrator may require a Participant to forfeit, return or reimburse the Company all or a portion of the Award and any amounts paid thereunder pursuant to the terms of the Clawback Policy or as necessary or appropriate to comply with Applicable Laws. Unless this Section 23 specifically is mentioned and waived in an Award Agreement or other document, no recovery of compensation under a Clawback Policy or otherwise will constitute an event that triggers or contributes to any right of a Participant to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Company or any Parent or Subsidiary of the Company.

* * *

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 28, 2019

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 001-34775

FABRINET

(Exact name of registrant as specified in its charter)

Cayman Islands **(State or other jurisdiction of incorporation or organization)**	**98-1228572** **(I.R.S. Employer Identification No.)**
c/o Intertrust Corporate Services (Cayman) Limited **190 Elgin Avenue** **George Town** **Grand Cayman** **Cayman Islands** **8(Address of principal executive offices)**	**KY1-9005** **(Zip Code)**

+66 2-524-9600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, $0.01 par value	**FN**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of December 28, 2018, the last business day of the registrant's most recently completed second fiscal quarter, shares held by non-affiliates of the registrant had an aggregate market value of approximately $1.9 billion, based on the closing price for the registrant's ordinary shares as reported on the New York Stock Exchange on such date.

As of August 12, 2019, the registrant had 36,858,545 ordinary shares, $0.01 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2019 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such proxy statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

FABRINET

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended June 28, 2019

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PART I

ITEM 1. BUSINESS.

Overview

We provide advanced optical packaging and precision optical, electro-mechanical and electronic manufacturing services to original equipment manufacturers ("OEMs") of complex products such as optical communication components, modules and sub-systems, industrial lasers, automotive components, medical devices and sensors. We offer a broad range of advanced optical and electro-mechanical capabilities across the entire manufacturing process, including process design and engineering, supply chain management, manufacturing, complex printed circuit board assembly, advanced packaging, integration, final assembly and testing. Although we focus primarily on low-volume production of a wide variety of high complexity products, which we refer to as "low-volume, high-mix," we also have the capability to accommodate high-volume production. Based on our experience with and positive feedback from our customers, we believe we are a global leader in providing these services to the optical communications, industrial lasers and automotive markets.

Our customer base includes companies in complex industries that require advanced precision manufacturing capabilities, such as optical communications, industrial lasers, automotive and sensors. Our customers in these industries support a growing number of end-markets, including automotive, biotechnology, communications, materials processing, medical devices, metrology and semiconductor processing. Our total revenues for the year ended June 28, 2019 ("fiscal year 2019") increased by $212.4 million, or 15.5%, from $1.37 billion for the year ended June 29, 2018 ("fiscal year 2018") to $1.58 billion for fiscal year 2019. Our revenues from lasers, sensors and other markets as a percentage of total revenues decreased from 27.1% in fiscal year 2018 to 25.2% in fiscal year 2019, while our revenues from optical communications products as a percentage of total revenues increased from 72.9% in fiscal year 2018 to 74.8% in fiscal year 2019.

In many cases, we are the sole outsourced manufacturing partner used by our customers for the products that we produce for them. The products that we manufacture for our OEM customers include:

- optical communications devices, such as:
  - selective switching products, such as reconfigurable optical add-drop multiplexers ("ROADMs"), optical amplifiers, modulators and other optical components and modules that collectively enable network managers to route voice, video and data communications traffic through fiber optic cables at various wavelengths, speeds, and over various distances;
  - tunable lasers, transceivers, and transponders that eliminate, at a significant cost savings to the service provider, the need to stock individual fixed wavelength optical transceivers and transponders used in voice and data communications networks; and
  - active optical cables providing high-speed interconnect capabilities for data centers and computing clusters, as well as Infiniband, Ethernet, fiber channel and optical backplane connectivity;
- solid state, diode-pumped, gas and fiber lasers (collectively referred to as "industrial lasers") used across a broad array of industries, including semiconductor processing (wafer inspection, wafer dicing, wafer scribing), biotechnology and medical device (DNA sequencing, flow cytometry, hematology, antibody detection), metrology (instrumentation, calibration, inspection), and material processing (metal, polymer, textile drilling and cutting, annealing, marking, engraving, and welding); and
- sensors, including differential pressure, micro-gyro, fuel and other sensors that are used in automobiles, and non-contact temperature measurement sensors for the medical industry.

We also design and fabricate application-specific crystals, lenses, prisms, mirrors, laser components and substrates (collectively referred to as "customized optics") and other custom and standard borosilicate, clear

fused quartz, and synthetic fused silica glass products (collectively referred to as "customized glass"). We incorporate our customized optics and glass into many of the products we manufacture for our OEM customers, and we also sell customized optics and glass in the merchant market.

We believe we offer differentiated manufacturing services through our optical and electro-mechanical process technologies and our strategic alignment with our customers. Our dedicated process and design engineers, who have a deep knowledge in materials sciences and physics, are able to tailor our service offerings to accommodate our customers' complex engineering assignments. Our range of capabilities, from the design of customized optics and glass through process engineering and testing of finished assemblies, provides us with a knowledge base that we believe often leads to improvements in our customers' product development cycles, manufacturing cycle times, quality and reliability, manufacturing yields and end product costs. We offer an efficient, technologically advanced and flexible manufacturing infrastructure designed to enable the scale production of low-volume, high-mix products, as well as high-volume products. We specialize in complex prototype and new product introduction services, with specialized resources to meet customers' quick-turn printed circuit board assembly ("PCBA") and early stage manufacturing requirements. We have a dedicated engineering team to support the advanced optical packaging needs of our customers' cutting edge products, which allows them to accelerate development and time-to-market for such products. We often provide a "factory-within-a-factory" manufacturing environment to safeguard our customers' intellectual property by physically segregating certain key employees and manufacturing space from the resources we use for other customers. We also provide our customers with a customized software platform to monitor all aspects of the manufacturing process, enabling our customers to remotely access our databases to monitor yields, inventory positions, work-in-progress status and vendor quality data in real time. We believe there is no other manufacturing services provider with a similar breadth and depth of optical and electro-mechanical engineering and process technology capabilities that does not directly compete with its customers in their end-markets. As a result, we believe we are more closely aligned and better able to develop long-term relationships with our customers than our competitors.

As of June 28, 2019, our facilities comprised approximately 2.0 million total square feet, including approximately 0.2 million square feet of office space and approximately 1.8 million square feet devoted to manufacturing and related activities, of which approximately 0.8 million square feet are clean room facilities. Of the aggregate square footage of our facilities, approximately 1.5 million square feet are located in Thailand and the remaining balance is located in the People's Republic of China ("PRC" or "China"), the United Kingdom, the United States and the Cayman Islands. See Part I, Item 2. Properties of this Annual Report on Form 10-K.

Industry Background

Optical Communications

Many optical communications OEMs have reduced internal manufacturing capacity and transitioned to a low-cost and more efficient manufacturing base. By outsourcing production to third parties, OEMs are better able to concentrate their efforts and resources on what they believe are their core strengths, such as research and development, and sales and marketing. Additionally, outsourcing production often allows OEMs to reduce product costs, improve quality, access advanced process design and manufacturing technologies and achieve accelerated time-to-market and time-to-volume production. The principal barrier to the trend towards outsourcing in the optics industry has been the shortage of third-party manufacturing partners with the necessary optical process capabilities and robust intellectual property protection.

Demand for optical communications components and modules is influenced by the level and rate of development of optical communications infrastructure and carrier and enterprise network expansion, as well as rapid expansion of data center infrastructures. Carrier demand for optical communications network equipment has increased as a direct result of higher network utilization and increased demand for bandwidth capacity. The increase in network traffic volumes has been driven by increasing demand for voice, data and video services delivered over wired and wireless Internet protocol, or IP, networks. The bandwidth demands for data center access have been largely driven by social media applications and cloud services, and continue to increase very rapidly.

Industrial Lasers, Sensors and Others

The optical and electro-mechanical process technologies used in the optical communications market also have applications in other similarly complex end-markets that require advanced precision manufacturing capabilities, such as automotive, industrial lasers, medical devices, and sensors. These markets are substantially larger than the optical communications components and modules market. Growth in the industrial lasers, medical, and sensors markets is expected to be driven by demand for:

- industrial laser applications across a growing number of end-markets, particularly in semiconductor processing, biotechnology, metrology and materials processing;
- precision, non-contact and low power requirement sensors, particularly in automotive, medical and industrial end-markets; and
- lower cost products used on both enterprise and consumer levels.

Outsourcing of production by industrial laser and sensor OEMs has historically been limited. We believe industrial laser and sensor OEMs are increasingly recognizing the benefits of outsourcing that OEMs in other industries, such as optical communications, have been able to achieve.

Our Competitive Strengths

We believe we have succeeded in providing differentiated services to the optical communications, industrial lasers, medical, and sensors industries due to our long-term focus on optical and electro-mechanical process technologies, strategic alignment with our customers and our commitment to total customer satisfaction. More specifically, our key competitive strengths include:

- ***Advanced Optical and Electro-Mechanical Manufacturing Technologies:*** We believe that our optical and electro-mechanical process technologies and capabilities, coupled with our customized optics and glass technologies, provide us with a key competitive advantage. These technologies include:
  - advanced optical and precision packaging;
  - reliability and environmental testing;
  - optical and mechanical material and process analysis;
  - precision optical fiber and electro-mechanical assembly;
  - complex printed circuit board assembly;
  - customized software tools for low-volume, high-mix manufacturing;
  - turn-key manufacturing systems;
  - fiber metallization and lensing;
  - fiber handling and fiber alignment;
  - crystal growth and processing;
  - precision lapping and polishing;
  - precision glass drawing; and
  - optical coating.
- ***Efficient, Flexible and Low Cost Process Engineering and Manufacturing Platform:*** We enable our customers to transition their production to an efficient and flexible manufacturing platform that is specialized for the production of optics and similarly complex products and is located in a low-cost geography. We believe our advanced manufacturing technologies, coupled with our broad engineering

capabilities, give us the ability to identify opportunities to improve our customers' manufacturing processes and provide meaningful production cost benefits. We have also developed a series of customized software tools that we believe provide us with a specialized ability to manage the unique aspects of low-volume, high-mix production.

- ***Customizable Factory-Within-a-Factory Production Environment:*** We offer our customers exclusive engineering teams and manufacturing space for production. We call this concept of segregating production by customer a "factory-within-a-factory." We believe our approach maximizes intellectual property protection and provides greater opportunities to reduce cost and improve time to market for our customers' products.
- ***Vertical Integration Targeting Customized Optics and Glass:*** We believe our capabilities in the design and fabrication of high-value customized optics and glass are complementary to our manufacturing services. Specifically, these capabilities enable us to strategically align our business to our customers' needs by streamlining our customers' product development process and reducing the number of suppliers in our customers' manufacturing supply chains. Also, we use these customized optics and glass products in certain of the components, modules and subsystems we manufacture, which enables us to shorten time to market and reduce the cost for our customers. We believe this level of vertical integration positions us to capitalize on further opportunities to cross-sell our design and fabrication capabilities.
- ***Turn-Key Supply Chain Management:*** We have created a proprietary set of automated manufacturing resource planning tools designed specifically to address the unique inventory management demands of "low-volume, high-mix" manufacturing. Over the years, we have developed strong relationships with thousands of suppliers and implemented inventory management strategies with many of them, which enables us to obtain inventory on an as-needed basis and provide on-site stocking programs. We believe our deep expertise, relationships and capabilities in supply chain and materials management often allows us to further reduce costs and cycle times for our customers.

Our Growth Strategy

The key elements of our growth strategy are to:

- ***Strengthen Our Presence in the Optical Communications Market:*** We believe we are a leader in manufacturing products for the optical communications market. The optical communications market is growing rapidly, driven by the growth in demand for increased network bandwidth and penetration from core to metro networks and data center infrastructures. We believe this trend will continue to increase the demand for the products that we manufacture and the services we provide. We continue to invest resources in advanced manufacturing process and optical packaging technologies to support the manufacture of the next generation of complex optical products.
- ***Leverage Our Technology and Manufacturing Capabilities to Continue to Diversify Our End-Markets:*** We intend to use our technological strengths in precision optical and electro-mechanical manufacturing, advanced packaging and process design engineering to continue our diversification into industrial lasers, medical, sensors, and other select markets that require similar capabilities.
- ***Continue to Extend Our Customized Optics and Glass Vertical Integration:*** We will continue to extend our vertical integration into customized optics and glass in order to gain greater access to key components used in the complex products we manufacture as well as to continue our diversification into new markets. We believe our customized optics and glass capabilities are highly complementary to our optical and electro-mechanical manufacturing services, and we intend to continue to market these products to our existing manufacturing services customers. In addition, we intend to continue our focus on customized optics and glass through further investment into research and development, as well as through potential acquisitions in what remains a highly fragmented market.

- ***Evaluate Potential Strategic Alternatives such as Acquisitions and Joint Ventures:*** We will continue to evaluate opportunities to further expand our manufacturing capabilities and diversify our end-markets through the evaluation of various acquisition and joint venture opportunities around the globe.
- ***Broaden Our Client Base Geographically:*** Our manufacturing services are incorporated into products that are distributed in markets worldwide, but we intend to further build out our client base in strategic regions. We intend to focus on expanding our client base in Europe, Asia-Pacific, the Middle East and the United States. We believe these regions have a large and robust optics market, as well as a need for advanced manufacturing services in other growth markets, and would benefit from our precision optical and electromechanical manufacturing services.
- ***Establish New Product Introduction ("NPI") Centers to Generate and Transfer New Business to Thailand:*** We established Fabrinet West, Inc. as an NPI center in the heart of Silicon Valley. Fabrinet West, Inc. serves as our business development arm with emphasis on new business generation and eventual transfer to Thailand after NPI. Equipped with state-of-the-art surface mount and advanced optical packaging technologies and infrastructure, and with close proximity to a large portion of our customer base, this center helps to accelerate customer NPI and provides seamless access and future transfer to the low-cost manufacturing base in Thailand.

  In March 2018, we began laying the groundwork for a new NPI facility in Israel, where we expect to continue our proven model of providing local NPI services, helping our customers with design for manufacturability, and then transferring those programs to Thailand for volume manufacturing.

Service Offerings

We offer integrated precision optical, electro-mechanical, and electronic manufacturing services and customized optics and glass fabrication services for our OEM customers.

Precision Optical, Electro-Mechanical, and Electronic Manufacturing Services

Process Design and Engineering

We continuously analyze our customers' product designs for cost and manufacturability improvements. We perform detailed design for manufacturability studies and design of experiments to assist in optimizing a product's design for the lowest cost possible without compromising the quality specifications of form, fit and function. In the case of a new product design, we may assist in assembling one or more prototype products using the same production line and the same engineering and manufacturing teams that would be used for product qualification and volume production. We often transfer production from a customer's internal prototype or production lines to our own facilities, requiring a copy-exact: the setup of a production process identical to the one used by our customer to minimize the number of variables and expedite qualification.

Advanced Optical Packaging

We have a dedicated team of experienced engineers supporting our advanced optical packaging development capabilities. These highly qualified engineers work closely with our customers to understand the development requirements of their new products and assist them to build prototypes, as well as source materials, optimize manufacturing processes and develop schedules to bring these products to volume production. We maintain a real-time roadmap for the packaging requirements of our customers and the industry in general. Our advanced packaging team develops and maintains generic recipes that are readily available to be tailored and refined for the specific new applications of our customers, which helps to further accelerate prototype development and product delivery time.

Printed Circuit Board Assembly and Test

Printed circuit board assembly involves attaching electronic components, such as integrated circuits, capacitors, receivers, transceivers and other components and modules to printed circuit boards. We employ a

variety of mounting and assembly technologies, including SMT, PTH and ACT, press-fit, and other connection processes that are focused on miniaturization and increasing the density of component placement on printed circuit boards. These technologies, which support the needs of our customers to provide greater functionality in smaller products, include chip-scale packaging, ball grid array, direct chip attach and high density interconnect. We perform in-circuit, functional and environmental testing of printed circuit board assemblies to verify all components are properly inserted, attached and the electrical circuits are complete, and that the board or assembly operates in accordance with its final design and manufacturing specifications.

Dedicated New Product Introduction

We are committed to providing NPI capabilities designed to ensure that our customers' products get to market as quickly as possible. Co-locating strong engineering services in process design, prototyping, design for manufacturability ("DFM") and test at these locations gives customers a full suite of NPI services for quick-turn PCBA to box-build to full system assembly. Stringent IP protection protocols are strictly enforced throughout the entire process, safeguarding our customers' intellectual property. Our NPI sites are outfitted with state-of-the-art production equipment that mirrors the equipment used in our low-cost manufacturing facilities, ensuring a fast, smooth transition to a low-cost production environment once the product is qualified.

Qualifications

Production line and environmental qualifications require a variety of process engineering and technical skills, and the use of specialized equipment. Many of the products that we produce for our customers require extensive environmental and reliability qualification involving, in some cases, a three to six months or longer duration prior to volume production. The qualification phase may include a customer's certification of a production line or process and one or a series of qualification tests for mechanical integrity and environmental endurance as specified by an industry standards organization, such as Telcordia for telecommunication equipment. We have extensive expertise in the planning, executing, troubleshooting and ultimate success of these qualifications and testing environments, which provides our customers a higher likelihood of completing these qualifications in a timely fashion.

Continuous Improvement and Optimization

Once we have completed the qualification phase and stabilized production yields, we shift our focus to cost and quality optimization. This requires a close working relationship with our customer to optimize processes and identify alternative sources for materials to improve efficiency, yields and cost. Design and process improvements may include reducing the number of parts, simplifying the assembly process, eliminating non-value add operations, using standard materials and optimizing manufacturing lines.

Supply Chain and Inventory Management

Our expertise in supply chain and materials management often allows us to further reduce costs and cycle times for our customers. Our procurement and materials management services include planning, purchasing, expediting, warehousing and financing materials from thousands of suppliers. We have created a proprietary set of automated manufacturing resource planning tools to manage our inventory. We have also implemented inventory management strategies with certain suppliers that enable us to use inventory on an as-needed basis and provide on-site stocking programs.

Quality Control

We believe the integration of our manufacturing and test controls, quality systems, and software platforms contribute significantly to our ability to deliver high-quality products on a consistent basis and reduce the risk that we will be required to repair or replace defective products. Our manufacturing execution system ("MES") is

directly integrated with our test system and enterprise resource planning (“ERP”) database allowing us to respond to any process deviations in real time. We work with customers to develop product-specific test strategies. We also provide a variety of test management services, including material and process testing and reliability testing. In addition to providing yield, manufacturing data tracking and other information, our data tracking system also performs process route checking to ensure that the products follow correct process steps, and the test results meet all specified criteria. Our test capabilities include traditional PCBA testing, mechanical testing and optical testing, which includes parametric testing, such as insertion loss, return loss and extinction ratio, and functional testing (e.g., bit error ratio).

Customized Glass and Crystal Optics Fabrication

We design and fabricate our own customized glass and crystal optics, which are core components of the higher level assemblies that we manufacture for our customers. Our fabrication facilities are located in Fuzhou, China and Mountain Lakes, New Jersey. Our customized glass and crystal optics products include the following:

- *Fiber Optic Ferrules and Alignment Sleeves; Fiber Optic Substrates; Precision Glass Tubing, Precision Capillaries and Rods:* These single bore and multi-bore products, in various shapes and dimensions, are used principally in optical communications, medical and industrial applications.
- *Laser Optics:* Includes crystals (such as YVO4, Nd: YVO4, Cr: YAG, and BBO), optics, high reflectivity mirrors, lenses, prisms and windows used in laser applications.
- *Medical Optics:* Includes mirrors, lenses, filters, waveplates, windows, and prisms incorporated into various medical equipment products.
- *Storage Optics:* Includes mirrors, polarizing beam splitters or PBS, and waveplates incorporated into optical storage products.
- *Surveying Optics:* Includes penta prisms, corner cubes, and T-Windows incorporated into precision surveying products.
- *Telecom Optics:* Includes lenses (such as spherical, a-spherical, C-lens, and cylindrical), waveplates, mirrors, prisms, filters and YVO4 crystals used for telecommunications applications.
- *Telecommunication Subassemblies:* Includes fiber pigtails (both single and dual), assemblies and collimators used in many fiber optic components such as isolators, circulators, optical switches and three-port filters.

Technology

Based on our experience with customers and our qualitative assessment of our capabilities, we believe we provide a broader array of process technologies to the optics industry than any other manufacturing services provider. We also continue to invest in customized optics and glass technology including in the areas of crystal growth, crystal and glass processing, optical coating, polishing and lapping, optical assemblies and precision glass drawing. We intend to continue to increase our process engineering capabilities and manufacturing technologies to extend our product portfolio and continue to gain market share in the optics industry. Our internally developed and licensed technologies include the following:

- *Advanced Optical Packaging:* We have extensive experience in developing manufacturing processes and performing value engineering to improve our customers’ product performance, quality, reliability and manufacturing yields. In many cases, we partner with our customers to develop custom manufacturing solutions for their optics products.
- *Reliability Testing:* Our reliability laboratory enables us to test the degree to which our results and specifications conform to our customers’ requirements. Through the reliability laboratory, we are able to perform most of the tests required by industry standards, including damp heat, thermal aging, thermal shock, temperature cycling, shock and vibration, accelerated life testing and stress screening. The reliability laboratory is critical to verification of root cause failure analysis.

- *Optical and Mechanical Material and Process Analysis:* Our in-house material and process laboratory analyzes materials to support incoming inspection, process development, process monitoring, failure analysis and verification of compliance with the applicable environmental standards.
- *Precision Optical Fiber and Electro-Mechanical Assembly:* We have extensive experience in precision optical and electro-mechanical assemblies in clean room environments, clean room control discipline, cleaning technologies and electro-static discharge ("ESD") protection.
- *Fiber Metallization and Lensing:* We use our fiber metallization and fiber lensing capabilities to assist our customers in packaging their products. Many optical component package designs require metallized fiber and some designs also require lensing at the tip of the fiber. We have in-house capabilities that enable us to produce these products at a low cost, with short lead times and high quality.
- *Fiber Handling and Fiber Alignment:* The technique with which optical fiber is handled can have a significant impact on the functionality and reliability of optics products due to the risk of damage or flaws introduced to the fiber surface or micro-cracks to the core of the fiber, which may impact alignment or signal quality, among other things. We have implemented a number of processes, techniques, and best practices to avoid stressing or otherwise damaging fiber during stripping, cleaving and connectorization. Such techniques are also designed to achieve optimal alignment of fiber in the shortest period of time during these processes.
- *Optical Testing:* We have the capability to perform parametric and functional tests for a wide variety of optical devices. In many cases, we are also able to help our customers develop their own proprietary software and test fixtures.
- *Crystal Growth and Processing:* Our crystal growth technology produces non-linear optical crystals and crystals used in laser applications. Our processing capabilities include dicing, grinding, polishing and inspection with high dimension, tolerance and surface quality.
- *Precision Glass Drawing:* We have developed the specialized capabilities necessary to draw precision structures within tight tolerances using borosilicate, clear fused quartz and synthetic fused silica glass. Using these processes, we produce customized rectangular and circular glass tubes and rods in various configurations and with multiple bores that are accurately drawn in precise locations within the tubing. These tubes can be sliced into thin wafers for use in various applications, such as ultra-filtration of bacteria, micro-organism counting, and identification of organisms and substances. These tubes can also be cut into larger lengths to produce ferrules and sleeves for use in fiber optic communications components.
- *Optical Coating:* We provide a wide variety of coating from simple single layer anti-reflection coatings to complex multi-layer stacks. The types of coating we provide include anti-reflection, partial reflection and high reflection.

We continuously invest in new and optimized processes to accommodate the next generation of optical devices, such as optical packaging, anti-reflective coating and complex printed circuit board technologies. We believe many of these manufacturing processes and technologies will be key to developing and commercializing the next generation of optical devices, which may include multi-function passive optics and photonic integrated circuits (which are devices that incorporate various optical components and modules into a packaged chip), receivers integrated with an optical amplifier, and active optical cabling. We also anticipate our customers will continue to desire our vertically integrated capabilities, designing customized optics and glass to be incorporated into optical components, modules and complete network or laser systems.

Customers, Sales and Marketing

The optical communications market we serve is highly concentrated. Therefore, we expect a significant percentage of our total revenues will continue to come from a small number of customers. During fiscal years

2019 and 2018, we had one customer, Lumentum Operations LLC, that contributed 10% or more of our total revenues, with 20% of our total revenues in fiscal year 2019 and 16% in fiscal year 2018.

The production of optical devices is characterized by a lengthy qualification process. In particular, the qualification and field testing of the products that we produce for our customers may take three to six months or longer to complete. Generally, we must qualify our production process with our customers, and the products that we manufacture must also meet the product quality requirements of our customers' customers. While most of our customers do not purchase our services until they qualify the services and satisfactorily complete factory audits and vendor evaluations, we typically produce a test run of their products to demonstrate that the products we produce will meet their qualification standards in advance of receiving an order. As part of this process, our engineers work closely with the customer's design and procurement teams. We believe that the rigorous product transfer and qualification processes, and the close relationships that we develop with our customers during those processes, results in greater visibility into product life cycles and longer-term customer engagements.

Backlog

We are substantially dependent on orders we receive and fill on a short-term basis. Although we often receive a 12-month forecast from our customers, our customer contracts do not provide any assurance of future sales, and sales are typically made pursuant to individual purchase orders that have short lead times and are subject to revision or cancellation. Because of the possibility of changes in delivery or acceptance schedules, cancellations of orders, returns or price reductions, we do not believe that backlog is a reliable indicator of our future revenues.

Suppliers of Raw Materials

Our manufacturing operations use a wide variety of optical, semiconductor, mechanical and electronic components, assemblies and raw materials. We generally purchase materials from our suppliers through standard purchase orders, as opposed to long-term supply agreements. We rely on sole-source suppliers for a number of critical materials. Some of these sole-source suppliers are small businesses, which presents risks to us based on their financial health and reliability, which we continually monitor. We have historically experienced supply shortages resulting from various causes, including reduced yields by our suppliers, which have prevented us from manufacturing products for our customers in a timely manner. While we continually undertake programs to strengthen our supply chain, we are experiencing, and expect for the foreseeable future to continue to experience, strain on our supply chain, as well as periodic supplier problems. We have incurred, and expect to continue to incur for the foreseeable future, costs to address these problems.

Quality

We have an extensive quality management system that focuses on continual process improvement and achieving high levels of customer satisfaction. We employ a variety of enhanced statistical engineering techniques and other tools to improve product and service quality. In addition, we generally offer a warranty ranging from one to five years on the products that we assemble. Generally, this warranty is limited to our workmanship and our liability is capped at the price of the product.

Our quality management systems help to ensure that the products we provide to our customers meet or exceed industry standards. We maintain the following certifications: ISO 9001 for Manufacturing Quality Management Systems; ISO 14001 for Environmental Management Systems; TL 9000 for Telecommunications Industry Quality Certification; IATF 16949 for Automotive Industry Quality Certification; ISO 13485 for Medical Devices Industry Quality Certification; AS 9100 for Aerospace Industry Quality Certification; NADCAP (National Aerospace and Defense Contractors Accreditation Program) for Quality Assurance throughout the Aerospace and Defense Industries; and OHSAS 18001 for Occupational Health and Safety Management Systems. We also maintain compliance with various additional standards imposed by the U.S. Food and Drug Administration, or FDA, with respect to the manufacture of medical devices.

Additionally, we are required to register with the FDA and other regulatory bodies and are subject to continual review and periodic inspection for compliance with various regulations, including testing, quality control and documentation procedures. We hold the following additional certifications: ANSI ESD S20.20 for facilities and manufacturing process control, in compliance with ESD standard; Transported Asset Protection Association, or TAPA, for Logistic Security Management System; and CSR-DIW for Corporate Social Responsibility in Thailand. In the European Union, we are required to maintain certain ISO certifications in order to sell our precision optical, electro-mechanical and electronic manufacturing services and we must undergo periodic inspections by regulatory bodies to obtain and maintain these certifications.

In addition to these standards, we are committed to the deployment of sustainable manufacturing, lean initiatives, and continuous improvement throughout our operations. The implementation of lean manufacturing initiatives helps improve efficiency and reduce waste in the manufacturing process in areas such as inventory on hand, set up times, and floor space and the number of people required for production, while Kaizen and Six Sigma ensures continuous improvement by reducing process variation.

Competition

Although the manufacturing services market is highly competitive, we believe that there are significant barriers to entry in our existing and target markets, including lengthy sales cycles, the need to demonstrate complex precision optical and electro-mechanical engineering and manufacturing capabilities to a prospective customer and the ability to protect a customer's intellectual property.

Our overall competitive position depends upon a number of factors, including:

- our manufacturing technologies and capacity;
- the quality of our manufacturing processes and products;
- our supply chain tools and data management systems;
- our ability to safeguard and protect our customers' intellectual property;
- our engineering and prototyping capabilities;
- our ability to strengthen and broaden our engineering services and know-how to participate in the growth of emerging technologies;
- our ability to deliver on-time;
- our ability to deliver continuous cost improvements; and
- our responsiveness and flexibility.

Competitors in the market for optical manufacturing services include Benchmark Electronics, Inc., Celestica Inc., Sanmina-SCI Corporation, Jabil Circuit, Inc. and Venture Corporation Limited, as well as the internal manufacturing capabilities of our customers. Our customized optics and glass operations face competition from companies such as Browave Corporation, Fujian Castech Crystals, Inc., Photop Technologies, Inc. and Research Electro-Optic, Inc. Our UK competitors for printed circuit board assemblies include STI Limited and Axiom Manufacturing Services Limited.

Intellectual Property

Our success depends, in part, on our ability to protect our customers' intellectual property. We license various technologies from our customers on a non-exclusive, royalty-free, non-transferable basis for the sole purpose of allowing us to manufacture products for those customers in accordance with their specifications. We have no rights to disclose, use, sublicense or sell this licensed technology for any other purpose. The duration of

these licenses is limited to the duration of the underlying supply or manufacturing agreement. To meet the demands of certain customers, we created a factory-within-a-factory manufacturing environment that physically separates the manufacturing sites from one another. Some customers, for example, demand anonymity at our facilities while other customers require additional security measures such as biometric devices to safeguard their segregated manufacturing areas.

We regard our own manufacturing process technologies and customized optics and glass designs as proprietary intellectual property. We own any process engineering technology independently developed in-house by our technical staff. As part of our manufacturing services, to the extent we utilize our own manufacturing process technologies in the manufacture of our customers' products, we grant our customers a royalty-free license to these process engineering technologies for the purpose of allowing our customers to make their products. Any process engineering or other improvements that we develop in connection with the improvement or optimization of a process for the manufacturing of a customer's products are immediately assigned to that customer. To protect our proprietary rights, we rely largely upon a combination of trade secrets, non-disclosure agreements and internal security systems. Historically, patents have not played a significant role in the protection of our proprietary rights. Nevertheless, we currently have a relatively small number of solely-owned and jointly-held PRC patents in various customized optic technologies with expiration dates between 2022 and 2034. We believe that both our evolving business practices and industry trends may result in the continued growth of our patent portfolio and its importance to us, particularly as we expand our business.

Environmental Regulation

We are subject to a variety of international and U.S. laws and other legal requirements relating to the use, disposal, cleanup of and human exposure to hazardous materials. To date, such laws and regulations have not materially affected our business. We do not anticipate any material capital expenditures for environmental control facilities for the foreseeable future. While to date we are not aware of any material exposures, there can be no assurance that environmental matters will not arise in the future or that costs will not be incurred with respect to sites as to which no problem is currently known.

Social Responsibility

Our corporate social responsibility practices focus on creating better social, economic and environmental outcomes for all stakeholders in the global electronics supply chain. These outcomes include: improved conditions for workers, increased efficiency and productivity for customers and suppliers, economic development, and a clean environment for our communities. We are committed to implementing programs that focus on driving continuous improvements in social, ethical, and environmental compliance throughout all of our global operating units in accordance with our Code of Business Conduct. As a guide to achieve this end, we look at principles, policies and standards as prescribed by the Responsible Business Alliance ("RBA"), formerly the Electronics Industry Citizenship Coalition, an association of global electronics companies whose mission is to enable companies to improve the social and environmental conditions in the global supply chain. Fabrinet is a full member of the RBA.

Corporate Structure

Fabrinet was incorporated under the laws of the Cayman Islands in August 1999 and commenced business operations in January 2000. We have seventeen direct and indirect subsidiaries, all of which are wholly-owned. As the parent company, we enter into contracts directly with our customers, and have entered into various inter-company agreements with some of our subsidiaries, while our subsidiaries, Casix, Inc., FBN New Jersey Manufacturing, Inc., Fabrinet West, Inc., and Fabrinet UK Limited, each enter into sales contracts or purchase orders directly with their customers. We have inter-company agreements with Fabrinet Co., Ltd. and FBN New Jersey Manufacturing, Inc., whereby each provides manufacturing services to us. We also have inter-company agreements with Fabrinet USA, Inc. and Fabrinet Pte., Ltd. to provide us certain administrative and business development services.

Employees

As of June 28, 2019, we employed approximately 11,670 full-time employees worldwide, including approximately 11,372 employees in manufacturing operations and 298 employees in business development and general and administrative functions. None of our employees are represented by a labor union. We have not experienced any work stoppages, slowdowns, or strikes. We consider our relations with our employees to be positive.

Available Information

Our website is located at www.fabrinet.com. The information posted on our website is not incorporated into this Annual Report on Form 10-K. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge through the "Investors" section of our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission ("SEC"). The SEC maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding SEC registrants, including Fabrinet.

ITEM 1A. RISK FACTORS

Investing in our ordinary shares involves a high degree of risk. You should carefully consider the following risks as well as the other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes, before investing in our ordinary shares. The risks and uncertainties described below are not the only ones that we may face. Additional risks and uncertainties of which we are unaware, or that we currently deem immaterial, also may become important factors that affect us or our ordinary shares. If any of the following risks actually occur, they may harm our business, financial condition and operating results. In this event, the market price of our ordinary shares could decline and you could lose some or all of your investment.

Risks Related to Our Business

Our sales depend on a small number of customers. A reduction in orders from any of these customers, the loss of any of these customers, or a customer exerting significant pricing and margin pressures on us could harm our business, financial condition and operating results.

We have depended, and will continue to depend, upon a small number of customers for a significant percentage of our total revenues. During fiscal years 2019 and 2018, we had one customer, Lumentum Operations LLC, that contributed 10% or more of our total revenues, with 20% of our total revenues in fiscal year 2019 and 16% in fiscal year 2018. Dependence on a small number of customers means that a reduction in orders from, a loss of, or other adverse actions by any one of these customers would reduce our revenues and could have a material adverse effect on our business, financial condition and operating results.

Further, our customer concentration increases the concentration of our accounts receivable and our exposure to payment default by any of our key customers. Many of our existing and potential customers have substantial debt burdens, have experienced financial distress, or have static or declining revenues, all of which may be exacerbated by adverse conditions in the credit markets, continual uncertainty in global economies, the impact of the U.S.-China trade dispute, and the impact of Brexit. Certain of our customers have gone out of business, declared bankruptcy, been acquired, or announced their withdrawal from segments of the optics market. We generate significant accounts payable and inventory for the services that we provide to our customers, which could expose us to substantial and potentially unrecoverable costs if we do not receive payment from our customers.

Our reliance on a small number of customers gives our customers substantial purchasing power and leverage in negotiating contracts with us. In addition, although we enter into master supply agreements with our customers, the level of business to be transacted under those agreements is not guaranteed. Instead, we are awarded business under those agreements on a project-by-project basis. Some of our customers have at times significantly reduced or delayed the volume of manufacturing services that they order from us. If we are unable to maintain our relationships with our existing significant customers, our business, financial condition and operating results could be harmed.

Consolidation in the markets we serve could harm our business, financial condition and operating results.

Consolidation in the markets we serve has resulted in a reduction in the number of potential customers for our services. For example, Cisco entered into an agreement in July 2019 to acquire Acacia Communications, Lumentum Holdings Inc. completed its acquisition of Oclaro, Inc. in December 2018, and II-VI Incorporated entered into an agreement in November 2018 to acquire Finisar Corporation. In some cases, consolidation among our customers has led to a reduction in demand for our services as customers acquired the capacity to manufacture products in-house.

Consolidation among our customers and their customers will continue to adversely affect our business, financial condition and operating results in several ways. Consolidation among our customers and their

customers may result in a smaller number of large customers whose size and purchasing power give them increased leverage that may result in, among other things, decreases in our average selling prices. In addition to pricing pressures, this consolidation may also reduce overall demand for our manufacturing services if customers obtain new capacity to manufacture products in-house or discontinue duplicate or competing product lines in order to streamline operations. If demand for our manufacturing services decreases, our business, financial condition and operating results could be harmed.

If the optical communications market does not expand as we expect, our business may not grow as fast as we expect, which could adversely impact our business, financial condition and operating results.

Revenues from optical communications products represented 74.8% and 72.9% of our total revenues for fiscal year 2019 and fiscal year 2018, respectively. Our future success as a provider of precision optical, electro-mechanical and electronic manufacturing services for the optical communications market depends on the continued growth of the optics industry and, in particular, the continued expansion of global information networks, particularly those directly or indirectly dependent upon a fiber optic infrastructure. As part of that growth, we anticipate that demand for voice, video, and other data services delivered over high-speed connections (both wired and wireless) will continue to increase. Without network and bandwidth growth, the need for enhanced communications products would be jeopardized. Currently, demand for network services and for high-speed broadband access, in particular, is increasing but growth may be limited by several factors, including, among others: (1) relative strength or weakness of the global economy or certain countries or regions, (2) an uncertain regulatory environment, and (3) uncertainty regarding long-term sustainable business models as multiple industries, such as the cable, traditional telecommunications, wireless and satellite industries, offer competing content delivery solutions. The optical communications market also has experienced periods of overcapacity, some of which have occurred even during periods of relatively high network usage and bandwidth demands. If the factors described above were to slow, stop or reverse the expansion in the optical communications market, our business, financial condition and operating results would be negatively affected.

Our quarterly revenues, gross profit margins and operating results have fluctuated significantly and may continue to do so in the future, which may cause the market price of our ordinary shares to decline or be volatile.

Our quarterly revenues, gross profit margins, and operating results have fluctuated significantly and may continue to fluctuate significantly in the future. For example, any of the risks described in this “Risk Factors” section and, in particular, the following factors, could cause our quarterly and annual revenues, gross profit margins, and operating results to fluctuate from period to period:

- our ability to acquire new customers and retain our existing customers by delivering superior quality and customer service;
- the cyclicality of the optical communications market, as well as the industrial lasers, medical and sensors markets;
- competition;
- our ability to achieve favorable pricing for our services;
- the effect of fluctuations in foreign currency exchange rates;
- our ability to manage our headcount and other costs; and
- changes in the relative mix in our revenues.

Therefore, we believe that quarter-to-quarter comparisons of our operating results may not be useful in predicting our future operating results. You should not rely on our results for one quarter as any indication of our future performance. Quarterly variations in our operations could result in significant volatility in the market price of our ordinary shares.

If we are unable to continue diversifying our precision optical and electro-mechanical manufacturing services across other markets within the optics industry, such as the semiconductor processing, biotechnology, metrology and material processing markets, or if these markets do not grow as fast as we expect, our business may not grow as fast as we expect, which could adversely impact our business, financial condition and operating results.

We intend to continue diversifying across other markets within the optics industry, such as the semiconductor processing, biotechnology, metrology, and material processing markets, to reduce our dependence on the optical communications market and to grow our business. Currently, the optical communications market contributes the significant majority of our revenues. There can be no assurance that our efforts to further expand and diversify into other markets within the optics industry will prove successful or that these markets will continue to grow as fast as we expect. In the event that the opportunities presented by these markets prove to be less than anticipated, if we are less successful than expected in diversifying into these markets, or if our margins in these markets prove to be less than expected, our growth may slow or stall, and we may incur costs that are not offset by revenues in these markets, all of which could harm our business, financial condition and operating results.

We face significant competition in our business. If we are unable to compete successfully against our current and future competitors, our business, financial condition and operating results could be harmed.

Our current and prospective customers tend to evaluate our capabilities against the merits of their internal manufacturing as well as the capabilities of other third-party manufacturers. We believe the internal manufacturing capabilities of current and prospective customers are our primary competition. This competition is particularly strong when our customers have excess manufacturing capacity, as was the case when the markets that we serve experienced a significant downturn in 2008 and 2009 that resulted in underutilized capacity. Should our existing and potential customers have excess manufacturing capacity at their facilities, it could adversely affect our business. In addition, as a result of the 2011 flooding in Thailand, some of our customers began manufacturing products internally or using other third-party manufacturers that were not affected by the flooding. If our customers choose to manufacture products internally rather than to outsource production to us, or choose to outsource to a third-party manufacturer, our business, financial condition and operating results could be harmed.

Competitors in the market for optical manufacturing services include Benchmark Electronics, Inc., Celestica Inc., Sanmina-SCI Corporation, Jabil Circuit, Inc., and Venture Corporation Limited. Our customized optics and glass operations face competition from companies such as Browave Corporation, Fujian Castech Crystals, Inc., Photop Technologies, Inc., and Research Electro-Optic, Inc. Our UK competitors for printed circuit board assemblies include STI Limited and Axiom Manufacturing Services Limited. Other existing contract manufacturing companies, original design manufacturers or outsourced semiconductor assembly and test companies could also enter our target markets. In addition, we may face more competitors as we attempt to penetrate new markets.

Many of our customers and potential competitors have longer operating histories, greater name recognition, larger customer bases and significantly greater resources than we have. These advantages may allow them to devote greater resources than we can to the development and promotion of service offerings that are similar or superior to our service offerings. These competitors may also engage in more extensive research and development, undertake more far-reaching marketing campaigns, adopt more aggressive pricing policies or offer services that achieve greater market acceptance than ours. These competitors may also compete with us by making more attractive offers to our existing and potential employees, suppliers, and strategic partners. Further, consolidation in the optics industry could lead to larger and more geographically diverse competitors. New and increased competition could result in price reductions for our services, reduced gross profit margins or loss of market share. We may not be able to compete successfully against our current and future competitors, and the competitive pressures we face may harm our business, financial condition and operating results.

Cancellations, delays or reductions of customer orders and the relatively short-term nature of the commitments of our customers could harm our business, financial condition and operating results.

We do not typically obtain firm purchase orders or commitments from our customers that extend beyond 13 weeks. While we work closely with our customers to develop forecasts for periods of up to one year, these forecasts are not binding and may be unreliable. Customers may cancel their orders, change production quantities from forecasted volumes or delay production for a number of reasons beyond our control. Any material delay, cancellation or reduction of orders could cause our revenues to decline significantly and could cause us to hold excess materials. Many of our costs and operating expenses are fixed. As a result, a reduction in customer demand could decrease our gross profit and harm our business, financial condition and operating results.

In addition, we make significant decisions, including production schedules, material procurement commitments, personnel needs and other resource requirements, based on our estimate of our customers' requirements. The short-term nature of our customers' commitments and the possibility of rapid changes in demand for their products reduce our ability to accurately estimate the future requirements of our customers. Inability to forecast the level of customer orders with certainty makes it difficult to allocate resources to specific customers, order appropriate levels of materials and maximize the use of our manufacturing capacity. This could also lead to an inability to meet a spike in production demand, all of which could harm our business, financial condition and operating results.

Our exposure to financially troubled customers or suppliers could harm our business, financial condition and operating results.

We provide manufacturing services to companies, and rely on suppliers, that have in the past and may in the future experience financial difficulty, particularly in light of uncertainty in the credit markets and the overall economy that affected access to capital and liquidity. As a result, we devote significant resources to monitor receivables and inventory balances with certain of our customers. If our customers experience financial difficulty, we could have difficulty recovering amounts owed to us from these customers, or demand for our services from these customers could decline. For example, in July 2014, one of our customers filed for bankruptcy protection under the Local Trade Court in France; although the bankruptcy of this customer did not have a significant effect on our consolidated financial statements, the same may not be the case if a significant customer were to file for bankruptcy protection in the future. As another example, another customer temporarily ceased operations in December 2018 and is currently on a payment plan with us. We have not recorded any impairment charges related to this customer but are continuing to monitor its situation. If our suppliers experience financial difficulty, we could have trouble sourcing materials necessary to fulfill production requirements and meet scheduled shipments. Any such financial difficulty could adversely affect our operating results and financial condition by resulting in a reduction in our revenues, a charge for inventory write-offs, a provision for doubtful accounts, and larger working capital requirements due to increased days in inventory and days in accounts receivable.

Fluctuations in foreign currency exchange rates and changes in governmental policies regarding foreign currencies could increase our operating costs, which would adversely affect our operating results.

Volatility in the functional and non-functional currencies of our entities and the U.S. dollar could seriously harm our business, financial condition, and operating results. The primary impact of currency exchange fluctuations is on our cash, receivables, and payables of our operating entities. We may experience significant unexpected losses from fluctuations in exchange rates. For example, in the three months ended March 29, 2019, we experienced a $3.1 million foreign exchange loss, which negatively affected our net income per share for the same period by $0.08.

Our customer contracts generally require that our customers pay us in U.S. dollars. However, the majority of our payroll and other operating expenses are paid in Thai baht. As a result of these arrangements, we have

significant exposure to changes in the exchange rate between the Thai baht and the U.S. dollar, and our operating results are adversely impacted when the U.S. dollar depreciates relative to the Thai baht and other currencies. We have experienced such depreciation in the U.S. dollar as compared with the Thai baht, and our results have been adversely impacted by this fluctuation in exchange rates. As of June 28, 2019, the U.S. dollar had depreciated approximately 9.5% against the Thai baht since June 30, 2017. Further, while we attempt to hedge against certain exchange rate risks, we typically enter into hedging contracts with maturities of up to 12 months, leaving us exposed to longer term changes in exchange rates.

Also, we have significant exposure to changes in the exchange rate between the Chinese Renminbi ("RMB") and pound sterling ("GBP") and the U.S. dollar. The expenses of our subsidiaries located in the PRC and the United Kingdom are denominated in RMB and GBP, respectively. Currently, RMB are convertible in connection with trade- and service-related foreign exchange transactions, foreign debt service, and payment of dividends. The PRC government may at its discretion restrict access in the future to foreign currencies for current account transactions. If this occurs, our PRC subsidiary may not be able to pay us dividends in U.S. dollars without prior approval from the PRC State Administration of Foreign Exchange. In addition, conversion of RMB for most capital account items, including direct investments, is still subject to government approval in the PRC. This restriction may limit our ability to invest the earnings of our PRC subsidiary. As of June 28, 2019, the U.S. dollar had depreciated approximately 0.6% against the RMB since June 30, 2017. There remains significant international pressure on the PRC government to adopt a substantially more liberalized currency policy. GBP are convertible in connection with trade- and service-related foreign exchange transactions and foreign debt service. As of June 28, 2019, the U.S. dollar had appreciated approximately 2.7% against the GBP since June 30, 2017. Any appreciation in the value of the RMB and GBP against the U.S. dollar could negatively impact our operating results.

We purchase some of the critical materials used in certain of our products from a single source or a limited number of suppliers. Supply shortages have in the past, and could in the future, impair the quality, reduce the availability or increase the cost of materials, which could harm our revenues, profitability and customer relations.

We rely on a single source or a limited number of suppliers for critical materials used in a significant number of the products we manufacture. We generally purchase these single or limited source materials through standard purchase orders and do not maintain long-term supply agreements with our suppliers. We generally use a rolling 12 month forecast based on anticipated product orders, customer forecasts, product order history, backlog, and warranty and service demand to determine our materials requirements. Lead times for the parts and components that we order vary significantly and depend on factors such as manufacturing cycle times, manufacturing yields, and the availability of raw materials used to produce the parts or components. Historically, we have experienced supply shortages resulting from various causes, including reduced yields by our suppliers, which prevented us from manufacturing products for our customers in a timely manner. Our revenues, profitability and customer relations could be harmed by a stoppage or delay of supply, a substitution of more expensive or less reliable parts, the receipt of defective parts or contaminated materials, an increase in the price of supplies, or an inability to obtain reductions in price from our suppliers in response to competitive pressures.

We continue to undertake programs to strengthen our supply chain. Nevertheless, we are experiencing, and expect for the foreseeable future to continue to experience, strain on our supply chain, and periodic supplier problems. We have incurred, and expect to continue to incur for the foreseeable future, costs to address these problems.

Managing our inventory is complex and may require write-downs due to excess or obsolete inventory, which could cause our operating results to decrease significantly in a given fiscal period.

Managing our inventory is complex. We are generally required to procure material based upon the anticipated demand of our customers. The inaccuracy of these forecasts or estimates could result in excess supply or shortages of certain materials. Inventory that is not used or expected to be used as and when planned may become excess or obsolete. Generally, we are unable to use most of the materials purchased for one of our

customers to manufacture products for any of our other customers. Additionally, we could experience reduced or delayed product shipments or incur additional inventory write-downs and cancellation charges or penalties, which would increase costs and could harm our business, financial condition and operating results. While our agreements with customers are structured to mitigate our risks related to excess or obsolete inventory, enforcement of these provisions may result in material expense, and delay in payment for inventory. If any of our significant customers becomes unable or unwilling to purchase inventory or does not agree to such contractual provisions in the future, our business, financial condition and operating results may be harmed.

We conduct operations in a number of countries, which creates logistical and communications challenges for us and exposes us to other risks and challenges that could harm our business, financial condition and operating results.

The vast majority of our operations, including manufacturing and customer support, are located primarily in the Asia-Pacific region. The distances between Thailand, the PRC and our customers and suppliers globally, create a number of logistical and communications challenges for us, including managing operations across multiple time zones, directing the manufacture and delivery of products across significant distances, coordinating the procurement of raw materials and their delivery to multiple locations and coordinating the activities and decisions of our management team, the members of which are based in different countries.

Our customers are located throughout the world, and our principal manufacturing facilities are located in Thailand. Total revenues from the bill-to-location of customers outside of North America accounted for 52.3%, 53.1%, and 53.4% of our total revenues for fiscal year 2019, fiscal year 2018 and fiscal year 2017, respectively. We expect that total revenues from the bill-to-location of customers outside of North America will continue to account for a significant portion of our total revenues. Our customers also depend on international sales, which further exposes us to the risks associated with international operations. Conducting business outside the United States subjects us to a number of additional risks and challenges, including:

- compliance with a variety of domestic and foreign laws and regulations, including trade regulatory requirements;
- periodic changes in a specific country's or region's economic conditions, such as recession;
- unanticipated restrictions on our ability to sell to foreign customers where sales of products and the provision of services may require export licenses or are prohibited by government action (for example, in early 2018, the U.S. Department of Commerce prohibited the export and sale of a broad category of U.S. products, as well as the provision of services, to ZTE Corporation, and in 2019, to Huawei, both of which are customers of certain of our customers);
- fluctuations in currency exchange rates;
- inadequate protection of intellectual property rights in some countries; and
- potential political, legal and economic instability, foreign conflicts, and the impact of regional and global infectious illnesses in the countries in which we and our customers and suppliers are located.

Our failure to manage the risks and challenges associated with our international operations could have a material adverse effect on our business.

We are subject to governmental export and import controls in several jurisdictions that subject us to a variety of risks, including liability, impairment of our ability to compete in international markets, and decreased sales and customer orders.

We are subject to governmental export and import controls in Thailand, the PRC, the United Kingdom and the United States that may limit our business opportunities. Various countries regulate the import of certain technologies and have enacted laws or taken actions that could limit (1) our ability to export or sell the products

we manufacture and (2) our customers' ability to export or sell products that we manufacture for them. The export of certain technologies from the United States, the United Kingdom and other nations to the PRC is barred by applicable export controls, and similar prohibitions could be extended to Thailand, thereby limiting our ability to manufacture certain products. Any change in export or import regulations or related legislation, shift in approach to the enforcement of existing regulations, or change in the countries, persons or technologies targeted by such regulations, could limit our ability to offer our manufacturing services to existing or potential customers, which could harm our business, financial condition and operating results.

For example, in May 2019, the U.S. Commerce Department's Bureau of Industry and Security (BIS) added Huawei and certain affiliates to the BIS Entity List. This action denied Huawei the ability to purchase products, software and technology that are subject to U.S. Export Administration Regulations (EAR). Although we do not sell directly to Huawei, some of our customers do sell to Huawei directly. To ensure compliance, some of our customers immediately suspended shipments to Huawei in order to begin assessments of the products they sold to Huawei (and its affiliates), to determine whether these products were subject to the restrictions resulting from the ban. This had an immediate impact on our customer orders in the fourth quarter of fiscal 2019, which affected our revenue for the quarter. We expect this ban to continue to adversely affect orders from our customers for the foreseeable future.

We are subject to risks related to the ongoing U.S.-China trade dispute, including increased tariffs on materials that we use in manufacturing, which could adversely affect our business, financial condition and operating result.

The U.S. Presidential Administration recently imposed tariffs on a wide-range of products and goods manufactured in China that are directly or indirectly imported into the Unites States, and it has announced plans to impose additional tariffs on products and goods manufactured in China. In response, various countries and economic regions have announced plans or intentions to impose retaliatory tariffs on a wide-range of products they import from the United States. These newly imposed, announced and threatened U.S. tariffs and retaliatory tariffs could have the effect of increasing the cost of materials we use to manufacture certain products, which could result in lower margins. The tariffs could also result in disruptions to our supply chain, as suppliers struggle to fill orders from companies trying to purchase goods in bulk ahead of announced tariffs. The institution of trade tariffs both globally and between the U.S. and China specifically could also cause a decrease in the sales of our customers' products to end users located in China, which could directly impact our revenues in the form of reduced orders. If existing tariffs are raised further or if new tariffs are imposed on additional categories of components used in our manufacturing activities, and if we are unable to pass on the costs of such tariffs to our customers, our operating results would be harmed.

Our business and operations would be adversely impacted in the event of a failure of our information technology infrastructure and/or cyber security attacks.

We rely upon the capacity, availability and security of our information technology hardware and software infrastructure. For instance, we use a combination of standard and customized software platforms to manage, record, and report all aspects of our operations and, in many instances, enable our customers to remotely access certain areas of our databases to monitor yields, inventory positions, work-in-progress status and vendor quality data. We are constantly expanding and updating our information technology infrastructure in response to our changing needs. Any failure to manage, expand and update our information technology infrastructure or any failure in the operation of this infrastructure could harm our business.

Despite our implementation of security measures, our systems are vulnerable to damages from computer viruses, natural disasters, unauthorized access and other similar disruptions. Any system failure, accident or security breach could result in disruptions to our operations. To the extent that any disruptions, cyber-attack or other security breach results in a loss or damage to our data, or inappropriate disclosure of confidential information, it could harm our business. In addition, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

If we fail to adequately expand our manufacturing capacity, we will not be able to grow our business, which would harm our business, financial condition and operating results. Conversely, if we expand too much or too rapidly, we may experience excess capacity, which would harm our business, financial condition and operating results.

We may not be able to pursue many large customer orders or sustain our historical growth rates if we do not have sufficient manufacturing capacity to enable us to commit to provide customers with specified quantities of products. If our customers do not believe that we have sufficient manufacturing capacity, they may: (1) outsource all of their production to another source that they believe can fulfill all of their production requirements; (2) look to a second source for the manufacture of additional quantities of the products that we currently manufacture for them; (3) manufacture the products themselves; or (4) otherwise decide against using our services for their new products.

We most recently expanded our manufacturing capacity by building a new facility in Chonburi, Thailand, which was completed in March 2017. We may continue to devote significant resources to the expansion of our manufacturing capacity, and any such expansion will be expensive, will require management's time and may disrupt our operations. In the event we are unsuccessful in our attempts to expand our manufacturing capacity, our business, financial condition and operating results could be harmed.

However, if we expand our manufacturing capacity and are unable to promptly utilize the additional space due to reduced demand for our services, an inability to win new projects, new customers or penetrate new markets, or if the optics industry does not grow as we expect, we may experience periods of excess capacity, which could harm our business, financial condition and operating results.

Political unrest and demonstrations, as well as changes in the political, social, business or economic conditions in Thailand, could harm our business, financial condition and operating results.

The majority of our assets and manufacturing operations are located in Thailand. Therefore, political, social, business and economic conditions in Thailand have a significant effect on our business. In March 2019, Thailand was assessed as a medium-high overall risk by AON Political Risk, a risk management, insurance and consulting firm. Any changes to tax regimes, laws, exchange controls or political action in Thailand may harm our business, financial condition and operating results.

Thailand has a history of political unrest that includes the involvement of the military as an active participant in the ruling government. In recent years, political unrest in the country has sparked political demonstrations and, in some instances, violence. In March 2019, Thailand held its first general election since the Thai military took over the government in a coup in May 2014. In June 2019, General Prayut Chan-o-cha was elected as Prime Minister, and in July 2019, the new Prime Minister's nominees for cabinet ministers were appointed. Any future political instability in the Kingdom of Thailand could prevent shipments from entering or leaving the country, disrupt our ability to manufacture products in Thailand, and force us to transfer our operations to more stable, and potentially more costly, regions.

Further, the Thai government may raise the minimum wage standards for labor and could repeal certain promotional certificates that we have received or tax holidays for certain export and value added taxes that we enjoy, either preventing us from engaging in our current or anticipated activities or subjecting us to higher tax rates. A new regime could nationalize our business or otherwise seize our assets and any other future political instability could harm our business, financial condition and operating results.

We expect to continue to invest in our manufacturing operations in the PRC, which will continue to expose us to risks inherent in doing business in the PRC, any of which risks could harm our business, financial condition and operating results.

We anticipate that we will continue to invest in our customized optics manufacturing facilities located in Fuzhou, China. Because these operations are located in the PRC, they are subject to greater political, legal and economic risks than the geographies in which the facilities of many of our competitors and customers are located. In particular, the political and economic climate in the PRC (both at national and regional levels) is fluid and unpredictable. In March 2019, AON Political Risk assessed the PRC as a medium overall risk. A large part of the PRC's economy is still being operated under varying degrees of control by the PRC government. By imposing industrial policies and other economic measures, such as control of foreign exchange, taxation, import and export tariffs, environmental regulations, land use rights, intellectual property and restrictions on foreign participation in the domestic market of various industries, the PRC government exerts considerable direct and indirect influence on the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to change further. Any changes to the political, legal or economic climate in the PRC could harm our business, financial condition and operating results.

Our PRC subsidiary is a "wholly foreign-owned enterprise" and is therefore subject to laws and regulations applicable to foreign investment in the PRC, in general, and laws and regulations applicable to wholly foreign-owned enterprises, in particular. The PRC has made significant progress in the promulgation of laws and regulations pertaining to economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, the promulgation of new laws, changes in existing laws and abrogation of local regulations by national laws may have a negative impact on our business and prospects. In addition, these laws and regulations are relatively new, and published cases are limited in volume and non-binding. Therefore, the interpretation and enforcement of these laws and regulations involve significant uncertainties. Laws may be changed with little or no prior notice, for political or other reasons. These uncertainties could limit the legal protections available to foreign investors. Furthermore, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management's attention.

Natural disasters (like the 2011 flooding in Thailand), epidemics, acts of terrorism and other political and economic developments could harm our business, financial condition, and operating results.

Natural disasters, such as the 2011 flooding in Thailand, where most of our manufacturing operations are located, could severely disrupt our manufacturing operations and increase our supply chain costs. These events, over which we have little or no control, could cause a decrease in demand for our services, make it difficult or impossible for us to manufacture and deliver products and for our suppliers to deliver components allowing us to manufacture those products, require large expenditures to repair or replace our facilities, or create delays and inefficiencies in our supply chain. For example, the 2011 flooding in Thailand forced us to temporarily shut down all of our manufacturing facilities in Thailand and cease production permanently at our Chokchai facility in Thailand, which adversely affected our ability to meet our customers' demands during fiscal year 2012. In some countries in which we operate, including the PRC and Thailand, potential outbreaks of infectious diseases such as the H1N1 influenza virus, severe acute respiratory syndrome ("SARS") or bird flu could disrupt our manufacturing operations, reduce demand for our customers' products and increase our supply chain costs. In addition, increased international political instability, evidenced by the threat or occurrence of terrorist attacks, enhanced national security measures, conflicts in the Middle East and Asia, strained international relations arising from these conflicts and the related decline in consumer confidence and economic weakness, may hinder our ability to do business. Any escalation in these events or similar future events may disrupt our operations and the operations of our customers and suppliers, and may affect the availability of materials needed for our manufacturing services. Such events may also disrupt the transportation of materials to our manufacturing facilities and finished products to our customers. These events have had, and may continue to have, an adverse impact on the U.S. and world economy in general, and customer confidence and spending in particular, which in turn could adversely affect our total revenues and operating results. The impact of these events on the volatility

of the U.S. and world financial markets also could increase the volatility of the market price of our ordinary shares and may limit the capital resources available to us, our customers and our suppliers.

We are not fully insured against all potential losses. Natural disasters or other catastrophes could adversely affect our business, financial condition and operating results.

Our current property and casualty insurance covers loss or damage to our property and third-party property over which we have custody and control, as well as losses associated with business interruption, subject to specified exclusions and limitations such as coinsurance, facilities location sub-limits and other policy limitations and covenants. Even with insurance coverage, natural disasters or other catastrophic events, including acts of war, could cause us to suffer substantial losses in our operational capacity and could also lead to a loss of opportunity and to a potential adverse impact on our relationships with our existing customers resulting from our inability to produce products for them, for which we might not be compensated by existing insurance. This in turn could have a material adverse effect on our business, financial condition and operating results.

Unfavorable worldwide economic conditions may negatively affect our business, operating results and financial condition.

Volatility and disruption in the capital and credit markets, depressed consumer confidence, and negative global economic conditions have affected levels of business and consumer spending. Concerns about the potential default of various national bonds and debt backed by individual countries as well as the politics impacting these, could negatively impact the U.S. and global economies and adversely affect our financial results. In particular, Brexit and economic uncertainty in Europe has led to reduced demand in some of our customers' optical communications product portfolios. Brexit could also lead to economic and legal uncertainty, including significant volatility in global stock markets and currency exchange rates, and increasingly divergent laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. Any of these effects of Brexit, among others, could adversely affect our financial results.

Uncertainty about worldwide economic conditions poses a risk as businesses may further reduce or postpone spending in response to reduced budgets, tight credit, negative financial news and declines in income or asset values, which could adversely affect our business, financial condition and operating results and increase the volatility of our share price. In addition, our ability to access capital markets may be restricted, which could have an impact on our ability to react to changing economic and business conditions and could also adversely affect our business, financial condition and operating results.

We may experience manufacturing yields that are lower than expected, potentially resulting in increased costs, which could harm our business, operating results and customer relations.

Manufacturing yields depend on a number of factors, including the following:

- the quality of input, materials and equipment;
- the quality and feasibility of our customer's design;
- the repeatability and complexity of the manufacturing process;
- the experience and quality of training of our manufacturing and engineering teams; and
- the monitoring of the manufacturing environment.

Lower volume production due to continually changing designs generally results in lower yields. Manufacturing yields and margins can also be lower if we receive or inadvertently use defective or contaminated materials from our suppliers. In addition, our customer contracts typically provide that we will supply products at a fixed price each quarter, which assumes specific production yields and quality metrics. If we do not meet the

yield assumptions and quality metrics used in calculating the price of a product, we may not be able to recover the costs associated with our failure to do so. Consequently, our operating results and profitability may be harmed.

If the products that we manufacture contain defects, we could incur significant correction costs, demand for our services may decline and we may be exposed to product liability and product warranty claims, which could harm our business, financial condition, operating results and customer relations.

We manufacture products to our customers' specifications, and our manufacturing processes and facilities must comply with applicable statutory and regulatory requirements. In addition, our customers' products and the manufacturing processes that we use to produce them are often complex. As a result, products that we manufacture may at times contain manufacturing or design defects, and our manufacturing processes may be subject to errors or fail to be in compliance with applicable statutory or regulatory requirements. Additionally, not all defects are immediately detectible. The testing procedures of our customers are generally limited to the evaluation of the products that we manufacture under likely and foreseeable failure scenarios. For various reasons (including, among others, the occurrence of performance problems that are unforeseeable at the time of testing or that are detected only when products are fully deployed and operated under peak stress conditions), these products may fail to perform as expected after their initial acceptance by a customer.

We generally provide a warranty of between one to five years on the products that we manufacture for our customers. This warranty typically guarantees that products will conform to our customers' specifications and be free from defects in workmanship. Defects in the products we manufacture, whether caused by a design, engineering, manufacturing or component failure or by deficiencies in our manufacturing processes and whether during or after the warranty period, could result in product or component failures, which may damage our business reputation, whether or not we are indemnified for such failures. We could also incur significant costs to repair or replace defective products under warranty, particularly when such failures occur in installed systems. In some instances, we may also be required to incur costs to repair or replace defective products outside of the warranty period in the event that a recurring defect is discovered in a certain percentage of a customer's products delivered over an agreed upon period of time. We have experienced product or component failures in the past and remain exposed to such failures, as the products that we manufacture are widely deployed throughout the world in multiple environments and applications. Further, due to the difficulty in determining whether a given defect resulted from our customer's design of the product or our manufacturing process, we may be exposed to product liability or product warranty claims arising from defects that are not our fault. In addition, if the number or type of defects exceeds certain percentage limitations contained in our contractual arrangements, we may be required to conduct extensive failure analysis, re-qualify for production or cease production of the specified products.

Product liability claims may include liability for personal injury or property damage. Product warranty claims may include liability to pay for a recall, repair or replacement of a product or component. Although liability for these claims is generally assigned to our customers in our contracts, even where they have assumed liability, our customers may not, or may not have the resources to, satisfy claims for costs or liabilities arising from a defective product. Additionally, under one of our contracts, in the event the products we manufacture do not meet the end-customer's testing requirements or otherwise fail, we may be required to pay penalties to our customer, including a fee during the time period that the customer or end-customer's production line is not operational as a result of the failure of the products that we manufacture, all of which could harm our business, operating results and customer relations. If we engineer or manufacture a product that is found to cause any personal injury or property damage or is otherwise found to be defective, we could incur significant costs to resolve the claim. While we maintain insurance for certain product liability claims, we do not maintain insurance for any recalls and, therefore, would be required to pay any associated costs that are determined to be our responsibility. A successful product liability or product warranty claim in excess of our insurance coverage or any material claim for which insurance coverage is denied, limited, is not available or has not been obtained could harm our business, financial condition and operating results.

If we are unable to meet regulatory quality standards applicable to our manufacturing and quality processes for the products we manufacture, our business, financial condition or operating results could be harmed.

As a manufacturer of products for the optics industry, we are required to meet certain certification standards, including the following: ISO9001 for Manufacturing Quality Management Systems; ISO14001 for Environmental Management Systems; TL9000 for Telecommunications Industry Quality Certification; IATF16949 for Automotive Industry Quality Certification; ISO13485 for Medical Devices Industry Quality Certification; AS9100 for Aerospace Industry Quality Certification; NADCAP (National Aerospace and Defense Contractors Accreditation Program) for Quality Assurance throughout the Aerospace and Defense Industries; and OHSAS18001 for Occupational Health and Safety Management Systems. We also maintain compliance with various additional standards imposed by the U.S. Food and Drug Administration, or FDA, with respect to the manufacture of medical devices.

Additionally, we are required to register with the FDA and other regulatory bodies and are subject to continual review and periodic inspection for compliance with various regulations, including testing, quality control and documentation procedures. We hold the following additional certifications: ANSI ESD S20.20 for facilities and manufacturing process control, in compliance with ESD standard; Transported Asset Protection Association, or TAPA, for Logistic Security Management System; and CSR-DIW for Corporate Social Responsibility in Thailand. In the European Union, we are required to maintain certain ISO certifications in order to sell our precision optical, electro-mechanical and electronic manufacturing services and we must undergo periodic inspections by regulatory bodies to obtain and maintain these certifications. If any regulatory inspection reveals that we are not in compliance with applicable standards, regulators may take action against us, including issuing a warning letter, imposing fines on us, requiring a recall of the products we manufactured for our customers, or closing our manufacturing facilities. If any of these actions were to occur, it could harm our reputation as well as our business, financial condition and operating results.

If we fail to attract additional skilled employees or retain key personnel, our business, financial condition and operating results could suffer.

Our future success depends, in part, upon our ability to attract additional skilled employees and retain our current key personnel. We have identified several areas where we intend to expand our hiring, including business development, finance, human resources, operations and supply chain management. We may not be able to hire and retain such personnel at compensation levels consistent with our existing compensation and salary structure. Our future also depends on the continued contributions of our executive management team and other key management and technical personnel, each of whom would be difficult to replace. Although we have key person life insurance policies on some of our executive officers, the loss of any of our executive officers or key personnel or the inability to continue to attract qualified personnel could harm our business, financial condition and operating results.

Failure to comply with applicable environmental laws and regulations could have a material adverse effect on our business, financial condition and operating results.

The sale and manufacturing of products in certain states and countries may subject us to environmental laws and regulations. In addition, rules adopted by the U.S. Securities and Exchange Commission ("SEC") implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 impose diligence and disclosure requirements regarding the use of "conflict" minerals mined from the Democratic Republic of Congo and adjoining countries in the products we manufacture for our customers. Compliance with these rules has resulted in additional cost and expense, including for due diligence to determine and verify the sources of any conflict minerals used in the products we manufacture, and may result in additional costs of remediation and other changes to processes or sources of supply as a consequence of such verification activities. These rules may also affect the sourcing and availability of minerals used in the products we manufacture, as there may be only a

limited number of suppliers offering “conflict free” metals that can be used in the products we manufacture for our customers.

Although we do not anticipate any material adverse effects based on the nature of our operations and these laws and regulations, we will need to ensure that we and, in some cases, our suppliers comply with applicable laws and regulations. If we fail to timely comply with such laws and regulations, our customers may cease doing business with us, which would have a material adverse effect on our business, financial condition and operating results. In addition, if we were found to be in violation of these laws, we could be subject to governmental fines, liability to our customers and damage to our reputation, which would also have a material adverse effect on our business, financial condition and operating results.

We are subject to the risk of increased income taxes, which could harm our business, financial condition and operating results.

We are subject to income and other taxes in Thailand, the PRC, the United Kingdom and the United States. Our effective income tax rate, provision for income taxes and future tax liability could be adversely affected by numerous factors, including the results of tax audits and examinations, income before taxes being lower than anticipated in countries with lower statutory tax rates and higher than anticipated in countries with higher statutory tax rates, changes in income tax rates, changes in the valuation of deferred tax assets and liabilities, failure to meet obligations with respect to tax exemptions, and changes in tax laws and regulations. Our U.S. federal and state tax returns remain open to examination for the tax years 2014 through 2017. In addition, tax returns that remain open to examination in Thailand, the PRC and the United Kingdom range from the tax years 2013 through 2018. The results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures may have an adverse effect on our provision for income taxes and tax liability.

We base our tax position upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various countries in which we have assets or conduct activities. However, our tax position is subject to review and possible challenge by tax authorities and to possible changes in law, which may have retroactive effect. Fabrinet (the “Cayman Islands Parent”) is an exempted company incorporated in the Cayman Islands. We maintain manufacturing operations in Thailand, the PRC, the United Kingdom and the United States. We cannot determine in advance the extent to which some jurisdictions may require us to pay taxes or make payments in lieu of taxes. Under the current laws of the Cayman Islands, we are not subject to tax in the Cayman Islands on income or capital gains until March 6, 2039.

Preferential tax treatment from the Thai government in the form of a corporate tax exemption is also currently available to us through June 2020 and June 2026 on income generated from projects to manufacture certain products at our Pinehurst campus and Chonburi campus, respectively. Such preferential tax treatment is contingent on various factors, including the export of our customers’ products out of Thailand and our agreement not to move our manufacturing facilities out of our current province in Thailand for at least 15 years from the date on which preferential tax treatment was granted (i.e., at least until June 2020 in the case of our Pinehurst campus and until June 2026 in the case of our Chonburi campus). We will lose this favorable tax treatment in Thailand unless we comply with these restrictions, and as a result we may delay or forego certain strategic business decisions due to these tax considerations.

There is also a risk that Thailand or another jurisdiction in which we operate may treat the Cayman Islands Parent as having a permanent establishment in such jurisdiction and subject its income to tax. If we become subject to additional taxes in any jurisdiction or if any jurisdiction begins to treat the Cayman Islands Parent as having a permanent establishment, such tax treatment could materially and adversely affect our business, financial condition and operating results.

Certain of our subsidiaries provide products and services to, and may from time to time undertake certain significant transactions with, us and our other subsidiaries in different jurisdictions. For instance, we have

intercompany agreements in place that provide for our California and Singapore subsidiaries to provide administrative services for the Cayman Islands Parent, and the Cayman Islands Parent has entered into manufacturing agreements with our Thai subsidiary. In general, related party transactions and, in particular, related party financing transactions, are subject to close review by tax authorities. Moreover, several jurisdictions in which we operate have tax laws with detailed transfer pricing rules that require all transactions with non-resident related parties to be priced using arm's length pricing principles and require the existence of contemporaneous documentation to support such pricing. Tax authorities in various jurisdictions could challenge the validity of our related party transfer pricing policies. Such a challenge generally involves a complex area of taxation and a significant degree of judgment by management. If any tax authorities are successful in challenging our financing or transfer pricing policies, our income tax expense may be adversely affected and we could become subject to interest and penalty charges, which may harm our business, financial condition and operating results.

We may encounter difficulties completing or integrating acquisitions, asset purchases and other types of transactions that we may pursue in the future, which could disrupt our business, cause dilution to our shareholders and harm our business, financial condition and operating results.

We have grown and may continue to grow our business through acquisitions, asset purchases and other types of transactions, including the transfer of products from our customers and their suppliers. Most recently, we acquired Fabrinet UK in September 2016. Acquisitions and other strategic transactions typically involve many risks, including the following:

- the integration of the acquired assets, information systems and facilities into our business may be difficult, time-consuming and costly, and may adversely impact our profitability;
- we may lose key employees of the acquired companies or divisions;
- we may issue additional ordinary shares, which would dilute our current shareholders' percentage ownership in us;
- we may incur indebtedness to pay for the transactions;
- we may assume liabilities, some of which may be unknown at the time of the transactions;
- we may record goodwill and non-amortizable intangible assets that will be subject to impairment testing and potential periodic impairment charges;
- we may incur amortization expenses related to certain intangible assets;
- we may devote significant resources to transactions that may not ultimately yield anticipated benefits;
- we may incur greater than expected expenses or lower than expected revenues;
- we may assume obligations with respect to regulatory requirements, including environmental regulations, which may prove more burdensome than expected; or
- we may become subject to litigation.

Acquisitions are inherently risky, and we can provide no assurance that the acquisition of Fabrinet UK or any future acquisitions will be successful or will not harm our business, financial condition and operating results.

We may not be able to obtain capital when desired on favorable terms, if at all, or without dilution to our shareholders.

We anticipate that our current cash and cash equivalents, together with cash provided by operating activities and funds available through our working capital and credit facilities, will be sufficient to meet our current and anticipated needs for general corporate purposes for at least the next 12 months. However, we operate in a market

that makes our prospects difficult to evaluate. It is possible that we may not generate sufficient cash flow from operations or otherwise have the capital resources to meet our future capital needs. If this occurs, we may need additional financing to execute on our current or future business strategies.

Furthermore, if we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our shareholders could be significantly diluted, and these newly-issued securities may have rights, preferences or privileges senior to those of existing shareholders. If adequate additional funds are not available or are not available on acceptable terms, if and when needed, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our manufacturing services, hire additional technical and other personnel, or otherwise respond to competitive pressures could be significantly limited.

The phase-out of the London Interbank Offered Rate ("LIBOR") could affect interest rates under our existing credit facility agreement, as well as our ability to seek future debt financing.

LIBOR is the basic rate of interest used in lending between banks on the London interbank market and is widely used as a reference for setting the interest rates on loans globally. We generally use LIBOR as a reference rate to calculate interest rates under our credit facility agreement ("Facility Agreement"). In 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if LIBOR will cease to exist at that time or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index, the Secured Overnight Financing Rate ("SOFR"), calculated using short-term repurchase agreements backed by Treasury securities. Whether or not SOFR, or another alternative reference rate, attains market traction as a LIBOR replacement tool remains in question. If LIBOR ceases to exist, we will need to agree upon a replacement index with the banks under our Facility Agreement, and certain of the interest rates under our Facility Agreement may change. The new rates may not be as favorable to us as those in effect prior to any LIBOR phase-out. In addition, the transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that currently rely on LIBOR. The transition may also result in reductions in the value of certain instruments or the effectiveness of related transactions such as hedges, increased borrowing costs, uncertainty under applicable documentation, or difficult and costly consent processes. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, may result in expenses, difficulties, complications or delays in connection with future financing efforts, which could have a material adverse impact on our business, financial condition and results of operations.

Intellectual property infringement claims against our customers or us could harm our business, financial condition and operating results.

Our services involve the creation and use of intellectual property rights, which subject us to the risk of intellectual property infringement claims from third parties and claims arising from the allocation of intellectual property rights among us and our customers.

Our customers may require that we indemnify them against the risk of intellectual property infringement arising out of our manufacturing processes. If any claims are brought against us or our customers for such infringement, whether or not these claims have merit, we could be required to expend significant resources in defense of such claims. In the event of an infringement claim, we may be required to spend a significant amount of time and money to develop non-infringing alternatives or obtain licenses. We may not be successful in developing such alternatives or obtaining such licenses on reasonable terms or at all, which could harm our business, financial condition and operating results.

Any failure to protect our customers' intellectual property that we use in the products we manufacture for them could harm our customer relationships and subject us to liability.

We focus on manufacturing complex optical products for our customers. These products often contain our customers' intellectual property, including trade secrets and know-how. Our success depends, in part, on our ability to protect our customers' intellectual property. We may maintain separate and secure areas for customer proprietary manufacturing processes and materials and dedicate floor space, equipment, engineers and supply chain management to protect our customers' proprietary drawings, materials and products. The steps we take to protect our customers' intellectual property may not adequately prevent its disclosure or misappropriation. If we fail to protect our customers' intellectual property, our customer relationships could be harmed and we may experience difficulty in establishing new customer relationships. In addition, our customers might pursue legal claims against us for any failure to protect their intellectual property, possibly resulting in harm to our reputation and our business, financial condition and operating results.

We have incurred and will continue to incur significant increased costs as a result of operating as a public company, and our management will be required to continue to devote substantial time to various compliance initiatives.

The Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as well as other rules implemented by the SEC and the New York Stock Exchange ("NYSE"), impose various requirements on public companies, including requiring changes in corporate governance practices. These and proposed corporate governance laws and regulations under consideration may further increase our compliance costs. If compliance with these various legal and regulatory requirements diverts our management's attention from other business concerns, it could have a material adverse effect on our business, financial condition and operating results. The Sarbanes-Oxley Act requires, among other things, that we assess the effectiveness of our internal control over financial reporting annually and disclosure controls and procedures quarterly. While we are able to assert in this Annual Report on Form 10-K that our internal control over financial reporting was effective as of June 28, 2019, we cannot predict the outcome of our testing in future periods. If we are unable to assert in any future reporting periods that our internal control over financial reporting is effective (or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls), we could lose investor confidence in the accuracy and completeness of our financial reports, which would have an adverse effect on our share price.

Given the nature and complexity of our business and the fact that some members of our management team are located in Thailand while others are located in the United States, control deficiencies may periodically occur. For example, following an internal investigation by the Audit Committee of our board of directors in September 2014 concerning various accounting cut-off issues, we identified certain significant deficiencies in our internal control over financial reporting, which have been remediated. While we have ongoing measures and procedures to prevent and remedy control deficiencies, if they occur there can be no assurance that we will be successful or that we will be able to prevent material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Moreover, if we identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses in future periods, the market price of our ordinary shares could decline and we could be subject to potential delisting by the NYSE and review by the NYSE, the SEC, or other regulatory authorities, which would require the expenditure by us of additional financial and management resources. As a result, our shareholders could lose confidence in our financial reporting, which would harm our business and the market price of our ordinary shares.

There are inherent uncertainties involved in estimates, judgments and assumptions used in the preparation of financial statements in accordance with U.S. GAAP. Any changes in estimates, judgments and assumptions could have a material adverse effect on our business, financial condition and operating results.

The preparation of financial statements in accordance with U.S. GAAP involves making estimates, judgments and assumptions that affect reported amounts of assets (including goodwill and intangible assets),

liabilities and related reserves, revenues, expenses and income. Estimates, judgments and assumptions are inherently subject to change in the future, and any such changes could result in corresponding changes to the amounts of assets, liabilities, revenues, expenses and income. Any such changes could have a material adverse effect on our business, financial condition and operating results.

The loan agreements for our long-term debt obligations and other credit facilities contain financial ratio covenants that may impair our ability to conduct our business.

The loan agreements for our long-term and short-term debt obligations contain financial ratio covenants that may limit management's discretion with respect to certain business matters. These covenants require us to maintain a specified maximum total leverage ratio, minimum debt service coverage ratio (earnings before interest and depreciation and amortization plus cash on hand minus short-term debt), a minimum tangible net worth and a minimum quick ratio, which may restrict our ability to incur additional indebtedness and limit our ability to use our cash. In the event of our default on these loans or a breach of a covenant, the lenders may immediately cancel the loan agreement, deem the full amount of the outstanding indebtedness immediately due and payable, charge us interest on a monthly basis on the full amount of the outstanding indebtedness and, if we cannot repay all of our outstanding obligations, sell the assets pledged as collateral for the loan in order to fulfill our obligation. We may also be held responsible for any damages and related expenses incurred by the lender as a result of any default. Any failure by us or our subsidiaries to comply with these agreements could harm our business, financial condition and operating results.

Our business could be negatively affected as a result of activist shareholders.

If an activist investor takes an ownership position in our ordinary shares, responding to actions by such activist shareholder could be costly and time-consuming, disrupt our operations and divert the attention of management and our employees. Additionally, perceived uncertainties as to our future direction as a result of shareholder activism or changes to the composition of our board of directors may lead to the perception of a change in the direction of our business or other instability, which may be exploited by our competitors, cause concern to our current or potential customers, and make it more difficult to attract and retain qualified personnel. If customers choose to delay, defer or reduce transactions with us or do business with our competitors instead of us because of any such issues, then our business, financial condition and operating results would be adversely affected. In addition, our share price could experience periods of increased volatility as a result of shareholder activism.

Our investment portfolio may become impaired by deterioration of the capital markets.

We use professional investment management firms to manage our excess cash and cash equivalents. Our short-term investments as of June 28, 2019 are primarily investments in a fixed income portfolio, including certificates of deposit, time deposits, corporate bonds and commercial papers, U.S. agency and U.S. Treasury securities, and sovereign and municipal securities. Our investment portfolio may become impaired by deterioration of the capital markets. We follow an established investment policy and set of guidelines to monitor and help mitigate our exposure to interest rate and credit risk. The policy sets forth credit quality standards and limits our exposure to any one issuer, as well as our maximum exposure to various asset classes. The policy also provides that we may not invest in short-term investments with a maturity in excess of three years.

We regularly review our investment portfolio to determine if any security is other-than-temporarily impaired, which would require us to record an impairment charge in the period any such determination is made. In making this judgment, we evaluate, among other things, the duration and extent to which the fair value of a security is less than its cost; the financial condition of the issuer and any changes thereto; and our intent to sell, or whether we will more likely than not be required to sell, the security before recovery of its amortized cost basis. Our assessment on whether a security is other-than-temporarily impaired could change in the future due to new developments or changes in assumptions related to any particular security.

Should financial market conditions worsen, investments in some financial instruments may pose risks arising from market liquidity and credit concerns. In addition, any deterioration of the capital markets could cause our other income and expense to vary from expectations. As of June 28, 2019, we did not record any impairment charges associated with our investment portfolio of short-term investments, and although we believe our current investment portfolio has little risk of material impairment, we cannot predict future market conditions or market liquidity, or credit availability, and can provide no assurance that our investment portfolio will remain materially unimpaired.

Energy price volatility may negatively impact our business, financial condition and operating results.

We, along with our suppliers and customers, rely on various energy sources in our manufacturing and transportation activities. Energy prices have been subject to increases and volatility caused by market fluctuations, supply and demand, currency fluctuation, production and transportation disruption, world events and government regulations. While we are currently experiencing lower energy prices, a significant increase is possible, which could increase our raw material and transportation costs. In addition, increased transportation costs of our suppliers and customers could be passed along to us. We may not be able to increase our prices enough to offset these increased costs, and any increase in our prices may reduce our future customer orders, which could harm our business, financial condition and operating results.

Risks Related to Ownership of Our Ordinary Shares

Our share price may be volatile due to fluctuations in our operating results and other factors, including the activities and operating results of our customers or competitors, any of which could cause our share price to decline.

Our revenues, expenses and results of operations have fluctuated in the past and are likely to do so in the future from quarter to quarter and year to year due to the risk factors described in this section and elsewhere in this Annual Report on Form 10-K. In addition to market and industry factors, the price and trading volume of our ordinary shares may fluctuate in response to a number of events and factors relating to us, our competitors, our customers and the markets we serve, many of which are beyond our control. Factors such as variations in our total revenues, earnings and cash flow, announcements of new investments or acquisitions, changes in our pricing practices or those of our competitors, commencement or outcome of litigation, sales of ordinary shares by us or our principal shareholders, fluctuations in market prices for our services and general market conditions could cause the market price of our ordinary shares to change substantially. Any of these factors may result in large and sudden changes in the volume and price at which our ordinary shares trade. Among other things, volatility and weakness in our share price could mean that investors may not be able to sell their shares at or above the prices they paid. Volatility and weakness could also impair our ability in the future to offer our ordinary shares or convertible securities as a source of additional capital and/or as consideration in the acquisition of other businesses.

Furthermore, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may cause the market price of our ordinary shares to decline. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management’s attention from other business concerns, which could seriously harm our business.

If securities or industry analysts do not publish research or if they publish misleading or unfavorable research about our business, the market price and trading volume of our ordinary shares could decline.

The trading market for our ordinary shares depends in part on the research and reports that securities or industry analysts publish about us or our business. If securities or industry analysts stop covering us, or if too few analysts cover us, the market price of our ordinary shares could be adversely impacted. If one or more of the analysts who covers us downgrades our ordinary shares or publishes misleading or unfavorable research about our business, our market price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our ordinary shares could decrease, which could cause the market price or trading volume of our ordinary shares to decline.

We may become a passive foreign investment company, which could result in adverse U.S. tax consequences to U.S. investors.

Based upon estimates of the value of our assets, which are based in part on the trading price of our ordinary shares, we do not expect to be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for the taxable year 2019 or for the foreseeable future. However, despite our expectations, we cannot assure you that we will not be a PFIC for the taxable year 2019 or any future year because our PFIC status is determined at the end of each year and depends on the composition of our income and assets during such year. If we are a PFIC, our U.S. investors will be subject to increased tax liabilities under U.S. tax laws and regulations and to burdensome reporting requirements.

Certain provisions in our constitutional documents may discourage our acquisition by a third party, which could limit your opportunity to sell shares at a premium.

Our constitutional documents include provisions that could limit the ability of others to acquire control of us, modify our structure or cause us to engage in change-of-control transactions, including, among other things, provisions that:

- establish a classified board of directors;
- prohibit our shareholders from calling meetings or acting by written consent in lieu of a meeting;
- limit the ability of our shareholders to propose actions at duly convened meetings; and
- authorize our board of directors, without action by our shareholders, to issue preferred shares and additional ordinary shares.

These provisions could have the effect of depriving you of an opportunity to sell your ordinary shares at a premium over prevailing market prices by discouraging third parties from seeking to acquire control of us in a tender offer or similar transaction.

Our shareholders may face difficulties in protecting their interests because we are incorporated under Cayman Islands law.

Our corporate affairs are governed by our amended and restated memorandum and articles of association (“MOA”), by the Companies Law (as amended) of the Cayman Islands and the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under the laws of the Cayman Islands are not as clearly established under statutes or judicial precedent as in jurisdictions in the United States. Therefore, you may have more difficulty in protecting your interests than would shareholders of a corporation incorporated in a jurisdiction in the United States, due to the comparatively less developed nature of Cayman Islands law in this area.

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. Dissenting shareholders have the right to be

paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting convened for that purpose. The convening of the meeting and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. A dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved.

When a takeover offer is made and accepted by holders of 90.0% of the shares within four months, the offeror may, within a two-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed unless there is evidence of fraud, bad faith or collusion.

If the arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of a corporation incorporated in a jurisdiction in the United States, providing rights to receive payment in cash for the judicially determined value of the shares. This may make it more difficult for you to assess the value of any consideration you may receive in a merger or consolidation or to require that the offeror give you additional consideration if you believe the consideration offered is insufficient.

Shareholders of Cayman Islands exempted companies have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders. Our directors have discretion under our MOA to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Subject to limited exceptions, under Cayman Islands law, a minority shareholder may not bring a derivative action against the board of directors.

Certain judgments obtained against us by our shareholders may not be enforceable.

The Cayman Islands Parent is a Cayman Islands exempted company and substantially all of our assets are located outside of the United States. Given our domicile and the location of our assets, it may be difficult to enforce in U.S. courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us. In addition, there is uncertainty as to whether the courts of the Cayman Islands, Thailand or the PRC would recognize or enforce judgments of U.S. courts against us predicated upon the civil liability provisions of the securities laws of the United States or any state. In particular, a judgment in a U.S. court would not be recognized and accepted by Thai courts without a re-trial or examination of the merits of the case. In addition, there is uncertainty as to whether such Cayman Islands, Thai or PRC courts would be competent to hear original actions brought in the Cayman Islands, Thailand or the PRC against us predicated upon the securities laws of the United States or any state.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

Our principal registered office is located at c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KYI-9005, Cayman Islands. We have facilities located in Thailand, the PRC, the United States, the United Kingdom and the Cayman Islands that are used for manufacturing and/or general administration purposes. The following table presents the approximate square footage of our principal facilities as of June 28, 2019:

Location	Owned/Leased	Approximate Square Footage
Pinehurst Campus, Bangkok, Thailand	Owned	1,028,000 square feet
Hemaraj Campus, Chonburi, Thailand	Owned	517,000 square feet
Fuzhou, Fujian, PRC	Leased[1]	300,000 square feet
Santa Clara, California, United States	Owned	72,000 square feet
Wiltshire, United Kingdom	Leased[2]	71,000 square feet
Mountain Lakes, New Jersey, United States	Leased[3]	28,000 square feet
Grand Cayman, Cayman Islands	Leased[4]	1,700 square feet

(1) Buildings located at this facility have lease terms that expire on various dates: September 30, 2020, March 31, 2021, or September 30, 2023.

(2) Leased until August 31, 2023.

(3) Leased until June 30, 2020.

(4) Leased until January 31, 2022.

ITEM 3. LEGAL PROCEEDINGS.

From time to time, we may be involved in litigation relating to claims arising in the ordinary course of our business. There currently are no material claims or actions pending or threatened against us.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our ordinary shares are listed on the New York Stock Exchange under the symbol "FN".

Holders of Record

As of August 12, 2019, there were approximately 6 shareholders of record of our ordinary shares. Because many of our ordinary shares are held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of shareholders represented by these record holders.

Dividends

We currently intend to retain any earnings for use in our business and do not currently intend to pay dividends on our ordinary shares. Dividends, if any, on our ordinary shares will be declared by and subject to the discretion of our board of directors. Even if our board of directors decides to distribute dividends, the form, frequency and amount of such dividends will depend upon our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions, applicable laws and regulations and other factors our board of directors may deem relevant.

Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On August 18, 2017, we announced that our board of directors had approved a share repurchase program to permit us to repurchase up to $30.0 million worth of our issued and outstanding ordinary shares in the open market in accordance with applicable rules and regulations, at such time and such prices as management may decide. In February 2018 and May 2019, we announced that our board of directors approved increases of $30.0 million and $50.0 million, respectively, to the original share repurchase authorization, bringing the aggregate authorization to $110.0 million. The repurchased shares will be held as treasury stock. During the year ended June 28, 2019, 100,000 shares were repurchased under the program, at an average price per share of $53.78, for an aggregate purchase price of $5.4 million. As of June 28, 2019, we had a remaining authorization to purchase up to an additional $62.2 million worth of our ordinary shares.

The following table summarizes share repurchase activity for the three months ended June 28, 2019:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Program	Maximum Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program
March 30, 2019 – April 26, 2019	—	$—	—	$12,220,607
April 27, 2019 – May 24, 2019	—	$—	—	$62,220,607
May 25, 2019 – June 28, 2019	—	$—	—	$62,220,607
Total	—	$—	—	$62,220,607

Equity Compensation Plan Information

The equity compensation plan information required by this item, which includes a summary of the number of outstanding equity awards granted to employees and directors, as well as the number of securities remaining

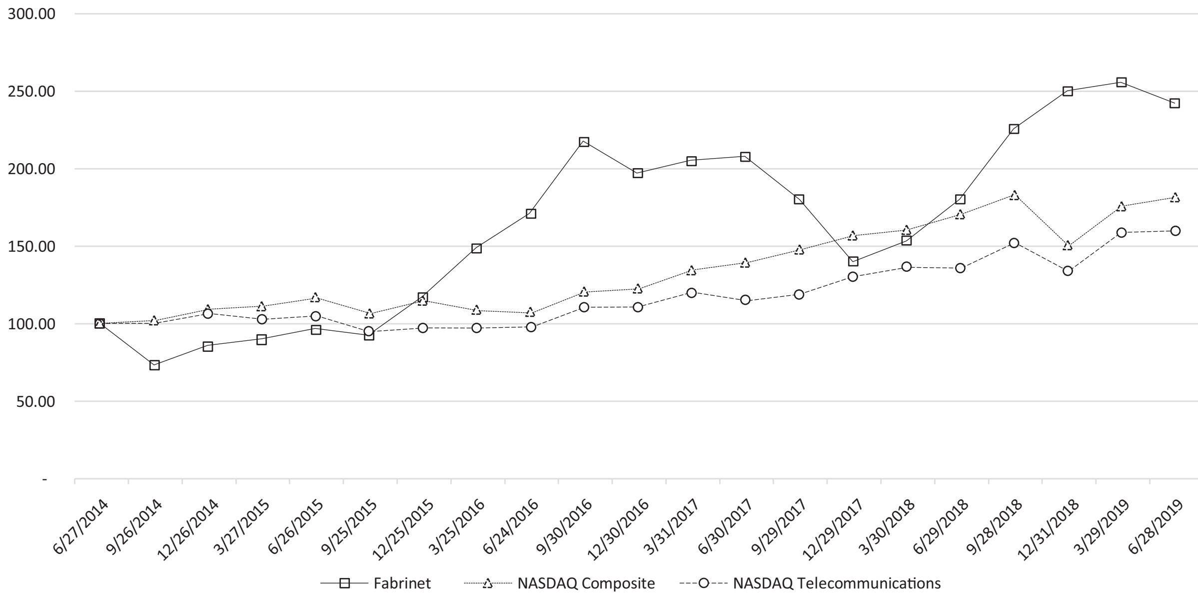
available for future issuance, under our equity compensation plans as of June 28, 2019, is incorporated by reference to our Proxy Statement for our 2019 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of our fiscal year ended June 28, 2019.

Five-Year Performance Graph

The following performance graph shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Fabrinet under the Securities Act of 1933, as amended, or the Exchange Act.

The following graph compares the cumulative total return to holders of Fabrinet's ordinary shares with the cumulative total return of the NASDAQ Composite Index, and the NASDAQ Telecommunications Index.

The graph assumes that $100 was invested in Fabrinet's ordinary shares and in each of the indices discussed above on June 27, 2014, and that all dividends were reinvested. Historic stock performance is not necessarily indicative of future stock price performance.



ITEM 6. SELECTED FINANCIAL DATA.

The selected consolidated financial data presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. The selected financial data set forth below as of June 28, 2019 and June 29, 2018, and for the fiscal years ended June 28, 2019, June 29, 2018 and June 30, 2017 are derived from the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected financial data as of June 30, 2017, June 24, 2016 and June 26, 2015, and for the fiscal years ended June 30, 2017, June 24, 2016 and June 26, 2015 are derived from the audited consolidated financial statements not included in this Annual Report on Form 10-K. No retrospective accounting changes have impacted the periods presented. Each of the fiscal years in the table below consisted of 52 weeks,

except fiscal year 2017, which consisted of 53 weeks. The results presented below are not necessarily indicative of financial results to be achieved in future periods.

(amount in thousands, except per share data)	Years Ended				
	June 28, 2019 (fiscal year 2019)	**June 29, 2018 (fiscal year 2018)**	**June 30, 2017 (fiscal year 2017)**	**June 24, 2016 (fiscal year 2016)**	**June 26, 2015 (fiscal year 2015)**
Selected Consolidated Statements of Operations Data:					
Revenues	$ 1,584,335	$ 1,371,925	$ 1,420,490	$ 976,747	$ 773,587
Cost of revenues	(1,405,111)	(1,218,513)	(1,249,030)	(857,224)	(685,814)
Gross profit	179,224	153,412	171,460	119,523	87,773
Selling, general and administrative expenses	(55,067)	(57,812)	(65,626)	(49,753)	(39,460)
Other income related to flooding, net	—	—	—	36	—
Expenses related to reduction in workforce	(1,516)	(1,776)	—	—	(1,153)
Operating income	122,641	93,824	105,834	69,806	47,160
Interest income	6,699	3,925	1,977	1,535	1,253
Interest expense	(5,381)	(3,606)	(3,321)	(1,569)	(616)
Foreign exchange gain (loss), net	1,406	(6,587)	(1,142)	(1,916)	(19)
Other income (expense)	868	473	509	376	(152)
Income before income taxes	126,233	88,029	103,857	68,232	47,626
Income tax expense	(5,278)	(3,862)	(6,742)	(6,335)	(3,984)
Net income	120,955	84,167	97,115	61,897	43,642
Other comprehensive (loss) income, net of tax	(1,129)	(909)	(939)	635	(44)
Net comprehensive income	$ 119,826	$ 83,258	$ 96,176	$ 62,532	$ 43,598
Earnings per share:					
Basic	$ 3.29	$ 2.26	$ 2.63	$ 1.73	$ 1.23
Diluted	$ 3.23	$ 2.21	$ 2.57	$ 1.68	$ 1.21
Weighted average number of ordinary shares outstanding (thousands of shares):					
Basic	36,798	37,257	36,927	35,857	35,354
Diluted	37,415	38,035	37,852	36,872	35,984

(amount in thousands)	As of				
	June 28, 2019	**June 29, 2018**	**June 30, 2017**	**June 24, 2016**	**June 26, 2015**
Selected Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 180,839	$ 158,102	$ 133,825	$ 142,804	$ 112,978
Short-term investments	$ 256,493	$ 174,269	$ 151,450	$ 141,709	$ 142,866
Restricted cash in connection with business acquisition	$ —	$ 3,331	$ 3,312	$ —	$ —
Working capital [(1)]	$ 296,597	$ 284,440	$ 287,752	$ 205,592	$ 150,246
Total assets	$ 1,255,318	$ 1,088,018	$ 1,033,075	$ 855,857	$ 672,503
Current and long-term debt	$ 60,938	$ 64,188	$ 71,103	$ 60,407	$ 40,500
Total liabilities	$ 392,219	$ 347,079	$ 351,501	$ 301,438	$ 193,559
Total shareholders' equity	$ 863,099	$ 740,939	$ 681,574	$ 554,419	$ 478,944

(1) Working capital is defined as trade accounts receivable plus inventory, less trade accounts payable.

(amount in thousands)	Years Ended				
	June 28, 2019	**June 29, 2018**	**June 30, 2017**	**June 24, 2016**	**June 26, 2015**
Selected Consolidated Statements of Cash Flow Data:					
Net cash provided by operating activities	$147,394	$138,080	$ 70,934	$ 47,088	$ 52,629
Net cash used in investing activities	$ (98,067)	$ (58,649)	$(90,556)	$(39,603)	$(195,499)
Net cash (used in) provided by financing activities	$ (23,223)	$ (54,106)	$ 13,432	$ 22,862	$ 22,537
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 26,104	$ 25,325	$ (6,190)	$ 30,347	$(120,333)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our goals and strategies;
- our and our customers' estimates regarding future revenues, operating results, expenses, capital requirements and liquidity;
- our expectation that the portion of our future revenues attributable to customers in regions outside of North America will increase compared with the portion of those revenues for fiscal year 2019;
- our expectation that we will incur incremental costs of revenue as a result of our planned expansion of our business into new geographic markets;
- our expectation that our fiscal year 2020 selling, general and administrative ("SG&A") expenses will increase compared to our fiscal year 2019 SG&A expenses;
- our expectation that our employee costs will increase in Thailand and the People's Republic of China ("PRC"), including as a result of a recent change in labor protection law in Thailand that increases the required severance payment compensation for employees with 20 or more years of service;
- our future capital expenditures and our needs for additional financing;
- the expansion of our manufacturing capacity, including into new geographies;
- the growth rates of our existing markets and potential new markets;
- our ability, and the ability of our customers and suppliers, to respond successfully to technological or industry developments;
- our suppliers' estimates regarding future costs;
- our ability to increase our penetration of existing markets and to penetrate new markets;
- our plans to diversify our sources of revenues;
- our plans to execute acquisitions;
- trends in the optical communications, industrial lasers, and sensors markets, including trends to outsource the production of components used in those markets;
- our ability to attract and retain a qualified management team and other qualified personnel and advisors; and
- competition in our existing and new markets.

These forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Annual Report on Form 10-K, in particular, the risks discussed under the heading "Risk Factors" in Item 1A, as well as those discussed in other documents we file with the Securities and Exchange Commission. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and

uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. "We," "us" and "our" refer to Fabrinet and its subsidiaries.

Overview

We provide advanced optical packaging and precision optical, electro-mechanical and electronic manufacturing services to original equipment manufacturers ("OEMs") of complex products such as optical communication components, modules and sub-systems, industrial lasers, automotive components, medical devices and sensors. We offer a broad range of advanced optical and electro-mechanical capabilities across the entire manufacturing process, including process design and engineering, supply chain management, manufacturing, complex printed circuit board assembly, advanced packaging, integration, final assembly and testing. Although we focus primarily on low-volume production of a wide variety of high complexity products, which we refer to as "low-volume, high-mix," we also have the capability to accommodate high-volume production. Based on our experience with and positive feedback from our customers, we believe we are a global leader in providing these services to the optical communications, industrial lasers and automotive markets.

Our customer base includes companies in complex industries that require advanced precision manufacturing capabilities such as optical communications, industrial lasers, automotive and sensors. The products that we manufacture for our OEM customers include selective switching products; tunable transponders and transceivers; active optical cables; solid state, diode-pumped, gas and fiber lasers; and sensors. In many cases, we are the sole outsourced manufacturing partner used by our customers for the products that we produce for them.

We also design and fabricate application-specific crystals, lenses, prisms, mirrors, laser components, and substrates (collectively referred to as "customized optics") and other custom and standard borosilicate, clear fused quartz, and synthetic fused silica glass products (collectively referred to as "customized glass"). We incorporate our customized optics and glass into many of the products we manufacture for our OEM customers, and we also sell customized optics and glass in the merchant market.

Fiscal years

We utilize a 52-53 week fiscal year ending on the Friday in June closest to June 30. Fiscal year 2019 ended on June 28, 2019 and consisted of 52 weeks. Fiscal year 2018 ended on June 29, 2018 and consisted of 52 weeks. Fiscal year 2017 ended on June 30, 2017 and consisted of 53 weeks.

Revenues

We believe our ability to expand our relationships with existing customers and attract new customers is due to a number of factors, including our broad range of complex engineering and manufacturing service offerings, flexible low-cost manufacturing platform, process optimization capabilities, advanced supply chain management, excellent customer service and experienced management team. Although we expect the prices we charge for our manufactured products to decrease over time (partly as a result of competitive market forces), we still believe we will be able to maintain favorable pricing for our services because of our ability to reduce cycle time, adjust our product mix by focusing on more complicated products, improve product quality and yields, and reduce material costs for the products we manufacture. We believe these capabilities will enable us to help our OEM customers reduce their manufacturing costs while maintaining or improving the design, quality, reliability and delivery times of their products.

Revenues, by percentage, from individual customers representing 10% or more of our total revenues in the respective periods were as follows:

	Years Ended		
	June 28, 2019	June 29, 2018	June 30, 2017
Lumentum Operations LLC	20%	16%	17%

Because we depend upon a small number of customers for a significant percentage of our total revenues, a reduction in orders from, a loss of, or any other adverse actions by, any one of these customers would reduce our revenues and could have a material adverse effect on our business, operating results and share price. Moreover, our customer concentration increases the concentration of our accounts receivable and payment default by any of our key customers will negatively impact our exposure. Many of our existing and potential customers have substantial debt burdens, have experienced financial distress or have static or declining revenues, all of which may be exacerbated by the continued uncertainty in the global economies. Certain customers have gone out of business or have been acquired or announced their withdrawal from segments of the optics market. We generate significant accounts payable and inventory for the services that we provide to our customers, which could expose us to substantial and potentially unrecoverable costs if we do not receive payment from our customers. Therefore, any financial difficulties that our key customers experience could materially and adversely affect our operating results and financial condition by generating charges for inventory write-offs, provisions for doubtful accounts, and increases in working capital requirements due to increased days inventory and in accounts receivable.

Furthermore, reliance on a small number of customers gives those customers substantial purchasing power and leverage in negotiating contracts with us. In addition, although we enter into master supply agreements with our customers, the level of business to be transacted under those agreements is not guaranteed. Instead, we are awarded business under those agreements on a project-by-project basis. Some of our customers have at times significantly reduced or delayed the volume of manufacturing services that they order from us. If we are unable to maintain our relationships with our existing significant customers, our business, financial condition and operating results could be harmed.

On June 30, 2018, we adopted Revenue from Contracts with Customers (Topic 606), which created Accounting Standards Codification Topic 606 ("ASC 606"), using the modified retrospective method applied to those contracts which were not completed as of June 29, 2018. The modified retrospective method requires us to recognize the cumulative effect of the adoption of ASC 606, for all contracts with customers, to the opening balance of equity at June 30, 2018. Accordingly, our comparative financial information as of June 29, 2018 has not been adjusted and continues to be reported under ASC 605, Revenue Recognition ("ASC 605").

In accordance with the new revenue standard requirements, the impact of adoption of ASC 606 on our consolidated statements of operations and comprehensive income for the year ended June 28, 2019 was as follows:

Consolidated Statement of Operations and Comprehensive Income
For the Year Ended June 28, 2019

	Impact of Adopting ASC 606		
(amount in thousands)	As Reported	Adjustment	Balance without ASC 606 Adoption
Revenues	$ 1,584,335	$(2,560) (1)	$ 1,581,775
Cost of revenues	$(1,405,111)	$1,745 (2)	$(1,403,366)
Gross profit	$ 179,224	$ (815) (3)	$ 178,409
Net income	$ 120,955	$ (825) (3)	$ 120,130
Earnings per share			
Basic	$ 3.29	$ (0.02)	$ 3.27
Diluted	$ 3.23	$ (0.02)	$ 3.21

[(1)] Adjustment relates to certain manufacturing contracts with vendor-managed inventory arrangements for which revenue was recognized at shipping.
[(2)] Adjustment relates to costs associated with revenue recognized.
[(3)] Adjustment relates to net impact on net income upon adoption of ASC 606.

Revenues by Geography

We generate revenues from three geographic regions: North America, Asia-Pacific, and Europe. Revenues are attributed to a particular geographic area based on the bill-to-location of our customers, notwithstanding that our customers may ultimately ship their products to end customers in a different geographic region. The substantial majority of our revenues are derived from our manufacturing facilities in Asia-Pacific.

The percentage of our revenues generated from a bill-to-location outside of North America decreased from 53.1% in fiscal year 2018 to 52.3% in fiscal year 2019, which was partially due to a decrease in sales to our customers in Europe by 1.4%. Based on the short and medium term indications and forecasts from our customers, we expect that the portion of our future revenues attributable to customers in regions outside of North America will increase as compared with the portion of revenues attributable to such customers during fiscal year 2019.

The following table presents percentages of total revenues by geographic regions:

	Years Ended		
	June 28, 2019	June 29, 2018	June 30, 2017
North America	47.7%	46.9%	46.6%
Asia-Pacific	38.4	37.8	38.0
Europe	13.9	15.3	15.4
	100.0%	100.0%	100.0%

Our Contracts

We enter into supply agreements with our customers which generally have an initial term of up to three years, subject to automatic renewals for subsequent one-year terms unless expressly terminated. Although there are no minimum purchase requirements in our supply agreements, our customers provide us with rolling forecasts of their demand requirements. Our supply agreements generally include provisions for pricing and periodic review of pricing, consignment of our customer’s unique production equipment to us, and the sharing of benefits from cost-savings derived from our efforts. We are generally required to purchase materials, which may include long lead-time materials and materials that are subject to minimum order quantities and/or non-cancelable or non-returnable terms, to meet the stated demands of our customers. After procuring materials, we manufacture products for our customers based on purchase orders that contain terms regarding product quantities, delivery locations and delivery dates. Our customers generally are obligated to purchase finished goods that we have manufactured according to their demand requirements. Materials that are not consumed by our customers within a specified period of time, or are no longer required due to a product’s cancellation or end-of-life, are typically designated as excess or obsolete inventory under our contracts. Once materials are designated as either excess or obsolete inventory, our customers are typically required to purchase such inventory from us even if they have chosen to cancel production of the related products. The excess or obsolete inventory is shipped to the customer and revenue is recognized upon shipment.

Cost of Revenues

The key components of our cost of revenues are material costs, employee costs, and infrastructure-related costs. Material costs generally represent the majority of our cost of revenues. Several of the materials we require to manufacture products for our customers are customized for their products and often sourced from a single

supplier or in some cases, our own subsidiaries. Shortages from sole-source suppliers due to yield loss, quality concerns and capacity constraints, among other factors, may increase our expenses and negatively impact our gross profit margin or total revenues in a given quarter. Material costs include scrap material. Historically, scrap rate diminishes during a product's life cycle due to process, fixturing and test improvement and optimization.

A second significant element of our cost of revenues is employee costs, including indirect employee costs related to design, configuration and optimization of manufacturing processes for our customers, quality testing, materials testing and other engineering services; and direct costs related to our manufacturing employees. Direct employee costs include employee salaries, insurance and benefits, merit-based bonuses, recruitment, training and retention. Historically, our employee costs have increased primarily due to increases in the number of employees necessary to support our growth and, to a lesser extent, costs to recruit, train and retain employees. Our cost of revenues is significantly impacted by salary levels in Thailand, the PRC and the United Kingdom, the fluctuation of the Thai baht, Chinese Renminbi ("RMB") and Pound Sterling ("GBP") against our functional currency, the U.S. dollar, and our ability to retain our employees. We expect our employee costs to increase as wages continue to increase in Thailand and the PRC. Wage increases may impact our ability to sustain our competitive advantage and may reduce our profit margin. We seek to mitigate these cost increases through improvements in employee productivity, employee retention and asset utilization.

Our infrastructure costs are comprised of depreciation, utilities, facilities management and overhead costs. Most of our facility leases are long-term agreements. Our depreciation costs include buildings and fixed assets, primarily at our Pinehurst and Chonburi campuses in Thailand, and capital equipment located at each of our manufacturing locations.

During fiscal years 2019, 2018 and 2017, discretionary merit-based bonus awards were made to our non-executive employees. Charges included in cost of revenues for bonus awards to non-executive employees were $3.9 million, $3.5 million and $3.2 million for fiscal years 2019, 2018 and 2017, respectively.

Share-based compensation expense included in cost of revenues was $5.7 million, $6.8 million and $5.3 million for fiscal years 2019, 2018 and 2017, respectively.

We expect to incur incremental costs of revenue as a result of our planned expansion into new geographic markets, though we are not able to determine the amount of these incremental expenses.

Selling, General and Administrative Expenses

Our SG&A expenses primarily consist of corporate employee costs for sales and marketing, general and administrative and other support personnel, including research and development expenses related to the design of customized optics and glass, travel expenses, legal and other professional fees, share-based compensation expense and other general expenses not related to cost of revenues. In fiscal year 2020, we expect our SG&A expenses will increase compared with our fiscal year 2019 SG&A expenses.

The compensation committee of our board of directors approved a fiscal year 2019 executive incentive plan with quantitative objectives based solely on achieving certain revenue targets and non-U.S. GAAP gross margin targets for fiscal year 2019. Bonuses under the fiscal year 2019 executive incentive plan are payable after the end of fiscal year 2019. In fiscal year 2018, the compensation committee approved a fiscal year 2018 executive incentive plan with quantitative objectives that were based solely on achieving certain revenue targets and non-U.S. GAAP gross margin targets for fiscal year 2018. Because we did not achieve the targets under our fiscal year 2018 executive incentive plan, no bonuses were paid under such plan. Discretionary merit-based bonus awards are also available to our non-executive employees and payable on a quarterly basis.

Charges included in SG&A expenses for bonus distributions to non-executive and executive employees were $3.7 million, $0.5 million and $4.4 million for fiscal years 2019, 2018 and 2017, respectively.

Share-based compensation expense included in SG&A expenses was $11.5 million, $15.8 million and $21.2 million for fiscal years 2019, 2018 and 2017, respectively.

Additional Financial Disclosures

Foreign Exchange

As a result of our international operations, we are exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Thai baht. Although a majority of our total revenues is denominated in U.S. dollars, a substantial portion of our payroll plus certain other operating expenses are incurred and paid in Thai baht. The exchange rate between the Thai baht and the U.S. dollar has fluctuated substantially in recent years and may continue to fluctuate substantially in the future. We report our financial results in U.S. dollars and our results of operations have been and could in the future be negatively impacted if the Thai baht appreciates against the U.S. dollar. Smaller portions of our expenses are incurred in a variety of other currencies, including RMB, GBP, Canadian dollars, Euros, and Japanese yen, the appreciation of which may also negatively impact our financial results.

In order to manage the risks arising from fluctuations in foreign currency exchange rates, we use derivative instruments. We may enter into foreign currency exchange forward or option contracts to manage foreign currency exposures associated with certain assets and liabilities and other forecasted foreign currency transactions and may designate these instruments as hedging instruments. The forward and option contracts generally have maturities of up to 12 months. All foreign currency exchange contracts are recognized in the consolidated balance sheets at fair value. Gain or loss on our forward and option contracts generally offset the assets, liabilities, and transactions economically hedged.

We had foreign currency denominated assets and liabilities in Thai baht, RMB and GBP as follows:

	As of June 28, 2019			As of June 29, 2018		
(amount in thousands, except percentages)	Foreign Currency	$	%	Foreign Currency	$	%
Assets						
Thai baht	664,860	$21,628	60.0	980,778	$29,568	60.7
RMB	53,393	7,767	21.5	18,455	2,789	5.7
GBP	5,270	6,682	18.5	12,514	16,392	33.6
Total		$36,077	100.0		$48,749	100.0
Liabilities						
Thai baht	1,961,972	$63,825	90.0	1,401,473	$42,251	84.5
RMB	26,373	3,836	5.4	19,893	3,007	6.0
GBP	2,598	3,294	4.6	3,615	4,735	9.5
Total		$70,955	100.0		$49,993	100.0

The Thai baht assets represent cash and cash equivalents, trade accounts receivable, deposits and other current assets. The Thai baht liabilities represent trade accounts payable, accrued expenses, income tax payable and other payables. We manage our exposure to fluctuations in foreign exchange rates by the use of foreign currency contracts and offsetting assets and liabilities denominated in the same currency in accordance with management's policy. As of June 28, 2019 there were $72.0 million of foreign currency forward contracts outstanding on the Thai baht payables. As of June 29, 2018 there were $7.0 million of foreign currency forward contracts and $30.0 million of foreign currency option contracts outstanding on the Thai baht payables.

The RMB assets represent cash and cash equivalents, trade accounts receivable and other current assets. The RMB liabilities represent trade accounts payable, accrued expenses, income tax payable and other payables. As of June 28, 2019 and June 29, 2018, we did not have any derivative contracts denominated in RMB.

The GBP assets represent cash, trade accounts receivable and other current assets. The GBP liabilities represent trade accounts payable and other payables. As of June 28, 2019 and June 29, 2018, we did not have any derivative contracts denominated in GBP.

For fiscal years 2019 and 2018, we recorded an unrealized gain of $4.8 million and an unrealized loss of $1.7 million, respectively, related to derivatives that are not designated as hedging instruments in the consolidated statements of operations and comprehensive income.

Currency Regulation and Dividend Distribution

Foreign exchange regulation in the PRC is primarily governed by the following rules:

- Foreign Currency Administration Rules, as amended on August 5, 2008, or the Exchange Rules;
- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), or the Administration Rules; and
- Notice on Perfecting Practices Concerning Foreign Exchange Settlement Regarding the Capital Contribution by Foreign-invested Enterprises, as promulgated by the State Administration of Foreign Exchange ("SAFE"), on August 29, 2008, or Circular 142.

Under the Exchange Rules, RMB is freely convertible into foreign currencies for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. However, conversion of RMB for capital account items, such as direct investments, loans, security investments and repatriation of investments, is still subject to the approval of SAFE.

Under the Administration Rules, foreign-invested enterprises may only buy, sell, or remit foreign currencies at banks authorized to conduct foreign exchange business after providing valid commercial documents and relevant supporting documents and, in the case of capital account item transactions, obtaining approval from SAFE. Capital investments by foreign-invested enterprises outside of the PRC are also subject to limitations, which include approvals by the Ministry of Commerce, SAFE and the State Development and Reform Commission.

Circular 142 regulates the conversion by a foreign-invested company of foreign currency into RMB by restricting how the converted RMB may be used. Circular 142 requires that the registered capital of a foreign-invested enterprise settled in RMB converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of the registered capital of foreign-invested enterprises settled in RMB converted from foreign currencies. The use of such RMB capital may not be changed without SAFE's approval and may not be used to repay RMB loans if the proceeds of such loans have not been used.

On January 5, 2007, SAFE promulgated the Detailed Rules for Implementing the Measures for the Administration on Individual Foreign Exchange, or the Implementation Rules. Under the Implementation Rules, PRC citizens who are granted share options by an overseas publicly-listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly-listed company, to register with SAFE and complete certain other procedures.

In addition, the General Administration of Taxation has issued circulars concerning employee share options. Under these circulars, our employees working in the PRC who exercise share options will be subject to PRC individual income tax. Our PRC subsidiary has obligations to file documents related to employee share options with relevant tax authorities and withhold individual income taxes of those employees who exercise their share options.

Furthermore, our transfer of funds to our subsidiaries in Thailand and the PRC are each subject to approval by governmental authorities in case of an increase in registered capital, or subject to registration with governmental authorities in case of a shareholder loan. These limitations on the flow of funds between our subsidiaries and us could restrict our ability to act in response to changing market conditions.

Income Tax

Our effective tax rate is a function of the mix of tax rates in the various jurisdictions in which we do business. We are domiciled in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to tax in the Cayman Islands on income or capital gains until March 6, 2039.

Throughout the period of our operations in Thailand, we have generally received income tax and other incentives from the Thailand Board of Investment. Preferential tax treatment from the Thai government in the form of a corporate tax exemption is currently available to us through June 2020 and June 2026 on income generated from projects to manufacture certain products at our Pinehurst campus and Chonburi campus, respectively. Such preferential tax treatment is contingent on various factors, including the export of our customers' products out of Thailand and our agreement not to move our manufacturing facilities out of our current province in Thailand for at least 15 years from the date on which preferential tax treatment was granted (i.e., at least until June 2020 in the case of our Pinehurst campus and until June 2026 in the case of our Chonburi campus). Currently, the corporate income tax rate for our Thai subsidiary is 20%.

During fiscal year 2018, one of our subsidiaries in the United States generated taxable income sufficient for the utilization of loss carryforwards due to better operating performance and effective control of operating expenses and management determined that it was more likely than not that future taxable income would be sufficient to allow the benefit of the loss to be realized. As of June 29, 2018, we reversed certain deferred tax assets valuation allowance as management expected it was more likely than not that we would realize profits in subsequent fiscal years so that the loss carryforwards could be partially utilized. Consequently, as of June 28, 2019, we have assessed and set up a partial valuation allowance for the deferred tax assets at the same level as in fiscal year 2018.

The Tax Cuts and Jobs Act ("Tax Reform Act") was enacted on December 22, 2017 and provided for significant changes to U.S. tax law. Among other provisions, the Tax Reform Act reduced the U.S. corporate income tax rate to 21% effective in 2018. Under the Tax Reform Act, our U.S. subsidiaries were subject to an average Federal statutory tax rate of 27.6% for fiscal year 2018. Beginning in July 2019 and effective for fiscal year 2019, our U.S. subsidiaries' corporate income tax rate was 21%.

During fiscal year 2019, we completed our assessment of the income tax effects resulting from the Tax Reform Act and we concluded that no cumulative remeasurement adjustments were required. During fiscal year 2018, we made certain provisional accounting estimates, as permitted under Staff Accounting Bulletin No. 118, to account for the impact of the Tax Reform Act. As of June 29, 2018, we applied the new corporate tax rate to compute our current income tax and remeasured our deferred tax assets and liabilities for all U.S. subsidiaries as of June 29, 2018 to reflect the lower rate expected to apply when these provisional accounting estimates were utilized. The remeasurement resulted in (1) a reduction in current income tax expenses of $0.1 million and (2) a reduction in deferred tax assets of $0.4 million.

Critical Accounting Policies and Use of Estimates

We prepare our consolidated financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that we believe to

be reasonable under the circumstances. The evaluation results form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our consolidated financial statements, as their application places the most significant demands on our management's judgment.

A quantitative sensitivity analysis is provided where such information is reasonably available, can be reliably estimated, and provides material information to investors. The amounts used to assess sensitivity are included for illustrative purposes only and do not represent management's predictions of variability.

Our critical accounting policies and the adoption of new accounting policies are disclosed in Note 2 – Summary of significant accounting policies. There were no changes to our accounting policies other than the adoption of Revenue from Contracts with Customers (Topic 606), which resulted from Accounting Standards Codification Topic 606 ("ASC 606").

Revenue Recognition

On June 30, 2018, we adopted ASC 606 using the modified retrospective method, which was applied to those contracts which were not completed as of June 29, 2018. The modified retrospective method required us to recognize the cumulative effect of the adoption of ASC 606, for all contracts with customers, to the opening balance of equity at June 30, 2018.

We derive total revenues primarily from the assembly of products under supply agreements with our customers and the fabrication of customized optics and glass. We recognize revenue relating to contracts that depict the transfer of promised goods or services to customers in an amount reflecting the consideration to which we expect to be entitled in exchange for such goods or services. In order to meet this requirement, we apply the following five steps: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied. Revenue is recognized net of any taxes collected from customers, which is subsequently remitted to governmental authorities.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. In contracts with multiple performance obligations, we identify each performance obligation and evaluate whether the performance obligation is distinct within the context of the contract at contract inception. The majority of our contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct.

Sales of finished goods

We manufacture products that are customized to customers' specifications; however, control of the products is typically transferred to the customer at the point in time the product is either shipped or delivered, depending on the terms of the arrangement, as the criteria for over time recognition are not met. On evaluation of the contracts, we identified that there were no contractual rights to bill profit for work in progress in the event of a contract termination, which is expected to be infrequent. Further, in limited circumstances, contracts provide for substantive acceptance by the customer, which results in the deferral of revenue until formal notice of acceptance is received from the customer. Judgment may be required in determining if an acceptance clause provides for substantive acceptance.

Certain customers may request us to store finished products at our warehouse where customers bear risks of loss themselves. In these instances, we receive a written request from the customer asking us to hold the inventory at our warehouse and refrain from using the ordered goods to fulfill other customer orders. In these situations, revenue is only recognized when the completed goods are ready for shipment and transferred to our warehouse.

Customers generally are obligated to purchase finished goods that we have manufactured according to their demand requirements. Materials that are not consumed by customers within a specified period of time, or are no longer required due to a product's cancellation or end-of-life, are typically designated as excess or obsolete inventory under our contracts. Once materials are designated as either excess or obsolete inventory, customers are typically required to purchase such inventory from us even if the customer has chosen to cancel production of the related products. The excess or obsolete inventory is shipped to the customer and revenue is recognized upon shipment.

A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. In determining the net consideration to which we expect to be entitled, we evaluate whether the price is subject to refund or adjustment. We generally do not grant return privileges, except for in the case of defective products during the warranty period. We generally provide a warranty of between one to five years on any given product. These standard warranties are assurance type warranties and do not offer any services in addition to the assurance that the product will continue to work as specified.

The sales price is not considered to be fixed or determinable until all contingencies related to the sale have been resolved. We recognized revenue net of rebates and other similar allowances. Revenues are recognized only if these estimates can be reasonably and reliably determined. We base our estimates on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Services

We provide services for customers that are related to our manufacturing activities. In many cases, although the nature of work performed is service in nature, revenue is only recognizable on shipping of the product because the customer has specific requirements as to how many items can be shipped at any given point in time, i.e. at point-in-time. The related costs are expensed as incurred.

Long-Lived Assets

We review property, plant and equipment for impairment on a quarterly basis or when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset or assets group exceeds its fair value. Recoverability of property and equipment is measured by comparing its carrying amount to the projected undiscounted cash flows the property and equipment are expected to generate. If such assets are considered to be impaired, the impairment loss recognized, if any, is the amount by which the carrying amount of the property and equipment exceeds its fair value.

Allowance for Doubtful Accounts

We perform ongoing credit evaluations of our customers' financial condition and make provisions for doubtful accounts based on the outcomes of these credit evaluations. We evaluate the collectability of our accounts receivable based on specific customer circumstances, current economic trends, historical experience with collections, and the age of past due receivables. Unanticipated changes in the liquidity or financial position of our customers may require additional provisions for doubtful accounts. Under our specific identification method, it is not practical to assess the sensitivity of our estimates.

Inventory Valuation

Our inventory is stated at the lower of cost (on a first-in, first-out basis) or market value. Our industry is characterized by rapid technological change, short-term customer commitments, and rapid changes in demand. We make provisions for estimated excess and obsolete inventory based on regular reviews of inventory quantities

on hand on a quarterly basis and the latest forecasts of product demand and production requirements from our customers. If actual market conditions or our customers' product demands are less favorable than those projected, additional provisions may be required. In addition, unanticipated changes in liquidity or the financial positions of our customers or changes in economic conditions may require additional provisions for inventory due to our customers' inability to fulfill their contractual obligations. During fiscal year 2019 and fiscal year 2018, a change of 10% for excess and obsolete materials, based on product demand and production requirements from our customers, would have affected our net income by approximately $0.2 million and $0.3 million, respectively.

Deferred Income Taxes

Our deferred income tax assets represent temporary differences between the carrying amount and the tax basis of existing assets and liabilities that will result in deductible and payable amounts in future years, including net operating loss carry forwards. Based on estimates, the carrying value of our net deferred tax assets assumes that it is more likely than not that we will be able to generate sufficient future taxable income in certain tax jurisdictions to realize these deferred income tax assets. Our judgments regarding future profitability may change depending on future market conditions, changes in U.S. or international tax laws, or other factors. If these estimates and related assumptions change in the future, we may be required to increase or decrease our valuation allowance against the deferred tax assets, resulting in additional or lesser income tax expense. During fiscal year 2018, one of our subsidiaries in the United States generated taxable income sufficient for the utilization of loss carryforwards due to better operating performance and effective control of operating expenses and management determined that it was more likely than not that future taxable income would be sufficient to allow the benefit of the loss to be realized. As of June 29, 2018, we reversed certain deferred tax assets valuation allowance as management expected it was more likely than not that we would realize profits in subsequent fiscal years so that the loss carryforwards could be partially utilized. Consequently, as of June 28, 2019, we have assessed and set up a partial valuation allowance for the deferred tax assets at the same level as in fiscal year 2018.

We assess tax positions in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods, based on the technical merits of the position. We apply a "more likely than not" basis (i.e., a likelihood greater than 50 percent), in accordance with the authoritative guidance, and recognize a tax provision in the consolidated financial statements for an uncertain tax position that would not be sustained.

Share-Based Compensation

Awards granted, including share options, restricted share units and performance share units are accounted for by recognizing the cost of employee services received in exchange for awards of equity instruments, based on the fair value of those awards, in the consolidated financial statements over the requisite service period.

In determining the fair value of share option awards, we are required to make estimates of expected dividends to be issued, expected volatility of our shares, expected forfeitures of the awards, risk free interest rates for the expected terms of the awards and expected terms of the awards.

For accounting purposes only, the fair value of each option grant is estimated using the Black-Scholes-Merton option pricing model, which takes into account the following factors: (1) the exercise price of the options; (2) the fair value of the underlying ordinary shares; (3) the expected life of the options; (4) the expected volatility of the underlying ordinary shares; (5) the risk-free interest rate during the expected life of the options; and (6) the expected dividend yield of the underlying ordinary shares. However, these fair values are inherently uncertain and highly subjective.

The exercise price of the options is stated in the option agreements. The expected life of the options involves estimates of the anticipated timing of the exercise of the vested options. The expected volatility is based

on the historical volatility of our share price. We have applied the U.S. Treasury Bill interest rate with a maturity date similar to the expected life of our options as the risk-free interest rate and assumed a dividend yield for periods when we paid dividends.

The fair value of restricted share units and performance share units are based on the market value of our ordinary shares on the date of grant.

The determination of our share-based compensation expense for both current and future periods requires the input of assumptions, including estimated forfeitures and the price volatility of the underlying ordinary shares. We estimate forfeitures based on past employee retention rates and our expectations of future retention rates, and we will prospectively revise our forfeiture rates based on actual history. Our share-based compensation expense may change based on changes to our actual forfeitures.

Intangibles

Intangibles are stated at historical cost less amortization. Amortization of customer relationships is calculated using the accelerated method as to reflect the pattern in which the economic benefits of the intangible assets are consumed. Amortization of other intangibles is calculated using the straight-line method.

Business acquisition

For the acquisition of Fabrinet UK, we allocated the fair value of purchase consideration to the assets acquired and liabilities assumed based on their fair values at the acquisition date. The allocation of consideration to the individual net assets has been finalized.

The acquired intangible assets, which consist of customer relationships and backlog, are recorded as intangibles in the consolidated balance sheets. The fair value of the acquired intangible assets was determined based on the multi-period excess earnings method. We review intangibles for impairment whenever changes or circumstances indicate the carrying amount may not be recoverable.

Goodwill

Goodwill arising from the acquisition is primarily attributable to the ability to expand future products and services and the assembled workforce. Goodwill is reviewed annually for impairment or more frequently whenever changes or circumstances indicate the carrying amount of goodwill may not be recoverable.

Results of Operations

The following table sets forth a summary of our consolidated statements of operations and comprehensive income. Note that period-to-period comparisons of operating results should not be relied upon as indicative of future performance.

(amount in thousands)	Years Ended June 28, 2019	June 29, 2018	June 30, 2017
Revenues	$ 1,584,335	$ 1,371,925	$ 1,420,490
Cost of revenues	(1,405,111)	(1,218,513)	(1,249,030)
Gross profit	179,224	153,412	171,460
Selling, general and administrative expenses	(55,067)	(57,812)	(65,626)
Expenses related to reduction in workforce	(1,516)	(1,776)	—
Operating income	122,641	93,824	105,834
Interest income	6,699	3,925	1,977
Interest expense	(5,381)	(3,606)	(3,321)
Foreign exchange gain (loss), net	1,406	(6,587)	(1,142)
Other income, net	868	473	509
Income before income taxes	126,233	88,029	103,857
Income tax expense	(5,278)	(3,862)	(6,742)
Net income	120,955	84,167	97,115
Other comprehensive (loss) income, net of tax	(1,129)	(909)	(939)
Net comprehensive income	$ 119,826	$ 83,258	$ 96,176

The following table sets forth a summary of our consolidated statements of operations and comprehensive income as a percentage of total revenues for the periods indicated.

	Years Ended June 28, 2019	June 29, 2018	June 30, 2017
Revenues	100.0%	100.0%	100.0%
Cost of revenues	(88.7)	(88.8)	(87.9)
Gross profit	11.3	11.2	12.1
Selling, general and administrative expenses	(3.5)	(4.2)	(4.6)
Expenses related to reduction in workforce	(0.1)	(0.1)	—
Operating income	7.7	6.9	7.5
Interest income	0.4	0.3	0.1
Interest expense	(0.3)	(0.3)	(0.2)
Foreign exchange gain (loss), net	0.1	(0.5)	(0.1)
Other income, net	0.0	0.1	0.0
Income before income taxes	7.9	6.5	7.3
Income tax expense	(0.3)	(0.3)	(0.5)
Net income	7.6	6.2	6.8
Other comprehensive (loss) income, net of tax	0.0	(0.1)	(0.1)
Net comprehensive income	7.6%	6.1%	6.7%

The following table sets forth our revenues by end market for the periods indicated.

(amount in thousands)	Years Ended June 28, 2019	June 29, 2018	June 30, 2017
Optical communications	$1,184,936	$1,000,256	$1,108,637
Lasers, sensors, and other	399,399	371,669	311,853
Total	$1,584,335	$1,371,925	$1,420,490

We operate and internally manage a single operating segment. As such, discrete information with respect to separate product lines and segments is not accumulated.

We utilize a 52-53 week fiscal year ending on the Friday in June closest to June 30. Fiscal year 2019 ended on June 28, 2019 and consisted of 52 weeks. Fiscal year 2018 ended on June 29, 2018 and consisted of 52 weeks. Fiscal year 2017 ended on June 30, 2017 and consisted of 53 weeks.

Comparison of Fiscal Year 2019 with Fiscal Year 2018

Total revenues. Our total revenues increased by $212.4 million, or 15.5%, to $1.58 billion for fiscal year 2019, compared with $1.37 billion for fiscal year 2018. This increase was primarily due to an increase in customers' demand for optical communications manufacturing services, particularly telecom manufacturing services, for fiscal year 2019. Revenues from optical communications products represented 74.8% of our total revenues for fiscal year 2019, compared with 72.9% for fiscal year 2018.

Cost of revenues. Our cost of revenues increased by $186.6 million, or 15.3%, to $1.41 billion, or 88.7% of total revenues, for fiscal year 2019, compared with $1.22 billion, or 88.8% of total revenues, for fiscal year 2018. The increase in cost of revenues was primarily due to a proportional increase in sales volume.

Gross profit. Our gross profit increased by $25.8 million, or 16.8%, to $179.2 million, or 11.3% of total revenues, for fiscal year 2019, compared with $153.4 million, or 11.2% of total revenues, for fiscal year 2018. The increase in gross profit percentage in fiscal year 2019 was due to higher revenue and fixed costs leverage.

SG&A expenses. Our SG&A expenses decreased by $2.7 million, or 4.7%, to $55.1 million, or 3.5% of total revenues, for fiscal year 2019, compared with $57.8 million, or 4.2% of total revenues, for fiscal year 2018. Our SG&A expenses decreased during fiscal year 2019, compared with fiscal year 2018, mainly due to (1) a decrease in share-based compensation expenses of $4.3 million because we did not expect to achieve the pre-defined performance targets for vesting of certain performance-based restricted share units awarded under our 2017 Inducement Equity Incentive Plan and (2) a decrease in executive severance payments of $2.1 million and a decrease in key executive benefits of $1.8 million in connection with the transition of the Executive Chairman of our board of directors to non-executive Chairman during fiscal year 2018. The decrease was offset by (1) an increase of $2.4 million in executive cash bonuses under our fiscal year 2019 executive incentive plan due to our expectation that certain pre-defined revenue targets and non-U.S. GAAP gross margin targets would be achieved; (2) an increase in severance payment of $1.0 million in connection with non-executive management separations; (3) an increase in public company cost of $0.6 million; and (4) an increase in severance liability expense of $0.4 million due to an increase in headcount as well as a change in labor protection law in Thailand that increased the required severance payment compensation for employees with 20 or more years of service from 300 days of wage to 400 days of wage.

Operating income. Our operating income increased by $28.8 million to $122.6 million, or 7.7% of total revenues, for fiscal year 2019, compared with $93.8 million, or 6.9% of total revenues, for fiscal year 2018.

Interest income. Our interest income increased by $2.8 million to $6.7 million for fiscal year 2019, compared with $3.9 million for fiscal year 2018. The increase was primarily due to the higher weighted average

interest rate compared to the same period in the last year and an increase in the average balance of our outstanding cash and cash equivalents and short-term investments.

Interest expense. Our interest expense increased by $1.8 million to $5.4 million for fiscal year 2019, compared with $3.6 million for fiscal year 2018. The increase was due to (1) unrealized loss of $2.6 million from mark-to-market of interest rate swap related to our term loan; and (2) an increase of $0.5 million from the increase in the fixed interest rate from interest rate swap. The increase was offset by (1) the amortization and write off of deferred debt issuance costs from loan borrowing paid up in fiscal year 2018 of $1.0 million; and (2) a decrease in loan commitment fee of $0.3 million.

Foreign exchange gain (loss), net. We recorded foreign exchange gain, net of $1.4 million for fiscal year 2019, compared with foreign exchange loss, net of $6.6 million for fiscal year 2018. The foreign exchange gain for fiscal year 2019 was mainly due to unrealized gain of $4.8 million for mark-to-market of forward contracts related to hedging of Thai baht spending, compared to unrealized loss of $2.6 million in fiscal year 2018. Moreover, we recorded realized foreign exchange loss from receipts and payments of $4.6 million in fiscal year 2018.

Income before income taxes. We recorded income before income taxes of $126.2 million for fiscal year 2019, compared with $88.0 million for fiscal year 2018.

Income tax expense. Our provision for income tax reflects an effective tax rate of 4.6% for fiscal year 2019 and 5.0% for fiscal year 2018.

Net income. We recorded net income of $121.0 million, or 7.6% of total revenues, for fiscal year 2019, compared with net income of $84.2 million, or 6.2% of total revenues, for fiscal year 2018.

Other comprehensive loss. Our other comprehensive loss increased by $0.2 million to $1.1 million for fiscal year 2019 compared with $0.9 million for fiscal year 2018.

Comparison of Fiscal Year 2018 with Fiscal Year 2017

Total revenues. Our total revenues decreased by $48.6 million, or 3.4%, to $1.37 billion for fiscal year 2018, compared with $1.42 billion for fiscal year 2017. This decrease was primarily due to a decrease in customers' demand for optical communications manufacturing services, particularly telecom manufacturing services, for fiscal year 2018, driven by a slower growth rate in the data center market following a peak year in fiscal year 2017, partially offset by an increase in customers' demand for non-optical communications manufacturing services. Revenues from optical communications products represented 72.9% of our total revenues for fiscal year 2018, compared with 78.0% for fiscal year 2017.

Cost of revenues. Our cost of revenues decreased by $30.5 million, or 2.4%, to $1.22 billion, or 88.8% of total revenues, for fiscal year 2018, compared with $1.25 billion, or 87.9% of total revenues, for fiscal year 2017. The decrease in cost of revenues was primarily due to a proportional decrease in sales volume.

Gross profit. Our gross profit decreased by $18.0 million, or 10.5%, to $153.4 million, or 11.2% of total revenues, for fiscal year 2018, compared with $171.5 million, or 12.1% of total revenues, for fiscal year 2017.

SG&A expenses. Our SG&A expenses decreased by $7.8 million, or 11.9%, to $57.8 million, or 4.2% of total revenues, for fiscal year 2018, compared with $65.6 million, or 4.6% of total revenues, for fiscal year 2017. Our SG&A expenses decreased during fiscal year 2018, compared with fiscal year 2017, mainly due to (1) decreases in incentive-based compensation of $9.2 million because we did not achieve the targets under our fiscal year 2018 executive incentive plan, and expenses related to merger and acquisition activities of $1.7 million because we did not acquire any businesses during fiscal year 2018; partially offset by (2) an increase related to a payment of $2.1 million in severance during fiscal year 2018 to the Executive Chairman of our board of directors in connection with his transition to non-executive Chairman of our board of directors.

Operating income. Our operating income decreased by $12.0 million to $93.8 million, or 6.8% of total revenues, for fiscal year 2018, compared with $105.8 million, or 7.5% of total revenues, for fiscal year 2017.

Interest income. Our interest income increased by $1.9 million to $3.9 million for fiscal year 2018, compared with $2.0 million for fiscal year 2017. The increase was primarily due to an increase in our average outstanding cash and short-term investments balances and interest rates.

Interest expense. Our interest expense increased by $0.3 million to $3.6 million for fiscal year 2018, compared with $3.3 million for fiscal year 2017. The increase was primarily due to an increase in the average interest rate.

Foreign exchange loss, net. We recorded foreign exchange loss, net of $6.6 million for fiscal year 2018, compared with $1.1 million for fiscal year 2017. The increase was primarily due to the fluctuation of the Thai baht and RMB against our functional currency, the U.S. dollar.

Income before income taxes. We recorded income before income taxes of $88.0 million for fiscal year 2018, compared with $103.9 million for fiscal year 2017.

Income tax expense. Our provision for income tax reflects an effective tax rate of 5.0% for fiscal year 2018, compared with an effective tax rate of 5.5% for fiscal year 2017. The decrease in income tax expense was primarily due to the fact that we had more income not subject to tax during fiscal year 2018 as compared with fiscal year 2017. The impact from the Tax Cuts and Jobs Act resulted in a reduction in income tax expense of $0.1 million during fiscal year 2018.

Net income. We recorded net income of $84.2 million, or 6.2% of total revenues, for fiscal year 2018, compared with net income of $97.1 million, or 6.8% of total revenues, for fiscal year 2017.

Other comprehensive (loss) income. Our other comprehensive loss remained flat at $0.9 million, or 0.1% of total revenues for each of fiscal year 2018 and fiscal year 2017.

Liquidity and Capital Resources

Cash Flows and Working Capital

We primarily finance our operations through cash flow from operating activities. As of June 28, 2019 and June 29, 2018, we had cash, cash equivalents, and short-term investments of $437.3 million and $332.4 million, respectively, and outstanding debt of $60.9 million and $64.2 million, respectively.

Our cash and cash equivalents, which primarily consist of cash on hand, demand deposits and liquid investments with original maturities of three months or less, are placed with banks and other financial institutions. The weighted average interest rate on our cash and cash equivalents for fiscal year 2019, fiscal year 2018 and fiscal year 2017 was 1.9%, 0.8% and 0.6%, respectively.

Our cash investments are made in accordance with an investment policy approved by the Audit Committee of our board of directors. In general, our investment policy requires that securities purchased be rated A1, P-1, F1 or better. No security may have an effective maturity that exceeds three years. Our investments in fixed income securities are primarily classified as available-for-sale and are recorded at fair value. The cost of securities sold is based on the specific identification method. Unrealized gains and losses on these securities are recorded as other comprehensive income (loss) and are reported as a separate component of shareholders' equity.

During fiscal year 2019, we repaid a term loan of $3.3 million under our Facility Agreement. As of June 28, 2019, we had long-term borrowing of $60.9 million under our Facility Agreement. We anticipate that our

internally generated working capital, along with our cash and cash equivalents will be adequate to repay these obligations. To better manage our cash on hand, we held investments in short-term marketable securities, liquidity funds, certificates of deposit and time deposits of $256.5 million as of June 28, 2019.

We believe that our current cash, cash equivalents, marketable securities, cash flow from operations, and funds available through our credit facility will be sufficient to meet our working capital and capital expenditure needs for at least the 12 months following the filing of this Annual Report on Form 10-K. Our ability to sustain our working capital position is subject to a number of risks that we discuss in Item 1A of this Annual Report on Form 10-K.

We also believe that our current manufacturing capacity is sufficient to meet our anticipated production requirements for at least the next few quarters.

The following table shows our cash flows for the periods indicated:

	Years Ended		
(amount in thousands)	**June 28, 2019**	**June 29, 2018**	**June 30, 2017**
Net cash provided by operating activities	$147,394	$138,080	$ 70,934
Net cash used in investing activities	$ (98,067)	$ (58,649)	$ (90,556)
Net cash (used in) provided by financing activities	$ (23,223)	$ (54,106)	$ 13,432
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 26,104	$ 25,325	$ (6,190)
Cash, cash equivalents and restricted cash, beginning of period	$161,433	$137,137	$142,804
Cash, cash equivalents and restricted cash, end of period	$188,241	$161,433	$137,137

Operating Activities

Net cash provided by operating activities increased by $9.3 million, or 6.7%, to $147.4 million for fiscal year 2019, compared with net cash provided by operating activities of $138.1 million for fiscal year 2018 due to better working capital management. This increase was due to an increase in net income of $36.8 million and a decrease in cash paid to settle accounts payable of $35.3 million. These increases in cash were offset by a decrease in cash receipts related to the timing of collection of trade accounts receivable of $31.3 million, an increase in gain on exchange rate and fair value of derivative instruments of $11.2 million, an increase in ending inventories intended for sale in future quarters of $24.6 million and a decrease in share-based compensation of $5.4 million.

Net cash provided by operating activities increased by $67.1 million, or 94.7%, to $138.1 million for fiscal year 2018, compared with net cash provided by operating activities of $70.9 million for fiscal year 2017 due to better working capital management. This increase was due to an increase in cash received from trade accounts receivable of $82.0 million and a decrease in ending inventories of $34.4 million. These were offset by decreases in net income of $12.9 million and cash paid to trade accounts payable of $34.8 million.

Investing Activities

Net cash used in investing activities increased by $39.4 million, or 67.2 %, to $98.1 million for fiscal year 2019, compared with net cash used in investing activities of $58.6 million for fiscal year 2018. The increase was primarily due to a net increase in investment in short-term investments of $56.0 million, offset by a decrease of $16.5 million in the purchase of property, plant and equipment and intangible assets.

Net cash used in investing activities decreased by $31.9 million, or 35.2 %, to $58.6 million for fiscal year 2018, compared with net cash used in investing activities of $90.6 million for fiscal year 2017. The decrease was

primarily due to a decrease of $34.4 million in the purchase of property, plant and equipment as the construction of our new facility in Chonburi, Thailand was completed in March 2017 and there was no significant purchase of property, plant and equipment during fiscal year 2018, and a decrease of $9.9 million related to merger and acquisition activities because we did not acquire any businesses during fiscal year 2018. These decreases were offset by a net increase in investment in marketable securities of $12.9 million.

Financing Activities

Net cash used in financing activities decreased by $30.9 million, or 57.1%, to $23.2 million for fiscal year 2019, compared with net cash provided by financing activities of $54.1 million for fiscal year 2018. This decrease was primarily due to a decrease in cash paid for the repurchase of ordinary shares of $37.0 million and a decrease in cash paid for long-term loans of $8.0 million. These were offset by (1) an increase in cash paid for withholding tax related to net share settlement of restricted share units of $5.1 million, (2) a decrease in cash received from short-term loans from bank of $5.0 million, and (3) the release of restricted cash in connection with a business acquisition of $3.5 million.

Net cash used in financing activities increased by $67.5 million, or 502.8%, to $54.1 million for fiscal year 2018, compared with net cash provided by financing activities of $13.4 million for fiscal year 2017. This increase was primarily due to (1) an increase in cash paid for repurchase of ordinary shares of $42.4 million, (2) a decrease in cash received from short-term loans of $22.5 million, (3) an increase in cash paid for withholding tax related to net share settlement of restricted share units of $4.1million, and (4) a decrease in cash received from the issuance of ordinary shares under our employee share option plans of $4.5 million. These were offset by a decrease in repayment of long-term loans of $6.9 million.

Contractual Obligations

The following table sets forth certain of our contractual obligations as of June 28, 2019:

	Payments Due by Period				
(amount in thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt obligations	$60,938	$3,250	$ 6,500	$51,188	$ —
Interest expense obligation [(1)]	8,563	2,383	4,340	1,840	—
Capital lease obligations	500	398	102	—	—
Operating lease obligations	5,709	1,746	2,561	1,402	—
Severance liabilities [(2)]	15,473	840	2,255	2,260	10,118
Provision for uncertain income tax position	2,100	931	913	256	—
Total	$93,283	$9,548	$16,671	$56,946	$10,118

(1) Interest expense obligation reflects the interest rate on long-term debt obligation as of June 28, 2019. The interest rates ranged between 3.6% and 4.0%. For further discussion of long-term and short-term debt obligations, see Note 15 of our audited consolidated financial statements.

(2) Severance liabilities as of June 28, 2019 are determined based on management assumptions. See Note 16 of our audited consolidated financial statements.

As of June 28, 2019, our long-term debt obligations consisted of approximately $60.9 million outstanding under a loan agreement. The loan prescribes maximum ratios of total leverage and minimum levels of debt service coverage ratios (i.e., earnings before interest expenses and depreciation and amortization plus cash on hand minus short-term debts divided by current portion of long-term debts plus interest expenses). These financial ratio covenants could restrict our ability to incur additional indebtedness and limit our ability to use our cash. Our long-term debt obligation also includes customary events of default.

As of June 28, 2019, we were in compliance with our long-term loan agreements. Nonetheless, in the event of a default on these loans or a breach of a financial ratio covenant, the lenders may immediately cancel the loan agreements, deem the full amount of the outstanding indebtedness immediately due and payable; charge us interest on a monthly basis on the full amount of the outstanding indebtedness and, if we cannot repay all of our outstanding obligations, sell the assets pledged as collateral for the loans in order to fulfill our obligations to the lenders. We may also be held responsible for any damages and related expenses incurred by the lender as a result of any default.

We entered into the Facility Agreement with a consortium of banks on May 22, 2014, which provided for a $200.0 million credit line, comprised of a $150.0 million revolving loan facility and a $50.0 million delayed draw term loan facility with a maturity date of May 22, 2019. The revolving loan facility contained an accordion feature permitting us to request an increase in the facility up to $100.0 million subject to customary terms and conditions and provided that no default or event of default exists at the time of request.

On February 26, 2015, we entered into the Second Amendment to the Facility Agreement, which extended the availability period for draws on the term loan facility from May 21, 2015 to July 31, 2015 and allowed us, upon the satisfaction of certain conditions, to designate from time to time one or more of Fabrinet's subsidiaries as borrowers under the Facility Agreement. On July 31, 2015, we entered into the Third Amendment to the Facility Agreement, which extended the availability period for draws on the term loan facility from July 31, 2015 to July 31, 2016. On July 22, 2016, we entered into the Fourth Amendment to the Facility Agreement to change the timing of filing certain financial information with the bank.

On June 4, 2018, we entered into the Fifth Amendment to the Facility Agreement to (1) reduce the revolving commitments thereunder from $150.0 million to $25.0 million, (2) extend the termination date of the revolving commitments from May 22, 2019 to June 4, 2023, (3) refinance the then-existing term loan and revolving loans under the Facility Agreement into a $65.0 million term loan that matures on June 4, 2023, and (4) reduce the applicable interest rate margins and commitment fees. The revolving loan facility contains an accordion feature permitting us to request an increase in the facility up to $200.0 million subject to customary terms and conditions and provided that no default or event of default exists at the time of request. The revolving loan facility terminates and all amounts outstanding are due and payable in full on June 4, 2023. The principal amount of any drawn term loans must be repaid according to the scheduled quarterly amortization payments, with final payment of all amounts outstanding, plus accrued interest, being due June 4, 2023.

As of June 28, 2019, $60.9 million of the term loan was outstanding under the Facility Agreement and there were available revolving credit facilities of $25.0 million.

As of June 28, 2019, we also had certain operating lease arrangements in which the lease payments are calculated using the straight-line method. Our rental expenses under these leases were $1.9 million, $1.8 million and $1.7 million for fiscal year 2019, fiscal year 2018 and fiscal year 2017, respectively.

Capital Expenditures

The following table sets forth our capital expenditures, which include amounts for which payments have been accrued, for the periods indicated.

	Years Ended		
(amount in thousands)	**June 28, 2019**	**June 29, 2018**	**June 30, 2017**
Capital expenditures	$20,834	$30,535	$56,194

Our capital expenditures for fiscal year 2019, fiscal year 2018 and fiscal year 2017 principally related to investment in our new facilities in Thailand and the United States. During fiscal year 2019, we purchased additional equipment to continue to support the expansion of our manufacturing facilities in Thailand. During

fiscal year 2018, we purchased additional equipment to continue to support the expansion of our manufacturing facilities in Thailand and the United Kingdom. During fiscal year 2017, we purchased equipment and entered into an agreement to purchase an additional parcel of land in Chonburi, to support the expansion of our manufacturing operations in Thailand, which was fully paid for during fiscal year 2018. During fiscal year 2020, we expect our capital expenditures to increase compared to fiscal year 2019 mainly related to investment in existing and new manufacturing facilities.

Off-Balance Sheet Commitments and Arrangements

As of June 28, 2019, we had an outstanding standby letter of credit of 6.0 million Euros related to our support of a customer with the transfer of certain manufacturing operations from Berlin, Germany to our facilities in Thailand. As of June 28, 2019, the standby letter of credit was backed by cash collateral of $7.4 million.

Recent Accounting Pronouncements

See Note 2 of the Notes to Consolidated Financial Statements for recent accounting pronouncements that could have an effect on us.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk

We had cash, cash equivalents, and short-term investments totaling $437.3 million, $332.4 million and $285.3 million, as of June 28, 2019, June 29, 2018 and June 30, 2017, respectively. We have interest rate risk exposure relating to the interest income generated by excess cash invested in highly liquid investments with maturities of three months or less from the original dates of purchase. The cash, cash equivalents, and short-term investments are held for working capital purposes. We have not used derivative financial instruments in our investment portfolio. We have not been exposed nor do we anticipate being exposed to material risks due to changes in market interest rates. Declines in interest rates, however, will reduce future investment income. If overall interest rates had declined by 10 basis points during fiscal year 2019, fiscal year 2018 and fiscal year 2017, our interest income would have decreased by approximately $0.3 million, $0.3 million and $0.3 million, respectively, assuming consistent investment levels.

We also have interest rate risk exposure in movements in interest rates associated with our interest bearing liabilities. The interest bearing liabilities are denominated in U.S. dollars and the interest expense is based on the London Inter-Bank Offered Rate ("LIBOR"), plus an additional margin, depending on the lending institution. If the LIBOR had increased by 100 basis points during fiscal year 2019, fiscal year 2018 and fiscal year 2017, our interest expense would have increased by approximately $0.6 million, $0.6 million and $0.8 million, respectively, assuming consistent borrowing levels.

We therefore entered into an interest rate swap agreement (the "Swap Agreement") to manage this risk and increase the profile of our debt obligation. The terms of the Swap Agreement allow us to effectively convert the floating interest rate to a fixed interest rate. This locks the variable interest expenses associated with our floating rate borrowings and results in fixed interest expenses that are unsusceptible to market rate increase. As we did not designate the Swap Agreement as a hedging instrument, the net position of gain or loss from the Swap Agreement is recognized as interest expense in the consolidated statements of operations and comprehensive income.

We maintain an investment portfolio in a variety of financial instruments, including, but not limited to, U.S. government and agency bonds, corporate obligations, money market funds, asset-backed securities, and other investment-grade securities. The majority of these investments pay a fixed rate of interest. The securities in the investment portfolio are subject to market price risk due to changes in interest rates, perceived issuer creditworthiness, marketability, and other factors. These investments are classified as available-for-sale and,

consequently, are recorded on our consolidated balance sheets at fair value with unrealized gains or losses reported as a separate component of shareholders' equity.

Investments in both fixed-rate and floating-rate interest earning instruments carry a degree of interest rate risk. The fair market values of our fixed-rate securities decline if interest rates rise, while floating-rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may be less than we expect because of changes in interest rates or we may suffer losses in principal if forced to sell securities that have experienced a decline in market value because of changes in interest rates.

Foreign Currency Risk

As a result of our foreign operations, we have significant expenses, assets and liabilities that are denominated in foreign currencies. Substantially all of our employees and most of our facilities are located in Thailand, the PRC and the United Kingdom. Therefore, a substantial portion of our payroll as well as certain other operating expenses are paid in Thai baht, RMB or GBP. The significant majority of our revenues are denominated in U.S. dollars because our customer contracts generally provide that our customers will pay us in U.S. dollars.

As a consequence, our gross profit margins, operating results, profitability and cash flows are adversely impacted when the dollar depreciates relative to the Thai baht, GBP or the RMB. We have a particularly significant currency rate exposure to changes in the exchange rate between the Thai baht, GBP, RMB and the U.S. dollar. We must translate foreign currency-denominated results of operations, assets and liabilities for our foreign subsidiaries to U.S. dollars in our audited consolidated financial statements. Consequently, increases and decreases in the value of the U.S. dollar compared with such foreign currencies will affect our reported results of operations and the value of our assets and liabilities on our audited consolidated balance sheets, even if our results of operations or the value of those assets and liabilities has not changed in its original currency. These transactions could significantly affect the comparability of our results between financial periods or result in significant changes to the carrying value of our assets, liabilities and shareholders' equity.

We attempt to hedge against these exchange rate risks by entering into derivative instruments that are typically one to eighteen months in duration, leaving us exposed to longer term changes in exchange rates. We recognized an unrealized gain of $4.8 million, unrealized loss of $1.7 million and unrealized gain of $0.02 million in the consolidated statements of operations and comprehensive income during fiscal year 2019, fiscal year 2018 and fiscal year 2017, respectively. As foreign currency exchange rates fluctuate relative to the U.S. dollar, we expect to incur foreign currency translation adjustments and may incur foreign currency exchange losses. For example, a 10% weakening in the U.S. dollar against the Thai baht, RMB and GBP would have resulted in a decrease in our net dollar position of approximately $0.4 million, $0.9 million and $4.8 million as of June 28, 2019, June 29, 2018 and June 30, 2017, respectively. We cannot give any assurance as to the effect that future changes in foreign currency rates will have on our consolidated financial position, operating results or cash flows.

Credit Risk

Credit risk refers to our exposures to financial institutions, suppliers and customers that have in the past and may in the future experience financial difficulty, particularly in light of recent conditions in the credit markets and the global economy. As of June 28, 2019 and June 29, 2018, our cash and cash equivalents were held in deposits and highly liquid investment products with maturities of three months or less with banks and other financial institutions having credit ratings of A minus or above. As of June 28, 2019 and June 29, 2018, our short-term investments were held in various financial institutions with a maturity limit not to exceed three years, and all securities were rated A1, P-1, F1, or better. We continue to monitor our surplus cash and consider investment in corporate and U.S. government debt as well as certain available-for-sale securities in accordance with our investment policy. We generally monitor the financial performance of our suppliers and customers, as well as other factors that may affect their access to capital and liquidity. Presently, we believe that we will not incur material losses due to our exposures to such credit risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Fabrinet

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Fabrinet and its subsidiaries (the "Company") as of June 28, 2019 and June 29, 2018, and the related consolidated statements of operations and comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for each of the three years in the period ended June 28, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of June 28, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 28, 2019 and June 29, 2018, and the results of its operations and its cash flows for each of the three years in the period ended June 28, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 28, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting

includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers ABAS Ltd.
Bangkok, Thailand
August 20, 2019

We have served as the Company's auditor since 1999.

FABRINET

CONSOLIDATED BALANCE SHEETS

(in thousands of U.S. dollars, except share data and par value)	**June 28, 2019**	**June 29, 2018**
Assets		
Current assets		
Cash and cash equivalents	$ 180,839	$ 158,102
Restricted cash in connection with business acquisition	—	3,331
Short-term investments	256,493	174,269
Trade accounts receivable, net	260,602	246,912
Contract assets	12,447	—
Inventory, net	293,612	257,687
Prepaid expenses	8,827	8,061
Other current assets	11,015	5,948
Total current assets	1,023,835	854,310
Non-current assets		
Long-term restricted cash	7,402	—
Property, plant and equipment, net	210,686	219,640
Intangibles, net	3,887	4,880
Goodwill	3,705	3,828
Deferred tax assets	5,679	5,280
Other non-current assets	124	80
Total non-current assets	231,483	233,708
Total Assets	$1,255,318	$1,088,018
Liabilities and Shareholders' Equity		
Current liabilities		
Bank borrowings	$ 3,250	$ 3,250
Trade accounts payable	257,617	220,159
Contract liabilities	2,239	—
Capital lease liability, current portion	398	451
Income tax payable	1,801	709
Deferred liability in connection with business acquisition	—	3,331
Accrued payroll, bonus and related expenses	16,510	13,476
Accrued expenses	8,997	9,013
Other payables	22,236	19,728
Total current liabilities	313,048	270,117
Non-current liabilities		
Long-term loan from bank	57,688	60,938
Deferred tax liability	3,561	2,284
Capital lease liability, non-current portion	102	516
Severance liabilities	15,209	10,162
Other non-current liabilities	2,611	3,062
Total non-current liabilities	79,171	76,962
Total Liabilities	392,219	347,079
Commitments and contingencies (Note 21)		
Shareholders' equity		
Preferred shares (5,000,000 shares authorized, $0.01 par value; no shares issued and outstanding as of June 28, 2019 and June 29, 2018)	—	—
Ordinary shares (500,000,000 shares authorized, $0.01 par value; 38,230,753 shares and 37,723,733 shares issued as of June 28, 2019 and June 29, 2018, respectively; and 36,841,650 shares and 36,434,630 shares outstanding as of June 28, 2019 and June 29, 2018, respectively)	382	377
Additional paid-in capital	158,299	151,797
Less: Treasury shares (1,389,103 shares and 1,289,103 shares as of June 28, 2019 and June 29, 2018, respectively)	(47,779)	(42,401)
Accumulated other comprehensive loss	(2,386)	(1,257)
Retained earnings	754,583	632,423
Total Shareholders' Equity	863,099	740,939
Total Liabilities and Shareholders' Equity	$1,255,318	$1,088,018

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

FABRINET

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(in thousands of U.S. dollars, except per share data)	Years Ended June 28, 2019	June 29, 2018	June 30, 2017
Revenues	$ 1,584,335	$ 1,371,925	$ 1,420,490
Cost of revenues	(1,405,111)	(1,218,513)	(1,249,030)
Gross profit	179,224	153,412	171,460
Selling, general and administrative expenses	(55,067)	(57,812)	(65,626)
Expenses related to reduction in workforce	(1,516)	(1,776)	—
Operating income	122,641	93,824	105,834
Interest income	6,699	3,925	1,977
Interest expense	(5,381)	(3,606)	(3,321)
Foreign exchange gain (loss), net	1,406	(6,587)	(1,142)
Other income, net	868	473	509
Income before income taxes	126,233	88,029	103,857
Income tax expense	(5,278)	(3,862)	(6,742)
Net income	120,955	84,167	97,115
Other comprehensive loss, net of tax:			
Change in net unrealized gain (loss) on available-for-sale securities	2,043	(1,019)	(471)
Change in net unrealized loss on derivative instruments	(1)	(1)	(158)
Change in retirement benefits plan – prior service cost	(2,537)	—	—
Change in foreign currency translation adjustment	(634)	111	(310)
Total other comprehensive loss, net of tax	(1,129)	(909)	(939)
Net comprehensive income	$ 119,826	$ 83,258	$ 96,176
Earnings per share			
Basic	$ 3.29	$ 2.26	$ 2.63
Diluted	$ 3.23	$ 2.21	$ 2.57
Weighted average number of ordinary shares outstanding (thousands of shares)			
Basic	36,798	37,257	36,927
Diluted	37,415	38,035	37,852

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

FABRINET

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands of U.S. dollars, except share data)	Ordinary Share		Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amount					
Balances at June 24, 2016	36,156,446	362	102,325	—	591	451,141	554,419
Net income	—	—	—	—	—	97,115	97,115
Other comprehensive loss	—	—	—	—	(939)	—	(939)
Share-based compensation	—	—	26,507	—	—	—	26,507
Issuance of ordinary shares	1,184,050	11	5,886	—	—	—	5,897
Tax withholdings related to net share settlement of restricted share units	—	—	(1,425)	—	—	—	(1,425)
Balances at June 30, 2017	37,340,496	373	133,293	—	(348)	548,256	681,574
Net income	—	—	—	—	—	84,167	84,167
Other comprehensive loss	—	—	—	—	(909)	—	(909)
Share-based compensation	—	—	22,581	—	—	—	22,581
Issuance of ordinary shares	383,237	4	1,432	—	—	—	1,436
Repurchase of 1,289,103 shares held as treasury shares	—	—	—	(42,401)	—	—	(42,401)
Tax withholdings related to net share settlement of restricted share units	—	—	(5,509)	—	—	—	(5,509)
Balances at June 29, 2018	37,723,733	377	151,797	(42,401)	(1,257)	632,423	740,939
Net income	—	—	—	—	—	120,955	120,955
Other comprehensive loss	—	—	—	—	(1,129)	—	(1,129)
Cumulative effect adjustment from adoption of ASC 606	—	—	—	—	—	1,205	1,205
Share-based compensation	—	—	17,157	—	—	—	17,157
Issuance of ordinary shares	507,020	5	(6)	—	—	—	(1)
Repurchase of 100,000 shares held as treasury shares	—	—	—	(5,378)	—	—	(5,378)
Tax withholdings related to net share settlement of restricted share units	—	—	(10,649)	—	—	—	(10,649)
Balances at June 28, 2019	38,230,753	382	158,299	(47,779)	(2,386)	754,583	863,099

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

FABRINET

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of U. S. dollars)	Years Ended June 28, 2019	June 29, 2018	June 30, 2017
Cash flows from operating activities			
Net income	$ 120,955	$ 84,167	$ 97,115
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	29,944	29,087	23,793
(Gain) loss on disposal and impairment of property, plant and equipment	(4)	18	(30)
Loss on disposal of intangibles	149	447	—
Loss from sales and maturities of available-for-sale securities	135	364	822
Amortization of investment discount	(592)	(506)	(193)
Amortization of deferred debt issuance costs	—	994	1,396
Allowance for doubtful accounts (reversal)	36	(23)	(1)
Unrealized (gain) loss on exchange rate and fair value of derivative	(6,980)	4,222	1,884
Share-based compensation	17,157	22,581	26,507
Deferred income tax	879	(2,074)	754
Severance liabilities	3,343	1,801	1,519
Other non-cash expenses	(450)	332	654
(Reversal of) Inventory obsolescence	(563)	(436)	42
Changes in operating assets and liabilities			
Trade accounts receivable	(13,494)	17,852	(64,142)
Contract assets	(2,570)	—	—
Inventory	(44,035)	(19,432)	(53,802)
Other current assets and non-current assets	(186)	(4,464)	(2,231)
Trade accounts payable	38,807	3,502	38,293
Contract liabilities	2,239	—	—
Income tax payable	1,092	(1,267)	(67)
Other current liabilities and non-current liabilities	1,532	915	(1,379)
Net cash provided by operating activities	147,394	138,080	70,934
Cash flows from investing activities			
Purchase of short-term investments	(233,080)	(152,908)	(122,778)
Proceeds from sales of short-term investments	99,142	61,795	39,578
Proceeds from maturities of short-term investments	54,215	67,417	72,361
Payments in connection with business acquisition, net of cash acquired	—	—	(9,917)
Purchase of property, plant and equipment	(18,661)	(33,825)	(68,262)
Proceeds from disposal of property, plant and equipment	599	449	230
Purchase of intangibles	(282)	(1,577)	(1,768)
Net cash used in investing activities	(98,067)	(58,649)	(90,556)
Cash flows from financing activities			
Proceeds of short-term loan from bank	—	5,000	27,500
Repayment of short-term loan from bank	—	(1,003)	(157)
Repayment of long-term loan from bank	(3,250)	(11,212)	(18,100)
Proceeds from issuance of ordinary shares under employee share option plan	—	1,436	5,890
Repayment of capital lease liability	(468)	(417)	(276)
Repurchase of ordinary shares	(5,378)	(42,401)	—
Release of restricted cash held in connection with business acquisition	(3,478)	—	—
Withholding tax related to net share settlement of restricted share units	(10,649)	(5,509)	(1,425)
Net cash (used in) provided by financing activities	(23,223)	(54,106)	13,432
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 26,104	$ 25,325	$ (6,190)

FABRINET

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(in thousands of U. S. dollars)	Years Ended		
	June 28, 2019	June 29, 2018	June 30, 2017
Movement in cash, cash equivalents and restricted cash			
Cash, cash equivalents and restricted cash at beginning of period	$161,433	$137,137	$142,804
Increase (decrease) in cash, cash equivalents and restricted cash	26,104	25,325	(6,190)
Effect of exchange rate on cash, cash equivalents and restricted cash	704	(1,029)	523
Cash, cash equivalents and restricted cash at end of period	$188,241	$161,433	$137,137
Supplemental disclosures			
Cash paid for			
Interest	$ 2,605	$ 2,219	$ 1,924
Taxes	$ 7,637	$ 1,352	$ 5,218
Cash received for interest	$ 5,811	$ 3,945	$ 1,753
Non-cash investing and financing activities			
Construction, software and equipment related payables	$ 7,317	$ 5,144	$ 8,434

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sums to the total of the same amounts shown in the consolidated statements of cash flows:

(amount in thousands)	As of		
	June 28, 2019	June 29, 2018	June 30, 2017
Cash and cash equivalents	$180,839	$158,102	$133,825
Restricted cash	7,402	3,331	3,312
Cash, cash equivalents and restricted cash	$188,241	$161,433	$137,137

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of U.S. dollars unless otherwise noted)

1. Business and organization

General

Fabrinet ("Fabrinet" or the "Parent Company") was incorporated on August 12, 1999, and commenced operations on January 1, 2000. The Parent Company is an exempted company incorporated in the Cayman Islands, British West Indies. The "Company" refers to Fabrinet and its subsidiaries as a group.

The Company provides advanced optical packaging and precision optical, electro-mechanical and electronic manufacturing services to original equipment manufacturers ("OEMs") of complex products, such as optical communication components, modules and sub-systems, industrial lasers, automotive components, medical devices and sensors. The Company offers a broad range of advanced optical and electro-mechanical capabilities across the entire manufacturing process, including process design and engineering, supply chain management, manufacturing, complex printed circuit board assembly, advanced packaging, integration, final assembly and testing. The Company focuses primarily on the production of low-volume, high-mix products. The principal subsidiaries of Fabrinet include Fabrinet Co., Ltd. ("Fabrinet Thailand"), Casix, Inc. ("Casix"), Fabrinet West, Inc. ("Fabrinet West") and Fabrinet UK Limited ("Fabrinet UK").

2. Summary of significant accounting policies

Principles of consolidation

The Company utilizes a 52-53 week fiscal year ending on the Friday in June closest to June 30. Fiscal year 2019 ended on June 28, 2019 and consisted of 52 weeks. Fiscal year 2018 ended on June 29, 2018 and consisted of 52 weeks. Fiscal year 2017 ended on June 30, 2017 and consisted of 53 weeks.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and include Fabrinet and its subsidiaries. All inter-company accounts and transactions have been eliminated.

On September 14, 2016, the Company acquired Global CEM Solutions, Ltd. and all of its subsidiaries (collectively, "Fabrinet UK"), a privately-held group located in Wiltshire, United Kingdom. The consolidated financial statements of the Company include the financial position, results of operations and the cash flows of Fabrinet UK commencing as of the acquisition date. See Note 11, Business acquisition for further details on the accounting for this transaction.

Use of estimates

The preparation of the Company's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amount of total revenues and expenses during the year. The Company bases estimates on historical experience and various assumptions about the future that are believed to be reasonable based on available information. The Company's reported financial position or results of operations may be materially different under different conditions or when using different estimates and assumptions, particularly with respect to significant accounting policies, which are discussed below. Significant assumptions are used in accounting for share-based compensation, allowance for doubtful accounts, income taxes, inventory obsolescence and valuation of intangible assets related to a business acquisition, among others. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be different from these estimates. In the event that estimates or assumptions prove to differ from actual results, adjustments will be made in subsequent periods to reflect more current information.

Changes in Accounting Policies

Except for the adoption of the new revenue recognition accounting standard disclosed in Note 3—Revenues from contracts with customers, the Company has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

Foreign currency transactions and translation

The consolidated financial statements are presented in United States dollars ("$" or "USD"). The functional currency of Fabrinet and most of its subsidiaries is the USD.

With respect to subsidiaries that use USD as their functional currency, transactions denominated in a currency other than USD are translated into USD at the rates of exchange in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the consolidated balance sheet dates. Transaction gains and losses are included in foreign exchange gain (loss) in the accompanying consolidated statements of operations and comprehensive income.

Fabrinet translates the assets and liabilities of its subsidiaries that do not use USD as their functional currency into USD using exchange rates in effect at the end of each period. Revenue and expenses for such subsidiaries are translated using rates that approximate those in effect during the period. Gains and losses from these translations are recognized in foreign currency translation adjustment included in accumulated other comprehensive loss ("AOCI") in the Company's consolidated balance sheets.

Cash and cash equivalents

All highly liquid investments with original maturities of three months or less at the date of purchase are classified as cash equivalents. Cash and cash equivalents consist of cash deposited in checking accounts, time deposits with maturities of less than three months, money market accounts, and short-term investments with maturities of three months or less at the date of purchase.

Short-term investments

Management determines the appropriate classification of its investments at the time of purchase and re-evaluates the designations at each balance sheet date. The Company may sell certain of the Company's short-term investments prior to their stated maturities for strategic reasons including, but not limited to, anticipation of credit deterioration and duration management. The maturities of the Company's short-term investments generally range from three months to three years. The Company's short-term investments consist of investments in U.S. Treasury, fixed income securities, liquidity funds which invest in short-term debt securities and certificates of deposit and time deposits and have been classified and accounted for as available-for-sale.

The Company's investments in marketable securities are classified as available-for-sale securities and reported at fair value. Unrealized gains and losses related to changes in the fair value of securities are recognized in AOCI in the Company's consolidated balance sheets. Changes in the fair value of available-for-sale securities impact the Company's net income only when such securities are sold or other-than-temporary impairment is recognized. Realized gains and losses on the sale of securities are determined by specific identification of each security's cost basis.

The Company reviews its short-term investments on a regular basis to evaluate whether or not any security has experienced an other-than-temporary decline in fair value. The Company considers factors such as the length of time and extent to which the market value has been less than the cost, the financial condition and near-term prospects of the issue and the Company's intent to sell, or whether it is more likely than not the Company will be required to sell the investment before recovery of the investment's amortized cost basis. If the Company believes that an other-than-temporary decline exists in one of these securities, the Company will write down these investments to fair value.

Trade accounts receivable

Accounts receivable are carried at anticipated realizable value. The Company assesses the collectability of its accounts receivable based on specific customer circumstances, current economic trends, historical experience with collection and the age of past due receivables and provides an allowance for doubtful receivables based on a review of all outstanding amounts at the period end. Bad debts are written-off when identified.

Unanticipated changes in the liquidity or financial position of the Company's customers may require revision to the allowances for doubtful accounts.

Contract assets

A contract asset is recognized when the Company has recognized revenues prior to an invoice for payment. Contract assets are classified separately on the consolidated balance sheets and transferred to accounts receivable when rights to payment become unconditional. The Company reviews for impairment of contract assets on a quarterly basis for any events or changes in circumstances that indicate that their carrying amount may not be recoverable.

Contract liabilities

A contract liability is recognized when the Company has advance payment arrangements with customers. The contract liabilities balance is normally recognized as revenue within six months.

Inventory

Inventory is stated at the lower of cost or market value. Cost is estimated using the standard costing method, computed on a first-in, first-out basis, with adjustments for variances to reflect actual costs not in excess of net realizable market value. Market value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The Company assesses the valuation of inventory on a quarterly basis and writes down the value for estimated excess and obsolete inventory based upon estimates of future demand.

Leases

Operating leases

Payments made under operating leases are expensed on a straight-line basis over the lease term.

Capital lease

Certain machines and equipment held under capital leases are classified as property, plant and equipment and amortized using the straight-line method over the terms of the lease contracts. The related obligations from the capital lease are recorded as liabilities in the consolidated balance sheets.

Property, plant and equipment

Land is stated at historical cost. Other property, plant and equipment, except for construction in process and machinery under installation, are stated at historical cost less accumulated depreciation. Repair and maintenance costs are expensed as incurred. Depreciation is calculated using the straight-line method to write-off the cost of each asset to its residual value over its estimated useful life as follows:

Land improvements	10 years
Building and building improvements	7 - 30 years
Leasehold improvements	Shorter of useful life or lease term
Manufacturing equipment	3 - 7 years
Office equipment	3 - 7 years
Motor vehicles	3 - 5 years
Computer hardware	3 - 5 years

Construction in process and machinery under installation is stated at historic cost and depreciation begins after it is constructed and fully installed and is ready for its intended use in the operations of the Company.

Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in other income in the consolidated statements of operations and comprehensive income.

The Company reviews long-lived assets or asset groups for recoverability on a quarterly basis for any events or changes in circumstances that indicate that their carrying amount may not be recoverable. Recoverability of long-lived assets or asset groups is measured by comparing their carrying amount to the projected undiscounted cash flows that the long-lived assets or asset groups are expected to generate. If such assets are considered to be impaired, the impairment loss recognized, if any, is the amount by which the carrying amount of the property and equipment exceeds its fair value.

Intangibles

Intangibles are stated at historical cost less amortization. Amortization of customer relationships is calculated using the accelerated method as to reflect the pattern in which the economic benefits of the intangible assets are consumed. Amortization of other intangibles is calculated using the straight-line method.

Intangible assets are reviewed for impairment quarterly or more frequently whenever changes or circumstances indicate the carrying amount of related assets may not be recoverable.

Business acquisition

For the acquisition of Fabrinet UK, the Company allocated the fair value of purchase consideration to the assets acquired and liabilities assumed based on their fair values at the acquisition date. The allocation of consideration to the individual net assets was finalized in the fourth quarter of fiscal year 2017.

The acquired intangible assets, which consisted of customer relationships and backlog, were recorded as intangibles in the consolidated balance sheets. The fair value of the acquired intangible assets was determined based on the multi-period excess earnings method. The Company reviews intangibles for impairment whenever changes or circumstances indicate the carrying amount may not be recoverable.

In connection with the acquisition of Fabrinet UK, $3.4 million of cash, net of foreign currency translation adjustment, for deferred consideration, was placed into an escrow account under the Company’s control. The Company contractually agreed to remit this deferred consideration to the sellers of Fabrinet UK, subject to the resolution of claims that the Company may make against the funds with respect to indemnification and other claims within 24 months from the closing date of the transaction. As of June 28, 2019, there were no balances of restricted cash and deferred consideration in connection with business acquisitions. As of June 29, 2018, the cash is presented as restricted cash in the consolidated balance sheets within current assets and the related liability is presented within current liabilities for the deferred consideration.

Goodwill

Goodwill arising from the acquisition is primarily attributable to the ability to expand future products and services and the assembled workforce. Goodwill is reviewed annually for impairment or more frequently whenever changes or circumstances indicate the carrying amount of goodwill may not be recoverable.

Treasury shares

Treasury share purchases are accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury shares. Gains and losses in excess of par value on the subsequent reissuance of shares are credited or charged to additional paid-in capital in the consolidated balance sheets using the average-cost method.

Borrowing costs

Borrowing costs are accounted for on an accrual basis and are charged to the consolidated statements of operations and comprehensive income in the year incurred, except for interest costs on general and specific borrowings attributable to finance certain qualifying assets. Such costs to finance qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use, as part of the cost of the assets. All other borrowing costs are expensed as incurred.

Where funds are not borrowed for a specific acquisition, construction or production of assets, the capitalization rate used to determine the amount of interest to be capitalized is the weighted average interest rate applicable to the Company's outstanding borrowings during the year. Where funds are borrowed specifically for the acquisition, construction or production of assets, the amount of borrowing costs eligible for capitalization on the respective assets is determined as the actual borrowing costs are incurred on that borrowing during the respective periods.

Fair value of financial instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy is established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs for the valuation of an asset or liability as of the measurement date. The three levels of inputs that may be used to measure fair value are defined as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs for similar assets and liabilities in active markets other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 inputs that are significant to the fair value measurement and unobservable (i.e. supported by little or no market activity), which require the reporting entity to develop its own valuation techniques and assumptions.

The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The carrying amounts of certain financial instruments, which include cash and cash equivalents, trade accounts receivable, contract assets, trade accounts payable, and contract liabilities, approximate their fair values due to their short maturities. The carrying amounts of borrowings approximate their fair values as the applicable interest rate is based on market interest rates. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Derivatives

The derivative assets and liabilities are recognized on the consolidated balance sheets as other current assets or other current liabilities and are measured at fair value.

The Company applies hedge accounting to arrangements that qualify and are designated for cash flow or fair value hedge accounting treatment. Hedge accounting is discontinued prospectively if the hedging relationship ceases to be effective or the hedging or hedged items cease to exist as a result of maturity, sale, termination or cancellation.

Derivatives designated and qualifying as hedges of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges which include forward currency contracts. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is initially recorded in AOCI in the consolidated balance sheets, while any ineffective portion is recognized directly in earnings, as a component of foreign exchange gain (loss) in the consolidated statements of operations and comprehensive income. The portion of gain or loss on the derivative instrument remains in AOCI until the forecasted transaction is recognized in earnings.

The Company also enters into derivative contracts that are intended to economically hedge certain of the Company’s risks. The changes in the fair value of the derivatives are recorded directly in earnings as a component of foreign exchange gain (loss) in the consolidated statements of operations and comprehensive income. In accordance with the fair value measurement guidance, the Company’s accounting policy is to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio. The Company executes derivative instruments with financial institutions that are credit-worthy, which the Company defines as institutions that hold an investment grade credit rating.

Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, short-term investments, derivatives and accounts receivable.

Cash, cash equivalents and short-term investments are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. The Company seeks to mitigate its credit risks by spreading such risks across multiple counterparties and monitoring the risk profiles of these counterparties. The Company limits its investments in marketable securities to securities with a maturity not in excess of three years, and all marketable securities that the Company invests in are rated A1, P-1, F1, or better.

The Company performs ongoing credit evaluations for credit worthiness of its customers and usually does not require collateral from its customers. Management has implemented a program to closely monitor near term cash collection and credit exposures to mitigate any material losses.

Revenue recognition

The Company derives total revenues primarily from the assembly of products under supply agreements with its customers and the fabrication of customized optics and glass. The Company recognizes revenue relating to contracts that depict the transfer of promised goods or services to customers in an amount reflecting the consideration to which the Company expects to be entitled in exchange for such goods or services. In order to meet this requirement, the Company applies the following five steps: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied. Revenue is recognized net of any taxes collected from customers, which is subsequently remitted to governmental authorities.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. In contracts with multiple performance obligations, the Company identifies each performance obligation and evaluates whether the performance obligation is distinct within the context of the contract at contract inception. The majority of the Company's contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct.

Sales of finished goods

The Company manufactures products that are customized to customers' specifications; however, control of the products is typically transferred to the customer at the point in time the product is either shipped or delivered, depending on the terms of the arrangement, as the criteria for over time recognition are not met. On evaluation of the contracts, the Company identified that there were no contractual rights to bill profit for work in progress in the event of a contract termination, which is expected to be infrequent. Further, in limited circumstances, contracts provide for substantive acceptance by the customer, which results in the deferral of revenue until formal notice of acceptance is received from the customer. Judgment may be required in determining if an acceptance clause provides for substantive acceptance.

Certain customers may request the Company to store finished products at the Company's warehouse where customers bear risks of loss themselves. In these instances, the Company receives a written request from the customer asking the Company to hold the inventory at the Company's warehouse and refrain from using the ordered goods to fulfill other customer orders. In these situations, revenue is only recognized when the completed goods are ready for shipment and transferred to the Company's warehouse.

Customers generally are obligated to purchase finished goods that the Company has manufactured according to their demand requirements. Materials that are not consumed by customers within a specified period of time, or are no longer required due to a product's cancellation or end-of-life, are typically designated as excess or obsolete inventory under the Company's contracts. Once materials are designated as either excess or obsolete inventory, customers are typically required to purchase such inventory from the Company even if the customer has chosen to cancel production of the related products. The excess or obsolete inventory is shipped to the customer and revenue is recognized upon shipment.

A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. In determining the net consideration to which the Company expects to be entitled, the Company evaluates whether the price is subject to refund or adjustment. The Company generally does not grant return privileges, except for in the case of defective products during the warranty period. The Company generally provides a warranty of between one to five years on any given product. These standard warranties are assurance type warranties and do not offer any services in addition to the assurance that the product will continue to work as specified.

The sales price is not considered to be fixed or determinable until all contingencies related to the sale have been resolved. The Company recognized revenue net of rebates and other similar allowances. Revenues are recognized only if these estimates can be reasonably and reliably determined. The Company bases its estimates on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Services

The Company provides services for customers that are related to the Company's manufacturing activities. In many cases, although the nature of work performed is service in nature, revenue is only recognizable on shipping of the product because the customer has specific requirements as to how many items can be shipped at any given point in time, i.e. at point-in-time. The related costs are expensed as incurred.

Service revenues of $106.1 million, $73.5 million and $92.8 million were recognized in the consolidated statements of operations and comprehensive income for the years ended June 28, 2019, June 29, 2018 and June 30, 2017, respectively.

Warranty provision

Provisions for estimated expenses relating to product warranties are made at the time the products are sold using historical experience. Generally, this warranty is limited to workmanship and the Company's liability is capped at the price of the product. The provisions will be adjusted when experience indicates an expected settlement will differ from initial estimates.

Warranty cost allowances (reversal) of $0.07 million, ($0.02 million) and $1.0 million were recognized in the consolidated statements of operations and comprehensive income for the years ended June 28, 2019, June 29, 2018 and June 30, 2017, respectively.

Share-based compensation

Share-based compensation is recognized in the consolidated financial statements based on grant-date fair value. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service period. The Company estimates the fair value of share option awards utilizing the Black-Scholes-Merton option-pricing model ("BSM"), net of estimated forfeitures. For restricted share units and performance share units, the fair values are based on the market value of our ordinary shares on the date of grant.

Employee contribution plan

The Company operates a defined contribution plan, known as a provident fund, in its subsidiaries in Thailand and the United Kingdom. The assets of these plans are in separate trustee-administered funds. The provident fund is funded by matching payments from employees and by the subsidiaries on a monthly basis. Current contributions to the provident fund are accrued and paid to the fund manager on a monthly basis. The Company sponsors the Fabrinet U.S. 401(k) Retirement Plan (the "401(k) Plan"), a Defined Contribution Plan under ERISA, at its subsidiaries in the United States, which provides retirement benefits for its eligible employees through tax deferred salary deductions.

Severance liabilities

Under labor protection laws applicable in Thailand and the Company's subsidiary in Thailand's employment policy, all employees of such subsidiary with more than 120 days of service are entitled to severance pay on forced termination or retrenchment or in the event that the employee reaches the retirement age of 55. The entitlement to severance pay is determined according to an employee's individual employment tenure with the Company and is subject to a maximum benefit of 400 days of salary unless otherwise agreed upon in an employee's employment contract. For employees of other subsidiaries who have a specific termination date, the entitlement to severance pay is determined according to their employment tenure, until their designated termination date.

The Company accounts for these severance liabilities on an actuarial basis using the Projected Unit Credit Method, using the long-term Thai government bond yield as a discount rate. There are no separate plan assets held in respect of these liabilities.

The Company's subsidiary in the United Kingdom operates a defined benefit pension plan that defines the pension benefit an employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the

obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments (discount rate). The plan assets are held separately from those of the Company in independently administered funds and are measured at fair value.

Severance liabilities are recognized in the Company's consolidated balance sheet under non-current liabilities. The related expenses, if incurred during the period, are recognized in the Company's consolidated statements of operations and comprehensive income as selling, general and administrative expenses. Prior service cost is initially recognized to other comprehensive income (loss) at the date of plan amendment. Such prior service cost is amortized as expenses as a component of net periodic pension cost by the weighted average remaining years of service to full eligibility date of active employees.

Annual leave

Employee entitlements to annual leave are recognized when they accrue to the employee. On termination of employment, accrued employee entitlement to annual leave is paid in cash.

Income taxes

The Company uses the asset and liability method of accounting for income taxes, whereby deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Fabrinet's subsidiaries are subject to income tax audits by the respective tax authorities in all of the jurisdictions in which they operate. The determination of tax liabilities in each of these jurisdictions requires the interpretation and application of complex and sometimes uncertain tax laws and regulations. The Company recognizes liabilities based on its estimate of whether, and the extent to which, additional tax liabilities are more-likely-than-not. If the Company ultimately determines that the payment of such a liability is not probable, then it reverses the liability and recognizes a tax benefit during the period in which the determination is made that the liability is no longer probable. The recognition and measurement of current taxes payable or refundable and deferred tax assets and liabilities requires that the Company makes certain estimates and judgments. Changes to these estimates or a change in judgment may have a material impact on the Company's tax provision in a future period.

The authoritative guidance provides for recognition of deferred tax assets if the realization of such deferred tax assets is more likely than not to occur based on an evaluation of both positive and negative evidence and the relative weight of the evidence. A company shall reduce its deferred tax assets by a valuation allowance if, based on the weight of available evidence, it is "more likely than not" (i.e., a likelihood of greater than 50 percent) that some portion or all of the deferred tax assets will not be realized. The valuation allowance shall be sufficient to reduce the deferred tax asset to the amount that is more likely than not to be realized. The valuation allowance shall be monitored and considered from all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance for deferred tax assets is not needed.

The accounting standard clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return.

The Company recognizes a tax benefit in the financial statements for an uncertain tax position only if management's assessment is that the position is "more likely than not" to be sustained upon examination by

the tax jurisdiction based solely on the technical merits of the position. The term "tax position" refers to a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods. The accounting interpretation also provides guidance on measurement methodology, derecognition thresholds, financial statement classification and disclosures, recognition of interest and penalties, and accounting for the cumulative-effect adjustment at the date of adoption.

New Accounting Pronouncements—not yet adopted by the Company

In May 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-05, "Financial Instruments—Credit Losses (Topic 326)" The amendments in this Update provide entities that have certain instruments within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost, with an option to irrevocably elect the fair value option in Subtopic 825-10, Financial Instruments—Overall, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of Topic 326. The fair value option election does not apply to held-to-maturity debt securities. An entity that elects the fair value option should subsequently apply the guidance in Subtopics 820-10, Fair Value Measurement—Overall, and 825-10. For public business entities, this update is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this update on its consolidated financial statements.

In April 2019, FASB issued ASU 2019-04, "Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Financial Instruments (Topic 825) Codification Improvements." The amendments in this Update apply to all reporting entities within the scope of the affected accounting guidance. For public business entities, this update is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this update on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820), Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement." This ASU is intended to improve the effectiveness of disclosures in the notes to the financial statements, including (1) the development of a framework that promotes consistent decisions by the FASB about disclosure requirements and (2) the appropriate exercise of discretion by reporting entities. The amendment modifies the disclosure requirements on transferring between level 1 and level 2 and valuation processes of level 3 fair value measurements. The amendments in this update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is currently evaluating the impact of the adoption of this update on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." This amendment modified the concept of impairment assessment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. Public companies that are SEC filers should adopt the amendment for annual and any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not expect the amendments will impact its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)": The amendment requires the Company to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right of use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. For public companies, this update is effective in the fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early

adoption is permitted. The FASB has issued three additional updates to the standard which (1) provide guidance on comparative reporting requirements for initial adoption and also provide additional guidance for lessors, on separating lease and non-lease components in a contract and allocating the consideration in the contract to the separate components (ASU 2018-11); (2) provide guidance on transition disclosure in the annual period in which a change in accounting principle is made; and (3) narrow aspects of the guidance issued in the amendments in update 2016-02 on various matters (ASU 2018-10). The effective date for all amendments is the same as ASU 2016-02.

The Company will adopt the new lease accounting standard ("ASC 842") using the modified retrospective transition approach, effective on June 29, 2019. Accordingly, the Company's comparative financial statements as of June 28, 2019 will not be adjusted. ASC 842 also provides practical expedients for the Company's ongoing accounting. The Company plans to elect the short-term lease recognition exemption for its operating leases with term of less than 12 months, which will not require recognition of right of use assets or lease liabilities for these leases.

The most significant impact of the adoption of ASC 842 is expected to be recognition of right of use assets and lease liabilities for the operating leases with a term of greater than 12 months, while the accounting for finance leases will remain substantially unchanged. ASC 842 will require the Company to provide significant new disclosures about its leasing activities in its interim financial information effective in the first quarter of fiscal year 2020. The Company has assessed the preliminary impact of adopting ASC 842 to the Company's first quarter financial statements of fiscal year 2020 to be recognized right of use under non-current assets of $4.8 million, lease liabilities totaling $5.2 million, with $1.3 million under current liabilities and $3.9 million under non-current liabilities, and a decrease in retained earnings of $0.4 million.

New Accounting Pronouncements—adopted by the Company

In November 2017, the FASB issued ASU 2017-14, "Income Statement—Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606): Amendments to SEC Paragraphs Pursuant to the Staff Accounting Bulletin ("SAB") No. 116 and SEC Release No. 33-10403". This ASU amended, superseded and added certain SEC paragraphs in Topic 220, Topic 605 and Topic 606 to reflect the August 2017 issuance of SEC Staff Accounting Bulletin (SAB) 116 and SEC Release No. 33-10403. The SEC staff issued SAB 116 to align its revenue guidance with Accounting Standards Codification (ASC) 606. For public business entities, this update is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early application is permitted. The Company adopted this standard along with the implementation of ASC 606 effective June 30, 2018 with immaterial impact to the consolidated financial statements.

In September 2017, the FASB issued ASU 2017-13, "Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments." The amendment delays the mandatory adoption of Topic 606 and Topic 842 for certain entities, revises the guidance related to performance-based incentive fees in Topic 605 and revises the guidance related to leases in Topic 840 and Topic 842. The revisions to the lease guidance eliminate language specific to certain sale-leaseback arrangements, guarantees of lease residual assets and loans made by lessees to owner-lessors. Also included is an amendment to Topic 842 to retain the guidance in Topic 840 covering the impact of changes in tax rates on investments in leveraged leases. This guidance, which is effective immediately, generally relates to the adoption of Topic 606 and Topic 842. The Company adopted this standard along with the implementation of ASC 606 effective June 30, 2018 with immaterial impact to the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-03, "Accounting Changes and Error Corrections (Topic 250) and Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects: Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings." The amendment provides guidance to the

Company in relation to the disclosure of the impact that ASU 2014-09, ASU 2016-02 and ASU 2016-13 will have on the Company's financial statements when adopted. The Company adopted this standard along with the implementation of ASC 606 effective June 30, 2018 with immaterial impact to the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)." The amendments in this ASU provide guidance on the presentation of certain cash receipts and cash payments in the statement of cash flows in order to reduce diversity in existing practice. The amendments in ASU 2016-15 are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company adopted this new update effective June 30, 2018 with no impact to the consolidated financial statements.

3. Revenues from contracts with customers

On June 30, 2018, the Company adopted Revenue from Contracts with Customers (Topic 606), under Accounting Standards Codification Topic 606 ("ASC 606"), and applied the modified retrospective method to those contracts which were not completed as of June 29, 2018. The modified retrospective method requires the Company to recognize the cumulative effect of the adoption of ASC 606, for all contracts with customers, to the opening balance of equity at June 30, 2018. Accordingly, the Company's comparative financial information as of June 29, 2018 has not been adjusted and continues to be reported under ASC 605, Revenue Recognition ("ASC 605").

The cumulative effect adjustment recorded was based on the timing difference of revenue recognition between ASC 605 and ASC 606 and mostly related to certain manufacturing contracts with vendor-managed inventory arrangements. Under ASC 605, revenue for such contracts was recognized at the earlier of when the inventory was consumed by the customers or if not consumed, on the expiration of time specified in the contract. On adoption of ASC 606, revenue is recognized when inventory is shipped to customers.

The following table shows the impact of adoption of ASC 606 on the adoption date of June 29, 2018 on the consolidated balance sheets:

Consolidated Balance Sheets

	Impact of Adopting ASC 606		
(amount in thousands)	**Balance at June 29, 2018**	**Adjustment**	**Balance at June 30, 2018**
Assets			
Contract assets	$ —	$ 9,877[(1)]	$ 9,877
Inventory, net	$257,687	$(8,672)[(2)]	$249,015
Liabilities and Shareholders' Equity			
Retained earnings	$632,423	$ 1,205[(3)]	$633,628

(1) Majority of adjustment relates to certain manufacturing contracts with vendor-managed inventory arrangements for which revenue was recognized on shipment.

(2) Adjustment relates to reduction of finished goods inventory for certain vendor-managed inventory arrangements.

(3) Adjustment relates to cumulative effect adjustment upon adoption of ASC 606.

Contract Assets and Liabilities

A contract asset is recognized when the Company has recognized revenues prior to an invoice for payment. Contract assets are classified separately on the consolidated balance sheets and transferred to accounts receivable when rights to payment become unconditional. During the year ended June 28, 2019, the Company had no impairment for contract assets recognized.

A contract liability is recognized when the Company has advance payment arrangements with customers. The contract liabilities balance is normally recognized as revenue within six months.

The following tables summarize the activity in the Company's contract assets and contract liabilities during the year ended June 28, 2019:

(amount in thousands)	Contract Assets
Beginning balance, June 30, 2018	$ —
Cumulative effect adjustment upon adoption of ASC 606	9,877
Revenue recognized	112,739
Amounts collected or invoiced	(110,169)
Ending balance, June 28, 2019	$ 12,447

(amount in thousands)	Contract Liabilities
Beginning balance, June 30, 2018	$ —
Additions during the year, net	4,458
Revenue recognized	(2,219)
Ending balance, June 28, 2019	$ 2,239

Contract Costs

Consistent with the guidance in ASC 340-40-25-1, the incremental costs of obtaining a contract with a customer are recognized as an asset (not expensed as incurred) if these costs are expected to be recovered. Incremental costs of obtaining a contract are those the Company would not have incurred if the contract had not been obtained (e.g., sales commissions or similar incentive payments linked directly to new or modified customer contracts). Costs that would have been incurred regardless of whether a customer contract was obtained (e.g., costs of pursuing the contact, legal advice, etc.) are expensed as incurred, unless those costs are explicitly chargeable to the customer. During the year ended June 28, 2019, the Company did not have any incremental costs of obtaining a contract.

Shipping and Handling

Shipping costs billed to customers are recorded as revenue. Shipping and handling expense related to costs incurred to deliver product are recognized within cost of goods sold. The Company accounts for shipping and handling activities that occur after control has transferred as a fulfillment cost, as opposed to a separate performance obligation, and the costs of shipping and handling are recognized concurrently with the related revenue.

The impact of adoption of ASC 606 on the Company's consolidated statements of operations and comprehensive income for the year ended June 28, 2019 and consolidated balance sheets as of June 28, 2019 was as follows:

Consolidated Statement of Operations and Comprehensive Income
For the Year Ended June 28, 2019

	Impact of Adopting ASC 606		
(amount in thousands)	**As Reported**	**Adjustment**	**Balance without ASC 606 Adoption**
Revenues	$ 1,584,335	$(2,560)[1]	$ 1,581,775
Cost of revenues	$(1,405,111)	$ 1,745[2]	$(1,403,366)
Gross profit	$ 179,224	$ (815)[3]	$ 178,409
Net income	$ 120,955	$ (825)[3]	$ 120,130
Earnings per share			
Basic	$ 3.29	$ (0.02)	$ 3.27
Diluted	$ 3.23	$ (0.02)	$ 3.21

(1) Adjustment relates to certain manufacturing contracts with vendor-managed inventory arrangements for which revenue was recognized at shipping.
(2) Adjustment relates to costs associated with revenue recognized.
(3) Adjustment relates to net impact on net income upon adoption of ASC 606.

Consolidated Balance Sheets
As of June 28, 2019

	Impact of Adopting ASC 606		
(amount in thousands)	**As Reported**	**Adjustments**	**Balance without ASC 606 Adoption**
Assets			
Contract assets	$ 12,447	$(12,447)[1]	$ —
Inventory, net	$293,612	$ 10,417[2]	$304,029
Liabilities and Shareholders' Equity			
Contract liabilities	$ 2,239	$ (2,239)[3]	$ —
Retained earnings	$754,583	$ (2,030)[4]	$752,553

(1) Majority of adjustment relates to certain manufacturing contracts with vendor-managed inventory arrangements for which revenue was recognized on shipment.
(2) Adjustment relates to reduction of finished goods inventory for vendor-managed inventory.
(3) Adjustment relates to advance payment arrangements with customers result in the recognition of contract liabilities.
(4) Adjustment relates to cumulative effect adjustment upon adoption of ASC 606.

Revenue by Geographic Area

Total revenues are attributed to a particular geographic area based on the bill-to-location of customers. The Company operates primarily in three geographic regions: North America, Asia-Pacific and Europe. The following table presents total revenues by geographic regions:

(amount in thousands)	Year ended June 28, 2019	As a % of Total Revenues	Year ended June 29, 2018	As a % of Total Revenues
North America	$ 756,278	47.7%	$ 643,236	46.9%
Asia-Pacific	608,386	38.4	519,203	37.8
Europe	219,671	13.9	209,486	15.3
	$1,584,335	100.0%	$1,371,925	100.0%

The following table sets forth revenues by end market.

(amount in thousands)	Year ended June 28, 2019	As a % of Total Revenues	Year ended June 29, 2018	As a % of Total Revenues
Optical communications	$1,184,936	74.8%	$1,000,256	72.9%
Lasers, sensors and other	399,399	25.2	371,669	27.1
	$1,584,335	100.0%	$1,371,925	100.0%

4. Income taxes

Cayman Islands

Fabrinet is domiciled in the Cayman Islands. Under the current laws of the Cayman Islands, Fabrinet is not subject to tax in the Cayman Islands on income or capital gains until March 6, 2039.

Income of the Company exempted from corporate income tax in the Cayman Islands amounted to $104.6 million, $58.4 million and $64.2 million in the years ended June 28, 2019, June 29, 2018 and June 30, 2017, respectively.

Thailand

Fabrinet Thailand is where the majority of the Company’s operations and production takes place. The Company is not subject to tax from July 2012 through June 2020 on income generated from the manufacture of products at Pinehurst Building 6, and is not subject to tax from July 2018 through June 2026 on income generated from the manufacture of products at its Chonburi campus. Such preferential tax treatment is contingent on various factors, including the export of our customers’ products out of Thailand and our agreement not to move our manufacturing facilities out of our current province in Thailand for at least 15 years from the date on which preferential tax treatment was granted (i.e., at least until June 2020 in the case of our Pinehurst campus and until June 2026 in the case of our Chonburi campus). Currently, the corporate income tax rate for our Thai subsidiary is 20%.

People’s Republic of China

The corporate income tax rate for Casix is 25%.

The United States

The Tax Cuts and Jobs Act (“Tax Reform Act”) was enacted on December 22, 2017 and provided for significant changes to U.S. tax law. Among other provisions, the Tax Reform Act reduced the U.S. corporate income tax rate to 21% effective January 1, 2018. The subsidiaries in the U.S. were subject to an average Federal statutory tax rate of 27.6% for fiscal year 2018 and 21% for fiscal year 2019.

The United Kingdom

The corporate income tax rate for U.K. subsidiaries is 19%.

The Company's income tax expense consisted of the following:

(amount in thousands)	Years Ended June 28, 2019	June 29, 2018	June 30, 2017
Current	$4,384	$ 5,457	$5,986
Deferred	894	(1,595)	756
Total income tax expense	$5,278	$ 3,862	$6,742

The reconciliation between the Company's taxes that would arise by applying the statutory tax rate of the country of the Company's principal operations, Thailand, to the Company's effective tax charge is shown below:

(amount in thousands)	Years Ended June 28, 2019	June 29, 2018	June 30 2017
Income before income taxes [1]	$126,233	$ 88,029	$103,857
Tax expense calculated at a statutory corporate income tax rate of 20%	25,247	17,606	20,771
Effect of income taxes from locations with tax rates different from Thailand	977	2,657	(48)
Income not subject to tax [2]	(21,161)	(12,824)	(17,212)
Income tax on unremitted earnings	1,260	1,007	798
Effect of different tax rate in relation to deferred tax utilization	—	423	—
Effect of foreign exchange rate adjustment	603	(134)	667
Tax rebate from research and development application	(649)	(454)	(226)
Provision for uncertain income tax position	(229)	277	260
Utilization of loss carryforward	—	(3,224)	—
(Reversal of) valuation allowance	—	(1,587)	1,517
Others	(770)	115	215
Corporate income tax expense	$ 5,278	$ 3,862	$ 6,742

(1) Income before income taxes was mostly generated from domestic income in the Cayman Islands.

(2) Income not subject to tax relates to income earned in the Cayman Islands and income subject to an investment promotion privilege for Pinehurst Building 6 and the Company's Chonburi campus. Income not subject to tax per ordinary share on a diluted basis was $0.57, $0.34, and $0.45 for the years ended June 28, 2019, June 29, 2018, and June 30, 2017, respectively.

The Company's deferred tax assets and deferred tax liabilities, net of valuation allowance, at each balance sheet date are as follows:

(amount in thousands)	As of June 28, 2019	As of June 29, 2018
Deferred tax assets:		
Depreciation	$1,957	$2,151
Severance liability	2,012	1,518
Reserves and allowance	1,485	1,545
Net operating loss carryforwards	1,616	1,228
Others	13	277
Total	$7,083	$6,719

(amount in thousands)	As of June 28, 2019	As of June 29, 2018
Deferred tax liabilities:		
Temporary differences from intangibles and changes in the fair value of assets acquired	$ (590)	$ (860)
Deferred tax from unremitted earnings	(4,123)	(2,863)
Others	(252)	—
Total	(4,965)	(3,723)
Net	$ 2,118	$ 2,996

During fiscal year 2018, one of the Company's subsidiary in the United States generated taxable income sufficient for the utilization of loss carryforwards due to better operating performance and effective control of operating expenses and management determined that it was more likely than not that future taxable income would be sufficient to allow the benefit of the loss to be realized. As of June 29, 2018, the Company reversed certain deferred tax assets valuation allowance as management expected it was more likely than not that the Company would realize profits in subsequent fiscal years so that the loss carryforwards could be partially utilized. Consequently, as of June 28, 2019, the Company has assessed and established a partial valuation allowance for the deferred tax assets at the same level as in fiscal year 2018.

The changes in the valuation allowances of deferred tax assets were as follows:

(amount in thousands)	Valuation allowances of deferred tax assets
Balance as of June 30, 2017	$ 6,399
Reversal	(5,234)
Balance as of June 29, 2018	1,165
Additional	126
Balance as of June 28, 2019	$ 1,291

During fiscal year 2019, the Company completed its assessment of the income tax effects resulting from the Tax Reform Act and concluded that no cumulative remeasurement adjustments were required.

During fiscal year 2018, the Company made certain provisional accounting estimates, as permitted under Staff Accounting Bulletin No. 118, to account for the impact of the Tax Reform Act.

As of June 29, 2018, the Company applied the new corporate tax rate to compute its current income tax and remeasured its deferred tax assets and liabilities for all U.S. subsidiaries to reflect the lower rate expected to

apply when these provisional accounting estimates were utilized. The remeasurement resulted in (1) a reduction in current income tax expenses of $0.1 million and (2) a reduction in deferred tax assets of $0.4 million.

Income tax liabilities have not been established for withholding tax and other taxes that would be payable on the unremitted earnings of Fabrinet Thailand. Such amounts of Fabrinet Thailand are permanently reinvested; unremitted earnings for Fabrinet Thailand totaled $109.7 million and $102.5 million as of June 28, 2019 and June 29, 2018, respectively. Unrecognized deferred tax liabilities for such unremitted earnings were $6.9 million and $5.8 million as of June 28, 2019 and June 29, 2018, respectively.

Deferred tax liabilities of $1.3 million and $1.0 million have been established for withholding tax on the unremitted earnings of Casix for the years ended June 28, 2019 and June 29, 2018, respectively, which are included in non-current deferred tax liability in the consolidated balance sheets.

Uncertain income tax positions

Interest and penalties related to uncertain income tax positions are recognized in income tax expense. The Company had approximately $0.8 million and $0.9 million of accrued interest and penalties related to uncertain income tax positions on the consolidated balance sheets as of June 28, 2019 and June 29, 2018, respectively. The Company (reversed) recorded interest and penalties of $(0.1) million, $0.3 million and $0.3 million for the years ended June 28, 2019, June 29, 2018 and June 30, 2017, respectively, in the consolidated statements of operations and comprehensive income. With regard to the Thailand jurisdiction, tax years 2014 through 2018 remain open to examination by the local authorities.

The following table indicates the changes to the Company's uncertain income tax positions for the years ended June 28, 2019, June 29, 2018 and June 30, 2017 included in other non-current liabilities.

	Years Ended		
(amount in thousands)	**June 28, 2019**	**June 29, 2018**	**June 30, 2017**
Beginning balance	$1,445	$1,420	$1,420
Additions during the year	235	25	—
Release of tax positions of prior years	(357)	—	—
Ending balance	$1,323	$1,445	$1,420

5. Earnings per ordinary share

Basic earnings per ordinary share is computed by dividing reported net income by the weighted average number of ordinary shares outstanding during each period. Diluted earnings per ordinary share is computed by calculating the effect of potential dilutive ordinary shares outstanding during the year using the treasury stock method. Dilutive ordinary equivalent shares consist of share options, restricted share units and performance share units. The earnings per ordinary share was calculated as follows:

(amount in thousands except per share amounts)	Years Ended June 28, 2019	June 29, 2018	June 30, 2017
Net income attributable to shareholders	$120,955	$84,167	$97,115
Weighted-average number of ordinary shares outstanding (thousands of shares)	36,798	37,257	36,927
Incremental shares arising from the assumed exercise of share options and vesting of restricted share units and performance share units (thousands of shares)	617	778	925
Weighted-average number of ordinary shares for diluted earnings per ordinary share (thousands of shares)	37,415	38,035	37,852
Basic earnings per ordinary share	$ 3.29	$ 2.26	$ 2.63
Diluted earnings per ordinary share	$ 3.23	$ 2.21	$ 2.57
Outstanding performance share units excluded from the computation of diluted earnings per ordinary share (thousands of shares) [1]	401	284	—

[1] Outstanding performance share units were not included in the computation of diluted earnings per ordinary share because they are not expected to vest based on the Company's current assessment of the related performance obligations.

As of June 28, 2019, June 29, 2018 and June 30, 2017, there were no anti-dilutive share options.

6. Cash, cash equivalents and short-term investments

The Company's cash, cash equivalents, and short-term investments can be analyzed as follows:

			Fair Value		
(amount in thousands)	Carrying Cost	Unrealized Gain/ (Loss)	Cash and Cash Equivalents	Marketable Securities	Other Investments
As of June 28, 2019					
Cash	$178,019	$ —	$178,019	$ —	$ —
Cash equivalents	2,820	—	2,820	—	—
Liquidity funds	20,552	—	—	—	20,552
Certificates of deposit and time deposits	35,028	—	—	—	35,028
Corporate bonds and commercial papers	130,959	297	—	131,256	—
U.S. agency and U.S. treasury securities	69,552	105	—	69,657	—
Total	$436,930	$ 402	$180,839	$200,913	$55,580

(amount in thousands)	Carrying Cost	Unrealized Gain/ (Loss)	Fair Value Cash and Cash Equivalents	Marketable Securities	Other Investments
As of June 29, 2018					
Cash	$146,778	$ —	$146,778	$ —	$ —
Cash equivalents	11,324	—	11,324	—	—
Liquidity funds	—	—	—	—	—
Certificates of deposit and time deposits	—	—	—	—	—
Corporate bonds and commercial papers	128,441	(736)	—	127,705	—
U.S. agency and U.S. treasury securities	43,734	(324)	—	43,410	—
Sovereign and municipal securities	3,185	(31)	—	3,154	—
Total	$333,462	$(1,091)	$158,102	$174,269	$ —

The cash equivalents include short-term bank deposits, investments in money market funds, and marketable securities with maturities of three months or less at the date of purchase. The effective interest rate on short term bank deposits was 1.9% and 0.8% per annum for the years ended June 28, 2019 and June 29, 2018, respectively.

As of June 28, 2019 and June 29, 2018, 58% and 49%, respectively, of our cash and cash equivalents were held by the Parent Company.

The following table summarizes the cost and estimated fair value of marketable securities classified as available-for-sale securities based on stated effective maturities as of June 28, 2019:

(amount in thousands)	Carrying Cost	Fair Value
Due within one year	$ 69,746	$ 69,830
Due between one to five years	130,765	131,083
Total	$200,511	$200,913

During the year ended June 28, 2019, the Company recognized a realized gain of $0.2 million from sales and maturities of available-for-sale securities.

As of June 28, 2019 and June 29, 2018, the Company considered the declines in market value of its short-term investment portfolio to be temporary in nature and did not consider any of its securities other-than-temporarily impaired. The Company typically invests in highly-rated securities, and its investment policy generally limits the amount of credit exposure to any one issuer. The policy requires investments generally to be investment grade, with the primary objective of minimizing the potential risk of principal loss. Fair values were determined for each individual security in the investment portfolio. When evaluating an investment for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, changes in market interest rates, and the Company's intent to sell, or whether it is more likely than not it will be required to sell, the investment before recovery of the investment's cost basis. No impairment losses were recorded for the years ended June 28, 2019 and June 29, 2018.

As of June 28, 2019 and June 29, 2018, cash, cash equivalents, and short-term investments included a bank deposit of $40.0 million held in various financial institutions located in the United States in order to support the availability of the Facility Agreement and comply with covenants. Under the terms and conditions of the Facility Agreement, the Company shall maintain cash, cash equivalents and/or marketable securities in an

aggregate amount not less than $40.0 million in unencumbered deposits, and/or securities in accounts located in the United States at all times during the term of the Facility Agreement. As discussed in Note 15, the Company must comply with this covenant from and after the effective date of the Facility Agreement.

7. Fair Value

The following table provides details of the financial instruments measured at fair value on a recurring basis, including:

	Fair Value Measurements at Reporting Date Using			
(amount in thousands)	Level 1	Level 2	Level 3	Total
As of June 28, 2019				
Assets				
Cash equivalents	$—	$ 2,820	$—	$ 2,820
Liquidity funds	—	20,552	—	20,552
Certificates of deposit and time deposits	—	35,028	—	35,028
Corporate bonds and commercial papers	—	131,256	—	131,256
U.S. agency and U.S. treasury securities	—	69,657	—	69,657
Derivative assets	—	2,201(1)	—	2,201
Total	$—	$261,514	$—	$261,514
Liabilities				
Derivative liabilities	$—	$ 2,591(2)	$—	$ 2,591
Total	$—	$ 2,591	$—	$ 2,591

	Fair Value Measurements at Reporting Date Using			
(amount in thousands)	Level 1	Level 2	Level 3	Total
As of June 29, 2018				
Assets				
Cash equivalents	$—	$ 11,324	$—	$ 11,324
Liquidity funds	—	—	—	—
Certificates of deposit and time deposits	—	—	—	—
Corporate bonds and commercial papers	—	127,705	—	127,705
U.S. agency and U.S. treasury securities	—	43,410	—	43,410
Sovereign and municipal securities	—	3,154	—	3,154
Derivative assets	—	—	—	—
Total	$—	$185,593	$—	$185,593
Liabilities				
Derivative liabilities	$—	$ 1,745(3)	$—	$ 1,745
Total	$—	$ 1,745	$—	$ 1,745

(1) Foreign currency forward contracts with notional amount of $72.0 million and Canadian dollars 0.6 million.

(2) Interest rate swap agreement with an outstanding amount of $60.9 million.

(3) Foreign currency forward contracts with notional amount of $7.0 million and Canadian dollars 0.4 million. Foreign currency option contracts with notional amount of $30.0 million.

Derivative Financial Instruments

As a result of foreign currency rate fluctuations, the U.S. dollar equivalent values of the Company's foreign currency denominated assets and liabilities change. The Company uses foreign currency contracts to manage the foreign exchange risk associated with certain foreign currency denominated assets and liabilities and other foreign currency transactions. The Company minimizes the credit risk in derivative instruments by limiting its exposure to any single counterparty and by entering into derivative instruments only with counterparties that meet the Company's minimum credit quality standard. As of June 28, 2019, the Company recognized the fair value of foreign currency forward contracts of $2.2 million as derivative assets in the consolidated balance sheets under other current assets and the Company recognized the fair value of interest rate swap agreement of $2.6 million as derivative liabilities in the consolidated balance sheets under other current liabilities. As of June 29, 2018, the Company recognized the fair value of foreign currency forward contracts of $1.7 million as derivative liabilities in the consolidated balance sheets under other current liabilities.

As of June 28, 2019 and June 29, 2018, the Company had no foreign currency forward contracts designated as cash flow hedges. During the year ended June 30, 2017, the Company discontinued cash flow hedges and recognized a gain from unwinding foreign currency forward contracts of $0.3 million as foreign exchange gain, net in the consolidated statements of operations and comprehensive income.

As of June 28, 2019, the Company had forty-five outstanding foreign currency forward contracts with an aggregate notional amount of $72.0 million and one foreign currency forward contract with notional amount of Canadian dollars 0.6 million with maturity dates from July through September 2019. These foreign currency forward contracts were not designated for hedge accounting and were used to hedge fluctuations in the U.S. dollar value of forecasted transactions denominated in Thai baht and Canadian dollars. During the year ended June 28, 2019, the Company included unrealized gain of $4.8 million from changes in fair value of foreign currency contracts in earnings as foreign exchange gain (loss), net in the consolidated statements of operations and comprehensive income.

As of June 29, 2018, the Company had five outstanding foreign currency forward contracts with notional amount of $7.0 million, four outstanding foreign currency option contracts with notional amount of $30.0 million and one foreign currency forward contract with notional amount of Canadian dollars 0.4 million with maturity dates from July through October 2018. These foreign currency forward and option contracts were not designated for hedge accounting and were used to hedge fluctuations in the U.S. dollar value of forecasted transactions denominated in Thai baht and Canadian dollars. During the year ended June 29, 2018, the Company included unrealized loss of $1.7 million from changes in fair value of foreign currency contracts in earnings as foreign exchange loss, net in the consolidated statements of operations and comprehensive income.

8. Trade accounts receivable, net

(amount in thousands)	As of June 28, 2019	As of June 29, 2018
Trade accounts receivable	$260,698	$246,972
Less: Allowance for doubtful account	(96)	(60)
Trade accounts receivable, net	$260,602	$246,912

9. Inventory

(amount in thousands)	As of June 28, 2019	As of June 29, 2018
Raw materials	$115,008	$100,241
Work in progress	142,039	121,797
Finished goods	24,916	20,690
Goods in transit	13,645	17,516
	295,608	260,244
Less: Inventory obsolescence	(1,996)	(2,557)
Inventory, net	$293,612	$257,687

10. Restricted cash

As of June 28, 2019, the Company had an outstanding standby letter of credit of 6.0 million Euros related to the Company's support of a customer with the transfer of certain manufacturing operations from Berlin, Germany to the Company's facilities in Thailand. As of June 28, 2019, the standby letter of credit was backed by cash collateral of $7.4 million. As of June 29, 2018, the Company had a restricted cash balance of $3.3 million in connection with business acquisitions.

11. Business acquisition

On September 14, 2016, the Company acquired 100% shareholding in Fabrinet UK for cash consideration of approximately $13.0 million, net of $0.5 million cash acquired. Fabrinet UK provides contract electronics manufacturing services to the global electronics industry with innovative solutions, adding value to the design, manufacture and testing of printed circuit board assemblies. Pursuant to the acquisition agreement, the Company placed $3.4 million of cash, net of foreign currency translation adjustment, for deferred consideration in an escrow account which is under the Company's control. However, the Company contractually agreed to remit this deferred consideration to the sellers of Fabrinet UK, subject to the resolution of claims that the Company may make against the funds with respect to indemnification and other claims, within 24 months from the closing date of the transaction.

The Company has accounted for this acquisition under the provisions of business combinations accounting, in accordance with Accounting Standards Codification Topic 805 – Business Combinations. Accordingly, the estimated fair value of the acquisition consideration was allocated to the assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. The Company has made certain estimates and assumptions in determining the allocation of the acquisition consideration.

The allocation of consideration to the individual net assets acquired was finalized in the fourth quarter of fiscal year 2017. As the functional currency of Fabrinet UK is pound sterling ("GBP"), for the year ended June 28, 2019, the Company recognized a $0.6 million loss from foreign currency translation adjustment in its consolidated statements of operations and comprehensive income, under other comprehensive (loss) income, net of tax.

During the year ended June 30, 2017, the Company recorded a measurement period adjustment to recognized deferred tax liabilities of $1.2 million related to taxable temporary differences from intangibles and changes in the fair value of assets acquired. Therefore, goodwill which was previously reported at acquisition date of $2.7 million was changed to $3.9 million.

The Company's allocation of the total purchase price for the acquisition is summarized below:

(amount in thousands)	**Purchase price allocation**
Cash	$ 474
Accounts receivable	4,064
Inventory	3,490
Other current assets	427
Property, plant and equipment	5,678
Intangibles	4,492
Goodwill	3,883
Other non-current assets	516
Current liabilities	(6,796)
Deferred tax liabilities	(1,148)
Other non-current liabilities	(1,563)
Total fair value of assets acquired and liabilities assumed	$13,517
Total purchase price, net of cash acquired	$13,043

In connection with the Company's acquisition of Fabrinet UK, the Company assumed lease agreements for certain machine and equipment, which are accounted for as capital leases. As of June 28, 2019, the Company included approximately $0.9 million of capital lease assets and $0.5 million of capital lease liability in the consolidated balance sheets associated with these acquired lease agreements.

During the year ended June 30, 2017, the Company incurred approximately $1.5 million in transaction costs related to the acquisition, which primarily consisted of legal, accounting and valuation-related expenses. These expenses were recorded in selling, general and administrative expense in the accompanying consolidated statements of operations and comprehensive income.

During the year ended June 28, 2019 and June 29, 2018 there were no transaction costs related to the acquisition.

Pro forma results of operations for the acquisition have not been presented as they were not material to the Company's results of operations.

Identifiable intangibles

The acquired identifiable intangible assets include customer relationships and backlog. The fair value of the identified intangible assets was determined based on the multi-period excess earnings method, which applied the following key assumptions:

Risk free rate:	30-year UK Government Bond adjusted by spot yield to reflect recent volatility
Long-term revenue growth:	5.0% - 8.0%
Churn rate:	10%
Operating margin:	4.0% - 6.0%

Customer relationships represent the fair value of future projected revenues derived from the sale of products to existing customers of the acquired company. The fair value of $4.4 million will be amortized, using the accelerated method, over an estimated useful life of ten years.

Backlog represents the fair value of sales orders backlog as of the valuation date. The fair value of $0.1 million will be amortized, using an accelerated amortization method, over the respective estimated useful life of three years.

Goodwill

Goodwill arising from the acquisition is primarily attributable to the ability to expand future products and services and the assembled workforce. Goodwill is not deductible for tax purposes.

12. Property, plant and equipment, net

The components of property, plant and equipment, net were as follows:

(amount in thousands)	Land and Land Improvements	Building and Building Improvements	Manufacturing Equipment	Office Equipment	Motor Vehicles	Computers	Construction and Machinery Under Installation	Total
As of June 28, 2019								
Cost	$45,080	$142,909	$ 163,795	$ 5,029	$ 870	$ 13,987	$10,815	$ 382,485
Less: Accumulated depreciation	(11)	(44,736)	(110,980)	(3,656)	(658)	(10,900)	—	(170,941)
Less: Impairment reserve	—	—	(856)	—	—	(2)	—	(858)
Net book value	$45,069	$ 98,173	$ 51,959	$ 1,373	$ 212	$ 3,085	$10,815	$ 210,686
As of June 29, 2018								
Cost	$45,080	$139,342	$ 141,869	$ 7,582	$ 456	$ 21,250	$ 8,762	$ 364,341
Less: Accumulated depreciation	(6)	(38,265)	(86,989)	(4,454)	(334)	(14,653)	—	(144,701)
Net book value	$45,074	$101,077	$ 54,880	$ 3,128	$ 122	$ 6,597	$ 8,762	$ 219,640

On December 23, 2016, the Company entered into an agreement to purchase a parcel of land in Chonburi, Thailand to support the expansion of the Company's production in Thailand. The aggregate purchase price was approximately $5.6 million, of which the first installment of $1.1 million was paid by the Company on January 10, 2017 and the remaining balance of the purchase price was fully paid on December 25, 2017.

Leased assets included in manufacturing equipment comprise certain machine and equipment from capital lease agreements assumed from the acquisition of Fabrinet UK.

(amount in thousands)	As of June 28, 2019	As of June 29, 2018
Cost—Capital leases	$ 2,034	2,481
Less: Accumulated depreciation	(1,090)	(1,043)
Net book value	$ 944	1,438

Depreciation expense amounted to $28.7 million, $27.4 million and $22.5 million for the years ended June 28, 2019, June 29, 2018 and June 30, 2017, respectively, and has been allocated between cost of revenues and selling, general and administrative expenses in the consolidated statements of operations and comprehensive income.

The cost of fully depreciated property, plant and equipment written-off during the years ended June 28, 2019, June 29, 2018 and June 30, 2017 amounted to $2.0 million, $3.5 million and $5.4 million, respectively.

During the year ended June 28, 2019 the Company recognized impairment reserves for property, plant and equipment of $0.9 million. During the year ended June 29, 2018, no impairment was recognized for property, plant and equipment.

During the year ended June 28, 2019 and June 29, 2018, the Company had no borrowing costs capitalized.

13. Intangibles

The following tables present details of the Company's intangibles:

(amount in thousands)	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation Adjustment	Net
As of June 28, 2019				
Software	$ 6,582	$(4,868)	$ —	$1,714
Customer relationships	4,373	(2,096)	(104)	2,173
Backlog	119	(119)	—	—
Total intangibles	$11,074	$(7,083)	$(104)	$3,887

(amount in thousands)	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation Adjustment	Net
As of June 29, 2018				
Software	$ 6,269	$(4,324)	$—	$1,945
Customer relationships	4,373	(1,413)	(42)	2,918
Backlog	119	(101)	(1)	17
Total intangibles	$10,761	$(5,838)	$ (43)	$4,880

In connection with the acquisition of Fabrinet UK, the Company recorded $4.4 million of customer relationships and $0.1 million of backlog in the consolidated balance sheets. As of June 28, 2019, the weighted-average remaining life of customer relationships was 5.4 years. As of June 29, 2018, the weighted-average remaining life of customer relationships and backlog was 6.1 years and 0.9 years, respectively.

The Company recorded amortization expense relating to intangibles of $1.2 million, $1.7 million and $1.2 million for the years ended June 28, 2019, June 29, 2018 and June 30, 2017, respectively.

As of June 28, 2019, the estimated future amortization of intangible assets during each fiscal year was as follows:

(amount in thousand)	
2020	$1,359
2021	952
2022	707
2023	445
2024	231
Thereafter	193
Total	$3,887

14. Goodwill

In connection with the acquisition of Fabrinet UK, the Company recorded \$3.8 million of goodwill in the consolidated balance sheets.

The changes in the carrying amount of goodwill were as follows:

(amount in thousands)	Goodwill
Balance as of June 29, 2018	\$3,828
Foreign currency translation adjustment	(123)
Balance as of June 28, 2019	\$3,705

Goodwill is not deductible for tax purposes. Goodwill is reviewed annually for impairment or more frequently whenever changes or circumstances indicate the carrying amount of goodwill may not be recoverable. As of June 28, 2019, the Company performed the annual impairment test for goodwill, which indicated there was no goodwill impairment.

15. Borrowings

The Company's total borrowings, including short-term and long-term borrowings, consisted of the following:

(*amount in thousands*)

Rate [1]	Conditions	Maturity	As of June 28, 2019	As of June 29, 2018
Short-term borrowing:				
Current portion of long-term borrowing			\$ 3,250	\$ 3,250
Long-term borrowing:				
Term loan borrowing:				
LIBOR +1.50% per annum	Repayable in quarterly installments	June 2023	\$60,938	\$64,188
			60,938	64,188
Less: Current portion			(3,250)	(3,250)
Non-current portion of long-term borrowing			\$57,688	\$60,938

[1] LIBOR is London Interbank Offered Rate.

The movements of long-term borrowings were as follows for the years ended June 28, 2019 and June 29, 2018:

	Years ended	
(amount in thousands)	June 28, 2019	June 29, 2018
Opening net book amount	\$64,188	\$ 36,400
Additional loan during the period	—	39,000
Repayment during the period	(3,250)	(11,212)
Closing net book amount	\$60,938	\$ 64,188

As of June 28, 2019, the future maturities of long-term borrowings during each fiscal year were as follows:

(amount in thousand)	
2020	$ 3,250
2021	3,250
2022	3,250
2023	51,188
Total	$60,938

Credit facilities:

The Company entered into a syndicated senior credit facility agreement (the "Facility Agreement") with a consortium of banks on May 22, 2014. The Facility Agreement, led by Bank of America, provided for a $200.0 million credit line, comprised of a $150.0 million revolving loan facility and a $50.0 million delayed draw term loan facility. The revolving loan facility contained an accordion feature permitting Fabrinet to request an increase in the facility up to $100.0 million subject to customary terms and conditions and provided that no default or event of default exists at the time of request.

On February 26, 2015, the Company entered into the Second Amendment to the Facility Agreement, which extended the availability period for draws on the term loan facility from May 21, 2015 to July 31, 2015 and allowed the Company, upon the satisfaction of certain conditions, to designate from time to time one or more of its subsidiaries as borrowers under the Facility Agreement. On July 31, 2015, the Company entered into the Third Amendment to the Facility Agreement, which extended the availability period for draws on the term loan facility from July 31, 2015 to July 31, 2016. On July 22, 2016, the Company entered into the Fourth Amendment to the Facility Agreement to change the timing of filing certain financial information with the bank.

On June 4, 2018, the Company entered into the Fifth Amendment to the Facility Agreement to (i) reduce the revolving commitments thereunder from $150.0 million to $25.0 million, (ii) extend the termination date of the revolving commitments from May 22, 2019 to June 4, 2023, (iii) refinance the then-existing term loan and revolving loans under the Facility Agreement into a $65.0 million term loan, and (iv) reduce the applicable interest rate margins and commitment fees. Term loans must be repaid in quarterly installments, beginning on June 30, 2018, with the remaining outstanding principal and accrued and unpaid interest being due and payable on June 4, 2023. After giving effect to the amendment, $65.0 million aggregate principal amount of term loans and no revolving loans were outstanding under the Facility Agreement. In addition, the Fifth Amendment contains an accordion feature permitting the Company to request an increase in the revolving loan facility to provide up to an aggregate of $200.0 million in additional commitments, subject to customary terms and conditions, and provided that no default or event of default exists at the time of such request. As of June 28, 2019 and June 29, 2018, $60.9 million and $64.2 million aggregate principal amount of term loans, respectively, and no revolving loans were outstanding under the Facility Agreement.

As a result of the Fifth Amendment, loans under the Facility Agreement bear interest, at Fabrinet's option, at a rate per annum equal to a LIBOR rate plus a spread of 1.50% to 2.25%, or a base rate plus a spread of 0.50% to 1.25%, determined in accordance with the Facility Agreement in each case with such spread determined based on Fabrinet's consolidated total leverage ratio for the preceding four fiscal quarter period.

Interest is due and payable monthly in arrears for loans bearing interest at the base rate and at the end of an interest period (or at each three-month interval in the case of loans with interest periods greater than three months) in the case of loans bearing interest at the LIBOR rate.

Fabrinet's obligations under the Facility Agreement are guaranteed by certain existing and future material subsidiaries. In addition, the Facility Agreement is secured by Fabrinet's present and future accounts receivable, deposit accounts and cash, and a pledge of the capital stock of certain of Fabrinet's direct subsidiaries. Fabrinet is required to maintain at least $40.0 million of cash, cash equivalents, and marketable

securities at financial institutions located in the United States. Further, Fabrinet is required to maintain any of its deposits accounts or securities accounts with balances in excess of $20.0 million in a jurisdiction where a control agreement, or the equivalent under the local law, can be effected.

The Facility Agreement contains customary affirmative and negative covenants. Negative covenants include, among other things, limitations on liens, indebtedness, investments, mergers, sales of assets, changes in the nature of the business, dividends and distributions, affiliate transactions and capital expenditures. The Facility Agreement contains financial covenants requiring Fabrinet to maintain: (1) a minimum tangible net worth of not less than $338.0 million plus 50% of quarterly net income after June 30, 2018, exclusive of quarterly losses; (2) a minimum debt service coverage ratio of not less than 1.50:1.00; (3) a maximum total leverage ratio of not more than 2.50:1.00; and (4) a minimum quick ratio of not less than 1.10:1.00. Each of these financial covenants is calculated on a consolidated basis for the consecutive four fiscal quarter period then ended. As of June 28, 2019, the Company was in compliance with all covenants under the Facility Agreement.

The Facility Agreement also contains customary events of default including, among other things, payment defaults, breaches of covenants or representations and warranties, cross-defaults with certain other indebtedness, bankruptcy and insolvency events and change in control of Fabrinet, subject to grace periods in certain instances. Upon an event of default, the lenders may terminate their commitments, declare all or a portion of the outstanding obligations payable by Fabrinet to be immediately due and payable and exercise other rights and remedies provided for under the Facility Agreement.

Fabrinet intends to use the proceeds of the credit line to finance its future expansion in the United States and Thailand, and for general corporate purposes including mergers and acquisitions of complementary manufacturing businesses or technology, although Fabrinet has no current commitments with respect to any such acquisitions.

On July 25, 2018, the Company entered into the Swap Agreement, which is used to mitigate interest rate risk and improve the interest rate profile of the Company's debt obligations by converting the floating interest rate of term loans under the Facility Agreement to a fixed interest rate of 2.86% per annum through maturity in June 2023. The Company has not designated the Swap Agreement as a hedging instrument. Swap transactions are due and settled monthly. During the year ended June 28, 2019, the Company included a net loss of $0.3 million from the Swap Agreement in interest expense in the consolidated statements of operations and comprehensive income.

Short-term borrowings from bank

In connection with the acquisition of Fabrinet UK in the first quarter of fiscal year 2017, the Company assumed a secured borrowing agreement. In the first quarter of fiscal year 2018, the Company fully repaid these short-term loans and sent a notification letter to the bank to terminate this secured borrowing agreement. As a result, the bank released secured trade accounts receivable and the way chattels mortgage over the plant and machine of Fabrinet UK.

Undrawn available credit facilities classified by available period of future borrowing as of June 28, 2019 and June 29, 2018 were as follows:

(amount in thousands)	**June 28, 2019**	**June 29, 2018**
Expiring within one year	$ —	$ —
Expiring beyond one year	$25,000	$25,000

16. Severance liabilities

The following table provides information regarding severance liabilities:

(amount in thousands)	**Years Ended June 28, 2019**	**Years Ended June 29, 2018**
Changes in severance liabilities		
Balance, beginning of the fiscal year	$ 10,390	$ 8,753
Current service cost	$ 2,345	$ 1,751
Prior service cost	2,537	—
Interest cost	352	301
Benefit paid	(274)	(3,260)
Curtailment gain	—	707
Actuarial loss on obligation	130	2,137
Foreign currency translation	(7)	1
Balance, end of the fiscal year	$ 15,473	$ 10,390
Changes in plan assets		
Balance, beginning of the fiscal year	$ 299	$ 302
Actual return on plan assets	$ (7)	$ 4
Employer contributions	36	39
Benefit paid	—	(48)
Foreign currency translation	(11)	2
Balance, end of the fiscal year	$ 317	$ 299
Underfunded status	$(15,156)	$(10,091)

(1) Prior service cost is the change in Projected Benefit Obligation resulting from changes to employee benefits from local law changes.

The amount recognized in the consolidated balance sheets under non-current liabilities and non-current assets were determined as follows:

(amount in thousands)	**As of June 28, 2019**	**As of June 29, 2018**
Non-current assets	$ 53	$ 71
Non-current liabilities	$15,209	$10,162

The following table provides information regarding accumulated benefit obligations:

(amount in thousands)	**As of June 28, 2019**	**As of June 29, 2018**
Accumulated benefit obligations	$10,208	$6,943

The following table sets forth the plan assets at fair value as of June 28, 2019.

(amount in thousands)		Fair value measurement as of June 28, 2019	
	Total	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:			
Other [(1)]	$317	$183	$134
Total Assets	$317	$183	$134

(1) The "Other" category represents the bid value of the trustees' insurance policy held with Old Mutual Wealth and the value of assets held with Royal London.

The Trustees have chosen to invest in the following funds:

Fund	% of Total
Old Mutual Wealth Invesco Perpetual High Income	43%
Old Mutual Wealth Creation Balanced Portfolio	15%
Royal London Corporate Pension Services Limited	42%

The Old Mutual Wealth assets are administered on unit-linked principles and allow access to a range of funds; these have been treated as Level 2 fair value measurement.

The Royal London assets are administered on a deposit administration basis. This is similar to a with profits fund but with a lower exposure to the stock market. The policy is to majorly invest in UK Government bonds and Corporate bonds in which there is a constant rate of return reset annually. These assets are considered as unobservable inputs and have been treated as Level 3 fair value measurement.

The principal actuarial assumptions used were as follows:

Weighted average actuarial assumptions used to determine severance liabilities

	Years Ended		
	June 28, 2019	**June 29, 2018**	**June 30, 2017**
Discount rate	2.3% - 3.2%	2.5% - 3.7%	1.9% - 3.6%
Future salary increases	3.5% - 10.0%	3.5% - 10.0%	3.5% - 10.0%

Weighted average actuarial assumptions used to determine benefit costs

	Years Ended		
	June 28, 2019	**June 29, 2018**	**June 30, 2017**
Discount rate	2.5% - 3.7%	1.9% - 3.6%	2.0% - 3.2%
Expected long-term rate of return on assets	1.6%	1.9%	1.5%

17. Share-based compensation

Share-based compensation

In determining the grant date fair value of share option awards, the Company is required to make estimates of expected dividends to be issued, expected volatility of Fabrinet's ordinary shares, expected forfeitures of the awards, risk free interest rates for the expected term of the awards and expected terms of the awards. Forfeitures are estimated at the time of grant and revised if necessary in subsequent periods if actual forfeitures differ from those estimates. The grant date fair value of restricted share units and performance share units is based on the market value of our ordinary shares on the date of grant.

The effect of recording share-based compensation expense for the years ended June 28, 2019, June 29, 2018 and June 30, 2017 was as follows:

	Years Ended		
(amount in thousands)	June 28, 2019	June 29, 2018	June 30, 2017
Share-based compensation expense by type of award:			
Restricted share units	$14,691	$17,143	$22,412
Performance share units	2,466	5,438	4,095
Total share-based compensation expense	17,157	22,581	26,507
Tax effect on share-based compensation expense	—	—	—
Net effect on share-based compensation expense	$17,157	$22,581	$26,507

Share-based compensation expense was recorded in the consolidated statements of operations and comprehensive income as follows:

	Years Ended		
(amount in thousands)	June 28, 2019	June 29, 2018	June 30, 2017
Cost of revenue	$ 5,656	$ 6,784	$ 5,318
Selling, general and administrative expense	11,501	15,797	21,189
Total share-based compensation expense	$17,157	$22,581	$26,507

The Company did not capitalize any share-based compensation expense as part of any asset costs during the years ended June 28, 2019, June 29, 2018 and June 30, 2017.

Share-based award activity

Fabrinet maintains the following equity incentive plans: the Amended and Restated 2010 Performance Incentive Plan (the "2010 Plan") and the 2017 Inducement Equity Incentive Plan (the "2017 Inducement Plan"). The 2010 Plan and 2017 Inducement Plan are collectively referred to as the "Equity Incentive Plans".

On December 14, 2017, Fabrinet's shareholders adopted an amendment to the 2010 Plan to increase the number of ordinary shares authorized for issuance under the 2010 Plan by 2,100,000 shares. As of June 28, 2019, there were an aggregate of 764,261 restricted share units outstanding and 451,194 performance share units outstanding under the 2010 Plan. As of June 28, 2019, there were 1,832,949 ordinary shares available for future grant under the 2010 Plan.

On November 2, 2017, Fabrinet adopted the 2017 Inducement Plan with a reserve of 160,000 ordinary shares authorized for future issuance solely for the granting of inducement share options and equity awards to new employees. The 2017 Inducement Plan was adopted without shareholder approval in reliance on the "employment inducement exemption" provided under the New York Stock Exchange Listed Company Manual. As of June 28, 2019, there were an aggregate of 36,490 restricted share units outstanding and 97,306 performance share units outstanding under the 2017 Inducement Plan. As of June 28, 2019, there were 14,041 ordinary shares available for future grant under the 2017 Inducement Plan.

Share options

Share options have been granted to directors and employees. Fabrinet's board of directors has the authority to determine the type of option and the number of shares subject to an option. Options generally vest and become exercisable over four years and expire, if not exercised, within seven years of the grant date. In the case of a grantee's first grant, 25 percent of the underlying shares vest 12 months after the vesting

commencement date and 1/48 of the underlying shares vest monthly over each of the subsequent 36 months. In the case of any additional grants to a grantee, 1/48 of the underlying shares vest monthly over four years, commencing one month after the vesting commencement date.

The following table summarizes share option activity under the 2010 Plan:

	Number of Shares	Number of Exercisable Options	Weighted-Average Exercise Price	Weighted-Average Grant Date Fair Value
Balance as of June 24, 2016	464,334	464,334	$15.95	
Granted	—		—	—
Exercised	(367,641)		$16.02	
Forfeited	—		—	
Expired	(5)		$ 5.75	
Balance as of June 30, 2017	96,688	96,688	$15.70	
Granted	—		—	—
Exercised	(92,288)		$16.02	
Forfeited	—		—	
Expired	(1,500)		$ 5.75	
Balance as of June 29, 2018	2,900	2,900	$15.16	
Granted	—		—	—
Exercised	—		—	
Forfeited	—		—	
Expired	(2,900)		$15.16	
Balance as of June 28, 2019	—	—	—	

The fair value of each share option grant was determined by the Company using the methods and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment and management estimate to determine.

The total fair value of share options vested during the years ended June 28, 2019, June 29, 2018 and June 30, 2017 was nil. The total intrinsic value of options exercised during the years ended June 28, 2019, June 29, 2018 and June 30, 2017 was nil, $2.0 million and $8.9 million, respectively. In conjunction with these option exercises, there was no tax benefit realized by the Company due to the fact that it is exempted from income tax.

Valuation Method—The Company estimated the fair value of the Company's ordinary shares to be used in the BSM by taking into consideration a number of assumptions, as discussed below.

Expected Dividend—The Company used zero as an annualized dividend yield since it did not anticipate paying any cash dividends in the near future.

Expected Volatility—The Company determined the expected volatility based on the Company's historical volatility over the last four years.

Risk-Free Interest Rate—The Company based the risk-free interest rate on the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equivalent to the expected term of the option.

Expected Term—Expected terms used in the BSM represent the periods that the company's share options are expected to be outstanding and are determined based on the Company's historical experience of similar awards, giving consideration to the contractual terms of the share options, vesting schedules and expectations of future employee behavior.

Vesting Period—Fabrinet's share options generally vest and become exercisable over a four-year period, and expire seven years from the date of grant. For an initial grant, 25 percent of the underlying shares subject to an option vest 12 months after the vesting commencement date and 1/48 of the underlying shares vest monthly over each of the subsequent 36 months. In the case of any additional grants to an optionholder, 1/48 of the underlying shares subject to an option vest monthly over four years, commencing one month after the vesting commencement date.

Fair Value—The fair value of Fabrinet's share options granted to employees was estimated using the weighted-average for each assumption of expected volatility, risk-free rate of return, and expected term.

Restricted share units and performance share units

Restricted share units and performance share units have been granted under the 2010 Plan and the 2017 Inducement Plan.

Restricted share units granted to employees generally vest in equal installments over three or four years on each anniversary of the vesting commencement date. Restricted share units granted to non-employee directors generally cliff vest 100% on the first of January, approximately one year from the grant date, provided the director continues to serve through such date.

Performance share units granted to executives will vest at the end of a two-year performance period based on the Company's achievement of pre-defined performance criteria, which consist of revenue and gross margin targets. The actual number of performance share units that may vest at the end of the performance period ranges from 0% to 100% of the award grant.

The Company has entered into an employment agreement, as amended on August 12, 2016, with one executive of the Company that provided for accelerated vesting of equity awards under certain circumstances. Pursuant to such agreement, because the executive's employment with the Company continued through February 20, 2017, (1) all outstanding equity awards granted to the executive prior to August 2016 became 100% vested on February 20, 2017 and (2) certain restricted share units granted to the executive in August 2016 became 100% vested on February 20, 2017.

The following table summarizes restricted share unit activity under the Equity Incentive Plans:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Balance as of June 24, 2016	1,181,402	$18.34
Granted	861,356	$38.95
Issued	(853,535)	$21.16
Forfeited	(130,618)	$29.31
Balance as of June 30, 2017	1,058,605	$31.59
Granted	552,637	$35.95
Issued	(436,867)	$27.81
Forfeited	(100,795)	$33.62
Balance as of June 29, 2018	1,073,580	$35.19
Granted	391,328	$50.02
Issued	(515,482)	$34.18
Forfeited	(148,675)	$38.42
Balance as of June 28, 2019	800,751	$42.48
Expected to vest as of June 28, 2019	718,687	$42.36

The following table summarizes performance share unit activity under the Equity Incentive Plans:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Balance as of June 24, 2016	—	—
Granted	234,678	$40.48
Issued	—	—
Forfeited	(7,410)	—
Balance as of June 30, 2017	227,268	$40.48
Granted	378,624	$37.16
Issued	—	—
Forfeited	—	—
Balance as of June 29, 2018	605,892	$38.41
Granted	201,994	$48.02
Issued	(227,268)	$40.48
Forfeited	(32,118)	$40.47
Balance as of June 28, 2019	548,500	$40.97
Expected to vest as of June 28, 2019	488,306	$40.93

The fair value of restricted share units and performance share units is based on the market value of our ordinary shares on the date of grant.

The total fair value of restricted share units and performance share units vested during the year ended June 28, 2019, June 29, 2018 and June 30, 2017 was $26.8 million, $12.2 million and $18.1 million, respectively. The aggregate intrinsic value of restricted share units and performance share units outstanding as of June 28, 2019 was $67.0 million.

As of June 28, 2019, there was $12.7 million and $1.8 million of unrecognized share-based compensation expense related to restricted share units and performance share units, respectively, under the Equity Incentive Plans that is expected to be recorded over a weighted-average period of 2.6 years and 1.2 years, respectively.

For the years ended June 28, 2019 and June 29, 2018, the Company withheld an aggregate of 235,730 shares and 145,918 shares, respectively, upon the vesting of restricted share units, based upon the closing share price on the vesting date to settle the employees' minimum statutory obligation for the applicable income and other employment taxes. For the years ended June 28, 2019 and June 29, 2018, the Company then remitted cash of $10.6 million and $5.5 million, respectively, to the appropriate taxing authorities, and presented it as a financing activity within the consolidated statements of cash flows. The payment had the effect on shares issued by the Company as it reduced the number of shares that would have been issued on the vesting date and was recorded as a reduction of additional paid-in capital.

18. Employee benefit plans

Employee contribution plan

The Company operates a defined contribution plan, known as a provident fund, in its subsidiaries in Thailand and the United Kingdom. The assets of these plans are in separate trustee-administered funds. The provident fund is funded by matching payments from employees and by the subsidiaries on a monthly basis. Current contributions to the provident fund are accrued and paid to the fund manager on a monthly basis. The Company's contributions to the provident fund amounted to $4.8 million, $4.2 million and $3.6 million during the years ended June 28, 2019, June 29, 2018 and June 30, 2017, respectively.

The Company sponsors the Fabrinet U.S. 401(k) Retirement Plan (“401(k) Plan”), a Defined Contribution Plan under ERISA, at its subsidiaries in the United States which provides retirement benefits for eligible employees through tax deferred salary deductions. The 401(k) Plan allows employees to contribute up to 80% of their annual compensation, subject to annual contributions limits established by the Internal Revenue Service. The Company provides for a 100% match of employees’ contributions to the 401(k) Plan up to the first 6% of annual compensation. All matching contributions are made in cash and vest immediately. The Company’s matching contributions to the 401(k) Plan were $0.8 million, $0.7 million and $0.6 million during the years ended June 28, 2019, June 29, 2018 and June 30, 2017, respectively.

Executive incentive plan and employee performance bonuses

For the years ended June 28, 2019 and June 29, 2018, the Company maintained an executive incentive plan with quantitative objectives, based on achieving certain revenue and non-GAAP gross margin targets. During the years ended June 28, 2019, June 29, 2018 and June 30, 2017, discretionary merit-based bonus awards were also available to Fabrinet’s non-executive employees.

Bonus distributions to employees were $7.6 million, $4.0 million and $7.6 million for the years ended June 28, 2019, June 29, 2018 and June 30, 2017, respectively.

19. Shareholders’ equity

Fabrinet’s authorized share capital is 500,000,000 ordinary shares, par value of $0.01 per ordinary share, and 5,000,000 preferred shares, par value of $0.01 per preferred share.

For the year ended June 28, 2019, Fabrinet issued 507,020 ordinary shares upon the vesting of restricted share units and performance share units, net of shares withheld.

For the year ended June 29, 2018, Fabrinet issued 92,288 ordinary shares upon the exercise of options, for cash consideration at a weighted average exercise price of $15.56 per share, and 290,949 ordinary shares upon the vesting of restricted share units, net of shares withheld.

For the year ended June 30, 2017, Fabrinet issued 367,641 ordinary shares upon the exercise of options, for cash consideration at a weighted average exercise price of $16.02 per share, and 816,409 ordinary shares upon the vesting of restricted share units, net of shares withheld.

All such issued shares are fully paid.

Treasury shares

In August 2017, the Company’s board of directors approved a share repurchase program to permit the Company to repurchase up to $30.0 million worth of its issued and outstanding ordinary shares in the open market in accordance with applicable rules and regulations. In February 2018 and May 2019, the Company’s board of directors approved the increase of $30.0 million and $50 million, respectively, to the original share repurchase authorization, bringing the aggregate authorization to $110.0 million.

During the year ended June 28, 2019, 100,000 shares were repurchased under the program, at an average price per share of $53.78, totaling $5.4 million. As of June 28, 2019, the Company had a remaining authorization to purchase up to an additional $62.2 million worth of its ordinary shares under the share repurchase program. Shares repurchased under the share repurchase program are held as treasury shares.

20. Accumulated other comprehensive income (loss) ("AOCI")

The changes in AOCI by component for the years ended June 28, 2019 and June 29, 2018 were as follows:

(amount in thousands)	Unrealized net (Losses)/Gains on Available-for-sale Securities	Unrealized net (Losses)/Gains on Derivative Instruments	Retirement benefit plan - Prior service cost	Foreign Currency Translation Adjustment	Total
Balance as of June 30, 2017	$ (72)	$ 34	$ —	$(310)	$ (348)
Other comprehensive income before reclassification	(655)	—	—	111	(544)
Amounts reclassified from AOCI	(364)	(1)	—	—	(365)
Tax effects	—	—	—	—	—
Other comprehensive income	(1,019)	(1)	—	111	(909)
Balance as of June 29, 2018	(1,091)	33	—	(199)	(1,257)
Other comprehensive income before reclassification	1,845	—	(2,537)	(634)	(1,326)
Amounts reclassified from AOCI	198	(1)	—	—	197
Tax effects	—	—	—	—	—
Other comprehensive income	2,043	(1)	(2,537)	(634)	(1,129)
Balance as of June 28, 2019	$ 952	$ 32	$(2,537)	$(833)	$(2,386)

The following table presents the pre-tax amounts reclassified from AOCI into the consolidated statements of operations and comprehensive income for the years ended June 28, 2019 and June 29, 2018, respectively.

(amount in thousands)

AOCI components	Financial statements line item	Years ended June 28, 2019	Years ended June 29, 2018
Unrealized gains (losses) on available-for-sale securities	Interest income	$198	$(364)
Unrealized gains on derivative instruments	Selling, general and administrative expenses	(1)	(1)
Total amounts reclassified from AOCI		$197	$(365)

21. Commitments and contingencies

Letter of credit and Bank guarantees

As of June 28, 2019, the Company had an outstanding standby letter of credit of 6.0 million Euros related to the Company's support of a customer with the transfer of certain manufacturing operations from Berlin, Germany to the Company's facilities in Thailand. As of June 28, 2019, the standby letter of credit was backed by cash collateral of $7.4 million.

As of June 28, 2019 and June 29, 2018, there were outstanding bank guarantees given by a bank on behalf of our subsidiary in Thailand for electricity usage and other normal business amounting to $1.6 million and $1.5 million, respectively.

Operating lease commitments

The Company leases a portion of its capital equipment, vehicle, and certain land and buildings for its facilities in Thailand, Cayman Islands, China, the United States and the United Kingdom under operating lease arrangements that expire in various years through 2023. Rental expense under these operating leases amounted to $1.9 million, $1.8 million and $1.7 million for the years ended June 28, 2019, June 29, 2018 and June 30, 2017, respectively.

As of June 28, 2019, the future minimum lease payments due under non-cancelable operating leases during each fiscal year were as follows:

(amount in thousands)	
2020	$1,746
2021	1,342
2022	1,219
2023	1,172
Thereafter	230
Total future minimum operating lease payments	$5,709

Capital lease commitments

In connection with the acquisition of Fabrinet UK, the Company assumed the capital lease commitments of several machines and equipment, with various expiration dates until September 2020. The equipment can be purchased at the determined prices upon expiration of such contracts.

As of June 28, 2019, the future minimum lease payments under non-cancelable capital leases during each fiscal year were as follows:

(amount in thousands)	
2020	$410
2021	103
Total minimum capital lease payments	513
Less: Future finance charge on capital leases	(13)
Present value of capital lease	$500

Representing capital lease liabilities

Current	$398
Non-current	102
Total capital lease liabilities	$500

As of June 28, 2019, the present value of capital lease during each fiscal year were as follows:

(amount in thousands)	
2020	$398
2021	102
Total future minimum capital lease payments	$500

Purchase obligations

Purchase obligations represent legally-binding commitments to purchase inventory and other commitments made in the normal course of business to meet operational requirements. Although open purchase orders are considered enforceable and legally binding, their terms generally give the Company the option to cancel, reschedule and/or adjust its requirements based on its business needs prior to the delivery of goods or performance of services. Obligations to purchase inventory and other commitments are generally expected to be fulfilled within one year.

As of June 28, 2019, the Company had an outstanding commitment to third parties of $8.0 million.

Indemnification of directors and officers

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of directors and officers, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Fabrinet's amended and restated memorandum and articles of association provide for indemnification of directors and officers for actions, costs, charges, losses, damages and expenses incurred in their capacities as such, except that such indemnification does not extend to any matter in respect of any fraud or dishonesty that may attach to any of them.

In accordance with Fabrinet's form of indemnification agreement for its directors and officers, Fabrinet has agreed to indemnify its directors and officers against certain liabilities and expenses incurred by such persons in connection with claims by reason of their being such a director or officer. Fabrinet maintains a director and officer liability insurance policy that may enable it to recover a portion of any future amounts paid under the indemnification agreements.

22. Business segments and geographic information

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is Fabrinet's chief executive officer. As of June 28, 2019, June 29, 2018 and June 30, 2017, the Company operated and internally managed a single operating segment. Accordingly, the Company does not accumulate discrete information with respect to separate product lines and does not have separate reportable segments.

Total revenues are attributed to a particular geographic area based on the bill-to-location of the customer. The Company operates primarily in three geographic regions: North America, Asia-Pacific and Europe. The following table presents total revenues by geographic regions:

	Years Ended		
(amount in thousands)	**June 28, 2019**	**June 29, 2018**	**June 30, 2017**
North America	$ 756,278	$ 643,236	$ 661,267
Asia-Pacific	608,386	519,203	539,317
Europe	219,671	209,486	219,906
Total	$1,584,335	$1,371,925	$1,420,490

As of June 28, 2019 and June 29, 2018, the Company had approximately $31.4 million and $33.2 million, respectively, of long-lived assets based in North America, with the substantial remainder of assets based in Asia-Pacific.

The following table presents revenues by end market:

	Years Ended		
(amount in thousands)	**June 28, 2019**	**June 29, 2018**	**June 30, 2017**
Optical communications	$1,184,936	$1,000,256	$1,108,637
Lasers, sensors, and other	399,399	371,669	311,853
Total	$1,584,335	$1,371,925	$1,420,490

Significant customers

Total revenues, by percentage, from individual customers representing 10% or more of total revenues in the respective periods were as follows:

	Years Ended		
	June 28, 2019	June 29, 2018	June 30, 2017
Lumentum Operations LLC	20%	16%	17%

Accounts receivable from individual customers representing 10% or more of accounts receivable as of June 28, 2019 and June 29, 2018, respectively, were as follows:

	As of June 28, 2019	As of June 29, 2018
Lumentum Operations LLC	23%	18%
NeoPhotonics Corporation	*	11%
Acacia Communications Inc.	12%	*

* Represents less than 10% of total accounts receivable.

23. Financial instruments

Objectives and significant terms and conditions

The principal financial risks faced by the Company are foreign currency risk and interest rate risk. The Company borrows at floating rates of interest to finance its operations. A minority of sales and purchases and a majority of labor and overhead costs are entered into in foreign currencies. In order to manage the risks arising from fluctuations in currency exchange rates, the Company uses derivative instruments. Trading for speculative purposes is prohibited under Company policies.

The Company enters into short-term foreign currency forward and option contracts to manage foreign currency exposures associated with certain assets, liabilities and other forecasted foreign currency transactions and may designate these instruments as hedging instruments. The foreign currency forward and option contracts generally have maturity of up to six months. All foreign currency exchange contracts are recognized on the consolidated balance sheets at fair value. Gain or loss on the Company's derivative instruments generally offset the assets, liabilities and transactions economically hedged.

Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Thai baht, Chinese Renminbi ("RMB") and GBP.

As of June 28, 2019 and June 29, 2018, the Company had outstanding foreign currency assets and liabilities as follows:

(amount in thousands)	As of June 28, 2019		As of June 29, 2018	
	Currency	$	Currency	$
Assets				
Thai baht	664,860	$21,628	980,778	$29,568
RMB	53,393	7,767	18,455	2,789
GBP	5,270	6,682	12,514	16,392
Total		$36,077		$48,749
Liabilities				
Thai baht	1,961,972	$63,825	1,401,473	$42,251
RMB	26,373	3,836	19,893	3,007
GBP	2,598	3,294	3,615	4,735
Total		$70,955		$49,993

The Thai baht assets represent cash and cash equivalents, trade accounts receivable, deposits and other current assets. The Thai baht liabilities represent trade accounts payable, accrued expenses, income tax payable and other payables. The Company manages its exposure to fluctuations in foreign exchange rates by the use of foreign currency contracts and offsetting assets and liabilities denominated in the same currency in accordance with management's policy. As of June 28, 2019 there were $72.0 million of foreign currency forward contracts outstanding on the Thai baht payables. As of June 29, 2018, there were $7.0 million of foreign currency forward contracts and $30.0 million of foreign currency option contracts outstanding on the Thai baht payables.

The RMB assets represent cash and cash equivalents, trade accounts receivable and other current assets. The RMB liabilities represent trade accounts payable, accrued expenses and other payables. As of June 28, 2019 and June 29, 2018, there were no derivative contracts denominated in RMB.

The GBP assets primarily represent cash, trade accounts receivable, inventory and property, plant and equipment. The GBP liabilities primarily represent trade accounts payable. As of June 28, 2019, there were no derivative contracts denominated in GBP.

For fiscal year 2019, fiscal year 2018, and fiscal year 2017, the Company recorded unrealized gain of $4.8 million, unrealized loss of $1.7 million, and unrealized gain of $0.02 million, respectively, related to derivatives that are not designated as hedging instruments in its consolidated statements of operations and comprehensive income.

Interest Rate Risk

The Company's principal interest bearing assets are time deposits and short-term investments with maturities of three years or less held with high quality financial institutions. The Company's principal interest bearing liabilities are bank loans which bear interest at floating rates.

On July 25, 2018, the Company entered into the Swap Agreement, which the Company did not designate as a hedging instrument. The Swap Agreement was used to mitigate interest rate risk and improve the interest rate profile of the Company's debt obligations by converting the floating interest rate of the term loans under the Facility Agreement to the fixed interest rate of 2.86% per annum through maturity of the term loan in June 2023. The swap transactions are due and settled monthly.

24. Subsequent event

On July 8, 2019, the Company entered into a 16.2 million Euros standby letter of credit related to the Company's support of a customer with the transfer of certain manufacturing operations from Berlin, Germany to the Company's facilities in Thailand. The standby letter of credit was backed by cash collateral of $22.1 million.

UNAUDITED QUARTERLY FINANCIAL INFORMATION

The following table sets forth a summary of the Company's quarterly financial information for each of the four quarters in the fiscal years ended June 28, 2019 and June 29, 2018:

	Three Months Ended							
(in thousands, except per share data)	**Jun 28, 2019**	**Mar 29, 2019**	**Dec 28, 2018**	**Sep 28, 2018**	**Jun 29, 2018**	**Mar 30, 2018**	**Dec 29, 2017**	**Sep 29, 2017**
Total revenues	$405,127	$398,951	$403,080	$377,177	$345,327	$332,213	$337,072	$357,313
Gross profit	$ 46,626	$ 46,758	$ 45,564	$ 40,276	$ 38,981	$ 36,933	$ 37,166	$ 40,332
Net income	$ 32,957	$ 28,635	$ 31,513	$ 27,850	$ 22,768	$ 21,053	$ 19,313	$ 21,033
Basic net income per share:								
Net income	$ 0.89	$ 0.78	$ 0.86	$ 0.76	$ 0.62	$ 0.56	$ 0.52	$ 0.56
Weighted-average shares used in basic net income per share calculations	36,836	36,891	36,841	36,625	36,828	37,275	37,477	37,447
Diluted net income per share:								
Net income	$ 0.88	$ 0.76	$ 0.84	$ 0.75	$ 0.60	$ 0.55	$ 0.51	$ 0.55
Weighted-average shares used in diluted net income per share calculations	37,511	37,539	37,471	37,140	37,766	38,055	38,156	38,163

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), as of the end of the period covered by this Annual Report on Form 10-K. Based on their evaluation, our management concluded that our disclosure controls and procedures were effective to provide reasonable assurance that the information we are required to disclose in reports we file or submit under the Exchange Act, (i) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission, and (ii) is accumulated and communicated to Fabrinet's management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended June 28, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting of the Company as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately, and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management has assessed the effectiveness of our internal control over financial reporting as of June 28, 2019. In making this assessment, management used the criteria described in *Internal Control -Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on their assessment, management concluded that we maintained effective internal control over financial reporting as of the end of fiscal year 2019, based on the criteria in Internal Control — Integrated Framework (2013) issued by COSO. The effectiveness of our internal control over financial reporting as of June 28, 2019 has been audited by PricewaterhouseCoopers ABAS Ltd., an independent registered public accounting firm, as stated in their report which appears herein.

ITEM 9B. OTHER INFORMATION.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2019 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K (the “2019 Proxy Statement”).

ITEM 11. EXECUTIVE COMPENSATION.

Information responsive to this item is incorporated herein by reference to our 2019 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information responsive to this item is incorporated herein by reference to our 2019 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Information responsive to this item is incorporated herein by reference to our 2019 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Information responsive to this item is incorporated herein by reference to our 2019 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K:

1. *Financial Statements*: See Index to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K.

2. *Financial Statement Schedules*: All schedules are omitted because they are not required, are not applicable or the information is included in the consolidated financial statements or notes thereto.

3. *Exhibits*: We have filed, or incorporated by reference into this Annual Report on Form 10-K, the exhibits listed in Item 15(b) of this Annual Report on Form 10-K.

(b) Exhibits:

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by reference herein			
		Form	Exhibit No.	Filing Date	File No.
3.1	Amended and Restated Memorandum and Articles of Association	S-1/A	3.1	May 3, 2010	333-163258
4.1	Specimen Ordinary Share Certificate	S-1/A	4.1	June 14, 2010	333-163258
4.2	Description of Fabrinet's Securities				
10.1.1+	2010 Performance Incentive Plan, as amended and restated	8-K	10.1	December 15, 2017	001-34775
10.1.2+	2010 Performance Incentive Plan – Form of Share Option Agreement	10-Q	10.2	February 5, 2013	001-34775
10.1.3+	2010 Performance Incentive Plan – Form of Restricted Share Agreement	10-Q	10.3	February 5, 2013	001-34775
10.1.4+	2010 Performance Incentive Plan – Form of Restricted Share Unit Agreement	10-Q	10.4	February 5, 2013	001-34775
10.1.5+	2010 Performance Incentive Plan – Form of Performance Share Unit Agreement	10-Q	10.5	November 9, 2016	001-34775
10.2.1+	2017 Inducement Equity Incentive Plan	S-8	99.1.1	November 8, 2017	001-34755
10.2.2+	2017 Inducement Equity Incentive Plan – Form of Restricted Share Unit Agreement	S-8	99.1.2	November 8, 2017	001-34755
10.2.3+	2017 Inducement Equity Incentive Plan – Form of Performance-Based Restricted Share Unit Agreement	S-8	99.1.3	November 8, 2017	001-34755
10.3+	Letter agreement, dated May 1, 2019, regarding amendment of David T. Mitchell's PSUs	8-K	10.1	May 6, 2019	001-34755
10.3.1+	Letter agreement, dated August 14, 2019, regarding amendment of David T. Mitchell's RSUs	8-K	10.1	August 20, 2019	001-34755
10.4+	Offer letter, dated September 20, 2017, by and between Seamus Grady and Fabrinet	8-K	10.1	September 25, 2017	001-34755
10.5+	Change in Control and Severance Agreement, dated February 26, 2019, by and between Seamus Grady and Fabrinet	8-K	10.1	February 28, 2019	001-34755

Exhibit Number	Description	Incorporated by reference herein			
		Form	Exhibit No.	Filing Date	File No.
10.6+	Amended and Restated Offer Letter, dated January 9, 2018, by and between Dr. Harpal Gill and Fabrinet USA, Inc.	8-K	10.1	May 8, 2018	001-34755
10.7+	Employment Agreement, dated July 1, 2007, by and between Dr. Harpal Gill and Fabrinet Co., Ltd.	S-1	10.5	November 7, 2007	333-147191
10.8+	Amended and Restated Offer Letter, dated January 9, 2018, between Toh-Seng Ng and Fabrinet USA, Inc.	8-K	10.2	May 8, 2018	001-34755
10.9+	Description of Fiscal 2019 Executive Incentive Plan	8-K, Item 5.02	N/A	August 20, 2018	001-34755
10.10+	Description of Fiscal 2020 Executive Incentive Plan	8-K, Item 5.02	N/A	August 20, 2019	001-34755
10.11+	Separation Agreement and Release, dated August 20, 2018, by and among Fabrinet, Fabrinet USA, Inc. and Dr. Hong Hou	8-K	10.1	August 20, 2018	001-34755
10.12+	Form of Indemnification Agreement	S-1/A	10.10	January 28, 2010	333-163258
10.13	Manufacturing Agreement, dated May 29, 2005, by and between the registrant and FBN New Jersey Holdings Corp.	S-1	10.10	November 7, 2007	333-147191
10.14	Manufacturing Agreement, dated January 2, 2000, by and between the registrant and Fabrinet Co., Ltd.	S-1	10.11	November 7, 2007	333-147191
10.15	Administrative Services Agreement, dated January 2, 2000, by and between the registrant and Fabrinet USA, Inc.	S-1	10.12	November 7, 2007	333-147191
10.16	Administrative Services Agreement, dated July 3, 2008, by and between the registrant and Fabrinet Pte. Ltd.	S-1	10.14	November 20, 2009	333-163258
10.17.1	Credit Agreement, dated as of May 22, 2014, by and among Fabrinet, the guarantors from time to time party thereto, the lenders from time to time party thereto and Bank of America, N.A. as administrative agent	8-K	10.1	May 23, 2014	001-34775

Exhibit Number	Description	Incorporated by reference herein Form	Exhibit No.	Filing Date	File No.
10.17.2	First Amendment to Credit Agreement, effective as of September 25, 2014, by and among Fabrinet, the guarantors party thereto, the lenders party thereto and Bank of America, N.A. as administrative agent	10-Q	10.1	November 5, 2014	001-34775
10.17.3	Second Amendment to Credit Agreement, dated as of February 26, 2015, by and among Fabrinet, the guarantors party thereto, the lenders party thereto and Bank of America, N.A. as administrative agent	8-K	10.1	March 2, 2015	001-34775
10.17.4	Third Amendment to Credit Agreement, dated as of July 31, 2015, by and among Fabrinet, the designated borrowers party thereto, the guarantors party thereto, the lenders party thereto and Bank of America, N.A. as administrative agent	8-K	10.1	August 5, 2015	001-34775
10.17.5	Fourth Amendment to Credit Agreement, dated as of July 22, 2016, by and among Fabrinet, the designated borrowers party thereto, the guarantors party thereto, the lenders party thereto and Bank of America, N.A. as administrative agent	10-Q	10.3	November 7, 2017	001-34775
10.17.6	Fifth Amendment to Credit Agreement, dated as of June 4, 2018, by and among Fabrinet, the Designated Borrowers party thereto, the Guarantors party thereto, the lenders party thereto and Bank of America, N.A. as administrative agent.	8-K	10.1	June 4, 2018	001-34775
10.18	Security and Pledge Agreement, dated as of May 22, 2014, by and between Fabrinet and Bank of America, N.A. as administrative agent	8-K	10.2	May 23, 2014	001-34775

Exhibit Number	Description	Incorporated by reference herein			
		Form	Exhibit No.	Filing Date	File No.
10.19	Lease Agreement, dated July 1, 2013, by and between Donly Corporation and FBN New Jersey Manufacturing, Inc. DBA VitroCom	10-K	10.16	August 16, 2013	001-34775
10.20†	Primary Contract Manufacturing Agreement, dated January 1, 2008, by and between JDS Uniphase Corporation and the registrant	S-1/A	10.27	January 19, 2010	333-163258
21.1	List of Subsidiaries				
23.1	Consent of PricewaterhouseCoopers ABAS Ltd.				
24.1	Power of Attorney (incorporated by reference to the signature page of this Annual Report on Form 10-K)				
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS	XBRL Instance				
101.SCH	XBRL Taxonomy Extension Schema				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase				
101.DEF	XBRL Taxonomy Extension Definition Linkbase				
101.LAB	XBRL Taxonomy Extension Label Linkbase				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase				

+ Indicates management contract or compensatory plan.
† Confidential treatment has been requested for portions of this exhibit.

(c) Financial Statement Schedules: See Item 15(a)(2), above.

ITEM 16. FORM 10-K SUMMARY.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 20, 2019.

FABRINET

By: /s/ Toh-Seng Ng

Name: **Toh-Seng Ng**

Title: **Executive Vice President and Chief Financial Officer**

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Seamus Grady and Toh-Seng Ng and each of them, as his true and lawful attorney-in-fact and agent with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming that said attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Seamus Grady **Seamus Grady**	Chief Executive Officer (Principal Executive Officer) and Director	August 20, 2019
/s/ Toh-Seng Ng **Toh-Seng Ng**	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	August 20, 2019
/s/ David T. Mitchell **David T. Mitchell**	Chairman of the Board of Directors	August 20, 2019
/s/ Homa Bahrami **Homa Bahrami**	Director	August 20, 2019
/s/ Gregory P. Dougherty **Gregory P. Dougherty**	Director	August 20, 2019
/s/ Thomas F. Kelly **Thomas F. Kelly**	Director	August 20, 2019
/s/ Frank H. Levinson **Frank H. Levinson**	Director	August 20, 2019
/s/ Rollance E. Olson **Rollance E. Olson**	Director	August 20, 2019