SOLECTRON CORP
Form 424B5
February 04, 2002

Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-64454

Prospectus Supplement to Prospectus dated August 29, 2001.

$500,000,000

9.625% Senior Notes due 2009

Solectron will pay interest on the notes on February 15 and August 15 of each year. The first such payment will be made on August 15, 2002. The notes will be issued only in denominations of $1,000 and integral multiples of $1,000.

At any time prior to February 15, 2005, Solectron will have the option to redeem up to 35% of the notes at the redemption price set forth in this prospectus supplement using the proceeds of certain equity offerings. Prior to February 15, 2006, Solectron will have the option to redeem the notes, in whole or in part, from time to time, at a price equal to the greater of 104.813% of the principal amount of the notes or a make-whole premium as described in this prospectus supplement. On or after February 15, 2006, Solectron will have the option to redeem all or a portion of the notes at the redemption prices set forth in this prospectus supplement.

The notes will be our general, unsecured, senior obligations and will rank equal in right of payment to all of our existing and future unsecured, unsubordinated indebtedness.

See Risk Factors beginning on page S-13 to read about certain factors you should consider before buying notes.

Neither the Securities and Exchange Commission nor any other regulatory authority has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Initial public offering price	99.369%	$496,845,000
Underwriting discount	2.0%	$ 10,000,000
Proceeds, before expenses, to Solectron	97.369%	$486,845,000

The initial public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from February 6, 2002, and must be paid by the underwriters if the notes are delivered after that date.

The underwriters expect to deliver the notes in book-entry form through the facilities of The Depository Trust Company against payment in New York, New York, on or about February 6, 2002.

Goldman, Sachs & Co.

Sole Book-Running Manager

Banc of America Securities LLC **Joint Lead Manager**	**JPMorgan** **Joint Lead Manager**
Scotia Capital	**BNP PARIBAS**

Prospectus Supplement dated February 1, 2002.

TABLE OF CONTENTS

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the registration statement of which they are a part contain or incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, but not limited to:

- our intention and ability to repurchase, repay or otherwise retire outstanding indebtedness, including, without limitation, certain outstanding indebtedness of C-MAC, and the anticipated financial impact resulting from those activities;

- the timing of, and our ability to, enter into the proposed new secured credit facilities;

- the anticipated financial impact of recent and future acquisitions, including our recently completed C-MAC combination and our contemplated purchase of certain assets from Lucent Technologies;

- our ability to reduce our operating expenses through our restructuring initiatives;

- our projected revenues from our manufacturing orders;

- projections relating to our market share in the electronics manufacturing services industry; and

- certain statements contained in Management s Discussion and Analysis of Financial Condition and Results of Operations.

We intend that these forward-looking statements be subject to the safe harbors created by those provisions. These forward-looking statements are based on current expectations, forecasts and assumptions involving risks and uncertainties that could cause actual outcomes to differ materially. These statements are generally accompanied by words such as intend, anticipate, believe, estimate, expect and other similar words and statements. These risks and uncertainties, which in some instances are beyond our ability to control, include but are not limited to:

- the recent global economic slowdown and declining customer demand for our services and products;

- risks associated with the cyclical nature of the electronics industry;

- our ability to compete successfully to win new business and customers and to retain existing customers as well as the level of success of our competitors;

- opportunities and needs for acquisitions of assets and/or businesses, changes in interest rates and other financial market conditions, and other developments or conditions requiring alternative uses of proceeds which might constrain our ability or willingness to repay our existing indebtedness;

- our expectations concerning our ability to realize revenues from customer bid wins depends on our customers actual production schedules which in turn depend on end-user demand that is difficult to predict;

- our ability to realize the benefit of anticipated cost-savings, due to our restructuring initiatives and otherwise, is dependent on factors that may be beyond our control; and

- our ability to consummate the Lucent transaction and to integrate into our existing business the operations of Shinei, NatSteel, Stream, Iphotonics, Artesyn, C-MAC and our other recent and future acquisitions effectively.

For more information about risks and uncertainties, see Risk Factors. Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. Therefore, we can give no assurance that the results implied by these forward-looking statements will be realized. The inclusion of this forward-looking information should not

Table of Contents

be regarded as a representation by our company or any other person that the future events, plans or expectations contemplated by Solectron will be achieved. Furthermore, past performance in operations and share price is not necessarily indicative of future performance. We disclaim any intention or obligation to update or revise any forward-looking statements contained in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference herein, whether as a result of new information, future events or otherwise.

Market data used throughout this prospectus supplement, including information relating to our relative position in the electronics manufacturing services industry, is based on independent industry sources and other publicly available information and the good faith estimates of our management. Although we believe that such sources are reliable, the accuracy and completeness of such information is not guaranteed and has not been independently verified.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary only highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. As a result, it does not contain all of the information that you should consider before purchasing the notes. You should read the entire prospectus supplement, including the accompanying prospectus and the documents incorporated by reference, which are described under Where You Can Find More Information. When used in this prospectus supplement, unless the context requires otherwise, the terms we, our and us refer to Solectron Corporation and its subsidiaries.

Solectron Corporation

Overview

We are a leading provider of electronics manufacturing services (or EMS) to original equipment manufacturers (or OEMs) that design and sell networking equipment, computing equipment (including workstations, notebooks, desktops and peripherals), mobile and wireline telecommunications equipment, and other electronics equipment and products. These companies contract with us to build their products or to obtain other related supply-chain services, such as design, testing, systems integration and after-sales repair and support. Providing these solutions to our customers allows them to reduce their capital investment requirements and fixed overhead costs and to remain competitive by focusing on their core competencies of sales, marketing, and research and development.

For the 12 months ended November 30, 2001 (giving pro forma effect to our combination with C-MAC), we had revenues of $17.9 billion, an operating loss of $326 million and adjusted EBITDA of $927 million. Adjusted EBITDA represents income (loss) before taxes, extraordinary loss and minority interests, plus net interest expense, depreciation, amortization, and restructuring and acquisition costs. See Selected Consolidated Financial Information.

Competitive Strengths

Market Leadership

Our strength in the EMS market is demonstrated by our customer base and our market leadership. We enjoy long-standing relationships with customers such as Apple Computer, Brocade, Cisco Systems, Compaq, Ericsson, Hewlett-Packard, IBM, Nortel Networks, Sony and Sun Microsystems. According to IDC, Solectron is a leader in the EMS industry in sales and was believed to have had an approximate 18% market share for 2001.

Strong Balance Sheet

We are pursuing a plan intended to achieve investment-grade credit ratings for our unsubordinated, unsecured indebtedness by improving our operations and pursuing a prudent financing strategy. We plan to use cash on hand, the net proceeds of this offering and the net proceeds from our offering of $1.1 billion of 7.25% Adjustable Conversion-Rate Equity Security Units (ACES), which occurred after November 30, 2001, to repay existing indebtedness and other commitments. In addition, we have received commitments, subject to certain conditions, including those described in Description of Other Indebtedness Proposed New Secured Credit Facilities , for an aggregate of $500 million of new secured credit facilities to allow additional financial flexibility. As of November 30, 2001, we had $2.9 billion of cash, cash equivalents and short-term investments.

Reduced Cost Structure and Improved Working Capital Management

In response to recent economic conditions and end-market demand, beginning in early 2001 we embarked on a series of aggressive restructuring initiatives. We expect these initiatives will be

Table of Contents

completed by the end of fiscal 2002 and following completion are expected to reduce our annual costs, including non-cash items, by approximately $1 billion, partially mitigating our lower revenue generation. We believe these initiatives will allow us to emerge from the current downturn with a sustainable long-term cost structure to support improved operating efficiency and margins. Restructuring efforts completed to date include eliminating approximately 490 production lines, reducing our headcount by approximately 25,000, and closing or consolidating 17 sites and re-missioning five sites. In the process, we have transferred some operations to lower-cost locations for improved efficiency, disposed of less-useful equipment resulting in more efficient manufacturing lines, and closed facilities that had marginal long-term viability, transferring operations from those locations to other locations better equipped for long-term success due to lower costs.

While we are in the process of restructuring our business for the current economic environment, we believe we have an appropriate level of capacity to ramp up operations quickly should demand return to historical levels. In addition, we have improved our working capital management capabilities through a number of initiatives. For example, we have reduced our inventory over the last three quarters by $2.1 billion. We believe we have the ability to generate additional cash in the future by further improving our inventory and improving our receivables management, although there is no assurance we will be able to achieve this.

Promising New Customers and Ability to Penetrate Existing Customer Base

We plan to increase our market share by winning new customers and more deeply penetrating existing customer accounts with expanded capabilities that we have developed to meet growing OEM needs. We believe recent customer bidding wins represent potential additional revenue of approximately $4 billion, although realization of such revenue is dependent on the expected production ramp of our customers, which is subject to realization of expected end-user demand for our customers products. Our existing customer base is complemented by promising new customer wins. Our opportunities to generate additional business from current customers include providing after-sales services and complete supply-chain management. Examples of such existing customers include Ciena, Cisco, Compaq and Sun Microsystems.

Extensive Geographic and Product Scope

Very large OEMs generally market a broad array of products into a multinational marketplace which often requires complex manufacturing and supply processes. We believe that our extensive geographic reach and product scope allow us to serve our largest targeted OEMs more effectively than do our competitors. We currently have facilities worldwide, in the Asia/Pacific region (including Japan and China), North and South America and Europe. We provide our customers with a comprehensive offering of supply-chain solutions. Customers can turn to us at any stage of the design, manufacturing or after-sales service support process, worldwide, and obtain high quality, flexible solutions to optimize their existing supply-chains. Our objective is to streamline the supply-chain to help our customers attain a faster time-to-market for their products with lower total costs, while enabling them to allocate their resources more efficiently. Our broad range of services includes:

- advanced building block design solutions;
- product design and manufacturing;
- new product introduction;
- prototyping;
- materials purchasing and management;
- printed circuit board assembly;
- system assembly and testing;
- distribution and installation; and
- product repair, technical support, returns processing and warranty services.

Experienced Management Team

We have assembled a management team with superior vision and experience. All sixteen executive team members contribute to managing our growth and strategic direction. Management has transformed us from a regional provider of assembly services to a global leader providing our customers with integrated supply-chain solutions that span the entire product life cycle. Collectively, our team of executives brings significant high-technology experience and leadership to a company driven to deliver the highest quality services to its global customers.

Our Industry

Industry sources forecast that the EMS industry will grow rapidly. IDC forecasts that the EMS industry will experience a compound annual growth rate of approximately 20% annually from 2001 through 2005, with industry revenue projected at $186 billion by 2005. Additionally, Technology Forecasters, Inc. forecasts EMS industry growth of approximately 29% annually from 2001 through 2005, with industry revenue projected at $288 billion by 2005.

Many OEMs in the electronics and other industries outsource manufacturing and related supply-chain services as part of their business strategies. Outsourcing allows OEMs to take advantage of the supply-chain expertise of EMS providers, thereby enabling OEMs to concentrate on their core competencies. Specifically, OEMs use contract manufacturers to enable:

- faster time-to-market;
- reduced investment;
- access to leading manufacturing technology;
- lower total costs of manufacturing and supply-chain management;
- improved inventory management and purchasing power; and
- access to worldwide manufacturing capabilities.

Our Strategy

Our strategy is to offer our customers significant competitive advantages through electronics outsourcing. We aim to differentiate ourselves from our competitors by providing a superior level of quality, service and value. Additionally, we strive to provide comprehensive, value-added services, including solutions, better than those offered by our competitors. As a result, we create a compelling outsourcing solution that can be used by our customers in whole or in part. To achieve this goal, we emphasize the following key elements.

Capitalize on Industry Growth Trends

We are benefiting from increased worldwide market acceptance of, and reliance upon, the use of outsourced manufacturing services and supply-chain management services by many electronics OEMs. While we are recognized for our printed circuit board assembly business, we have strategically extended our capabilities and competencies to cover the entire range of supply-chain needs, including product design and modular solutions, pre-production planning, new product introduction management, manufacturing, systems assembly test and installation, product distribution, and after-sales product service and support.

Uncompromising Quality

We believe product quality is a defining factor in the electronics manufacturing market. We strive continuously to improve our processes and have adopted a number of quality improvement and measurement techniques to monitor our performance. We have received many service and quality awards, including the Malcolm Baldrige National Quality Award in 1991 and again in 1997. All of our manufacturing facilities are certified under ISO-9000 international quality standards for design, manufacturing and distribution management systems.

Strategic Relationships

An important element of our strategy is to establish long-term strategic relationships with major and emerging OEM leaders in diverse electronics industry segments, such as networking, telecommunications, workstations, personal computers, computer peripherals, instrumentation, semiconductor equipment and transportation. We focus our efforts on customers with high potential for long-term business relationships. Our goal is to strengthen these relationships by delivering a total supply-chain solution across the entire product life-cycle, from design to full product manufacturing and distribution to after-sales services such as product repair and support.

Turn-key Capabilities

Another element of our strategy is to provide a complete range of manufacturing management and value-added services, including materials management, board design, concurrent engineering, assembly of complex printed circuit boards and other electronic assemblies, test engineering, software manufacturing, accessory packaging and after-sales services. We believe that as manufacturing technologies become more complex and as product life cycles shorten, OEMs will increasingly contract for supply-chain services on a turn-key basis as they seek to reduce product time-to-market, overall costs and capital assets.

Advanced Manufacturing Process Technology

We intend to continue to offer customers advanced manufacturing process technologies, including design and new product introduction expertise. Our involvement during the early design stage helps to reduce time-to-market and enable a fast ramp to volume manufacturing. We have developed common tools for industrial, electrical, mechanical and manufacturing applications design to shorten the design cycle and maintain cost effectiveness. Our key initiatives in the test area include standardizing on a single functional test platform for the majority of the printed circuit assemblies we produce, and enhancing test capability.

Diverse Geographic Operations

We seek to establish production facilities in areas of high customer density and where we can generate manufacturing efficiencies and lower unit costs. During the last year we undertook a restructuring of our global operations to optimize our mix of facilities and capabilities around the world. We have operations throughout the Asia/ Pacific region, the Americas and Europe. We believe our facilities in these regions enable us better to address our customers requirements, such as cost containment, compliance with local content regulations, and the elimination of expensive freight costs, tariffs and time-consuming customs clearances and shortened product time-to-market.

We were originally incorporated in California in August 1977. In February 1997, we were reincorporated in Delaware. Our principal executive offices are located at 777 Gibraltar Drive, Milpitas, California 95035. Our telephone number is (408) 957-8500 and our Internet address is www.solectron.com. The information contained or incorporated in our website is not a part of this prospectus supplement.

Table of Contents

RECENT DEVELOPMENTS

Negotiations with Lucent Technologies

On January 31, 2002, we announced that we are negotiating toward an agreement to purchase specialized equipment and usable inventory from Lucent Technologies, Inc. for between $250 million and $290 million in cash. As part of the prospective agreement we would be awarded a multi-year contract to provide supply-chain services for selected Lucent optical networking products. The companies continue to negotiate, various important contingencies remain and the parties have not reached agreement on the prospective contracts. The anticipated consummation of the transaction, the prospective multi-year contract and the value of the transaction are forward-looking statements and there can be no guarantee any such agreements will be reached. For additional risks and uncertainties see our report on Form 8-K filed February 1, 2002.

Completion of Adjustable Conversion-Rate Equity Security Units Offering

On December 27, 2001, we completed our public offering of $1 billion, or 40 million units, of 7.25% Adjustable Conversion-Rate Equity Security Units (ACES). Each ACES unit has a stated amount of $25 and initially consists of (a) a contract to purchase, for $25, a number of shares of our common stock to be determined on November 15, 2004 and (b) $25 principal amount of 7.25% subordinated debentures due 2006. On January 8, 2002, we issued another $100 million, or 4 million units, of ACES in satisfaction of the underwriters over-allotment option.

Repurchase of LYONs Due 2019

Holders of our Liquid Yield Option™ Notes (LYONs) due 2019 had the right to require us to repurchase all or a portion of the notes they held as of January 28, 2002. On December 18, 2001, we announced our intention to use cash to meet any obligations to repurchase such notes in January 2002. The accreted value of the notes outstanding, as of November 30, 2001, was $615 million. On January 28, 2002, following our repurchase of our LYONs due 2019 for cash, approximately $2 million of accreted value of these LYONs remained outstanding.

Combination with C-MAC

On December 3, 2001, we completed our combination with C-MAC. Based on our common stock s closing price immediately preceding the completion of the combination, the transaction was valued at approximately $2.3 billion, including the assumption of C-MAC debt.

Restructuring Charge

During the second quarter of fiscal 2002, we adopted additional plans related to our restructuring initiatives. These plans include additional workforce reductions and consolidating and changing the strategic focus of additional facilities. In connection with these plans, we estimate restructuring and impairment charges ranging from $250 to $270 million during the second quarter of fiscal 2002.

Table of Contents

THE TRANSACTIONS

We intend to use the net proceeds of this offering, along with the net proceeds of the aggregate $1.1 billion of ACES that we issued on December 27, 2001 and January 8, 2002 and cash on hand, to repurchase, repay or otherwise retire existing indebtedness and other commitments. Substantially concurrent with and contingent upon the closing of this offering of notes and certain other conditions, we expect to enter into senior secured revolving credit facilities, which we refer to as the proposed new secured credit facilities with, among others, affiliates of certain of the underwriters. The maximum committed amount under these facilities as of their closing date is expected to be $500 million. For more information regarding the proposed new secured credit facilities, see Description of Other Indebtedness Proposed New Secured Credit Facilities. We refer to the ACES issuance, this offering of senior notes and our entering into the proposed new secured credit facilities in this prospectus supplement as the Transactions. The table below sets forth the estimated sources and intended uses for the Transactions based on outstanding balances as of November 30, 2001, assuming the Transactions had been completed on such date (dollars in millions):

Sources	
Proposed new secured credit facilities(1)	$
New senior notes	497
ACES(2)	1,100
Cash(3)	799
Total Sources	**$2,396**

Uses(3)	
Repurchase of LYONs due 2019(4)	$ 615
Repayment of outstanding C-MAC indebtedness	341
Repurchase, redemption and/or retirement of other indebtedness(5)	1,000
Funded Amount(6)	394
Transaction costs	46
Total Uses	**$2,396**

(1) This offering is not contingent upon obtaining the proposed new secured credit facilities, which are expected to be undrawn at closing.

(2) Does not reflect $151 million in cash used to purchase restricted treasury securities sufficient to satisfy the first eight quarterly interest payments on the ACES through November 15, 2003.

(3) These amounts do not take into account the effect of certain repurchases of indebtedness that have occurred since November 30, 2001.

(4) As of January 28, 2002, following our repurchase of these LYONs for cash, approximately $2 million of accreted value of these LYONs remained outstanding.

(5) Other indebtedness includes short-term debt, of which $276.6 million was outstanding as of November 30, 2001 (giving effect to our combination with C-MAC), and both series of our LYONs due 2020, of which there was $4,005.7 million outstanding as of November 30, 2001. See Capitalization.

(6) As a result of the Transactions, we have cash collateralized our commitments under certain of our operating leases in an amount of approximately $394 million and have obtained temporary waivers or consents in connection with these instruments to enable us to consummate the Transactions. To the extent we do not refinance these instruments or obtain further waivers, consents, amendments or other accommodations in connection with these instruments, we may be required to pay off the amounts thereunder or the lessors (and/or

related lenders) may foreclose upon the collateral in satisfaction of the amounts owed. We call this $394 million amount the Funded Amount.

Table of Contents

Although it is our present intention to repurchase, repay or otherwise retire the indebtedness set forth above with the net proceeds of the Transactions and cash on hand, we are not obligated to do so and may choose not to do so depending on market or other conditions, nor can we assure you that we will be able to accomplish this on acceptable terms or at all. In addition, we may be required to pay off certain of our operating leases in an amount up to the Funded Amount as described in Risk Factors We will be required to obtain waivers, consents or amendments from holders of certain of our financial instruments or we will be required to pre-pay those obligations. To the extent that any net proceeds are not used to repay the indebtedness set forth above or to the extent we are able to withdraw the Funded Amount, we would use such amounts for working capital and general corporate purposes, which might include acquisitions.

Table of Contents

THE OFFERING

Issuer	Solectron Corporation.
Securities Offered	$500 million aggregate principal amount of 9.625% Senior Notes due 2009.
Interest	Interest on the notes will accrue from the date of their issuance at the rate of 9.625% per year and will be payable in cash semi-annually in arrears on February 15 and August 15 of each year, commencing August 15, 2002.
Ranking	The notes will be general, unsecured obligations and: will be effectively subordinated to all of our existing and future secured, unsubordinated indebtedness, including our proposed new secured credit facilities, to the extent of the value of the assets securing such indebtedness; will be effectively subordinated to all liabilities of our subsidiaries, including our proposed new secured credit facilities as well as trade payables; will rank equal in right of payment with all of our existing and future unsubordinated, unsecured indebtedness; and will rank senior in right of payment to all of our existing and future subordinated indebtedness. As of November 30, 2001: Solectron had no secured indebtedness and, assuming that the combination with C-MAC and the ACES offering had occurred on that date, that amount would have been $150.6 million. In addition, the maximum committed amount of secured indebtedness we would be permitted to incur under the proposed new secured credit facilities is expected to be $500 million at their closing; we and our subsidiaries had $115 million of cash collateralized operating leases; our subsidiaries had total liabilities of $3.4 billion and, assuming that the combination with C-MAC and the ACES offering had occurred on that date, that amount would have been $4.1 billion; Solectron had approximately $5.0 billion of outstanding unsubordinated unsecured indebtedness that would rank equal in right of payment with the notes and, assuming that the combination with C-MAC and the ACES offering had occurred on that date, that amount would have remained the same; and Solectron had no outstanding subordinated indebtedness and, assuming that the combination with C-MAC and the ACES offering had occurred on that date, that amount would have been $949.4 million. See Description of the Notes and Description of Other Indebtedness Proposed New Secured Credit Facilities.
Optional Redemption	At any time prior to February 15, 2005, Solectron will have the option to redeem up to 35% of the notes at the redemption price

	set forth in the Description of the Notes Optional Redemption using the proceeds of certain equity offerings. Prior to February 15, 2006, Solectron will have the option to redeem the notes, in whole or in part, from time to time, at a price equal to the greater of 104.813% of the principal amount of the notes or a make-whole premium as set forth in the Description of the Notes Optional Redemption, plus accrued and unpaid interest. On or after February 15, 2006, Solectron will have the option to redeem all or a portion of the notes at the redemption prices set forth in the Description of the Notes Optional Redemption.
Change of Control	Upon a Change of Control, as defined in this prospectus supplement, you will have the right to require us to repurchase all or any part of your notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest to, but excluding, the repurchase date. See Description of the Notes Repurchase at the Option of Holders Change of Control.
Certain Covenants	Prior to the notes being rated at least Baa3 or above by Moody s Investor Services and BBB- or above by Standard & Poors, the indenture governing the notes will contain certain covenants which, among other things, restrict our ability and the ability of our restricted subsidiaries to: incur additional indebtedness; pay dividends; make distributions in respect of our or our subsidiaries capital stock; make other restricted payments; give subsidiary guarantees of our other debt; enter into transactions with affiliates or related persons; and sell assets. In addition, before and after the notes receive such ratings, the indenture will restrict our ability and the ability of our restricted subsidiaries to: enter into sale and leaseback transactions; create liens; and consolidate, merge or sell all or substantially all of our or our subsidiaries assets. When the notes are issued, all of our subsidiaries will be restricted subsidiaries, as defined in the indenture, except for U.S. Robotics Corporation. All of these covenants are subject to important exceptions and qualifications. See Risk Factors Risks Relating to the Notes and Description of the Notes.
Use of Proceeds	We intend to apply the net proceeds of this offering, the net proceeds from our recent offering of $1.1 billion of ACES and cash on hand, to repurchase, repay or otherwise retire existing indebtedness and other commitments. However, we are not obligated to do so and may choose not to do so depending on market or other conditions, nor can we assure you that we will be able to accomplish this on acceptable terms or at all. In addition,

Table of Contents

	we may be required to pay off certain of our operating leases in an amount up to the Funded Amount as described in Risk Factors We will be required to further obtain waivers, consents or amendments from holders of certain of our financial instruments or we will be required to pre-pay those obligations. To the extent that any net proceeds are not used to repay indebtedness or to the extent we are able to withdraw the Funded Amount, we would use such amounts for working capital and general corporate purposes, which might include acquisitions.
Risk Factors	You should consider carefully the information set forth in the section entitled Risk Factors beginning on page S-13 of this prospectus supplement and all other information provided to you in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in deciding whether to invest in the notes.

Table of Contents

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth summary consolidated historical financial data for each of the fiscal years in the five year period ended August 31, 2001 and for the three months ended November 30, 2000 and 2001. Also included is summary pro forma financial data for the year ended August 31, 2001 and the three months ended November 30, 2001 as well as certain other financial data for the twelve months ended November 30, 2001.

When you read the following summary historical and pro forma data, it is important that you read it along with the historical consolidated financial statements and notes thereto and the unaudited pro forma combined condensed financial information included or incorporated by reference in this prospectus.

	Fiscal Year Ended August 31,						Three Months Ended November 30,		
	1997	**1998**	**1999**	**2000**	**2001**	**2001**	**2000**	**2001**	**2001**
	Actual					Pro forma(a)	Actual		Pro forma(a)
	(in millions)								
Income Statement Data									
Net Sales	$4,408.5	$6,102.2	$9,669.2	$14,137.5	$18,692.3	$20,475.9	$ 5,695.5	$ 3,152.2	$ 3,394.7
Operating income (loss)	303.2	368.6	516.1	704.2	(98.6)	(0.6)	276.4	(48.5)	(84.3)
Net interest expense (income)(b)	(4.3)	(6.9)	1.6	(35.3)	59.1	65.5	(3.9)	22.8	24.3
Income (loss) before taxes, extraordinary loss, and cumulative effect of change in accounting principle	307.5	375.5	514.5	739.5	(157.7)	(66.1)	280.3	(71.3)	(108.6)
Net income (loss)	203.7	251.3	350.3	497.2	(123.5)	(60.0)	190.6	(52.5)	(76.0)
Balance Sheet Data									
Cash and cash equivalents and short-term investments	$ 634.0	$ 489.9	$1,881.7	$ 2,434.1	$ 2,790.1	*	$ 4,518.7	$ 2,886.8	$ 3,047.3
Net working capital	1,137.5	1,278.1	3,162.7	5,411.4	6,014.8	*	8,125.6	4,897.0	5,552.7
Total assets	2,209.9	2,843.7	5,420.5	10,375.6	12,930.4	*	14,026.5	12,504.2	15,687.7
Long-term debt	386.2	386.8	922.7	3,319.5	5,027.5	*	4,893.9	4,234.3	4,572.1
Total debt	388.1	410.6	969.6	3,388.7	5,333.7	*	5,012.4	5,122.8	5,463.3
Stockholders equity	1,150.2	1,475.4	3,166.9	3,802.1	5,150.7	*	5,151.3	5,140.6	7,684.8
Other Financial Data									
EBITDA(c)	$ 413.1	$ 503.2	$ 716.5	$ 955.6	$ 425.6	$ 599.4	$ 361.6	$ 53.7	$ 38.3
Adjusted EBITDA(c)	417.1	503.2	716.5	993.5	972.6	1,162.2	361.6	126.6	127.0
Depreciation and Amortization	109.9	134.6	200.4	251.4	536.1	611.9	85.2	102.6	123.0
Capital expenditures(d)	205.7	279.1	449.4	506.0	536.8	614.6	248.9	62.7	69.6
Ratio of earnings to fixed charges(e)	10.10x	11.07x	8.70x	8.38x	0.23x	0.71x	8.13x	-(j)	-(k)

* Not presented

	Twelve Months Ended November 30, 2001
Ratio of pro forma adjusted total debt to pro forma adjusted EBITDA(c)(f)(i)	5.45x
	3.38x

Ratio of pro forma adjusted EBITDA to pro forma interest expense(c)(g)(i)	
Ratio of pro forma adjusted net debt to pro forma adjusted EBITDA(c)(h)	3.66x

(a) The pro forma income statement data for the year ended August 31, 2001 and the three months ended November 30, 2001 is derived from the unaudited pro forma combined condensed financial information included in this prospectus supplement that combines Solectron s audited consolidated statements of operations for the year ended August 31, 2001 and the unaudited three months ended November 30, 2001 with the unaudited consolidated statements of earnings of C-MAC for the twelve months ended September 30, 2001 and the three months ended September 30, 2001, respectively. The pro forma balance sheet data as of November 30, 2001 is derived from the unaudited pro forma combined condensed financial information included in this prospectus supplement that combines Solectron s and C-MAC s unaudited

Table of Contents

consolidated balance sheets as of November 30, 2001. The pro forma other financial data for the year ended August 31, 2001 and the three months ended November 30, 2001 is derived from audited financial data of Solectron for the year ended August 31, 2001 and the unaudited three months ended November 30, 2001 combined with the unaudited financial data of C-MAC for the twelve months ended September 30, 2001 and the three months ended September 30, 2001, respectively.

(b) Net interest expense (income) is interest expense net of interest income.

(c) EBITDA represents income (loss) before taxes, extraordinary loss and minority interests, plus net interest expense, depreciation and amortization. Adjusted EBITDA represents EBITDA, as adjusted to exclude non-recurring charges. Non-recurring charges consist of restructuring and acquisition costs. Some investors have found information like EBITDA and adjusted EBITDA to be useful as a measure of our ability to satisfy principal and interest obligations on our debt and to provide cash for other purposes. EBITDA and Adjusted EBITDA do not represent, and should not be considered a substitute for, income (loss) from operations, net income (loss), operating cash flows or other measures of performance prepared in accordance with generally accepted accounting principles (GAAP). Our definitions of EBITDA and adjusted EBITDA may not be comparable to those reported by other companies and do not correspond to definitions of consolidated cash flow used as a defined term in the indenture as described under the caption Description of the Notes.

(d) Excludes acquisitions of businesses and asset acquisitions (other than capital expenditures).

(e) We have computed the ratio of earnings to fixed charges by dividing earnings available for fixed charges by fixed charges. The computations include us and our consolidated subsidiaries. For these ratios, earnings represents (1) income (loss) before taxes and before adjustment for minority interests, plus (2) fixed charges (excluding capitalized interest), plus (3) amortization of capitalized interest. Fixed charges consist of (1) interest on all indebtedness and amortization of debt discount and expense, plus (2) capitalized interest, plus (3) an interest factor attributable to rentals.

(f) Pro forma adjusted total debt reflects short-term and long-term debt after giving effect to the C-MAC combination which occurred on December 3, 2001, the issuance and sale of the notes offered hereby and the issuance of the ACES as if they had been completed on November 30, 2001. Pro forma adjusted EBITDA is calculated for the twelve months ended November 30, 2001 and gives effect to the C-MAC combination.

(g) Pro forma interest expense reflects interest expense, including non-cash interest related to our LYONs, after giving effect to the C-MAC combination which occurred on December 3, 2001, this offering and the issuance of the ACES as if they had been completed at the beginning of the twelve months ended November 30, 2001. Pro forma adjusted EBITDA is calculated for the twelve months ended November 30, 2001 and gives effect to the C-MAC combination.

(h) Pro forma adjusted net debt reflects total debt less cash on hand (excluding restricted cash) after giving effect to the C-MAC combination which occurred on December 3, 2001, this offering and the issuance of the ACES as if they had been completed on November 30, 2001. If we are required to pay off the obligations underlying the Funded Amount, our cash balance (including restricted cash) would be reduced by approximately $394 million (which we have already deducted in the calculation of this ratio), but our reported debt balances will not be reduced because these leases are not classified as debt on our balance sheet in accordance with GAAP. Pro forma adjusted EBITDA has not been adjusted by the reduction of operating lease expenses that would result from any payment in connection with the Funded Amount. Pro forma adjusted EBITDA is calculated for the twelve months ended November 30, 2001 and gives effect to the C-MAC combination.

(i) Assumes that the net proceeds of the Transactions and cash on hand are used to (i) repurchase approximately $615 million of our LYONs due 2019, (ii) repay approximately $341 million of indebtedness that we assumed in connection with our combination with C-MAC, (iii) repurchase, repay or otherwise retire (allocated on a pro rata basis in proportion to accreted value at November 30, 2001) $1 billion of our outstanding short-term debt and the LYONs due 2020, and (iv) satisfy the Funded Amount of $394 million related to operating lease commitments as described in Risk Factors We will be required to obtain waivers, consents or amendments from holders of certain of our financial instruments or we will be required to pre-pay those obligations. Although it is our present intention to repurchase, repay or otherwise retire this indebtedness with the net proceeds of the Transactions and cash on hand, we are not obligated to do so and may choose not to do so depending on market or other conditions, nor can we assure you that we will be able to accomplish this on acceptable terms or at all. To the extent that any net proceeds are not used to repay such indebtedness or to the extent we are able to withdraw the Funded Amount, we would use such amounts for working capital and general corporate purposes, which might include acquisitions.

(j) There is a deficiency of fixed charge coverage of $71.1 million.

(k) There is a deficiency of fixed charge coverage of $108.4 million.

Table of Contents

RISK FACTORS

In considering whether to purchase the notes, you should carefully consider all the information we have included or incorporated by reference in this prospectus supplement and the accompanying prospectus. In particular, you should carefully consider the risk factors described below, which supersede the risk factors described in the accompanying prospectus and the documents incorporated by reference prior to the date hereof. You should carefully review the information in this prospectus supplement and the accompanying prospectus about all of these securities.

Risks Relating to the Notes

We will be required to obtain waivers, consents or amendments from holders of certain of our financial instruments or we will be required to pre-pay those obligations.

We and our subsidiaries are parties to various financial instruments, including credit facilities and operating leases. Most of these obligations contain negative covenants. Upon issuance of the notes and upon consummation of the proposed new secured credit facilities, we would not be in compliance with these covenants with respect to certain of our operating leases in an aggregate amount of $394 million, which would constitute defaults under these instruments. In addition, as a result of our issuance of the ACES and the notes, we will not be in compliance with certain financial covenants contained in these operating leases at certain dates in the future, which would also constitute defaults under these instruments.

In order to prevent these defaults, we have received temporary consents and waivers under these operating leases and have cash collateralized these leases in an aggregate amount of $394 million. However, if we fail to reach satisfactory final accommodation, the amounts owing under these operating leases could be accelerated and, if they are not paid within 30 days following the date of acceleration, could cause an acceleration of our obligations under our LYONs and our 7 3/8% Senior Notes due 2006. To the extent we have not received such consents, waivers or amendments, we intend to pay in full, as necessary, any amounts due under these operating leases in order to avoid acceleration of the LYONS and our 7 3/8% Senior Notes due 2006.

If we are unable to obtain an accommodation or prepayment of all of these operating leases, there may exist a period of default with respect to these instruments. The existence of this period of default, even after being cured, may have adverse consequences which are beyond our control to mitigate and of which we may not be aware.

Our substantial debt could adversely affect our cash flow and prevent us from fulfilling our obligations.

We have, and will continue to have after the offering of the notes, significant amounts of outstanding indebtedness and interest cost. Our level of indebtedness presents risks to investors, including the possibility that we may be unable to generate cash sufficient to pay the principal of and interest on the indebtedness, including, without limitation, the notes, when due. As of November 30, 2001, after giving effect to our combination with C-MAC and the Transactions (assuming we were unable to apply the net proceeds of the Transactions to repay indebtedness), we would have had (1) pro forma consolidated total debt of approximately $7.0 billion consisting of all short-term and long-term debt as of November 30, 2001 assuming the issuance and sale of notes offered hereby, the issuance of the ACES and the C-MAC combination had been completed on November 30, 2001, and (2) a ratio of pro forma consolidated total debt to Solectron s historical consolidated stockholders equity as of November 30, 2001 of 1.36x. See Capitalization and Description of Other Indebtedness.

Our substantial debt could have important consequences. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations and other capital resources to debt service, thereby reducing our ability to fund working capital, capital expenditures and other cash requirements;
- increase our vulnerability to adverse economic and industry conditions;

Table of Contents

make it more difficult or impossible for us to make payments on the notes or any other indebtedness or obligations;

limit our flexibility in planning for, or reacting to, changes and opportunities in, the electronics manufacturing industry, which may place us at a competitive disadvantage compared to our competitors; and

&