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 1, 2022

OR

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

For the transition period from _____ to _____

Commission File Number 001-14423

PLEXUS CORP.

(Exact name of registrant as specified in charter)

Wisconsin	**39-1344447**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

One Plexus Way
Neenah, Wisconsin 54957
(Address of principal executive offices) (Zip Code)

Telephone Number (920) 969-6000
(Registrant’s telephone number, including Area Code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	PLXS	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 ý No ¨

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

As of April 2, 2022, 27,859,064, shares of common stock were outstanding, and the aggregate market value of the shares of common stock (based upon the $82.70 closing price of the registrant's common stock on the last trading day of its fiscal second quarter, as reported on the Nasdaq Global Select Market) held by non-affiliates (excludes 598,740 shares reported as beneficially owned by directors and executive officers – does not constitute an admission as to affiliate status) was approximately $2.3 billion.

As of November 14, 2022, there were 27,627,292 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Parts of Registrant’s Proxy Statement for the 2023 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

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October 1, 2022

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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 the effect of inflationary pressures on our costs of production, profitability, and on the economic outlook of our markets; the effects of shortages and delays in obtaining components as a result of economic cycles, natural disasters or otherwise; 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 tariffs, trade disputes, trade agreements and other trade protection measures; 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 risks of concentration of work for certain customers; 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 effects of start-up costs of new programs and facilities or the costs associated with the closure or consolidation of facilities; possible unexpected costs and operating disruption in transitioning programs, including transitions between Company facilities; 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 and demanding quality, regulatory, and other requirements; 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; risks related to information technology systems and data security; 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; any tax law changes and related foreign jurisdiction tax developments; current or potential future barriers to the repatriation of funds that are currently held outside of the United States as a result of actions taken by other countries or otherwise; the potential effects of jurisdictional results on our taxes, tax rates, and our ability to use deferred tax assets and net operating losses; 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 effects of changes in economic conditions, political conditions and tax matters in the United States and in the other countries in which we do business; the potential effect of other world or local events or other events outside our control (such as the conflict between Russia and Ukraine, escalating tensions between China and Taiwan or China and the United States, changes in energy prices, terrorism, global health epidemics and weather events); the impact of increased competition; an inability to successfully manage human capital; changes in financial accounting standards; and other risks detailed 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.

* * *

PART I

ITEM 1. BUSINESS

Overview

Plexus Corp. and its subsidiaries (together "Plexus," the "Company," "our", or "we") participate in the Electronic Manufacturing Services ("EMS") industry. Since 1979, we have been partnering with companies to create the products that build a better world. We are a global leader with a team of nearly 25,000 individuals focused on providing Design and Development, Supply Chain Solutions, New Product Introduction, Manufacturing and Sustaining Services. We specialize in serving customers in industries with highly complex products and demanding regulatory environments. We deliver customer service excellence to leading global companies in the Industrial, Healthcare/Life Sciences and Aerospace/Defense market sectors by providing innovative, comprehensive solutions throughout the product’s lifecycle. We provide these innovative solutions to customers in the Americas ("AMER"), Asia-Pacific ("APAC") and Europe, Middle East and Africa ("EMEA") regions.

Our Vision, Mission and Strategy

Our vision is to help create the products that build a better world. Our mission is to be the leader in highly complex products and demanding regulatory environments. Our strategy to fulfill our vision and mission remains consistent and can be summarized in four parts: market focus, superior execution, passion meets purpose and discipline by design.

- **Market Focus** – We engineer innovative solutions for customers in growth markets and focus on partnering with leading as well as disruptive global companies in the Industrial, Healthcare/Life Sciences and Aerospace/Defense sectors.
- **Superior Execution –** Superior execution is foundational to our differentiation. We are dedicated partners to our customers, committed to achieving zero defects and perfect delivery through operational excellence.
- **Passion Meets Purpose** – Through our collective passion, we drive purpose to our actions and decisions in pursuit of operational excellence. Guided by our values and leadership behaviors, we do the right thing to support our team members, communities and customers.
- **Discipline by Design** – Finally, we are committed to delivering shareholder value over the long term through a consistent and disciplined financial model focused on driving industry-leading revenue growth and superior return on invested capital.

To deliver on our strategy, we align our operations, processes, workforce and financial metrics to create a high performance, accountable organization with a talented and engaged workforce deeply passionate about driving growth through customer service excellence. We also promote a collaborative, customer-centric culture that continuously evaluates and optimizes our business processes with a goal of creating shareholder value. Finally, we execute to customer-driven and sector-based go-to-market strategies.

Financial Model

Our financial model aligns with our business strategy. Our primary long-term focus is to achieve a 9-12% compounded annual revenue growth rate while earning a return on invested capital ("ROIC") of 15%, which would exceed our weighted average cost of capital ("WACC") and represent positive economic return. Economic return is the amount by which our ROIC exceeds our WACC, and we believe it is a fundamental driver of shareholder value. We review our internal calculation of WACC annually; for fiscal 2022, our WACC was 9.3%. For more information regarding ROIC and economic return, which are non-GAAP financial measures, refer to "Management’s Discussion and Analysis of Financial Condition - Results of Operations - Return on Invested Capital ("ROIC") and economic return" in Part II, Item 7. For a reconciliation of ROIC and economic return to our financial statements that were prepared using generally accepted accounting principles in the U.S. ("U.S. GAAP" or "GAAP"), see Exhibit 99.1 to this annual report on Form 10-K, which exhibit is incorporated herein by reference.

Operations

Plexus is a Wisconsin-headquartered corporation with nearly 25,000 employees, including over 4,700 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 28 active facilities, totaling approximately 5.1 million square feet. Plexus' facilities are strategically located to support the global supply chain, engineering, manufacturing and sustaining service needs of customers in our targeted market sectors.

Go-to-Market Strategy

We accomplish our go-to-market strategy through the three market sectors we serve, Industrial, Healthcare/Life Sciences and

Aerospace/Defense. Each sector has a market sector vice president, as well as business development and customer management leaders who together oversee and provide leadership to teams that include business development directors, customer managers and directors, supply chain, engineering 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 delivery, quality and regulatory requirements.

Our market sector teams help define Plexus’ strategy for growth with a particular emphasis on expanding the value-add solutions we offer customers. Our sales and marketing efforts focus on targeting new customers and expanding our engagements with existing customers. We believe our ability to provide a full range of services that complement the entire product lifecycle across a global footprint provides a business advantage.

Solutions

With integrated design and development, supply chain solutions, new product introduction, manufacturing and sustaining services, we proactively tackle tough challenges throughout the product lifecycle. It is how our teams strive to create innovative and efficient paths to get products to market.

- **Design and Development** – Plexus was established with engineering as a core competency and has built a reputation for success. Our customers are able to partner with a collaborative team of over 640 development engineers to create new products. Using the same tools and processes throughout our seven Design Centers worldwide, we leverage the latest technology and state-of-the-art design automation methodologies to provide comprehensive new product development and product commercialization solutions.
- **Supply Chain Solutions** – Delivering an optimal supply chain solution is more than simply getting a product where it needs to be on time. We take a unique approach. Our supply chain experts engage in all of Plexus’ integrated solutions, working closely with our engineers to identify opportunities for supply chain optimization early in the design stage. At Plexus, we take pride in managing the full supply chain to minimize cost, mitigate risk and provide a flexible, scalable solution for our customers.
- **New Product Introduction** – When introducing a new product, customers need to move quickly. Plexus offers a dedicated team focused on decreasing time to market with a full suite of integrated new product introduction services. Through early integration and collaboration, customers can take advantage of Plexus’ capabilities, such as design for excellence, specialized design of test solutions and rapid prototyping, while the program is advanced by a dedicated Plexus team that supports a transition to volume manufacturing.
- **Manufacturing** – Our approach to manufacturing focuses on innovation, continuous improvement and superior quality and delivery. With a global footprint and scalable operations, we aim to tailor our manufacturing environment to meet each customer’s needs worldwide. As we strive for zero defects, we empower all employees with the knowledge that exceptional quality begins with each individual member of our team. We believe our capabilities and our culture position us to support the complex technology and regulatory needs of the industries we serve and to provide customers with innovative and dependable manufacturing services.
- **Sustaining Services** – Plexus Sustaining Services is committed to protecting our customers' brand reputation, supporting the success of each customer's product in the marketplace and extending a product's end of life, while helping to minimize the impact of their products on the environment. From influencing a product design, which creates early access for lifecycle extension services and repair, to spare parts management and distribution, depot repair and refurbishment services, Plexus’ Sustaining Services offers a full range of capabilities in all regions in which we operate.

We provide most of our optimized solutions on a turnkey basis, and we typically procure 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, manufacturing equipment and software used for internal operations, we do not design or manufacture our own proprietary products.

Regulatory Requirements

All Plexus manufacturing and engineering facilities are certified to a baseline Quality Management System standard per ISO9001:2015. We have capabilities to assemble finished medical devices meeting the U.S. Food and Drug Administration's ("FDA") Quality Systems Regulation requirements and similar regulatory requirements in other countries.

We have additional certifications and/or registrations held by certain facilities in the following regions:

	AMER	APAC	EMEA
Medical Standard ISO 13485:2016	X	X	X
21 CFR Part 820 (FDA) (Finished Medical)	X	X	X
JMGP accreditation	X	X	X
GMP-Korea certification		X	X
ANVISA accreditation	X	X	X
NPMA (National Medical Products Administration) registration		X	
ISO 14001(environmental management)	X	X	X
ISO 45001 (occupational health and safety)		X	X
ANSI/ESD (Electrostatic Discharge Control Program) S20.20	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		
EASA repair approval	X		
ATEX/IECEx certification			X
IRIS certification (Railway)		X	
ISO 50001:2011 (energy management)			X

Customers and Market Sectors Served

Our customers range from large multinational companies to smaller emerging technology companies. During fiscal 2022, we served approximately 140 customers. General Electric Company ("GE") accounted for 12.9%, 11.2% and 11.7% of our net sales during fiscal 2022, 2021 and 2020, respectively. No other customer accounted for 10.0% or more of our net sales in any of the last three 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, including GE, contract with us through multiple independent 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.

The distribution of our net sales by market sectors for the indicated fiscal years is shown in the following table:

Industry	2022	2021	2020
Industrial*	46%	46%	45%
Healthcare/Life Sciences	41%	39%	37%
Aerospace/Defense	13%	15%	18%
Total net sales	100%	100%	100%

*Fiscal 2020 has been revised to reflect the consolidation of the Industrial/Commercial and Communications sectors into the Industrial sector in fiscal 2021.

Although our current business development focus is based on our targeted market sectors of Industrial, Healthcare/Life Sciences and Aerospace/Defense, we evaluate our financial performance and allocate our resources geographically (see Note 11 "Reportable Segments, Geographic Information and Major Customers" in Notes to Consolidated Financial Statements regarding our reportable segments). Plexus offers a uniform array of services for customers in each market sector and, aside from the specific go-to-market teams, generally we do not dedicate operational equipment, personnel, facilities or other resources to particular market sectors, nor do we internally track our costs and resources per market sector.

Plexus serves a diverse customer landscape that includes industry-leading, branded product companies, along with other technology pioneering start-ups and emerging companies that may or may not maintain manufacturing capabilities. In addition to prime technology advancements, key government and policy trends impact our business, including FDA approval of new medical devices, defense procurement practices and other government and regulatory processes. Plexus may benefit from increasing trends by original equipment manufacturers to outsource the design, manufacture and service of their products.

Materials and Suppliers

We typically purchase raw materials, including printed circuit boards and electronic components, from a wide variety of manufacturers and their authorized distributors. Under certain circumstances, we will purchase components from independent distributors, customers or competitors. Many of these raw materials are unique to the designed assembly. By customer agreement, we purchase materials according to customer forecast and supplier lead-times.

The key electronic components we purchase include: advanced semiconductors, diodes, power management modules, microcontrollers, memory modules, interconnects, inductors, resistors, capacitors, power supplies and cable and wire. Component shortages, extended lead-times and subsequent allocations by our suppliers are an inherent risk within the electronics industry and have particularly been an issue for semiconductors during fiscal 2022. We discuss the causes, implications, and potential implications of these shortages more fully in "Risk Factors" in Part I, Item 1A herein.

We also purchase non-electronic, typically custom engineered components such as 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 Plexus preferred suppliers and customer directed suppliers. Altogether, purchased components range from “off the shelf” to highly customized and vary widely in terms of market availability and price. Through our engineering development engagements and through the quoting of new business, Plexus can influence the selection of new product components, and therefore the selection of suppliers who outperform their peers.

Amidst a highly dynamic set of supply markets, Plexus' global supply chain management organization works to mitigate potential risks and ensure a steady flow of components at competitive prices. We pursue these goals through supply chain solutions developed in collaboration with our customers and our suppliers, a commitment to strong supplier partnerships, use of proprietary risk management tools and aggressive management of supplier commitments.

Competition

Plexus operates in a highly competitive market, with a goal to be best-in-class at meeting the unique needs of our customers. With integrated design and development, supply chain solutions, new product introduction, manufacturing and sustaining services, we proactively tackle tough challenges throughout the product lifecycle. A number of competitors may provide 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 also 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 our target markets.

Relative to our competition, overriding factors such as lower manufacturing volumes, production flexibility, unique fulfillment requirements and complex regulatory requirements typically result in higher investments in inventory and selling and administrative costs for us. 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).

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.

Information Technology

Our core solutions for manufacturing facilities include a single-instance enterprise resource planning ("ERP") system in addition to product data management and advanced planning and scheduling systems, along with consistent solutions for warehouse management and shop floor execution that support our global operations. This consistency augments our other management information systems, allowing us to standardize the translation of data from multiple production facilities into operational and financial information required by the business. The related software licenses are of a general commercial character on terms customary for these types of agreements. In addition, by taking advantage of virtualization technology, we are able to realize gains in efficiency and up-time supporting our critical operations.

We strive to promote innovation technologies, solutions and processes within our information technology ("IT") infrastructure to enable Plexus to differentiate from our competition. As technology solutions continue to evolve, so do the myriad of risks introduced to the organization. The delivery of business value through technology is highly dependent on the holistic identification and management of information technology risks. Plexus deploys a robust IT Risk Management Program that promotes data-driven decision making through a collaborative effort to improve IT and cybersecurity resiliency, including a governance framework that facilitates awareness, oversight accountabilities and risk management activities across the business. This framework includes oversight by the Audit Committee of our Board of Directors, which reviews the effectiveness of the Company’s governance and management of information technology risks, including those relating to business continuity,
cybersecurity, regulatory compliance and data management. Plexus also utilizes an executive-level IT Steering Committee as well as an IT Cybersecurity Incident Response Team, and has a formal incident response plan in the event of a cyber incident.

Continuously enhancing our environment to meet the increasing needs of cybersecurity and privacy regulations remains a top priority. We discuss the risks relating to cybersecurity and their potential impact more fully in "Risk Factors" in Part I, Item 1A herein.

Compliance with Laws and Regulations

As a global public company that supports manufacturing, designing and servicing highly complex products in demanding regulatory environments, our operations are subject to a variety of laws, regulations and compliance obligations. We strive to implement robust internal controls, quality management systems and management systems of compliance that govern our internal actions and mitigate our risk of non-compliance. We also make efforts to identify non-compliance concerns through internal and external audits, risk assessments as well as an ethics hotline reporting system.

We are also subject to a variety of regulations associated with environmental compliance, as well as those governing employee health and safety. These regulations are related to topics such as: monitoring, tracking and reporting of air and water emissions; handling and disposing of hazardous chemicals used during our manufacturing process; and evaluating and mitigating employee health and safety hazards in our facilities.

We believe that we are in material compliance with all such applicable laws and regulations, and we do not anticipate any significant additional expenditures related to maintaining our compliance. However, due to the sometimes rapidly evolving nature of these laws and regulations (including as a result of COVID-19), geopolitical complexity and uncertainty and changing requirements applicable to our environmental, social and governance ("ESG") program, there can be no assurance that current expenditures will be adequate or that violations will not occur. Any violations could result in fines, penalties, customer disengagements or reputational damage that may have a material impact on our financial performance. See “Risk Factors” in Part I, Item 1A, herein, for more detail around risks pertaining to compliance with laws and regulations.

Environmental, Social and Governance

Consistent with our vision to help our customers create the products that build a better world, we are committed to building a better world by the way we innovate and operate. Plexus has established an ESG program that focuses on five key areas: (1) innovator; (2) responsible employer; (3) community partner; (4) global citizen; and (5) corporate governance.

- **Innovator** – We innovate for sustainability to solve today's challenges proactively while focusing on tomorrow's opportunities. Plexus is committed to environmental sustainability across our full value stream of solutions and we consider it an integral aspect of our "zero defect" culture. Integrated design and development, supply chain solutions, new product introduction, manufacturing and sustaining services positions Plexus to systematically drive innovation, value and sustainability in support of a circular economy.
- **Responsible Employer** – We advocate for diversity, combat human trafficking, encourage and provide employee development opportunities, strive to ensure safe and healthy working conditions, promote an appropriate work/life balance for our employees, encourage wellness initiatives and reinforce responsible values in our culture.
- **Community Partner** – We promote and financially contribute to science, technology, engineering and mathematics ("STEM") programs, as well as causes that make a meaningful impact to the communities in which we operate. We encourage our employees’ involvement in community charitable organizations, as well as through our paid volunteer time off program, and we partner with community organizations to promote local business.
- **Global Citizen** – We actively work to reduce waste, water use and greenhouse gas emissions from our operations and work with suppliers to develop similar programs. We partner with customers to help design more efficient and

environmentally friendly products as well as limit product end of life environmental impact through our sustaining services solution.

- **Corporate Governance** – Strong leadership and a culture of accountability are foundational at Plexus. Our executive management, in collaboration with our Board of Directors, competently and ethically manage Plexus' operations for the long-term benefit of shareholders.

When we focus on improving outcomes for all of our stakeholders, we maximize our ability to achieve our strategic objectives and deliver long-term financial value for our shareholders. Plexus is committed to responsible business practices throughout our global operations. As a member of the Responsible Business Alliance ("RBA"), we have taken an active role in improving not only our own practices, but influencing and holding others accountable throughout our supply chain. In addition to RBA membership, we consider a variety of standards for responsible practices, including, but not limited to, local and federal legal requirements in the jurisdictions where we operate, the Sustainability Accounting Standards Board ("SASB") and the Carbon Disclosure Project.

Human Capital Management

We are driven to differentiate Plexus with our talent and by our culture. How we manage our human capital is critical to how we deliver on our strategy and create sustained growth and value for our shareholders.

Purpose and Culture

We recognize that a great culture is foundational to the success of our vision to create the products that build a better world. We are proud of our culture and the recognition we have received over the years as a great place to work. In building a great culture, we embrace four "non-negotiables":

- **Our Values and Leadership Behaviors** – Our Values and Leadership Behaviors establish the foundation upon which our culture is built, representing key expectations we have of our employees and emblematic of the work environment we strive to create. Our 10 Values and Leadership Behaviors are: Customer Focus, Relationships and Teamwork, Excellence, Open Communication, Integrity, Prioritize our People, Solve Problems, Be Courageous, Be Strategic and Innovate.
- **Quality Begins with Me** – We instill personal responsibility for quality in our employees through our Quality Begins with Me culture, a commitment to delivering zero defects and continuous improvement. A culture concentrated on each individual's pledge that quality is critical to achieving our strategic goal of superior execution in delivering highly complex products in demanding regulatory environments.
- **5Es of Customer Service Excellence** – Through the 5Es of Customer Service Excellence, we describe for our employees what is required to exceed our customer's expectations and enable growth through customer service excellence. In all aspects of our engagements, with both internal and external customers, we reflect the 5Es: We are Empathetic, Entrepreneurial, Empowered, Engaged, and we Ensure Accountability.
- **One Plexus** – One Plexus reflects our sentiment that we are stronger together than the sum of our parts. We embrace the One Plexus mentality through collaboration to ensure consistent operations, globally, and leverage the strengths and best practices of all facets of the organization to drive the best solutions for our customers.

Commitment to Values and Ethics

Along with our Values and Leadership Behaviors, we act in accordance with our Code of Conduct and Business Ethics ("Code of Conduct"), which creates expectations and provides guidance for all employees and representatives of Plexus to make the right decisions. Our Code of Conduct includes topics such as anti-corruption, discrimination, harassment, privacy, appropriate use of company assets, protecting confidential information and reporting Code of Conduct violations. It is used to reinforce our passion for operating in a fair, honest, responsible and ethical manner and articulates our responsibilities as a trusted leader in the business community. The Code of Conduct also emphasizes the importance of having an open, welcoming environment in which all employees feel empowered to do what is right and are encouraged to voice concerns should violations of the Code of Conduct be observed. All employees are required to complete the training on the Code of Conduct annually.

Human Rights

Plexus is dedicated to preserving and protecting human rights around the globe. Our Human Rights Policy formalizes Plexus' commitment to respect human rights and embodies principles reflected in the United Nations ("UN") Global Compact, the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, core International Labour to Organization Conventions, the Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises, and the laws of the countries in which we operate. The foundation of our commitment to international human rights stems from our values of integrity and excellence and is reinforced in our Code of Conduct, our membership in the RBA and other Plexus policies and training. Our Human Rights Policy applies to all employees, representatives and contingent workers of Plexus and our subsidiaries as well as our business partners, including our supply chain.

Diversity and Inclusion

At Plexus, diversity and inclusion ("D&I") does not simply mean representation. It means encouraging engagement, inclusion of all employees' ideas and perspectives and association among the global locations in which we operate—proudly representing approximately 15 countries our team members call home. We have adopted the following D&I mission statement at Plexus, which is directly incorporated into our Code of Conduct:

> "Our people create our best Plexus. Ingrained in our culture of inclusion is the philosophy that each individual offers diverse perspectives, backgrounds and experiences that create great outcomes when we are united as a team. We respect our people and embrace our differences. We welcome everyone and value the ideas generated by our collective uniqueness. We aspire that all of our teammates reach their full potential and we encourage them to simply, BE YOU!"

Our strategy to enhance diversity at Plexus and to foster an inclusive culture includes the following:

- **D&I Committee and Board Oversight** – To oversee strategic objectives and to ensure appropriate accountabilities exist to support our diversity and inclusion efforts, our executive leadership committee structure includes a Diversity and Inclusion Committee, made up of key members of executive management, including our Chief Executive Officer. In addition, our Compensation and Leadership Development Committee of our Board of Directors reviews the initiatives and results to cultivate a diverse workforce and inclusive culture.
- **Employee Resource Groups** – Our Employee Resource Groups ("ERGs") are voluntary, employee-driven groups organized around common interests and legitimate business purposes. Plexus current ERGs include Plexus Young Professionals ("PYP"), UnusPlexus ("UP") and Women in Network ("WiN"). The goal of PYP is to create an environment that fosters collaboration and development for the young professionals at Plexus. UP's purpose is to celebrate the different cultures and diversity existing within Plexus. WiN has a mission to champion the advancement of women in their professional and personal development through various career and life changes. These groups are directly supported by executive-level leadership and management engages regularly in support of ERG programming. Plexus supports further expansion and enhancement efforts of existing ERGs as well as employee-driven creation of new ERGs.
- **Mentoring & Training** – Plexus has established a formal mentoring program that aids in the development and retention of diverse talent, with a specific focus on future leaders within our underrepresented populations. In addition, the Company has invested in D&I leadership training on the value of diversity and how best to foster an inclusive culture. This training focuses on enhancing understanding of unconscious bias and enhancing the skills to being an inclusive leader.
- **Gender & Underrepresented Minorities Recruitment Strategy** – Our talent acquisition teams have a strategic initiative to widen the funnel of talent seeking to join Plexus. Efforts in this space are customized by geography based on the current workforce dynamic. This includes partnerships with organizations such as Society of Women Engineering ("SWE"), universities with diverse student populations and minority groups supporting underrepresented minorities with leadership aspirations across many disciplines.
- **Employee Benefits & Programs –** Plexus has a number of policies and benefits in place to support the unique needs and overall wellbeing of our team members and their families, including flexible workplace, paid parental leave and a Plexus Wellness Program to ensure our employees have access to the resources they need to lead healthy, balanced lives. For our employees, this includes access to our Employee Assistance Program (EAP), or similar program depending on country, which offers confidential support for managing stress and supporting mental health, including offering clinician, counselor, legal or financial resources to employees and members of their households.
- **Community Involvement & Volunteerism** – Community involvement, volunteering and charitable giving are important to ensure we are investing and promoting positive impacts in the communities in which we operate and where our employees live. We offer an employee charitable match program for employees located in our AMER and EMEA regions to use, with plans to expand to our APAC region. Plexus also offers employees paid, volunteer time off for team members who want to give back at qualified organizations or community events.

Talent Development & Acquisition

In the pursuit of excellence, we nurture and grow our people. Our commitment to holistic talent management means that we expect and reward high performance and address underperformance with urgency, candor and empathy. Our team members receive and provide feedback with humility and a sincere interest to continuously improve. We engage in regular talent reviews to calibrate on the performance and potential of our teammates, their development needs, career pathing and the strength of our succession plans. During these reviews, we also assess retention rates and the diversity composition of our leaders. Competency-based training, leadership development programs and online learning provide the foundation for a learning culture and ongoing development for team members at all levels. While our goal is to develop our own talent, we recruit technical, new graduate and experienced talent by valuing potential as well as experience and personality traits that align with our Values and Leadership Behaviors.

Employee Engagement

At every facility, in every organization and at all levels, we strive to continuously improve the engagement of our teammates. We survey employee engagement annually through our employee net promotor score and we identify strengths and act on areas of opportunity to enhance our work environment and increase employee satisfaction. In 2022, we received responses from 95% of our team members through the survey.

Compensation

Our philosophy is to competitively compensate all employees for their contributions to Plexus and to appropriately motivate employees to provide value to Plexus' shareholders. To ensure compensation is competitive, performance-based and fair, we are disciplined in the way we establish and evaluate pay. We assign each role a pay range based on its job accountabilities and the pay practices for similar roles in the marketplace. Employees are compensated within their applicable pay range based on a number of factors, including the employee's education, experience, performance and potential. At least annually, we reevaluate employee pay based on these criteria. Short and long-term incentive pay is designed to be competitive, improve employee retention, reward employees for performance supporting our strategic objectives and align employees with the interests of shareholders to deliver both short-term and long-term results. Approximately 18% and 3% of our employees participate in our short and long-term incentive programs, respectively.

Worker Rights, Health, and Safety

We are committed to complying with applicable laws, including those associated with labor and employment, across all areas of our operations. In addition, as an active member of RBA, we abide by their global standards, irrespective of legal requirements, regarding the treatment of workers. These include prevention of excessive working hours and unfair wages, controls to prohibit child labor and human trafficking and bolstering workplace health and safety measures. We are one of several companies actively partnering with the RBA to abolish human trafficking by holding foreign labor agencies accountable to upholding sound recruiting processes.

Protecting our team members and those within our communities is essential. We strive to be the safest place for our employees away from home. Plexus takes an adaptive and proactive approach to ensure we conduct all of our operations across the globe safely and responsibly and we maintain a method of evaluating environmental, health and safety performance for continual improvement. This includes setting and reviewing environmental, health and safety goals. We are committed to providing a workplace that respects the health and safety of all those who work, visit or are contracted to provide a service in our facilities.

Human Capital Management Governance

As part of our governance structure, we have established an Organizational Performance Committee, an executive body comprised of the Chief Executive Officer, Senior Vice President ("SVP") of Human Resources and other executives that oversee our human capital strategy. In addition, our SVP of Human Resources and other key leaders within our Human Resources organization provide a quarterly update to the Compensation and Leadership Development Committee of the Board of Directors on our strategy for talent development and retention, including succession planning for key talent. This includes assessing the diversity of successor candidates for key management roles. Management also updates the Board of Directors regularly on employee-related policies and efforts intended to protect our employees and to preserve our corporate culture, such as the regular review of our Code of Conduct and Business Ethics, diversity and inclusion initiatives, employee net promoter survey results and our ethics hotline activity.

Employee Data

Of our nearly 25,000 team members, 49.9% are female, 50.0% are male and 0.1% choose not to identify. The majority of our workforce, 54.8%, is located in our APAC region, while 34.1% and 11.1% of our employees are located in our AMER and EMEA regions, respectively. Approximately 3,000 and 170 of our respective employees in Mexico and the United Kingdom are covered by union agreements. 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, Thailand 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 positive and stable. 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.

Additional Information

Our global headquarters is located at One Plexus Way, Neenah, Wisconsin, 54957. Plexus maintains a website at www.plexus.com. As soon as is reasonably practical, after we electronically file or furnish all reports to the Securities and Exchange Commission ("SEC"), we provide online copies of such reports, 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. These reports are also accessible 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 "Investors" at our website.

ITEM 1A. RISK FACTORS

Material risk factors to our business and financial performance are those that may impact our strategy, which is centered around four strategic pillars: *Market Focus, Superior Execution, Passion Meets Purpose* and *Discipline by Design*. This section lays out a number of material risks that may impact those strategic pillars. Other sections of this report also include risks that may impact our strategic business objectives and affect our financial performance. The risks included herein and elsewhere in this report are not exhaustive. In addition, due to the dynamic nature of our business, new risks may emerge from time to time and it is not possible for management to predict or assess the impact of all such risks on our business.

Risks impacting our Market Focus

The end markets we serve require technologically advanced products and such markets may be impacted by a number of factors that could adversely impact our customers' demand.

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

- customers' ability or inability to adapt to rapidly changing technologies and evolving industry standards that can result in short product life-cycles or product obsolescence
- customers' ability or inability to develop and market their products, some of which are new and untested
- the potential failure of our customers' products to gain widespread commercial acceptance, and
- the availability of the components required to manufacture and service our customers' products.

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

Our customers do not make long-term commitments to us and may cancel or change their production requirements, which may strain resources and negatively impact our revenue, working capital levels and our operating results.

We generally do not obtain firm, long-term purchase commitments from our customers, and frequently do not have visibility as to their future demand for our services. Customers also cancel, change or delay design, production or sustaining service quantities and schedules, or fail to meet their forecasts for a number of reasons beyond our control. Customer expectations can change rapidly, requiring us to take on additional commitments or risks. In addition, customers may fail to meet their commitments to us or our expectations. 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. This risk continues to be heightened by potential volatility in end market demand for our customers' products or our services as a result of COVID-19, the current inflationary environment, supply chain constraints, global conflicts and general economic uncertainty.

In addition, we make significant decisions based on our estimates of customers' demand, 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 affect our ability to accurately estimate their future requirements. Because certain of our operating expenses are fixed in the short or long term, a reduction in customer demand can harm our operating results. The need for us to correctly anticipate component needs is amplified in times of shortages. The current environment of tight component supply, which continues to be impacted by COVID-19 interruptions and other factors discussed above, can increase the difficulties and cost of anticipating changing demand. Moreover, because our margins vary across customers and specific programs, a reduction in revenue with higher margin customers or programs will have a more significant adverse effect on our operating results.

Rapid increases in customer demand may stress personnel and other capacity resources. We may not have sufficient resources, including personnel and components, 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.

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, manufacturing and servicing products internally and may choose to design, manufacture or service products (including products or product types that we currently design, manufacture or service for them) themselves rather than outsource such activities. Consolidations and other changes in our industry may result in a changing competitive landscape.
Our competitors may:

- respond more quickly than us to new or emerging technologies
- be faster to develop new business models in response to evolving customer needs
- have greater name recognition, critical mass and geographic and market presence
- be better able to identify and take advantage of acquisition opportunities
- adapt more quickly to changes in customer requirements
- have lower internal cost structures
- have greater direct buying power with component suppliers and distributors
- devote greater resources to the development, promotion and sale of their services and execution of their strategy
- be better positioned to compete on price for their services
- have technological expertise, engineering capabilities and/or manufacturing resources that are greater than ours
- have excess capacity, and be better able to utilize such excess capacity
- be better positioned to add additional resources, and
- be willing or able to make sales or provide services at lower margins than we do.

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 otherwise become increasingly competitive. Increased competition could result in significant price reductions, reduced sales and margins, or loss of market share.

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

Net sales to our 10 largest customers have represented a majority of our net sales in recent periods. Our 10 largest customers accounted for 56.2% and 55.2% of our net sales in fiscal 2022 and 2021, respectively. During each of these periods there was one customer that represented 10.0% or more of our net sales.

Our major customers may vary from period to period, and our major customers may not continue to purchase services from us at current levels, or at all, particularly given the volatile or temporary nature of certain programs. In any given period, a higher portion of our sales may be concentrated with customers or projects with relatively lower margins, which could adversely affect our results. We have experienced from time to time, and in the future may experience, significant disengagements with customers or of programs, adverse changes in customer supply chain strategies and the end of life of significant programs. Especially given our discrete number of customers, the loss of, or significant reductions in net sales to, any of our 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, as identified in Part I, Item 1, herein. Each of these sectors is subject to macroeconomic conditions, as well as trends and conditions that are sector specific. Any weakness in our customers' end markets could affect our business and results of operations. Economic, business or regulatory conditions that affect the sector, or our failure to choose to do business in appropriate subsectors, can particularly impact us. 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 U.S. healthcare sector, generally. In addition, the Healthcare/Life Sciences sector is affected by health crises, such as COVID-19. The semiconductor industry has historically been subject to significant cyclicality and volatility. Further, changing U.S. government export regulations including recent regulations relating to the export of advanced semiconductors and chip-manufacturing equipment that may limit our ability to ship certain components or customer products to China, or 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.

We rely on timely and regular payments from our customers, and 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. We also have receivables factoring agreements in place; therefore, deterioration in the payment experience with or credit quality of our major customers we factor, or issues with the banking counterparties to our factoring agreements, could have a material adverse effect on our financial condition and results of operations due to our inability to factor such receivables.

From time to time, our customers have been affected by merger, acquisition, divestiture and spin-off activity. While these transactions may present us with opportunities to capture new business, they also create the risk that these customers will partially reduce their purchases or completely disengage from us as a result of transitioning such business to our competitors or their internal operations.

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

We and our customers are subject to extensive government regulation, legal requirements and industry standards (as well as customer-specific standards) relating to the products we design, manufacture and service as well as how we conduct our business. This includes 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 enforcement activity has increased in recent periods. Regulatory changes and restrictions can be announced with little or no advance notice. A failure to comply with laws, regulations or standards applicable to our business can result in, among other consequences, fines, injunctions, civil penalties, criminal prosecution, recall or seizure of devices, total or partial suspension of production, including debarment, and could have an adverse effect on our reputation, customer relationships, profitability and results of operations.

Our Healthcare/Life Sciences sector is subject to statutes and regulations covering the design, development, testing, manufacturing, labeling and servicing of medical devices and the reporting of certain information regarding their safety, including FDA regulations and similar regulations in other countries. We also design, manufacture and service products for certain industries, including certain applications where the U.S. government is the end customer, that face significant regulation by the Department of Defense, Department of 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, as well as standards of quality systems, technologies or markets. Failure to navigate these regulatory obligations and burdens could impact our operating results as well as cause reputational damage.

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 healthcare providers, and changes in how healthcare in the U.S. and other countries is structured, and how medical devices are taxed, could affect the willingness and ability of end customers to purchase the products of our customers in the Healthcare/Life Sciences 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 or reputation, which in turn would affect our sales to them and pose potential reputational risk to us. 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 we have in place for these customers and create inefficiencies in our business. Failure of our customers to identify or flow down any such requirements to Plexus could result in production of non-compliant product, which could restrict their ability to sell such products, thus affecting our sales to them.

We may fail to identify acquisition targets, or successfully complete future acquisitions, and may not successfully integrate acquired operations or recognize the anticipated benefits of an acquisition, which could adversely affect our operating results.

If we were to pursue future growth through acquisitions, they would involve significant risks that could have a material adverse effect on us. These include operating risks such as the inability to successfully identify acquisition targets or, once a target is identified, to successfully negotiate and close an acquisition; to integrate businesses, systems and personnel; to navigate potential impacts on customer programs and relationships; and to realize anticipated synergies or economies of scale. They also include strategic risks such as the diversion of management time and attention from other business activities and opportunities and financial risks such as the use of cash or incurrence of additional debt and interest expense as consideration for the acquisition and to fund the activities required to pursue acquisitions, the potential volatility or weakness in our stock price as a result of the announcement of such transactions, the incurrence of large write-offs or write-downs if the acquisition is not successful and other potential financial impacts.

Risks impacting our Superior Execution

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, although we have repatriated a substantial amount of cash since the enactment of the U.S. Tax Cuts and Jobs Act ("U.S. Tax Reform") in 2017, a significant amount of our cash balances remain held outside of the U.S., with a particular concentration in Malaysia and China. We purchase a significant number of components manufactured in various countries. These international aspects of our operations, which are likely to increase over time, including with the introduction of a new manufacturing facility in Bangkok, Thailand, subject us to the following risks that could materially impact our operations and operating results:

- economic, political or civil instability
- civil or international conflicts and war, including the risk of escalation in the Russia-Ukraine war, escalating tensions between China and Taiwan as well as China and the U.S.
- 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 (which we are experiencing in Malaysia), increases to minimum wage requirements, changes in union-related laws and regulations, limitations on immigration or the free movement of labor or restrictions on the use of migrant workers, and difficulties in appropriately staffing and managing personnel in diverse cultures
- customers shifting parts of their manufacturing and supply chains to different countries, often referred to as re-shoring, which may impact footprint needs and create operational disruption due to transition efforts
- compliance with laws, such as the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and the European Union's General Data Protection Regulation (the "GDPR"), applicable to companies with global operations
- changing U.S. government export regulations, particularly relating to advanced semiconductors and chip-manufacturing equipment, may limit the ability to ship certain components or customer product to China, and source the components necessary to manufacture customer product in China
- 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 tariffs, embargoes, sanctions, boycotts, trade wars, energy disruptions, trade agreements and changes in trade policies, including those which may be effected by the U.S. and other countries' political reactions to those actions, and
- regulatory requirements and potential changes to those requirements.

As our international operations continue to expand, our failure to appropriately address foreign currency transactions 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 the APAC region, particularly in Malaysia. The concentration of our operations, workforce, assets and profitability in that region exposes us to adverse developments, economic, political or otherwise, in those countries.

Changes in policies or trade agreements by or changes in elected officials of the U.S. or other governments could negatively affect our operating results due to trade wars, changes in duties, tariffs or taxes, currency exchange rate fluctuations, higher costs of compliance, or limitations on currency or fund transfers, as well as government-imposed restrictions on producing certain products in, or shipping them to, specific countries. Our current facilities in Mexico operate 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.

Additionally, continued uncertainty regarding commercial dealings, tariffs, export regulations and other trade protection measures between the U.S. and China, heightened by escalating geopolitical tensions, may affect our ability to do business in China, may impact the cost of our products originating in China and may impact the demand for our products manufactured in China in the event our customers reduce or eliminate their operations in China. These actions could also affect the cost and/or availability of components that we procure from suppliers in China, as well as create disruptions, delays, shortages or increased costs within our global supply chain. Government-imposed restrictions on where we or our customers can produce certain types of products or source components or with whom we can conduct business, such as named companies or industries identified in the 2021 National Defense Authorization Act and recent export regulations limiting advanced semiconductors and chip-manufacturing equipment, could limit our ability to sell or manufacture products or services in China, or source components from certain companies or geographies. These factors can negatively affect operating results and financial position, including reducing our revenues, costs and profitability as a result of having to minimize engagements in China or requiring us to shift such production or the sourcing of components to the U.S. or other higher-cost locations.

Further, the extent to which the conflict between Russia and Ukraine or the escalating tensions between China and Taiwan or China and the U.S. may impact our business or results of operations will depend on future developments, including the severity and duration of any conflicts, their impact on global supply chains and their impact on regional and global economic conditions including the ability of our customers or suppliers to do business in those or surrounding countries and the inflationary effects of such conflicts on our profitability. These tensions have resulted in, and may continue to cause, global disruptions creating significant volatility in financial markets and the global economy.

We experience component shortages, delays, price fluctuations and supplier quality concerns.

We generally do not have long-term supply agreements. We have experienced from time to time and are currently experiencing significant component shortages and longer lead-times due to supplier capacity constraints. Supply chain constraints and delays can be caused by world events, such as government policies, tariffs, trade wars, trade disputes and trade protection measures, terrorism, armed conflict, natural disasters, economic recession, increased demand due to economic growth, preferential allocations, transportation challenges, and other localized events. For example, escalating tensions between China and Taiwan (and/or any trade restrictions that may be imposed in response) may impact our ability to procure semiconductors and other components. Further, we rely on a limited number of suppliers for many of the components used in the assembly process and, in some cases, may be required to use suppliers that are the sole provider of a particular component. Such suppliers may encounter quality problems, labor disputes or shortages, financial difficulties or business continuity issues that could preclude them from delivering components timely or at all. Supply shortages and delays in deliveries of components may result in delayed production of assemblies, which reduces our revenue and operating profit for the periods affected. Additionally, a delay in obtaining a particular component may result in other components for the related program being held for longer periods of time, increasing working capital, risking inventory obsolescence and negatively impacting our cash flow. We are currently experiencing higher inventory levels as a result of component shortages.

Due to the highly competitive nature of our industry, an inability to obtain sufficient inventory on a timely basis or successfully execute on our business continuity processes, could also harm relationships with our customers and lead to loss of business to our competitors.

In addition, components that are delivered to us may not meet our specifications or other quality criteria. Certain components 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. Further, the commitments made to us by our suppliers, and the terms applicable to such relationships, may not match all the commitments we make to, and the terms of our arrangements with our customers, and such variations may lead us to incur additional expense or liability and/or cause other disruptions to our business.

Component supply shortages and delays in deliveries, along with other factors such as tariffs, trade disputes or embargos, inflation, and rising energy and transportation costs, can also result in increased pricing. While many of our customers permit quarterly or other periodic adjustments to pricing based on changes in 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. In addition, these repricing or pricing recoveries have been and may continue to be dilutive to our operating margin. Conversely, as a result of our pricing strategies and practices, 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, cash flows and inventory levels, which could increase as a result of higher component prices or the negative effects of inflation on customer end-market demand.

Our services involve other inventory risk.

Most of our services are provided on a turnkey basis, under which we purchase some, or all, of the required materials and components based on customer forecasts or orders. Although, in general, our commercial contracts with our customers obligate our customers to ultimately purchase inventory ordered to support their forecasts or orders, we generally finance these purchases initially. In addition, 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, require customers to reimburse us for these items and/or price our services to address related risks, we may not actually be reimbursed timely or in full, be able to collect on these obligations or adequately reflect such risks in our pricing. In addition to increasing inventory in certain instances to support new program ramps, we may also increase inventory if we experience component shortages or longer lead-times for certain components in order to maintain a high level of customer service. In such situations, we may procure components earlier, which has led to an increase in inventory in the short term and may lead to increased, excess, or obsolete inventory in the future. Excess or obsolete inventory, the need to acquire increasing amounts of inventory due to shortages, customer demand or otherwise, 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 may result in higher inventory levels, further reduce our inventory turns and increase our financial exposure with such customers. In addition, our inventory may be held at a customer's facility or warehouse, or elsewhere in a location outside of our control, which may increase the risk of loss. Even though our customers generally have contractual obligations to purchase such inventories from us, we remain subject to customers' credit risks as well as the risk of potential customer default and the need to enforce those obligations.

We have a complex business model, and our failure to properly manage or execute on that model could adversely affect our operations, financial results and reputation.

Our business model focuses on products and services that are highly complex and subject to demanding regulatory requirements. Our customers' products typically require significant production and supply-chain flexibility necessitating optimized solutions across an integrated global platform. The products we design, manufacture and service are also typically complex, heavily regulated and require complicated configuration management and direct order fulfillment capabilities to global end customers.

Our business model requires 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 as well as 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 model, which encompasses a broad range of services including design and development, supply chain solutions, new product introduction, manufacturing and sustaining services, often results in complex and challenging contractual obligations and unique customer requirements. In addition, program complexity and associated customer expectations have increased in recent years with respect to certain capabilities, commitments, allocation of risk and compliance with third party standards, requiring extraordinary measures to ensure operational execution and compliance within unique, non-standard engagements. This is especially relevant to our expanding sustaining services business, where each customer program presents unique logistical, operational and supply chain risks that differ from those found in our manufacturing or engineering engagements. If we fail to meet those obligations, or are otherwise unable to execute on our commitments or unsuccessfully mitigate such risks, then it could result in claims against us, regulatory violations, 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. A failure to adequately understand unique customer requirements may also impact our ability to estimate and ultimately recover associated costs, adversely affecting our financial results.

Many of our customers' markets are characterized by rapidly changing technology and evolving process developments. Our internal processes are also subject to these factors. The sustained success of our business will depend upon our continued ability to:

- attract and retain qualified engineering and technical personnel, especially in times of tight labor markets
- choose, maintain and enhance 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 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 technical personnel, equipment, inventory or processes obsolete or noncompetitive. In addition, we may have to acquire new skills, technologies and equipment to remain competitive, as well as offer new or additional services, all of which 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 to maintain our personnel and other resources during times of fluctuating demand, could have an adverse effect on our business.

Natural disasters including weather events caused by global climate change, 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 weather events or global climate change, fires, acts of terrorism or war, breaches of security, theft or espionage, workplace violence and failures of utilities. If such an event was to occur and we did not have an effective business continuity plan in place, our business could be harmed due to the event itself or due to our inability to effectively manage the effects of the particular event, with the impact of the event potentially magnified in areas where we have multiple facilities in close proximity. For example, we maintain significant production capacity in Penang, Malaysia, and an event in that geography could materially hinder our production capabilities. Potential harms include the loss of business continuity, financial risk, the loss of business data and damage to infrastructure. These natural disasters and physical climate risks could also disrupt our operations by impacting the availability and cost of materials within our supply chain, and could also increase insurance and other operating costs. These factors may impact our decisions to construct new facilities or maintain existing facilities in areas most prone to physical climate risks, such as our facilities in Malaysia that are at or near sea level.

In addition, some of our facilities possess certifications or unique equipment 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 or equipment could adversely affect our ability to provide products and services to our customers, and potentially have a negative affect our relationships and financial results.

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, damaged 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 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.

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, cybersecurity, 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, cyber threats, industrial espionage (internal or external), hacking, break-ins and similar events, other breaches of security, natural disasters, power loss or telecommunications failures. Due to the intellectual property we maintain on our systems related to high technology components, sub-components, manufacturing processes and our customers' products, we are a likely target from various external cyber threats, such as lone attackers, nation states seeking to gain access to such intellectual property, as well as both unintentional and malicious internal threats. In addition, lone and organized crime elements have been known to extort money by encrypting their victims' data (ransomware) and utilize their victims' resources for unauthorized mining of cryptocurrency.

The increasing sophistication of cyberattacks requires us to continually evaluate the threat landscape and new technologies and processes intended to detect and prevent these attacks. There can be no assurance that the security measures and systems configurations we choose to implement will be sufficient to protect the data we manage. Any theft or misuse of information resulting from a security breach could result in, among other things, loss of significant and/or sensitive information, litigation by affected parties, financial obligations resulting from such theft or misuse, higher insurance premiums, governmental investigations, fines and penalties, negative reactions from current and potential future customers, and reputational damage, any of which could adversely affect our financial results. Also, the time and funds spent on monitoring and mitigating our exposure and responding to breaches, including the training of employees, the purchase of protective technologies and the hiring of additional employees and consultants to assist in these efforts could adversely affect our financial results. This risk is enhanced as a result of an increase in our remote workforce due to evolving flexible workplace practices, for example by reason of utilizing home networks that may lack encryption or secure password protection, virtual meeting/conference security concerns and increase of phishing/cyber-attacks around our remote workforce's digital resources.

Moreover, we are subject to increasing expectations and data security requirements from our customers, generally, as well as specific data handling requirements due to the nature of their end products, including those related to the Export Administration Regulations/International Traffic in Arms, Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement and Cybersecurity Maturity Model Certification. Any operational failure or breach of security from increasingly sophisticated cyber threats could lead to the loss or disclosure of our or our customers' financial, product or other confidential information, result in adverse regulatory or other legal actions and have a material adverse effect on our business and reputation. In addition, we must comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S. and elsewhere. For example, GDPR and similar legislation in jurisdictions in which we operate impose additional obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored. Compliance with existing, proposed and recently enacted laws and regulations can be costly. Failure to comply with these regulatory standards could subject us to legal and reputational risks. Misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against us by governmental entities or others, fines and penalties, damage to our reputation and credibility and could have a negative impact on our business and results of operations.

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

We design, manufacture and service products to our customers' specifications, many of which are highly complex, for industries such as healthcare, aerospace and defense that have higher risk profiles. Despite our quality control and quality assurance efforts, problems may occur, or may be alleged, in the design, manufacturing or servicing of these products. 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, servicing or a component defect, may result in delayed shipments to customers 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, such 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 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 secure contractual protection and/or to insure against many of these risks, we may not have practical recourse against certain suppliers, and contractual protections, insurance coverage or supplier warranties, as well as our other risk mitigation efforts, 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.

A failure to comply with customer-driven policies and standards, and third-party certification requirements or standards 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 or third-party quality standards, commercial terms, or other business policies or standards, which may be more restrictive than current laws and regulations as well as our pre-existing policies and/or terms with our suppliers, 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.

Our compliance with these heightened and/or additional policies, standards and third-party certification requirements, and managing a supply chain in accordance therewith, 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. In certain circumstances, to meet the requirements or standards of our customers we may be obligated to select certain suppliers or make other sourcing choices, and we may bear responsibility for adverse outcomes even if these matters are as the result of third-party actions or outside of our control.

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

Although our manufacturing processes are generally not subject to significant proprietary protection, our services may and our customers' products do 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, then 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 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.

Risks impacting our Passion Meets Purpose

We depend on our workforce, and the inability to attract, develop and retain personnel or other personnel disruptions may harm our business.

If we fail to attract, develop and retain sufficient qualified personnel, including key leadership positions and highly skilled technical roles, our operations and, consequently, our financial results, could be adversely affected. A number of factors may adversely affect labor availability in one or more of our locations, including local labor laws and practices or union activities, wage pressure and changing wage requirements, increasing healthcare costs, restrictions on immigration or labor mobility, local competition, high employment rates and high turnover rates. These labor-related issues and labor shortages have become more pronounced. We have been subject to inflationary or other general labor cost increases due to current economic conditions, which have increased our costs. If we are unable to offset these labor cost increases through price increases, growth or operational efficiencies, these inflationary or general labor cost increases could have a material adverse effect on our operating results and cash flows. Further, our adoption of certain third-party health, safety and other employment-related regulatory standards could adversely affect our ability to attract and retain employees in jurisdictions where these standards vary from prevailing local customs and practices. Additionally, any of these factors could drive an increase in turnover rates within our existing workforce, which could lead to decreased efficiency and increased costs, such as increased over time to meet demand and increased wage rates to attract and retain employees.

We also depend on good relationships with our workforce. Monitoring employee engagement and maintaining a healthy workplace culture based on our values and leadership behaviors is important to developing these good relationships and retaining a committed workforce. A failure to foster a strong, healthy culture, or a failure to adopt or maintain competitive policies and practices that enhance our workplace culture, such as those related to diversity and inclusion, workplace flexibility or other employee benefits, could adversely impact our ability to attract, develop and retain personnel and could substantially affect our operations and financial results.

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, including those that are unexpected. Transitions or other changes in responsibilities among officers and key employees without having identified and ready successors for these critical roles, particularly when such changes are unanticipated, unplanned or not executed effectively, inherently can cause disruptions to our business and operations, as well as harm our reputation, which could have an effect on our results. Further, as we grow in size and complexity, a failure to continuously focus on the development of personnel and plan for the succession of critical roles may result in shortfalls in the talent required to execute effectively and affect our operations and financial results.

Evolving expectations on environmental, social and governance ("ESG") matters, including global climate change, by various stakeholders could negatively affect our business.

Customer, investor and employee expectations relating to ESG have been rapidly evolving and increasing. In addition, government organizations are enhancing or advancing legal and regulatory requirements specific to ESG matters. The heightened stakeholder focus on ESG issues related to our business requires the continuous monitoring of various and evolving laws, regulations, standards and expectations and the associated reporting requirements. Specifically, certain stakeholders are beginning to require that we provide information on our plans relating to certain climate-related matters such as greenhouse gas emissions, and we expect this trend to continue and be amplified by the potential adoption of the proposed U.S. Securities and Exchange Commission ("SEC") regulations relating to climate change disclosure. A failure to adequately meet stakeholder expectations and reporting requirements may result in noncompliance with any imposed regulations, the loss of business, reputational impacts, diluted market valuation, an inability to attract and retain customers, and an inability to attract and retain top talent. In addition, our adoption and the reporting of certain standards or mandated compliance to certain requirements could necessitate additional investments that could impact our profitability. There continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty. Such uncertainty may have an impact on our business, from the demand for our customers’ products in various industries to our costs of compliance in the manufacturing and servicing of our customers’ products, all of which may impact our results of operations.

Further, increased public awareness and concern regarding global climate change may result in new or enhanced requirements and/or stakeholder expectations to reduce or mitigate the effects of greenhouse gas emissions and transition to low-carbon alternatives, driven by policy and regulations, low-carbon technology advancement and shifting consumer sentiment and societal preferences. These transition risks could negatively impact our financial condition and results of operations including by means of carbon pricing mechanisms, required investments in lower greenhouse gas emissions technology, increased cost of raw materials and mandates on and regulation of existing products and services.

In addition, transition to low-carbon alternatives risks could result in reduced demand or product obsolescence for certain of our customers’ products and/or price modifications for our customers’ products and the resources needed to produce them. This could in turn put pressure on our manufacturing costs and result in reduced profit margin associated with certain of our customer programs, or loss of customer programs that we may not be able to replace.

Risks impacting our Discipline By Design

Challenges associated with the engagement of new customers or programs, the provision of new services, or start-up costs and inefficiencies related to new, recent or transferred programs could affect our operations and financial results.

Our engagement with new customers, as well as the addition of new programs or types of services 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 whether the customer, program or service fits 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 strategic nature of the customer, anticipated costs, risks and rewards. The failure to make prudent engagement decisions 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 anticipated revenue from a new program or service; 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 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.

In recent years, ramping new programs has been a key contributor to our revenue growth. 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.

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. We may also be required to transfer projects between facilities due to tariffs and other trade measures impacting particular countries such as China. Although we try to recover costs from our customers and minimize the potential losses arising from transitioning customer programs between our facilities and geographies, we may not be successful and 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.

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

Our industry frequently sees periods of expansion and contraction. We regularly contend with these issues and must carefully manage our business to meet changing 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 new or other facilities or due to acquisitions, can inherently include additional costs and start-up inefficiencies. For example, we expanded our geographic locations by constructing a new manufacturing facility in Bangkok, Thailand, to supplement our footprint in the Asia-Pacific region. In addition, we may expand our operations in new geographical areas where currently we do not operate. If we are unable to effectively manage this or other expansions or consolidations, or related anticipated net sales are not realized, our operating results could be adversely affected. 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 costs or other charges that may be insufficient or may not have their intended effects
- additional fixed or other costs, or selling and administrative 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 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 costs.

In addition, to meet our customers' needs, particularly when the production requirements of certain products are site-specific, to achieve increased efficiencies, or to address factors affecting specific locations, such as tariffs and trade disputes, 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 or further developments affecting our deferred tax assets could adversely affect our results.

Our effective tax rate is highly dependent upon the geographic mix of earnings across the jurisdictions where we operate. Changes in tax laws or tax rates in those jurisdictions, including, but not limited to, as a result of actions by the U.S. (including additional guidance and interpretations related to U.S. Tax Reform or potential passage of tax regulation changes under the U.S. presidential administration) or other countries, could continue to have a material impact on our operating results. Among other things, we have been, and are expected to continue to be, affected by the global intangible low-taxed income provisions added by U.S. Tax Reform and related new tax legislation, interpretations and guidance. Our effective tax rate may also be impacted by tax holidays and other various tax credits granted by local taxing authorities. In addition, the implementation of U.S. Tax Reform has required the use of estimates, which may be refined in future periods. All incentives, including a tax holiday granted to our Malaysian subsidiary, are subject to certain terms and conditions, which could be unfavorably altered by the local taxing authorities, changes to U.S. tax policy or the establishment of a global minimum tax. While we expect to comply with these conditions, we would experience adverse tax consequences if we are found to not be in compliance.

Our taxable income in any jurisdiction is dependent upon the local taxing authority's acceptance of our operational and intercompany transfer pricing practices as being at "arm's length." Due to inconsistencies among jurisdictions in the application of the arm's length standard, our transfer pricing methods may be challenged and, if not upheld, could increase our income tax expense. Risks associated with transfer pricing adjustments are further highlighted by the global initiative from the Organisation for Economic Cooperation and Development called the Base Erosion and Profit Shifting ("BEPS') project. The BEPS project is challenging longstanding international tax norms regarding the taxation of profits from cross-border business. Given the scope of our international operations and the fluid and uncertain nature of how the BEPS project might ultimately lead to future legislation, it is difficult to assess how any changes in tax laws would impact our income tax expense.

We review 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.

Our financial condition and results of operations may be materially adversely affected by a global health crisis such as coronavirus (COVID-19).

The full extent to which a global health crisis, such as COVID-19, will impact our business and operating results will depend on future developments that are highly uncertain and cannot be accurately predicted, including new medical and other information that may emerge as a result and the actions by governmental entities or others to contain it or treat its impact.

The impacts of a potential resurgence of COVID-19 or the possible impacts of a future and potentially more severe global health crisis could pose the risk that we or our employees, suppliers, customers and others may be restricted or prevented from conducting business activities for indefinite or intermittent periods of time, including as a result of employee health and safety concerns, shutdowns, shelter in place orders, travel restrictions and other actions and restrictions that may be prudent or required by governmental authorities.

We, our suppliers, and our customers had modified our business practices for the continued health and safety of our employees during the outbreak of COVID-19. If a resurgence of COVID-19 or a potentially more severe global health crisis occurs, we may be required to take further actions that are in the best interests of our employees, which could result in disruptions or delays and higher costs. The implementation of health and safety practices by us, our suppliers, or our customers could impact customer demand, supplier deliveries, our productivity and costs, which could have a material adverse impact on our business, financial condition, or results of operations.

While we currently believe we have ample liquidity to manage the financial impact of a global health crisis, we can give no assurance that this will continue to be the case if the impact is prolonged or if there is an extended impact on us or the economy generally. If our future financing needs increase, then we may need to arrange additional debt or equity financing. However, if our liquidity or access to capital becomes significantly constrained, if costs of capital increase significantly due to the impact of a global health crisis as result of volatility in the capital markets, or there is a reduction in our creditworthiness or other factors, then our financial condition, results of operations and cash flows could be materially adversely affected.

The foregoing and other disruptions to our business as a result of a global health crisis has had and could continue to have a material adverse effect on our business, results of operations and financial condition.

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

Although we have credit facilities, we cannot be certain that our existing credit arrangements 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 and/or increased working capital needs. In addition, if we do not comply with the covenants under our credit facility, 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 facility and receivables factoring programs, may not be willing or able to meet their obligations, either due to instability in the global financial markets or otherwise, which could, among other impacts, increase the duration of our cash collection cycle. While we currently believe we have ample liquidity to manage the financial impact of COVID-19 or current economic conditions we can give no assurance that this will continue to be the case if the impact of COVID-19 or current economic conditions are prolonged or if there is an extended impact on us or the economy in general.

Our future success may depend on our ability to obtain additional financing and capital to support possible future growth and future initiatives. In addition, we also have receivables factoring programs. Many of our borrowings are at variable interest rates and therefore our interest expense is subject to increase if rates increase.

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.

ITEM 1B. UNRESOLVED SEC STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our facilities are comprised of an integrated network of manufacturing and engineering centers with our corporate headquarters located in Neenah, Wisconsin. We own or lease facilities with approximately 5.1 million square feet of active capacity. This includes approximately 2.1 million square feet in AMER, approximately 2.6 million square feet in APAC and approximately 0.4 million square feet in EMEA. Our active facilities as of October 1, 2022 are described in the following table:

Location	Type	Size (sq. ft.)	Owned/Leased
AMER			
Neenah, Wisconsin	Manufacturing	418,000	Owned
Guadalajara, Mexico (1)	Manufacturing/Engineering	741,000	Leased
Nampa, Idaho	Manufacturing	216,000	Owned
Appleton, Wisconsin	Manufacturing	205,000	Owned
Buffalo Grove, Illinois (1)	Manufacturing	189,000	Leased
Neenah, Wisconsin	Global Headquarters	104,000	Owned
Neenah, Wisconsin	Engineering	90,000	Leased
Raleigh, North Carolina	Engineering	41,000	Leased
Portland, Oregon	Manufacturing	29,000	Leased
APAC			
Penang, Malaysia (1)	Manufacturing/Engineering	1,530,000	Owned
Bangkok, Thailand	Manufacturing	400,000	Owned
Hangzhou, China (1)	Manufacturing	245,000	Leased
Haining, China	Manufacturing	202,000	Leased
Xiamen, China	Manufacturing	133,000	Owned
Xiamen, China (1)	Manufacturing	122,000	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	21,000	Leased

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

In the fourth quarter of fiscal 2022, we took possession of a new leased manufacturing facility in Portland, Oregon. It is expected to become an active facility in fiscal 2023.

ITEM 3. LEGAL PROCEEDINGS

We are 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 our consolidated financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

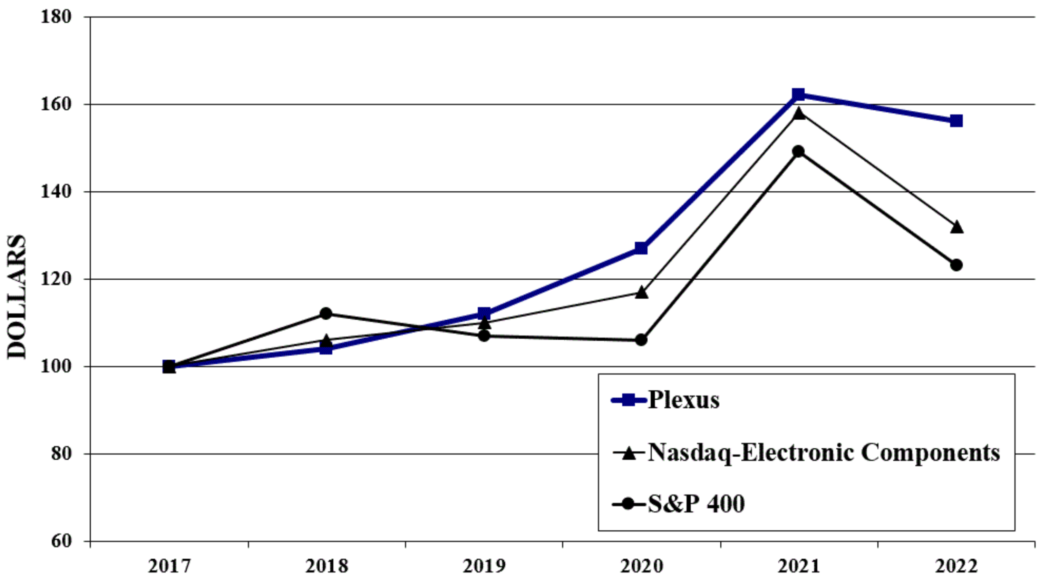
PART II

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

Performance Graph

Our common stock trades on the Nasdaq Stock Market in the Nasdaq Global Select Market tier (symbol: PLXS).

The following graph compares the cumulative total return on Plexus common stock with the Standard & Poor's ("S&P") MidCap 400 Index and the Nasdaq Stock Market Index for Electronic Components Companies. The values on the graph show the relative performance of an investment of $100 made on September 29, 2017 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

	2017	2018	2019	2020	2021	2022
Plexus	$100	$104	$112	$127	$162	$156
Nasdaq-Electronic Components	100	106	110	117	158	132
S&P 400	100	112	107	106	149	123

Shareholders of Record

As of November 14, 2022, we had 376 shareholders of record.

Dividends

We have not paid any cash dividends in the past. We currently anticipate that in the foreseeable future the majority of earnings will be retained to finance the development of our business through capital expenditures and working capital requirements, as well as execution upon our share repurchase authorizations as management deems appropriate and market conditions may allow. However, our Board of Directors 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 additional discussion of our intentions regarding dividends as well as a description of loan covenants that could restrict our ability to make future dividend payments.

Issuer Purchases of Equity Securities

The following table provides the specified information about the repurchases of shares by us during the three months ended October 1, 2022:

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 3, 2022 to July 30, 2022	—	$ —	—	$ —
July 31, 2022 to August 27, 2022	—	—	—	50,000,000
August 28, 2022 to October 1, 2022	38,397	90.63	38,397	$ 46,520,133
	38,397	$ 90.63	38,397	

(1) On August 18, 2022, the Board of Directors approved a new share repurchase program that authorizes the Company to repurchase up to $50.0 million of its common stock (the "2023 Program"). The 2023 Program became effective immediately and has no expiration. The table above reflects the maximum dollar amount remaining available for purchase under the 2023 Program as of October 1, 2022.

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

OVERVIEW

Plexus Corp. and its subsidiaries (together "Plexus," the "Company", "our", or "we") participate in the Electronic Manufacturing Services ("EMS") industry. Since 1979, we have been partnering with companies to create the products that build a better world. We are a global leader with a team of nearly 25,000 individuals who are dedicated to providing Design and Development, Supply Chain Solutions, New Product Introduction, Manufacturing and Sustaining Services. We specialize in serving customers in industries with highly complex products and demanding regulatory environments. We deliver customer service excellence to leading global companies in the Industrial, Healthcare/Life Sciences and Aerospace/Defense market sectors by providing innovative, comprehensive solutions throughout the product's lifecycle. We provide these innovative solutions to customers in the Americas ("AMER"), Asia-Pacific ("APAC") and Europe, Middle East and Africa ("EMEA") regions.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide an analysis of both short-term results and future prospects from management's perspective, including an assessment of the financial condition and results of operations, events and uncertainties that are not indicative of future operations and any other financial or statistical data that we believe will enhance the understanding of our company's financial condition, cash flows and other changes in financial condition and results of operations. The information should be read in conjunction with our consolidated financial statements included herein and "Risk Factors" included in Part I, Item 1A herein.

A discussion regarding our financial condition and results of operations for fiscal 2022 compared to fiscal 2021 is presented below. A discussion regarding our financial condition and results of operations for fiscal 2021 compared to fiscal 2020 is incorporated herein by reference from Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on the Form 10-K for the fiscal year ended October 2, 2021, which was filed with the SEC on November 19, 2021, and is available on the SEC's website at www.sec.gov as well as our Investor Relations website at www.plexus.com.

Market Pressures Update

We have experienced, and expect to continue to experience, an inability to procure certain components on a timely basis due to global supply chain constraints. These constraints have impacted our ability to meet customer demand and may inhibit our ability to capture the demand from our customers. We remain in close contact with our suppliers to understand the impacts on their businesses and operations and continue to take steps to validate their ability to deliver to us on time. However, the extended lead-times have required us to make additional investments in inventory to satisfy customer demand, which we expect to persist.

Over the past few quarters, the global supply chain constraints have led to inflation in some of the components we acquire, as well as labor and operating costs. We expect the increase in costs, including labor-related issues which have become more pronounced, to continue in the near future. We have been, and expect to continue to be, subject to such inflationary and general labor cost increases including in our Malaysia operations where the government has imposed a mandatory increase to the minimum wage that went into effect in our third quarter of fiscal 2022. While we have been largely able to mitigate the impacts of inflation through our contractual rights with customers on pricing, the pricing recoveries received may be dilutive to our operating margin. The inability to offset these costs in future periods or the impacts of continued inflation on end markets and our customers may affect our operating results, cash flows and inventory levels, which could increase as a result of higher component prices or the negative effects of inflation on customer end-market demand.

We continue to monitor the global impacts of COVID-19 and take steps to mitigate the potential risks to us posed by its spread and related circumstances and impacts. These efforts will continue as requirements change, new risks are identified and infections impact us. The spread and resurgence of COVID-19 from new variants in jurisdictions where we operate may make our ability to mitigate the impacts of the spread of the virus on our productivity more challenging.

The recent conflict between Russia and Ukraine has negatively impacted the global economy and led to various economic sanctions being imposed by the U.S., United Kingdom, European Union and other countries against Russia. While the impacts of the conflict have not been material on our operating results, as we do not have operations or material customers or suppliers in either country, it is not possible to predict the broader consequences of this conflict. Changing U.S. government export regulations, particularly relating to advanced semiconductors and chip-manufacturing equipment, may limit the ability to ship certain customer product to China, and source the components necessary to manufacture customer product in China.

We believe our balance sheet is positioned to support the potential future challenges presented by the macro-economic pressures we are facing. As of October 1, 2022, cash and cash equivalents and restricted cash were $275 million, while debt, finance lease obligations and other financing were $462 million. To further ensure our ability to meet the needs of working capital investments to support anticipated revenue growth, we refinanced our revolving credit facility, expanding the maximum commitment from $350 million to $500 million during the third quarter of fiscal 2022. Borrowings under our Credit Facility as of October 1, 2022 were $263 million, leaving $237 million of our revolving commitment of $500 million available for use as of October 1, 2022 as well as the ability to expand our revolving commitment to $750 million upon mutual agreement with the bank. Refer to Note 4, "Debt, Finance Lease Obligations and Other Financing," in Notes to Consolidated Financial Statements and "Management's Discussion and Analysis Liquidity and Capital Resources" in Part II, Item 7 for further information.

RESULTS OF OPERATIONS

Consolidated Performance Summary. The following table presents selected consolidated financial data for the indicated fiscal years (dollars in millions, except per share data):

	2022	2021
Net sales	$ 3,811.4	$ 3,368.9
Cost of sales	3,464.1	3,045.6
Gross profit	347.2	323.3
Gross margin	9.1 %	9.6 %
Operating income	178.2	176.3
Operating margin	4.7 %	5.2 %
Other expense	19.9	15.9
Income tax expense	20.1	21.5
Net income	138.2	138.9
Diluted earnings per share	$ 4.86	$ 4.76
Return on invested capital*	13.0 %	15.4 %
Economic return*	3.7 %	7.3 %

*Non-GAAP metric; refer to "Return on Invested Capital ("ROIC") and economic return" below for more information and Exhibit 99.1 for a reconciliation.

Net sales. Fiscal 2022 net sales increased $442.5 million, or 13.1%, as compared to fiscal 2021.

Net sales are analyzed by management by geographic segment, which reflects our reportable segments, and by market sector. Management measures operational performance and allocates resources on a geographic segment basis. Our global business development strategy is based on our targeted market sectors.

As a percentage of consolidated net sales, net sales attributable to customers representing 10% or more of consolidated net sales as well as the percentage of net sales attributable to our ten largest customers for the indicated fiscal years were as follows:

	2022	2021
General Electric Company ("GE")	12.9 %	11.2 %
Top 10 customers	56.2 %	55.2 %

A discussion of net sales by reportable segment is presented below for the indicated fiscal years (in millions):

	2022	2021
Net sales:		
AMER	$ 1,310.7	$ 1,317.4
APAC	2,300.6	1,850.6
EMEA	316.3	312.7
Elimination of inter-segment sales	(116.2)	(111.8)
Total net sales	$ 3,811.4	$ 3,368.9

AMER. Net sales for fiscal 2022 in the AMER segment decreased $6.7 million, or 0.5%, as compared to fiscal 2021. The decrease in net sales was driven by net decreased customer end-market demand, a $49.4 million decrease for end-of-life products, a $41.1 million decrease due to the discontinuation of programs with existing customers and the impact of supply chain constraints that have created limitations with meeting available customer demand. These decreases were substantially offset by a $118.4 million increase in production ramps of new products for existing customers and a $43.8 million increase in production ramps for new customers, as well as increased pricing associated with inflated component prices.

APAC. Net sales for fiscal 2022 in the APAC segment increased $450.0 million, or 24.3%, as compared to fiscal 2021. The increase in net sales was driven by overall net increased customer end-market demand and increased pricing associated with inflated component prices, a $97.8 million increase in production ramps of new products for existing customers, an $8.8 million increase in production ramps for new customers and a partial recovery of supply chain constraints that had previously created limitations with meeting available customer demand. These increases were partially offset by a $33.1 million decrease for end-of-life products and a $6.9 million decrease due to the discontinuation of a program with an existing customer.

EMEA. Net sales for fiscal 2022 in the EMEA segment increased $3.6 million, or 1.2%, as compared to fiscal 2021. The increase in net sales was driven by a $10.0 million increase in production ramps of new products for existing customers, partially offset by overall net decreased customer end-market demand.

Our net sales by market sector for the indicated fiscal years were as follows (in millions):

	2022	2021
Net sales:		
Industrial	$ 1,752.7	$ 1,549.0
Healthcare/Life Sciences	1,565.8	1,326.9
Aerospace/Defense	492.9	493.0
Total net sales	$ 3,811.4	$ 3,368.9

Industrial. Net sales for fiscal 2022 in the Industrial sector increased $203.7 million, or 13.2%, as compared to fiscal 2021. The increase in net sales was driven by overall net increased customer end-market demand and increased pricing associated with inflated component prices, a $73.8 million increase due to production ramps of new products for existing customers and a $41.1 million increase in production ramps for new customers, partially offset by the impact of supply chain constraints that have created limitations with meeting available customer demand. The increase was further offset by a $41.7 million decrease due to the discontinuation of programs with existing customers and an $18.6 million decrease for end-of-life products.

Healthcare/Life Sciences. Net sales for fiscal 2022 in the Healthcare/Life Sciences sector increased $238.9 million, or 18.0%, as compared to fiscal 2021. The increase in net sales was driven by overall net increased customer end-market demand and increased pricing associated with inflated component prices, a $115.2 million increase due to production ramps of new products for existing customers and a partial recovery of supply chain constraints that had previously created limitations with meeting available customer demand. These increases were partially offset by a $55.1 million decrease for end-of-life products and a $6.9 million decrease due to the discontinuation of a program with an existing customer.

Aerospace/Defense. Net sales for fiscal 2022 in the Aerospace/Defense sector decreased $0.1 million, or less than 0.1%, as compared to fiscal 2021. The decrease was driven by net decreased customer end-market demand and a $9.1 million decrease due to end-of-life products. These decreases were substantially offset by a $37.2 million increase due to production ramps of new products for existing customers and an $8.2 million increase in production ramps for new customers.

Cost of sales. Cost of sales for fiscal 2022 increased $418.5 million, or 13.7%, as compared to fiscal 2021. Cost of sales is comprised primarily of material and component costs, labor costs and overhead. In fiscal 2022 and 2021, approximately 89% to 90% of the total cost of sales was variable in nature and fluctuated with sales volumes. Approximately 88% of these costs in fiscal 2022 and 2021 were related to material and component costs.

As compared to fiscal 2021, the increase in cost of sales in fiscal 2022 was primarily driven by the increase in net sales, inflated component costs, an increase in fixed costs, reduced operational efficiencies and increased labor costs.

Gross profit. Gross profit for fiscal 2022 increased $23.9 million, or 7.4%, as compared to fiscal 2021. Gross margin of 9.1% decreased 50 basis points compared to fiscal 2021. The primary driver of the increase in gross profit as compared to fiscal 2021 was the increase in net sales and reduced employee compensation and supplies costs associated with COVID-19, partially offset by inflated component costs, increased fixed costs, reduced operational efficiencies and increased labor costs. The decrease in gross margin was primarily driven by pass-through effects of recoveries from inflated components and increased labor costs, partially offset by fixed cost leverage.

Operating income. Operating income for fiscal 2022 increased $1.9 million, or 1.1%, as compared to fiscal 2021. Operating margin of 4.7% decreased 50 basis points compared to fiscal 2021. The primary driver of the increase in operating income as compared to fiscal 2021 was the result of the increase in gross profit along with a $1.2 million decrease in restructuring and impairment charges, partially offset by a $22.0 million increase in selling and administrative expenses ("S&A"). The increase in S&A was primarily due to an increase in compensation costs. The decrease in operating margin was primarily driven by the decrease in gross margin, driven by the factors previously discussed.

A discussion of operating income by reportable segment for the indicated fiscal years is presented below (in millions):

	2022	2021
Operating income (loss):		
AMER	$ 44.7	$ 62.3
APAC	267.3	238.8
EMEA	8.0	(0.9)
Corporate and other costs	(141.8)	(123.9)
Total operating income	$ 178.2	$ 176.3

AMER. Operating income decreased $17.6 million in fiscal 2022 as compared to fiscal 2021, primarily as a result of a decrease in net sales, inflated component costs, increased fixed costs, reductions in operational efficiencies and increased labor costs. There was also an increase in bad debt expense compared to recovery of a previously reserved customer receivable in fiscal 2021. This was partially offset by a positive shift in customer mix.

APAC. Operating income increased $28.5 million in fiscal 2022 as compared to fiscal 2021, primarily as a result of an increase in net sales, partially offset by inflated component costs, increased fixed costs, increased labor costs and an increase in S&A.

EMEA. Operating income increased $8.9 million in fiscal 2022 as compared to fiscal 2021 primarily as a result of an increase in net sales, positive shift in customer mix, and a reduction in fixed costs. This was partially offset by an increase in S&A.

Other expense. Other expense for fiscal 2022 increased $4.0 million as compared to fiscal 2021. The increase in other expense for fiscal 2022 was primarily due to the increase in factoring fees of $2.4 million and interest expense of $1.6 million.

Income taxes. Income tax expense for fiscal 2022 was $20.1 million compared to $21.5 million for fiscal 2021. The decrease is primarily due to claiming a U.S. Research & Development tax credit and the geographic distribution of worldwide earnings.

Our annual effective tax rate varies from the U.S. statutory rate of 21.0% primarily due to the geographic distribution of worldwide earnings as well as a tax holiday granted to a subsidiary located in the APAC segment where we derive a significant portion of our earnings. Our effective tax rate may also be impacted by disputes with taxing authorities, tax planning activities, adjustments to uncertain tax positions and changes in valuation allowances.

We have been granted a tax holiday for a foreign subsidiary operating in the APAC segment. This tax holiday will expire on December 31, 2034, and is subject to certain conditions with which we expect to continue to comply. In fiscal 2022 and 2021, the holiday resulted in tax reductions, net of the impact of the global intangible low-taxed income provisions of the U.S. Tax Cuts and Jobs Act, of approximately $35.3 million ($1.27 per basic share, $1.24 per diluted share) and $34.4 million ($1.20 per basic share, $1.18 per diluted share), respectively.

See also Note 6, "Income Taxes," in Notes to Consolidated Financial Statements for additional information regarding our tax rate.

The annual effective tax rate for fiscal 2023 is expected to be approximately 14.0% to 16.0% assuming no changes to tax laws.

Net Income. Net income for fiscal 2022 decreased $0.7 million, or 0.5%, from fiscal 2021 to $138.2 million. Net income decreased primarily as a result of the increase in other expense, partially offset by the increase in operating income and decrease in tax expense as previously discussed.

Diluted earnings per share. Diluted earnings per share increased to $4.86 in fiscal 2022 from $4.76 in fiscal 2021, primarily as a result of a reduction in diluted shares outstanding due to repurchase activity under our share repurchase plans, partially offset by decreased net income due to the factors discussed above.

Return on Invested Capital ("ROIC") and economic return. We use a financial model that is aligned with our business strategy and includes an ROIC goal of 15% which would exceed our weighted average cost of capital ("WACC") and represent positive economic return. Economic return is the amount our ROIC exceeds our WACC.

Non-GAAP financial measures, including ROIC and economic return, are used for internal management goals and decision making because such measures provide management and investors additional insight into financial performance. In particular, we provide ROIC and economic return because we believe they offer insight into the metrics that are driving management decisions. We view ROIC and economic return as important measures in evaluating the efficiency and effectiveness of our long-term capital investments. We also use ROIC as a performance criteria in determining certain elements of compensation as well as economic return performance.

We define ROIC as tax-effected operating income before restructuring and other special items divided by average invested capital over a rolling five-quarter period. Invested capital is defined as equity plus debt and operating lease liabilities, 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").

We review our internal calculation of WACC annually. Our WACC was 9.3% for fiscal 2022 and 8.1% for fiscal 2021. By exercising discipline to generate ROIC in excess of our WACC, our goal is to create value for our shareholders. Fiscal 2022 ROIC of 13.0% reflects an economic return of 3.7%, based on our weighted average cost of capital of 9.3%, and fiscal 2021 ROIC of 15.4% reflects an economic return of 7.3%, based on our weighted average cost of capital of 8.1%.

For a reconciliation of ROIC, economic return and adjusted operating income (tax effected) 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.

Refer to the table below, which includes the calculation of ROIC and economic return for the indicated fiscal years (dollars in millions):

	2022	2021
Adjusted operating income (tax-effected)	$ 156.8	$ 156.2
Average invested capital	1,207.4	1,014.7
After-tax ROIC	13.0 %	15.4 %
WACC	9.3 %	8.1 %
Economic return	3.7 %	7.3 %

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents and restricted cash were $275.5 million as of October 1, 2022, as compared to $270.5 million as of October 2, 2021.

As of October 1, 2022, 78% of our cash and cash equivalents balance was held outside of the U.S. by our foreign subsidiaries. Currently, we believe that our cash balance, together with cash available under our Credit Facility, will be sufficient to meet our liquidity needs and potential share repurchases, if any, for the next twelve months and for the foreseeable future.

Our future cash flows from operating activities will be reduced by $47.7 million due to cash payments for U.S. federal taxes on the deemed repatriation of undistributed foreign earnings that are payable over an eight year period that began in fiscal 2019 with the first payment. The table below provides the expected timing of these future cash outflows, in accordance with the following installment schedule for the remaining four years (in millions):

2023	$ 5.7
2024	10.6
2025	14.1
2026	17.3
Total	$ 47.7

Cash Flows. The following table provides a summary of cash flows for fiscal 2022 and 2021 (in millions):

	2022	2021
Cash (used in) provided by operating activities	$ (26.2)	$ 142.6
Cash used in investing activities	(101.6)	(57.0)
Cash provided by (used in) financing activities	139.3	(203.9)
Effect of exchange rate changes on cash and cash equivalents	(6.5)	0.9
Net increase (decrease) in cash and cash equivalents and restricted cash	$ 5.0	$ (117.4)

Operating Activities. Cash flows used in operating activities were $26.2 million for fiscal 2022, as compared to cash flows provided by operating activities of $142.6 million for fiscal 2021. The decrease was primarily due to cash flow (reductions) improvements of:

- $(446.5) million in inventory cash flows primarily attributable to longer lead times for certain components as a result of supply chain constraints, increasing our inventory as we retain components until the entirety of the assembly's materials are received. Supply chain constraints have also led to inflation in some of the components we acquire, increasing inventory. In addition, inventory levels have increased to support the ramp of customer programs.
- $(196.5) million in accounts receivable cash flows driven by increased net sales as well as timing of customer shipments and payments.
- $(22.1) million in contract assets cash flows, driven by increased demand from customers who recognize revenue over time in the current year compared to consistent demand in the prior year.
- $24.8 million in other current and non-current asset cash flows, driven by a greater increase in prepaid expenses and miscellaneous receivables in the prior year.
- $64.3 million in accounts payables cash flows driven by increased purchasing activity to support the ramp of customer programs as well as supply chain constraints leading to inflation in some of the components we acquire.
- $167.8 million in other current and non-current liabilities cash flows driven by an increase in advance payments from customers to cover inflated component prices driven by supply chain constraints.
- $237.7 million in customer deposit cash flows driven by significant deposits received from customers in the current year to cover certain inventory balances associated with longer lead-times and inflation in some of the components we acquire as a result of supply chain constraints.

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

	Three Months Ended	
	October 1, 2022	October 2, 2021
Days in accounts receivable	60	56
Days in contract assets	11	13
Days in inventory	144	116
Days in accounts payable	(72)	(76)
Days in cash deposits	(43)	(24)
Annualized cash cycle	100	85

We calculate days in accounts receivable and contract assets as each balance sheet item 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, days in contract assets and days in inventory, less days in accounts payable and days in cash deposits.

As of October 1, 2022, annualized cash cycle days increased fifteen days compared to October 2, 2021 due to the following:

Days in accounts receivable for the three months ended October 1, 2022 increased four days compared to the three months ended October 2, 2021. The increase is primarily attributable to the timing of customer shipments and payments and mix of customer payment terms, partially offset by an increase in factored receivables.

Days in contract assets for the three months ended October 1, 2022 decreased two days compared to the three months ended October 2, 2021. The decrease is primarily attributable to increased net sales, partially offset by increased demand from customers with arrangements requiring revenue to be recognized over time as products are produced.

Days in inventory for the three months ended October 1, 2022 increased twenty-eight days compared to the three months ended October 2, 2021. The increase is primarily attributable to longer lead times for certain components as a result of supply chain constraints, increasing our inventory level as we retain components until the entirety of the assembly's materials are received. Supply chain constraints have also led to inflation in some of the components we acquire, increasing inventory. In addition, inventory levels have increased to support the ramp of customer programs.

Days in accounts payable for the three months ended October 1, 2022 decreased four days compared to the three months ended October 2, 2021. The decrease is primarily attributable to timing of materials procurement and payments to suppliers, as well as increased net sales.

Days in cash deposits for the three months ended October 1, 2022 increased nineteen days compared to the three months ended October 2, 2021. The increase was primarily attributable to significant deposits received from customers to cover certain increasing inventory balances.

Free Cash Flow. We define free cash flow ("FCF"), a non-GAAP financial measure, as cash flow (used in) provided by operations less capital expenditures. FCF was $(127.9) million for fiscal 2022 compared to $85.5 million for fiscal 2021, a decrease of $213.4 million. The decrease in FCF was primarily due to working capital investments, particularly in inventory, to support our customers.

Non-GAAP financial measures, including FCF, are used for internal management assessments because such measures provide additional insight to investors 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 can allow us to pursue opportunities that enhance shareholder value. FCF is a non-GAAP financial measure that should be considered in addition to, not as a substitute for, measures of our financial performance prepared in accordance with GAAP.

A reconciliation of FCF to our financial statements that were prepared using GAAP as follows (in millions):

	2022	2021
Cash flows (used in) provided by operating activities	$ (26.3)	$ 142.6
Payments for property, plant and equipment	(101.6)	(57.1)
Free cash flow	$ (127.9)	$ 85.5

Investing Activities. Cash flows used in investing activities were $101.6 million for fiscal 2022 compared to $57.0 million for fiscal 2021. The increase in cash used in investing activities was due to a $44.5 million increase in capital expenditures, primarily due to our manufacturing footprint expansion in Bangkok, Thailand.

We utilized available cash and financing cash flows as the sources for funding our operating requirements during fiscal 2022. We currently estimate capital expenditures for fiscal 2023 will be approximately $110.0 million to $130.0 million to support new program ramps and replace older equipment. This estimate does not contemplate any site expansions.

Financing Activities. Cash flows provided by financing activities were $139.3 million for fiscal 2022 compared to cash flows used in financing activities of $203.9 million for fiscal 2021. The increase was primarily attributable to an increase of $291.0 million in net borrowings on the credit facility and a decrease of $58.1 million in cash used to repurchase our common stock.

On August 20, 2019, the Board of Directors approved a share repurchase program under which we were authorized to repurchase $50.0 million of our common stock (the "2019 Program"). The 2019 Program commenced upon completion of previous share repurchase programs. During fiscal 2021, we repurchased 73,560 shares under this program for $5.3 million at an average price of $72.44 per share.

On August 13, 2020, the Board of Directors approved a share repurchase program under which we were authorized to repurchase up to $50.0 million of our common stock (the "2021 Program"). On November 18, 2020, the Board of Directors approved an additional $50.0 million in share repurchase authority under the existing 2021 Program such that there then existed a total of $100.0 million in share repurchase authority under the program. The 2021 program commenced upon completion of the 2019 Program. During fiscal 2021, we completed the 2021 Program by repurchasing 1,171,246 shares under this program for $100.0 million at an average price of $85.40 per share.

On August 11, 2021, the Board of Directors approved a share repurchase program under which we were authorized to repurchase up to $50.0 million of its common stock (the "2022 Program"). The 2022 Program commenced upon completion of the 2021 Program. During fiscal 2022 and 2021, we completed the 2022 Program by repurchasing 564,718 and 34,381 shares under this program for $46.9 million and $3.1 million at an average price of $83.07 and $90.16 per share, respectively.

On August 18, 2022, the Board of Directors approved a share repurchase program under which we are authorized to repurchase up to $50.0 million of its common stock (the "2023 Program"). The 2023 Program became effective immediately and has no expiration. During fiscal 2022, we purchased 38,397 shares under this program for $3.5 million at an average price of $90.63 per share. As of October 1, 2022, $46.5 million of authority remained under the 2023 Program.

All shares repurchased under the aforementioned programs were recorded as treasury stock.

On June 15, 2018, we entered into a Note Purchase Agreement (the “2018 NPA”) pursuant to which we issued an aggregate of $150.0 million in principal amount of unsecured senior notes, consisting of $100.0 million in principal amount 4.05% Series A Senior Notes, due on June 15, 2025, and $50.0 million in principal amount of 4.22% Series B Senior Notes, due on June 15, 2028 (collectively, the “2018 Notes”), in a private placement. The 2018 NPA includes customary operational and financial covenants with which we are required to comply, including, among others, maintenance of certain financial ratios such as a total leverage ratio and a minimum interest coverage ratio. The 2018 Notes may be prepaid in whole or in part at any time, subject to payment of a make-whole amount; interest on the 2018 Notes is payable semiannually. As of October 1, 2022, we were in compliance with the covenants under the 2018 NPA.

On June 9, 2022, we refinanced our then-existing senior unsecured revolving credit facility (as amended by that certain Amendment No. 1 to Credit Agreement dated April 29, 2020, the "Prior Credit Facility") by entering into a new 5-year revolving credit facility (collectively with the Prior Credit Facility, referred to as the "Credit Facility"), which expanded the maximum commitment from $350.0 million to $500.0 million and extended the maturity from May 15, 2024 to June 9, 2027. The maximum commitment under the Credit Facility may be further increased to $750.0 million, generally by mutual agreement of the lenders and us, subject to certain customary conditions. During fiscal 2022, the highest daily borrowing was $385.0 million; the average daily borrowings were $232.1 million. We borrowed $758.0 million and repaid $550.0 million of revolving borrowings ("revolving commitment") under the Credit Facility during fiscal 2022. As of October 1, 2022, we were in compliance with all financial covenants relating to the Credit Facility, which are generally consistent with those in the 2018 NPA discussed above. We are required to pay a commitment fee on the daily unused credit facility based on our leverage ratio; the fee was 0.125% as of October 1, 2022.

The Credit Facility and the 2018 NPA 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. 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.

We have Master Accounts Receivable Purchase Agreements with MUFG Bank, New York Branch (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.) (the "MUFG RPA"), HSBC Bank (China) Company Limited, Xiamen branch (the "HSBC RPA") and other unaffiliated financial institutions, under which we may elect to sell receivables, at a discount. These facilities are uncommitted facilities. The maximum facility amount under the MUFG RPA as of October 1, 2022 is $340.0 million. The maximum facility amount under the HSBC RPA as of October 1, 2022 is $60.0 million. The MUFG RPA will be automatically extended each year unless any party gives no less than 10 days prior notice that the agreement should not be extended. The terms of the HSBC RPA are generally consistent with the terms of the MUFG RPA previously discussed.

We sold $787.5 million and $730.5 million of trade accounts receivable under these programs during fiscal 2022 and 2021, respectively, in exchange for cash proceeds of $783.1 million and $728.4 million, respectively. As of October 1, 2022 and October 2, 2021, $222.5 million and $176.0 million, respectively, of accounts receivables sold under trade accounts receivable programs and subject to servicing by us remained outstanding and had not yet been collected.

In all cases, the sale discount was recorded within "Miscellaneous, net" in the Consolidated Statements of Comprehensive Income in the period of the sale. For further information regarding the receivable sale programs, see Note 14, "Trade Accounts Receivable Sale Programs," in Notes to Consolidated Financial Statements.

Based on current expectations, we believe that our projected cash flows provided by 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, as well as execution upon our share repurchase authorizations as management deems appropriate, for the next twelve months. We believe our balance sheet is positioned to support the potential future challenges presented by macro-economic factors including increased working capital requirements associated with longer lead-times for components, increased component and labor costs, and operating inefficiencies due to supply chain constraints or workplace safety restrictions. As of the end of the fourth quarter of fiscal 2022, cash and cash equivalents and restricted cash were $275 million, while debt, finance lease obligations and other financing were $462 million. To further ensure our ability to meet the needs of working capital investments to support anticipated revenue growth, we refinanced our credit facility, expanding the maximum commitment from $350.0 million to $500.0 million, as discussed above. If our future financing needs increase, then 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 or at all.

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 1, 2022 (dollars in millions):

	Payments Due by Fiscal Year				
Contractual Obligations	Total	2023	2024-2025	2026-2027	2028 and thereafter
Debt Obligations (1)	$ 437.9	$ 269.2	$ 112.4	$ 4.2	$ 52.1
Finance Lease Obligations	119.5	10.2	14.5	10.3	84.5
Operating Lease Obligations	48.1	9.5	14.0	10.1	14.5
Purchase Obligations (2)	1,992.5	1,609.3	370.3	5.4	7.5
Repatriation Tax on Undistributed Foreign Earnings (3)	47.7	5.7	24.7	17.3	—
Other Liabilities on the Balance Sheet (4)	12.9	1.7	1.3	0.1	9.8
Other Liabilities not on the Balance Sheet (5)	11.1	6.5	—	1.2	3.4
Total Contractual Cash Obligations	$ 2,669.7	$ 1,912.1	$ 537.2	$ 48.6	$ 171.8

1) Debt obligations includes $150.0 million in principal amount of 2018 Notes and $263.0 million of borrowings on the revolving commitment of the Credit Facility, as well as interest.

2) Purchase obligations consist primarily of purchases of inventory and equipment in the ordinary course of business.

3) Repatriation tax on undistributed foreign earnings consists of U.S. federal income taxes on the deemed repatriation of undistributed foreign earnings due to U.S. Tax Reform. Refer to "Liquidity and Capital Resources" above for further detail.

4) Other obligations on the balance sheet included deferred compensation obligations to certain of our former and current executive officers, as well as other key employees, other financing obligations arising from information technology maintenance agreements and asset retirement obligations related to our buildings. We have excluded from the above table the impact of approximately $9.0 million, as of October 1, 2022, related to unrecognized income tax benefits. We cannot make reliable estimates of the future cash flows by period related to these obligations.

5) Other obligations not on the balance sheet consist of guarantees and a commitment for salary continuation and certain benefits in the event employment of one executive officer 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.

DISCLOSURE ABOUT CRITICAL ACCOUNTING ESTIMATES

Our accounting policies are disclosed in Note 1 "Description of Business and Significant Accounting Policies" of Notes to Consolidated Financial Statements. During fiscal 2022 there were no material changes to these policies. Our critical accounting estimates are described below:

Revenue Recognition: Revenue is recognized over time for arrangements with customers for which: (i) our performance does not create an asset with an alternative use to us, and (ii) we have an enforceable right to payment, including reasonable profit margin, for performance completed to date. If either of the two conditions noted above are not met to recognize revenue over time, revenue is recognized following the transfer of control of such products to the customer, which typically occurs upon shipment or delivery depending on the terms of the underlying arrangement.

For contracts requiring over time revenue recognition, we calculate the revenue to recognize using the costs incurred to date plus a reasonable profit margin. We use historical information to estimate the profit margin associated with the performance obligation that is satisfied over time. We reevaluate our estimate of profit margins on a quarterly basis. While experience has shown that trends in profit margins are not volatile, changes in pricing or cost efficiencies could create significant fluctuations for certain performance obligations. As actual experience becomes available, we use the data to update the historical averages and compare the results to estimates. Based on review of profits margins we update our estimate to the model as necessary.

See Note 15 "Revenue from Contracts with Customers" of Notes to Consolidated Financial Statements for further information on our revenue recognition policies.

Income Taxes: Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the 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. We maintain 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, we take into account such factors as:

- *Prior earnings history*. A pattern of recent financial reporting losses in a jurisdiction is heavily weighted as a source of negative evidence. We also consider the strength and trend of earnings, as well as other relevant factors. In certain circumstances, historical earnings may not be as relevant due to changes in our business operations;
- *Expected future earnings.* Future reversals of existing temporary differences are heavily weighted sources of objectively verifiable positive evidence. Projections of future taxable income exclusive of reversing temporary differences are an additional source of positive evidence;
- *Tax planning strategies*. If necessary and available, tax planning strategies would be implemented to accelerate taxable amounts to utilize expiring carryforwards. These strategies would be a source of additional positive evidence.

See Note 6 "Income Taxes" of Notes to Consolidated Financial Statements for further information on our income tax policies.

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. We do not use derivative financial instruments for speculative purposes.

Foreign Currency Risk

Our international operations create potential foreign exchange risk. 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. We cannot predict changes in currency rates, nor the degree to which we will be able to manage the impacts of currency exchange rate changes. Such changes could have a material effect on our business, results of operations and financial condition.

Our percentages of transactions denominated in currencies other than the U.S. dollar for the indicated fiscal years were as follows:

	2022	2021
Net Sales	9%	10%
Total Costs	16%	16%

We have 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 our overall currency exposure, as of October 1, 2022, a 10.0% change in the value of the U.S. dollar relative to our other transactional currencies would not have a material effect on our financial position, results of operations, or cash flows.

Interest Rate Risk

We have financial instruments, including cash equivalents and debt, which are sensitive to changes in interest rates. The primary objective of our investment activities is to preserve principal, while maximizing yields without significantly increasing market risk. To achieve this, we limit the amount of principal exposure to any one issuer.

As of October 1, 2022, our only material interest rate risk was associated with our Credit Facility. Borrowings under the Credit Facility bear interest, at the Company's option, at (a)(1) for borrowings denominated in U.S. dollars, the Term Secured Overnight Financing Rate ("SOFR"), (2) for borrowings denominated in pounds sterling, the Daily Simple Risk-Free Rate, plus, in each case of (a)(1) and (2), 10 basis points, (b) for borrowings denominated in euros, the EURIBOR Rate plus a statutory reserve rate, or (c) an Alternate Base Rate equal to the highest of (i) 100 basis points per annum, (ii) the prime rate last quoted by The Wall Street Journal (or, if not quoted, as otherwise provided in the Credit Facility), (iii) the greater of the federal funds effective rate and the overnight bank funding rate in effect on such day plus, in each case, 50 basis points per annum (or, if neither are available, as otherwise provided in the Credit Facility), and (iv) Term SOFR for a one month interest period on such day plus 110 basis points, plus, in each case of (a), (b), and (c), an applicable interest rate margin based on the Company's then current consolidated total indebtedness (minus certain unrestricted cash and cash equivalents in an amount not to exceed $100 million) to consolidated EBITDA. As of October 1, 2022, the borrowing rate under the Credit Facility was SOFR plus 1.10%. Borrowings under the 2018 NPA are based on a fixed interest rate, thus mitigating much of our interest rate risk. Based on our overall interest rate exposure, as of October 1, 2022, a 10.0% change in interest rates would not have a material effect on our financial position, results of operations, or cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PLEXUS CORP.
List of Financial Statements and Financial Statement Schedule
October 1, 2022

Contents

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.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Plexus Corp.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Plexus Corp. and its subsidiaries (the “Company”) as of October 1, 2022 and October 2, 2021, and the related consolidated statements of comprehensive income, of shareholders' equity and of cash flows for each of the three years in the period ended October 1, 2022, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of October 1, 2022, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 1, 2022 and October 2, 2021, and the results of its operations and its cash flows for each of the three years in the period ended October 1, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 1, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition

As described in Note 1 to the consolidated financial statements, revenue is recognized over time for arrangements with customers for which: (i) the Company's performance does not create an asset with an alternative use to the Company, and (ii) the Company has an enforceable right to payment, including reasonable profit margin, for performance completed to date. Revenue recognized over time is estimated based on costs incurred to date plus a reasonable profit margin. If either of the two conditions are not met to recognize revenue over time, revenue is recognized following the transfer of controls of such products to the customer, which typically occurs upon shipment or delivery depending on the terms of the underlying arrangement. For the year ended October 1, 2022, the Company's net sales were $3.8 billion.

The principal consideration for our determination that performing procedures relating to revenue recognition is a critical audit matter is the significant audit effort in performing procedures related to the Company's revenue recognition.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process. These procedures also included, among others, (i) evaluating revenue transactions by testing the issuance and settlement of invoices and credit memos, (ii) tracing transactions not settled to a detailed listing of accounts receivable, (iii) confirming a sample of outstanding customer invoice balances at year end and obtaining and inspecting source documents, including invoices, sales contracts, and subsequent cash receipts, where applicable, for confirmations not returned, (iv) testing the completeness and accuracy of data provided by management, and (v) testing the appropriateness of the timing and amount of revenue recognized based on whether the contract meets the conditions to recognize revenue over time.

/s/ PricewaterhouseCoopers LLP
Milwaukee, Wisconsin
November 18, 2022

We have served as the Company’s auditor since at least 1985. We have not been able to determine the specific year we began serving as auditor of the Company.

PLEXUS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the fiscal years ended October 1, 2022, October 2, 2021 and October 3, 2020
(in thousands, except per share data)

	2022	2021	2020
Net sales	$ 3,811,368	$ 3,368,865	$ 3,390,394
Cost of sales	3,464,139	3,045,569	3,077,688
Gross profit	347,229	323,296	312,706
Selling and administrative expenses	167,023	143,761	153,331
Restructuring and impairment charges	2,021	3,267	6,003
Operating income	178,185	176,268	153,372
Other income (expense):			
Interest expense	(15,858)	(14,253)	(16,162)
Interest income	1,305	1,372	1,878
Miscellaneous, net	(5,329)	(2,976)	(3,691)
Income before income taxes	158,303	160,411	135,397
Income tax expense	20,060	21,499	17,918
Net income	$ 138,243	$ 138,912	$ 117,479
Earnings per share:			
Basic	$ 4.96	$ 4.86	$ 4.02
Diluted	$ 4.86	$ 4.76	$ 3.93
Weighted average shares outstanding:			
Basic	27,862	28,575	29,195
Diluted	28,439	29,167	29,916
Comprehensive income:			
Net income	$ 138,243	$ 138,912	$ 117,479
Other comprehensive (loss) income:			
Derivative instrument and other fair value adjustments	(5,201)	(1,165)	1,831
Foreign currency translation adjustments	(27,843)	3,240	10,894
Other comprehensive (loss) income	(33,044)	2,075	12,725
Total comprehensive income	$ 105,199	$ 140,987	$ 130,204

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

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PLEXUS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
as of October 1, 2022 and October 2, 2021
(in thousands, except per share data)

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 274,805	$ 270,172
Restricted cash	665	341
Accounts receivable, net of allowances of $1,961 and $1,188, respectively	737,696	519,684
Contract assets	138,540	115,283
Inventories, net	1,602,783	972,312
Prepaid expenses and other	61,633	53,094
Total current assets	2,816,122	1,930,886
Property, plant and equipment, net	444,705	395,094
Operating lease right-of-use assets	65,134	72,087
Deferred income taxes	39,075	27,385
Other assets	28,189	36,441
Total non-current assets	577,103	531,007
Total assets	$ 3,393,225	$ 2,461,893
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and finance lease obligations	$ 273,971	$ 66,313
Accounts payable	805,583	634,969
Customer deposits	480,486	204,985
Accrued salaries and wages	88,876	75,394
Other accrued liabilities	357,273	147,042
Total current liabilities	2,006,189	1,128,703
Long-term debt and finance lease obligations, net of current portion	187,776	187,033
Long-term accrued income taxes payable	42,019	47,974
Long-term operating lease liabilities	33,628	37,970
Deferred income taxes payable	6,327	5,677
Other liabilities	21,555	26,304
Total non-current liabilities	291,305	304,958
Total liabilities	2,297,494	1,433,661
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $0.01 par value, 5,000 shares authorized, none issued or outstanding	—	—
Common stock, $0.01 par value, 200,000 shares authorized, 54,084 and 53,849 shares issued, respectively, and 27,679 and 28,047 shares outstanding, respectively	541	538
Additional paid-in capital	652,467	639,778
Common stock held in treasury, at cost, 26,405 and 25,802 shares, respectively	(1,093,483)	(1,043,091)
Retained earnings	1,572,234	1,433,991
Accumulated other comprehensive loss	(36,028)	(2,984)
Total shareholders' equity	1,095,731	1,028,232
Total liabilities and shareholders' equity	$ 3,393,225	$ 2,461,893

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

PLEXUS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
for the fiscal years ended October 1, 2022, October 2, 2021 and October 3, 2020
(in thousands)

	2022	2021	2020
Common stock - shares outstanding			
Beginning of period	28,047	29,002	29,004
Exercise of stock options and vesting of other share-based awards	235	323	608
Treasury shares purchased	(603)	(1,278)	(610)
End of period	27,679	28,047	29,002
Total stockholders' equity, beginning of period	$ 1,028,232	$ 977,480	$ 865,576
Common stock - par value			
Beginning of period	538	535	529
Exercise of stock options and vesting of other share-based awards	3	3	6
End of period	541	538	535
Additional paid-in capital			
Beginning of period	639,778	621,564	597,401
Share-based compensation expense	23,377	24,326	24,280
Exercise of stock options and vesting of other share-based awards, including tax withholding	(10,688)	(6,112)	(117)
End of period	652,467	639,778	621,564
Treasury stock			
Beginning of period	(1,043,091)	(934,639)	(893,247)
Treasury shares purchased	(50,392)	(108,452)	(41,392)
End of period	(1,093,483)	(1,043,091)	(934,639)
Retained earnings			
Beginning of period	1,433,991	1,295,079	1,178,677
Net income	138,243	138,912	117,479
Cumulative effect adjustment for adoption of new accounting pronouncements (1)	—	—	(1,077)
End of period	1,572,234	1,433,991	1,295,079
Accumulated other comprehensive loss			
Beginning of period	(2,984)	(5,059)	(17,784)
Other comprehensive (loss) income	(33,044)	2,075	12,725
End of period	(36,028)	(2,984)	(5,059)
Total stockholders' equity, end of period	$ 1,095,731	$ 1,028,232	$ 977,480

(1) See Note 1, "Description of Business and Significant Accounting Policies," for a discussion of recently adopted accounting pronouncements.

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

PLEXUS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the fiscal years ended October 1, 2022, October 2, 2021 and October 3, 2020
(in thousands)

	2022	2021	2020
Cash flows from operating activities			
Net income	$ 138,243	$ 138,912	$ 117,479
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	62,689	61,014	56,690
Deferred income taxes	(10,800)	(3,388)	(3,583)
Share-based compensation expense and related charges	23,336	24,763	24,280
Provision for allowance for doubtful accounts	—	(2,405)	2,405
Asset impairment charges	—	—	3,052
Other, net	972	1,855	1,358
Changes in operating assets and liabilities, excluding impacts of currency:			
Accounts receivable	(230,022)	(33,477)	8,796
Contract assets	(23,445)	(1,385)	(22,488)
Inventories	(652,989)	(206,510)	(56,420)
Other current and non-current assets	(1,212)	(26,028)	3,343
Accrued income taxes payable	(713)	(8,746)	(9,570)
Accounts payable	176,037	111,781	65,097
Customer deposits	282,034	44,359	18,864
Other current and non-current liabilities	209,630	41,832	1,065
Cash flows (used in) provided by operating activities	(26,240)	142,577	210,368
Cash flows from investing activities			
Payments for property, plant and equipment	(101,612)	(57,099)	(50,088)
Other, net	51	126	237
Cash flows used in investing activities	(101,561)	(56,973)	(49,851)
Cash flows from financing activities			
Borrowings under debt agreements	758,000	376,739	679,042
Payments on debt and finance lease obligations	(556,726)	(466,063)	(638,298)
Debt issuance costs	(898)	—	(699)
Repurchases of common stock	(50,392)	(108,452)	(41,392)
Proceeds from exercise of stock options	480	3,555	12,827
Payments related to tax withholding for share-based compensation	(11,169)	(9,664)	(12,938)
Cash flows provided by (used in) financing activities	139,295	(203,885)	(1,458)
Effect of exchange rate changes on cash and cash equivalents	(6,537)	900	2,581
Net increase (decrease) in cash and cash equivalents and restricted cash	4,957	(117,381)	161,640
Cash and cash equivalents and restricted cash:			
Beginning of period	270,513	387,894	226,254
End of period	$ 275,470	$ 270,513	$ 387,894
Supplemental disclosure information:			
Interest paid	$ 15,293	$ 14,116	$ 14,885
Income taxes paid	$ 16,916	$ 39,932	$ 31,458

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

1. Description of Business and Significant Accounting Policies

Description of Business: Plexus Corp. and its subsidiaries (together "Plexus," the "Company," or "we") participate in the Electronic Manufacturing Services ("EMS") industry. Since 1979, we have been partnering with companies to create the products that build a better world. We are a global leader with a team of nearly 25,000 individuals focused on providing Design and Development, Supply Chain Solutions, New Product Introduction, Manufacturing, and Sustaining Services. We specialize in serving customers in industries with highly complex products and demanding regulatory environments. We deliver customer service excellence to leading global companies in the Industrial, Healthcare/Life Sciences and Aerospace/Defense market sectors by providing innovative, comprehensive solutions throughout the products lifecycle. We provide these innovative solutions to customers in the Americas ("AMER"), Asia-Pacific ("APAC") and Europe, Middle East and Africa ("EMEA") regions.

Significant Accounting Policies

Consolidation Principles and Basis of Presentation: The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and include the accounts of Plexus Corp. and its subsidiaries. All intercompany transactions have been eliminated. Certain prior period amounts have been reclassified to conform to the current period presentation.

The Company’s fiscal year ends on the Saturday closest to September 30. The Company also uses a "4-4-5" weekly accounting system for the interim periods in each quarter. Each quarter, therefore, ends on a Saturday at the end of the 4-4-5 period. Periodically, an additional week must be added to the fiscal year to re-align with the Saturday closest to September 30. Fiscal 2020 included 53 weeks; therefore, the first quarter of fiscal 2020 included 14 weeks while all other fiscal quarters presented herein included 13 weeks. Fiscal 2022 and fiscal 2021 each included 52 weeks.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and notes thereto. The full extent to which current global events and economic conditions will impact the Company's business and operating results will depend on future developments that are highly uncertain and cannot be accurately predicted. The Company has considered information available as of the date of issuance of these financial statements and is not aware of any specific events or circumstances that would require an update to its estimates or judgments, or a revision of the carrying value of its assets or liabilities. These estimates may change as new events occur and additional information becomes available. Actual results could differ materially from these estimates.

Cash and Cash Equivalents and Restricted Cash: Cash equivalents include short-term highly liquid investments and are classified as Level 1 in the fair value hierarchy described below. Restricted cash represents cash received from customers to settle invoices sold under accounts receivable purchase agreements that the Company continues servicing and is contractually required to be set aside. The restrictions will lapse when the cash is remitted to the purchaser of the receivables. Restricted cash is also classified as Level 1 in the fair value hierarchy described below.

As of October 1, 2022 and October 2, 2021, cash and cash equivalents and restricted cash consisted of the following (in thousands):

	2022	2021
Cash	$ 186,068	$ 173,018
Money market demand accounts and other	88,737	97,154
Restricted cash	665	341
Total cash and cash equivalents and restricted cash	$ 275,470	$ 270,513

Inventories: Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out ("FIFO") method. Valuing inventories at the lower of cost or market requires the use of estimates and judgment. Customers may cancel their orders, change production quantities or delay production for a number of reasons that are beyond the Company’s control. Any of these, or certain additional actions, could impact the valuation of inventory. Any actions taken by the Company’s customers that could impact the value of its inventory are considered when determining the lower of cost or market valuations.

In certain instances, in accordance with contractual terms, the Company receives customer deposits to offset inventory risks.

Property, Plant and Equipment and Depreciation: Property, plant and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives for major classes of depreciable assets are generally as follows:

Buildings and improvements	5-39 years
Machinery and equipment	3-7 years
Computer hardware and software	3-10 years

Certain facilities and equipment held under finance leases are classified as property, plant and equipment and amortized using the straight-line method over the term of the lease and the related obligations are recorded as liabilities. Amortization of assets held under finance leases is included in depreciation expense (see Note 3, "Property, Plant and Equipment") and the financing component of the lease payments is classified as interest expense. Maintenance and repairs are expensed as incurred.

The Company capitalizes significant costs incurred in the acquisition or development of software for internal use. This includes costs of the software, consulting services and compensation costs for employees directly involved in developing internal use computer software.

Impairment of Long-Lived Assets: Long-lived assets, including property, plant and equipment, operating lease right-of-use assets and intangible assets with finite lives are reviewed for impairment and written down to fair value when facts and circumstances indicate that the carrying value of long-lived assets or asset groups may not be recoverable through estimated future undiscounted cash flows. If an impairment has occurred, a write-down to estimated fair value is made and the impairment loss is recognized as a charge against current operations. The impairment analysis is based on management’s assumptions, including future revenue and cash flow projections. Circumstances that may lead to impairment of property, plant and equipment, operating lease right-of-use assets and intangible assets with finite lives include reduced expectations for future performance or industry demand and possible further restructurings, among others.

Revenue Recognition: Revenue is recognized over time for arrangements with customers for which: (i) the Company's performance does not create an asset with an alternative use to the Company, and (ii) the Company has an enforceable right to payment, including reasonable profit margin, for performance completed to date. Revenue recognized over time is estimated based on costs incurred to date plus a reasonable profit margin. If either of the two conditions noted above are not met to recognize revenue over time, revenue is recognized following the transfer of control of such products to the customer, which typically occurs upon shipment or delivery depending on the terms of the underlying arrangement.

The Company recognizes revenue when a contract exists and when, or as, it satisfies a performance obligation by transferring control of a product or service to a customer. Contracts are accounted for when they have approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer.

The Company generally enters into a master services arrangement that establishes the framework under which business will be conducted. These arrangements represent the master terms and conditions of the Company's services that apply to individual orders, but they do not commit the customer to work with, or to continue to work with, the Company nor do they obligate the customer to any specific volume or pricing of purchases. Moreover, these terms can be amended in appropriate situations. Customer purchase orders are received for specific quantities with predominantly fixed pricing and delivery requirements. Thus, for the majority of our contracts, there is no guarantee of any revenue to the Company until a customer submits a purchase order. As a result, the Company generally considers its arrangement with a customer to be the combination of the master services arrangement and the purchase order. Most of the Company's arrangements with customers create a single performance obligation as the promise to transfer the individual manufactured product or service is capable of being distinct.

The Company’s performance obligations are satisfied over time as work progresses or at a point in time. A performance obligation is satisfied over time if the Company has an enforceable right to payment, including a reasonable profit margin. Determining if an enforceable right to payment includes a reasonable profit margin requires judgment and is assessed on a contract by contract basis.

If an enforceable right to payment for work-in-process does not exist, revenue is recognized following the transfer of control of such products to the customer, which typically occurs upon shipment or delivery depending on the terms of the underlying contract.

For contracts requiring over time revenue recognition, the selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. The Company uses a cost-based input measurement of progress because it best depicts the transfer of assets to the customer, which occurs as costs are incurred during the manufacturing process or as services are rendered. Under the cost-based measure of progress, the extent of progress towards completion is measured based on the costs incurred to date.

Generally, there are no subjective customer acceptance requirements or further obligations related to goods or services provided; if such requirements or obligations exist, then a sale is recognized at the time when such requirements are completed and such obligations are fulfilled.

The Company does not allow for a general right of return. Net sales include amounts billed to customers for shipping and handling and out-of-pocket expenses. The corresponding shipping and handling costs and out-of-pocket expenses are included in cost of sales. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from net sales.

Net sales from engineering design and development services, which are generally performed under contracts with a duration of twelve months or less, are typically recognized as program costs are incurred by utilizing the proportional performance model. The completed performance model is used if certain customer acceptance criteria exist. Any losses are recognized when anticipated. Net sales from engineering design and development services were less than 5.0% of consolidated net sales for each of fiscal 2022, 2021 and 2020.

Income Taxes: Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the 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 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 the realization of a deferred tax asset.

Foreign Currency Translation & Transactions: The Company translates assets and liabilities of subsidiaries operating outside of the U.S. with a functional currency other than the U.S. dollar into U.S. dollars using exchange rates in effect at the relevant balance sheet date and net sales, expenses and cash flows at the average exchange rates during the respective periods. Adjustments resulting from translation of the financial statements are recorded as a component of "Accumulated other comprehensive loss." Exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved and remeasurement adjustments for foreign operations where the U.S. dollar is the functional currency are included in the Consolidated Statements of Comprehensive Income as a component of "Miscellaneous, net." Exchange losses on foreign currency transactions were $0.7 million, $1.1 million and $0.4 million for fiscal 2022, 2021 and 2020, respectively. These amounts include the amount of gain recognized in income during each fiscal year due to forward currency exchange contracts entered into to hedge recognized assets or liabilities ("non-designated hedges") the Company entered into during each respective year. Refer to Note 5, "Derivatives and Fair Value Measurements," for further details on derivatives.

Derivatives: All derivatives are recognized on the balance sheets at fair value. The Company periodically enters into forward currency exchange contracts and interest rate swaps. On the date a derivative contract is entered into, the Company designates the derivative as a non-designated hedge or a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (a "cash flow" hedge). The Company does not enter into derivatives for speculative purposes. Changes in the fair value of non-designated derivatives are recorded in earnings as are the gains or losses related to the hedged asset or liability. Changes in the fair value of a derivative that qualifies as a cash flow hedge are recorded in "Accumulated other comprehensive loss" within shareholders' equity, until earnings are affected by the variability of cash flows. Certain forward currency exchange contracts are treated as cash flow hedges and, therefore, $(5.0) million, $(2.2) million and $1.8 million was recorded in "Accumulated other comprehensive loss" for fiscal 2022, 2021 and 2020, respectively. See Note 5, "Derivatives and Fair Value Measurements," for further information.

Earnings Per Share: The computation of basic earnings per common share is based upon the weighted average number of common shares outstanding and net income. The computation of diluted earnings per common share reflects additional dilution from share-based awards, excluding any with an antidilutive effect. See Note 7, "Earnings Per Share," for further information.

Share-based Compensation: The Company measures all grants of share-based payments to employees, including grants of employee stock options, at fair value and expenses them in the Consolidated Statements of Comprehensive Income over the service period (generally the vesting period) of the grant. See Note 9, "Benefit Plans," for further information.

Comprehensive Income (Loss): The Company follows the established standards for reporting comprehensive income (loss), which is defined as the changes in equity of an enterprise except those resulting from shareholder transactions.

Accumulated other comprehensive loss consists of the following as of October 1, 2022 and October 2, 2021 (in thousands):

	2022	2021
Foreign currency translation adjustments	$ (31,104)	$ (3,261)
Cumulative derivative instrument fair value adjustments	(5,779)	(791)
Other fair value adjustments	855	1,068
Accumulated other comprehensive loss	$ (36,028)	$ (2,984)

Refer to Note 5, "Derivatives and Fair Value Measurements," for further explanation regarding the change in fair value of derivative instruments that is recorded to "Accumulated other comprehensive loss."

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Value of Financial Instruments: The Company holds financial instruments consisting of cash and cash equivalents, restricted cash, accounts receivable, certain deferred compensation assets held under trust arrangements, accounts payable, debt, derivatives and finance and operating lease obligations. The carrying values of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and finance and operating lease obligations as reported in the consolidated financial statements approximate fair value. Derivatives and certain deferred compensation assets held under trust arrangements are recorded at fair value. Accounts receivable are reflected at net realizable value based on anticipated losses due to potentially uncollectible balances. Anticipated losses are based on management’s analysis of historical losses and changes in customers’ credit status. The fair value of the Company’s debt excluding finance lease and other financing obligations was $401.6 million and $217.1 million as of October 1, 2022 and October 2, 2021, respectively. The carrying value of the Company's debt was $413.0 million and $205.0 million as of October 1, 2022 and October 2, 2021, respectively. The Company uses quoted market prices when available or discounted cash flows to calculate fair value. If measured at fair value in the financial statements, long-term debt (including the current portion) would be classified as Level 2 in the fair value hierarchy described below. The fair values of the Company’s derivatives are disclosed in Note 5, "Derivatives and Fair Value Measurements." The fair values of the deferred compensation assets held under trust arrangements are discussed in Note 9, "Benefit Plans."

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (or exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The accounting guidance establishes a fair value hierarchy based on three levels of inputs that may be used to measure fair value. The input levels are:

Level 1: Quoted (observable) market prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability.

Business and Credit Concentrations: Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, cash equivalents, trade accounts receivable and derivative instruments, specifically related to counterparties. In accordance with the Company’s investment policy, the Company’s cash, cash equivalents and derivative instruments were placed with recognized financial institutions. The Company’s investment policy limits the amount of credit exposure in any one issue and the maturity date of the investment securities that typically comprise investment grade short-term debt instruments. Concentrations of credit risk in accounts receivable resulting from sales to major customers are discussed in Note 11, "Reportable Segments, Geographic Information and Major Customers". The Company, at times, requires cash deposits for services performed. The Company also closely monitors extensions of credit.

Recently Adopted Accounting Pronouncements:

In February 2016, the FASB issued ASU 2016-02 (“Topic 842”), which is intended to improve financial reporting of lease transactions by requiring lessees to recognize most leases as a right-of-use (“ROU”) asset and lease liability on their balance sheets for the rights and obligations created by leases, but record expenses on their income statements in a similar manner. Topic 842 also requires disclosures regarding the amount, timing and judgments related to accounting for an entity's leases and related cash flows. On September 29, 2019, the Company adopted Topic 842 using the modified retrospective method of adoption, which allows financial information for comparative periods prior to adoption not to be updated. Upon adoption, the Company recognized a $1.1 million reduction in retained earnings as a result of two existing build-to-suit arrangements for facilities in Guadalajara, Mexico that were reassessed to be finance leases under the new standard.

Recently Issued Accounting Pronouncements Not Yet Adopted:

In September 2022, the FASB issued ASU 2022-04, which requires enhanced disclosures about supplier finance programs. This guidance is effective for the Company beginning in the first quarter of fiscal 2024. Early adoption is permitted. The Company is currently in the process of assessing the impacts of the guidance.

The Company believes that no other recently issued accounting standards will have a material impact on its Consolidated Financial Statements, or apply to its operations.

2. Inventories

Inventories as of October 1, 2022 and October 2, 2021 consisted of the following (in thousands):

	2022	2021
Raw materials	$ 1,433,353	$ 860,538
Work-in-process	81,207	48,356
Finished goods	88,223	63,418
Total inventories, net	$ 1,602,783	$ 972,312

In certain circumstances, per contractual terms, customer deposits are received by the Company to offset inventory risks. The total amount of customer deposits related to inventory and included within current liabilities on the accompanying Consolidated Balance Sheets as of October 1, 2022 and October 2, 2021 was $463.2 million and $200.6 million, respectively.

3. Property, Plant and Equipment

Property, plant and equipment as of October 1, 2022 and October 2, 2021 consisted of the following (in thousands):

	2022	2021
Land, buildings and improvements	$ 386,623	$ 336,939
Machinery and equipment	421,717	420,172
Computer hardware and software	164,420	167,584
Capital assets in progress	28,187	28,085
Total property, plant and equipment, gross	1,000,947	952,780
Less: accumulated depreciation	(556,242)	(557,686)
Total property, plant and equipment, net	$ 444,705	$ 395,094

Assets held under finance leases and included in property, plant and equipment as of October 1, 2022 and October 2, 2021 consisted of the following (in thousands):

	2022	2021
Buildings and improvements	$ 36,270	$ 35,360
Machinery and equipment	25,362	26,657
Total property, plant and equipment held under finance leases, gross	61,632	62,017
Less: accumulated amortization	(21,569)	(23,360)
Total property, plant and equipment held under finance leases, net	$ 40,063	$ 38,657

As of October 1, 2022, October 2, 2021 and October 3, 2020, accounts payable included approximately $25.4 million, $17.3 million and $6.7 million, respectively, related to the purchase of property, plant and equipment, which have been treated as non-cash transactions for purposes of the Consolidated Statements of Cash Flows.

4. Debt, Finance Lease Obligations and Other Financing

Debt and finance lease obligations as of October 1, 2022 and October 2, 2021, consisted of the following (in thousands):

	2022	2021
4.05% Senior Notes, due June 15, 2025	$ 100,000	$ 100,000
4.22% Senior Notes, due June 15, 2028	50,000	50,000
Borrowings under the Credit Facility	263,000	55,000
Finance lease and other financing obligations	50,269	49,279
Unamortized deferred financing fees	(1,522)	(933)
Total obligations	461,747	253,346
Less: current portion	(273,971)	(66,313)
Long-term debt and finance lease obligations, net of current portion	$ 187,776	$ 187,033

On June 15, 2018, the Company entered into a Note Purchase Agreement (the “2018 NPA”) pursuant to which it issued an aggregate of $150.0 million in principal amount of unsecured senior notes, consisting of $100.0 million in principal amount of 4.05% Series A Senior Notes, due on June 15, 2025, and $50.0 million in principal amount of 4.22% Series B Senior Notes, due on June 15, 2028 (collectively, the “2018 Notes”), in a private placement. The 2018 NPA includes customary operational and financial covenants with which the Company is required to comply, including, among others, maintenance of certain financial ratios such as a total leverage ratio and a minimum interest coverage ratio. The 2018 Notes may be prepaid in whole or in part at any time, subject to payment of a make-whole amount; interest on the 2018 Notes is payable semiannually. As of October 1, 2022, the Company was in compliance with the covenants under the 2018 NPA.

On June 9, 2022, the Company refinanced its then-existing senior unsecured revolving credit facility (as amended by that certain Amendment No. 1 to Credit Agreement dated April 29, 2020, the "Prior Credit Facility") by entering into a new 5-year revolving credit facility (collectively with the Prior Credit Facility, referred to as the "Credit Facility"), which expanded the maximum commitment from $350.0 million to $500.0 million and extended the maturity from May 15, 2024 to June 9, 2027. The maximum commitment under the Credit Facility may be further increased to $750.0 million, generally by mutual agreement of the Company and the lenders, subject to certain customary conditions. During fiscal 2022, the highest daily borrowing was $385.0 million; the average daily borrowings were $232.1 million. The Company borrowed $758.0 million and repaid $550.0 million of revolving borrowings ("revolving commitment") under the Credit Facility during fiscal 2022. As of October 1, 2022, the Company was in compliance with all financial covenants relating to the Credit Facility, which are generally consistent with those in the 2018 NPA discussed above. The Company is required to pay a commitment fee on the daily unused credit facility based on the Company's leverage ratio; the fee was 0.125% as of October 1, 2022.

The aggregate scheduled maturities of the Company’s debt obligations as of October 1, 2022, are as follows (in thousands):

2023	$	263,000
2024		—
2025		100,000
2026		—
2027		—
Thereafter		50,000
Total	$	413,000

The aggregate scheduled maturities of the Company’s finance leases and other financing obligations as of October 1, 2022, are as follows (in thousands):

2023	$	10,971
2024		3,316
2025		2,362
2026		676
2027		609
Thereafter		32,335
Total	$	50,269

The Company's weighted average interest rate on finance lease obligations was 17.1% and 17.4% as of October 1, 2022 and October 2, 2021, respectively.

5. Derivatives and Fair Value Measurements

All derivatives are recognized in the accompanying Consolidated Balance Sheets at their estimated fair value. The Company uses derivatives to manage the variability of foreign currency obligations. The Company has cash flow hedges related to forecasted foreign currency obligations, in addition to non-designated hedges to manage foreign currency exposures associated with certain foreign currency denominated assets and liabilities. The Company does not enter into derivatives for speculative purposes.

The Company designates some foreign currency exchange contracts as cash flow hedges of forecasted foreign currency expenses. Changes in the fair value of the derivatives that qualify as cash flow hedges are recorded in "Accumulated other comprehensive loss" in the accompanying Consolidated Balance Sheets until earnings are affected by the variability of the cash flows. In the next twelve months, the Company estimates that $6.0 million of unrealized losses, net of tax, related to cash flow hedges will be reclassified from other comprehensive income (loss) into earnings. Changes in the fair value of the non-designated derivatives related to recognized foreign currency denominated assets and liabilities are recorded in "Miscellaneous, net" in the accompanying Consolidated Statements of Comprehensive Income.

The Company enters into forward currency exchange contracts for its operations in Malaysia and Mexico on a rolling basis. The Company had cash flow hedges outstanding with a notional value of $143.2 million as of October 1, 2022, and a notional value of $107.4 million as of October 2, 2021. These forward currency contracts fix the exchange rates for the settlement of future foreign currency obligations that have yet to be realized. The total fair value of the forward currency exchange contracts was a $6.0 million liability as of October 1, 2022, and a $1.0 million liability as of October 2, 2021.

The Company had additional forward currency exchange contracts outstanding as of October 1, 2022, with a notional value of $60.1 million; there were $38.6 million such contracts outstanding as of October 2, 2021. The Company did not designate these derivative instruments as hedging instruments. The net settlement amount (fair value) related to these contracts is recorded on the Consolidated Balance Sheets as either a current or long-term asset or liability, depending on the term, and as an element of "Miscellaneous, net" in the Consolidated Statements of Comprehensive Income. The total fair value of these derivatives was a $0.3 million asset as of October 1, 2022, and a $0.2 million liability as of October 2, 2021.

The tables below present information regarding the fair values of derivative instruments (as defined in Note 1, "Description of Business and Significant Accounting Policies") and the effects of derivative instruments on the Company's Consolidated Financial Statements:

Fair Values of Derivative Instruments (in thousands)

	Derivative Assets			Derivative Liabilities		
		October 1, 2022	October 2, 2021		October 1, 2022	October 2, 2021
Derivatives designated as hedging instruments	Balance sheet classification	Fair Value	Fair Value	Balance sheet classification	Fair Value	Fair Value
Foreign currency forward contracts	Prepaid expenses and other	$ 715	$ 76	Other accrued liabilities	$ 6,747	$ 1,119

Fair Values of Derivative Instruments (in thousands)

	Derivative Assets			Derivative Liabilities		
		October 1, 2022	October 2, 2021		October 1, 2022	October 2, 2021
Derivatives not designated as hedging instruments	Balance sheet classification	Fair Value	Fair Value	Balance sheet classification	Fair Value	Fair Value
Foreign currency forward contracts	Prepaid expenses and other	$ 1,555	$ 133	Other accrued liabilities	$ 1,249	$ 356

The Effect of Cash Flow Hedge Accounting on Accumulated Other Comprehensive Loss ("OCL") (in thousands)
for the Twelve Months Ended

	Amount of (Loss) Gain Recognized in OCL on Derivatives		
Derivatives in cash flow hedging relationships	October 1, 2022	October 2, 2021	October 3, 2020
Foreign currency forward contracts	$ (7,637)	$ 1,238	$ 446

Derivative Impact on (Loss) Gain Recognized in Consolidated Statements of Comprehensive Income (in thousands)
for the Twelve Months Ended

		Amount of (Loss) Gain Reclassified from Accumulated OCL into Income		
Derivatives in cash flow hedging relationships	Classification of (Loss) Gain Reclassified from Accumulated OCL into Income	October 1, 2022	October 2, 2021	October 3, 2020
Foreign currency forward contracts	Cost of sales	$ (2,459)	$ 3,205	$ (1,278)
Foreign currency forward contracts	Selling and administrative expenses	$ (189)	$ 265	$ (107)

		Amount of (Loss) Gain on Derivatives Recognized in Income		
Derivatives not designated as hedging instruments	Location of (Loss) Gain Recognized on Derivatives in Income	October 1, 2022	October 2, 2021	October 3, 2020
Foreign currency forward contracts	Miscellaneous, net	$ (1,181)	$ 98	$ (330)

Fair Value Measurements:

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (or exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses quoted market prices when available or discounted cash flows to calculate fair value. The accounting guidance establishes a fair value hierarchy based on three levels of inputs that may be used to measure fair value. The input levels are:

Level 1: Quoted (observable) market prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability.

The following table lists the fair values of assets of the Company's derivatives as of October 1, 2022 and October 2, 2021, by input level:

Fair Value Measurements Using Input Levels Liability (in thousands)

Fiscal year ended October 1, 2022	Level 1	Level 2	Level 3	Total
Derivatives				
Foreign currency forward contracts	$ —	$ 5,726	$ —	$ 5,726
Fiscal year ended October 2, 2021				
Derivatives				
Foreign currency forward contracts	$ —	$ 1,266	$ —	$ 1,266

The fair value of foreign currency forward contracts is determined using a market approach, which includes obtaining directly or indirectly observable values from third parties active in the relevant markets. Inputs in the fair value of the foreign currency forward contracts include prevailing forward and spot prices for currency.

6. Income Taxes

The domestic and foreign components of income (loss) before income tax expense for fiscal 2022, 2021 and 2020 were as follows (in thousands):

	2022	2021	2020
U.S.	$ (64,267)	$ (33,409)	$ (69,102)
Foreign	222,570	193,820	204,499
	$ 158,303	$ 160,411	$ 135,397

Income tax expense (benefit) for fiscal 2022, 2021 and 2020 were as follows (in thousands):

	2022	2021	2020
Current:			
Federal	$ 12,506	$ 9,217	$ 8,779
State	386	524	23
Foreign	17,968	15,146	12,699
	30,860	24,887	21,501
Deferred:			
Federal	(9,931)	(1,153)	(6,498)
State	(315)	1	3
Foreign	(554)	(2,236)	2,912
	(10,800)	(3,388)	(3,583)
	$ 20,060	$ 21,499	$ 17,918

The following is a reconciliation of the federal statutory income tax rate to the effective income tax rates reflected in the Consolidated Statements of Comprehensive Income for fiscal 2022, 2021 and 2020:

	2022	2021	2020
Federal statutory income tax rate	21.0 %	21.0 %	21.0 %
(Decrease) increase resulting from:			
Foreign tax rate differences	(23.2)	(20.3)	(24.0)
Withholding tax on dividends	2.2	2.9	1.9
Permanent differences	(0.8)	(0.6)	(2.6)
Excess tax benefits related to share-based compensation	(1.4)	(0.9)	(3.0)
Global intangible low-taxed income ("GILTI")	10.4	6.4	13.8
Audit settlements	3.7	5.0	—
Non-deductible compensation	2.5	3.8	2.2
Valuation allowances	(1.7)	(3.7)	3.6
Tax credits, net	(1.9)	—	—
Other, net	1.9	(0.2)	0.3
Effective income tax rate	12.7 %	13.4 %	13.2 %

The effective tax rate for fiscal 2022 was lower than the effective tax rate for fiscal 2021 primarily due to claiming a U.S. Research & Development tax credit and the geographic distribution of worldwide earnings. The effective tax rate for fiscal 2021 was relatively consistent compared to the effective tax rate for fiscal 2020.

During fiscal 2022, the Company recorded a $2.8 million decrease to its valuation allowance primarily due to a net decrease of the valuation allowance in the EMEA segment driven by the release of the valuation allowance against the net deferred tax assets of a foreign subsidiary. This is partially offset by continuing losses in certain jurisdictions within the AMER segment.

During fiscal 2021, the Company recorded a $5.9 million decrease to its valuation allowance primarily due to a net decrease of the valuation allowance in the EMEA segment driven by the release of the valuation allowance against the net deferred tax assets of a foreign subsidiary. This is partially offset by continuing losses in certain jurisdictions within the AMER segment.

During fiscal 2020, the Company recorded a $4.8 million increase to its valuation allowance due to continuing losses in certain jurisdictions within the AMER and EMEA segments, partially offset by an expiration of net operating losses that had a valuation allowance recorded.

The components of the net deferred income tax assets as of October 1, 2022 and October 2, 2021, were as follows (in thousands):

	2022	2021
Deferred income tax assets:		
Loss/credit carryforwards	$ 24,575	$ 28,234
Inventories	21,869	15,231
Accrued employee benefits	17,224	14,488
Accrued liabilities	7,129	6,410
Lease obligation	17,427	18,977
Other	6,536	6,719
Total gross deferred income tax assets	94,760	90,059
Less valuation allowances	(25,562)	(30,321)
Deferred income tax assets	69,198	59,738
Deferred income tax liabilities:		
Property, plant and equipment	19,878	19,055
Right-of-use asset	10,538	12,279
Tax on unremitted earnings	6,034	4,654
Acceleration of revenue under Topic 606	—	2,042
Deferred income tax liabilities	36,450	38,030
Net deferred income tax assets/(liabilities)	$ 32,748	$ 21,708

During fiscal 2022, the Company's valuation allowance decreased by $4.8 million, including the impact of foreign exchange movement. This decrease is the result of decreases to the valuation allowances against the net deferred tax assets in the EMEA region of $6.1 million, partially offset by increases to the valuation allowances in the AMER region of $1.2 million.

As of October 1, 2022, the Company had approximately $198.7 million of pre-tax state net operating loss carryforwards that expire between fiscal 2023 and 2043. Certain state net operating losses have a full valuation allowance against them. The Company also had approximately $46.5 million of pre-tax foreign net operating loss carryforwards that expire between fiscal 2025 and 2034 or are indefinitely carried forward. Certain foreign net operating losses have a full valuation allowance against them.

The Company has been granted a tax holiday for a foreign subsidiary in the APAC segment. This tax holiday will expire on December 31, 2034, and is subject to certain conditions with which the Company expects to continue to comply. During fiscal 2022, 2021 and 2020, the tax holiday resulted in tax reductions, net of the impact of the GILTI provisions of U.S. Tax Reform, of approximately $35.3 million ($1.27 per basic share, $1.24 per diluted share), $34.4 million ($1.20 per basic share, $1.18 per diluted share) and $28.3 million ($0.97 per basic share, $0.95 per diluted share), respectively.

The Company does not provide for taxes that would be payable if certain undistributed earnings of foreign subsidiaries were remitted because the Company considers these earnings to be permanently reinvested. The deferred tax liability that has not been recorded for these earnings was approximately $10.5 million as of October 1, 2022.

The Company has approximately $9.0 million of uncertain tax benefits as of October 1, 2022. The Company has classified these amounts in the Consolidated Balance Sheets as "Other liabilities" (non-current) in the amount of $8.6 million and an offset to "Deferred income taxes" (non-current asset) in the amount of $0.4 million as the payment is not anticipated within one year.

The following is a reconciliation of the beginning and ending amounts of unrecognized income tax benefits for the indicated fiscal years (in thousands):

	2022	2021	2020
Balance at beginning of fiscal year	$ 4,635	$ 2,096	$ 2,270
Gross increases for tax positions of prior years	2,421	623	509
Gross increases for tax positions of the current year	2,531	2,161	465
Gross decreases for tax positions of prior years	(589)	(245)	(1,148)
Balance at end of fiscal year	$ 8,998	$ 4,635	$ 2,096

The amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is $8.6 million and $3.9 million for the fiscal years ended October 1, 2022 and October 2, 2021, respectively.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. The total accrued penalties and net accrued interest with respect to income taxes was approximately $0.5 million for fiscal 2022 and approximately $0.1 million for fiscal 2021 and 2020. The Company recognized $0.3 million of expense for accrued penalties and net accrued interest in the Consolidated Statements of Comprehensive Income for fiscal 2022, and less than $0.1 million in fiscal 2021 and 2020.

It is possible that a number of uncertain tax positions may be settled within the next 12 months. Settlement of these matters is not expected to have a material effect on the Company’s consolidated results of operations, financial position and cash flows.

The Company files income tax returns, including returns for its subsidiaries, with federal, state, local and foreign taxing jurisdictions. The following tax years remain subject to examination by the respective major tax jurisdictions:

Jurisdiction	*Fiscal Years*
China	2018-2022
Germany	2019-2022
Malaysia	2018-2022
Mexico	2018-2022
Romania	2020-2022
United Kingdom	2019-2022
United States	
Federal	2015, 2017-2022
State	2003-2006, 2009-2022

7. Earnings Per Share

The following is a reconciliation of the amounts utilized in the computation of basic and diluted earnings per share for fiscal 2022, 2021 and 2020 (in thousands, except per share amounts):

	2022	2021	2020
Net income	$ 138,243	$ 138,912	$ 117,479
Basic weighted average common shares outstanding	27,862	28,575	29,195
Dilutive effect of share-based awards and options outstanding	577	592	721
Diluted weighted average shares outstanding	28,439	29,167	29,916
Earnings per share:			
Basic	$ 4.96	$ 4.86	$ 4.02
Diluted	$ 4.86	$ 4.76	$ 3.93

In each year of fiscal 2022, 2021 and 2020, share-based awards for less than 0.1 million shares were not included in the computation of diluted earnings per share as they were antidilutive.

8. Leases

The Company’s lease portfolio includes both real estate and non-real estate type leases which are accounted for as either finance or operating leases. Real estate leases generally include office, warehouse and manufacturing facilities and non-real estate leases generally include office equipment and vehicles. The Company determines if a contract is or contains a lease at inception. The Company’s leases have remaining lease terms of less than 1 year to 38 years. Renewal options that are deemed reasonably certain are included as part of the lease term for purposes of calculating the right-of-use (“ROU”) asset and lease liability. Variable lease payments are generally expensed as incurred and include certain index-based changes in rent, certain nonlease components, such as maintenance and other services provided by the lessor, and other charges included in the lease. The Company elected the practical expedient to not separate lease and nonlease components, as such nonlease components are included in the calculation of the ROU asset and lease liability and included in the lease expense over the term of the lease. The Company uses a discount rate to calculate the ROU asset and lease liability. When the implicit rate is known or provided in the lease documents, the Company is required to use this rate. In cases in which the implicit rate is not known, the Company uses an estimated incremental borrowing rate.

Operating lease ROU assets and lease liabilities are recorded on the date the Company takes possession of the leased assets with expense recognized on a straight-line basis over the lease term. Leases with an estimated total term of 12 months or less are not recorded on the balance sheet and the lease expense is recognized on a straight-line basis over the lease term. Generally, the Company's lease agreements do not contain material residual value guarantees or material restrictive covenants.

The components of lease expense for fiscal years indicated were as follows (in thousands):

	2022	2021	2020
Finance lease expense:			
Amortization of right-of-use assets	$ 6,478	$ 6,290	$ 4,380
Interest on lease liabilities	4,927	4,888	4,956
Operating lease expense	11,278	11,034	11,707
Other lease expense	6,185	4,794	3,401
Total	$ 28,868	$ 27,006	$ 24,444

Based on the nature of the ROU asset, amortization of finance right-of-use assets, operating lease expense and other lease expense are recorded within either cost of goods sold or selling and administrative expenses and interest on finance lease liabilities is recorded within interest expense on the Consolidated Statements of Comprehensive Income. Other lease expense includes lease expense for leases with an estimated total term of twelve months or less and variable lease expense related to variations in lease payments as a result of a change in factors or circumstances occurring after the lease possession date.

The following tables sets forth the amount of lease assets and lease liabilities included in the Company’s Consolidated Balance Sheets (in thousands):

	Financial Statement Line Item	2022	2021
ASSETS			
Finance lease assets	Property, plant and equipment, net	$ 40,063	$ 38,657
Operating lease assets	Operating lease right-of-use assets	65,134	72,087
Total lease assets		$ 105,197	$ 110,744
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Finance lease liabilities	Current portion of long-term debt and finance lease obligations	$ 5,087	$ 4,616
Operating lease liabilities	Other accrued liabilities	7,948	9,877
Non-current			
Finance lease liabilities	Long-term debt and finance lease obligations, net of current portion	39,257	36,919
Operating lease liabilities	Long-term operating lease liabilities	33,628	37,970
Total lease liabilities		$ 85,920	$ 89,382

Other information related to the Company’s leases was as follows:

	2022	2021
Weighted-average remaining lease term (in years)		
Finance leases	11.1	11.6
Operating leases	17.6	17.4
Weighted-average discount rate		
Finance leases	17.1 %	17.4 %
Operating leases	2.6 %	2.5 %

	2022	2021	2020
Cash paid for amounts included in the measurement of lease liabilities (in thousands)			
Operating cash flows used in finance leases	$ 4,630	$ 4,571	$ 4,539
Operating cash flows used in operating leases	10,278	10,667	10,907
Finance cash flows used in finance leases	6,148	5,734	3,321
ROU assets obtained in exchange for lease liabilities (in thousands)			
Operating leases	$ 4,710	$ 11,897	$ 7,692
Finance leases	7,851	4,253	2,835

Future minimum lease payments required under finance and operating leases as of October 1, 2022, were as follows (in thousands):

	Operating leases	**Finance leases**
2023	$ 9,502	$ 10,246
2024	7,810	7,531
2025	6,209	6,967
2026	5,594	5,137
2027	4,461	5,216
Thereafter	14,526	84,389
Total minimum lease payments	48,102	119,486
Less: imputed interest	(6,526)	(75,142)
Present value of lease liabilities	$ 41,576	$ 44,344

As of October 1, 2022, the Company’s future operating leases that have not yet commenced are immaterial.

9. Benefit Plans

Share-based Compensation Plans: The Plexus Corp. 2016 Omnibus Incentive Plan (the "2016 Plan"), which was approved by shareholders, is a stock and cash-based incentive plan, and includes provisions by which the Company may grant executive officers, employees and directors stock options, stock appreciation rights ("SARs"), restricted stock (including restricted stock units ("RSUs"), performance stock awards (including performance stock units ("PSUs"), other stock awards and cash incentive awards.

The maximum number of shares of Plexus common stock that may be issued pursuant to the 2016 Plan is 3.2 million shares; in addition, cash incentive awards of up to $4.0 million per employee may be granted annually. The exercise price of each stock option and SAR granted must not be less than the fair market value on the date of grant. The Compensation and Leadership Development Committee (the "Committee") of the Board of Directors may establish a term and vesting period for awards under the 2016 Plan as well as accelerate the vesting of such awards. Generally, stock options vest in two annual installments and have a term of ten years. SARs vest in two annual installments and have a term of seven years. RSUs granted to executive officers, other officers and key employees generally vest on the 3 year anniversary of the grant date (assuming continued employment), which is also the date as of which the underlying shares will be issued.

Performance stock units ("PSUs") are payable in shares of the Company's common stock and have a performance period of three years. For PSUs, approximately 50% vest based on the relative total shareholder return ("TSR") of the Company's common stock as compared to the companies in the Russell 3000 Index for grants issued in fiscal 2020 and the S&P 400 Index for grants issued in fiscal 2021 and beyond. Both are a market condition. The remaining approximately 50% of PSUs vest based upon a three-point annual average of the Company's absolute economic return, a performance condition, with grants made in fiscal 2021 and beyond being subject to an individual year minimum and maximum absolute economic return. The vesting and payout of awards will range between 0% and 200% of the shares granted based upon metrics during a performance period for PSUs based on economic return and PSUs based on TSR compared to the Russell 3000 Index. For PSUs based on TSR compared to the S&P 400 Index, the vesting and payout of awards will range between 0% and 150% of shares granted. Payout at target, 100% of the shares granted, will occur if the TSR of Plexus stock is at the 50th percentile of companies in the Russell 3000 Index or S&P 400 Index during the performance period and if a 2.5% average economic return is achieved over the performance period ofthree years. The number of shares that may be issued pursuant to PSUs ranges from zero to 0.5 million and is dependent upon the Company's TSR and economic return performance over the applicable performance periods. The Committee also grants RSUs to non-employee directors, which generally fully vest on the first anniversary of the grant date, which is also the date the underlying shares are issued (unless further deferred).

The Company recognized $23.3 million, $24.8 million and $24.3 million of compensation expense associated with share-based awards in fiscal 2022, 2021 and 2020, respectively.

A summary of the Company’s stock option and SAR activity follows:

	Number of Options/SARs (in thousands)	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)
Outstanding as of September 28, 2019	464	$ 38.28	
Granted	—	—	
Canceled	(16)	31.74	
Exercised	(325)	39.78	
Outstanding as of October 3, 2020	123	$ 35.12	
Granted	—	—	
Canceled	—	—	
Exercised	(106)	34.12	
Outstanding as of October 2, 2021	17	$ 41.40	
Granted	—	—	
Canceled	—	—	
Exercised	(12)	40.32	
Outstanding as of October 1, 2022	5	$ 44.02	$ 215

	Number of Options/SARs (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value (in thousands)
Exercisable as of:				
October 3, 2020	123	$ 35.12		
October 2, 2021	17	$ 41.40		
October 1, 2022	5	$ 44.02	3.46	$ 215

The following table summarizes outstanding stock option and SAR information as of October 1, 2022 (Options/SARs in thousands):

Range of Exercise Prices	Number of Options/SARs Outstanding (in thousands)		Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Number of Options / SARs Exercisable (in thousands)		Weighted Average Exercise Price
$33.06 - $40.64	1	$	37.80	1.26	1	$	37.80
$40.65 - $41.01	—	$	41.01	1.80	—	$	41.01
$41.02 - $44.48	—	$	44.48	1.56	—	$	44.48
$44.49 - $45.45	4	$	45.45	4.08	4	$	45.45
$33.06 - $45.45	5	$	44.02	3.46	5	$	44.02

There were no options or SARs granted for fiscal 2022, 2021 or 2020.

There were no options or SARs vested for fiscal 2022, 2021 or 2020.

For fiscal 2022, 2021 and 2020, the total intrinsic value of options and SARs exercised was $0.6 million, $5.4 million and $10.9 million, respectively.

As of October 1, 2022, all previously granted options and SARS have vested.

A summary of the Company’s PSU and RSU activity follows:

	Number of Shares (in thousands)		Weighted Average Fair Value at Date of Grant		Aggregate Intrinsic Value (in thousands)
Units outstanding as of September 28, 2019	962	$	56.97		
Granted	377		75.91		
Canceled	(37)		60.95		
Vested	(451)		54.85		
Units outstanding as of October 3, 2020	851	$	66.33		
Granted	360		81.15		
Canceled	(10)		70.12		
Vested	(340)		64.00		
Units outstanding as of October 2, 2021	861	$	72.38		
Granted	328		75.39		
Canceled	(35)		76.68		
Vested	(356)		58.76		
Units outstanding as of October 1, 2022	798	$	79.57	$	69,889

The Company uses the fair value at the date of grant to value RSUs. As of October 1, 2022, there was $18.0 million of unrecognized compensation expense related to RSUs that is expected to be recognized over a weighted average period of 1.3 years.

The Company recognizes share-based compensation expense over the vesting period of PSUs. During the fiscal year ended October 1, 2022, the 0.1 million PSUs granted in fiscal 2019 vested at a 145% payout based upon the TSR performance achieved during the performance period and 200% payout based upon economic return performance achieved during the performance period. There were 0.1 million PSUs granted during each of fiscal years 2022, 2021 and 2020.

As of October 1, 2022, at the target achievement level, there was $6.6 million of unrecognized compensation expense related to PSUs that is expected to be recognized over a weighted average period of 1.8 years.

401(k) Savings Plan: The Company’s 401(k) Retirement Plan covers all eligible U.S. employees. The Company matches employee contributions up to 4.0% of eligible earnings. The Company’s contributions for fiscal 2022, 2021 and 2020 totaled $9.3 million, $9.3 million and $9.8 million, respectively.

Supplemental Executive Retirement Plan (Deferred Compensation Arrangement): The Company maintains a supplemental executive retirement plan (the "SERP") as a deferred compensation plan for executive officers. Under the SERP, a covered executive may elect to defer some or all of the participant’s compensation into the plan, and the Company may credit the participant’s account with a discretionary employer contribution. Participants are entitled to payment of deferred amounts and any related earnings upon termination or retirement from Plexus.

The SERP allows investment of deferred compensation into individual accounts and, within these accounts, into one or more designated investments. Investment choices do not include Plexus stock. During fiscal 2022, 2021 and 2020, the Company made contributions to the participants’ SERP accounts in the amount of $0.8 million, $0.7 million and $0.7 million, respectively.

As of October 1, 2022 and October 2, 2021, the SERP assets held in the trust totaled $10.0 million and $14.1 million, respectively, and the related liability to the participants totaled approximately $10.0 million and $14.1 million, respectively. As of October 1, 2022 and October 2, 2021, the SERP assets held in the trust were recorded at fair value on a recurring basis, and were classified as Level 2 in the fair value hierarchy discussed in Note 1, "Description of Business and Significant Accounting Policies."

The trust assets are subject to the claims of the Company’s creditors. The trust assets and the related liabilities to the participants are included in non-current "Other assets" and non-current "Other liabilities," respectively, in the accompanying Consolidated Balance Sheets.

10. Litigation

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

11. Reportable Segments, Geographic Information and Major Customers

Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or group, in assessing performance and allocating resources. The Company uses an internal management reporting system, which provides important financial data to evaluate performance and allocate the Company’s resources on a regional basis. Net sales for the segments are attributed to the region in which the product is manufactured or the service is performed. The services provided, manufacturing processes used, class of customers serviced and order fulfillment processes used are similar and generally interchangeable across the segments. A segment’s performance is evaluated based upon its operating income (loss). A segment’s operating income (loss) includes its net sales less cost of sales and selling and administrative expenses, but excludes corporate and other expenses. Corporate and other expenses primarily represent corporate selling and administrative expenses, and restructuring costs and other charges, if any, such as the $2.0 million, $3.3 million and $6.0 million of restructuring and impairment costs in fiscal 2022, 2021 and 2020, respectively. These costs are not allocated to the segments, as management excludes such costs when assessing the performance of the segments. Inter-segment transactions are generally recorded at amounts that approximate arm’s length transactions. The accounting policies for the segments are the same as for the Company taken as a whole.

Information about the Company’s three reportable segments for fiscal 2022, 2021 and 2020 is as follows (in thousands):

	2022	2021	2020
Net sales:			
AMER	$ 1,310,687	$ 1,317,404	$ 1,327,849
APAC	2,300,640	1,850,603	1,824,831
EMEA	316,315	312,669	349,102
Elimination of inter-segment sales	(116,274)	(111,811)	(111,388)
	$ 3,811,368	$ 3,368,865	$ 3,390,394
Operating income (loss):			
AMER	$ 44,741	$ 62,338	$ 38,126
APAC	267,253	238,800	246,636
EMEA	8,018	(895)	1,492
Corporate and other costs	(141,827)	(123,975)	(132,882)
	$ 178,185	$ 176,268	$ 153,372
Other income (expense):			
Interest expense	$ (15,858)	$ (14,253)	$ (16,162)
Interest income	1,305	1,372	1,878
Miscellaneous, net	(5,329)	(2,976)	(3,691)
Income before income taxes	$ 158,303	$ 160,411	$ 135,397

	2022	2021	2020
Depreciation:			
AMER	$ 23,482	$ 24,325	$ 24,217
APAC	23,547	19,924	17,912
EMEA	5,861	7,189	6,938
Corporate	8,613	8,390	6,437
	$ 61,503	$ 59,828	$ 55,504
Capital expenditures:			
AMER	$ 20,024	$ 16,114	$ 13,361
APAC	73,758	31,774	18,902
EMEA	2,617	2,504	8,577
Corporate	5,213	6,707	9,248
	$ 101,612	$ 57,099	$ 50,088

	October 1, 2022	October 2, 2021
Total assets:		
AMER	$ 1,150,605	$ 789,385
APAC	1,807,542	1,283,124
EMEA	302,901	275,122
Corporate and eliminations	132,177	114,262
	$ 3,393,225	$ 2,461,893

The following information is provided in accordance with the required segment disclosures for fiscal 2022, 2021 and 2020. Net sales were based on the Company’s location providing the product or service (in thousands):

	2022	2021	2020
Net sales:			
United States	$ 869,144	$ 914,360	$ 989,888
Malaysia	1,846,086	1,495,049	1,432,154
China	453,591	355,554	392,677
Mexico	441,543	403,044	337,961
Romania	217,052	202,649	217,295
United Kingdom	91,137	99,365	118,463
Germany	8,126	10,655	13,344
Thailand	963	—	—
Elimination of inter-country sales	(116,274)	(111,811)	(111,388)
	$ 3,811,368	$ 3,368,865	$ 3,390,394

	October 1, 2022	October 2, 2021
Long-lived assets:		
United States	$ 105,272	$ 106,577
Malaysia	152,317	139,614
Mexico	77,947	75,774
Thailand	56,115	19,394
China	37,608	35,969
Romania	23,894	29,474
United Kingdom	6,842	9,073
Other Foreign	2,899	3,840
Corporate	46,945	47,466
	$ 509,839	$ 467,181

As the Company operates flexible manufacturing facilities and processes designed to accommodate customers with multiple product lines and configurations, it is impracticable to report net sales for individual products or services or groups of similar products and services.

Long-lived assets as of October 1, 2022 and October 2, 2021 exclude other long-term assets, deferred income tax assets and intangible assets, which totaled $67.3 million and $63.8 million, respectively.

As a percentage of consolidated net sales, net sales attributable to customers representing 10.0% or more of consolidated net sales for fiscal 2022, 2021 and 2020 were as follows:

	2022	2021	2020
General Electric Company ("GE")	12.9%	11.2%	11.7%

During fiscal 2022, 2021 and 2020, net sales attributable to GE were reported in allthree reportable segments.

GE represented 16.2% and 12.1% of total accounts receivable as of October 1, 2022 and October 2, 2021, respectively. Medtronic, Inc. represented 10.2% and 3.9% of total accounts receivable as of October 1, 2022 and October 2, 2021, respectively.

12. Guarantees

The Company offers certain indemnifications under its customer manufacturing agreements. In the normal course of business, the Company may from time to time be obligated to indemnify its customers or its customers' customers against damages or liabilities arising out of the Company's negligence, misconduct, breach of contract, or infringement of third-party intellectual property rights. Certain agreements have extended broader indemnification, and while most agreements have contractual limits, some do not. However, the Company generally does not provide for such indemnities and seeks indemnification from its customers for damages or liabilities arising out of the Company's adherence to customers' specifications or designs or use of materials furnished, or directed to be used, by its customers. The Company does not believe its obligations under such indemnities are material.

In the normal course of business, the Company also provides its customers a limited warranty covering workmanship, and in some cases materials, on products manufactured by the Company. Such warranty generally provides that products will be free from defects in the Company's workmanship and meet mutually agreed-upon specifications for periods generally ranging from 12 months to 24 months. The Company's obligation is generally limited to correcting, at its expense, any defect by repairing or replacing such defective product. The Company's warranty generally excludes defects resulting from faulty customer-supplied components, design defects or damage caused by any party or cause other than the Company.

The Company provides for an estimate of costs that may be incurred under its limited warranty at the time product revenue is recognized and establishes additional reserves for specifically identified product issues. These costs primarily include labor and materials, as necessary, associated with repair or replacement and are included in the Company's accompanying Consolidated Balance Sheets in "other accrued liabilities." The primary factors that affect the Company's warranty liability include the value and the number of shipped units and historical and anticipated rates of warranty claims. As these factors are impacted by actual experience and future expectations, the Company assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Below is a table summarizing the activity related to the Company's limited warranty liability for fiscal 2022, 2021 and 2020 (in thousands):

Limited warranty liability, as of September 28, 2019	$	6,276
Accruals for warranties issued during the period		2,852
Settlements (in cash or in kind) during the period		(2,742)
Limited warranty liability, as of October 3, 2020		6,386
Accruals for warranties issued during the period		3,277
Settlements (in cash or in kind) during the period		(3,018)
Limited warranty liability, as of October 2, 2021		6,645
Accruals for warranties issued during the period		2,786
Settlements (in cash or in kind) during the period		(2,506)
Limited warranty liability, as of October 1, 2022	$	6,925

13. Shareholders' Equity

On August 20, 2019, the Board of Directors approved a share repurchase program under which the Company is authorized to repurchase $50.0 million of its common stock (the "2019 Program"). The 2019 Program commenced upon completion of the 2018 Program. During fiscal 2021, 2020 and 2019, the Company completed the 2019 Program by repurchasing 73,560, 609,935 and 54,965 shares under this program for $5.3 million, $41.4 million and $3.3 million at an average price of $72.44, $67.86 and $59.66 per share, respectively.

On August 13, 2020, the Board of Directors approved a share repurchase program under which the Company is authorized to repurchase up to $50.0 million of its common stock (the "2021 Program"). On November 18, 2020, the Board of Directors approved an additional $50.0 million in share repurchase authority under the existing 2021 Program such that there then existed a total of $100.0 million in share repurchase authority under the program. The 2021 Program commenced upon completion of the 2019 Program. During fiscal 2021, the Company completed the 2021 Program by repurchasing 1,171,246 shares under this program for $100.0 million at an average price of $85.40 per share.

On August 11, 2021, the Board of Directors approved a share repurchase program under which the Company is authorized to repurchase up to $50.0 million of its common stock (the "2022 Program"). The 2022 Program commenced upon completion of the 2021 Program. During fiscal 2022 and 2021, the Company completed the 2022 Program by repurchasing 564,718 and 34,381 shares under this program for $46.9 million and $3.1 million at an average price of $83.07 and $90.16 per share, respectively.

On August 18, 2022, the Board of Directors approved a share repurchase program under which the Company is authorized to repurchase up to $50.0 million of its common stock (the "2023 Program"). The 2023 Program became effective immediately and has no expiration. During fiscal 2022, the Company repurchased 38,397 shares under this program for $3.5 million at an average price of $90.63 per share. As of October 1, 2022, $46.5 million of authority remained under the 2023 Program.

All shares repurchased under the aforementioned programs were recorded as treasury stock.

14. Trade Accounts Receivable Sale Programs

The Company has Master Accounts Receivable Purchase Agreements with MUFG Bank, New York Branch (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.) (the "MUFG RPA"), HSBC Bank (China) Company Limited, Xiamen branch (the "HSBC RPA") and other unaffiliated financial institutions, under which the Company may elect to sell receivables; at a discount. All facilities are uncommitted facilities. The maximum facility amount under the MUFG RPA as of October 1, 2022 is $340.0 million. The maximum facility amount under the HSBC RPA as of October 1, 2022 is $60.0 million. The MUFG RPA will be automatically extended each year unless any party gives no less than 10 days prior notice that the agreement should not be extended. The terms of the HSBC RPA are generally consistent with the terms of the MUFG RPA previously discussed.

Transfers of receivables under the programs are accounted for as sales and, accordingly, receivables sold under the programs are excluded from accounts receivable on the Consolidated Balance Sheets and are reflected as cash provided by operating activities on the Consolidated Statements of Cash Flows. Proceeds from the transfer reflect the face value of the receivables less a discount. The sale discount is recorded within "Miscellaneous, net" in the Consolidated Statements of Comprehensive Income in the period of the sale. The Company continues servicing receivables sold and performing all accounts receivable administrative functions, in exchange receives a servicing fee, under both the MUFG RPA and HSBC RPA. Servicing fees related to trade accounts receivable programs recognized during fiscal 2022, 2021 and 2020 were not material.

The Company sold $787.5 million, $730.5 million and $834.4 million of trade accounts receivable under these programs, or their predecessors, during fiscal 2022, 2021 and 2020, respectively, in exchange for cash proceeds of $783.1 million, $728.4 million and $831.2 million, respectively. As of October 1, 2022 and October 2, 2021, $222.5 million and $176.0 million, respectively, of accounts receivables sold under trade accounts receivable programs and subject to servicing by the Company remained outstanding and had not yet been collected.

15. Revenue from Contracts with Customers

Revenue is recognized over time for arrangements with customers for which: (i) the Company's performance does not create an asset with an alternative use to the Company, and (ii) the Company has an enforceable right to payment, including reasonable profit margin, for performance completed to date. Revenue recognized over time is estimated based on costs incurred to date plus a reasonable profit margin. If either of the two conditions noted above are not met to recognize revenue over time, revenue is recognized following the transfer of control of such products to the customer, which typically occurs upon shipment or delivery depending on the terms of the underlying arrangement.

The Company recognizes revenue when a contract exists and when, or as, it satisfies a performance obligation by transferring control of a product or service to a customer. Contracts are accounted for when they have approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer.

The Company generally enters into a master services arrangement that establishes the framework under which business will be conducted. These arrangements represent the master terms and conditions of the Company's services that apply to individual orders, but they do not commit the customer to work with, or to continue to work with, the Company nor do they obligate the customer to any specific volume or pricing of purchases. Moreover, these terms can be amended in appropriate situations.

Customer purchase orders are received for specific quantities with predominantly fixed pricing and delivery requirements. Thus, for the majority of our contracts, there is no guarantee of any revenue to the Company until a customer submits a purchase order. As a result, the Company generally considers its arrangement with a customer to be the combination of the master services arrangement and the purchase order. Most of the Company's arrangements with customers create a single performance obligation as the promise to transfer the individual manufactured product or service is capable of being distinct.

The Company’s performance obligations are satisfied over time as work progresses or at a point in time. A performance obligation is satisfied over time if the Company has an enforceable right to payment, including a reasonable profit margin. Determining if an enforceable right to payment includes a reasonable profit margin requires judgment and is assessed on a contract by contract basis.

Generally, there are no subjective customer acceptance requirements or further obligations related to goods or services provided; if such requirements or obligations exist, then a sale is recognized at the time when such requirements are completed and such obligations are fulfilled.

The Company does not allow for a general right of return. Net sales include amounts billed to customers for shipping and handling and out-of-pocket expenses. The corresponding shipping and handling costs and out-of-pocket expenses are included in cost of sales. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from net sales.

Contract Costs

For contracts requiring over time revenue recognition, the selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. The Company uses a cost-based input measurement of progress because it best depicts the transfer of assets to the customer, which occurs as costs are incurred during the manufacturing process or as services are rendered. Under the cost-based measure of progress, the extent of progress towards completion is measured based on the costs incurred to date.

There were no other costs to obtain or fulfill customer contracts.

Disaggregated Revenue

The table below includes the Company’s revenue for the fiscal years indicated disaggregated by geographic reportable segment and market sector (in thousands):

	2022			
	Reportable Segment:			
	AMER	APAC	EMEA	Total
Market Sector:				
Industrial	$ 398,743	$ 1,288,577	$ 65,398	$ 1,752,718
Healthcare/Life Sciences	645,881	744,216	175,674	1,565,771
Aerospace/Defense	255,779	165,432	71,668	492,879
External revenue	1,300,403	2,198,225	312,740	3,811,368
Inter-segment sales	10,285	102,415	3,575	116,275
Segment revenue	$ 1,310,688	$ 2,300,640	$ 316,315	$ 3,927,643

	2021			
	Reportable Segment:			
	AMER	APAC	EMEA	Total
Market Sector:				
Industrial	$ 462,789	$ 1,010,833	$ 75,353	$ 1,548,975
Healthcare/Life Sciences	566,693	605,249	154,830	1,326,772
Aerospace/Defense	277,870	134,842	80,406	493,118
External revenue	1,307,352	1,750,924	310,589	3,368,865
Inter-segment sales	10,052	99,679	2,080	111,811
Segment revenue	$ 1,317,404	$ 1,850,603	$ 312,669	$ 3,480,676

	2020			
	Reportable Segment:			
	AMER	APAC	EMEA	Total
Market Sector (1):				
Industrial	$ 481,301	$ 954,925	$ 84,215	$ 1,520,441
Healthcare/Life Sciences	464,134	618,250	176,001	1,258,385
Aerospace/Defense	371,685	157,301	82,582	611,568
External revenue	1,317,120	1,730,476	342,798	3,390,394
Inter-segment sales	10,729	94,355	6,304	111,388
Segment revenue	$ 1,327,849	$ 1,824,831	$ 349,102	$ 3,501,782

(1) During fiscal 2021, the Company consolidated the previously reported Industrial/Commercial and Communications market sectors to form the Industrial market sector. Fiscal 2020 amounts have been reclassified to conform to the current period presentation.

For fiscal 2022 approximately 84% and for fiscal 2021 and 2020 approximately 91% of the Company's revenue was recognized as products and services were transferred over time.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, contract assets and deferred revenue on the Company’s accompanying Consolidated Balance Sheets.

Contract Assets: For performance obligations satisfied at a point in time, billing occurs subsequent to revenue recognition, at which point the customer has been billed and the resulting asset is recorded within accounts receivable. For performance obligations satisfied over time as work progresses, the Company has an unconditional right to payment, which results in the recognition of contract assets. The following table summarizes the activity in the Company's contract assets during fiscal 2022 and 2021 (in thousands):

	2022	2021
Contract assets, beginning of period	$ 115,283	$ 113,946
Revenue recognized during the period	3,180,108	3,048,875
Amounts collected or invoiced during the period	(3,156,851)	(3,047,538)
Contract assets, end of period	$ 138,540	$ 115,283

Deferred Revenue: Deferred revenue is recorded when consideration is received from a customer prior to transferring goods or services to the customer under the terms of the contract, which is included in other accrued liabilities on Consolidated Balance Sheets. As of October 1, 2022 and October 2, 2021 the balance of advance payments from customers that remained in other accrued liabilities was $298.8 million and $101.1 million, respectively. The advance payment is not considered a significant financing component because it is used to meet working capital demands that can be higher in the early stages of a contract and to protect the company from the other party failing to adequately complete some or all of its obligations under the contract. Deferred revenue is recognized into revenue when all revenue recognition criteria are met. For performance obligations satisfied over time, recognition will occur as work progresses; otherwise deferred revenue will be recognized based upon shipping terms.

16. Restructuring and Impairment Charges

During fiscal 2022, the Company recorded $2.0 million of restructuring and impairment charges primarily due to employee severance costs associated with a facility transition in the Company's APAC segment. During fiscal 2021, the Company recorded $3.3 million of restructuring and impairment charges which consisted of severance from the reduction of the Company's workforce, primarily in the AMER and EMEA segments. During fiscal 2020, the Company recorded $6.0 million of restructuring and impairment charges in the Company's AMER segment primarily related to the closure of our Boulder Design Center. These charges are recorded within restructuring and impairment charges on the Consolidated Statements of Comprehensive Income. Restructuring liabilities are recorded within other accrued liabilities on the Consolidated Balance Sheets.

The Company recognized a tax benefit of $0.2 million, $0.3 million and $0.6 million related to restructuring and impairment charges in fiscal 2022, 2021 and 2020, respectively.

The Company's restructuring accrual activity for fiscal 2022, 2021 and 2020 is included in the table below (in thousands):

	Fixed Asset and Operating Right-of-Use Asset Impairment	Employee Termination and Severance Costs	Total
Accrual balance, as of September 28, 2019	$ —	$ 1,297	$ 1,297
Restructuring and impairment costs	3,054	2,949	6,003
Amounts utilized	(3,054)	(4,210)	(7,264)
Accrual balance, as of October 3, 2020	$ —	$ 36	$ 36
Restructuring and impairment costs	—	3,267	3,267
Amounts utilized	—	(3,232)	(3,232)
Accrual balance, as of October 2, 2021	$ —	$ 71	$ 71
Restructuring and impairment costs	255	1,766	2,021
Amounts utilized	(255)	(1,725)	(1,980)
Accrual balance, as of October 1, 2022	$ —	$ 112	$ 112

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that the information the Company must disclose in its filings with the Securities and Exchange Commission ("SEC") is recorded, processed, summarized and reported on a timely basis. The Company’s Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have reviewed and evaluated, with the participation of the Company’s management, the Company’s disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of the end of the period covered by this report. Based on such evaluation, the CEO and CFO have concluded that, as of October 1, 2022, the Company’s disclosure controls and procedures are effective, at the reasonable assurance level, (a) in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act, and (b) in assuring that information is accumulated and communicated to the Company’s management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Management of the Company, including its CEO and CFO, has assessed the effectiveness of its internal control over financial reporting as of October 1, 2022, based on the criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") (2013). Based on its assessment and those criteria, management has reached the conclusion that the Company's internal control over financial reporting was effective.

The independent registered public accounting firm of PricewaterhouseCoopers LLP has audited the Company’s internal control over financial reporting as of October 1, 2022, as stated in its report included herein.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company’s most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our disclosure controls and internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Notwithstanding the foregoing limitations on the effectiveness of controls, we have nonetheless reached the conclusion that the Company's disclosure controls and procedures and internal control over financial reporting are effective.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURES REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information in response to this item is incorporated herein by reference to "Election of Directors" and "Corporate Governance" in the Company’s Proxy Statement for its 2023 Annual Meeting of Shareholders ("2023 Proxy Statement"), which will be filed within 120 days of the end of the Company's fiscal year.

Our Code of Conduct and Business Ethics is posted on our website at www.plexus.com. You may access the Code of Conduct and Business Ethics by following the links under "Investors" and then "Corporate Governance" at our website. Plexus’ Code of Conduct and Business Ethics applies to all members of the board of directors, officers and employees; and includes provisions related to accounting and financial matters that apply to the Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer and Controller.

Information about our Executive Officers

The following table sets forth our executive officers, their ages as of November 18, 2022, and the positions held by each person:

Name	Age	Position
Todd P. Kelsey	57	Chief Executive Officer
Steven J. Frisch	56	President and Chief Strategy Officer
Patrick J. Jermain	56	Executive Vice President and Chief Financial Officer
Oliver K. Mihm	50	Executive Vice President and Chief Operating Officer
Angelo M. Ninivaggi	55	Executive Vice President, Chief Administrative Officer, General Counsel and Secretary
Ronnie Darroch	57	Executive Vice President – Global Operations and Regional President – EMEA
Scott Theune	58	Regional President – AMER
Victor Tan	58	Regional President – APAC

Todd P. Kelsey joined Plexus in 1994 and has served as Chief Executive Officer since 2016; prior thereto, he served as President from 2016 to 2022 and Executive Vice President and Chief Operating Officer since 2013. Previously, Mr. Kelsey served as Executive Vice President – Global Customer Services since 2011 and as Senior Vice President prior thereto.

Steven J. Frisch joined Plexus in 1990 and has served as President and Chief Strategy Officer since 2022. Prior thereto, he served as Executive Vice President and Chief Operating Officer since 2016 and Executive Vice President and Chief Customer Officer since 2014. Previously, Mr. Frisch served as Executive Vice President – Global Customer Services from 2013 to 2014. Mr. Frisch was Regional President – Plexus EMEA from 2010 to 2013. Mr. Frisch also served as Senior Vice President – Global Engineering Solutions from 2007 to 2013.

Patrick J. Jermain joined Plexus in 2010 and has served as Chief Financial Officer since 2014; he was named a Senior Vice President in 2015 and Executive Vice President in 2019. Previously, Mr. Jermain served as Treasurer and Vice President of Finance since 2013 and as Corporate Controller since 2010.

Oliver Mihm joined Plexus in 2000 and has served as Executive Vice President and Chief Operating Officer since 2022. Prior thereto, he served as Executive Vice President – Global Supply Chain and Operational Solutions, previously serving as Executive Vice President Supply Chain since 2019. From 2015 to 2019, Mr. Mihm served as Regional President – EMEA. Prior to that, Mr. Mihm was Industrial Market Sector Vice President, led our Global Engineering Solutions and held various leadership roles within our Engineering Solutions organization.

Angelo M. Ninivaggi joined Plexus in 2002 and has served as Chief Administrative Officer since 2013. Mr. Ninivaggi has also served as Vice President, General Counsel and Secretary since 2006, was named a Senior Vice President in 2011 and Executive Vice President in 2019. Mr. Ninivaggi also served as Corporate Compliance Officer from 2007 to 2013.

Ronnie Darroch joined Plexus in 2012 and has served as Executive Vice President and Regional President – EMEA since May 2019 and Executive Vice President – Global Operations since 2022. Previously, Mr. Darroch served as Regional President – AMER from 2016 to 2019, Senior Vice President – Global Manufacturing Solutions from 2014 to 2019, was named an Executive Vice President in 2016, Regional President – EMEA from 2013 to 2014 and Vice President of Operations – EMEA prior thereto.

Scott Theune joined Plexus in 1993 and has served as Regional President – AMER since May 2019. Previously, Mr. Theune served as Senior Vice President of Global Supply Chain from 2016 to 2019, Vice President of Supply Chain from 2005 to 2016, and General Manager and Global Director of Manufacturing Process and Technology prior thereto.

Victor Tan joined Plexus in 2007 and has served as Regional President – APAC since 2020. Previously, Mr. Tan served as Senior Vice President of Global Operations since 2019. In 2010, he was promoted to Vice President of Customer Management in APAC, later appointed to lead all Penang operations and support functions in the region in 2013 and further expanded to lead APAC operations in 2018. Prior thereto, he served as the General Manager for Plexus' Penang-Hillside site in Malaysia.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference to "Corporate Governance – Board and Committee Responsibilities – Compensation & Leadership Development Committee," "Director Compensation for Fiscal 2022," "Compensation Discussion & Analysis," "Executive Compensation" and "Compensation Committee Report" in the 2023 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated herein by reference to "Security Ownership of Certain Beneficial Owners and Management" in the 2023 Proxy Statement.

Equity Compensation Plan Information

The following table chart gives aggregate information regarding grants under all Plexus equity compensation plans through October 1, 2022:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted-average exercise price of outstanding options, warrants and rights (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in 1st column)
Equity compensation plans approved by security holders	803,127	$ 44.02	$ 979,811
Equity compensation plans not approved by security holders	—	n/a	—
Total	803,127	$ 44.02	$ 979,811

(1) Represents options, stock-settled SARs, PSUs and RSUs granted under the 2016 Omnibus Incentive Plan and the 2008 Long-Term Incentive Plan, both of which were approved by shareholders. No further awards may be made under the 2008 Long-Term Incentive Plan.

(2) The weighted average exercise prices exclude PSUs and RSUs.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated herein by reference to "Corporate Governance – Director Independence" and "Certain Transactions" in the 2023 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Our independent registered public accounting firm is PricewaterhouseCoopers LLP, Milwaukee, Wisconsin, Auditor Firm ID: 238. Incorporated herein by reference to the subheading "Ratify Independent Auditors - Fees and Services" in the 2023 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed

Financial Statements and Financial Statement Schedule. See the list of Financial Statements and Financial Statement Schedule in Item 8.

(b) Exhibits. The list of exhibits is included below:

		Incorporate by Reference Herein		
Exhibit No.	Exhibit	Form	Exhibit	Filing Date
3(i)	Restated Articles of Incorporation of Plexus Corp.	10-Q	3.1	5/14/2004
3(ii)	Amended and Restated Bylaws of Plexus Corp., as amended through November 18, 2020	8-K	3.1	11/19/2020
4.1	Restated Articles of Incorporation of Plexus Corp.	10-Q	3.1	5/14/2004
4.2	Amended and Restated Bylaws of Plexus Corp., as amended through November 18, 2020	8-K	3.1	11/19/2020
4.3	Description of Common Stock	10-K	4.3	10/2/2021
10.1 (a)	Credit Agreement, dated as of May 15, 2019, among Plexus Corp., the banks, financial institutions and other institutional lenders listed on the signature pages thereto, JPMorgan Chase Bank, N.A., as administrative agent, U.S. Bank National Association, as syndication agent, PNC Bank, National Association, Bank of America, N.A., MUFG Bank, Ltd., HSBC Bank USA, N.A., Bank of the West and Wells Fargo Bank, National Association, as co-documentation agents, and JPMorgan Chase Bank, N.A. and U.S. Bank National Association, as joint lead arrangers and joint book runners (including the related subsidiary guaranty).	8-K	10.1	5/15/2019
10.1 (b)	Amendment No. 1 to Credit Agreement, dated as of April 29, 2020, among Plexus Corp., the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent.	8-K	10.1	4/30/2020
10.1 (c)	Amended and Restated Credit Agreement, dated June 9, 2022, by and among Plexus Corp., certain of its subsidiaries from time to time party thereto as borrowers, the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent.	8-K	10.1	6/13/2022
10.2 (a)	Note Purchase Agreement, dated as of June 15, 2018, between Plexus Corp. and the Purchasers named therein relating to an aggregate of $150,000,000 in principal amount of 4.05% Series A Senior Notes, due June 15, 2025, and 4.22% Series B Senior Notes, due June 15, 2028.	8-K	10.1	6/18/2018
10.2 (b)	First Amendment, dated as of June 25, 2019, to the Note Purchase Agreement, dated as of June 15, 2018, between Plexus Corp. and the Noteholders named therein relating to an aggregate of $150,000,000 in principal amount of 4.05% Series A Senior Notes, due June 15, 2025, and 4.22% Series B Senior Notes, due June 15, 2028.	10-Q	10.1	8/2/2019
10.3 (a)	Master Accounts Receivable Purchase Agreement between Plexus Corp. and Plexus Manufacturing Sdn. Bhd., and each additional seller party thereto from time to time as the Sellers, Plexus Corp., as Seller Representative, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as the Purchaser, dated as of October 4, 2016.	8-K	10.1	10/7/2016

10.3 (b)	Amended and Restated Master Accounts Receivable Purchase Agreement between Plexus Corp. and Plexus Manufacturing Sdn. Bhd., Plexus Intl. Sales & Logistics, LLC, and each additional seller party thereto from time to time as the Sellers, Plexus Corp., as Seller Representative, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as the Purchaser, dated as of December 14, 2016.	10-Q	10.2	2/3/2017
10.3 (c)	Amendment No. 3 to Amended and Restated Master Accounts Receivable Purchase Agreement between Plexus Corp. and Plexus Manufacturing Sdn. Bhd., Plexus Intl. Sales & Logistics, LLC, Plexus Services Ro SRL, Plexus Corp. (UK) Limited and each additional seller party thereto from time to time as the Sellers, Plexus Corp., as Seller Representative, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as the Purchaser, dated as of March 28, 2017.	10-Q	10.1	5/5/2017
10.3 (d)	Amendment No. 4 to Amended and Restated Master Accounts Receivable Purchase Agreement between Plexus Corp. and Plexus Manufacturing Sdn. Bhd., Plexus Intl. Sales & Logistics, LLC, Plexus Services Ro SRL, Plexus Corp. (UK) Limited and each additional seller party thereto from time to time as the Sellers, Plexus Corp., as Seller Representative, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as the Purchaser, dated as of September 11, 2017.	10-K	10.3(d)	11/16/2018
10.3 (e)	Amendment No. 5 to Amended and Restated Master Accounts Receivable Purchase Agreement between Plexus Corp. and Plexus Manufacturing Sdn. Bhd., Plexus Intl. Sales & Logistics, LLC, Plexus Services Ro SRL, Plexus Corp. (UK) Limited and each additional seller party thereto from time to time as the Sellers, Plexus Corp., as Seller Representative, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as the Purchaser, dated as of October 19, 2017.	10-K	10.3(d)	11/17/2017
10.3 (f)	Amendment No. 6 to Amended and Restated Master Accounts Receivable Purchase Agreement between Plexus Corp. and Plexus Manufacturing Sdn. Bhd., Plexus Intl. Sales & Logistics, LLC, Plexus Services Ro SRL, Plexus Corp. (UK) Limited and each additional seller party thereto from time to time as the Sellers, Plexus Corp., as Seller Representative, and MUFG Bank Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch), as the Purchaser, dated as of May 4, 2018.	10-Q	10.1	8/3/2018
10.3 (g)	Amendment No. 7 to Amended and Restated Master Accounts Receivable Purchase Agreement between Plexus Corp. and Plexus Manufacturing Sdn. Bhd., Plexus Intl. Sales & Logistics, LLC, Plexus Services Ro SRL, Plexus Corp. (UK) Limited and each additional seller party thereto from time to time as the Sellers, Plexus Corp., as Seller Representative, and MUFG Bank Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch), as the Purchaser, dated as of September 19, 2018.	10-K	10.3(g)	11/16/2018
10.3 (h)	Amendment No. 8 to Amended and Restated Master Accounts Receivable Purchase Agreement between Plexus Corp. and Plexus Manufacturing Sdn. Bhd., Plexus Intl. Sales & Logistics, LLC, Plexus Services Ro SRL, Plexus Corp. (UK) Limited and each additional seller party thereto from time to time as the Sellers, Plexus Corp., as Seller Representative, and MUFG Bank Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch), as the Purchaser, dated as of March 20, 2019.	10-Q	10.1	5/3/2019

10.3 (i)	Amendment No.9 to Amended and Restated Master Accounts Receivable Purchase Agreement between Plexus Corp. and Plexus Manufacturing Sdn. Bhd., Plexus Intl. Sales & Logistics, LLC, Plexus Services Ro SRL, Plexus Corp. (UK) Limited and each additional seller party thereto from time to time as the Sellers, Plexus Corp., as Seller Representative, and MUFG Bank Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch), as the Purchaser, dated as of June 21, 2019.	10-Q	10.2	8/2/2019
10.3 (j)	Amendment No.10 to Amended and Restated Master Accounts Receivable Purchase Agreement between Plexus Corp. and Plexus Manufacturing Sdn. Bhd., Plexus Intl. Sales & Logistics, LLC, Plexus Services Ro SRL, Plexus Corp. (UK) Limited and each additional seller party thereto from time to time as the Sellers, Plexus Corp., as Seller Representative, and MUFG Bank Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch), as the Purchaser, dated as of December 23, 2019.	10-Q	10.1	2/7/2020
10.3 (k)	Amendment No.11 to Amended and Restated Master Accounts Receivable Purchase Agreement between Plexus Corp. and Plexus Manufacturing Sdn. Bhd., Plexus Intl. Sales & Logistics, LLC, Plexus Services Ro SRL, Plexus Corp. (UK) Limited and each additional seller party thereto from time to time as the Sellers, Plexus Corp., as Seller Representative, and MUFG Bank Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch), as the Purchaser, dated as of September 10, 2020.	10-K	10.3(k)	11/20/2020
10.4	Retirement and Transition Agreement, dated August 17, 2016, by and between Plexus Corp. and Dean A. Foate.*.	8-K	10.1	8/19/2016
10.5	Employment Agreement, dated August 17, 2016, by and between Plexus Corp. and Todd P. Kelsey.*	8-K	10.2	8/19/2016
10.6	Form of Change of Control Agreement with executive officers.*	8-K	10.2	5/21/2008
10.7	Summary of Directors' Compensation (1/22).*	10-Q	10.2	2/4/2022
10.8 (a)	Plexus Corp. Executive Deferred Compensation Plan.*	10-K	10.17	12/19/2000
10.8 (b)	Plexus Corp Executive Deferred Compensation Plan Trust dated April 1, 2003 between Plexus Corp. and Bankers Trust Company.*	10-K	10.14	12/15/2003
10.9	Plexus Corp. Non-employee Directors Deferred Compensation Plan.*	10-K	10.10	11/19/2012
10.10 (a)	Amended and Restated Plexus Corp. 2016 Omnibus Incentive Plan.*	10-Q	10.2	5/5/2017
10.10 (b)	Forms of award agreements thereunder*			
	(i) Form of Stock Option Agreement.	10-Q	10.1	8/8/2016
	(ii) Form of Restricted Stock Unit Award.	10-Q	10.2	8/8/2016
	(iii) Form of Performance Stock Unit Agreement.	10-Q	10.1	2/5/2021
	(iv) Form of Stock Appreciation Rights Agreement.	10-Q	10.3	8/8/2016
	(v) Form of Restricted Stock Unit Award Agreement for Directors.	10-Q	10.1	2/3/2017
	(vi) Form of Plexus Corp. Variable Incentive Compensation Plan - Plexus Leadership Team.	10-K	10.1(b)(vi)	11/17/2017

10.11 (a)	Amended and Restated Plexus Corp. 2008 Long-Term Incentive Plan* (superseded except as to outstanding awards).	10-Q	10.3	5/5/2017
10.11(b)	Forms of award agreements thereunder*			
	(i) Form of Stock Option Agreement.	10-Q	10.2	2/4/2010
	(ii) Form of Restricted Stock Unit Award.	10-Q	10.5(b)	5/8/2008
	(iii) Form of Stock Appreciation Rights Agreement.	10-Q	10.5(c)	5/8/2008
21**	List of Subsidiaries.			
23**	Consent of PricewaterhouseCoopers LLP.			
24**	Powers of Attorney (see signature page).			
31.1**	Certification of Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.			
31.2**	Certification of Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.			
32.1**	Certification of the CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
32.2**	Certification of the CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
99.1**	Reconciliation of ROIC to GAAP and Economic Return Financial Statements.			
101	The following materials from Plexus Corp.'s Annual Report on Form 10-K for the fiscal year ended October 1, 2022, formatted in Inline Extensible Business Reporting Language ("XBRL"): (i) the Consolidated Statements of Comprehensive Income, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Shareholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements.			
101.INS	Inline XBRL Instance Document (the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document).			
101.SCH	Inline XBRL Taxonomy Extension Schema Document.			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.			
104	The cover page from the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 2022, formatted in Inline XBRL and contained in Exhibit 101.			
*	Designates management compensatory plans or agreements.			
**	Filed or furnished herewith.			

ITEM 16. FORM 10-K SUMMARY

None.

Plexus Corp. and Subsidiaries

Schedule II – Valuation and Qualifying Accounts

For fiscal 2022, 2021 and 2020 (in thousands):

Descriptions	Balance at beginning of period	Additions charged to costs and expenses	Additions charged to other accounts	Deductions	Balance at end of period
Fiscal Year 2022:					
Allowance for losses on accounts receivable (deducted from the asset to which it relates)	$ 1,188	$ 2,117	$ —	$ (1,344)	$ 1,961
Valuation allowance on deferred income tax assets (deducted from the asset to which it relates)	$ 30,321	$ 1,338	$ —	$ (6,097)	$ 25,562
Fiscal Year 2021:					
Allowance for losses on accounts receivable (deducted from the asset to which it relates)	$ 3,597	$ 1,232	$ —	$ (3,641)	$ 1,188
Valuation allowance on deferred income tax assets (deducted from the asset to which it relates)	$ 34,948	$ 4,499	$ —	$ (9,126)	$ 30,321
Fiscal Year 2020:					
Allowance for losses on accounts receivable (deducted from the asset to which it relates)	$ 1,537	$ 4,051	$ —	$ (1,991)	$ 3,597
Valuation allowance on deferred income tax assets (deducted from the asset to which it relates)	$ 29,170	$ 5,778	$ —	$ —	$ 34,948

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		Plexus Corp. Registrant
Date:	November 18, 2022	/s/ Todd P. Kelsey Todd P. Kelsey Chief Executive Officer

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POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Todd P. Kelsey, Patrick J. Jermain and Angelo M. Ninivaggi, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and any other regulatory authority, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the date indicated.*

SIGNATURE AND TITLE

/s/ Todd P. Kelsey	/s/ Randy J. Martinez
Todd P. Kelsey, Chief Executive Officer (Principal Executive Officer) and Director	Randy J. Martinez, Director
/s/ Patrick J. Jermain	/s/ Joel Quadracci
Patrick J. Jermain, Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	Joel Quadracci, Director
/s/ Dean A. Foate	/s/ Karen M. Rapp
Dean A. Foate, Chairman	Karen M. Rapp, Director
/s/ Joann M. Eisenhart	/s/ Paul A. Rooke
Joann M. Eisenhart, Director	Paul A. Rooke, Director
/s/ Rainer Jueckstock	/s/ Michael V. Schrock
Rainer Jueckstock, Director	Michael V. Schrock, Director
/s/ Peter Kelly	
Peter Kelly, Director	

*Each of the above signatures is affixed as of November 18, 2022.