

PLEXUS CORP
Form 10-K
November 20, 2015
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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 October 3, 2015

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

Commission file number 001-14423

PLEXUS CORP.

(Exact Name of Registrant as Specified in its Charter)

Wisconsin

39-1344447

(State or other jurisdiction of
incorporation or organization)

One Plexus Way
Neenah, Wisconsin 54957
(920) 969-6000

(I.R.S. Employer Identification
No.)

(Address, including zip code, of principal executive offices and Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$.01 par value	The NASDAQ Global Select Market
Preferred Share Purchase Rights	The NASDAQ Global Select Market

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 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

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(Do not check if a smaller reporting company)

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

As of April 4, 2015, 33,594,930 shares of common stock were outstanding, and the aggregate market value of the shares of common stock (based upon the \$41.80 closing sale price on that date, as reported on the NASDAQ Global Select Market) held by non-affiliates (excludes 376,447 shares reported as beneficially owned by directors and executive officers – does not constitute an admission as to affiliate status) was approximately \$1,388.5 million. As of November 16, 2015, there were 33,420,000 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Part of Form 10-K Into Which Portions of Document are Incorporated
Proxy Statement for 2016 Annual Meeting of Shareholders	Part III

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“SAFE HARBOR” CAUTIONARY STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

The statements contained in this Form 10-K that are guidance or which are not historical facts (such as statements in the future tense and statements including believe, expect, intend, plan, anticipate, goal, target and similar terms and concepts), including all discussions of periods which are not yet completed, are forward-looking statements that involve risks and uncertainties. These risks and uncertainties include, but are not limited to: the risk of customer delays, changes, cancellations or forecast inaccuracies in both ongoing and new programs; the lack of visibility of future orders, particularly in view of changing economic conditions; the economic performance of the industries, sectors and customers we serve; the effects of the volume of revenue from certain sectors or programs on our margins in particular periods; our ability to secure new customers, maintain our current customer base and deliver product on a timely basis; the particular risks relative to new or recent customers, programs or services, which risks include customer and other delays, start-up costs, potential inability to execute, the establishment of appropriate terms of agreements, and the lack of a track record of order volume and timing; the risks of concentration of work for certain customers; the effect of start-up costs of new programs and facilities; possible unexpected costs and operating disruption in transitioning programs, including as a result of a facility closure; the risk that new program wins and/or customer demand may not result in the expected revenue or profitability; the fact that customer orders may not lead to long-term relationships; our ability to manage successfully and execute a complex business model characterized by high product mix, low volumes and demanding quality, regulatory, and other requirements; the ability to realize anticipated savings from restructuring or similar actions, as well as the adequacy of related charges as compared to actual expenses; increasing regulatory and compliance requirements; the potential effects of regional results on our taxes and ability to use deferred tax assets and net operating losses; risks related to information technology systems and data security; the effects of shortages and delays in obtaining components as a result of economic cycles or natural disasters; the risks associated with excess and obsolete inventory, including the risk that inventory purchased on behalf of our customers may not be consumed or otherwise paid for by the customer, resulting in an inventory write-off; the weakness of areas of the global economy; the effect of changes in the pricing and margins of products; raw materials and component cost fluctuations; the potential effect of fluctuations in the value of the currencies in which we transact business; the potential effect of world or local events or other events outside our control (such as changes in energy prices, terrorism and weather events); the impact of increased competition; and other risks detailed below in “Risk Factors,” otherwise herein, and in our other Securities and Exchange Commission filings.

In addition, see Risk Factors in Part I, Item 1A and Management’s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 for a further discussion of some of the factors that could affect future results.

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PART I

ITEM 1.

BUSINESS

Overview

Plexus Corp. and its subsidiaries (together “Plexus,” the “Company,” or “we”) participate in the Electronic Manufacturing Services (“EMS”) industry. We deliver optimized solutions to our customers through our unique Product Realization Value Stream. Our customer-focused solutions model seamlessly integrates innovative product conceptualization, design, commercialization, manufacturing, fulfillment and sustaining solutions. Plexus delivers comprehensive end-to-end solutions for customers in the Americas (“AMER”), Europe, Middle East, and Africa (“EMEA”) and Asia-Pacific (“APAC”) regions.

We provide award-winning customer service to more than 140 branded product companies in the Networking/Communications, Healthcare/Life Sciences, Industrial/Commercial and Defense/Security/Aerospace market sectors. Our customers have stringent quality, reliability and regulatory requirements, requiring exceptional production and supply chain agility. Their products require complex configuration management, direct order fulfillment (to end customers), global logistics management and Aftermarket Services. To service the complexities that our customers' products demand, we utilize our Product Realization Value Stream, addressing our customers' products from concept to end of life.

Plexus is passionate about being the leading EMS company in the world at servicing mid-to-low volume, higher complexity customer programs, characterized by unique flexibility, technology, quality and regulatory requirements. To support and deliver on our strategy, we align our operations, processes, workforce and financial metrics to create:

- A high performance, accountable organization with a highly skilled and talented workforce that is deeply passionate about driving growth through customer service excellence;
- A customer driven, disciplined deployment of strategic growth through sector based go-to-market strategies; and
- Execution driven by a collaborative, customer centric culture that continuously evaluates and optimizes our business processes to support our shareholder return goals.

We operate flexible manufacturing facilities and design our processes to accommodate customers with multiple product lines and configurations. One or more uniquely configured “focus factories,” supported by a tailored supply chain and logistics solution, are designed to meet the flexibility and responsiveness needed to support customer fulfillment requirements.

We accomplish our go-to-market strategy through the four market sectors we serve. Each sector has a market sector vice president and a business development and customer management leader who together oversee and provide leadership to teams that include business development directors, customer directors or managers, supply chain and manufacturing subject matter experts, and market sector analysts. These teams maintain expertise related to each market sector and execute sector strategies aligned to that market’s unique quality and regulatory requirements.

Our market sector teams help define Plexus' strategy for growth with a particular focus on expanding the value-added solutions we offer customers. Our sales and marketing efforts focus on targeting new customers and expanding business with existing customers. We believe our ability to provide a full range of product realization services gives us a business advantage.

Our financial model aligns with our business strategy. Our primary focus is to earn a return on invested capital (“ROIC”) 500 basis points over our weighted average cost of capital (“WACC”), which we refer to as “Economic Return.” We review our internal calculation of WACC annually; at the end of fiscal 2015 our estimated WACC was 11.0 percent. We believe economic profit is a fundamental driver of shareholder value. Plexus measures economic profit by

taking the difference between ROIC and WACC and multiplying it by invested capital. By exercising discipline to generate a ROIC in excess of our WACC, with focus on economic profit, our goal is to ensure that we create value for our shareholders.

Relative to our competition, overriding factors such as lower manufacturing volumes, flexibility and fulfillment requirements, and complex regulatory requirements typically result in higher investments in inventory and selling and administrative costs. The cost variance from our competitors is especially evident relative to those that provide EMS services for high-volume, less complex products, with less stringent requirements (e.g., consumer electronics).

Plexus serves a diverse customer landscape that includes industry-leading, branded product companies, along with many other technology pioneering start-ups or emerging companies that may or may not maintain manufacturing capabilities. As a result of serving market sectors that rely on advanced electronics technology, our business is influenced by critical technological

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trends such as the level and rate of development of wired and wireless telecommunications infrastructure, communications data and data bandwidth growth, and internet usage. In addition to prime technology advancements, key government and policy trends impact our business, including the U.S. Food and Drug Administration's ("FDA") approval of new medical devices, defense procurement practices, and other government and regulatory processes. Plexus may benefit from increasing outsourcing trends. We provide most of our optimized solutions on a turnkey basis, and we procure some or all materials required for product assembly. We provide select services on a consignment basis, meaning the customer supplies the necessary materials and Plexus provides the labor and other services required for product assembly. In addition to manufacturing, turnkey service requires material procurement and warehousing and involves greater resource investments than consignment services. Other than certain test equipment and software used for internal operations, we do not design or manufacture our own proprietary products.

Established in 1979 as a Wisconsin corporation, we have approximately 14,000 full-time employees, including approximately 2,900 engineers and technologists dedicated to product development and design, test equipment development and design, and manufacturing process development and control, all of whom operate from 24 active facilities, totaling approximately 3.4 million square feet. Plexus' facilities are strategically located to support the global supply chain, engineering, manufacturing, and Aftermarket Service needs of customers in our targeted market sectors.

Plexus maintains a website at www.plexus.com. As soon as is reasonably practical, and after we electronically file or furnish all reports to the Securities and Exchange Commission ("SEC"), we provide online copies, free of charge. These reports include: Proxy Statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Specialized Disclosure Reports on Form SD, and amendments to those reports. You may also access these reports at the SEC's website at www.sec.gov. Our Code of Conduct and Business Ethics is also posted on our website. You may access these SEC reports and the Code of Conduct and Business Ethics by following the links under "Investor Relations" at our website.

Solutions

As an integrated, fully accountable partner, we deliver optimized product realization solutions that carry our customers' products from concept to end of life. Tailoring our Product Realization Value Stream to each product and program, Plexus provides unique solutions designed to meet the needs of each of our customers. As our partnerships grow and mature, we aim to engage our customers in full utilization of our Product Realization Value Stream.

| Conceptualize | Design | Commercialize | Manufacture | Fulfill | Sustain |

Conceptualize. During the product development and conceptualization phases, new product ideas are created and evaluated with both the customer's and Plexus' engineering teams. We closely collaborate with our customers to capture their new product vision and clarify requirements. Our industrial design team attempts to analyze a product through the end user's eyes focusing on ergonomics, use case research, user interface, aesthetics and evaluation mockups. Upon completion of concept evaluations, the Plexus team prototypes what it believes to be the most promising designs, working concurrently with engineering, manufacturing and supply chain teams. Future phases ensure design intent is maintained, while realizing the final product solution.

Design. Plexus invests in the latest technology, design and automation tools to provide comprehensive design and value- engineering solutions. We engage with our customers in a variety of ways – from supporting a short-term expansion of their engineering design capabilities to collaborating on complex, turn-key product designs. Our disciplined approach and structure enables significant project schedule flexibility via work-sharing across our organization. Product design includes, but is not limited to, the following solutions:

Program management

Feasibility studies

Specification development for product features and functionality

Circuit design (digital, microprocessor, power, analog, radio frequency (“RF”), optical and micro-electronics)

- Field programmable gate array design (“FPGA”)

Printed circuit board layout

Embedded software design

Mechanical design (thermal analysis, fluidics, robotics, plastic components, sheet metal enclosures and castings)

Test specifications development and product verification testing

Automated (robotic) production solutions and complex automation design

Commercialize. The commercialize phase carries significant influence with respect to converting ideas into viable products.

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Commercialization starts early in the design phase and extends through manufacturing transition, often in tandem with Design for Excellence (“DFX”). Our DFX solutions encompass a wide collection of specific design solutions including design for test, design for manufacturability/assembly and design for fabrication. The goal of DFX is to facilitate an efficient transition from engineering to manufacturing. Commercialization also includes prototyping, new product introduction, design for supply chain, test development and transition management. We believe our commercialization solutions provide significant value by accelerating speed-to-market, reducing change activity and providing customers with a robust and manufacturable product.

Manufacture. Plexus applies an optimized manufacturing approach, not a one-size-fits-all model. Our scalable manufacturing solutions create flexibility for our customers through tailored supply chain solutions. Our focus-factory model provides a dedicated team designed to drive success that places the customer at the center of operations. Plexus exclusively focuses on mid-to-low volume, higher-complexity programs that range from lower-level assemblies to finished electro-mechanical products. Our manufactured products typically fall into one of the following categories in our assembly spectrum:

Printed circuit board assembly - a printed circuit board (“PCB”) populated with electronic components

Basic assembly - a sub-assembly that includes PCBs and other components

System integration - a finished product or sub-system assembly that includes more complex components such as PCBs, basic assemblies, custom engineered components, displays, optics, metering and measurement or thermal management

- Mechatronic integration - more complex system integration that combines electronic controls with mechanical systems and processes such as motion control, robotics, drive systems, fluidics, hydraulics or pneumatics

System and mechatronic integration products may run larger in size than other assemblies; the products range from kiosks to finished healthcare devices and life sciences equipment to other complex electro-mechanical assemblies. These products often combine other integrated solutions we provide and may require unique facility configurations or supply chain solutions.

Fulfill. Plexus offers fulfillment and logistics solutions to our customers in the forms of Direct Order Fulfillment (“DOF”), Build to Order (“BTO”) and Configure to Order (“CTO”). Plexus receives DOF orders from our customers that provide the final specifications and configurations required by their end customers. Through BTO and CTO, Plexus delivers the product directly to the end customer. The DOF process relies on Enterprise Resource Planning (“ERP”) systems integrating the overall supply chain, from parts procurement through manufacturing and logistics.

Sustain. Plexus sustains our customers' products by providing a range of Aftermarket Services, including complex repair, refurbishment and product support for products the Company manufactures. In addition, we also provide customized solutions for products we did not manufacture.

Our Aftermarket Services offerings include:

- | | | |
|--------------------------|------------------------|---|
| • Screening | • Loaner program | • Part harvesting |
| • In/Out warranty repair | • Advanced exchange | • Part repair |
| • Upgrade | • Demo unit management | • Warranty redemption |
| • Refurbishment | • Recycling | • Part fulfillment |
| • Decontamination | • Destruction | • Part fulfillment with warranty redemption |
| • Complaint handling | • Part sales | |

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Regulatory requirements. All Plexus manufacturing and engineering facilities are certified to a baseline Quality Management System standard per ISO9001:2008. We have capabilities to assemble finished medical devices meeting FDA Quality Systems Regulation requirements and similar regulatory requirements in other countries. Our manufacturing and engineering facilities are certified to the most current revision of the ISO 9001 standard. We have additional certifications and/or registrations held by certain facilities in the following regions:

	AMER	APAC	EMEA
Medical Standard ISO 13485:2003	X	X	X
21 CFR Part 820 (FDA) (Finished Medical)	X	X	X
CFDA (Finished Medical)		X	
JMGP accreditation	X	X	X
ANVISA accreditation	X		
Environmental Standard ISO - 14001	X	X	X
Environmental Standard OSHAS 18001		X	X
ANSI/ESD (Electrostatic Discharge Control Program) S20.20	X	X	
Telecommunications Standard TL 9000	X	X	
ITAR (International Traffic and Arms Regulation)			
self-declaration	X		
Aerospace Standard AS9100	X	X	X
NADCAP certification	X	X	X
FAR 145 certification (FAA repair station)	X		
ATEX/IECEX certification		X	X

Customers and Market Sectors Served

Our customers range from large multinational companies to smaller emerging technology companies. During fiscal 2015, we served approximately 140 customers. We offer advanced design and production capabilities, allowing our customers to concentrate on their core competencies. Plexus helps accelerate our customers' time to market, reduce their investment in engineering and manufacturing capacity, and optimize total product cost.

ARRIS Group, Inc. ("Arris") and General Electric Company ("GE") accounted for 12.6 percent and 10.6 percent, respectively, of our net sales during fiscal 2015 and 12.5 percent and 11.2 percent, respectively, of our net sales in fiscal 2014. Juniper Networks, Inc. ("Juniper"), which accounted for 12.8 percent of our net sales in fiscal 2013, disengaged from Plexus in fiscal 2013. Other than Arris and GE in fiscal 2015 and 2014, and Juniper in fiscal 2013, no other customer accounted for 10.0 percent or more of our net sales in those fiscal years.

Net sales to our largest customers may vary from time to time depending on the size and timing of customer program commencements, terminations, delays, modifications and transitions. We generally do not obtain firm, long-term purchase commitments from our customers. Customers' forecasts can and do change as a result of changes in their end-market demand and other factors, including global economic conditions. Any material change in forecasts or orders from these major accounts, or other customers, could materially affect our results of operations. The loss of any major customer could have a significant negative impact on our financial results. In addition, as our percentage of net sales to customers in a specific sector becomes larger relative to other sectors, we will become increasingly dependent upon the economic and business conditions affecting that sector. Many of our large customers contract with us through independent multiple divisions, subsidiaries, production facilities or locations. We believe that in most cases our sales to any one such division, subsidiary, facility or location are independent of sales to others.

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The distribution of our net sales by market sectors for fiscal 2015, 2014 and 2013 is shown in the following table:

Industry	2015	2014	2013
Networking/Communications	32%	32%	37%
Healthcare/Life Sciences	28%	29%	25%
Industrial/Commercial	26%	25%	25%
Defense/Security/Aerospace	14%	14%	13%
Total net sales	100%	100%	100%

Although our current business development focus is based on our targeted market sectors, we evaluate our financial performance and allocate our resources geographically (see Note 11 in Notes to Consolidated Financial Statements regarding our reportable segments). Plexus offers a uniform array of services for customers in each market sector and we do not dedicate operational equipment, personnel, facilities or other resources to particular market sectors, nor internally track our costs and resources per market sector.

Materials and Suppliers

We typically purchase raw materials, including PCBs and electronic components, from manufacturers and distributors. Under certain circumstances, we will purchase components from brokers, customers or competitors. The key electronic components we purchase include: specialized components (such as application-specific integrated circuits), semiconductors, interconnect products, electronic subassemblies (including memory modules, power supply modules and cable and wire harnesses), inductors, resistors and capacitors.

We also purchase non-electronic, typically custom engineered, components used in manufacturing and higher-level assembly. These components include molded/formed plastics, sheet metal fabrications, aluminum extrusions, robotics, motors, vision sensors, motion/actuation, fluidics, displays, die castings and various other hardware and fastener components. These components are sourced from both Plexus preferred suppliers and customer directed suppliers. Components range from standard to highly customized and vary widely in terms of market availability and price.

Component shortages and subsequent allocations by our suppliers are an inherent risk to the electronics industry, and have particularly been an issue for us and the industry from time to time. We discuss the causes of these shortages more fully in "Risk Factors" in Part I, Item 1A herein. We actively manage our business to minimize our exposure to material and component shortages.

The Plexus global supply chain management organization attempts to create strong supplier alliances and ensure a steady flow of components and products at competitive prices. We strive to achieve these goals through advanced supply chain solutions we develop in partnership with our customers, risk management tools and global expediting processes. Plexus can often influence the selection of new product components throughout the design phase of the Product Realization Value Stream.

Competition

Plexus operates in a highly competitive market, with a goal to be best-in-class at meeting the unique needs of our customers. We provide flexible solutions, timely order fulfillment, and strong engineering, testing and production capabilities. A number of competitors may provide electronics manufacturing and engineering services similar to Plexus. Others may be more established in certain industry sectors, or have greater financial, manufacturing or marketing resources. Smaller competitors compete mainly in specific sectors and within limited geographic areas. Plexus occasionally competes with in-house capabilities of current and potential customers. Plexus maintains awareness and knowledge of our competitors' capabilities, in order to remain highly competitive within the broad scope of the EMS industry.

Intellectual Property

We own various service marks that we use in our business, which are registered in the trademark offices of the United States and other countries. Although we own certain patents, they are not currently material to our business. We do not have any material copyrights.

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Information Technology

Our integrated ERP, warehouse management and shop floor control systems serve all of our manufacturing sites, providing a core set of consistent, global business applications. This consistency augments our other management information systems, allowing us to standardize our ability to translate data from multiple production facilities into operational and financial information. The related software licenses are of a general commercial character on terms customary for these types of agreements.

Environmental Compliance

We are subject to a variety of environmental regulations relating to air emission standards and the use, storage, discharge and disposal of hazardous chemicals used during our manufacturing process. We believe that we are in compliance with all federal, state and foreign environmental laws and do not anticipate any significant expenditures in maintaining our compliance; however, there can be no assurance that violations will not occur which could have a material adverse effect on our financial results.

Social Responsibility

Plexus is committed to social responsibility throughout our global business operations. Our commitment to social responsibility extends to human rights, labor practices, the environment, worker health and safety, fair operating practices and the Company's social impact in the communities where we operate. We consider a variety of standards for socially responsible practices, including local and federal legal requirements in the jurisdictions where we operate, the International Organization for Standardization's "Guidance on Social Responsibility" (ISO 26000) and standards established by the Electronics Industry Citizenship Coalition (the "EICC"). Plexus is an applicant member of the EICC. Information about our corporate social responsibility efforts is available on our website at www.plexus.com/about-us/social-responsibility.

Employees

We make a considerable effort to maintain a highly-qualified and engaged work force. We have been able to offer enhanced career opportunities to many of our employees. Our human resources department identifies career objectives and monitors specific skill development opportunities for employees with potential for advancement. We invest at all levels of the organization to ensure that employees are well trained and qualified for their positions. We have a policy of involvement and consultation with employees at every facility and strive for continuous improvement at all levels.

We employ approximately 14,000 full-time employees. Given the quick response times required by our customers, we seek to maintain flexibility to scale our operations as necessary to maximize efficiency. To do so we use skilled temporary labor in addition to our full-time employees. Approximately 251 and 494 of our employees are covered by union agreements in the United Kingdom and Mexico, respectively. These union agreements are typically renewed at the beginning of each year, although in a few cases these agreements may last two or more years. Our employees in China, Germany, Malaysia, Romania and the United States are not covered by union agreements. We have no history of labor disputes at any of our facilities, and we believe that our employee relationships are generally positive and stable.

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ITEM 1A.

RISK FACTORS

Our net sales and operating results may vary significantly from period to period.

Our quarterly and annual results may vary significantly depending on various factors, many of which are beyond our control. These factors include:

- the volume and timing of customer demand relative to our capacity
- the life-cycle of our customers' technology-dependent products
- customers' operating results and business conditions
- changes in our, and our customers', sales mix, as well as the volatility of these changes
- variations in sales and margins among geographic regions and market sectors
- varying gross margins among different programs, including as a result of pricing concessions to certain customers
- failure of our customers to pay amounts due to us
- claims alleging defective goods or services or breaches of contractual requirements
- challenges associated with the engagement of new customers or additional programs or services for existing customers
- customer disengagements
- the timing of our expenditures in anticipation of future orders
- our effectiveness in planning and executing production, and managing inventory, fixed assets and manufacturing processes
- changes in the cost and availability of labor and components
- changes in exchange rates, and
- changes in U.S. and global economic and political conditions and world events.

The majority of our net sales come from a relatively small number of customers and a limited number of market sectors; if we lose any of these customers or if there are challenges in those market sectors, our net sales and operating results could decline significantly.

Net sales to our ten largest customers have represented a majority of our net sales in recent periods. Our ten largest customers accounted for 56.1 percent of our net sales for the fiscal year ended October 3, 2015, and 55.1 percent of our net sales for the fiscal year ended September 27, 2014. During fiscal years ended October 3, 2015 and September 27, 2014, there were two customers that each represented 10.0 percent or more of our net sales.

Our principal customers may vary from period to period, and our principal customers may not continue to purchase services from us at current levels, or at all, particularly given the volatile nature of certain programs. We have experienced from time to time, and in the future may experience, significant customer or program disengagements and the end of life of significant programs. Especially given our discrete number of customers, significant reductions in net sales to any of our major customers, the loss of major customers or our failure to make appropriate choices as to the customers we serve could seriously harm our business and results of operations.

In addition, we focus our sales efforts on customers in only a few market sectors. Each of these sectors is subject to macroeconomic conditions as well as trends and conditions that are sector specific. Economic, business and/or regulatory conditions that affect the sector, or the Company's failure to choose appropriate sectors, can particularly impact Plexus. For instance, sales in the Healthcare/Life Sciences sector are substantially affected by trends in the healthcare industry, such as government reimbursement rates and uncertainties relating to the financial health of, and pending changes in the structure of, the U.S. health care sector generally, including as a result of the Patient Protection and Affordable Care Act (the "Affordable Care Act").

Further, potential reductions in U.S. government agency spending, including those due to budget cuts or other political developments or issues, could affect opportunities in all of our market sectors. Any weakness in our customers' end markets could affect our business and results of operations.

We rely on timely and regular payments from our customers; therefore, deterioration in the payment experience with or credit quality of our major customers could have a material adverse effect on our financial condition and results of operations. The inability or failure of our major customers to meet their obligations to us or their bankruptcy,

insolvency or liquidation may adversely affect our business, financial condition and results of operations.

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From time to time, our customers, including formerly significant customers, have been affected by merger and acquisition activity. While these transactions may present Plexus with opportunities to capture new business, they also create the risk that these customers will partially or completely disengage as a result of transitioning such business to Plexus' competitors or deciding to manufacture the products internally.

Plexus is a multinational corporation and operating in multiple countries exposes us to increased risks, including adverse local developments and currency risks.

We have operations in many countries; operations outside of the U.S. in the aggregate represent a majority of our net sales and operating income, with a particular concentration in Malaysia. In addition, a significant amount of our cash balances are currently held outside of the U.S. We also purchase a significant number of components manufactured in various countries. These international aspects of our operations, which are likely to increase over time, subject us to the following risks that could materially impact our operations and operating results:

- economic, political or civil instability
- transportation delays or interruptions
- exchange rate fluctuations
- potential disruptions or restrictions on our ability to access cash amounts held outside of the U.S.
- changes in labor markets, such as government-mandated wage increases, limitations on immigration or restrictions on the use of migrant workers, and difficulties in appropriately staffing and managing personnel in diverse cultures
- compliance with laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, applicable to companies with global operations
- changes in the taxation of earnings both in the U.S. and in other countries
- reputational risks related to, among other factors, varying standards and practices among countries
- changes in duty rates
- significant natural disasters and other events or factors impacting local infrastructure
- the effects of other international political developments, such as embargoes, sanctions, boycotts, energy disruptions and trade agreements (including the proposed Trans-Pacific Partnership), and
- regulatory requirements and potential changes to those requirements.

We continue to monitor our risk associated with foreign currency translation and have entered into limited forward contracts to address this risk. As our international operations expand, our failure to appropriately address foreign currency transactions and/or the currency exposures associated with assets and liabilities denominated in non-functional currencies could adversely affect our consolidated financial condition, results of operations and cash flows. In addition, developments affecting particular countries can adversely affect our ability to access cash or other assets held in such countries.

A significant portion of our operations currently occurs in, and cash balances are held in, the APAC region, particularly in Malaysia. The concentration of our operations, assets and profitability in that region exposes us to adverse developments, economic, political or otherwise, in those countries.

Changes in policies by the U.S. or other governments could negatively affect our operating results due to changes in duties, tariffs or taxes, or limitations on currency or fund transfers, as well as government-imposed restrictions on producing certain products in, or shipping them to, specific countries. For example, our facility in Mexico operates under the Mexican Maquiladora ("IMMEX") program. This program provides for reduced tariffs and eased import regulations; we could be adversely affected by changes in the IMMEX program or our failure to comply with its requirements. Compliance with trade agreements could, among other effects, lead to increased personnel expenses or subject Plexus to additional requirements related to environmental, health and safety matters.

Our customers do not make long-term commitments and may cancel or change their production requirements. Companies in our industry must respond quickly to the requirements of their customers in both design and production. We generally do not obtain firm, long-term purchase commitments from our customers, and frequently do not have visibility as to their future demand. Customers also cancel requirements, change engineering or other service requirements, change production quantities, delay production or revise their forecasts for a number of reasons that are beyond our control. The success of our customers' products in the market and the strength of the markets themselves

affect our business. Cancellations, reductions or delays by a significant customer, or by a group of customers, could seriously harm our operating results and negatively affect our working capital levels. Such cancellations, reductions or delays have occurred from time to time and may continue to occur in the future.

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In addition, we make significant decisions based on our estimates of customers' requirements, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, working capital management, facility and capacity requirements, personnel needs and other resource 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 their future requirements. Since many of our operating expenses are fixed, a reduction in customer demand can harm our operating results. Moreover, since our margins vary across customers and specific programs, a reduction in demand with higher margin customers or programs will have a more significant adverse effect on our operating results.

Rapid increases in customer requirements may stress personnel and other capacity resources. We may not have sufficient resources at any given time to meet all of our customers' demands or to meet the requirements of a specific program, which could result in a loss of business from such customers.

We have a complex business model, and our failure to properly manage or execute on that model, as well as maintain our engineering, technological and manufacturing process expertise, could adversely affect our operations, financial results and reputation.

Our business model focuses on products and services in the mid-to-lower-volume, higher-complexity segment of our industry. Our customers' products typically require significant production and supply-chain flexibility, in some cases necessitating optimized demand-pull-based manufacturing and supply chain solutions across an integrated global platform. The products we manufacture are also typically complex, heavily regulated, and require complicated configuration management and direct order fulfillment capabilities to global end customers. In addition, we offer Aftermarket Services to our customers, which add to the complexity of our business model. Our business model requires a great degree of attention, flexibility and resources. These resources include working capital, management and technical personnel, and the development and maintenance of systems and procedures to manage diverse manufacturing, regulatory and service requirements for multiple programs of varying sizes simultaneously, including in multiple locations and geographies. We also depend on securing and ramping new customers and programs and on transitioning production for new customers and programs, which creates added complexities related to managing the start-up risks of such projects, especially for companies that did not previously outsource such activities.

The complexity of our service model, which encompasses a broad range of services including conceptualization, design, commercialization, manufacturing, fulfillment and Aftermarket Services, often results in complex and challenging contractual obligations as well as commitments from us to our customers. If we fail to meet those obligations, it could result in claims against us and/or adversely affect our reputation and our ability to obtain future business, as well as impair our ability to enforce our rights (including those related to payment) under those contracts. If we fail to effectively manage or execute our business model, we may lose customer confidence and our reputation may suffer. The Company's reputation is the foundation of our relationships with key stakeholders. If we are unable to effectively manage real or perceived issues, which could negatively impact sentiments toward the Company, our ability to maintain or expand business opportunities could be impaired and our financial results could suffer on a going-forward basis.

Many of the markets for our manufacturing, engineering, aftermarket and other services are characterized by rapidly changing technology and evolving process developments. Our internal processes are also subject to these factors. The continued success of our business will depend upon our continued ability to:

- retain our qualified engineering and technical personnel, and attract additional qualified personnel
- maintain and enhance our technological capabilities
- choose and maintain appropriate technological and service capabilities
- successfully manage the implementation and execution of information systems
- develop and market services that meet changing customer needs
- effectively execute our services and perform to our customers' expectations, and
- successfully anticipate, or respond to, technological changes on a cost-effective and timely basis.

Although we believe that our operations utilize the assembly and testing technologies, equipment and processes that are currently required by our customers, we cannot be certain that we will maintain or develop the capabilities

required by our customers in the future. The emergence of new technologies, industry standards or customer requirements may render our equipment, inventory or processes obsolete or noncompetitive. In addition, we may have to acquire new design, assembly and testing technologies and equipment to remain competitive. The acquisition and implementation of new technologies and equipment, and the offering of new or additional services to our customers, may require significant expense or capital investment that could reduce our liquidity and negatively affect our operating results. Our failure to anticipate and adapt to our customers' changing technological needs and requirements, or to perform to their expectations or standards, as well as our need

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to maintain our personnel and other resources during times of fluctuating demand, could have an adverse effect on our business.

Our products and services are for end markets that require technologically advanced products.

Factors affecting the technology-dependent end markets that we serve could adversely affect our customers and, as a result, Plexus. These factors include:

- the inability of our customers to adapt to rapidly changing technologies and evolving industry standards that can result in short product life-cycles
- the inability of our customers to develop and market their products, some of which are new and untested
- the potential that our customers' products may become obsolete, and
- the potential failure of our customers' products to gain widespread commercial acceptance.

Even if our customers successfully respond to these market challenges, their responses, including any consequential changes we must make in our business relationships with them and our production for, or services offered to, them, can affect our production cycles, inventory management and results of operations.

Challenges associated with the engagement of new customers or programs, or the provision of new services, could affect our operations and financial results.

Our engagement with new customers, as well as the addition of new programs or types of services (including expansion of our Aftermarket Services capabilities) for existing customers, can present challenges in addition to opportunities. We must initially determine whether it would be in our interests from a business perspective to pursue a particular potential new customer, program or service, including evaluating the customer's, program's and/or service's fit with our value proposition as well as its potential end-market success. If we make the decision to proceed, we need to ensure that our terms of engagement, including our pricing and other contractual provisions, appropriately reflect the anticipated costs, risks and rewards. The failure to make prudent engagement decisions and/or to establish appropriate terms of engagement could adversely affect our profitability and margins.

Also, there are inherent risks associated with the timing and ultimate realization of a new program's or service's anticipated revenue; these factors can sometimes extend for a significant period. Some new programs or services require us to devote significant capital and personnel resources to new technologies and competencies. We may not meet customer expectations, which could damage our relationships with the affected customers and impact our ability to deliver conforming product or services on a timely basis. Further, the success of new programs may depend heavily on factors such as product reliability, market acceptance, regulatory approvals and/or economic conditions. The failure of a new program to meet expectations on these factors, or our inability to effectively execute on a new program's or service's requirements, could result in lost financial opportunities and adversely affect our results of operations. Start-up costs and inefficiencies related to new, recent or transferred programs can adversely affect our operating results.

In recent years, our revenue growth has been more heavily dependent on ramping new program wins as compared to end-market growth of mature programs. The management of resources in connection with the establishment of new or recent programs and customer relationships, as well as program transfers between facilities and geographies, and the need to estimate required resources in advance of production can adversely affect our gross and operating margins and level of working capital. These factors are particularly evident in the early stages of the life-cycle of new programs, which typically lack a track record of order volume and timing as well as production efficiencies in the early stages. We typically manage multiple new programs at any given time; therefore, we are exposed to these factors in varying magnitudes. In addition, if any of these programs or customer relationships were terminated, our operating results could be negatively impacted, particularly in the short-term.

The effects of these start-up costs and inefficiencies can also occur when we transfer programs between locations and geographies. We conduct these transfers on a regular basis to meet customer needs, seek long-term efficiencies or respond to market conditions, as well as due to facility openings and closures. Although we try to minimize the potential losses arising from transitioning customer programs between our facilities and geographies, there are inherent risks that such transitions can result in operational inefficiencies and the disruption of programs and customer

relationships.

While these factors tend to affect new, recent or transferred programs, they can also impact more mature, or maturing programs and customer relationships, especially programs where end-market demand can be somewhat volatile.

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Failure to manage periods of growth or contraction may seriously harm our business.

Our industry frequently sees periods of expansion and contraction to adjust to customers' needs and market demands. We regularly contend with these issues and must carefully manage our business to meet customer and market requirements. If we fail to manage these growth and contraction decisions effectively, as well as fail to realize the anticipated benefits of these decisions, we can find ourselves with either excess or insufficient resources and our business, as well as our profitability, may suffer.

Expansion and consolidation, including the transfer of operations to larger facilities or acquisitions, can inherently include additional costs and start-up inefficiencies. For example, in fiscal 2014, we opened new manufacturing facilities in the U.S. (Neenah, Wisconsin) and in Mexico (Guadalajara) to replace existing facilities in those countries. In early fiscal 2016, we announced the planned closure of our Fremont, California facility. If we are unable to effectively manage our recent or future expansions and consolidations, or related anticipated net sales are not realized, our operating results could be adversely affected. In addition, we may expand our operations in new geographical areas where currently we do not operate. Other risks of current or future expansions, acquisitions and consolidations include:

- the inability to successfully integrate additional facilities or incremental capacity and to realize anticipated efficiencies, economies of scale or other value
- challenges faced as a result of transitioning programs
- incurrence of restructuring or other charges that may be insufficient or may not have their intended effects
- additional fixed or other costs, or selling, general and administrative ("SG&A") expenses, which may not be fully absorbed by new business
- a reduction of our return on invested capital, including as a result of excess inventory or excess capacity at new facilities, as well as the increased costs associated with opening new facilities
- difficulties in the timing of expansions, including delays in the implementation of construction and manufacturing plans
- diversion of management's attention from other business areas during the planning and implementation of expansions
- strain placed on our operational, financial and other systems and resources, and
- inability to locate sufficient customers, employees or management talent to support the expansion.

Periods of contraction or reduced net sales, or other factors affecting particular sites, create other challenges. We must determine whether facilities remain viable, whether staffing levels need to be reduced, and how to respond to changing levels of customer demand. While maintaining excess capacity or higher levels of employment entail short-term costs, reductions in capacity and/or employment could impair our ability to respond to new opportunities and programs, market improvements or to maintain customer relationships. Our decisions to reduce costs and capacity can affect our short-term and long-term results. When we make decisions to reduce capacity or to close facilities, we frequently incur restructuring charges, as we did in fiscal 2015 and fiscal 2014 in connection with the replacement of facilities in the U.S. and Mexico.

In addition, to meet our customers' needs, particularly when the production requirements of certain products are site-specific, or to achieve increased efficiencies, we sometimes require additional capacity in one location while reducing capacity in another. Since customers' needs and market conditions can vary and change rapidly, we may find ourselves in a situation where we simultaneously experience the effects of contraction in one location and expansion in another location. We may also encounter situations where our lack of a physical presence in certain locations may limit or foreclose opportunities.

Changes in tax laws, potential tax disputes, negative or unforeseen tax consequences and/or further developments affecting our deferred tax assets could adversely affect our results.

Given the scope of our international operations and our international tax arrangements, proposed and potential changes to the manner in which U.S.-based multinational companies are taxed in the U.S. could have a material impact on our operating results and competitiveness. In addition, other recently adopted or potential changes to tax laws in jurisdictions outside of the U.S. in which we operate could also affect our results.

The Company has been granted tax holidays (including for its Malaysian subsidiary) and is eligible for various tax credits and rebates (domestically and internationally), which are generally subject to certain conditions and other requirements. While we expect to comply with such conditions and requirements, we would experience adverse tax consequences, or may not be able to receive the related benefits, if we do not effectively comply.

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The Company reviews the probability of the realization of our net deferred tax assets each period based on forecasts of taxable income by jurisdiction. This review uses historical results, projected future operating results based upon approved business plans, eligible carryforward periods, tax planning opportunities and other relevant considerations. Adverse changes in the profitability and financial outlook in each of our jurisdictions may require the creation of an additional valuation allowance to reduce our net deferred tax assets. Such changes could result in material non-cash expenses in the period in which the changes are made.

An inability to successfully manage the procurement, development, implementation or execution of information systems, or to adequately maintain these systems and their security, as well as to protect data and other confidential information, may adversely affect our business and reputation.

As a global company with a complex business model, we are heavily dependent on our information systems to support our customers' requirements and to successfully manage our business. Any inability to successfully manage the procurement, development, implementation, execution or maintenance of our information systems, including matters related to system and data security, privacy, reliability, compliance, performance and access, as well as any inability of these systems to fulfill their intended purpose within our business, could have an adverse effect on our business. In the ordinary course of business, we collect and store sensitive data and information, including our proprietary and regulated business information and that of our customers, suppliers and business partners, as well as personally identifiable information about our employees. Our information systems, like those of other companies, are susceptible to malicious damage, intrusions and outages due to, among other events, viruses, industrial espionage (internal or external), break-ins and similar events, other breaches of security, natural disasters, power loss or telecommunications failures. We have taken steps to maintain adequate data security and address these risks and uncertainties by implementing security technologies, internal controls, network and data center resiliency, redundancy and recovery processes, as well as by securing insurance; however, these measures may be inadequate. Any operational failure or breach of security from increasingly sophisticated cyber threats could lead to the loss or disclosure of our and/or our customers' financial, product or other confidential information, result in adverse regulatory actions and have a material adverse effect on our business and reputation.

We and our customers are subject to increasingly extensive government regulations and industry standards; a failure to comply with current and future regulations and standards could have an adverse effect on our business, customer relationships, reputation and profitability.

We are subject to extensive government regulation and industry standards (as well as customer-specific standards) relating to the products we design and manufacture as well as how we conduct our business, including regulations and standards relating to labor and employment practices, workplace health and safety, the environment, sourcing and import/export practices, the market sectors we support and many other facets of our operations. The regulatory climate in the U.S. and other countries has become increasingly complex and fragmented, and regulatory activity has increased in recent periods. A failure to comply with such regulations or standards could have an adverse effect on our reputation, customer relationships, profitability and results of operations.

As a publicly-held company, we are subject to increasingly stringent laws, regulations and other requirements, including those affecting, among other areas, our accounting, internal controls, corporate governance practices, securities disclosures and reporting.

Governments worldwide are becoming increasingly aggressive in adopting and enforcing anti-corruption laws. The U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, among others, apply to us and our operations. The Affordable Care Act significantly affects the provision of both health care services and benefits in the U.S. and is expected to impact our cost of providing our employees and retirees with health insurance and/or benefits, and may also impact various other aspects of our business.

Our Healthcare/Life Sciences sector is subject to statutes and regulations covering the design, development, testing, manufacturing and labeling of medical devices and the reporting of certain information regarding their safety, including Food and Drug Administration ("FDA") regulations and similar regulations in other countries. Failure to comply with these regulations can result in, among other things, fines, injunctions, civil penalties, criminal prosecution, recall or seizure of devices, or total or partial suspension of production.

We also design and manufacture products for customers in the defense, security and aerospace industries. Companies that design and manufacture products for these industries face significant regulation by the Department of Defense, Department of

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State, Department of Commerce, Federal Aviation Authority, and other governmental agencies in the U.S. as well as in other countries, and also under the Federal Acquisition Regulation.

In addition, whenever we pursue business in new sectors and subsectors, or our customers pursue new technologies or markets, we need to navigate the potentially heavy regulatory and legislative burdens of such sectors, technologies or markets.

The regulatory climate can itself affect the demand for our services. For example, government reimbursement rates and other regulations, as well as the financial health of health care providers, and pending changes in how health care in the U.S. is structured, including as a result of the Affordable Care Act, and how medical devices are taxed, could affect the willingness and ability of end customers to purchase the products of our customers in this sector as well as impact our margins.

Our customers are also required to comply with various government regulations, legal requirements and industry standards, including many of the industry-specific regulations discussed above. Our customers' failure to comply could affect their businesses, which in turn would affect our sales to them. In addition, if our customers are required by regulation or other requirements to make changes in their product lines, these changes could significantly disrupt particular programs for these customers and create inefficiencies in our business.

A failure to comply with customer-driven policies and standards, and third party certification requirements or standards, including those related to social responsibility, could adversely affect our business and reputation.

In addition to government regulations and industry standards, our customers may require us to comply with their own social responsibility, conflict minerals, quality or other business policies or standards, which may be more restrictive than current laws and regulations as well as our pre-existing policies, before they commence, or continue, doing business with us. Such policies or standards may be customer-driven, established by the industry sectors in which we operate or imposed by third party organizations. The Company is an Applicant Member of the EICC. The EICC is a non-profit coalition of electronics companies and establishes standards for its members in responsible and ethical practices in the areas of labor, environmental compliance, employee health and safety, ethics and social responsibility. Our compliance with these policies, standards and third party certification requirements could be costly, and our failure to comply could adversely affect our operations, customer relationships, reputation and profitability. In addition, our adoption of these standards could adversely affect our cost competitiveness, ability to provide customers with required service levels and ability to attract and retain employees in jurisdictions where these standards vary from prevailing local customs and practices.

There may be problems with the products we design or manufacture that could result in liability claims against us, reduced demand for our services and damage to our reputation.

The products that we design and/or manufacture may be subject to liability or claims in the event that defects are discovered or alleged. We design and manufacture products to our customers' specifications, many of which are highly complex, and produce products for industries, such as health care, defense and aerospace, that tend to have higher risk profiles. Despite our quality control and quality assurance efforts, problems may occur, or may be alleged, in the design and/or manufacturing of these products, including as a result of business continuity issues. Whether or not we are responsible, problems in the products we manufacture, whether real or alleged, whether caused by faulty customer specifications, the design or manufacturing processes or a component defect, may result in delayed shipments to customers and/or reduced or canceled customer orders. If these problems were to occur in large quantities or too frequently, our business reputation may also be tarnished. In addition, problems may result in liability claims against us, whether or not we are responsible. These potential claims may include damages for the recall of a product and/or injury to person or property.

Even if customers or third parties, such as component suppliers, are responsible for defects, they may not, or may not be able to, assume responsibility for any such costs or required payments to us. While we seek to insure against many of these risks, insurance coverage may be inadequate, not cost effective or unavailable, either in general or for particular types of products or issues. We occasionally incur costs defending claims, and any such disputes could adversely affect our business relationships.

Intellectual property infringement claims against our customers or us could harm our business.

Our design and manufacturing services and the products offered by our customers involve the creation and use of intellectual property rights, which subject us and our customers to the risk of claims of intellectual property infringement from third parties. In addition, our customers may require that we indemnify them against the risk of intellectual property infringement. If any claims are brought against us or our customers for infringement, whether or not these have merit, we could be required to expend significant resources in defense of those claims. In the event of an infringement claim, we may be required to spend a

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significant amount of money to develop non-infringing alternatives or obtain licenses. We may not be successful in developing alternatives or obtaining licenses on reasonable terms or at all. Infringement by our customers could cause them to discontinue production of some of their products, potentially with little or no notice, which may reduce our net sales to them and disrupt our production.

Additionally, if third parties on whom we rely for products or services, such as component suppliers, are responsible for an infringement (including through the supply of counterfeit parts), we may or may not be able to hold them responsible and we may incur costs in defending claims or providing remedies. Such infringements may also cause our customers to abruptly discontinue selling the impacted products, which would adversely affect our net sales of those products, and could affect our customer relationships more broadly. Similarly, claims affecting our suppliers could cause those suppliers to discontinue selling materials and components upon which we rely.

Increased competition may result in reduced demand or reduced prices for our services.

Our industry is highly competitive. We compete against numerous providers with global operations, as well as those which operate on only a local or regional basis. In addition, current and prospective customers continually evaluate the merits of designing and manufacturing products internally and may choose to design and/or manufacture products themselves rather than outsource such activities. Consolidations and other changes in our industry may result in a changing competitive landscape.

Some of our competitors have a larger geographic footprint than we do, in addition to substantially greater managerial, manufacturing, engineering, technical, financial, systems, sales and marketing resources. These competitors may:

- respond more quickly to new or emerging technologies
- have greater name recognition, critical mass and geographic and market presence
- be better able to take advantage of acquisition opportunities
- adapt more quickly to changes in customer requirements
- devote greater resources to the development, promotion and sale of their services, and
- be better positioned to compete on price for their services.

We may operate at a cost disadvantage compared to our competitors that have lower internal cost structures or greater direct buying power with component suppliers, distributors and raw material suppliers. Our manufacturing processes are generally not subject to significant proprietary protection, and companies with greater resources or a greater market presence may enter our market or become increasingly competitive. Increased competition could result in significant price reductions, reduced sales and margins, or loss of market share.

Our manufacturing services involve inventory risk.

Most of our contract manufacturing services are provided on a turnkey basis, under which we purchase some, or all, of the required materials and components based on customer forecasts and/or orders. Suppliers may require us to purchase materials and components in minimum order quantities that may exceed customer requirements. A customer's cancellation, delay or reduction of forecasts or orders can also result in excess inventory or additional expense to us. Engineering changes by a customer may result in obsolete materials or components. While we attempt to cancel, return or otherwise mitigate excess and obsolete inventory and require customers to reimburse us for these items, we may not actually be reimbursed timely or be able to collect on these obligations. Excess or obsolete inventory, or other failures to manage our working capital, could adversely affect our operating results, including our return on invested capital.

In addition, we provide managed inventory programs for some of our customers under which we hold and manage finished goods or work-in-process inventories. These managed inventory programs result in higher inventory levels, further reduce our inventory turns and increase our financial exposure with such customers. Even though our customers generally have contractual obligations to purchase such inventories from us, we remain subject to the risk of enforcing those obligations.

We may experience raw material and component shortages and price fluctuations.

We generally do not have long-term supply agreements. We have experienced, and in the future may experience, raw material and component shortages due to supplier capacity constraints or their failure to deliver. We also could experience disruptions in energy supplies. Such constraints can also be caused by world events, such as government

policies, terrorism, armed conflict, natural disasters, economic recession and other localized events. We rely on a limited number of suppliers for many of the raw materials and components used in the assembly process and, in some cases, may be required to use suppliers that are the sole provider of a particular raw material or component. Such suppliers may encounter quality problems, labor disputes, financial

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difficulties or business continuity issues that could preclude them from delivering raw materials or components timely or at all. Supply shortages and delays in deliveries of raw materials or components have in some cases resulted in delayed production of assemblies, which have increased our inventory levels and adversely affected our operating results in certain periods. An inability to obtain sufficient inventory on a timely basis could also harm relationships with our customers.

In addition, raw materials and components that are delivered to us may not meet our specifications or other quality criteria. Certain materials provided to us may be counterfeit or violate the intellectual property rights of others. The need to obtain replacement materials and parts may negatively affect our manufacturing operations. The inadvertent use of any such parts or products may also give rise to liability claims.

Raw material and component supply shortages and delays in deliveries can also result in increased pricing. While many of our customers permit quarterly or other periodic adjustments to pricing based on changes in raw material or component prices and other factors, we may bear the risk of price increases that occur between any such repricing or, if such repricing is not permitted, during the balance of the term of the particular customer contract. Conversely, as a result of our pricing strategies and practices, raw material and component price reductions have contributed positively to our operating results in the past. Our inability to continue to benefit from such reductions in the future could adversely affect our operating results.

We depend on our workforce, including certain key personnel, and the loss of key personnel or other personnel disruptions, including the inability to hire and retain sufficient personnel, may harm our business.

Our success depends in large part on the continued services of our key management and technical personnel, and on our ability to attract, develop and retain qualified employees, particularly highly skilled design, process and test engineers involved in the development of new products and processes and the manufacture of products. The competition for these individuals is significant, and the loss of key employees could harm our business.

From time to time, there are changes and developments, such as retirements, promotions, transitions, disability, death and other terminations of service that affect our executive officers and other key employees. Transitions or other changes in responsibilities among officers and key employees, particularly those that are unplanned, inherently can cause disruptions to our business and operations, which could have an effect on our results.

We also depend on good relationships with our workforce generally. Any disruption in our relationships with our personnel, including as a result of potential union organizing activities, work actions or other labor issues, could substantially affect our operations and results.

In addition, when we expand operations in either existing areas or new locations, including internationally, we need to attract and retain the services of sufficient qualified personnel to conduct those operations. If we fail to retain and maintain sufficient qualified personnel, the operations at those locations, and consequently our financial results, could be adversely affected. In new or existing facilities we may be subject to local labor practices or union activities, wage pressure and changing wage requirements, increasing health care costs, differing employment laws and regulations in various countries, local competition for employees, restrictions on labor mobility as well as high turnover, and other issues affecting our workforce, all of which could affect operations at particular locations, which also could have adverse effects on our operational results. As noted above, our adoption of certain third-party standards could adversely affect our ability to attract and retain employees in jurisdictions where these standards vary from prevailing local customs and practices.

Natural disasters, breaches of security and other events outside our control, and the ineffective management of such events, may harm our business.

Some of our facilities are located in areas that may be impacted by natural disasters, including tornadoes, hurricanes, earthquakes, water shortages, tsunamis and floods. All facilities are subject to other natural or man-made disasters such as those related to global climate change, fires, acts of terrorism or war, breaches of security, theft or espionage, and failures of utilities. If such an event was to occur, our business could be harmed due to the event itself or due to our inability to effectively manage the effects of the particular event. Potential harms include the loss of business continuity, the loss of business data and damage to infrastructure.

In addition, some of our facilities possess certifications necessary to work on specialized products that our other locations lack. If work is disrupted at one of these facilities, it may be impractical or we may be unable to transfer

such specialized work to another facility without significant costs and delays. Thus, any disruption in operations at a facility possessing specialized certifications could adversely affect our ability to provide products and services to our customers, and thus negatively affect our relationships and financial results.

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Although we have implemented policies and procedures with respect to physical security, we remain at risk of unauthorized access to our facilities and the possible unauthorized use or theft of inventory, information or other physical assets. If unauthorized persons gain physical access to our facilities, or our physical assets or information are stolen or used in an unauthorized manner (whether through outside theft or industrial espionage), we could be subject to, among other consequences, negative publicity, governmental inquiry and oversight, loss of government contracts, litigation by affected parties and/or other future financial obligations related to the loss, misuse or theft of our or our customers' data, inventory or physical assets, any of which could have a material adverse effect on our reputation and results of operations.

We may fail to secure or maintain necessary additional financing and/or capital.

We cannot be certain that our existing credit facilities will provide all of the financing capacity that we will need in the future or that we will be able to change the credit facilities or revise covenants, if necessary, to accommodate changes or developments in our business and operations. In addition, if we do not comply with the covenants under our credit agreement, our ability to borrow under that facility would be adversely affected. In addition, it is possible that counterparties to our financial agreements, including our credit agreement and our interest rate swap agreements, may not be willing or able to meet their obligations, either due to instability in the global financial markets or otherwise.

Our future success may depend on our ability to obtain additional financing and capital to support possible future growth and future initiatives. In early fiscal 2016, we exercised a portion of the accordion feature under our revolving credit facility to increase its capacity by \$30 million to \$265 million. We may seek to raise capital by issuing additional common stock, other equity securities or debt securities, modifying our existing credit facilities or obtaining new facilities, or through a combination of these methods.

We may not be able to obtain capital when we want or need it, and capital may not be available on satisfactory terms. If we issue additional equity securities or convertible securities to raise capital, it may be dilutive to shareholders' ownership interests; we may not be able to offer our securities on attractive or acceptable terms in the event of volatility or weakness in our stock price. Furthermore, any additional financing may have terms and conditions that adversely affect our business, such as restrictive financial or operating covenants, and our ability to meet any current or future financing covenants will largely depend on our financial performance, which in turn will be subject to general economic conditions and financial, business and other factors.

We may fail to successfully complete future acquisitions, as well as strategic arrangements, and may not successfully integrate acquired businesses or recognize the anticipated benefits, which could adversely affect our operating results. We have previously grown, in part, through acquisitions and strategic arrangements. If we were to pursue future growth through acquisitions or similar transactions, this would involve significant risks that could have a material adverse effect on us. These risks include:

Operating risks, such as:

- the inability to integrate successfully our acquired operations' businesses, systems and personnel
- the inability to realize anticipated synergies, economies of scale or other value
- the difficulties in scaling up production and coordinating management of operations at new sites
- the strain placed on our personnel, systems and resources
- the possible modification or termination of an acquired business' customer programs, including the loss of customers
- and the cancellation of current or anticipated programs, and
- the loss of key employees of acquired businesses.

Financial risks, such as:

- the use of cash resources, or incurrence of additional debt and related interest expense
- the dilutive effect of the issuance of additional equity securities
- the effect of potential volatility or weakness in our stock price on its use as consideration for acquisitions
- the inability to achieve expected operating margins to offset the increased fixed costs associated with acquisitions, and/or inability to increase margins of acquired businesses to our desired levels
- the incurrence of large write-offs or write-downs
- the impairment of goodwill and other intangible assets, and

the unforeseen liabilities of the acquired businesses.

ITEM 1B. UNRESOLVED SEC STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Our facilities comprise an integrated network of engineering and manufacturing centers with our corporate headquarters located in Neenah, Wisconsin. We own or lease active facilities with approximately 3.4 million square feet of capacity. This includes approximately 1.6 million square feet in AMER, approximately 1.4 million square feet in APAC and approximately 0.4 million square feet in EMEA. Our facilities as of October 3, 2015, are described in the following table:

Location	Type	Size (sq. ft.)	Owned/Leased
AMER			
Neenah, Wisconsin	Manufacturing	418,000	Owned
Guadalajara, Mexico	Manufacturing	265,000	Leased
Nampa, Idaho	Manufacturing	216,000	Owned
Appleton, Wisconsin	Manufacturing	205,000	Owned
Buffalo Grove, Illinois (1)	Manufacturing	163,000	Leased
Neenah, Wisconsin	Engineering	105,000	Owned
Neenah, Wisconsin	Global Headquarters	104,000	Owned
Fremont, California (2)	Manufacturing	46,000	Leased
Raleigh, North Carolina	Engineering	25,000	Leased
Louisville, Colorado	Engineering	24,000	Leased
APAC			
Penang, Malaysia (1)	Manufacturing/Engineering	1,048,000	Owned
Xiamen, China (1)	Manufacturing	193,000	Leased
Hangzhou, China	Manufacturing	117,000	Leased
EMEA			
Oradea, Romania	Manufacturing/Engineering	296,000	Owned
Livingston, Scotland	Manufacturing/Engineering	62,000	Leased
Kelso, Scotland	Manufacturing	57,000	Owned
Darmstadt, Germany	Engineering	16,000	Leased
Other			
San Diego, California (3)	Inactive	198,000	Leased

(1) The facilities in Penang, Malaysia; Xiamen, China; and Buffalo Grove, Illinois include more than one building.

(2) In November 2015, Plexus announced its intention to close the Fremont, California facility and transition the customer programs to other facilities by the end of the third quarter of fiscal 2016.

(3) The facility in San Diego, California is subleased and is no longer used in operations. The lease on this facility expires in fiscal 2016.

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ITEM 3. LEGAL PROCEEDINGS

The Company is party to certain lawsuits and legal proceedings in the ordinary course of business. Management does not believe that these proceedings, individually or in the aggregate, will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Executive Officers

See Part III, Item 10, "Directors, Executive Officers and Corporate Governance," of this Form 10-K for information regarding the Company's executive officers.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price per Share

The Company's common stock trades on the NASDAQ Stock Market in the NASDAQ Global Select Market tier. The price information below represents high and low sale prices of our common stock for each quarterly period during fiscal 2015 and 2014:

Fiscal Year Ended October 3, 2015			Fiscal Year Ended September 27, 2014		
	High	Low		High	Low
First Quarter	\$42.79	\$34.43	First Quarter	\$43.41	\$36.06
Second Quarter	\$42.27	\$37.89	Second Quarter	\$44.16	\$36.81
Third Quarter	\$46.14	\$41.59	Third Quarter	\$45.53	\$38.84
Fourth Quarter	\$43.20	\$35.55	Fourth Quarter	\$44.77	\$37.05

Performance Graph

The following graph compares the cumulative total return on Plexus common stock with the NASDAQ Stock Market Index for U.S. Companies and the NASDAQ Stock Market Index for Electronic Components Companies, both of which include Plexus. The values on the graph show the relative performance of an investment of \$100 made on October 1, 2010, in Plexus common stock and in each of the indices as of the last business day of the respective fiscal year.

Comparison of Cumulative Total Return

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	2010	2011	2012	2013	2014	2015
Plexus	\$100	\$74	\$99	\$120	\$123	\$124
NASDAQ-US	100	100	130	159	187	188
NASDAQ-Electronics	100	89	112	155	171	162

Shareholders of Record; Dividends

As of November 16, 2015, there were 498 shareholders of record. We have not paid any cash dividends in the past. We currently anticipate that the majority of earnings in the foreseeable future will be retained to finance the development of our business and our authorized share repurchases. However, the Company evaluates from time to time potential uses of excess cash, which in the future may include additional share repurchases, a special dividend or recurring dividends. See also Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources," for a discussion of the Company's intentions regarding dividends, and loan covenants which could restrict dividend payments.

Issuer Purchases of Equity Securities

The following table provides the specified information about the repurchases of shares by the Company during the three months ended October 3, 2015:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum approximate dollar value of shares that may yet be purchased under the plans or programs (1)
July 5, 2015 to July 31, 2015	54,065	\$39.93	54,065	\$5,321,275
August 1, 2015 to August 29, 2015	66,848	37.99	66,848	\$32,781,770
August 30, 2015 to October 3, 2015	74,658	37.26	74,658	\$30,000,000
	195,571	\$38.25	195,571	

(1) On August 13, 2014, the Board of Directors authorized a stock repurchase program under which the Company was authorized to repurchase up to \$30.0 million of its common stock during fiscal 2015. The Company repurchased 745,227 shares under this program for \$30.0 million at an average price of \$40.26 per share. These shares were recorded as treasury stock.

On August 20, 2015, the Board of Directors approved a stock repurchase program under which the Company is authorized to repurchase up to \$30.0 million of its common stock during fiscal 2016.

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ITEM 6. SELECTED FINANCIAL DATA
 Financial Highlights (dollars in thousands, except per share amounts)

Income Statement Data	Fiscal Years Ended									
	October 3, 2015 ⁽⁴⁾		September 27, 2014		September 28, 2013		September 29, 2012		October 1, 2011	
Net sales	\$2,654,290		\$2,378,249		\$2,228,031		\$2,306,732		\$2,231,232	
Gross profit	239,550		225,569		213,185		219,913		214,742	
Gross margin percentage	9.0	%	9.5	%	9.6	%	9.5	%	9.6	%
Operating income ⁽¹⁾	115,436		100,607		96,623		104,159		101,179	
Operating margin percentage	4.3	%	4.2	%	4.3	%	4.5	%	4.5	%
Net income	94,332		87,213		82,259		62,089		⁽³⁾ 89,256	
Earnings per share (diluted)	\$2.74		\$2.52		\$2.36		\$1.75		⁽³⁾ \$2.30	
Cash Flow Statement Data										
Cash flows provided by operations	\$76,572		\$88,432		\$207,647		\$157,503		\$158,451	
Capital equipment additions	35,076		65,284		108,122		63,697		70,819	
Balance Sheet Data										
Working capital	\$765,427		\$683,524		\$607,646		\$619,934		\$553,893	
Total assets	1,702,388		1,609,026		1,447,684		1,411,467		1,304,525	
Total debt obligations	262,770		266,414		261,347		270,422		287,642	
Shareholders' equity	842,272		781,133		699,301		649,022		558,882	
Return on invested capital ⁽²⁾	14.0	%	15.2	%	14.0	%	15.5	% ⁽³⁾	15.6	%
Inventory turnover ratio	4.3x		4.6x		5.1x		4.6x		4.4x	

(1) During fiscal 2015 and 2014, the Company recorded \$1.7 million and \$11.3 million, respectively, in restructuring and impairment charges, which are included in operating income. These charges largely related to the Company's consolidation of its manufacturing facilities in Wisconsin, as well as its relocation of manufacturing operations from Juarez, Mexico to Guadalajara, Mexico.

(2) The Company defines return on invested capital as tax-effected operating income divided by average invested capital over a rolling five-quarter period. Invested capital is defined as equity plus debt, less cash and cash equivalents, as discussed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(3) In fiscal 2012, the Company established a valuation allowance against its U.S. deferred tax assets resulting in an additional tax provision of approximately \$20.6 million (\$22.8 million provision, offset by \$2.2 million recorded to other comprehensive income) and a decrease in diluted earnings per share of \$0.64. Return on invested capital excludes the \$20.6 million net deferred tax asset reduction. An additional \$1.3 million of valuation allowance established for fiscal 2012 relates to operating losses in Germany and Romania, making the total valuation allowance for that year \$24.1 million.

(4) Fiscal 2015 included 53 weeks. All other periods presented included 52 weeks.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Plexus Corp. and its subsidiaries (together "Plexus," the "Company," or "we") participate in the Electronic Manufacturing Services ("EMS") industry. We deliver optimized solutions to our customers through our unique Product Realization Value Stream. Our customer-focused solutions model seamlessly integrates innovative product conceptualization, design, commercialization, manufacturing, fulfillment and sustaining solutions. Plexus delivers comprehensive end-to-end solutions for customers in the Americas ("AMER"), Europe, Middle East, and Africa ("EMEA") and Asia-Pacific ("APAC") regions.

We provide award-winning customer service to more than 140 branded product companies in the Networking/Communications, Healthcare/Life Sciences, Industrial/Commercial and Defense/Security/Aerospace market sectors. Our customers have stringent quality, reliability and regulatory requirements, requiring exceptional production and supply chain agility. Their products require complex configuration management, direct order fulfillment (to end customers) and global logistics management and Aftermarket Services. To service the complexities that our customers' products demand, we utilize our Product Realization Value Stream, addressing our customers' products from concept to end of life.

The following information should be read in conjunction with our consolidated financial statements included herein and "Risk Factors" included in Part I, Item 1A herein.

RESULTS OF OPERATIONS

Consolidated Performance Summary. The following table presents selected consolidated financial data for fiscal 2015, 2014 and 2013 (dollars in millions, except per share data):

	2015	2014	2013		
Net sales	\$2,654.3	\$2,378.2	\$2,228.0		
Gross profit	239.6	225.6	213.2		
Gross margin	9.0	% 9.5	% 9.6	%	%
Operating income	115.4	100.6	96.6		
Operating margin	4.3	% 4.2	% 4.3	%	%
Net income	94.3	87.2	82.3		
Earnings per share (diluted)	\$2.74	\$2.52	\$2.36		
Return on invested capital	14.0	% 15.2	% 14.0	%	%

Fiscal 2015 included 53 weeks, while all other periods presented included 52 weeks.

Net sales. Net sales for fiscal 2015 increased \$276.0 million, or 11.6 percent, as compared to fiscal 2014. The net sales increase was primarily the result of increases across all market sectors. The most significant net sales increases were from the industrial/commercial and networking/communications sectors, which increased by \$102.0 million and \$82.0 million, respectively. However, we began to experience a softening in these sectors during the fourth quarter of fiscal 2015, which we expect will continue through the first half of fiscal 2016.

Net sales for fiscal 2014 increased \$150.2 million, or 6.7 percent, as compared to fiscal 2013. The net sales increase was primarily the result of a \$134.1 million increase in net sales in the healthcare/life sciences sector, as well as net sales increases in the industrial/commercial and defense/security/aerospace sectors, partially offset by a reduction in net sales in the networking/communication sector. The reduction in the networking/communications sector resulted from a \$282.6 million headwind related to the disengagement of Juniper Networks, Inc. ("Juniper") in fiscal 2013, partially offset by a \$230.3 million increase in net sales to two key customers in that sector primarily resulting from new product ramps.

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Our net sales by market sector for fiscal 2015, 2014 and 2013 were as follows (in millions):

Market Sector	2015	2014	2013
Networking/Communications	\$844.5	\$762.5	\$826.3
Healthcare/Life Sciences	750.2	697.3	563.2
Industrial/Commercial	685.5	583.5	551.0
Defense/Security/Aerospace	374.1	334.9	287.5
Total net sales	\$2,654.3	\$2,378.2	\$2,228.0

Networking/Communications. Net sales for fiscal 2015 in the networking/communications sector increased \$82.0 million, or 10.8 percent, as compared to fiscal 2014. The change was primarily the result of a \$50.1 million increase in net sales to a key customer as a result of increased end-market demand, a \$36.1 million increase in net sales from one of our largest customers as a result of new product ramps and expansion of its end-market demand, and a \$16.0 million increase related to a new customer. Additionally, five customers' net sales increased \$37.5 million, in aggregate, primarily as a result of increased end-market demand as well as new program ramps. These increases were partially offset by a \$19.8 million decrease due to a customer that experienced softening in its end-market demand, a \$10.6 million decrease related to a customer disengagement and several other customers with decreased end-market demand.

Net sales for fiscal 2014 in the networking/communications sector decreased \$63.8 million, or 7.7 percent, as compared to fiscal 2013. The change was primarily the result of a \$282.6 million decrease in net sales to Juniper, related to its disengagement, partially offset by a \$230.3 million increase in sales related to two key customers in this sector primarily resulting from new program ramps.

Healthcare/Life Sciences. Net sales for fiscal 2015 in the healthcare/life sciences sector increased \$52.9 million, or 7.6 percent, as compared to fiscal 2014. The increase was primarily due to \$39.6 million of new program ramps for one customer, and increased end-market demand and new program ramps across several other customers in this sector. The increase was partially offset by a program loss for one customer, which resulted in a decrease of \$14.6 million, and decreased net sales to several other customers as a result of program ramp downs and decreased end-market demand.

Net sales for fiscal 2014 in the healthcare/life sciences sector increased \$134.1 million, or 23.8 percent, as compared to fiscal 2013. The increase was primarily due to \$89.3 million of new program ramps and increased end-market demand for two key customers in this sector, and increased end-market demand and new program ramps across several other customers in this sector.

Industrial/Commercial. Net sales for fiscal 2015 in the industrial/commercial sector increased \$102.0 million, or 17.5 percent, as compared to fiscal 2014. The increase was primarily due to a \$45.6 million increase in net sales to a new customer in fiscal 2015, a \$36.8 million increase related to new programs with existing customers, a \$24.4 million increase related to new customers secured in fiscal 2014 that ramped in fiscal 2015, and several other customers with increased end-market demand. These increases were partially offset by a \$22.1 million decrease due to the disengagement of a customer as a result of the inability to reach contractual terms, and several other customers with decreased end-market demand.

Net sales for fiscal 2014 in the industrial/commercial sector increased \$32.5 million, or 5.9 percent, as compared to fiscal 2013. The increase was primarily the result of the expansion of business with one of our larger customers in the sector, which accounted for \$30.7 million of the increased net sales as compared to fiscal 2013.

Defense/Security/Aerospace. Net sales for fiscal 2015 in the defense/security/aerospace sector increased \$39.2 million, or 11.7 percent, as compared to fiscal 2014. The increase was primarily driven by new program ramps and increased end-market demand spread among multiple customers.

Net sales for fiscal 2014 in the defense/security/aerospace sector increased \$47.4 million, or 16.5 percent, as compared to fiscal 2013. The increase was primarily due to \$37.5 million resulting from new program ramps and increased end-market demand for one of our larger customers in the sector.

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As a percentage of consolidated net sales, net sales attributable to customers representing 10 percent or more of consolidated net sales as well as the percentage of net sales attributable to our ten largest customers for fiscal 2015, 2014 and 2013, were as follows:

	2015	2014	2013
ARRIS Group, Inc.	12.6%	12.5%	*
General Electric Company	10.6%	11.2%	*
Juniper Networks, Inc.	*	*	12.8%
Top 10 customers	56.1%	55.1%	54.5%

* Net sales attributable to the customer were less than 10.0 percent of consolidated net sales for the period.

Gross profit. Gross profit for fiscal 2015 increased \$14.0 million, or 6.2 percent, as compared to fiscal 2014. Gross profit increased \$28.4 million primarily as a result of increased sales. This was partially offset by a \$14.4 million increase in fixed costs primarily in the AMER region as a result of continued investments in our new manufacturing facilities in Neenah, Wisconsin and Guadalajara, Mexico and costs incurred related to production process constraints in a defense/security/aerospace focus factory. Gross margin decreased to 9.0 percent from 9.5 percent. The largest driver of the decrease in gross margin percentage from fiscal 2014 to fiscal 2015 was a lower net parts contribution margin and lower labor contribution margin, offset by lower fixed costs as a percentage of sales. We have made additional investments in new manufacturing facilities with expected efficiencies and productivity improvements yet to be realized.

Gross profit for fiscal 2014 increased \$12.4 million, or 5.8 percent, as compared to fiscal 2013. Overall gross margin decreased to 9.5 percent from 9.6 percent. Gross profit increased \$34.2 million primarily as a result of increased sales. This favorable effect was largely offset by a \$21.9 million increase in fixed costs due to our investment in a new manufacturing facility in Neenah, Wisconsin, the ramp up of new business in the AMER region, and increased depreciation and personnel expenses with our then new manufacturing facility in Oradea, Romania.

Operating income. Operating income for fiscal 2015 increased \$14.8 million as compared to fiscal 2014 as a result of the increase in gross profit previously discussed and a \$9.6 million decrease in restructuring and impairment charges, which were higher in fiscal 2014 because they largely related to the consolidation of manufacturing facilities in Wisconsin, and the relocation of manufacturing operations from Juarez, Mexico to Guadalajara. This was partially offset by an \$8.7 million increase in selling and administrative expenses ("S&A") primarily due to increased variable compensation expense, higher compensation expense due to increased headcount and an increase in professional services expense. Operating margin increased to 4.3 percent for fiscal 2015 from 4.2 percent for fiscal 2014.

Operating income for fiscal 2014 increased \$4.0 million as compared to fiscal 2013. A \$2.9 million decrease in S&A as compared to prior year and the previously discussed increase to gross profit were partially offset by \$11.3 million of restructuring and impairment charges previously discussed. As a result, operating margin decreased to 4.2 percent for fiscal 2014 from 4.3 percent for fiscal 2013.

Other income (expense). Other expense for fiscal 2015 increased \$1.9 million as compared to fiscal 2014. The increase in other expense for fiscal 2015 was primarily the result of a \$1.7 million increase in interest expense due to higher average borrowings, a \$0.8 million increase in miscellaneous expense due to fiscal 2014 having benefited from a favorable non-recurring accrual related to the termination of an agreement for additional land in Hangzhou, China, and an additional \$1.4 million increase in miscellaneous expense. This was partially offset by a \$1.4 million increase in foreign exchange gains and a \$0.6 million increase in interest income due to an increase of cash and cash equivalents.

Other expense for fiscal 2014 decreased \$4.4 million as compared to fiscal 2013. The decrease in other expense for fiscal 2014 was primarily the result of a \$1.3 million increase in interest income, a \$1.1 million decrease in currency exchange losses, a \$0.8 million decrease in miscellaneous expense due to the favorable outcome related to a previous accrual for expenses related to Hangzhou as discussed above, and a \$0.3 million decrease in interest expense.

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Income taxes. Income tax expense and effective annual income tax rates, with and without the annual valuation allowance, for fiscal 2015, 2014 and 2013 were as follows (dollars in millions):

	2015		2014		2013	
Income tax expense, as reported	\$12.0		\$6.1		\$2.7	
Valuation allowance (expense)	(17.5	)	(7.9	)	(7.0)
Income tax benefit, as adjusted*	\$ (5.5	)	\$ (1.8	)	\$ (4.3)
Effective annual tax rate, as reported	11.3	%	6.5	%	3.2	%
Impact of valuation allowance	(16.5	)%	(8.4	)%	(8.2)%
Effective annual tax rate, as adjusted*	(5.2	)%	(1.9	)%	(5.0)%

*The Company believes the non-GAAP presentation of income tax expense (benefit) and effective annual tax rate excluding the impact of the valuation allowance provides additional insight over the comparative reporting periods.

Income tax expense for fiscal 2015 was \$12.0 million compared to \$6.1 million for fiscal 2014 and \$2.7 million for fiscal 2013. The Company's effective annual tax rates vary from the U.S. statutory rate of 35.0% primarily as a result of the mix of earnings from U.S. and foreign jurisdictions and a tax holiday granted to a subsidiary located in the APAC region where the Company derives a significant portion of its earnings. The effective tax rate for fiscal 2015 was higher than the effective rate for fiscal 2014 primarily as a result of the geographic distribution of worldwide earnings and tax benefits of \$3.8 million primarily due to the lapse of statute of limitations related to certain U.S. tax examinations during fiscal 2014. The effective tax rate for fiscal 2014 was higher than the effective tax rate in fiscal 2013 primarily as a result of the geographic distribution of worldwide earnings.

During fiscal 2015, the Company recorded a \$17.5 million addition to its valuation allowance relating to continuing losses in certain jurisdictions within the AMER and EMEA regions. As of October 3, 2015, using the measurement criteria found in ASC Topic 740, "Income Taxes" ("ASC 740"), the Company believes that the positive evidence does not outweigh the negative and the valuation allowance should remain in place.

During fiscal 2014, the Company recorded a \$7.9 million addition to its valuation allowance related to continuing losses in certain jurisdictions within the AMER and EMEA regions. During fiscal 2014, as noted above, the Company also recorded tax benefits of \$3.8 million primarily due to the lapse of statute of limitations related to certain U.S. tax examinations during the fiscal year.

During fiscal 2013, the Company recorded a \$7.0 million addition to its valuation allowance, of which \$5.2 million related to continuing losses in certain jurisdictions within the AMER and EMEA regions. During fiscal 2013, the Company performed an analysis of all available evidence, both positive and negative, regarding the need for a valuation allowance against its U.K. deferred tax assets, consistent with the provisions of ASC 740. Accordingly, the Company established an additional \$1.8 million valuation allowance against the U.K. deferred tax assets. During fiscal 2013 the Company also identified and recorded several out-of-period tax errors that reduced tax expense by \$3.2 million. The Company believes these out-of-period tax errors were not material to the fiscal 2013, or previously issued, financial statements.

The Company has been granted a tax holiday for a foreign subsidiary operating in the APAC region. This tax holiday will expire on December 31, 2024, and is subject to certain conditions with which the Company expects to comply. The Company benefited from a second tax holiday within the APAC region until December 31, 2013, when it expired under the terms of the Company's agreement with the local taxing authority. In fiscal 2015, 2014 and 2013, these holidays resulted in tax reductions of approximately \$29.9 million (\$0.89 per basic share), \$24.1 million (\$0.71 per basic share), and \$22.7 million (\$0.66 per basic share), respectively.

The annual effective tax rate for fiscal 2016 is expected to be approximately 12.0 to 14.0 percent.

Net Income. Net income for fiscal 2015 increased \$7.1 million, or 8.2 percent, to \$94.3 million from fiscal 2014. Net income increased primarily as a result of increased gross profit and lower restructuring and impairment charges, partially offset by an increase in S&A expenses, interest expense and an increase in income tax expense, as discussed previously.

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Net income, both including and excluding the annual valuation allowance and out-of-period tax adjustments (in fiscal 2013), for fiscal 2015, 2014 and 2013 was as follows (dollars in millions):

	2015	2014	2013	
Net income, as reported	\$94.3	\$87.2	\$82.3	
Valuation allowance	17.5	7.9	7.0	
Out-of-period tax adjustments	—	—	(3.2))
Net income, as adjusted*	\$111.8	\$95.1	\$86.1	

*The Company believes the non-GAAP presentation of net income excluding the impact of the valuation allowance and out-of-period tax adjustments provides additional insight over the comparative reporting periods.

Net income for fiscal 2014 increased \$5.0 million, or 6.0 percent, to \$87.2 million from fiscal 2013. Net income increased primarily as a result of increased gross profit and lower S&A expenses, partially offset by increased restructuring and impairment charges and increased income tax expense, as discussed previously.

Diluted earnings per share. Diluted earnings per share increased to \$2.74 for fiscal 2015 from \$2.52 for fiscal 2014 primarily as a result of increased net income. Further improvement was attributable to the positive impact of fewer weighted average outstanding shares in fiscal 2015 due to our common stock repurchase program. See Note 13, "Shareholders' Equity" in Notes to the Consolidated Financial Statements for information regarding the Company's stock repurchase programs.

Diluted earnings per share increased to \$2.52, or 6.8 percent, for fiscal 2014 from \$2.36 for fiscal 2013 primarily as a result of increased net income. Further improvement was due to the positive impact of fewer weighted average outstanding shares in fiscal 2014 due to our common stock repurchase program. See Note 13, "Shareholders' Equity" in Notes to the Consolidated Financial Statements for information regarding the Company's stock repurchase programs.

Return on Invested Capital ("ROIC"). We use a 5-5 financial model which is aligned with our business strategy, and includes a ROIC goal of 500 basis points over our weighted average cost of capital ("WACC"), which we refer to as "Economic Return," and a 5.0 percent operating margin target. Our primary focus is on our Economic Return goal of 5.0 percent, which is designed to create shareholder value and generate enough cash to self-fund our targeted organic revenue growth rate of 12.0 percent.

We review our internal calculation of WACC annually. Our WACC was 11.0 percent, 11.0 percent, and 12.0 percent for fiscal 2015, 2014 and 2013, respectively. By exercising discipline to generate ROIC in excess of our WACC, our goal is to create value for our shareholders. ROIC was 14.0 percent, 15.2 percent, and 14.0 percent for fiscal 2015, 2014 and 2013, respectively. Fiscal 2015 ROIC of 14.0 percent reflects an Economic Return of 3.0 percent, based on our weighted average cost of capital of 11.0 percent. While invested capital grew at a similar pace to revenue, fiscal 2015 operating profit, before restructuring, grew 5.0 percent due to lower margin performance. See the table below for our calculation of ROIC (dollars in millions):

	2015	2014	2013	
Operating income (tax effected)	\$104.2	\$101.8	\$89.9	
Average invested capital	745.6	669.7	642.1	
After-tax ROIC	14.0	% 15.2	% 14.0	%
WACC	11.0	% 11.0	% 12.0	%
Economic Return	3.0	% 4.2	% 2.0	%

We define ROIC as tax-effected operating income before restructuring and impairment charges divided by average invested capital over a rolling five-quarter period for the fiscal year. Invested capital is defined as equity plus debt, less cash and cash equivalents. Other companies may not define or calculate ROIC in the same way. ROIC and other non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of our financial performance prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

Non-GAAP financial measures, including ROIC, are used for internal management assessments because such measures provide additional insight into ongoing financial performance. In particular, we provide ROIC because we believe it offers insight into the metrics that are driving management decisions because we view ROIC as an important measure in evaluating the efficiency and effectiveness of our long-term capital requirements. We also use a derivative

measure of ROIC as a performance criteria in determining certain elements of compensation.

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For a reconciliation of ROIC to our financial statements that were prepared using GAAP, see exhibit 99.1 to this annual report on Form 10-K, which exhibit is incorporated herein by reference.

RECENT DEVELOPMENT

On November 4, 2015, the Company announced plans to close its manufacturing facility in Fremont, California as a result of the Company's optimization of its capacity to align with customer demand due to changing end-market dynamics. Plexus expects to incur approximately \$3.0 to \$5.0 million of restructuring charges as a result of this action by the end of the third quarter of fiscal 2016.

REPORTABLE SEGMENTS

A further discussion of our fiscal 2015, 2014 and 2013 financial performance by reportable segment is presented below (in millions):

	2015	2014	2013
Net sales:			
AMER	\$1,389.0	\$1,238.2	\$1,062.8
APAC	1,285.9	1,132.5	1,146.3
EMEA	140.3	115.9	122.6
Elimination of inter-segment sales	(160.9	) (108.4	) (103.6
Total net sales	\$2,654.3	\$2,378.2	\$2,228.1
Operating income (loss):			
AMER	\$68.6	\$79.2	\$70.9
APAC	160.2	135.5	116.3
EMEA	(8.1	) (11.9	) (3.1
Corporate and other costs	(105.3	) (102.2	) (87.5
Total operating income	\$115.4	\$100.6	\$96.6

Americas. Net sales for fiscal 2015 in the AMER segment increased \$150.8 million, or 12.2 percent, as compared to fiscal 2014, primarily due to a new industrial/commercial sector customer that ramped during fiscal 2015, which contributed \$45.6 million in sales, and a \$37.2 million increase in net sales from a customer in the networking/communications sector as a result of new product ramps and expansion of its end-market demand. The remainder of the increase was a result of increased end-market demand and new product ramps for several of our larger customers across the industrial/commercial and healthcare/life sciences sectors. These increases were partially offset by the disengagement of a customer due to the inability to reach contractual terms, which resulted in a \$22.1 million decrease. There was also a \$19.8 million decrease due to a customer that experienced softening in its end-market demand, a \$14.6 million decrease due to the loss of a customer program, and softening end-market demand for several customers, particularly in the networking/communications sector. During fiscal 2015, production of a healthcare/life sciences customer was transferred from the AMER segment to the APAC segment, which resulted in a decrease of \$8.4 million (sales to this customer increased by \$47.0 million in the APAC segment, as noted below). Operating income for fiscal 2015 decreased \$10.6 million from fiscal 2014 primarily due to continued investments in our new manufacturing facilities in Neenah and Guadalajara, and costs related to production process constraints in a focus factory for our defense/security/aerospace sector, partially offset by the increase in net sales. Net sales for fiscal 2014 in the AMER segment increased \$175.4 million, or 16.5 percent, as compared to fiscal 2013, primarily due to increased net sales of \$154.8 million to a key networking/communications customer resulting from a new product ramp. Increased end-market demand and new product ramps on several of our larger customers across all four sectors drove further increased sales for fiscal 2014. Partially offsetting these increases was a \$115.8 million decrease in net sales from the disengagement of Juniper. Operating income for fiscal 2014 increased \$8.3 million from fiscal 2013 primarily due to the increase in net sales.

Asia-Pacific. Net sales for fiscal 2015 in the APAC segment increased \$153.4 million, or 13.5 percent, as compared to fiscal 2014. Net sales increased in all market sectors with the most significant increase in the networking/communications sector, including a combined \$62.8 million increase for three customers as a result of increased end-market demand and an aggregate \$23.9 million increase related to program ramps for two customers. In

addition, net sales to one of our largest customers in the

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healthcare/life sciences sector increased by \$47.0 million. Operating income increased \$24.7 million in fiscal 2015 as compared to fiscal 2014, primarily as a result of the increase in net sales as fixed manufacturing expense and S&A for the segment were relatively stable in fiscal 2015 as compared to 2014.

Net sales for fiscal 2014 in the APAC segment decreased \$13.8 million, or 1.2 percent, as compared to fiscal 2013, primarily due to a \$166.8 million decrease in net sales resulting from the disengagement of Juniper. Partially offsetting this decrease was an increase in net sales of \$82.9 million to one of our larger networking/communications customers as a result of new product ramps and an increase in net sales of \$61.8 million to two of our larger healthcare/life sciences customers. Operating income increased \$19.2 million in fiscal 2014 as compared to fiscal 2013, primarily as a result of favorable changes in customer mix and supply chain productivity.

Europe, Middle East and Africa. Net sales for fiscal 2015 in the EMEA segment increased \$24.4 million, or 21.1 percent, as compared to fiscal 2014, primarily due to a combined increase of \$18.7 million from three new customers, a \$7.3 million increase to a networking/communications customer due to improved end-market demand and new product ramps, and increased end-market demand for several other customers. This was partially offset by a \$7.2 million decrease as a result of end of life products along with the effects of decreased end-market demand for several other customers. Operating loss decreased \$3.8 million in fiscal 2015 as compared to fiscal 2014 primarily due to the increase in net sales and improved profitability for engineering related services.

Net sales for fiscal 2014 in the EMEA segment decreased \$6.6 million, or 5.4 percent, as compared to fiscal 2013, due primarily to the disengagement of two customers. Operating loss increased \$8.8 million in the current year as compared to the prior year due to increased fixed manufacturing expenses in both Oradea and the U.K., resulting from increased depreciation and personnel expenses associated with facility investments.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$357.1 million as of October 3, 2015 as compared to \$346.6 million as of September 27, 2014. Cash generated from operations and stock option exercises in fiscal 2015 were substantially offset by cash used for capital expenditures, primarily related to facility investments, purchases of common stock as part of our stock repurchase program, and capital lease payments.

As of October 3, 2015, 86.2 percent of our cash and cash equivalents balances were held outside of the U.S. by our foreign subsidiaries. Certain foreign countries impose taxes and overall penalties on transfers of cash; however, our intent is to permanently reinvest funds held in these countries. If this cash were remitted to the U.S., additional tax obligations may result that would reduce the amount of cash ultimately available to us in the U.S. Currently, we believe that cash held in the U.S., together with cash available under U.S. credit facilities and cash provided by operating activities, will be sufficient to meet our U.S. liquidity needs for the next twelve months and for the foreseeable future.

Cash Flows. The following table provides a summary of cash flows for fiscal 2015, 2014 and 2013, excluding the effect of exchange rates on cash and cash equivalents (in millions):

	2015	2014	2013
Cash provided by operating activities	\$76.6	\$88.4	\$207.6
Cash used in investing activities	\$(34.7	) \$(62.6	) \$(107.2
Cash used in financing activities	\$(26.2	) \$(21.0	) \$(57.4

Operating Activities. Cash flows provided by operating activities were \$76.6 million for fiscal 2015, as compared to \$88.4 million for fiscal 2014. The decrease was primarily attributable to a significant increase in accounts payable for fiscal 2014 (discussed in the paragraph below) and an increase in net sales to customers with longer payment terms, which resulted in higher accounts receivable balances at the end of fiscal 2015. This was partially offset by improvement in cash flows used for inventory as fiscal 2014 had a significant inventory increase due to the timing of inventory build to support forecasted sales in the first quarter of fiscal 2015, coupled with an increase in customer deposits and improved earnings.

Cash flows provided by operating activities were \$88.4 million for fiscal 2014, as compared to cash flows provided by operating activities of \$207.6 million for fiscal 2013. The decrease was primarily attributable to the increase in net

sales, which resulted in higher inventory and accounts receivable balances at the end of fiscal 2014. Additionally, increases in forecasted net sales for the first quarter of fiscal 2015 relative to the first quarter of fiscal 2014 also resulted in higher inventory and accounts payable balances at the end of fiscal 2014.

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The following table provides a summary of cash cycle days for the periods indicated (in days):

	Three months ended		
	October 3, 2015	September 27, 2014	September 28, 2013
Days in accounts receivable	53	44	49
Days in inventory	85	80	72
Days in accounts payable	(60)	(60)	(56)
Days in cash deposits	(12)	(8)	(12)
Annualized cash cycle	66	56	53

We calculate days in accounts receivable as accounts receivable for the respective quarter divided by annualized sales for the respective quarter by day. We calculate days in inventory, accounts payable, and cash deposits as each balance sheet line item for the respective quarter divided by annualized cost of sales for the respective quarter by day. We calculate annualized cash cycle as the sum of days in accounts receivable and days in inventory, less days in accounts payable and days in cash deposits.

Days in accounts receivable for the three months ended October 3, 2015 increased nine days compared to the three months ended September 27, 2014. The increase is primarily attributable to increased net sales to customers with longer payment terms.

Days in inventory for the three months ended October 3, 2015 increased five days compared to the three months ended September 27, 2014. The increase is primarily due to inventory procurements to fulfill anticipated fiscal 2016 customer demand, which was initially higher than the comparable fiscal 2015 demand at the end of fiscal 2014. This forecast was subsequently reduced, due to the end market softening.

Days in accounts payable for the three months ended October 3, 2015 was consistent compared to the three months ended September 27, 2014.

Days in cash deposits for the three months ended October 3, 2015 increased four days compared to the three months ended September 27, 2014. The increase was primarily attributable to three significant customer deposits received in fiscal 2015.

As of October 3, 2015 annualized cash cycle days increased ten days compared to September 27, 2014 due to the factors discussed above.

Free Cash Flow ("FCF"). We define FCF as cash flow provided by (or used in) operations less capital expenditures, was \$41.5 million for fiscal 2015 compared to \$23.1 million for fiscal 2014. The increase of \$18.4 million was primarily attributable to the reduction in capital expenditures described below, partially offset by a reduction in cash provided by operating activities, as discussed above.

Non-GAAP financial measures, including FCF, are used for internal management assessments because such measures provide additional insight into ongoing financial performance. In particular, we provide FCF because we believe it offers insight into the metrics that are driving management decisions. We view FCF as an important financial metric as it demonstrates our ability to generate cash and allows us to pursue opportunities that enhance shareholder value. FCF is a non-GAAP financial measure which should be considered in addition to, not as a substitute for, measures of our financial performance prepared in accordance with GAAP.

The following table provides a reconciliation of FCF to our financial statements that were prepared using GAAP (in millions):

	2015	2014	2013
Cash flows provided by operating activities	\$76.6	\$88.4	\$207.6
Payments for property, plant and equipment	(35.1)	(65.3)	(108.1)
Free cash flow	\$41.5	\$23.1	\$99.5

Investing Activities. Cash flows used in investing activities were \$34.7 million for fiscal 2015 compared to \$62.6 million for fiscal 2014. The reduction was due to a \$30.2 million decrease in capital expenditures primarily related to our facility investment for Guadalajara during fiscal 2014.

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Cash flows used in investing activities for fiscal 2014 decreased to \$62.6 million from \$107.2 million in fiscal 2013. The reduction was due to a \$42.8 million decrease in capital expenditures. This decrease was primarily attributable to a facility investment at one location (Guadalajara) during fiscal 2014, relative to facility investments at three locations during fiscal 2013 (Xiamen, China; Oradea, Romania; and Neenah, Wisconsin).

We utilized available cash and operating cash flows as the sources for funding our operating requirements during fiscal 2015. We currently estimate capital expenditures for fiscal 2016 will be approximately \$35 million to \$40 million.

Financing Activities. Cash flows used in financing activities were \$26.2 million for fiscal 2015 compared to \$21.0 million for fiscal 2014. The increase was primarily attributable to reduced proceeds from stock option exercises during fiscal 2015.

Cash flows used in financing activities were \$21.0 million for fiscal 2014 compared to cash flows used in financing activities of \$57.4 million for fiscal 2013. The decrease was primarily attributable to lower common stock repurchase activity in fiscal 2014 relative to fiscal 2013, as well as term loan repayments in fiscal 2013. The decrease was further enhanced by the effect of higher stock option exercise activity in fiscal 2014 relative to fiscal 2013 due to more favorable market conditions during fiscal 2014.

On August 20, 2015, the Board of Directors authorized a stock repurchase program under which the Company is authorized to repurchase up to \$30.0 million of its common stock during fiscal 2016. The Company expects to complete this program on a relatively consistent basis during fiscal 2016.

On August 13, 2014, the Board of Directors authorized a stock repurchase program under which the Company was authorized to repurchase up to \$30.0 million of its common stock during fiscal 2015. During fiscal 2015, the Company repurchased 745,227 shares under this program for \$30.0 million, at an average price of \$40.26 per share. These shares were recorded as treasury stock.

On August 19, 2013, the Board of Directors authorized a stock repurchase program under which the Company was authorized to repurchase up to \$30.0 million of its common stock during fiscal 2014. During fiscal 2014, the Company repurchased 733,447 shares under this program for \$30.0 million, at an average price of \$40.90 per share. These shares were recorded as treasury stock.

The Company has a \$235.0 million senior unsecured revolving credit facility with a termination date of May 15, 2019 (the "Credit Facility"). In October 2015, subsequent to fiscal 2015 year end, \$30.0 million of an accordion feature thereunder was exercised, increasing the maximum commitment under the Credit Facility to \$265.0 million. The Credit Facility may potentially be increased by an additional \$70.0 million to \$335.0 million, generally by mutual agreement of the Company and the lenders subject to certain customary conditions. During fiscal 2015, the highest daily borrowing was \$207.0 million, the average daily borrowings were \$147.8 million, and the Company borrowed and repaid \$483.0 million of revolving borrowings under the Credit Facility.

Borrowings under the Credit Facility, at the Company's option, bear interest at a defined base rate or the LIBOR rate plus, in each case, an applicable margin based upon the Company's leverage ratio as defined in the related credit agreement (the "Credit Agreement"). Rates would increase upon negative changes in specified Company financial metrics and would decrease to no less than LIBOR plus 1.0% or base rate plus 0.0% upon reduction in the current total leverage ratio. As of October 3, 2015, the borrowing rate under the Credit Agreement was LIBOR plus 1.125% (or 1.329%). As of October 3, 2015, the \$75.0 million of outstanding debt under the Credit Facility is effectively at a fixed interest rate as a result of a \$75.0 million notional amount of interest rate swap contracts discussed in Note 5, "Derivatives and Fair Value Measurements," in Notes to Consolidated Financial Statements. The Company is required to pay an annual commitment fee on the unused revolver credit commitment based on the Company's leverage ratio; the fee was 0.175% as of October 3, 2015.

The financial covenants (as defined under the Credit Agreement) require, among other covenants, that the Company maintain, as of each fiscal quarter end, a maximum total leverage ratio and a minimum interest coverage ratio. As of October 3, 2015, the Company was in compliance with all financial covenants of the Credit Agreement.

In fiscal 2011, Plexus entered into a note purchase agreement (the "Note Purchase Agreement") related to the \$175.0 million in principal amount of the Company's 5.20% Senior Notes, due on June 15, 2018 (the "Notes"). The Note Purchase Agreement contains certain financial covenants, which include a maximum total leverage ratio, a minimum

interest coverage ratio and a minimum net worth test, all as defined in the agreements. As of October 3, 2015, the Company was in compliance with all such covenants relating to the Notes and the Note Purchase Agreement. The Credit Agreement and the Note Purchase Agreement allow for the future payment of cash dividends or the repurchase of shares provided that no event of default (including any failure to comply with a financial covenant) exists at the time of, or would be caused by, the dividend payment or the share repurchases. We have not paid cash dividends in the past and do not

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currently anticipate paying them in the future. However, we evaluate from time to time potential uses of excess cash, which in the future may include share repurchases above those already authorized, a special dividend or recurring dividends.

Based on current expectations, we believe that our projected cash flows from operations, available cash and cash equivalents, potential borrowings under the Credit Facility, and our leasing capabilities, should be sufficient to meet our working capital and fixed capital requirements for the next twelve months. If our future financing needs increase, we may need to arrange additional debt or equity financing. Accordingly, we evaluate and consider from time to time various financing alternatives to supplement our financial resources. However, we cannot be assured that we will be able to make any such arrangements on acceptable terms.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND OFF-BALANCE SHEET OBLIGATIONS

Our disclosures regarding contractual obligations and commercial commitments are located in various parts of our regulatory filings. Information in the following table provides a summary of our contractual obligations and commercial commitments as of October 3, 2015 (dollars in millions):

Contractual Obligations	Payments Due by Fiscal Year				
	Total	2016	2017-2018	2019-2020	2021 and thereafter
Long-Term Debt Obligations (1,2)	\$278.4	\$10.1	\$192.5	\$75.8	\$—
Capital Lease Obligations	4.6	3.6	1.0	—	—
Operating Lease Obligations	27.0	7.6	10.3	6.5	2.6
Purchase Obligations (3)	434.3	428.5	5.8	—	—
Other Long-Term Liabilities on the Balance Sheet (4)	8.9	0.6	0.7	0.3	7.3
Other Long-Term Liabilities not on the Balance Sheet (5)	7.6	3.9	1.5	1.4	0.8
Other financing obligations (6)	14.3	1.4	3.0	3.2	6.7
Total Contractual Cash Obligations	\$775.1	\$455.7	\$214.8	\$87.2	\$17.4

Includes amounts outstanding under the Credit Facility. As of October 3, 2015, the outstanding balance was \$75.0 million. The amounts listed above include interest; see Note 4 in Notes to Consolidated Financial Statements for further information.

2) Includes \$175.0 million in principal amount of Notes. The amounts listed above include interest; see Note 4 in Notes to Consolidated Financial Statements for further information.

3) As of October 3, 2015, purchase obligations consist of purchases of inventory and equipment in the ordinary course of business.

4) As of October 3, 2015, other long-term obligations on the balance sheet included deferred compensation obligations to certain of our former and current executive officers, as well as other key employees, and an asset retirement obligation. We have excluded from the above table the impact of approximately \$2.4 million, as of October 3, 2015, related to unrecognized income tax benefits. The Company cannot make reliable estimates of the future cash flows by period related to these obligations.

5) As of October 3, 2015, other long-term obligations not on the balance sheet consisted of guarantees and a commitment for salary continuation and certain benefits in the event employment of one executive officer of the Company is terminated without cause. Excluded from the amounts disclosed are certain bonus and incentive compensation amounts, which would be paid on a prorated basis in the year of termination.

6) Includes future minimum payments under the base lease agreement in Guadalajara, Mexico. Excludes \$20.3 million of future minimum payments under renewal options from 2025 through 2034. See Note 3 in Notes to Consolidated Financial Statements for further information.

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DISCLOSURE ABOUT CRITICAL ACCOUNTING ESTIMATES

Our accounting policies are disclosed in Note 1 of Notes to the Consolidated Financial Statements. During fiscal 2015, there were no material changes to these policies. Our more critical accounting estimates are described below:

Revenue – Net sales from manufacturing services are recognized when the product has been shipped, the risk of ownership has transferred to the customer, the price to the buyer is fixed or determinable, and recoverability is reasonably assured. This point depends on contractual terms and generally occurs upon shipment of the goods from Plexus. Generally, there are no formal customer acceptance requirements or further obligations related to manufacturing services; if such requirements or obligations exist, then a sale is recognized at the time when such requirements are completed and such obligations fulfilled.

Sales are recorded net of estimated returns of manufactured product based on management's analysis of historical rates of returns, current economic trends and changes in customer demand. Net sales also include amounts billed to customers for shipping and handling, if applicable. The corresponding shipping and handling costs are included in cost of sales.

Net sales from engineering design and development services, which are generally performed under contracts with durations of twelve months or less, are typically recognized as costs are incurred utilizing the proportional performance model. The completed performance model is used if certain customer acceptance criteria exist. Any losses are recognized when anticipated.

Income Taxes - The Company accounts for income taxes in accordance with ASC 740. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company does not currently provide for additional U.S. and foreign income taxes which would become payable upon repatriation of undistributed earnings of certain foreign subsidiaries. The Company maintains valuation allowances when it is more likely than not that all or a portion of a deferred tax asset will not be realized. In determining whether a valuation allowance is required, the Company takes into account such factors as prior earnings history, expected future earnings, carryback and carryforward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset.

Stock-Based Compensation – The Financial Accounting Standard Board ("FASB") requires all share-based payments to employees, including grants of employee stock options, to be measured at fair value and expensed in the consolidated statements of comprehensive income over the service period (generally the vesting period) of the grant. We used the modified prospective application, under which compensation expense is only recognized in the consolidated statements of comprehensive income beginning with the first period that we adopted the FASB regulation and continuing to be expensed thereafter. We use the Black-Scholes valuation model to value stock options and the Monte Carlo valuation model to value performance stock units. See Note 9, "Benefit Plans," in Notes to Consolidated Financial Statements for further information.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 1, "Description of Business and Significant Accounting Policies," in Notes to Consolidated Financial Statements regarding recent accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in foreign exchange and interest rates. We selectively use financial instruments to reduce such risks.

Foreign Currency Risk

We do not use derivative financial instruments for speculative purposes. Our policy is to selectively hedge our foreign currency denominated transactions in a manner that partially offsets the effects of changes in foreign currency exchange rates. We typically use foreign currency contracts to hedge only those currency exposures associated with certain assets and liabilities denominated in non-functional currencies. Corresponding gains and losses on the

underlying transaction generally offset the gains and losses on these foreign currency hedges. Our international operations create potential foreign exchange risk.

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Our percentages of transactions denominated in currencies other than the U.S. dollar for fiscal 2015, 2014 and 2013 were as follows:

	2015	2014	2013
Net Sales	7%	7%	7%
Total Costs	12%	13%	11%

The Company has evaluated the potential foreign currency exchange rate risk on transactions denominated in currencies other than the U.S. dollar for the periods presented above. Based on the Company's overall currency exposure, as of October 3, 2015, a 10.0 percent change in the value of the U.S. dollar relative to our other transactional currencies would not have a material effect on the Company's financial position, results of operations, or cash flows.

Interest Rate Risk

We have financial instruments, including cash equivalents, which are sensitive to changes in interest rates. We consider the use of interest rate swaps based on existing market conditions and have entered into interest rate swaps related to borrowings under our Credit Facility. For more information, refer to Note 5, "Derivatives and Fair Value Measurements," in Notes to Consolidated Financial Statements. Interest rate swap agreements are subject to the further risk that the counterparties to these agreements may fail to comply with their obligations thereunder.

The primary objective of our investment activities is to preserve principal, while maximizing yields without significantly increasing market risk. To achieve this, we maintain our portfolio of cash equivalents in a variety of highly rated securities, money market funds and certificates of deposit, and limit the amount of principal exposure to any one issuer.

As of October 3, 2015, our only material interest rate risk is associated with our Credit Facility, which had an outstanding balance of \$75 million. As of the end of fiscal 2015, through the use of interest rate swaps, as described above, we fixed the basis on which we pay interest with a \$75 million notional amount of interest rate swap contracts, and the borrowings under the Notes are based on a fixed interest rate, thus eliminating much of our interest rate risk.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PLEXUS CORP.

List of Financial Statements and Financial Statement Schedule

October 3, 2015

Contents	Pages
<u>Report of Independent Registered Public Accounting Firm</u>	<u>38</u>
Consolidated Financial Statements:	
<u>Consolidated Statements of Comprehensive Income for the fiscal years ended October 3, 2015, September 27, 2014 and September 28, 2013</u>	<u>39</u>
<u>Consolidated Balance Sheets as of October 3, 2015 and September 27, 2014</u>	<u>40</u>
<u>Consolidated Statements of Shareholders' Equity for the fiscal years ended October 3, 2015, September 27, 2014 and September 28, 2013</u>	<u>41</u>
<u>Consolidated Statements of Cash Flows for the fiscal years ended October 3, 2015, September 27, 2014 and September 28, 2013</u>	<u>42</u>
<u>Notes to Consolidated Financial Statements</u>	<u>43</u>
Financial Statement Schedule:	
<u>Schedule II - Valuation and Qualifying Accounts for the fiscal years ended October 3, 2015, September 27, 2014 and September 28, 2013</u>	<u>71</u>
NOTE: All other financial statement schedules are omitted because they are not applicable or the required information is included in the Consolidated Financial Statements or notes thereto.	

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Report of Independent Registered Public Accounting Firm
To the Shareholders
and Board of Directors
of Plexus Corp.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Plexus Corp. and its subsidiaries at October 3, 2015 and September 27, 2014, and the results of their operations and their cash flows for each of the three years in the period ended October 3, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 3, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, 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 these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

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 LLP
Milwaukee, WI

November 20, 2015

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PLEXUS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the fiscal years ended October 3, 2015, September 27, 2014 and September 28, 2013
(in thousands, except per share data)

	2015	2014	2013
Net sales	\$2,654,290	\$2,378,249	\$2,228,031
Cost of sales	2,414,740	2,152,680	2,014,846
Gross profit	239,550	225,569	213,185
Selling and administrative expenses	122,423	113,682	116,562
Restructuring and impairment charges	1,691	11,280	—
Operating income	115,436	100,607	96,623
Other income (expense):			
Interest expense	(13,964	) (12,295	) (12,638
Interest income	3,499	2,934	1,640
Miscellaneous	1,324	2,079	(642
Income before income taxes	106,295	93,325	84,983
Income tax expense	11,963	6,112	2,724
Net income	\$94,332	\$87,213	\$82,259
Earnings per share:			
Basic	\$2.81	\$2.58	\$2.40
Diluted	\$2.74	\$2.52	\$2.36
Weighted average shares outstanding:			
Basic	33,618	33,785	34,330
Diluted	34,379	34,655	34,892
Comprehensive income:			
Net income	\$94,332	\$87,213	\$82,259
Other comprehensive (loss) income:			
Derivative instrument fair value adjustment - net of income taxes	(11,223	) 1,565	(2,701
Foreign currency translation adjustments	(13,830	) (3,220	) 6,754
Other comprehensive (loss) income	(25,053	) (1,655	) 4,053
Total comprehensive income	\$69,279	\$85,558	\$86,312

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

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CONSOLIDATED BALANCE SHEETS

as of October 3, 2015 and September 27, 2014

(in thousands, except per share data)

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$357,106	\$346,591
Accounts receivable, net of allowances of \$879 and \$1,188, respectively	384,680	324,072
Inventories	569,371	525,970
Deferred income taxes	10,686	6,449
Prepaid expenses and other	22,882	27,757
Total current assets	1,344,725	1,230,839
Property, plant and equipment, net	317,351	334,926
Deferred income taxes	3,635	3,675
Other	36,677	39,586
Total non-current assets	357,663	378,187
Total assets	\$1,702,388	\$1,609,026
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	\$3,513	\$4,368
Accounts payable	400,710	396,363
Customer deposits	81,359	56,155
Deferred income taxes	—	647
Accrued salaries and wages	49,270	52,043
Other accrued liabilities	44,446	37,739
Total current liabilities	579,298	547,315
Long-term debt and capital lease obligations, net of current portion	259,257	262,046
Deferred income taxes	9,664	5,191
Other liabilities	11,897	13,341
Total non-current liabilities	280,818	280,578
Total liabilities	860,116	827,893
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$.01 par value, 5,000 shares authorized, none issued or outstanding	—	—
Common stock, \$.01 par value, 200,000 shares authorized, 50,554 and 49,962 shares issued, respectively, and 33,500 and 33,653 shares outstanding, respectively	506	500
Additional paid-in capital	497,488	475,634
Common stock held in treasury, at cost, 17,054 and 16,309 shares, respectively	(509,968)	(479,968)
Retained earnings	860,717	766,385
Accumulated other comprehensive (loss) income	(6,471)	) 18,582
Total shareholders' equity	842,272	781,133
Total liabilities and shareholders' equity	\$1,702,388	\$1,609,026

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

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PLEXUS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

for the fiscal years ended October 3, 2015, September 27, 2014 and September 28, 2013

(in thousands)

	Common Stock				Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Additional Paid-In Capital	Treasury Stock			
Balances, September 29, 2012	35,097	\$489	\$ 435,546	\$(400,110)	\$596,913	\$ 16,184	\$649,022
Net income	—	—	—	—	82,259	—	82,259
Other comprehensive income	—	—	—	—	—	4,053	4,053
Treasury shares purchased	(1,822)	—	—	(49,858)	—	—	(49,858)
Stock-based compensation expense	—	—	11,782	—	—	—	11,782
Exercise of stock options, including tax benefits	325	3	2,040	—	—	—	2,043
Balances, September 28, 2013	33,600	492	449,368	(449,968)	679,172	20,237	699,301
Net income	—	—	—	—	87,213	—	87,213
Other comprehensive loss	—	—	—	—	—	(1,655)	(1,655)
Treasury shares purchased	(733)	—	—	(30,000)	—	—	(30,000)
Stock-based compensation expense	—	—	12,970	—	—	—	12,970
Exercise of stock options, including tax benefits	786	8	13,296	—	—	—	13,304
Balances, September 27, 2014	33,653	500	475,634	(479,968)	766,385	18,582	781,133
Net income	—	—	—	—	94,332	—	94,332
Other comprehensive loss	—	—	—	—	—	(25,053)	(25,053)
Treasury shares purchased	(745)	—	—	(30,000)	—	—	(30,000)
Stock-based compensation expense	—	—	13,252	—	—	—	13,252
Exercise of stock options, including tax benefits	592	6	8,602	—	—	—	8,608
Balances, October 3, 2015	33,500	506	\$ 497,488	\$(509,968)	\$860,717	\$ (6,471)	\$842,272

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

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PLEXUS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the fiscal years ended October 3, 2015, September 27, 2014 and September 28, 2013

(in thousands)

	2015	2014	2013
Cash flows from operating activities			
Net income	\$94,332	\$87,213	\$82,259
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation	48,378	47,261	47,410
Amortization of intangibles	—	603	2,066
Loss on sale of property, plant and equipment	123	183	104
Asset impairment charges	—	3,160	—
Deferred income tax net benefit	(597)	) (1,653	) (1,773
Stock-based compensation expense	13,252	12,970	11,782
Changes in operating assets and liabilities:			
Accounts receivable	(64,876	) (19,426	) 19,657
Inventories	(48,202	) (122,611	) 55,193
Other current and noncurrent assets	6,702	(1,408	) (8,888
Accounts payable	5,283		