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John Carlson
President-Flex Health Solutions, Flex Ltd.

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Chief Executive Officer & Director, Flex Ltd.

OTHER PARTICIPANTS

Ruplu Bhattacharya
Analyst, Bank of America Merrill Lynch

MANAGEMENT DISCUSSION SECTION

Ruplu Bhattacharya

Analyst, Bank of America Merrill Lynch

Okay. I think we're going to get started. So, thank you, everyone, for attending Day 3 of Bank of America's Global Technology Conference. My name is Ruplu Bhattacharya, and I'm part of the equity research team here at the bank, covering IT hardware and technology supply chain companies. This is the first year we are hosting the conference virtually. And I have to say, we've had great response. We have over 150 corporates and over 1,100 clients who are registered for the conference. So you've had two great days of panels and fireside chats. For the clients who are listening in, you can e-mail me questions during this fireside chat using the box that's on your screen, and you can do that in real-time.

So, today, we're honored to have Revathi Advaithi, who is CEO of Flex. I'm sure you know Flex is a global EMS or Electronics Manufacturing Services company. Revathi was appointed CEO in February of 2019, and I have to say that in the year and a half that she's been at the company, she's led a remarkable transformation of Flex, both in terms of its focus on end markets and its margin performance. And prior to Flex, Revathi was President and COO electrical sector business for Eaton, which is a power management company; and she's also worked at Honeywell for about six years. One thing I want to point out is that she has a degree from one of the premiere engineering schools in India, BITS Pilani, and she also has an MBA from the Thunderbird School of Global Management at Arizona State.

Also on the call, we have from Flex, John Carlson, who is President of the Health Solutions business. Prior to joining Flex in 2016, he spent 15 years in – at Johnson & Johnson, where he led R&D activities across the Pharmaceutical, Medical Device, and Consumer Health segments. So, before we get started, for all the investors who are dialed in, please refer to the Safe Harbor and other disclosures that are published on the Investor Relations section of flex.com.

So, with that, Revathi and John, thank you so much for attending our conference today.

John Carlson
President-Flex Health Solutions, Flex Ltd.

Thank you.

Revathi Advaithi
Chief Executive Officer & Director, Flex Ltd.

Thanks, Ruplu, for having us.

QUESTION AND ANSWER SECTION

Ruplu Bhattacharya
Analyst, Bank of America Merrill Lynch

Q

Great. Revathi, I want to start with you and I want to focus on a very high-level question. In the past, when investors have thought about Flex, I mean, they've thought about bleeding edge of technology, not just leading edge but bleeding edge. As CEO, I want to ask you, how do you see Flex? What is your five-year-out vision for Flex? Do you see this as a technology company or do you see it as an industrial manufacturing company? I mean, how do you – what is your vision for the company as you go forward?

Revathi Advaithi
Chief Executive Officer & Director, Flex Ltd.

A

Yeah. Ruplu, hey, when I [audio gap] (02:52) about joining Flex from – after my background with Eaton and Honeywell, my passion has always been about technology, right, about making products that are at the cutting edge of technology, while I love manufacturing, of course, because I grew up in the shop floor.

So, one of the big reasons for joining Flex was, as you described, that it is on the bleeding edge of technology. And what is amazing is, after I've come and joined Flex and spent the time in terms of our technology, where our investments are, how we help our customers, I would say, it's just world-class the kind of technology capability we have in most of our segments that we participate in. To the extent that I've been telling my team that the magnitude of what they have, which is cutting-edge, I think some of our customers don't even understand in terms of what we are able to bring to the table.

But I would say that – I would combine the both, right. We are a bleeding edge technology company, but at the end of the day, we're also a manufacturing company. And having those two go hand in hand is supremely important because most companies today are coming to us not just to take over manufacturing but to have a lot of input in terms of design and how can we make things better, more even in terms of thinking about their technology roadmaps going into the future. So really, really important for us to be able to do both well.

And what I'm most excited about Flex, because kind of manufacturing we do is in our DNA, but what I'm most excited is that we want to continue to be viewed as a company that's – in terms of bleeding edge of technology, that's what we want our investments to be in but we also want to be thoughtful that those are adding real value to customers, and customers are willing to make that a win-win solution for us and them.

Some great examples are if you think about autonomous, kind of clean energy, digital healthcare, all of those are places that we have amazing technology in, and we're really choosing to partner with our customer, and our customers are choosing to partner with us because of our technology capabilities. So, it's the reason why I joined

Flex. It's validated since I joined Flex that our technology capability is unbelievable. I've been amazed at it. And we want to be seen as a leading edge technology and manufacturing company.

That's – the five-year vision for me for Flex would be all around not just solidifying our position in terms of being a worldwide manufacturer in diverse end markets and a technology company, but I want to make it specific to the end sub – the sub segments we're in. So, if you think about healthcare which John will talk about, it's a huge end market, right? So, we want to take the subsegments, we want to excel them, and we want to make sure that, in five years, we are world-class in terms of supporting our customers in technology and manufacturing in those subsegments. That's what we want to be able to do.

But then the – so, technology is important, but making it specific is even more important. And then, the second thing that we want to do is really drive out the operational model that we have just announced recently in terms of every segment is unique, how do we drive our operational model to really be able to grow and improve margins at the same time, which has been elusive for this industry, Ruplu, as you know well.

And then, lastly, is our business system that we just launched, which is all about being repeatable and supporting that with the new organization design and culture. We want to differentiate ourselves in terms of saying that, we just don't want to be a EMS company that knows how to grow. We want to be EMS company that's on the cutting edge of technology and manufacturing, but we want to do it in a way that's consistent in terms of growth and profitability, and we want to drive a design – an organizational design and culture that will be unique to us.

So that – in my view, that would be my kind of vision for Flex as we move forward, Ruplu.

Ruplu Bhattacharya
Analyst, Bank of America Merrill Lynch

Q

Yeah, no, I think that makes perfect sense. I mean, especially if you think about all of the technology that is now being ported into other end markets, and even industrial equipment now has a lot of technology going into it. So, I think there's a lot of synergies there in what you're talking about. Certainly, investors can see the margin performance that you've had by focusing on these non-traditional areas. So, I think the vision is sound and it makes perfect sense.

Moving on to something much – which is more near-term, with respect to COVID-19. Can you maybe just talk about what you saw with respect to the impact of COVID-19 on supply and demand? Are your factories up and running? Can you talk about efficiency, any component shortages? So, just give us a status of what you've seen?

Revathi Advaithi
Chief Executive Officer & Director, Flex Ltd.

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Yeah. So, Ruplu, I won't dwell too much on kind of where we started in January and where we are today because I think many companies, including us, have talked a lot about this. I think where we are right now is most of our sites are up and running. China, of course, is back up 100%. The other two countries in Asia, which is India and Malaysia, that has significant impact because they were shut down for longer periods of time, are also up and running. Europe has been running pretty much throughout the whole crisis. Mexico is probably where we have been closely monitoring the situation.

But we have done a really good job across all our sites in terms of taking proactive measures. Local governments and states are really looking at us because we have driven benchmark practices in terms of health and safety, and we have a lot of good kind of AI tools in terms of predicting how the COVID impact would work on our employees. And we are using those well to decide which factories are we going to reduce in terms of bringing in people, which ones will be increased, and so we're using all that in Mexico to make it a little bit more manageable. But automotive sites have now reopened, so I think pretty much most things are up and running across all our facilities.

In terms of supply issues, I'd say, nothing major. In January, we were at – late January, early February, we're at the peak of shortages. Right now, we are chasing things where demand has just skyrocketed. Like John's business, Health Solutions, has tremendous demand, so chasing supply issues there, and then a few supply issues in critical infrastructure which has also seen tremendous increase. But I'd say, not major supply issues that we're dealing with across the board.

But in terms of productivity, you talked about, different in every segment, right. Automotive, of course, big impact because it was shut down for a long period of time. Health Solutions on the other side, right, because it is running at record levels right now. So, each end segment running a little differently in terms of overall productivity. But definitely, as a company, as an organization, we have seen productivity loss across our businesses as a result of this. We've announced that, this quarter, we'll be spending around $100 million on COVID-related impact just to manage through everything from paying our employees, [ph] where suppliers could (00:10:53) be paid, health and safety practices, all of that.

But I feel very good in terms of where we are, how we're dealing with the situation. I think our practices are world-class. We put our employees first, and I'm hearing a lot from customers, Ruplu, that they have been very impressed with how well we have handled the situation. But I'm thinking, now it's all about demand. It's how do you look in demand, how do you manage demand, it's all about that. I think the rest of the stuff is starting to work as it should.

Ruplu Bhattacharya Q
Analyst, Bank of America Merrill Lynch

Okay. No, that's a great summary, and that makes sense. I just want to focus a little bit on your manufacturing footprint because one of the themes that I've heard from investors that they're looking at is any manufacturing moves out of China, and specifically, given all of the tariff stuff between the US and China, as well as all of the things that happened that disrupt production there, whether it's SARS or bird flu or COVID-19. I mean, the question I have for you would be, if OEMs were to move product lines out of China, does Flex – could Flex be a beneficiary of that move? I mean, do you have white space that you can support such moves out of China?

Revathi Advaithi A
Chief Executive Officer & Director, Flex Ltd.

Yeah, absolutely. We do have white space and we're in very active conversations with our customers on, if they have a need and want to move out of China, what would be the best locations for them to be in? Most customers are looking right now to be close to end customers, right, that's kind of the new value proposition. So, you kind of reduce your logistics complexity, you reduce all the concerns – long-term concerns around trade issues that could develop. So, at the end of the day, it's all about being closer to the end customer so you can really manage end-to-end supply chain much better.

So, whether it's moves coming out of China or from anywhere else, we are very, very comfortable to be able to manage this on an ongoing basis. We have tremendous white space, I would say, in the right areas. And if you think about our most recent announcement we made in our 10-K, if you look at our PPE, Mexico today accounts for 25% of our PPE, and then followed by China at 18%, and US at 17%. So, we have been managing that trend even over the last couple of years, Ruplu, extremely well, and we are very comfortable that we are in a position to manage that moving forward. So we have a very strategic plan on our retail footprint and where things are going to go, and we're ahead of the game in terms of where customers want us to go.

Ruplu Bhattacharya
Analyst, Bank of America Merrill Lynch

Q

Okay. Great. I want talk about each of the end markets. And one thing I want to start with is Industrial or the former IEI segment. You've done an amazing job, I mean, you've taken operating margins that were trending at 4%, which was the [ph] low end of the high end range (00:14:04), and they're now above the high end of the long-term range, so you're at 7%.

So, maybe for investors, can you talk about some of the changes you brought about that has enabled this kind of margin improvement? And for that matter, can that secret sauce be applied to factories and other markets as well?

Revathi Advaithi
Chief Executive Officer & Director, Flex Ltd.

A

Yeah. Let me start by saying that our Industrial portfolio is very diverse, right? And as we have newly re-launched our end segments, you can see that our Industrial segment is almost kind of $4-plus billion, right. And the end markets that it covers is very broad and diverse, right, so that itself gives you tremendous opportunities on where you want to grow and where you want to choose how to grow, right? We're in capital equipment industrial devices, in renewables.

So, we have very diverse end markets where we participate in. That gives you tremendous opportunity here to manage your mix, to say, where do want to go in this available market? And I think the team has done an exceptional job in terms of picking and choosing where we want to grow and driving that growth, and we have had a strong bookings pipeline, $1.2 billion-plus that we talked about a few months ago, lots of new customers. So, I think that is a big plus in terms of what drives the overall Industrial margins, is really focusing on finding the right mix of areas that you can grow in and really driving that growth.

And then, the second part is, I think the way we go-to-market in Industrials, in terms of looking at end-to-end solutions, right, not just do you make the electronics, I mean, do you make the complete product and what do you bring – how do we bring value, right, [ph] whether (00:15:58) we bring value of just doing the electronics or the complete product, and then can we provide something extra, like every customer is looking at their power solution. Almost everybody has a need for battery and storage associated with battery. So, how can we provide a complete solution, I think really helps also our story in Industrial.

I'd say that – so the mix has played a significant part in terms of how Industrial has really grown and the way it's grown in terms of margin. And so, it fits with the story that I've been saying consistently, Ruplu, that to replicate this mindset, you have to be able to do the same in every segment, right. It's not [ph] as though available market segments are not big in (00:16:46) every segment, it's about picking and choosing the right segments and being disciplined about participating in those end segments is really, really important. And I think that's what we're looking to replicate in.

I'd say, what also helps Industrial is it has – because of the mix in the business, it has more ability to absorb the ups and downs of the end markets at the time when it happens. So, that also helps in terms of it to have consistent performance. So, many elements that we want to replicate, I would say, in all our subsegments but we're also excited about Industrial because there is – I think there is tremendous opportunity to continue to drive growth in that business.

Ruplu Bhattacharya
Analyst, Bank of America Merrill Lynch
Q

Great. I do want to get to John. But just before I do that, at an overall level, you recently announced a new segment structure. And you've gone from four segments into two main segments: Reliability Solutions and Agility Solutions. For the benefit of investors, can you just talk about why that was the right thing to do at this point?

Revathi Advaithi
Chief Executive Officer & Director, Flex Ltd.
A

Yeah. So, Ruplu, when I came into this business, and I kind of – I always look to simplify things, right? So, when I was looking to say, what really drives our customers and then what really drives our performance to the customers, right, that's all – they're the only two ways to look at every business. So, we said, there's under – there are two things, there's underlying characteristics of our customers and their end products, and that there's a grouping by that that is natural; and then, secondly, there's a delivery model of how you deliver to those end segments, right, which is kind of how we operate and how we manage things to deliver to those end customers.

And naturally, it fell into two groupings. And that's how we decided on kind of these two end segments. And we have said that like our Agility business is really optimized for speed, speed to get to market, to be – to have a very highly flexible kind of supply structure, but also a manufacturing system. Be able to take short product cycles and be effective with it because that's the kind of nature of that business. And on the other hand, the Reliability Solutions business is all about big CapEx investments; long, complex ramps; not as cyclical as the Agility business; lot of regulated environment; high-quality requirements; sites have to be qualified.

So, at the end of the day, you fall into these two structures, and it was important for us to take our operational model and fit it into the end customer business model. Because if the two can't match, you can't be consistent in your execution. And my thesis has always been – is to be consistent in your execution. You're not going to be able to change how customers work and how end customer markets work too easily. So, the first step you have to take is change your business model to fit into that, which is what we tried to do with these two segments – the announced structures that we said on Agility and Reliability.

I think it's a game changer for us in terms of our mindset, right, and it simplifies our cost structure, and I think it maximizes efficiency across the business and really drives the difference in thinking. And you can see that through this COVID impact already, the way the teams think about fixed cost, variable cost, how do you set up long-term kind of manufacturing footprint, which segments need certain types of footprint; they're rethinking all of that. So, that's the reason for going with these, the two segments. It's a natural evolution to fit into our customer business models, but also drives the right level of efficiency for us.

Ruplu Bhattacharya
Analyst, Bank of America Merrill Lynch
Q

Right, no, that makes sense. At this point, I want to turn to John. I want to ask you a little – a couple of questions on the healthcare side. To start off, can you give us a quick overview of the breadth of healthcare solutions that Flex provides? And can you tell us how Flex kind of differentiates itself from other EMS companies who are competing in this space?

John Carlson
President-Flex Health Solutions, Flex Ltd.
A

Yeah. Thank you for giving me the opportunity here today. So, first, as you look at our Health Solutions business, we're about a $2 billion segment within Flex, which makes us small within Flex but actually very large in the medical industry that we support within there. And again, medical is very broad, so we've particularly focused in three main areas to drive our business.

The first of those is in medical devices, so think of products that a patient would use, a surgeon would use in a particular operation. Typically, they're products that are very similar to what you'd see in a consumer electronic type device. We have a big, broad presence in medical equipment, so think about things like X-ray systems, CT system, ultrasound systems; big pieces of equipment that would be a resident in a hospital, used in the diagnosis or treatment of patients within there. And the third category is drug delivery products, and these are really targeted at our pharmaceutical customers who are increasingly looking for solutions that allow patients to administer drugs at home. In each of these three areas, we bring a unique set of skills.

And as you said in the beginning, my background before coming to Flex was in the design of medical products and medical devices. It's – so one of the great things about coming to a company like Flex, and a great thing for our customers, is the ability for a medical customer to access technologies from other industries to allow them to produce products they couldn't do on their own. So, we spend a lot of time with our customers truly understanding their clinical expertise and clinical needs and translating that into finished products for them. And that expertise includes not only the technology we use but the manufacturing processes within there.

So if you look at our business today in medical devices, we support about 85% of the top companies in the world, so 17 of the top 20 med device companies are customers of ours. And generally, we are large – one of their largest suppliers, so we're big in each of the large companies within there. We have a similar presence in drug delivery, where 18 of the top 20 pharmaceutical companies are customers of ours today. And increasingly, there, it's about bringing technologies together for them.

So, as you think about our differentiation, one of the things that's key for us is our 30-year history of quality and regulatory compliance. We know how to make great products, we've been doing it for a long time for our customers, and they have a great track record of our performance with them. So, we've – we're building off a tremendous legacy of what we're doing. Increasingly, we're helping them get to market faster with new technologies. So, again, our ability to combine our design expertise, our new product introduction, our ramping process, and our manufacturing capabilities allow our customers to bring new products and technologies to market faster than they could do on their own.

Another key component that we bring our customers is the ability to vertically integrate. So, we've talked about, in the past, an example of a product, working for one of our customers where we do all elements of the product. So, we do the electronic manufacturing, we do the plastic injection molding, we do the full device assembly, we then package that device, sterilize it, and then kit it for final distribution into the marketplace. We do that in a single facility within Flex which gives us amazing control of the process, which gives us great quality performance in there, but also gives our customer tremendous reliability in the supply chain.

The other thing we talked to our customers about is our global footprint and the fact that we have redundant capabilities in each of three regions. So, we could do a similar product configuration in Europe, in Asia, or in North America. And increasingly, that flexibility is incredibly important to our customers as they're looking at a dynamic change in the marketplace.

And as Revathi said, our footprint has allowed us to be adaptive to our customers' needs over time. And we have seen a shift from Asia-based manufacturing to Europe and North America over the last couple of years within our business, as our customers are looking getting – to get closer to the end markets for those products. So, I think we're very comfortable of what we're doing. I think we have a great competitive advantage.

Ruplu Bhattacharya
Analyst, Bank of America Merrill Lynch
Q

Yeah, no, that's a great overview. John, one of the opportunities that investors have focused on and that keeps coming up is the glucose sensor project that you've talked about. Can you just remind us what are you making and what's the size of that opportunity, and how do you see that going forward?

John Carlson
President-Flex Health Solutions, Flex Ltd.
A

So, that's an opportunity that we originally brought into our business several years ago and worked through the regulatory process and scale-up process with our customers. As we've talked about previously, we've brought that product into the marketplace and launched it in our FY 2020 last year. And over the next two years, we'll be continuously scaling that product.

It is one that we [ph] will be producing (00:25:55) close to 100 million units a year, representing a very big opportunity for us in the marketplace, and one that we're pretty excited about. We're through the initial parts of the ramp and continue to expand that as we continue to grow that business. So, it's one that we have done incredibly well with. That customer has come back with us and we're working to bring up another similar – another situation similar to that in another facility where they have a next generation of that product.

And as you look at the glucose sensor market, diabetes is an area where we continue to have tremendous strength. And not only have we won with this existing customer, but we've brought other players into the marketplace, into our network as well as they're recognizing our strength and capability [audio gap] (00:26:35) space. So, while we're very excited about the one opportunity we've talked about for several years, we follow that up with several other opportunities we brought into our portfolio. We continue to see the diabetes space, so those consumer-type electronic products as ones that will be driving growth for us for a long time.

Ruplu Bhattacharya
Analyst, Bank of America Merrill Lynch
Q

Great. John, I want to go back to 2018. I remember at the Analyst Day at that time, you showed us a slide that showed about more than $500 million in annual bookings for the medical segment each year. I think that was for the two-year period, 2016 to 2018. And those bookings were to lead to more than 10% growth CAGR over 2019 through 2021. So, can you talk about like how annual bookings have trended more recently in 2019 and 2020, and what is the reasonable growth expectation for medical over the next two, three years?

John Carlson
President-Flex Health Solutions, Flex Ltd.
A

Yeah. So, there's two things I'll say in that. One is our bookings continue to be very strong. So, in 2018, we talked about sort of a step function in bookings going from $250 million to $300 million a year, to about $500 million a year. In the last two years, we've seen another step growth in those bookings, where we've been closer to $1 billion in bookings in the last two years. These are great opportunities for us and it's a recognition of our customers, the value that we create for them.

The other thing we talked about at that time period is how those bookings translate into revenue, as we work with our customers to get the regulatory approval and to scale those products up. And one of the things we're very comfortable of is our growth rate will continue to be north of 10% for the next two years, as these bookings continue to drive through for us. And so, we'll see a spike in revenue this year as we work through a number of issues – number of opportunities related to COVID, but we'll see a continued growth in our booking – or growth in our revenue of greater than 10% through the next three to four years.

So, we're very comfortable with the projections that we made a couple of years ago. And those bookings are the ones you're seeing driving growth today. The bookings in the last two years will continue to drive growth for us for the next three to five years as we go forward. So, we're very comfortable in our near-term growth and our long-term growth of this business.

Ruplu Bhattacharya
Analyst, Bank of America Merrill Lynch

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Okay. Great. Before I move back to Revathi, just one more question that we get from investors is, the medical device end market, I mean, over – if you take an overall view, I mean, it's been one of the lesser penetrated markets, and EMS has enjoyed higher margins over several – over the past few years. Do you think – when you look at this market, do you – would you say that this market is still underpenetrated? And as more and more EMS players are trying to penetrate this space, do you see heightened competition in this end market?

John Carlson
President-Flex Health Solutions, Flex Ltd.

A

So, I think, there's two things I'd say there – is, in general, the market is very underpenetrated from our standpoint. In most cases, our biggest competition is our customer themselves, making the decision, do they do the product internally or do they go with an outside partner?

The other thing I'll say is, as more entrants are coming into the medical space, one of the things they'll realize very quickly is that customers have a very strong affiliation to people who have a track record of success. The quality required for these products that are regulatory-compliant are of the highest levels. So, as new entrants come into the marketplace, it takes a long time for them to build that credibility in the space.

So, while we see a lot of competition coming and other players trying to come in in medical, they're typically coming in and competing in areas that are lower margin or lower value. And as we said, we've been very deliberate about the segments that we go after. There are ones where we create a higher value, where there's a higher degree of trust between the customer and us on the regulatory and sophistication of the products we're producing.

So, we'll see more entrants come into it. But, in general, there's tremendous opportunity that remains in this marketplace, the addressable marketplace – or the addressable markets we're going after are massive in each of the three categories we're going after. And so, we don't see competition – or coming after or forcing a pricing problem for us in the segments that we're competing in today.

Ruplu Bhattacharya
Analyst, Bank of America Merrill Lynch

Q

Okay, great. Revathi, I've got a set of questions for you but I want to – I also want to take some questions from the audience that we received. So, I'm going to try and paraphrase this but – I think management has talked about CapEx less than depreciation going forward, and you said that you don't need to augment your infrastructure via M&A, but given the balance sheet is already under levered, I mean, might you use some of the strong free cash flow that you have to move higher up in the value chain? I guess, the question relates to – somewhat to inorganic growth, how you see uses of cash and acquisitions, or any -your thoughts on how you think about inorganic growth?

Revathi Advaithi
Chief Executive Officer & Director, Flex Ltd.

A

Yeah. Ruplu, whoever asked that question, thank you for that because our balance sheet is really in a great, strong position coming into this crisis and even managing through that. So, we're really proud of having done the work to put the balance sheet in a great position.

See, for me, last year was all about just getting the business on track and being disciplined and consistent. And this year is all about making sure that we are building our pipeline for growth in the right subsegments and making sure that that is robust in terms of our end market. And that takes time, right, you can't drive new kind of growth like overnight, and so we want to make sure we're spending the time on that. And then, we're connecting those to our technology road maps which are really, really important. And as a result of that, I think we want to add – look at M&A in terms of how it really adds to our overall technology capability and improve the subsegments that we participate in.

So, we are open to M&A where we can clearly develop and deploy our technology leadership in the subsegments we want to participate in using M&A to really solidify our business model. And so – but I will be very disciplined about that. I think that's something that all of you have grown to expect, is that, for me, M&A for the sake of scale, M&A for the sake of kind of growing the business without really showing the right returns is not that important. And I would say history shows that, for this space, M&A hasn't delivered the right kind of financial metrics long-term.

So, really augmenting – using M&A to augment our strategy which is to build technology capabilities in the subsegments we have chosen to participate in is where we're really going to focus on, and I think we have some great opportunities to do that. So, we'll use the balance sheet prudently and in a smart way and expect the right returns and that's what we would look to do.

Ruplu Bhattacharya
Analyst, Bank of America Merrill Lynch

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Got it, got it. We have a few minutes left. I want to touch on two things if I can. Your cloud business has grown quite a bit, and the question is, do you see an opportunity to take some share from ODMs? So, I mean, how do you see the growth in your cloud business? And also if you can touch on white box manufacturing, I mean, investors have asked if Flex sees this as an area for growth? So, just talk about your cloud business, your expectations for that and any interest in white box servers and switches manufacturing in that sense?

Revathi Advaithi
Chief Executive Officer & Director, Flex Ltd.

A

Yeah. So, our cloud business is pretty strong today. It's kind of – between cloud and data centers, it's 7-plus percent of our overall revenue. As you know that the CEC business, in terms of the data center side, has a significant TAM available, right, both data centers and edge infrastructures. We've had strong bookings in CEC to support both cloud and [audio gap] (00:34:55)

I'll be brief on this, as we're coming to the end of this. In terms of white box and ODM, is that it has to show – it has to – for us to be meaningful growth, which also helps in terms of accelerating our margins, which means that the technology value that we bring to that business relationship should show some returns, right, from the customers. So, both white box and ODM opportunities need to be able to show that. I think that's really superbly important for me. It fits into the thesis I've said for a while that is, growth for the sake of growth is not important.

I mean, we do see large CSPs that will move from kind of traditional OEMs to more white box kind of ODMs, but the design aspect has to play a role for us to play a meaningful relationship in this, and that's how we're focused on it. It has to be design-led wins and that will add to meaningful growth. And that's how I would differentiate. For me, it's not ODM, white box. I think design has to play a meaningful role so it's a win-win for customers and for us.

Ruplu Bhattacharya
Analyst, Bank of America Merrill Lynch

Okay, great. I think we're out of time. So, we've touched on a lot of different things. Thank you, Revathi, for attending the conference. I think – for the investors who are dialed in, I know we have more questions in the queue. If you need anything answered, please let us know, we'll pass it on to Revathi and we'll try and get your questions answered.

So, Revathi, John, thank you again for attending the conference, for giving us your insights. And thanks to all of the investors who've dialed in. Thank you so much.

John Carlson
President-Flex Health Solutions, Flex Ltd.

Thank you.

Revathi Advaithi
Chief Executive Officer & Director, Flex Ltd.

Thanks, Ruplu. Thanks for having us.