

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2021

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 0-23354

FLEX LTD.

(Exact name of registrant as specified in its charter)

Singapore
(State or other jurisdiction of
incorporation or organization)

2 Changi South Lane,
Singapore
(Address of registrant's principal executive offices)

Registrant's telephone number, including area code
(65) 6876-9899

Not Applicable
(I.R.S. Employer
Identification No.)

486123
(Zip Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, No Par Value	FLEX	The Nasdaq Stock Market LLC

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

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

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

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

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

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

The number of shares of the registrant's ordinary shares outstanding as of February 1, 2022 was 464,086,322.

FLEX LTD.

INDEX

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1.	Financial Statements
	Report of Independent Registered Public Accounting Firm
	Condensed Consolidated Balance Sheets (unaudited) — December 31, 2021 and March 31, 2021
	Condensed Consolidated Statements of Operations (unaudited) — Three-Month and Nine-Month Periods Ended December 31, 2021 and December 31, 2020
	Condensed Consolidated Statements of Comprehensive Income (unaudited) — Three-Month and Nine-Month Periods Ended December 31, 2021 and December 31, 2020
	Condensed Consolidated Statements of Shareholders' Equity (unaudited) — Three-Month and Nine-Month Periods Ended December 31, 2021 and December 31, 2020
	Condensed Consolidated Statements of Cash Flows (unaudited) — Nine-Month Periods Ended December 31, 2021 and December 31, 2020
	Notes to Condensed Consolidated Financial Statements (unaudited)
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 3.	Quantitative and Qualitative Disclosures About Market Risk
Item 4.	Controls and Procedures
<u>PART II. OTHER INFORMATION</u>	
Item 1.	Legal Proceedings
Item 1A.	Risk Factors
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds
Item 3.	Defaults Upon Senior Securities
Item 4.	Mine Safety Disclosures
Item 5.	Other Information
Item 6.	Exhibits
Signatures	

PART I. FINANCIAL INFORMATION

ITEM 1. *FINANCIAL STATEMENTS*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Flex Ltd., Singapore

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheet of Flex Ltd. and its subsidiaries (the “Company”) as of December 31, 2021, and the related condensed consolidated statements of operations, comprehensive income and shareholders’ equity for the three-month and nine-month periods ended December 31, 2021 and December 31, 2020, and the condensed consolidated statements of cash flows for the nine-month periods ended December 31, 2021 and December 31, 2020, and the related notes (collectively referred to as the “interim financial information”). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of Flex Ltd. and subsidiaries as of March 31, 2021 and the related consolidated statements of operations, comprehensive income, shareholders’ equity, and cash flows for the year then ended (not presented herein); and in our report dated May 19, 2021, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 2021 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

The interim financial information is the responsibility of the Company’s management. We are a public accounting firm registered with the 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 reviews in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ DELOITTE & TOUCHE LLP

San Jose, California

February 4, 2022

FLEX LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS

	As of December 31, 2021	As of March 31, 2021
	(In millions, except share amounts)	(Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,574	\$ 2,637
Accounts receivable, net of allowance of \$56 and \$61, respectively	3,493	3,959
Contract assets	390	282
Inventories	5,958	3,895
Other current assets	798	590
Total current assets	13,213	11,363
Property and equipment, net	2,112	2,097
Operating lease right-of-use assets, net	622	642
Goodwill	1,346	1,090
Other intangible assets, net	428	213
Other assets	454	431
Total assets	\$ 18,175	\$ 15,836
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank borrowings and current portion of long-term debt	\$ 648	\$ 268
Accounts payable	5,992	5,247
Accrued payroll	465	473
Deferred revenue and customer working capital advances	1,549	848
Other current liabilities	988	998
Total current liabilities	9,642	7,834
Long-term debt, net of current portion	3,798	3,515
Operating lease liabilities, non-current	545	562
Other liabilities	535	489
Shareholders' equity		
Ordinary shares, no par value; 516,858,940 and 542,807,200 issued, and 466,619,585 and 492,567,845 outstanding, respectively	5,721	6,232
Treasury stock, at cost; 50,239,355 shares as of December 31, 2021 and March 31, 2021	(388)	(388)
Accumulated deficit	(1,520)	(2,289)
Accumulated other comprehensive loss	(158)	(119)
Total shareholders' equity	3,655	3,436
Total liabilities and shareholders' equity	\$ 18,175	\$ 15,836

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

FLEX LTD.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
(In millions, except per share amounts) (Unaudited)				
Net sales	\$ 6,619	\$ 6,720	\$ 19,190	\$ 17,858
Cost of sales	6,128	6,241	17,762	16,681
Gross profit	491	479	1,428	1,177
Selling, general and administrative expenses	225	223	638	618
Intangible amortization	15	16	45	47
Operating income	251	240	745	512
Interest and other, net	8	7	(103)	58
Income before income taxes	243	233	848	454
Provision for income taxes	16	25	79	81
Net income	<u>\$ 227</u>	<u>\$ 208</u>	<u>\$ 769</u>	<u>\$ 373</u>
Earnings per share:				
Basic	<u>\$ 0.48</u>	<u>\$ 0.42</u>	<u>\$ 1.60</u>	<u>\$ 0.75</u>
Diluted	<u>\$ 0.48</u>	<u>\$ 0.41</u>	<u>\$ 1.58</u>	<u>\$ 0.74</u>
Weighted-average shares used in computing per share amounts:				
Basic	<u>469</u>	<u>500</u>	<u>481</u>	<u>500</u>
Diluted	<u>474</u>	<u>508</u>	<u>487</u>	<u>505</u>

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

FLEX LTD.**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(In millions) (Unaudited)			
Net income	\$ 227	\$ 208	\$ 769	\$ 373
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of zero tax	(8)	42	(19)	87
Unrealized gain (loss) on derivative instruments and other, net of tax	(13)	29	(20)	66
Comprehensive income	<u>\$ 206</u>	<u>\$ 279</u>	<u>\$ 730</u>	<u>\$ 526</u>

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

FLEX LTD.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Three Months Ended December 31, 2021	Ordinary Shares			Accumulated Other Comprehensive Loss			Total
	Shares Outstanding	Amount	Accumulated Deficit	Unrealized Loss on Derivative Instruments and Other	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Loss	Shareholders' Equity
(In millions) Unaudited							
BALANCE AT OCTOBER 1, 2021	471	\$ 5,398	\$ (1,747)	\$ (49)	\$ (88)	\$ (137)	\$ 3,514
Repurchase of Flex Ltd. ordinary shares at cost	(5)	(90)	—	—	—	—	(90)
Issuance of Flex Ltd. vested shares under restricted share unit awards	1	—	—	—	—	—	—
Net income	—	—	227	—	—	—	227
Stock-based compensation	—	25	—	—	—	—	25
Total other comprehensive loss	—	—	—	(13)	(8)	(21)	(21)
BALANCE AT DECEMBER 31, 2021	467	\$ 5,333	\$ (1,520)	\$ (62)	\$ (96)	\$ (158)	\$ 3,655

Nine Months Ended December 31, 2021	Ordinary Shares			Accumulated Other Comprehensive Loss			Total	
	Shares Outstanding	Amount	Accumulated Deficit	Unrealized Loss on Derivative Instruments and Other	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Loss	Shareholders' Equity	
				(In millions)				
				Unaudited				
BALANCE AT MARCH 31, 2021	492	\$ 5,844	\$ (2,289)	\$ (42)	\$ (77)	\$ (119)	\$	3,436
Repurchase of Flex Ltd. ordinary shares at cost	(32)	(580)	—	—	—	—		(580)
Exercise of stock options	1	—	—	—	—	—		—
Issuance of Flex Ltd. vested shares under restricted share unit awards	6	—	—	—	—	—		—
Net income	—	—	769	—	—	—		769
Stock-based compensation	—	69	—	—	—	—		69
Total other comprehensive loss	—	—	—	(20)	(19)	(39)		(39)
BALANCE AT DECEMBER 31, 2021	467	\$ 5,333	\$ (1,520)	\$ (62)	\$ (96)	\$ (158)	\$	3,655

Three Months Ended December 31, 2020	Ordinary Shares			Accumulated Other Comprehensive Loss			Total
	Shares Outstanding	Amount	Accumulated Deficit	Unrealized Gain (Loss) on Derivative Instruments and Other	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Loss	Shareholders' Equity
				(In millions) Unaudited			
BALANCE AT SEPTEMBER 25, 2020	501	\$ 5,985	\$ (2,737)	\$ (45)	\$ (88)	\$ (133)	\$ 3,115
Repurchase of Flex Ltd. ordinary shares at cost	(2)	(38)	—	—	—	—	(38)
Net income	—	—	208	—	—	—	208
Stock-based compensation	—	25	—	—	—	—	25
Total other comprehensive income	—	—	—	29	42	71	71
BALANCE AT DECEMBER 31, 2020	<u>499</u>	<u>\$ 5,972</u>	<u>\$ (2,529)</u>	<u>\$ (16)</u>	<u>\$ (46)</u>	<u>\$ (62)</u>	<u>\$ 3,381</u>

Nine Months Ended December 31, 2020	Ordinary Shares			Accumulated Other Comprehensive Loss			Total
	Shares Outstanding	Amount	Accumulated Deficit	Unrealized Gain (Loss) on Derivative Instruments and Other	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Loss	Shareholders' Equity
				(In millions) Unaudited			
BALANCE AT MARCH 31, 2020	497	\$ 5,948	\$ (2,902)	\$ (82)	\$ (133)	\$ (215)	\$ 2,831
Repurchase of Flex Ltd. ordinary shares at cost	(2)	(38)	—	—	—	—	(38)
Issuance of Flex Ltd. vested shares under restricted share unit awards	4	—	—	—	—	—	—
Net income	—	—	373	—	—	—	373
Stock-based compensation	—	62	—	—	—	—	62
Total other comprehensive income	—	—	—	66	87	153	153
BALANCE AT DECEMBER 31, 2020	<u>499</u>	<u>\$ 5,972</u>	<u>\$ (2,529)</u>	<u>\$ (16)</u>	<u>\$ (46)</u>	<u>\$ (62)</u>	<u>\$ 3,381</u>

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

FLEX LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine-Month Periods Ended	
	December 31, 2021	December 31, 2020
	(In millions) (Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 769	\$ 373
Depreciation, amortization and other impairment charges	357	430
Changes in working capital and other, net	(462)	(820)
Net cash provided by (used in) operating activities	664	(17)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(333)	(261)
Proceeds from the disposition of property and equipment	9	25
Acquisition of businesses, net of cash acquired	(523)	—
Other investing activities, net	19	10
Net cash used in investing activities	(828)	(226)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank borrowings and long-term debt	729	1,944
Repayments of bank borrowings and long-term debt	(38)	(1,012)
Payments for repurchases of ordinary shares	(580)	(38)
Other financing activities, net	(3)	(1)
Net cash provided by financing activities	108	893
Effect of exchange rates on cash and cash equivalents	(7)	38
Net increase (decrease) in cash and cash equivalents	(63)	688
Cash and cash equivalents, beginning of period	2,637	1,923
Cash and cash equivalents, end of period	\$ 2,574	\$ 2,611
Non-cash investing activities:		
Unpaid purchases of property and equipment	\$ 105	\$ 73
Right-of-use assets obtained in exchange of operating lease liabilities	42	98

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. ORGANIZATION OF THE COMPANY AND BASIS OF PRESENTATION

Organization of the Company

Flex Ltd. ("Flex" or the "Company") was incorporated in the Republic of Singapore in May 1990. The Company's operations have expanded over the years through a combination of organic growth and acquisitions. The Company is the manufacturing partner of choice that helps a diverse customer base design and build products that improve the world. Through the collective strength of a global workforce across approximately 30 countries and responsible, sustainable operations, the Company delivers technology innovation, supply chain, and manufacturing solutions to diverse industries and end markets. In order to drive efficiency and productivity, the Company is organized around two focused and complementary delivery models, which also represent its operating and reportable segments:

- Flex Agility Solutions ("FAS"), which is comprised of the following end markets:
 - *Communications, Enterprise and Cloud ("CEC")*, including data infrastructure, edge infrastructure and communications infrastructure;
 - *Lifestyle*, including appliances, consumer packaging, floorcare, micro mobility and audio; and
 - *Consumer Devices*, including mobile and high velocity consumer devices.
- Flex Reliability Solutions ("FRS"), which is comprised of the following end markets:
 - *Automotive*, including autonomous, connectivity, electrification, and smart technologies;
 - *Health Solutions*, including medical devices, medical equipment and drug delivery; and
 - *Industrial*, including capital equipment, industrial devices, renewable including our Nextracker business, grid edge, and power systems.

The Company's service offerings include a comprehensive range of value-added design and engineering services that are tailored to the various markets and needs of its customers. Other focused service offerings relate to manufacturing (including enclosures, metals, plastic injection molding, precision plastics, machining, and mechanicals), system integration and assembly and test services, materials procurement, inventory management, logistics and after-sales services (including product repair, warranty services, re-manufacturing and maintenance), supply chain management software solutions, and component product offerings (including flexible printed circuit boards and power adapters and chargers).

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP" or "GAAP") for interim financial information and in accordance with the requirements of Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements, and should be read in conjunction with the Company's audited consolidated financial statements as of and for the fiscal year ended March 31, 2021 contained in the Company's Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement have been included. Operating results for the three and nine-month periods ended December 31, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2022. Certain prior period amounts in the condensed consolidated financial statements, as well as in the Notes thereto, have been reclassified to conform to the current presentation. Beginning in the second quarter of fiscal year 2022, the Company elected to include operating income as a subtotal in the condensed consolidated statements of operations. In addition, deferred revenue and customer working capital advances, previously included within other current liabilities, have been separately presented as deferred revenue and customer working capital advances in the current liabilities section of the condensed consolidated balance sheets. Further, certain unbilled receivables previously presented as part of accounts receivable, net of allowance for doubtful accounts are now being presented as contract assets on the condensed consolidated balance sheets as billing is to occur subsequent to revenue recognition and is conditional upon other than the passage of time. The Company reclassified \$146.8 million of unbilled receivables from account receivable, net of allowance for doubtful accounts to contract assets for the period ended March 31, 2021 in order to align with the current year presentation. These presentation changes were applied to all periods presented in the condensed consolidated statements of operations and balance sheets. The foregoing changes in presentation had no impact on the Company's results of operations or cash flows.

The first quarters for fiscal years 2022 and 2021 ended on July 2, 2021, which is comprised of 93 days in the period, and June 26, 2020, which is comprised of 87 days in the period, respectively. The second quarters for fiscal years 2022 and 2021 ended on October 1, 2021 and September 25, 2020, which are comprised of 91 days in both periods. The Company's third

quarters for fiscal years 2022 and 2021 ended on December 31 of each year, which are comprised of 91 and 97 days, respectively.

The accompanying unaudited condensed consolidated financial statements include the accounts of Flex and its majority-owned subsidiaries, after elimination of intercompany accounts and transactions. The Company consolidates its majority-owned subsidiaries and investments in entities in which the Company has a controlling interest. For the consolidated majority-owned subsidiaries in which the Company owns less than 100%, the Company recognizes a noncontrolling interest for the ownership of the noncontrolling owners. The associated noncontrolling owners' interest in the income or losses of these companies is not material to the Company's results of operations for all periods presented, and is classified as a component of interest and other, net, in the condensed consolidated statements of operations.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used in accounting for, among other things: allowances for doubtful accounts; inventory write-downs; valuation allowances for deferred tax assets; uncertain tax positions; valuation and useful lives of long-lived assets including property, equipment, and intangible assets; valuation of goodwill; valuation of investments in privately-held companies; asset impairments; fair values of financial instruments, notes receivable and derivative instruments; restructuring charges; contingencies; warranty provisions; incremental borrowing rates in determining the present value of lease payments; accruals for potential price adjustments arising from customer contracts; fair values of assets obtained and liabilities assumed in business combinations; and the fair values of stock options and restricted share unit awards granted under the Company's stock-based compensation plans. Due to the COVID-19 pandemic, there has been and will continue to be uncertainty and disruption in the global economy and financial markets. The Company has made estimates and assumptions taking into consideration certain possible impacts due to COVID-19. These estimates may change, as new events occur, and additional information is obtained. Actual results may differ from previously estimated amounts, and such differences may be material to the condensed consolidated financial statements. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period they occur.

Recently Adopted Accounting Pronouncement

In October 2021, the FASB issued ASU 2021-08 "Business Combinations (Topic 805) — Accounting for Contract Assets and Contract Liabilities From Contracts With Customers", which requires an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with FASB Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers. The guidance is effective prospectively for the Company beginning in the first quarter of fiscal year 2024 with early adoption permitted. The Company early adopted the guidance during the third quarter of fiscal year 2022 with an immaterial impact to its condensed consolidated financial statements.

In October 2020, the FASB issued ASU 2020-10 "Codification Improvements", which improves consistency by amending the Codification to include all disclosure guidance in the appropriate disclosure sections and clarifies application of various provisions in the Codification by amending and adding new headings, cross referencing to other guidance, and refining or correcting terminology. The Company adopted the guidance during the first quarter of fiscal year 2022 with an immaterial impact on its condensed consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01 "Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions Between Topic 321, Topic 323, and Topic 815 — a consensus of the FASB Emerging Issues Task Force", which makes improvements related to the following two topics: (1) accounting for certain equity securities when the equity method of accounting is applied or discontinued, and (2) scope considerations related to forward contracts and purchased options on certain securities. The Company adopted the guidance during the first quarter of fiscal year 2022 with an immaterial impact on its condensed consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12 "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," which removes certain exceptions for recognizing deferred taxes for investments, performing intra-period allocation and calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. The Company adopted the guidance during the first quarter of fiscal year 2022 with an immaterial impact on its condensed consolidated financial statements.

Recently Issued Accounting Pronouncements

In November 2021, the FASB issued ASU 2021-10 "Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance," which aims to provide increased transparency by requiring business entities to disclose information about certain types of government assistance they receive in the notes to the annual financial statements. The guidance is effective for the Company beginning in fiscal year 2023 with early adoption permitted. The Company expects the new guidance will have an immaterial impact on its condensed consolidated financial statements, and intends to adopt the guidance when it becomes effective in fiscal year 2023.

In July 2021, the FASB issued ASU 2021-05 "Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments", which requires a lessor to classify a lease with variable lease payments that don't depend on an index or a rate as an operating lease on the commencement date of the lease if specified criteria are met. The guidance is effective for the Company beginning in the first quarter of fiscal year 2023 with early adoption permitted. The Company expects the new guidance will have an immaterial impact on its condensed consolidated financial statements, and intends to adopt the guidance when it becomes effective in the first quarter of fiscal year 2023.

2. BALANCE SHEET ITEMS

Inventories

The components of inventories, net of applicable lower of cost and net realizable value write-downs, were as follows:

	As of December 31, 2021	As of March 31, 2021
	(In millions)	
Raw materials	\$ 4,742	\$ 2,831
Work-in-progress	546	459
Finished goods	670	605
	<u>\$ 5,958</u>	<u>\$ 3,895</u>

Goodwill and Other Intangible Assets

The Company completed its acquisition of Anord Mardix in December 2021. The acquisition generated \$271.3 million of goodwill in the Industrial reporting unit and primarily related to value placed on the acquired employee workforce, service offerings and capabilities of the acquired business. The goodwill is not deductible for income tax purposes. Refer to Note 12 for more information.

The following table summarizes the goodwill allocation as of April 1, 2021 and the activity during the nine-month period ended December 31, 2021:

	FAS			FRS				
	Communications, Enterprise and Cloud	Lifestyle	Consumer Devices	Automotive	Health Solutions	Industrial	Total	
	(In millions)							
Balance at March 31, 2021	\$ 189	\$ 131	\$ 51	\$ 196	\$ 194	\$ 329	\$ 1,090	
Additions	—	—	—	—	—	271	271	
Foreign currency translation adjustments	—	—	—	(14)	—	(1)	(15)	
Balance at December 31, 2021	<u>\$ 189</u>	<u>\$ 131</u>	<u>\$ 51</u>	<u>\$ 182</u>	<u>\$ 194</u>	<u>\$ 599</u>	<u>\$ 1,346</u>	

The components of acquired intangible assets are as follows:

	As of December 31, 2021			As of March 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(In millions)						
Intangible assets:						
Customer-related intangibles	\$ 388	\$ (148)	\$ 240	\$ 276	\$ (154)	\$ 122
Licenses and other intangibles	318	(130)	188	250	(159)	91
Total	<u>\$ 706</u>	<u>\$ (278)</u>	<u>\$ 428</u>	<u>\$ 526</u>	<u>\$ (313)</u>	<u>\$ 213</u>

The gross carrying amounts of intangible assets are removed when fully amortized. During the nine-month period ended December 31, 2021, the total value of intangible assets increased by \$263.0 million as a result of the Company's initial estimated value of intangible assets from the Anord Mardix acquisition. This acquisition contributed an additional \$143.0 million in customer-related intangible assets, and \$120.0 million in licenses and other intangibles assets such as trade names and patented technology. The assigned values are subject to change as the Company completes the valuation. Refer to Note 12 for additional information.

The estimated future annual amortization expense for intangible assets is as follows:

Fiscal Year Ending March 31,	Amount
	(In millions)
2022 (1)	\$ 22
2023	88
2024	72
2025	64
2026	43
Thereafter	139
Total amortization expense	<u>\$ 428</u>

(1) Represents estimated amortization for the remaining fiscal three-month period ending March 31, 2022.

Customer Working Capital Advances

Customer working capital advances was \$1.0 billion and \$471.5 million, as of December 31, 2021 and March 31, 2021, respectively. The customer working capital advances are not interest-bearing, do not generally have fixed repayment dates and are generally reduced as the underlying working capital is consumed in production.

3. REVENUE

Revenue Recognition

The Company provides a comprehensive suite of services for its customers that range from advanced product design to manufacturing and logistics to after-sales services. The first step in its process for revenue recognition is to identify a contract with a customer. A contract is defined as an agreement between two parties that creates enforceable rights and obligations and can be written, verbal, or implied. The Company generally enters into master supply agreements ("MSAs") with its customers that provide the framework under which business will be conducted. This includes matters such as warranty, indemnification, transfer of title and risk of loss, liability for excess and obsolete inventory, pricing formulas, payment terms, etc., and the level of business under those agreements may not be guaranteed. In those instances, the Company bids on a program-by-program basis and typically receives customer purchase orders for specific quantities and timing of products. As a result, the Company considers its contract with a customer to be the combination of the MSA and the purchase order, or any other similar documents such as a statement of work, product addendum, emails or other communications that embody the commitment by the customer.

In determining the appropriate amount of revenue to recognize, the Company applies the following steps: (i) identifies the contracts with the customers; (ii) identifies performance obligations in the contracts; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations per the contracts; and (v) recognizes revenue when (or as) the Company satisfies a performance obligation. Further, the Company assesses whether control of the products or services promised under the contract is transferred to the customer at a point in time (PIT) or over time (OT). The Company is first

required to evaluate whether its contracts meet the criteria for OT recognition. The Company has determined that for a portion of its contracts the Company is manufacturing products for which there is no alternative use (due to the unique nature of the customer-specific product and intellectual property restrictions) and the Company has an enforceable right to payment including a reasonable profit for work-in-progress inventory with respect to these contracts. For certain other contracts, the Company's performance creates and enhances an asset that the customer controls as the Company performs under the contract. As a result, revenue is recognized under these contracts OT based on the cost-to-cost method as it best depicts the transfer of control to the customer measured based on the ratio of costs incurred to date as compared to the total estimated costs at completion of the performance obligation. For all other contracts that do not meet these criteria, the Company recognizes revenue when it has transferred control of the related manufactured products which generally occurs upon delivery and passage of title to the customer.

Customer Contracts and Related Obligations

Certain of the Company's customer agreements include potential price adjustments which may result in variable consideration. These price adjustments include, but are not limited to, sharing of cost savings, committed price reductions, material margins earned over the period that are contractually required to be paid to the customers, rebates, refunds tied to performance metrics such as on-time delivery, and other periodic pricing resets that may be refundable to customers. The Company estimates the variable consideration related to these price adjustments as part of the total transaction price and recognizes revenue in accordance with the pattern applicable to the performance obligation, subject to a constraint. The Company constrains the amount of revenues recognized for these contractual provisions based on its best estimate of the amount which will not result in a significant reversal of revenue in a future period. The Company determines the amounts to be recognized based on the amount of potential refunds required by the contract, historical experience and other surrounding facts and circumstances. Often these obligations are settled with the customer in a period after shipment through various methods which include reduction of prices for future purchases, issuance of a payment to the customer, or issuance of a credit note applied against the customer's accounts receivable balance. In many instances, the agreement is silent on the settlement mechanism. Any difference between the amount accrued for potential refunds and the actual amount agreed to with the customer is recorded as an increase or decrease in revenue. These potential price adjustments are included as part of other current liabilities on the consolidated balance sheet.

Performance Obligations

The Company derives its revenues primarily from manufacturing services, and to a lesser extent, from innovative design, engineering, and supply chain services and solutions.

A performance obligation is an implicitly or explicitly promised good or service that is material in the context of the contract and is both capable of being distinct (customer can benefit from the good or service on its own or together with other readily available resources) and distinct within the context of the contract (separately identifiable from other promises). The Company considers all activities typically included in its contracts, and identifies those activities representing a promise to transfer goods or services to a customer. These include, but are not limited to, design and engineering services, prototype products, tooling, etc. Each promised good or service with regards to these identified activities is accounted for as a separate performance obligation only if it is distinct - i.e., the customer can benefit from it on its own or together with other resources that are readily available to the customer. Certain activities on the other hand are determined not to constitute a promise to transfer goods or service, and therefore do not represent separate performance obligations for revenue recognition (e.g., procurement of materials and standard workmanship warranty).

A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The majority of the Company's contracts have a single performance obligation as the promise to transfer the individual good or service is not separately identifiable from other promises in the contract and is, therefore, not distinct. Promised goods or services that are immaterial in the context of the contract are not separately assessed as performance obligations. In the event that more than one performance obligation is identified in a contract, the Company is required to allocate the transaction price between the performance obligations. The allocation would generally be performed on the basis of a relative standalone price for each distinct good or service. This standalone price most often represents the price that the Company would sell similar goods or services separately.

Contract Balances

A contract asset is recognized when the Company has recognized revenue, but not issued an invoice for payment. Contract assets are classified separately on the condensed consolidated balance sheets and transferred to receivables when rights to payment become unconditional.

A contract liability is recognized when the Company receives payments in advance of the satisfaction of performance. Contract liabilities, identified as deferred revenue, were \$608.5 million and \$435.4 million as of December 31, 2021 and

March 31, 2021, respectively, of which \$541.2 million and \$376.5 million, respectively, is included in deferred revenue and customer working capital advances.

Disaggregation of Revenue

The following table presents the Company's revenue disaggregated based on timing of transfer - point in time and over time - for the three and nine-month periods ended December 31, 2021 and December 31, 2020, respectively.

Timing of Transfer	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(In millions)			
FAS				
Point in time	\$ 3,389	\$ 3,544	\$ 9,887	\$ 8,813
Over time	192	290	563	1,250
Total	3,581	3,834	10,450	10,063
FRS				
Point in time	2,559	2,189	7,270	5,292
Over time	479	697	1,470	2,503
Total	3,038	2,886	8,740	7,795
Flex				
Point in time	5,948	5,733	17,157	14,105
Over time	671	987	2,033	3,753
Total	\$ 6,619	\$ 6,720	\$ 19,190	\$ 17,858

4. SHARE-BASED COMPENSATION

The Company's primary plan used for granting equity compensation awards is the 2017 Equity Incentive Plan (the "2017 Plan").

The following table summarizes the Company's share-based compensation expense:

	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(In millions)			
Cost of sales	\$ 6	\$ 6	\$ 17	\$ 16
Selling, general and administrative expenses	19	19	52	46
Total share-based compensation expense	\$ 25	\$ 25	\$ 69	\$ 62

Total number of options outstanding and exercisable were immaterial as of December 31, 2021. All options have been fully expensed as of December 31, 2021.

During the nine-month period ended December 31, 2021, the Company granted 5.9 million unvested restricted share unit ("RSU") awards. Of this amount, approximately 5.0 million are plain-vanilla unvested RSU awards that vest over a period of two to three years, with no performance or market conditions, and with an average grant date price of \$18.25 per award. In addition, approximately 0.4 million unvested shares represent the target amount of grants made to certain key employees whereby vesting is contingent on certain performance conditions, and with an average grant date price of \$18.24 per award. The number of shares contingent on performance conditions that ultimately will vest will range from zero up to a maximum of 0.8 million based on a measurement of the Company's adjusted earnings per share growth over a certain specified period, and will cliff vest after a period of three years, to the extent such performance conditions have been met. Further, approximately 0.4 million unvested shares represent the target amount of grants made to certain key employees whereby vesting is contingent on certain market conditions. The average grant date fair value of these awards contingent on certain market conditions was estimated to be \$25.86 per award and was calculated using a Monte Carlo simulation. The number of shares contingent on market conditions that ultimately will vest will range from zero up to a maximum of 0.8 million based on a measurement of the percentile rank of the Company's total shareholder return over a certain specified period against the Company's peer companies, and will cliff vest after a period of three years, to the extent such market conditions have been met.

As of December 31, 2021, approximately 15.8 million unvested RSU awards under all plans were outstanding, of which vesting for a targeted amount of 2.9 million shares is contingent on meeting certain market conditions, and vesting for a targeted amount of 0.4 million shares is contingent on meeting certain performance conditions. The number of shares tied to market condition that will ultimately be issued can range from zero to 5.8 million based on the achievement levels. The number of shares tied to performance conditions that will ultimately be issued can range from zero to 0.8 million based on the achievement levels. During the nine-month period ended December 31, 2021, no shares vested in connection with the awards with market conditions granted in fiscal year 2019.

As of December 31, 2021, total unrecognized compensation expense related to unvested RSU awards under all plans was approximately \$150.8 million, and will be recognized over a weighted-average remaining vesting period of 2.0 years.

5. EARNINGS PER SHARE

The following table reflects basic weighted-average ordinary shares outstanding and diluted weighted-average ordinary share equivalents used to calculate basic and diluted earnings per share attributable to the shareholders of Flex:

	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
(In millions, except per share amounts)				
Basic earnings per share:				
Net income	\$ 227	\$ 208	\$ 769	\$ 373
Shares used in computation:				
Weighted-average ordinary shares outstanding	469	500	481	500
Basic earnings per share	\$ 0.48	\$ 0.42	\$ 1.60	\$ 0.75
Diluted earnings per share:				
Net income	\$ 227	\$ 208	\$ 769	\$ 373
Shares used in computation:				
Weighted-average ordinary shares outstanding	469	500	481	500
Weighted-average ordinary share equivalents from RSU awards (1)	5	8	6	5
Weighted-average ordinary shares and ordinary share equivalents outstanding	474	508	487	505
Diluted earnings per share	\$ 0.48	\$ 0.41	\$ 1.58	\$ 0.74

- (1) Immaterial RSU awards for the three and nine-month periods ended December 31, 2021, and an immaterial number of RSU awards and 2.9 million RSU awards for the three and nine-month periods ended December 31, 2020, respectively, were excluded from the computation of diluted earnings per share due to their anti-dilutive impact on the weighted-average ordinary share equivalents.

6. BANK BORROWINGS AND LONG-TERM DEBT

Bank borrowings and long-term debt as of December 31, 2021 are as follows:

	As of December 31, 2021	As of March 31, 2021
	(In millions)	
5.000% Notes due February 2023	\$ 500	\$ 500
Term Loan due April 2024 - three-month Yen LIBOR plus 0.500%	292	305
4.750% Notes due June 2025	598	598
3.750% Notes due February 2026	691	694
4.875% Notes due June 2029	660	661
4.875% Notes due May 2030	691	694
3.600% HUF Bonds due December 2031	306	—
India Facilities	117	133
Other	610	219
Debt issuance costs	(19)	(21)
	4,446	3,783
Current portion	(648)	(268)
Non-current portion	\$ 3,798	\$ 3,515

The weighted-average interest rate for the Company's long-term debt was 3.5% and 4.3% as of December 31, 2021 and March 31, 2021.

Scheduled repayments of the Company's bank borrowings and long-term debt as of December 31, 2021 are as follows:

Fiscal Year Ending March 31,	Amount
	(In millions)
2022 (1)	\$ 246
2023	928
2024	53
2025	292
2026	1,289
Thereafter	1,657
Total	\$ 4,465

(1) Represents estimated repayments for the remaining fiscal three-month period ending March 31, 2022.

HUF Bonds due December 2031

In December 2021, the Company issued HUF 100 billion (approximately \$306.3 million as of December 31, 2021) in aggregate principal amount of bonds under the National Bank of Hungary's Bond Funding for Growth Scheme. The bonds mature in December 2031 and amortize in an amount equal to 10% of the original principal amount thereof on each of the seventh, eighth, and ninth anniversaries of the bonds, with the remaining 70% due upon maturity. The outstanding principal amount of the bonds bear interest at 3.60% per annum. Interest is due and payable annually in arrears commencing on December 6, 2022. The proceeds of the bonds were used for general corporate purposes. As the bonds are denominated in Hungarian forint, the debt balance is remeasured to USD at the end of each reporting period. Foreign currency swap contracts have been entered into with respect to this Hungarian forint denominated liability.

The bonds are unsecured and unsubordinated obligations of the Company and rank equally with all of the Company's other existing and future unsecured and unsubordinated obligations.

The bonds contain a customary negative pledge covenant restricting the ability of the Company to incur liens to secure indebtedness without ratably and equally securing the bonds. This covenant is subject to a number of exceptions and limitations. The bonds also provide for customary events of default, including, but not limited to, cross defaults to certain specified other debt of the Company. Except in limited circumstances resulting from adverse changes in applicable tax laws, the bonds are not voluntarily redeemable. The Company is in the process of listing the bonds for trading on the XBond multilateral trading facility operated by the Budapest Stock Exchange.

Other Borrowings

Euro Term Loan due December 2022

In December 2021, the Company borrowed €350 million (approximately \$397.3 million as of December 31, 2021), under a 1-year term-loan agreement. Of this amount, €250 million is due December 9, 2022 and €100 million is due December 30, 2022. The proceeds of the term loan will be used to refinance certain other outstanding debt and for other general corporate purposes. Borrowings under this term loan bear interest at (0.18)% per annum, which is payable in full at maturity. The term loan is repayable upon maturity, and the borrowings have been included as bank borrowings and current portion of long-term debt under the condensed consolidated balance sheet.

The term loan is unsecured. The term loan agreement contains customary restrictions on the ability of the Company and its subsidiaries to (i) incur certain debt, (ii) make certain investments, (iii) make certain acquisitions of other entities, (iv) incur liens, (v) dispose of assets, (vi) make non-cash distributions to shareholders, and (vii) engage in transactions with affiliates. These covenants are subject to a number of exceptions and limitations. This term loan agreement also requires that the Company maintain a maximum ratio of total indebtedness to EBITDA, and a minimum interest coverage ratio, as defined therein, during its term. As of December 31, 2021, the Company was in compliance with the covenants under the term loan agreement.

7. INTEREST AND OTHER, NET

Interest and other, net for the three and nine-month periods ended December 31, 2021 and December 31, 2020 are primarily composed of the following:

	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(In millions)			
Interest expenses on debt obligations	\$ 38	\$ 40	\$ 113	\$ 111
Interest income	(3)	(4)	(11)	(10)
Equity in earnings on investments	(30)	(49)	(52)	(64)
Brazil tax credit (1)	(1)	—	(150)	—

(1) During the nine-month period ended December 31, 2021, the Company recognized a \$150 million gain related to a certain tax credit upon approval of a "Credit Habilitation" request by the relevant Brazil tax authorities. Refer to note 13 to the condensed consolidated financial statements for further information.

8. FINANCIAL INSTRUMENTS

Foreign Currency Contracts

The Company enters into short-term and long-term foreign currency derivatives contracts, including forward, swap, and options contracts to hedge only those currency exposures associated with certain assets and liabilities, primarily accounts receivable and accounts payable, and cash flows denominated in non-functional currencies. Gains and losses on the Company's derivative contracts are designed to offset losses and gains on the assets, liabilities and transactions hedged, and accordingly, generally do not subject the Company to risk of significant accounting losses. The Company hedges committed exposures and does not engage in speculative transactions. The credit risk of these derivative contracts is minimized since the contracts are with large financial institutions and accordingly, fair value adjustments related to the credit risk of the counterparty financial institution were not material.

As of December 31, 2021, the aggregate notional amount of the Company's outstanding foreign currency derivative contracts was \$11.2 billion as summarized below:

Currency	Foreign Currency Amount		Notional Contract Value in USD	
	Buy	Sell	Buy	Sell
(In millions)				
Cash Flow Hedges				
CNY	3,458	—	\$ 543	\$ —
HUF	141,043	—	438	—
JPY	33,525	—	300	—
MXN	6,660	—	324	—
MYR	461	226	110	54
Other	N/A	N/A	272	62
			1,987	116
Other Foreign Currency Contracts				
BRL	—	647	—	114
CAD	98	61	77	48
CNY	5,378	1,843	840	290
EUR	2,548	2,355	2,893	2,674
GBP	66	89	89	120
HUF	59,796	48,268	183	148
ILS	318	25	102	8
MXN	7,605	5,731	370	279
MYR	958	305	229	73
SEK	642	736	71	81
SGD	105	58	77	43
Other	N/A	N/A	216	106
			5,147	3,984
Total Notional Contract Value in USD			\$ 7,134	\$ 4,100

As of December 31, 2021, the fair value of the Company's short-term foreign currency contracts was included in other current assets or other current liabilities, as applicable, in the condensed consolidated balance sheets. Certain of these contracts are designed to economically hedge the Company's exposure to monetary assets and liabilities denominated in a non-functional currency and are not accounted for as hedges under the accounting standards. Accordingly, changes in the fair value of these instruments are recognized in earnings during the period of change as a component of interest and other, net in the condensed consolidated statements of operations. As of December 31, 2021 and March 31, 2021, the Company also has included net deferred gains and losses in accumulated other comprehensive loss, a component of shareholders' equity in the condensed consolidated balance sheets, relating to changes in fair value of its foreign currency contracts that are accounted for as cash flow hedges. Deferred loss was \$22.9 million as of December 31, 2021, and is expected to be recognized primarily as a component of cost of sales in the condensed consolidated statements of operations primarily over the next twelve-month period, except for the USD JPY cross currency swap, and the USD HUF cross currency swaps, which are further discussed below.

The Company entered into a USD JPY cross currency swap to hedge the foreign currency risk on the JPY term loan due April 2024, and the fair value of the cross currency swap was included in other liabilities as of December 31, 2021. Additionally, the Company entered into USD HUF cross currency swaps to hedge the foreign currency risk on the HUF bonds due December 2031, and the fair value of the cross currency swaps was included in other liabilities as of December 31, 2021. The changes in fair value of both the USD JPY cross currency swap and the USD HUF cross currency swaps are reported in accumulated other comprehensive loss, with the impact of the excluded component reported in interest and other, net. In addition, corresponding amounts are reclassified out of accumulated other comprehensive loss to interest and other, net to offset the remeasurement of the underlying JPY loan principal and HUF bond principal, which also impact the same line.

The following table presents the fair value of the Company's derivative instruments utilized for foreign currency risk management purposes:

		Fair Values of Derivative Instruments					
		Asset Derivatives			Liability Derivatives		
		Fair Value			Fair Value		
Balance Sheet Location		December 31, 2021	March 31, 2021	Balance Sheet Location		December 31, 2021	March 31, 2021
(In millions)							
Derivatives designated as hedging instruments							
Foreign currency contracts	Other current assets	\$ 19	\$ 23	Other current liabilities	\$ 19	\$ 16	
Foreign currency contracts	Other assets	\$ —	\$ 5	Other liabilities	\$ 37	\$ —	
Derivatives not designated as hedging instruments							
Foreign currency contracts	Other current assets	\$ 19	\$ 31	Other current liabilities	\$ 11	\$ 32	

The Company has financial instruments subject to master netting arrangements, which provide for the net settlement of all contracts with a single counterparty. The Company does not offset fair value amounts for assets and liabilities recognized for derivative instruments under these arrangements, and as such, the asset and liability balances presented in the table above reflect the gross amounts of derivatives in the condensed consolidated balance sheets. The impact of netting derivative assets and liabilities is not material to the Company's financial position for any of the periods presented.

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in accumulated other comprehensive loss by component, net of tax, are as follows:

	Three-Month Periods Ended					
	December 31, 2021			December 31, 2020		
	Unrealized loss on derivative instruments and other	Foreign currency translation adjustments	Total	Unrealized loss on derivative instruments and other	Foreign currency translation adjustments	Total
(In millions)						
Beginning balance	\$ (49)	\$ (88)	\$ (137)	\$ (45)	\$ (88)	\$ (133)
Other comprehensive gain (loss) before reclassifications	(27)	(14)	(41)	43	42	85
Net (gains) losses reclassified from accumulated other comprehensive loss	14	6	20	(14)	—	(14)
Net current-period other comprehensive gain (loss)	(13)	(8)	(21)	29	42	71
Ending balance	\$ (62)	\$ (96)	\$ (158)	\$ (16)	\$ (46)	\$ (62)

	Nine-Month Periods Ended					
	December 31, 2021			December 31, 2020		
	Unrealized loss on derivative instruments and other	Foreign currency translation adjustments	Total	Unrealized loss on derivative instruments and other	Foreign currency translation adjustments	Total
	(In millions)					
Beginning balance	\$ (42)	\$ (77)	\$ (119)	\$ (82)	\$ (133)	\$ (215)
Other comprehensive gain (loss) before reclassifications	(20)	(24)	(44)	73	87	160
Net (gains) losses reclassified from accumulated other comprehensive loss	—	5	5	(7)	—	(7)
Net current-period other comprehensive gain (loss)	(20)	(19)	(39)	66	87	153
Ending balance	\$ (62)	\$ (96)	\$ (158)	\$ (16)	\$ (46)	\$ (62)

Substantially all unrealized losses and gains relating to derivative instruments and other, reclassified from accumulated other comprehensive loss for the three and nine-month periods ended December 31, 2021 were recognized as a component of cost of sales in the condensed consolidated statement of operations, which primarily relate to the Company's foreign currency contracts accounted for as cash flow hedges.

10. TRADE RECEIVABLES SECURITIZATION

The Company sells trade receivables under two asset-backed securitization programs and an accounts receivable factoring program.

Asset-Backed Securitization Programs

The Company sells designated pools of trade receivables under its Global Asset-Backed Securitization Agreement (the "Global Program") and its North American Asset-Backed Securitization Agreement (the "North American Program," and together with the Global Program, the "ABS Programs") to affiliated special purpose entities, each of which in turn sells a fraction of the receivables to unaffiliated financial institutions, based on the Company's requirements. Under these programs, the entire purchase price of sold receivables is paid in cash. The ABS Programs contain guarantees of payment by the special purpose entities, in amounts equal to approximately the net cash proceeds under the programs, and are collateralized by certain receivables held by the special purpose entities. The fair value of the guarantee obligation was zero as of December 31, 2021 and March 31, 2021, respectively. The accounts receivable balances sold under the ABS Programs were removed from the condensed consolidated balance sheets and the cash proceeds received by the Company were included as cash provided by operating activities in the condensed consolidated statements of cash flows.

Following the transfer of the receivables to the special purpose entities, the transferred receivables are legally isolated from the Company and its affiliates, and upon the sale of the receivables from the special purpose entities to the unaffiliated financial institutions, effective control of the transferred receivables is passed to the unaffiliated financial institutions, which have the right to pledge or sell the receivables. Although the special purpose entities are consolidated by the Company, they are separate corporate entities and their assets are available first to satisfy the claims of their creditors. The investment limits set by the financial institutions are uncommitted and amount to \$500 million for the Global Program and \$250 million for the North American Program.

The Company services, administers and collects the receivables on behalf of the special purpose entities and receives a servicing fee of 0.1% to 0.5% of serviced receivables per annum. Servicing fees recognized during the nine-month periods ended December 31, 2021 and December 31, 2020 were not material and are included in interest and other, net within the condensed consolidated statements of operations. As the Company estimates the fee it receives in return for its obligation to service these receivables is at fair value, no servicing assets or liabilities are recognized.

As of December 31, 2021 and March 31, 2021, no accounts receivable had been sold under the ABS programs.

For the nine-month periods ended December 31, 2020, cash flows from sales of receivables from the special purpose entities to unaffiliated financial institutions, consisted of approximately \$0.6 billion, for transfers of receivables. The Company's cash flows from transfers of receivables in fiscal year 2021 consisted primarily of proceeds from collections reinvested in revolving-period transfers. Cash flows from new transfers were not significant for all periods presented.

Trade Accounts Receivable Sale Programs

The Company also sold accounts receivables to certain third-party banking institutions. The outstanding balance of receivables sold and not yet collected on accounts where the Company has continuing involvement was approximately \$0.4 billion and \$0.2 billion as of December 31, 2021 and March 31, 2021, respectively. For the nine-month periods ended December 31, 2021 and December 31, 2020, total accounts receivable sold to certain third-party banking institutions was approximately \$1.0 billion and \$0.6 billion, respectively. The receivables that were sold were removed from the condensed consolidated balance sheets and the cash received was included as cash provided by operating activities in the condensed consolidated statements of cash flows.

11. FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability. The accounting guidance for fair value establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

Level 1 - Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities. There were no balances classified as level 1 in the fair value hierarchy as of December 31, 2021 and March 31, 2021.

Level 2 - Applies to assets or liabilities for which there are inputs other than quoted prices included within level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets) such as cash and cash equivalents and money market funds; or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

The Company values foreign exchange forward contracts using level 2 observable inputs which primarily consist of an income approach based on the present value of the forward rate less the contract rate multiplied by the notional amount.

The Company's cash equivalents are comprised of bank time deposits and money market funds, which are valued using level 2 inputs, such as interest rates and maturity periods. Due to their short-term nature, their carrying amount approximates fair value.

The Company has deferred compensation plans for its officers and certain other employees. Amounts deferred under the plans are invested in hypothetical investments selected by the participant or the participant's investment manager. The Company's deferred compensation plan assets are included in other noncurrent assets on the consolidated balance sheets and include money market funds, mutual funds, corporate and government bonds and certain convertible securities that are valued using prices obtained from various pricing sources. These sources price these investments using certain market indices and the performance of these investments in relation to these indices. As a result, the Company has classified these investments as level 2 in the fair value hierarchy.

Level 3 - Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company has accrued for contingent consideration in connection with its business acquisitions as applicable, which is measured at fair value based on certain internal models and unobservable inputs. There were no contingent consideration liabilities outstanding as of December 31, 2021 and March 31, 2021.

There were no transfers between levels in the fair value hierarchy during the nine-month periods ended December 31, 2021 and December 31, 2020.

Financial Instruments Measured at Fair Value on a Recurring Basis

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 and March 31, 2021:

Fair Value Measurements as of December 31, 2021				
	Level 1	Level 2	Level 3	Total
(In millions)				
Assets:				
Money market funds and time deposits (included in cash and cash equivalents of the condensed consolidated balance sheet)	\$ —	\$ 1,620	\$ —	\$ 1,620
Foreign currency contracts (Note 8)	—	38	—	38
Deferred compensation plan assets:				
Mutual funds, money market accounts and equity securities	—	45	—	45
Liabilities:				
Foreign currency contracts (Note 8)	\$ —	\$ (67)	\$ —	\$ (67)

Fair Value Measurements as of March 31, 2021				
	Level 1	Level 2	Level 3	Total
(In millions)				
Assets:				
Money market funds and time deposits (included in cash and cash equivalents of the condensed consolidated balance sheet)	\$ —	\$ 1,507	\$ —	\$ 1,507
Foreign currency contracts (Note 8)	—	59	—	59
Deferred compensation plan assets:				
Mutual funds, money market accounts and equity securities	—	48	—	48
Liabilities:				
Foreign currency contracts (Note 8)	\$ —	\$ (48)	\$ —	\$ (48)

Other financial instruments

The following table presents the Company's major debts not carried at fair value:

	As of December 31, 2021		As of March 31, 2021		Fair Value Hierarchy
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
	(In millions)				
5.000% Notes due February 2023	\$ 500	\$ 521	\$ 500	\$ 537	Level 1
Term Loan due April 2024 - three-month Yen LIBOR plus 0.500%	292	292	305	305	Level 2
4.750% Notes due June 2025	598	651	598	670	Level 1
3.750% Notes due February 2026	691	738	694	756	Level 1
4.875% Notes due June 2029	660	747	661	756	Level 1
4.875% Notes due May 2030	691	785	694	800	Level 1
Euro Term Loans	560	560	168	168	Level 2
3.600% HUF Bonds due December 2031	306	306	—	—	Level 2
India Facilities	117	117	133	133	Level 2

The Notes due February 2023, June 2025, February 2026, June 2029 and May 2030 are valued based on broker trading prices in active markets.

The Company values its Term Loan due April 2024, India Facilities, Euro Term Loans, and HUF Bond based on the current market rate, and as of December 31, 2021, the carrying amounts approximate fair values.

12. BUSINESS ACQUISITION

Acquisition of Anord Mardix

On December 1, 2021, the Company completed the business acquisition of Anord Mardix, a global leader in critical power solutions for an initial purchase consideration of \$522.5 million, net of \$25.1 million cash acquired, with an additional \$16.5 million deferred purchase price to be paid out in the fourth quarter of fiscal year 2022 together with additional working capital adjustments, for a total purchase consideration of \$539 million. The acquisition adds to the Company's portfolio of Power products and expands its offering in the data center market. For reporting purposes, Anord Mardix is included in the Industrial reporting unit within the FRS segment. The allocation of the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed was based on their estimated fair values as of the date of acquisition. The excess of the purchase price over the tangible and identifiable intangible assets acquired and liabilities assumed has been allocated to goodwill. The results of operations of the acquisition were included in the Company's condensed consolidated financial results beginning on the date of acquisition, and the total amount of net income and revenue were immaterial to the Company's condensed consolidated financial results for the three-month and nine-month periods ended December 31, 2021.

The following represents the Company's allocation of the total purchase price to the acquired assets and liabilities of Anord Mardix (in millions):

Current assets	\$	134
Property and equipment		14
Operating lease right-of-use assets		34
Intangible assets		263
Goodwill		271
Total assets	\$	716
Current liabilities	\$	97
Operating lease liabilities, non-current		31
Deferred tax liabilities		49
Total aggregate purchase price	\$	539

The intangible assets of \$263.0 million is comprised of customer related intangible assets of \$143.0 million and licenses and other intangible assets such as trade names and patented technology of \$120.0 million. Customer related assets are amortized over a weighted-average estimated useful life of 8.5 years while licensed and other intangibles are amortized over a weighted-average estimated useful life of 8.9 years.

Pro-forma results of operations have not been presented because the effects were not material to the Company's condensed consolidated financial results for all periods presented.

The Company is in the process of evaluating the fair value of the assets and liabilities related to this acquisition. Additional information, which existed as of the acquisition date, may become known to the Company during the remainder of the measurement period, a period not to exceed 12 months from the date of acquisition. Changes to amounts recorded as assets and liabilities may result in a corresponding adjustment to goodwill during the respective measurement periods.

13. COMMITMENTS AND CONTINGENCIES

Litigation and other legal matters

In connection with the matters described below, the Company has accrued for loss contingencies where it believes that losses are probable and estimable. The amounts accrued for any individual matter are not material. Although it is reasonably possible that actual losses could be in excess of the Company's accrual, the Company is unable to estimate a reasonably possible loss or range of loss in excess of its accrual, due to various reasons, including, among others, that: (i) the proceedings are in early stages or no claims have been asserted, (ii) specific damages have not been sought in all of these matters, (iii) damages, if asserted, are considered unsupported and/or exaggerated, (iv) there is uncertainty as to the outcome of pending appeals, motions, or settlements, (v) there are significant factual issues to be resolved, and/or (vi) there are novel legal issues or

unsettled legal theories presented. Any such excess loss could have a material adverse effect on the Company's results of operations or cash flows for a particular period or on the Company's financial condition.

In addition, the Company provides design and engineering services to its customers and also designs and makes its own products. As a consequence of these activities, its customers are requiring the Company to take responsibility for intellectual property to a greater extent than in its manufacturing and assembly businesses. Although the Company believes that its intellectual property assets and licenses are sufficient for the operation of its business as it currently conducts it, from time to time third-parties do assert patent infringement claims against the Company or its customers. If and when third-parties make assertions regarding the ownership or right to use intellectual property, the Company could be required to either enter into licensing arrangements or to resolve the issue through litigation. Such license rights might not be available to the Company on commercially acceptable terms, if at all, and any such litigation might not be resolved in its favor. Additionally, litigation could be lengthy and costly and could materially harm the Company's financial condition regardless of the outcome. The Company also could be required to incur substantial costs to redesign a product or re-perform design services.

From time to time, the Company enters into IP licenses (e.g., patent licenses and software licenses) with third-parties which obligate the Company to report covered behavior to the licensor and pay license fees to the licensor for certain activities or products, or that enable the Company's use of third-party technologies. The Company may also decline to enter into licenses for intellectual property that it does not think is useful for or used in its operations, or for which its customers or suppliers have licenses or have assumed responsibility. Given the diverse and varied nature of its business and the location of its business around the world, certain activities the Company performs, such as providing assembly services in China and India, may fall outside the scope of those licenses or may not be subject to the applicable intellectual property rights. The Company's licensors may disagree and claim royalties are owed for such activities. In addition, the basis (e.g., base price) for any royalty amounts owed are audited by licensors and may be challenged. Some of these disagreements may lead to claims and litigation that might not be resolved in the Company's favor. Additionally, litigation could be lengthy and costly and could materially harm the Company's financial condition regardless of the outcome.

On May 8, 2018, a putative class action was filed in the Northern District of California against the Company and certain officers alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5, promulgated thereunder, alleging misstatements and/or omissions in certain of the Company's financial results, press releases and SEC filings made during the putative class period of January 26, 2017 through April 26, 2018. On October 1, 2018, the Court appointed lead plaintiff and lead plaintiff's counsel in the case. On November 28, 2018, lead plaintiff filed an amended complaint alleging misstatements and/or omissions in certain of the Company's SEC filings, press releases, earnings calls, and analyst and investor conferences and expanding the putative class period through October 25, 2018. On April 3, 2019, the Court vacated its prior order appointing lead plaintiff and lead plaintiff's counsel and reopened the lead plaintiff appointment process. On September 26, 2019, the Court appointed a new lead plaintiff, National Elevator Industry Pension Fund, and lead plaintiff's counsel in the case. On November 8, 2019, lead plaintiff filed a further amended complaint. On December 4, 2019, defendants filed a motion to dismiss the amended complaint. On May 29, 2020, the Court granted defendants' motion to dismiss without prejudice and gave lead plaintiff 30 days to amend. On June 29, 2020, lead plaintiff filed a further amended complaint. On July 27, 2020, defendants filed a motion to dismiss the amended complaint. On December 10, 2020, the Court granted defendants' motion to dismiss with prejudice and entered judgment in favor of defendants. On January 7, 2021, lead plaintiff filed a notice of appeal to the Ninth Circuit Court of Appeals. On May 19, 2021, lead plaintiff filed its opening appeal brief, on July 19, 2021, defendants filed their answering brief, and on September 8, 2021, lead plaintiff filed its reply brief. The Court of Appeals heard oral argument on December 8, 2021. On December 21, 2021, the Court of Appeals affirmed the dismissal with prejudice of the case. The Court of Appeals' decision took effect on January 12, 2022.

On April 21, 2016, SunEdison, Inc. (together with certain of its subsidiaries, "SunEdison") filed for protection under Chapter 11 of the U.S. Bankruptcy Code. During the fiscal year ended March 31, 2016, the Company recognized a bad debt reserve charge of \$61.0 million associated with its outstanding SunEdison receivables and accepted return of previously shipped inventory of approximately \$90.0 million. SunEdison stated in schedules filed with the Bankruptcy Court that, within the 90 days preceding SunEdison's bankruptcy filing, the Company received approximately \$98.6 million of inventory and cash transfers of \$69.2 million, which in aggregate represents the Company's estimate of the maximum reasonably possible contingent loss. On April 15, 2018, a subsidiary of the Company together with its subsidiaries and affiliates, entered into a tolling agreement with the trustee of the SunEdison Litigation Trust to toll any applicable statute of limitations or other time-related defense that might exist in regards to any potential claims that either party might be able to assert against the other for a period that will end at the earlier to occur of: (a) 60 days after a party provides written notice of termination; (b) six years from the effective date of April 15, 2018; or (c) such other date as the parties may agree in writing. No preference claims have been asserted against the Company and consideration has been given to the related contingencies based on the facts currently known. The Company has a number of affirmative and direct defenses to any potential claims for recovery and intends to vigorously defend any such claim, if asserted.

One of the Company's Brazilian subsidiaries has received assessments for certain sales and import taxes. There were originally six tax assessments totaling the updated amount of 373.7 million Brazilian reais (approximately USD \$65.8 million based on the exchange rate as of December 31, 2021). Five of the assessments are in various stages of the review process at the administrative level; the Company successfully defeated one of the six assessments in September 2019 (totaling approximately the updated amount of 60.6 million Brazilian reais or USD \$10.7 million); that assessment remains subject to appeal and no tax proceeding has been finalized yet. The Company was unsuccessful at the administrative level for one of the assessments and filed an annulment action in federal court in Brasília, Brazil on March 23, 2020; the updated value of that assessment is 33.9 million Brazilian reais (approximately USD \$6.0 million). The Company believes there is no legal basis for any of these assessments and that it has meritorious defenses. The Company will continue to vigorously oppose all of these assessments, as well as any future assessments. The Company does not expect final judicial determination on any of these claims in the next four years.

On February 14, 2019, the Company submitted an initial notification of voluntary disclosure to the U.S. Department of the Treasury, Office of Foreign Assets Control ("OFAC") regarding possible noncompliance with U.S. economic sanctions requirements among certain non-U.S. Flex-affiliated operations. On September 28, 2020, the Company made a submission to OFAC that completed the Company's voluntary disclosure based on the results of an internal investigation regarding the matter. On June 11, 2021, the Company notified OFAC that it had identified possible additional relevant transactions at one non-U.S. Flex-affiliated operation. The Company submitted an update to OFAC on November 16, 2021 reporting on the results of its review of those transactions. The Company intends to continue to cooperate fully with OFAC in this matter going forward. Nonetheless, it is reasonably possible that the Company could be subject to penalties that could have a material adverse effect on the Company's financial position, results of operations or cash flows.

A foreign Tax Authority ("Tax Authority") has assessed a cumulative total of approximately \$163.9 million in taxes owed for multiple Flex legal entities within its jurisdiction for various fiscal years ranging from fiscal year 2010 through fiscal year 2018. The assessed amounts related to the denial of certain deductible intercompany payments. The Company disagrees with the Tax Authority's assessments and is actively contesting the assessments through the administrative and judicial processes.

A different foreign Tax Authority had issued a letter against one of the Company's legal entities asserting that the entity did not meet the qualification criteria for tax holiday status for fiscal year 2006 through fiscal year 2013. The asserted additional tax and penalty is approximately \$80.0 million. The Company disagreed with the Tax Authority's assertion but agreed with the Tax Authority to settle the issue for an immaterial amount. This immaterial amount was accrued for during the fourth quarter of fiscal year 2021 and has been fully paid during the current quarter with no additional amounts owed.

As the final resolutions of the above outstanding tax items remain uncertain, the Company continues to provide for the uncertain tax positions based on the more likely than not standard. While the resolution of the issues may result in tax liabilities, interest and penalties, which may be significantly higher than the amounts accrued for these matters, management currently believes that the resolution will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

In November 2019, the Company received a favorable ruling from the Brazilian Supreme Court in a case against the Brazilian tax authorities regarding the right to exclude the value of a state tax referred to as ICMS from the calculation of a federal operational tax basis referred to as PIS/COFINS. The ruling allowed the Company the right to recover amounts unduly paid from February 2003 to December 2019. As a result, the Company recorded an immaterial gain in fiscal year 2020 for the recovery of taxes. The Receita Federal, a tax authority in Brazil, filed a Motion of Clarification on a leading case with the Brazilian Supreme Court previously in 2017 and in May 2021, the Brazilian Supreme Court ruled in favor of the taxpayers and specifically clarified that the ICMS taxes to be excluded from the PIS/COFINS tax basis are to be based on the amount stated on the sales invoice irrespective of any further discounts received from the state. As a result of this ruling, which further reinforced the favorable ruling received in November 2019, the Company initiated the request for "Credit Habilitation" with the tax authorities in June 2021 to request additional PIS/COFINS credit in the amount of 776.7 million Brazilian reais (approximately USD \$154.8 million based on the exchange rate as of July 2, 2021). However, the nature of the Company's credits requested for Habilitation were not specifically addressed by the May 2021 ruling, and accordingly there remained uncertainty regarding the Company's ability to recognize these credits. The Company considered the recognition of these credits to be a contingent gain in accordance with ASC 450, Contingencies, and did not record a gain for such credits in the three-month period ended July 2, 2021 as it had not resolved all contingencies to conclude a realized or realizable amount. In September 2021, the Credit Habilitation request was approved by the tax authorities and the Company recognized a gain of 809.6 million Brazilian reais (approximately USD \$149.3 million based on the exchange rate as of October 1, 2021) included in interest and other, net in the condensed consolidated statements of operations for the three and six-month periods ended October 1, 2021. The total gain recorded included credits from February 2003 to September 2021, net of additional taxes, as the Credit Habilitation received covering the period from February 2003 to December 2019 resolved any uncertainty regarding the Company's ability to claim such credits. This gain is non-cash and can only be used to offset certain current and future tax

obligations. During the three-month period ended December 31, 2021, the Company updated its plan regarding the utilization of these credits and expects to utilize the remaining 598.8 million Brazilian reais (approximately USD \$105.4 million based on the exchange rate as of December 31, 2021) of credits in the next twelve months based on the latest tax strategy. Accordingly the remaining balance is included in other current assets as of December 31, 2021.

In addition to the matters discussed above, from time to time, the Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Company defends itself vigorously against any such claims. Although the outcome of these matters is currently not determinable, management expects that any losses that are probable or reasonably possible of being incurred as a result of these matters, which are in excess of amounts already accrued in the Company's consolidated balance sheets, would not be material to the financial statements as a whole.

14. SHARE REPURCHASES

During the three and nine-month periods ended December 31, 2021, the Company repurchased 5.0 million and 32.0 million shares at an aggregate purchase price of \$90.0 million and \$580.3 million, respectively, and retired all of these shares.

Under the Company's current share repurchase program, the Board of Directors authorized repurchases of its outstanding ordinary shares for up to \$1.0 billion in accordance with the share repurchase mandate approved by the Company's shareholders at the date of Annual General Meeting held on August 4, 2021. As of December 31, 2021, shares in the aggregate amount of \$600.9 million were available to be repurchased under the current plan.

15. SEGMENT REPORTING

The Company reports its financial performance based on two operating and reportable segments, Flex Agility Solutions ("FAS") and Flex Reliability Solutions ("FRS") and analyzes operating income as the measure of segment profitability. The determination of these segments is based on several factors, including the nature of products and services, the nature of production processes, customer base, delivery channels and similar economic characteristics.

An operating segment's performance is evaluated based on its pre-tax operating contribution, or segment income. Segment income is defined as net sales less cost of sales, and segment selling, general and administrative expenses, and does not include intangible amortization, stock-based compensation, restructuring charges, and legal and other. A portion of depreciation is allocated to the respective segment, together with other general corporate research and development and administrative expenses.

Selected financial information by segment is in the table below.

	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
(In millions)				
Net sales:				
Flex Agility Solutions	\$ 3,581	\$ 3,834	\$ 10,450	\$ 10,063
Flex Reliability Solutions	3,038	2,886	8,740	7,795
	<u>\$ 6,619</u>	<u>\$ 6,720</u>	<u>\$ 19,190</u>	<u>\$ 17,858</u>
Segment income and reconciliation of operating income:				
Flex Agility Solutions	\$ 163	\$ 153	\$ 453	\$ 313
Flex Reliability Solutions	154	178	475	472
Corporate and Other	(19)	(20)	(54)	(64)
Total segment income	<u>298</u>	<u>311</u>	<u>874</u>	<u>721</u>
Reconciling items:				
Intangible amortization	15	16	45	47
Stock-based compensation	25	25	69	62
Restructuring charges	2	30	10	75
Legal and other (1)	5	—	5	25
Operating income	<u>\$ 251</u>	<u>\$ 240</u>	<u>\$ 745</u>	<u>\$ 512</u>

- (1) Legal and other consists of costs not directly related to core business results and may include matters relating to commercial disputes, government regulatory and compliance, intellectual property, antitrust, tax, employment or shareholder issues, product liability claims and other issues on a global basis as well as acquisition related costs and customer related asset recoveries. During the third quarter of fiscal year 2022, the Company incurred \$4.8 million in acquisition-related costs related to the acquisition of Anord Mardix. During the first quarter of fiscal year 2021, the Company accrued for certain loss contingencies where losses are considered probable and estimable.

Corporate and other primarily includes corporate services costs that are not included in the chief operating decision maker's ("CODM") assessment of the performance of each of the identified reporting segments.

The Company provides an overall platform of assets and services, which the segments utilize for the benefit of their various customers. The shared assets and services are contained within the Company's global manufacturing and design operations and include manufacturing and design facilities. Most of the underlying manufacturing and design assets are co-mingled in the operating campuses and are compatible to operate across segments and highly interchangeable throughout the platform. Given the highly interchangeable nature of the assets, they are not separately identified by segment nor reported by segment to the Company's CODM.

16. SUBSEQUENT EVENTS

Issuance and Sale of Series A Preferred Units of Nextracker

On February 1, 2022, affiliates of the Company entered into a purchase agreement (the "Purchase Agreement") with TPG Rise Flash, L.P., a Delaware limited partnership, which is managed or advised by TPG Rise Climate, TPG, Inc.'s dedicated renewables and climate investing fund ("TPG Rise"), for the sale of 500,000 Series A Preferred Units (the "Preferred Units") in Nextracker LLC ("Nextracker LLC" or "Nextracker") for an aggregate purchase price of \$500 million (the "Preferred Sale"). TPG Rise's investment in approximately 16.7% of Nextracker LLC reflects an implied value for Nextracker LLC as of the date of the investment of \$3.0 billion.

Dividends. The Preferred Units have a dividend rate of 5% per annum, payable semi-annually, up to 100% of which (less an amount necessary to fund TPG Rise's tax obligations) may be payable in kind during the first two years following the closing of the Preferred Sale, and 50% of which may be payable in kind thereafter.

Conversion Ratio. The Preferred Units will be automatically converted into common units of Nextracker LLC upon a qualified initial public offering (a "Qualified Public Offering") and TPG Rise may elect to convert the Preferred Units into common units of Nextracker LLC at any time after March 31, 2023. Subject to certain exceptions, for any mandatory or optional conversion, the conversion ratio for each Preferred Unit will be based on a deemed value of Nextracker LLC equal to the lesser of \$3.0 billion and the implied equity valuation of Nextracker LLC determined by the underwriters engaged in connection with a Qualified Public Offering. If a Qualified Public Offering occurs by March 31, 2023 with an implied equity valuation greater than \$3.75 billion, then the conversion ratio will be adjusted upwards based on a deemed value of Nextracker LLC equal to \$3.2 billion. If a Qualified Public Offering occurs after March 31, 2023 with an implied equity valuation between \$2.7 billion and \$3.0 billion, then the conversion ratio will be based on a deemed value of Nextracker LLC equal to \$3.0 billion. If a Qualified Public Offering occurs after March 31, 2023 with an implied equity valuation of less than \$2.7 billion, then the conversion ratio will be based on a deemed value equal to the implied equity valuation of Nextracker LLC in the Qualified Public Offering divided by 90%. If TPG Rise elects to convert the Preferred Units prior to an initial public offering, the conversion ratio shall be based on a deemed value of Nextracker LLC equal to \$3.0 billion.

Repurchase. At TPG Rise's election, the Company is required to repurchase all of the outstanding Preferred Units at their liquidation preference, which shall include all contributed but unreturned capital plus accrued but unpaid dividends, at the earlier of certain change in control events and February 2, 2028. Additionally, if Nextracker has not completed a Qualified Public Offering prior to February 2, 2027, then TPG Rise may cause the Company to repurchase all of the outstanding Preferred Units at their fair market value (determined by a mutually agreeable third-party appraiser).

Voting Rights. The Preferred Units will vote together with the common units of Nextracker as a single class in all matters that are subject to a vote by common unitholders. In connection with the Preferred Sale, TPG Rise has the right to designate two members of the Board of Nextracker LLC; if, however, TPG Rise owns Preferred Units or common units of Nextracker LLC with a fully diluted ownership percentage of less than 10% but more than 5%, the number of Board members that TPG Rise will be entitled to designate will be reduced to one. So long as at least 51% of the Preferred Units remain outstanding, the consent of the holders of the Preferred Units must be obtained prior to taking certain actions regarding Nextracker LLC, including, but not limited to, changes to the terms of the Preferred Units that adversely affect the rights of holders of the Preferred Units, certain incurrences of indebtedness by Nextracker, certain capital expenditures, acquisitions or dispositions by Nextracker, and changes to the Board and management of Nextracker.

Conversion to Limited Liability Company. In connection with the Preferred Sale, Nextracker Inc. (the predecessor to Nextracker LLC) was converted to a limited liability company and will remain a subsidiary of the Company until the disposition of a majority of the securities of Nextracker LLC, in an initial public offering and/or other corporate transaction. The conversion of Nextracker Inc. is intended to facilitate an initial public offering in the future through what is commonly referred to as an umbrella partnership-C Corporation or an “Up-C” structure.

Separation and Transition Services Agreements. At the closing of the Preferred Sale, the Company, Flextronics International USA, Inc. and Nextracker LLC entered into a separation agreement and a transition services agreement to formally separate the operations of the businesses. The Company will report the Nextracker business as a separate operating and reportable segment for the fiscal year ending March 31, 2022.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise specifically stated, references in this report to “Flex,” “the Company,” “we,” “us,” “our” and similar terms mean Flex Ltd., and its subsidiaries.

This report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. The words “expects,” “anticipates,” “believes,” “intends,” “plans” and similar expressions identify forward-looking statements. In addition, any statements which refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. We undertake no obligation to publicly disclose any revisions to these forward-looking statements to reflect events or circumstances occurring subsequent to filing this Form 10-Q with the Securities and Exchange Commission. These forward-looking statements are subject to risks and uncertainties, including, without limitation, those risks and uncertainties discussed in this section, as well as any risks and uncertainties discussed in Part II, Item 1A, “Risk Factors” of this report on Form 10-Q, and in Part I, Item 1A, “Risk Factors” and in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended March 31, 2021 as well as the risks and uncertainties disclosed in our press release dated February 2, 2022 regarding our recent sale of preferred units in our Nextracker business which press release was filed on Form 8-K, dated February 2, 2022. In addition, new risks emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business. Accordingly, our future results may differ materially from historical results or from those discussed or implied by these forward-looking statements. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements.

OVERVIEW

We are the manufacturing partner of choice that helps a diverse customer base design and build products that improve the world. Through the collective strength of a global workforce across approximately 30 countries and responsible, sustainable operations, we deliver technology innovation, supply chain, and manufacturing solutions to diverse industries and end markets. The Company reports its financial performance based on two reportable segments:

- Flex Agility Solutions (“FAS”), which is comprised of the following end markets:
 - *Communications, Enterprise and Cloud (“CEC”)*, including data infrastructure, edge infrastructure and communications infrastructure;
 - *Lifestyle*, including appliances, consumer packaging, floorcare, micro mobility and audio; and
 - *Consumer Devices*, including mobile and high velocity consumer devices.
- Flex Reliability Solutions (“FRS”), which is comprised of the following end markets:
 - *Automotive*, including autonomous, connectivity, electrification, and smart technologies;
 - *Health Solutions*, including medical devices, medical equipment and drug delivery; and
 - *Industrial*, including capital equipment, industrial devices, renewable including our Nextracker business, grid edge, and power systems.

Our strategy is to provide customers with a full range of cost competitive, vertically-integrated global supply chain solutions through which we can design, build, ship and service a complete packaged product for our customers. This enables our customers to leverage our supply chain solutions to meet their product requirements throughout the entire product life cycle.

Over the past few years, we have seen an increased level of diversification by many companies, primarily in the technology sector. Some companies that have historically identified themselves as software providers, Internet service providers or e-commerce retailers have entered the highly competitive and rapidly evolving technology hardware markets, such as mobile devices, home entertainment and wearable devices. This trend has resulted in a significant change in the manufacturing and supply chain solutions requirements of such companies. While the products have become more complex, the supply chain solutions required by such companies have become more customized and demanding, and it has changed the manufacturing and supply chain landscape significantly.

We use a portfolio approach to manage our extensive service offerings. As our customers change the way they go to market, we have the capability to reorganize and rebalance our business portfolio in order to align with our customers' needs and requirements in an effort to optimize operating results. The objective of our business model is to allow us to be flexible and redeploy and reposition our assets and resources as necessary to meet specific customer's supply chain solutions needs across all the markets we serve and earn a return on our invested capital above the weighted average cost of that capital.

We believe that our continued business transformation is strategically positioning us to take advantage of the long-term, future growth prospects for outsourcing of advanced manufacturing capabilities, design and engineering services and after-market services.

Update on the Impact of COVID-19 on our Business

With the second wave of the pandemic including follow-on variants of COVID-19, there have been renewed disease control measures being taken to limit the spread including movement bans and shelter-in-place orders. We continue to closely monitor the situation in all the locations where we operate. Our priority remains the welfare of our employees. In addition, our end markets continue to be impacted by the global supply chain disruptions. Component shortages and logistical constraints are pervasive across the entire value chain. COVID-19 related restrictions also contributed to a declining workforce, including at ports and warehouses, as well as creating driver shortages around the world. We expect persistent waves of COVID-19 to remain a headwind into the near future. Component shortages and significantly increased logistic costs are also expected to persist at least in the near future as we are continuing to see increasing supply constraints and costs. Refer to *"Risk Factors - The ongoing COVID-19 pandemic has materially and adversely affected our business and results of operations. The duration and extent to which it will continue to adversely impact our business and results of operations remains uncertain and could be material."* as disclosed in Part II, "Item 1A. Risk Factors."

We are continuously evaluating our capital structure in response to the current environment and expect that our current financial condition, including our liquidity sources are adequate to fund future commitments. See additional discussion in the Liquidity and Capital Resources section below.

Other Developments

We are continuing to evaluate alternatives for our Nextracker business. We are considering options that may include, among others, a full or partial separation of the business through an initial public offering, sale, spin-off, or other transaction. On April 28, 2021, we announced that we confidentially submitted a draft registration statement on Form S-1 with the U.S. Securities and Exchange Commission relating to the proposed initial public offering of Nextracker's Class A common stock. The initial public offering and its timing are subject to market and other conditions and the SEC's review process, and there can be no assurance that we will proceed with such offering or any alternative transaction. Refer to *"Risk Factors - We are pursuing alternatives for our Nextracker business, including a full or partial separation of the business, through an initial public offering of Nextracker or otherwise, which may not be consummated as or when planned or at all, and may not achieve the intended benefits."* in our Annual Report on Form 10-K for the fiscal year ended March 31, 2021.

On February 1, 2022, affiliates of ours entered into a purchase agreement (the "Purchase Agreement") with TPG Rise Flash, L.P., a Delaware limited partnership, which is managed or advised by TPG Rise Climate, TPG, Inc.'s dedicated renewables and climate investing fund ("TPG Rise"), for the sale of 500,000 Series A Preferred Units (the "Preferred Units") in Nextracker LLC for an aggregate purchase price of \$500 million (the "Preferred Sale"). TPG Rise's investment in approximately 16.7% of Nextracker LLC reflects an implied value for Nextracker LLC as of the date of the investment of \$3.0 billion. See Note 16 to the condensed consolidated financial statements for further information.

This Quarterly Report on Form 10-Q for the third quarter ended December 31, 2021 does not constitute an offer to sell or a solicitation of an offer to buy securities, and shall not constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction.

Business Overview

We are one of the world's largest providers of global supply chain solutions, with revenues of \$19.2 billion for the nine-month period ended December 31, 2021 and \$24.1 billion in fiscal year 2021. We have established an extensive network of manufacturing facilities in the world's major consumer and enterprise markets (Asia, the Americas, and Europe) to serve the growing outsourcing needs of both multinational and regional customers. We design, build, ship, and service consumer and enterprise products for our customers through a network of over 100 facilities in approximately 30 countries across four continents. The following tables set forth the relative percentages and dollar amounts of net sales by region and by country, and net property and equipment by country, based on the location of our manufacturing sites (amounts may not sum due to rounding):

	Three-Month Periods Ended				Nine-Month Periods Ended							
	December 31, 2021		December 31, 2020		December 31, 2021		December 31, 2020					
	(In millions)											
Net sales by region:												
Americas	\$	2,681	41 %	\$	2,562	38 %	\$	7,865	41 %	\$	7,119	40 %
Asia		2,548	38 %		2,695	40 %		7,260	38 %		6,985	39 %
Europe		1,390	21 %		1,463	22 %		4,065	21 %		3,754	21 %
	\$	6,619		\$	6,720		\$	19,190		\$	17,858	
Net sales by country:												
China	\$	1,598	24 %	\$	1,721	26 %	\$	4,676	24 %	\$	4,631	26 %
Mexico		1,250	19 %		1,177	18 %		3,710	19 %		3,237	18 %
U.S.		849	13 %		964	14 %		2,571	13 %		2,728	15 %
Brazil		568	9 %		405	6 %		1,533	8 %		1,116	6 %
Malaysia		527	8 %		459	7 %		1,350	7 %		1,191	7 %
Hungary		265	4 %		385	6 %		912	5 %		942	5 %
Other		1,562	23 %		1,609	23 %		4,438	24 %		4,013	23 %
	\$	6,619		\$	6,720		\$	19,190		\$	17,858	
Property and equipment, net:							As of	As of				
							December 31, 2021	March 31, 2021				
	(In millions)											
Mexico	\$	593	28 %	\$	553	26 %						
U.S.		361	17 %		361	17 %						
China		302	14 %		331	16 %						
India		136	6 %		166	8 %						
Hungary		114	5 %		105	5 %						
Malaysia		110	5 %		106	5 %						
Other		496	25 %		475	23 %						
	\$	2,112		\$	2,097							

We believe that the combination of our extensive open innovation platform solutions, design and engineering services, advanced supply chain management solutions and services, significant scale and global presence, and manufacturing campuses in low-cost geographic areas provide us with a competitive advantage and strong differentiation in the market for designing, manufacturing and servicing consumer and enterprise products for leading multinational and regional customers. Specifically, we offer our customers the ability to simplify their global product development, manufacturing process, and after sales services, and enable them to meaningfully accelerate their time to market and cost savings.

Our operating results are affected by a number of factors, including the following:

- the impacts on our business due to component shortages, disruptions in transportation or other supply chain related constraints including as a result of the COVID-19 pandemic;
- the effects of the COVID-19 pandemic on our business and results of operations;

- changes in the macro-economic environment and related changes in consumer demand;
- the mix of the manufacturing services we are providing, the number, size, and complexity of new manufacturing programs, the degree to which we utilize our manufacturing capacity, seasonal demand, and other factors;
- the effects on our business when our customers are not successful in marketing their products, or when their products do not gain widespread commercial acceptance;
- our ability to achieve commercially viable production yields and to manufacture components in commercial quantities to the performance specifications demanded by our customers;
- the effects that current credit and market conditions (including as a result of the COVID-19 pandemic) could have on the liquidity and financial condition of our customers and suppliers, including any impact on their ability to meet their contractual obligations;
- the effects on our business due to certain customers' products having short product life cycles;
- our customers' ability to cancel or delay orders or change production quantities;
- our customers' decisions to choose internal manufacturing instead of outsourcing for their product requirements;
- integration of acquired businesses and facilities;
- increased labor costs due to adverse labor conditions in the markets we operate;
- changes in tax legislation; and
- changes in trade regulations and treaties.

We are also subject to other risks as outlined in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2021 and in Part II, Item 1A of this Quarterly Report on Form 10-Q.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP" or "GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Due to the COVID-19 pandemic, there has been and will continue to be uncertainty and disruption in the global economy and financial markets. We have made estimates and assumptions taking into consideration certain possible impacts due to COVID-19. These estimates may change, as new events occur, and additional information is obtained. Actual results may differ from those estimates and assumptions.

Refer to the accounting policies under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2021, where we discuss our more significant judgments and estimates used in the preparation of the condensed consolidated financial statements.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain statements of operations data expressed as a percentage of net sales (amounts may not sum due to rounding). The financial information and the discussion below should be read together with the condensed consolidated financial statements and notes thereto included in this document. In addition, reference should be made to our audited consolidated financial statements and notes thereto and related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2021.

	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	92.6	92.8	92.6	93.5
Gross profit	7.4	7.2	7.4	6.5
Selling, general and administrative expenses	3.4	3.3	3.3	3.5
Intangible amortization	0.3	0.2	0.2	0.3
Operating income	3.7	3.7	3.9	2.7
Interest and other, net	0.1	0.1	(0.5)	0.3
Income before income taxes	3.6	3.6	4.4	2.4
Provision for income taxes	0.2	0.4	0.4	0.5
Net income	3.4 %	3.2 %	4.0 %	1.9 %

Net sales

The following table sets forth our net sales by segment, and their relative percentages:

	Three-Month Periods Ended					Nine-Month Periods Ended						
	December 31, 2021		December 31, 2020			December 31, 2021		December 31, 2020				
(In millions)												
Net sales:												
Flex Agility Solutions	\$	3,581	54 %	\$	3,834	57 %	\$	10,450	54 %	\$	10,063	56 %
Flex Reliability Solutions		3,038	46 %		2,886	43 %		8,740	46 %		7,795	44 %
	\$	6,619		\$	6,720		\$	19,190		\$	17,858	

Net sales during the three-month period ended December 31, 2021 totaled \$6.6 billion, representing a decrease of approximately \$0.1 billion, or 2% from \$6.7 billion during the three-month period ended December 31, 2020. Net sales for our FAS segment decreased approximately \$0.3 billion, or 7% from the three-month period ended December 31, 2020, primarily driven by a 23% year-over-year decrease in our Consumer Devices, due to a planned project completion, and a mid-single-digit decline in our CEC businesses due to impacts from COVID-19 outlined above and specifically related to scarcity of component and raw materials and logistics constraints. This was partially offset by low-single digit growth in our Lifestyle business. Net sales for our FRS segment increased approximately \$0.2 billion, or 5% from the three-month period ended December 31, 2020, primarily driven by mid-teens year-over-year growth in our Industrial business led by customer ramps and strong demand in key areas including electric vehicles (EV) charging and renewables, semicap, and robotics. This growth was tempered by a mid-single digit decline in our Automotive business due to impacts from COVID-19 outlined above and specifically related to scarcity of component constraints, and a low-single digit decline in Health Solutions due to a higher comparable that benefited from strong COVID-19 related business. Net sales decreased \$0.1 billion, down to \$2.5 billion in Asia, and \$0.1 billion down to \$1.4 billion in Europe, offset by a \$0.1 billion increase to \$2.7 billion in the Americas.

Net sales during the nine-month period ended December 31, 2021 totaled \$19.2 billion, representing an increase of approximately \$1.3 billion, or 7% from \$17.9 billion during the nine-month period ended December 31, 2020. Net sales for our FAS segment increased \$0.4 billion, or 4% from the nine-month period ended December 31, 2020, primarily driven by an increase in our Lifestyle business and to a lesser extent an increase in our Consumer Devices business. These increases were driven by a lesser impact from COVID-19 production pressure during the current year versus the prior year, coupled with new ramps, customer expansions and continued recoveries in consumer spending, offset to some extent by the scarcity of components and raw material and logistics constraints noted above. The increases noted in FAS during the nine-month period ended December 31, 2021 were partially offset by a decrease in our CEC business primarily due to component shortages. Net sales for our FRS segment increased approximately \$0.9 billion, or 12% from the nine-month period ended December 31, 2020, primarily due to an increase in our Industrial business, as a result of customer ramps and strong demand in EV charging and renewables, semicap, and robotics. In addition, net sales for our Automotive business increased due to depressed automotive sales from factory shutdowns in the first quarter of fiscal year 2021. The increase in our Automotive business was partially constrained by component shortages and OEM plant shutdowns during the nine-month period ended December 31, 2021. Net sales increased across all regions with a \$0.7 billion increase to \$7.9 billion in the Americas, a \$0.3 billion increase to \$7.3 billion in Asia, and a \$0.3 billion increase to \$4.1 billion in Europe.

Our ten largest customers during the three and nine-month periods ended December 31, 2021 accounted for approximately 35% of net sales. Our ten largest customers, during the three and nine-month periods ended December 31, 2020, accounted for approximately 36% and 37% of net sales, respectively. No customer accounted for more than 10% of net sales during the three and nine-month periods ended December 31, 2021 or December 31, 2020.

Cost of sales

Cost of sales is affected by a number of factors, including the number and size of new manufacturing programs, product mix, labor cost fluctuations by region, component costs and availability and capacity utilization.

Cost of sales during the three-month period ended December 31, 2021 totaled \$6.1 billion, representing a decrease of approximately \$0.1 billion, or 1% from \$6.2 billion during the three-month period ended December 31, 2020. The lower cost of sales for the three-month period ended December 31, 2021 was primarily driven by decreased consolidated sales of \$0.1 billion. Cost of sales in FAS for the three-month period ended December 31, 2021 decreased approximately 7%, or \$0.3 billion from the three-month period ended December 31, 2020, which is aligned with the overall 7% decrease in FAS revenue during the same period primarily as a result of lower revenue in our Consumer Devices and CEC businesses. Cost of sales in FRS for the three-month period ended December 31, 2021 increased 7%, or \$0.2 billion from the three-month period ended December 31, 2020, which is slightly higher than the overall 5% increase in FRS revenue during the same period primarily due to continued increases in freight and logistics costs impacting our Industrial business.

Cost of sales during the nine-month period ended December 31, 2021 totaled \$17.8 billion, representing an increase of approximately \$1.1 billion, or 6% from \$16.7 billion during the nine-month period ended December 31, 2020. The increase in cost of sales for the nine-month period ended December 31, 2021 was primarily driven by the increased consolidated sales of \$1.3 billion during the same period.

Gross profit

Gross profit is affected by a fluctuation in cost of sales elements as outlined above and further by a number of factors, including product life cycles, unit volumes, pricing, competition, new product introductions, and the expansion or consolidation of manufacturing facilities, as well as specific restructuring activities initiated from time to time. The flexible design of our manufacturing processes allows us to manufacture a broad range of products in our facilities and better utilize our manufacturing capacity across our diverse geographic footprint and service customers from both segments. In the cases of new programs, profitability normally lags revenue growth due to product start-up costs, lower manufacturing program volumes in the start-up phase, operational inefficiencies, and under-absorbed overhead. Gross margin for these programs often improves over time as manufacturing volumes increase, as our utilization rates and overhead absorption improve, and as we increase the level of manufacturing services content. As a result of these various factors, our gross margin varies from period to period.

Gross profit during the three-month period ended December 31, 2021 remained relatively flat at \$0.5 billion, or 7.4% of net sales, and \$0.5 billion, or 7.2% of net sales, during the three-month period ended December 31, 2020. Gross margin improved 20 basis points during the same period despite certain COVID-19 disruptions, industry-wide component shortages and cost pressures on logistics in the three-month period ended December 31, 2021. The increase in gross margin during the current period resulted primarily from the overall stronger cost discipline focused on driving further productivity improvements, coupled with continued improvement in the mix of our business, benefits from prior restructuring activities and a lower direct and incremental impact from COVID-19 compared to the prior year period.

Gross profit during the nine-month period ended December 31, 2021 increased \$0.2 billion to \$1.4 billion, or 7.4% of net sales, from \$1.2 billion, or 6.5% of net sales, during the nine-month period ended December 31, 2020. Gross margin improved 90 basis points during the same period due to the same factors noted above in the three-month periods discussion coupled with stronger demand in our Automotive business.

Segment income

An operating segment's performance is evaluated based on its pre-tax operating contribution, or segment income. Segment income is defined as net sales less cost of sales, and segment selling, general and administrative expenses, and does not include intangible amortization, stock-based compensation, restructuring charges, and legal and other. A portion of depreciation is

allocated to the respective segments, together with other general corporate research and development and administrative expenses.

The following table sets forth segment income and margins:

	Three-Month Periods Ended				Nine-Month Periods Ended							
	December 31, 2021		December 31, 2020		December 31, 2021		December 31, 2020					
(In millions)												
Segment income:												
Flex Agility Solutions	\$	163	4.6 %	\$	153	4.0 %	\$	453	4.3 %	\$	313	3.1 %
Flex Reliability Solutions		154	5.1 %		178	6.2 %		475	5.4 %		472	6.1 %

FAS segment margin increased 60 basis points, to 4.6% for the three-month period ended December 31, 2021, from 4.0% for the three-month period ended December 31, 2020 and 120 basis points, to 4.3% for the nine-month period ended December 31, 2021, from 3.1% for the nine-month period ended December 31, 2020. The margin increase was driven by disciplined cost management and improved efficiencies as noted above, partially offset by the elevated costs due to component shortages and logistics constraints across all of our end markets.

FRS segment margin decreased 110 basis points, to 5.1% for the three-month period ended December 31, 2021, from 6.2% for the three-month period ended December 31, 2020. The margin decrease in FRS was primarily driven by production disruptions in our Automotive business, as well as continued freight and logistics cost headwinds impacting our Industrial business during the three-month period ended December 31, 2021. FRS segment margin decreased 70 basis points, to 5.4% for the nine-month period ended December 31, 2021, from 6.1% for the nine-month period ended December 31, 2020. The decrease in FRS segment margin during the nine-month period is primarily due to the continued freight and logistics constraints impacting our Industrial business.

Selling, general and administrative expenses

Selling, general and administrative expenses ("SG&A") was \$0.2 billion, or 3.4% of net sales, during the three-month period ended December 31, 2021, increasing \$2 million from \$0.2 billion, or 3.3% of net sales, during the three-month period ended December 31, 2020. SG&A was \$0.6 billion, or 3.3% of net sales, during the nine-month period ended December 31, 2021, increasing \$20 million from \$0.6 billion, or 3.5% of net sales, during the nine-month period ended December 31, 2020, which reflects our enhanced cost control efforts to support higher revenue growth while keeping our SG&A expenses relatively flat.

Intangible amortization

Amortization of intangible assets marginally declined to \$15 million during the three-month period ended December 31, 2021, from \$16 million for the three-month period ended December 31, 2020, and declined to \$45 million during the nine-month period ended December 31, 2021, from \$47 million for the nine-month period ended December 31, 2020, primarily due to certain intangibles now being fully amortized offset by one month of amortization expense related to new intangible assets from the Anord Mardix acquisition in December 2021.

Interest and other, net

Interest and other, net remained relatively flat and was an expense of \$8 million and \$7 million during the three-month period ended December 31, 2021 and the three-month period ended December 31, 2020, respectively.

Interest and other, net was income of \$103 million during the nine-month period ended December 31, 2021 compared to an expense of \$58 million during the nine-month period ended December 31, 2020, primarily driven by a \$150 million gain related to a certain tax credit recorded upon approval of a "Credit Habilitation" request by the relevant Brazil tax authorities. This is a non-cash gain which will be used to offset certain current and future tax obligations. Refer to note 13 to the condensed consolidated financial statements for further detail.

Income taxes

Certain of our subsidiaries, at various times, have been granted tax relief in their respective countries, resulting in lower income taxes than would otherwise be the case under ordinary tax rates. Refer to note 14, "Income Taxes" of the notes to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2021 for further discussion.

The consolidated effective tax rate was 7% and 9% for the three and nine-month periods ended December 31, 2021, and 11% and 18% for the three and nine-month periods ended December 31, 2020, respectively. The effective rate varies from the Singapore statutory rate of 17% as a result of recognition of earnings in different jurisdictions (we generate most of our

revenues and profits from operations outside of Singapore), operating loss carryforwards, income tax credits, release of previously established valuation allowances for deferred tax assets, liabilities for uncertain tax positions, as well as the effect of certain tax holidays and incentives granted to our subsidiaries primarily in China, Malaysia, Costa Rica, the Netherlands and Israel. The effective tax rate for the three and nine-month periods ended December 31, 2021 is lower than the effective tax rate for the three-month and nine-month periods ended December 31, 2020, primarily due to a \$16.8 million release of a previously established valuation allowance on deferred tax assets because of the recognition of \$16.8 million in net deferred tax liability recorded in connection with the Anord Mardix acquisition.

LIQUIDITY AND CAPITAL RESOURCES

In response to the recent challenging environment following the COVID-19 pandemic, we continuously evaluate our ability to meet our obligations over the next 12 months and have proactively reset our capital structure during these times to improve maturities and liquidity. As a result, we expect that our current financial condition, including our liquidity sources are adequate to fund current and future commitments. As of December 31, 2021, we had cash and cash equivalents of approximately \$2.6 billion and bank and other borrowings of approximately \$4.4 billion. We have a \$2.0 billion revolving credit facility that is due to mature in January 2026 (the "2026 Credit Facility"), under which we had no borrowings outstanding as of December 31, 2021. During the three-month period ended December 31, 2021, we also issued HUF 100 billion of 3.6% bonds due December 2031 (approximately \$306 million, as of December 31, 2021) and borrowed €350 million under a one-year term loan (approximately \$397 million as of December 31, 2021) at an interest rate of (0.18)% per annum. The proceeds of the new debt will be used to refinance certain other outstanding debt and for other general corporate purposes. Refer to note 6 to the condensed consolidated financial statement for details. As of December 31, 2021, we were in compliance with the covenants under all of our credit facilities and indentures.

Cash provided by operating activities was \$0.7 billion during the nine-month period ended December 31, 2021, primarily driven by \$0.8 billion of net income for the period plus \$0.4 billion of non-cash charges such as depreciation, amortization, restructuring and impairment charges, and stock-based compensation offset by changes in net working capital as discussed below.

We believe net working capital ("NWC") and net working capital as a percentage of annualized net sales are key metrics that measure our liquidity. Net working capital is calculated as current quarter accounts receivable, net of allowance for doubtful accounts, plus inventories and contract assets, less accounts payable. Net working capital increased \$1.0 billion to \$3.9 billion as of December 31, 2021, from \$2.9 billion as of March 31, 2021. This increase is primarily driven by a \$2.0 billion increase in inventories due to component shortages, clear-to build constraints and logistics challenges driving up buffer stock and inventory pricing, partially offset by a \$0.6 billion decrease in net receivables and a \$0.7 billion increase in accounts payable. Our current quarter net working capital as a percentage of annualized net sales for the quarter ended December 31, 2021, increased to 14.5% from 11.5% of annualized net sales for the quarter ended March 31, 2021 due to component shortages and logistics constraints. We continue to see component shortages in the supply chain and logistical constraints, and although we are actively managing these impacts, we expect continued working capital pressure in the near future. We expect it will take additional time to adequately drive down our inventory levels to align with the current demand environment. We are proactively working with our partners to rebalance safety and buffer stock requirements and we have an established enterprise-wide cross-functional initiative resetting our load planning. In addition, we are pursuing alternative resources using inclusive hybrid solutions to minimize transit times and implementing operational efficiencies. Component shortages and significantly increased logistic costs are also expected to persist at least in the near future as we are continuing to see increasing supply constraints and costs. We are working diligently with our partners to secure needed parts and fulfill demand. In addition, to the extent possible, we have collaborated with our customers for working capital advances to offset the required investment in inventory. Advances from customers as of December 31, 2021 increased \$0.5 billion from \$0.5 billion as of March 31, 2021.

Cash used in investing activities was \$0.8 billion during the nine-month period ended December 31, 2021. This was primarily driven by \$0.5 billion of cash paid for the acquisition of Anord Mardix in December 2021, net of cash acquired, and \$0.3 billion of net capital expenditures for property and equipment to continue expanding capabilities and capacity in support of our expanding Health Solutions, Automotive, and Industrial businesses.

We believe adjusted free cash flow is an important liquidity metric because it measures, during a given period, the amount of cash generated that is available to repay debt obligations, make investments, fund acquisitions, repurchase company shares and for certain other activities. Our adjusted free cash flow is defined as cash from operations, less net purchases of property and equipment to present adjusted cash flows on a consistent basis for investor transparency. During fiscal year 2021, we proactively and strategically reduced the outstanding balance of our ABS programs. As this decrease in cash flow reflected the change of our capital strategy, we added this back for our adjusted free cash flow calculation and also excluded the impact to cash flows related to certain vendor programs that is required for US GAAP presentation for fiscal year 2021. Refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" (Adjusted Free Cash Flow

subsection) of our Annual Report on our Form 10-K for the fiscal year ended March 31, 2021 for further discussion. Our adjusted free cash flows for the nine-month period ended December 31, 2021 and December 31, 2020 was an inflow of \$0.3 billion and \$0.5 billion, respectively. Adjusted free cash flow is not a measure of liquidity under U.S. GAAP, and may not be defined and calculated by other companies in the same manner. Adjusted free cash flow should not be considered in isolation or as an alternative to net cash provided by operating activities. Adjusted free cash flows reconcile to the most directly comparable GAAP financial measure of cash flows from operations as follows:

	Nine-Month Periods Ended	
	December 31, 2021	December 31, 2020
	(In millions)	
Net cash provided by (used in) operating activities	\$ 664	\$ (17)
Reduction in ABS levels and other	—	795
Purchases of property and equipment	(333)	(261)
Proceeds from the disposition of property and equipment	9	25
Adjusted free cash flow	\$ 340	\$ 542

Cash provided by financing activities was \$0.1 billion during the nine-month period ended December 31, 2021, which was primarily driven by additional debt and bank borrowings of \$0.7 billion (as discussed above and in note 6 to the condensed consolidated financial statements), offset by \$0.6 billion of cash paid for the repurchase of our ordinary shares.

Our cash balances are generated and held in numerous locations throughout the world. Liquidity is affected by many factors, some of which are based on normal ongoing operations of the business and some of which arise from fluctuations related to global economics and markets. Local government regulations may restrict our ability to move cash balances to meet cash needs under certain circumstances; however, any current restrictions are not material. We do not currently expect such regulations and restrictions to impact our ability to pay vendors and conduct operations throughout the global organization. We believe that our existing cash balances, together with anticipated cash flows from operations and borrowings available under our credit facilities, will be sufficient to fund our operations through at least the next twelve months. As of December 31, 2021, and March 31, 2021, less than half of our cash and cash equivalents were held by foreign subsidiaries outside of Singapore. Although substantially all of the amounts held outside of Singapore could be repatriated under current laws, a significant amount could be subject to income tax withholdings. We provide for tax liabilities on these amounts for financial statement purposes, except for certain of our foreign earnings that are considered indefinitely reinvested outside of Singapore (approximately \$1.5 billion as of March 31, 2021). Repatriation could result in an additional income tax payment; however, for the majority of our foreign entities, our intent is to permanently reinvest these funds outside of Singapore and our current plans do not demonstrate a need to repatriate them to fund our operations in jurisdictions outside of where they are held. Where local restrictions prevent an efficient intercompany transfer of funds, our intent is that cash balances would remain outside of Singapore and we would meet our liquidity needs through ongoing cash flows, external borrowings, or both.

Future liquidity needs will depend on fluctuations in levels of inventory, accounts receivable and accounts payable, the timing of capital expenditures for new equipment, the extent to which we utilize operating leases for new facilities and equipment, and the levels of shipments and changes in the volumes of customer orders.

We maintain global paying services agreements with several financial institutions. Under these agreements, the financial institutions act as our paying agents with respect to accounts payable due to our suppliers who elect to participate in the program. The agreements allow our suppliers to sell their receivables to one of the participating financial institutions at the discretion of both parties on terms that are negotiated between the supplier and the respective financial institution. Our obligations to our suppliers, including the amounts due and scheduled payment dates, are not impacted by our suppliers' decisions to sell their receivables under this program. The cumulative payments due to suppliers participating in the programs amounted to approximately \$0.4 billion and \$0.9 billion for the three and nine-month periods ended December 31, 2021, respectively, and \$0.3 billion and \$0.7 billion for the three and nine-month periods ended December 31, 2020, respectively. Pursuant to their agreement with one of the financial institutions, certain suppliers may elect to be paid early at their discretion. We are not always notified when our suppliers sell receivables under these programs. The available capacity under these programs can vary based on the number of investors and/or financial institutions participating in these programs at any point in time.

In addition, we maintain various uncommitted short-term financing facilities including but not limited to a commercial paper program, and a revolving sale and repurchase of subordinated notes established under the securitization facility, under which there were no borrowings outstanding as of December 31, 2021.

Historically, we have funded operations from cash and cash equivalents generated from operations, proceeds from public offerings of equity and debt securities, bank debt and lease financings. We also have the ability to sell a designated pool of trade

receivables under asset-backed securitization ("ABS") programs and sell certain trade receivables, which are in addition to the trade receivables sold in connection with these securitization agreements. We may enter into debt and equity financings, sales of accounts receivable and lease transactions to fund acquisitions and anticipated growth as needed.

The sale or issuance of equity or convertible debt securities could result in dilution to current shareholders. Further, we may issue debt securities that have rights and privileges senior to those of holders of ordinary shares, and the terms of this debt could impose restrictions on operations and could increase debt service obligations. This increased indebtedness could limit our flexibility as a result of debt service requirements and restrictive covenants, potentially affect our credit ratings, and may limit our ability to access additional capital or execute our business strategy. Any downgrades in credit ratings could adversely affect our ability to borrow as a result of more restrictive borrowing terms. We continue to assess our capital structure and evaluate the merits of redeploying available cash to reduce existing debt or repurchase ordinary shares.

Under our current share repurchase program, our Board of Directors authorized repurchases of our outstanding ordinary shares for up to \$1 billion in accordance with the share purchase mandate approved by our shareholders at the date of the most recent Annual General Meeting which was held on August 4, 2021. During the nine-month period ended December 31, 2021, we paid \$0.6 billion to repurchase shares under the current and prior repurchase plans at an average price of \$18.14 per share. As of December 31, 2021, shares in the aggregate amount of \$0.6 billion were available to be repurchased under the current plan.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Information regarding our long-term debt payments, operating lease payments, capital lease payments and other commitments is provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on our Form 10-K for the fiscal year ended March 31, 2021.

During fiscal year 2022, we issued 3.6% HUF 100 billion bonds (approximately \$306.3 million as of December 31, 2021) due December 2031, which was then swapped to U.S. dollars and we borrowed €350 million term loan (approximately \$397 million as of December 31, 2021) due December 2022 with a (0.18)% interest rate.

Other than the changes discussed above, there were no material changes in our contractual obligations and commitments as of December 31, 2021.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2021, and March 31, 2021, the outstanding balance on receivables sold for cash was \$0.4 billion and \$0.2 billion, respectively, under our accounts receivable factoring program, which were removed from accounts receivable balances in our condensed consolidated balance sheets. There were no outstanding balance of receivables sold under our ABS programs as of each of the periods presented. For further information, see note 10 to the condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in our exposure to market risks for changes in interest and foreign currency exchange rates for the nine-month period ended December 31, 2021 as compared to the fiscal year ended March 31, 2021.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2021. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2021, the Company's disclosure controls and procedures were effective in ensuring that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We have not experienced any material impact to our internal control over financial reporting despite the fact that most of our employees are working remotely for their health and safety during the COVID-19 pandemic. We are continually monitoring and assessing the potential impact of COVID-19 on our internal controls to minimize the impact on their design and operating effectiveness.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of our material legal proceedings, see note 13 “Commitments and Contingencies” in the notes to the condensed consolidated financial statements, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the risks and uncertainties discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended March 31, 2021, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be not material also may materially and adversely affect our business, financial condition and/or operating results. We are including the following revised risk factors, which update and supersede the corresponding risk factors disclosed in our Annual Report on Form 10-K for the year ended March 31, 2021, and which should be read in conjunction with our description of risk factors in Part I, Item 1A, “Risk Factors” of our Annual Report on Form 10-K for the year ended March 31, 2021:

The ongoing COVID-19 pandemic has materially and adversely affected our business and results of operations. The duration and extent to which it will continue to adversely impact our business and results of operations remains uncertain and could be material.

The ongoing COVID-19 pandemic has resulted in a widespread public health crisis and numerous disease control measures being taken to limit its spread, including travel bans and restrictions, quarantines, shelter-in-place orders, and shutdowns. These measures have materially impacted and are continuing to impact our workforce and operations, the operations of our customers, and those of our respective vendors and suppliers. We have significant operations worldwide, including in China, Mexico, the United States, Brazil, India, Malaysia and Europe, and each of these geographies has been affected by the outbreak and has taken measures to try to contain it. This has resulted in disruptions at many of our manufacturing operations and facilities, and further disruptions could occur in the future. Any such disruptions could materially adversely affect our business. There have been renewed disease control measures being taken to limit the spread including movement bans and shelter-in-place orders. We continue to closely monitor the situation in all the locations where we operate. The impact of the pandemic on our business has included and could in the future include:

- disruptions to or restrictions on our ability to ensure the continuous provision of our manufacturing services and solutions;
- temporary closures or reductions in operational capacity of our manufacturing facilities;
- temporary closures of our direct and indirect suppliers, resulting in adverse effects to our supply chain, and other supply chain disruptions, which adversely affect our ability to procure sufficient inventory to support customer orders;
- temporary shortages of skilled employees available to staff manufacturing facilities due to shelter-in-place orders and travel restrictions within as well as into and out of countries;
- restrictions or disruptions of transportation, such as reduced availability of air transport, port closures, and increased border controls or closures;
- increases in operational expenses and other costs related to requirements implemented to mitigate the impact of the pandemic;
- delays or limitations on the ability of our customers to perform or make timely payments;
- reductions in short- and long-term demand for our manufacturing services and solutions, or other disruptions in technology buying patterns;
- workforce disruptions due to illness, quarantines, governmental actions, other restrictions, and/or the social distancing measures we have taken to mitigate the impact of COVID-19 at our locations around the world in an effort to protect

the health and well-being of our employees, customers, suppliers and of the communities in which we operate (including working from home, restricting the number of employees attending events or meetings in person, limiting the number of people in our buildings and factories at any one time, further restricting access to our facilities and suspending employee travel); and

- our management team continuing to commit significant time, attention and resources to monitoring the COVID-19 pandemic and seeking to mitigate its effects on our business and workforce.

The global spread of COVID-19 also has created significant macroeconomic uncertainty, volatility and disruption, which may continue to adversely affect our and our customers' and suppliers' liquidity, cost of capital and ability to access the capital markets. As a result, the continued spread of COVID-19 could cause further disruptions in our supply chain and customer demand, and could adversely affect the ability of our customers to perform, including in making timely payments to us, which could further adversely impact our business, financial condition and results of operations. The COVID-19 pandemic has, in the short-term, adversely impacted, and may, in the long-term, adversely impact the global economy, potentially leading to an economic downturn. Even after the COVID-19 pandemic has subsided, we may continue to experience adverse impacts to our business as a result of the pandemic's global economic impact, including any recession, economic downturn, government spending cuts, tightening of credit markets or increased unemployment that has occurred or may occur in the future, which could cause our customers and potential customers to postpone or reduce spending on our manufacturing services and solutions.

The extent to which the COVID-19 pandemic will continue to impact our business and financial results going forward will be dependent on future developments such as the length and severity of the crisis, the potential resurgence of COVID-19 in the future including variants of the virus, the availability and distribution of effective treatments and vaccines, and public health measures and actions taken throughout the world to contain COVID-19, and the overall impact of the COVID-19 pandemic on the global economy and capital markets, among many other factors, all of which remain highly uncertain and unpredictable. We cannot at this time quantify or forecast the business impact of COVID-19, and there can be no assurance that the COVID-19 pandemic will not have a material and adverse effect on our business, financial results and financial condition. In addition, the COVID-19 pandemic increases the likelihood and potential severity of other risks described in this "Risk Factors" section and in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2021.

We have been and continue to be adversely affected by supply chain issues, including shortages of required electronic components.

From time to time, we have experienced shortages of some of the electronic components that we use. These shortages can result from strong demand for those components or from problems experienced by suppliers, such as shortages of raw materials. We have also experienced, and continue to experience, such shortages due to the effects of the COVID-19 pandemic. Most recently, we have experienced shortages of semiconductor components which has impacted our end markets. These unanticipated component shortages have resulted and will continue to result in curtailed production or delays in production, which prevent us from making scheduled shipments to customers. Our inability to make scheduled shipments has caused and will continue to cause us to experience a reduction in sales, increase in inventory levels and costs, and could adversely affect relationships with existing and prospective customers. Component shortages may also increase our cost of goods sold because we may be required to pay higher prices for components in short supply and redesign or reconfigure products to accommodate substitute components. As a result, component shortages have adversely affected and, will continue to adversely affect, our operating results. Our customers also may experience component shortages which may adversely affect customer demand for our products and services. Our end markets have been and continue to be impacted by logistical constraints, with COVID-19 related restrictions contributing to a declining workforce, including at ports and warehouses, as well as driver shortages around the world.

Our supply chain has been and will continue to be impacted by the COVID-19 pandemic, and may be impacted by other events outside our control, including macro-economic events, trade restrictions, political crises, other public health emergencies, or natural or environmental occurrences.

We are subject to risks relating to litigation and regulatory investigations and proceedings, which may have a material adverse effect on our business.

From time to time, we are involved in various claims, suits, investigations and legal proceedings. Additional legal claims or regulatory matters may arise in the future and could involve matters relating to commercial disputes, government regulatory and compliance, intellectual property, antitrust, tax, employment or shareholder issues, product liability claims and other issues on a global basis. If we receive an adverse judgment in any such matter, we could be required to pay substantial damages and cease certain practices or activities. Regardless of the merits of the claims, litigation and other proceedings may be both time-consuming and disruptive to our business. The defense and ultimate outcome of any lawsuits or other legal proceedings may

result in higher operating expenses and a decrease in operating margin, which could have a material adverse effect on our business, financial condition, or results of operations.

On May 8, 2018, a putative class action was filed in the Northern District of California against the Company and certain officers alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5, promulgated thereunder, alleging misstatements and/or omissions in certain of the Company's financial results, press releases and SEC filings made during the putative class period of January 26, 2017 through April 26, 2018. On October 1, 2018, the Court appointed lead plaintiff and lead plaintiff's counsel in the case. On November 28, 2018, lead plaintiff filed an amended complaint alleging misstatements and/or omissions in certain of the Company's SEC filings, press releases, earnings calls, and analyst and investor conferences and expanding the putative class period through October 25, 2018. On April 3, 2019, the Court vacated its prior order appointing lead plaintiff and lead plaintiff's counsel and reopened the lead plaintiff appointment process. On September 26, 2019, the Court appointed a new lead plaintiff, National Elevator Industry Pension Fund, and lead plaintiff's counsel in the case. On November 8, 2019, lead plaintiff filed a further amended complaint. On December 4, 2019, defendants filed a motion to dismiss the amended complaint. On May 29, 2020, the Court granted defendants' motion to dismiss without prejudice and gave lead plaintiff 30 days to amend. On June 29, 2020, lead plaintiff filed a further amended complaint. On July 27, 2020, defendants filed a motion to dismiss the amended complaint. On December 10, 2020, the Court granted defendants' motion to dismiss with prejudice and entered judgment in favor of defendants. On January 7, 2021, lead plaintiff filed a notice of appeal to the Ninth Circuit Court of Appeals. On May 19, 2021, lead plaintiff filed its opening appeal brief, on July 19, 2021, defendants filed their answering brief, and on September 8, 2021, lead plaintiff filed its reply brief. The Court of Appeals heard oral argument on December 8, 2021. On December 21, 2021, the Court of Appeals affirmed the dismissal with prejudice of the case. The Court of Appeals' decision took effect on January 12, 2022. Any existing or future lawsuits could be time-consuming, result in significant expense and divert the attention and resources of our management and other key employees, as well as harm our reputation, business, financial condition or results of operations.

On February 14, 2019, we submitted an initial notification of voluntary disclosure to the U.S. Department of the Treasury, Office of Foreign Assets Control ("OFAC") regarding possible noncompliance with U.S. economic sanctions requirements among certain non-U.S. Flex-affiliated operations. On September 28, 2020, we made a submission to OFAC that completed the Company's voluntary disclosure based on the results of an internal investigation regarding the matter. On June 11, 2021, we notified OFAC that we had identified possible additional relevant transactions at one non-U.S. Flex-affiliated operation. We submitted an update to OFAC on November 16, 2021 reporting on the results of our review of those transactions. We intend to continue to cooperate fully with OFAC in this matter going forward. Nonetheless, it is reasonably possible that we could be subject to penalties that could have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table provides information regarding purchases of our ordinary shares made by us for the period from October 2, 2021 through December 31, 2021:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 2, 2021 - November 5, 2021	2,197,334	\$ 18.20	2,197,334	\$ 650,906,817
November 6, 2021 - December 3, 2021	2,757,659	\$ 18.13	2,757,659	\$ 600,906,785
December 4, 2021 - December 31, 2021	—	\$ —	—	\$ 600,906,785
Total	<u>4,954,993</u>		<u>4,954,993</u>	

- (1) During the period from October 2, 2021 through December 31, 2021, all purchases were made pursuant to the programs discussed below in open market transactions. All purchases were made in accordance with Rule 10b-18 under the Securities Exchange Act of 1934.
- (2) On August 4, 2021, our Board of Directors authorized repurchases of our outstanding ordinary shares for up to \$1.0 billion. This is in accordance with the share purchase mandate whereby our shareholders approved a repurchase limit of 20% of our issued ordinary shares outstanding at the Annual General Meeting held on the same date as the Board authorization. As of December 31, 2021, shares in the aggregate amount of \$601 million were available to be repurchased under the current plan.

ITEM 3. *DEFAULTS UPON SENIOR SECURITIES*

None

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable

ITEM 5. *OTHER INFORMATION*

None

ITEM 6. EXHIBITS
EXHIBIT INDEX

Exhibit No.	Exhibit	Form	Incorporated by Reference		Exhibit No.	Filed Herewith
			File No.	Filing Date		
15.01	Letter in lieu of consent of Deloitte & Touche LLP					X
31.01	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.02	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.01	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)					

* This exhibit is furnished with this Quarterly Report on Form 10-Q, is not deemed filed with the Securities and Exchange Commission, and is not incorporated by reference into any filing of Flex Ltd. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements 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.

FLEX LTD.
(Registrant)

/s/ REVATHI ADVAITHI

Revathi Advaiti
Chief Executive Officer
(Principal Executive Officer)

Date: February 4, 2022

/s/ PAUL R. LUNDSTROM

Paul R. Lundstrom
Chief Financial Officer
(Principal Financial Officer)

Date: February 4, 2022

LETTER IN LIEU OF CONSENT OF DELOITTE & TOUCHE LLP

February 4, 2022

To the Board of Directors and Shareholders of Flex Ltd.
2 Changi South Lane
Singapore 486123

We are aware that our report dated February 4, 2022, on our review of the interim financial information of Flex Ltd. and its subsidiaries appearing in this Quarterly Report on Form 10-Q for the quarter ended December 31, 2021, is incorporated by reference in Registration Statement Nos. 333-248470, 333-220002, and 333-207325 on Form S-8 and Registration Statement No. 333-256716 on Form S-3ASR.

/s/ DELOITTE & TOUCHE LLP

San Jose, California

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Revathi Advaiti, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Flex Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 4, 2022

/s/ Revathi Advaiti

Revathi Advaiti
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Paul R. Lundstrom, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Flex Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 4, 2022

/s/ Paul R. Lundstrom

Paul R. Lundstrom

Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

We, Revathi Advaiti and Paul R. Lundstrom, Chief Executive Officer and Chief Financial Officer, respectively, of Flex Ltd. (the “Company”), hereby certify, to the best of our knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- the Quarterly Report on Form 10-Q of the Company for the period ended December 31, 2021, as filed with the Securities and Exchange Commission (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to Flex Ltd. and will be retained by it and furnished to the Securities and Exchange Commission or its staff upon request.

Date: February 4, 2022

/s/ Revathi Advaiti

Revathi Advaiti
Chief Executive Officer
(Principal Executive Officer)

Date: February 4, 2022

/s/ Paul R. Lundstrom

Paul R. Lundstrom
Chief Financial Officer
(Principal Financial Officer)