

CELESTICA INC
Form 20-F
March 13, 2017

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20-F

- o Registration statement pursuant to Section 12(b) or (g)
of the Securities Exchange Act of 1934
or
- ý Annual report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2016
or
- o Transition report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the transition period from _____ to _____

or

- o Shell company report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of event requiring this shell company report: _____

Commission file number: 1-14832

CELESTICA INC.

(Exact name of registrant as specified in its charter)

Ontario, Canada

(Jurisdiction of incorporation or organization)

**844 Don Mills Road
Toronto, Ontario, Canada M3C 1V7**

(Address of principal executive offices)

Lisa Headrick

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844 Don Mills Road

Toronto, Ontario, Canada M3C 1V7

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

**SECURITIES REGISTERED OR TO BE REGISTERED
PURSUANT TO SECTION 12(b) OF THE ACT:**

Title of each class:
Subordinate Voting Shares

Name of each exchange on which registered:
The Toronto Stock Exchange
New York Stock Exchange

**SECURITIES REGISTERED OR TO BE REGISTERED
PURSUANT TO SECTION 12(g) OF THE ACT:**

N/A

**SECURITIES FOR WHICH THERE IS A REPORTING OBLIGATION
PURSUANT TO SECTION 15(d) OF THE ACT:**

N/A

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

121,946,990 Subordinate Voting Shares
18,946,368 Multiple Voting Shares

0 Preference Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Part I.

In this Annual Report on Form 20-F for the year ended December 31, 2016 (referred to herein as "this Annual Report"), "Celestica", the "Corporation", the "Company", "we", "us" and "our" refer to Celestica Inc. and its subsidiaries.

In this Annual Report, all dollar amounts are expressed in United States dollars, except where we state otherwise. All references to "U.S.\$" or "\$" are to U.S. dollars and all references to "C\$" are to Canadian dollars. Unless we indicate otherwise, any reference in this Annual Report to a conversion between U.S.\$ and C\$ is a conversion at the average of the exchange rates in effect for the year ended December 31, 2016. During that period, based on the relevant noon buying rates in New York City for cable transfers in Canadian dollars, as certified for customs purposes by the Board of Governors of the Federal Reserve Bank, the average daily exchange rate was U.S.\$1.00 = C\$1.3243.

Unless we indicate otherwise, all information in this Annual Report is stated as of February 15, 2017.

Forward-Looking Statements

Item 4, "Information on the Company", Item 5, "Operating and Financial Review and Prospects" and other sections of this Annual Report contain forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, or the U.S. Securities Act, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the U.S. Exchange Act, and forward-looking information within the meaning of applicable Canadian securities laws (collectively, "forward-looking statements"), including, without limitation, statements related to: our future growth; trends in the electronics manufacturing services ("EMS") industry; our anticipated financial and/or operational results; the impact of acquisitions and program wins or losses on our financial results and working capital requirements; anticipated expenses, restructuring actions and charges, and capital expenditures, including the anticipated timing thereof, and our ability to fund and the method of funding these costs, capital expenditures and other anticipated working capital requirements; the anticipated repatriation of undistributed earnings from foreign subsidiaries; the impact of tax and litigation outcomes; our cash flows, financial targets and priorities; changes in our mix of revenue by end market; our ability to diversify and grow our customer base and develop new capabilities; the effect of the pace of technological changes, customer outsourcing and program transfers, and the global economic environment on customer demand; the possibility of future impairments of property, plant and equipment, goodwill or intangible assets; the timing and extent of the expected recovery of cash advances made to a former solar cell supplier; the anticipated termination and settlement of our solar equipment leases; changes in the composition of our end markets commencing with the period ending March 31, 2017; the impact of the Term Loan (defined herein) on our liquidity, future operations and financial condition; the timing and terms of the sale of our real property in Toronto and related transactions, including the expected lease of our corporate head office (collectively, the "Toronto Real Property Transactions"); if the Toronto Real Property Transactions are completed, our ability to secure on commercially acceptable terms an alternate site for our existing Toronto manufacturing operations, and the transition costs for such expected relocation; the impact of the June 2016 referendum by British voters advising for the exit of the United Kingdom from the European Union ("Brexit") and the results of the recent U.S. presidential election on the economy, financial markets, currency exchange rates and potentially our business; the expected impact of the loss of a consumer end-market customer; the timing of an anticipated program transfer to us; expected prolonged adverse market conditions in the solar industry; and the impact of the acquisition of the assets of Karel (defined herein). Such forward-looking statements may, without limitation, be preceded by, followed by, or include words such as "believes", "expects", "anticipates", "estimates", "intends", "plans", "continues", "project", "potential", "possible", "contemplate", "seek", or similar expressions, or may employ such future or conditional verbs as "may", "might", "will", "could", "should" or "would", or may otherwise be indicated as forward-looking statements by grammatical construction, phrasing or context. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995, and applicable Canadian securities laws.

Forward-looking statements are provided for the purpose of assisting readers in understanding management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. Forward-looking statements are not guarantees of future performance and are subject to risks that could cause actual results to differ materially from conclusions,

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forecasts or projections expressed in such forward-looking statements, including, as is described in more detail in Item 3(D), "Key Information Risk Factors" and elsewhere in this Annual Report, risks related to:

our customers' ability to compete and succeed in the marketplace with the services we provide and the products we manufacture;

changes in our mix of customers and/or the types of products or services we provide;

price and other competitive factors generally affecting, and the highly competitive nature of, the EMS industry;

managing our operations and our working capital performance during uncertain market and economic conditions;

responding to changes in demand, rapidly evolving and changing technologies, and changes in our customers' business and outsourcing strategies, including the insourcing of programs;

customer concentration and the challenges of diversifying our customer base and replacing revenue from completed or lost programs or customer disengagements;

customer, competitor and/or supplier consolidation;

changing commodity, material and component costs as well as labor costs and conditions;

disruptions to our operations, or those of our customers, component suppliers and/or logistics partners, including as a result of global or local events outside our control (including as a result of Brexit and/or significant developments stemming from the recent U.S. presidential election);

retaining or expanding our business due to execution issues relating to the ramping of new and existing programs or new offerings;

the incurrence of future impairment charges;

recruiting or retaining skilled talent;

transitions associated with our Global Business Services ("GBS") initiative, our Organizational Design ("OD") initiative, and/or other changes to our company's operating model;

current or future litigation, governmental actions, and/or changes in legislation;

the operating performance and financial results of our semiconductor business;

the timing and extent of recoveries from the sale of inventory and manufacturing equipment relating to our exit from the solar panel manufacturing business;

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delays in the delivery and availability of components, services and materials, including from suppliers upon which we are dependent for certain components;

non-performance by counterparties (including our ability to recover amounts outstanding from a former solar supplier);

our financial exposure to foreign currency volatility, including fluctuations that may result from Brexit and/or the recent U.S. presidential election;

our dependence on industries affected by rapid technological change;

the variability of revenue and operating results;

managing our global operations and supply chain;

increasing income taxes, tax audits, and challenges of defending our tax positions, and obtaining, renewing or meeting the conditions of tax incentives and credits;

completing restructuring actions, including achieving the anticipated benefits therefrom, and integrating any acquisitions;

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defects or deficiencies in our products, services or designs;

computer viruses, malware, hacking attempts or outages that may disrupt our operations;

any failure to adequately protect our intellectual property or the intellectual property of others;

compliance with applicable laws, regulations and social responsibility initiatives;

our having sufficient financial resources and working capital to fund currently anticipated financial obligations and to pursue desirable business opportunities;

the potential that conditions to closing the Toronto Real Property Transactions may not be satisfied on a timely basis or at all; and

if the Toronto Real Property Transactions are completed, our ability to secure on commercially acceptable terms an alternate site for our existing Toronto manufacturing operations, and the costs, timing and/or execution of such relocation proving to be other than anticipated.

These and other material risks and uncertainties are discussed in our public filings, which can be found at www.sedar.com and www.sec.gov, including in this Annual Report, and subsequent reports on Form 6-K furnished to the U.S. Securities and Exchange Commission, and as applicable, the Canadian Securities Administrators.

Our forward-looking statements are based on various assumptions, many of which involve factors that are beyond our control. Our material assumptions include those related to:

production schedules from our customers, which generally range from 30 days to 90 days and can fluctuate significantly in terms of volume and mix of products or services;

the timing and execution of, and investments associated with, ramping new business;

the success in the marketplace of our customers' products;

the pace of change in our traditional end markets and our ability to retain programs and customers;

the stability of general economic and market conditions, currency exchange rates and interest rates;

our pricing, the competitive environment and contract terms and conditions;

supplier performance, pricing and terms;

compliance by third parties with their contractual obligations, the accuracy of their representations and warranties, and the performance of their covenants;

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the costs and availability of components, materials, services, plant and capital equipment, labor, energy and transportation;

operational and financial matters, including the extent, timing and costs of replacing revenue from completed or lost programs, or customer disengagements;

technological developments;

the timing and extent of recoveries from the sale of inventory and manufacturing equipment related to our exit from the solar panel manufacturing business, and our ability to recover amounts outstanding from a former solar supplier;

the timing, execution and effect of restructuring actions;

our having sufficient financial resources and working capital to fund currently anticipated financial obligations and to pursue desirable business opportunities; and

our ability to diversify our customer base, and develop new capabilities.

Our assumptions and estimates are based on management's current views with respect to current plans and events, and are and will be subject to the risks and uncertainties discussed above and elsewhere in this Annual

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Report. While management believes these assumptions to be reasonable under current circumstances, they may prove to be inaccurate.

Forward-looking statements speak only as of the date on which they are made, and we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. You should read this Annual Report, and the documents, if any, that we incorporate herein by reference, with the understanding that our actual future results may be materially different from what we expect. All forward-looking statements attributable to us are expressly qualified by the cautionary statements contained in this Annual Report.

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

You should read the following selected financial data together with Item 5, "Operating and Financial Review and Prospects", the Consolidated Financial Statements in Item 18 and the other information in this Annual Report. The selected financial data presented below is derived from our Consolidated Financial Statements, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). See Item 18. No dividends have been declared by the Corporation.

| | Year ended December 31 | | | | |
|--|---|------------|------------|------------|------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| | (in millions, except per share amounts) | | | | |
| Consolidated Statements of Operations Data⁽¹⁾: | | | | | |
| Revenue | \$ 6,507.2 | \$ 5,796.1 | \$ 5,631.3 | \$ 5,639.2 | \$ 6,016.5 |
| Cost of Sales ⁽¹⁾ | 6,068.8 | 5,406.6 | 5,225.9 | 5,248.1 | 5,588.9 |
| Gross profit ⁽¹⁾ | 438.4 | 389.5 | 405.4 | 391.1 | 427.6 |
| Selling, general and administrative expenses (SG&A), including research and development ⁽²⁾ | 252.2 | 239.7 | 230.0 | 230.7 | 236.0 |
| Amortization of intangible assets | 11.3 | 12.2 | 10.6 | 9.2 | 9.4 |
| Other charges ⁽³⁾ | 59.5 | 4.0 | 37.1 | 35.8 | 25.5 |
| Earnings from operations ⁽¹⁾ | 115.4 | 133.6 | 127.7 | 115.4 | 156.7 |
| Refund Interest Income ⁽⁴⁾ | | | | | (14.3) |
| Finance costs ⁽⁵⁾ | 3.5 | 2.9 | 3.1 | 6.3 | 10.0 |
| Earnings before income taxes ⁽¹⁾ | 111.9 | 130.7 | 124.6 | 109.1 | 161.0 |
| Income tax expense (recovery) | (5.8) | 12.7 | 16.4 | 42.2 | 24.7 |
| Net earnings ⁽¹⁾ | \$ 117.7 | \$ 118.0 | \$ 108.2 | \$ 66.9 | \$ 136.3 |
| Other Financial Data: | | | | | |
| Basic earnings per share | \$ 0.56 | \$ 0.64 | \$ 0.61 | \$ 0.43 | \$ 0.96 |
| Diluted earnings per share | \$ 0.56 | \$ 0.64 | \$ 0.60 | \$ 0.42 | \$ 0.95 |
| Property, plant and equipment and computer software cash expenditures | \$ 105.9 | \$ 52.8 | \$ 61.3 | \$ | \$ |