

First Cut Stock Study Report

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Company Name:	Fabrinet	Ticker:	FN
Date of Study:	17 July 2025	Price:	\$ 308.36
Your Name:	Randy Carpenter		
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City:	Shakopee	State:	MN
Chapter Name (if applicable):	Northern Lights		

Discuss why you consider this to be a high quality, growth company that should be investigated further. Please include comments on historical sales and EPS growth, pre-tax profit margin, return on equity, and debt.

Fabrinet (FN) stands out as a high-quality growth company aligned with BetterInvesting principles. Over the past five years, it has demonstrated consistent and robust growth, with annual sales increasing by approximately 12% and EPS showing strong upward trends—closely tracking sales, indicating healthy operational efficiency. The company maintains a stable and improving pre-tax profit margin above 10%, reflecting solid cost control and profitability. Its return on equity (ROE) typically exceeds 15%, placing it in the “good” category for quality companies, and its debt-to-capital ratio remains well below 33%, suggesting conservative financial management. With a leading role in the fast-growing optical and AI datacom markets, Fabrinet combines financial strength with industry momentum, making it a compelling candidate for further investigation.

Briefly describe how the company makes money:

Fabrinet is a global provider of advanced manufacturing services specializing in optical, electro-mechanical, and electronic products. Operating across North America, Asia-Pacific, and Europe, it supports original equipment manufacturers (OEMs) with capabilities including process design, supply chain management, circuit board assembly, and final testing. Its product

range includes optical components like multiplexers, amplifiers, and transceivers for fiber optic networks, as well as lasers, sensors, and optical interconnects used in industries such as telecommunications, data centers, automotive, medical devices, and semiconductor processing.

Projected growth rate for sales: 13.0%

Why did you select this rate? Simply Wall Street has a 3 year revenue growth rate of 13.9%. I rounded down to 13.0%

Discuss from where future growth will come.

Driven by a combination of AI-driven datacom growth, high-value strategic partnerships, adjacent market expansion, and global capacity scaling, Fabrinet is positioned for sustained double-digit (~13–15%) annual revenue growth. Margins remain healthy, and the company's operational scale and market position give it a strong competitive moat.

Projected growth rate for earnings per share: 13.0%

Why did you select this rate? Simply Wall Street has a 3 year EPS growth rate of 15.02%. I chose to use 13.0% to better align with the sales growth rate.

Projected High P/E: 24.0

Why did you select this value? The 5 year average high P/E is 24.9. I rounded down to 24.0

Projected Low P/E: 13.0

Why did you select this value? The 5 year average low P/E is 13.8. I rounded down to 13.0

Projected Low Price: \$116.7

Why did you select this value? It is based on a low P/E of 13.0 * low EPS forecast of \$8.98

At the current price, the stock is a (check one):

Hold

At the current price, the upside-downside ratio is: 0.6 to 1

Compound Annual Return – Using Forecast High P/E: 6.0%

Your final recommendation (check one):

Hold

Explain:

The current Price to Earnings ratio is 33.1 which is significantly higher than the 5 year high P/E ratio of 24.9 and the 10 year high P/E ratio of 22.5. I believe the stock will benefit from the AI infrastructure build out; but, in my opinion that is already priced into the stock.

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