

PIONEER NATURAL RESOURCES CO

Form 424B5

January 05, 2016

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**Filed Pursuant to Rule 424(b)(5)
Registration No. 333-196430**

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are part of an effective registration statement filed with the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell the securities described herein, and they are not soliciting an offer to buy these securities, in any state or jurisdiction where such offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus Supplement dated January 5, 2016

PROSPECTUS SUPPLEMENT

(To prospectus dated May 30, 2014)

10,500,000 Shares

Pioneer Natural Resources Company

Common Stock

We are offering 10,500,000 shares of our common stock. We have granted the underwriters the option to purchase up to an additional 1,575,000 shares from us, at the price per share set forth below, for 30 days after the date of this prospectus.

Our common stock is listed on the New York Stock Exchange under the symbol PXD. On January 4, 2016, the last sales price of our common stock as reported on the New York Stock Exchange was \$124.35 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-3 of this prospectus supplement.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	\$	\$
Underwriting Discount	\$	\$
Proceeds to Pioneer Natural Resources Company (before expenses)	\$	\$

The underwriters expect to deliver the shares to purchasers on or about January , 2016.

Joint Book-Running Managers

BofA Merrill Lynch

Citigroup

Credit Suisse

J.P. Morgan

January , 2016.

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on the information provided in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus we may authorize to be delivered to you or to which we have referred you. We have not authorized anyone to provide you with different information. This document may only be used where it is legal to sell these securities. The information in this prospectus supplement, the accompanying prospectus and any free writing prospectus we may authorize to be delivered to you may only be accurate as of the respective dates thereof. Our business, financial condition and results of operations may have changed since then.

We provide information to you about this offering of our common stock in two separate documents that are bound together: (1) this prospectus supplement, which describes the specific details regarding this offering and (2) the accompanying prospectus, which provides general information, some of which may not apply to this offering. Generally, when we refer to this prospectus, we are referring to both documents combined. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should carefully read this prospectus supplement and the accompanying prospectus, including the information incorporated by reference in this prospectus, before you invest. These documents contain information you should consider before making your investment decision.

Unless the context otherwise requires or we indicate otherwise, all references to we, us or our in this prospectus mean Pioneer Natural Resources Company and its consolidated subsidiaries. For the definitions of certain oil and gas terms, see Definitions of Certain Terms and Conventions Used Herein in our Annual Report on Form 10-K for the year ended December 31, 2014 (our 2014 Annual Report).

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SUMMARY

This summary highlights selected information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference. It does not contain all of the information you should consider before making an investment decision. You should read this entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of our business and this offering. Please read the section entitled Risk Factors commencing on page S-3 of this prospectus supplement and additional information contained in our 2014 Annual Report and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015, June 30, 2015, and September 30, 2015, which are incorporated by reference in this prospectus supplement, for more information about important factors you should consider before investing in our common stock in this offering.

Our Company

We are a large independent oil and gas exploration and production company operating in the United States, with continuing field operations primarily in the Permian Basin in West Texas, the Eagle Ford Shale play in South Texas, the Raton field in southeastern Colorado, and the West Panhandle field in the Texas Panhandle.

Our growth plan is primarily anchored by horizontal drilling in the Spraberry/Wolfcamp oil field located in West Texas and the liquid-rich Eagle Ford Shale field located in South Texas. Complementing these growth areas, we have oil and gas production activities and development opportunities in the Raton gas field located in southeastern Colorado, the West Panhandle gas and liquids field located in the Texas Panhandle and the Edwards gas field located in South Texas. Combined, these assets create a portfolio of resources and opportunities that are well-balanced and diversified among oil, natural gas liquids and gas, and that are also well-balanced among long-lived, dependable production and lower-risk exploration and development opportunities. We have a team of dedicated employees who represent the professional disciplines and sciences that we believe are necessary to allow us to maximize the long-term profitability and net asset value inherent in our physical assets.

Our executive offices are located at 5205 N. O Connor Blvd., Suite 200, Irving, Texas 75039, and our telephone number is (972) 444-9001. Our website is www.pxd.com. The information contained in this website is not part of this prospectus supplement or the accompanying prospectus.

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THE OFFERING

Issuer	Pioneer Natural Resources Company
Shares of our common stock offered	10,500,000 shares (12,075,000 shares if the underwriters exercise their option to purchase additional shares in full)
Shares of our common stock outstanding following this offering(1)	160,007,702 shares (161,582,702 shares if the underwriters exercise their option to purchase additional shares in full)
Use of proceeds	We estimate that the net proceeds from this offering will be approximately \$ (or \$ if the underwriters exercise their option to purchase additional shares in full), after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds for general corporate purposes, including continuing to develop our acreage position in the Spraberry/Wolfcamp play in West Texas. See Use of Proceeds.
New York Stock Exchange symbol	PXD

(1) The number of shares of our common stock to be outstanding immediately after this offering as shown above is based on 149,507,702 shares outstanding as of December 31, 2015, and excludes:

1,656,862 shares of our common stock potentially issuable as of December 31, 2015, pursuant to awards held by our directors, officers and employees under our stock compensation plans; and

2,264,663 shares of our common stock available for future issuance as of December 31, 2015, under our 2006 Long-Term Incentive Plan and our Employee Stock Purchase Plan.

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RISK FACTORS

An investment in our common stock involves risk. You should consider carefully the risks discussed below as well as those described under Risk Factors beginning on page 2 of the accompanying prospectus and in the documents we have incorporated by reference herein, including our 2014 Annual Report and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015, June 30, 2015, and September 30, 2015, together with all of the other information included in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus, before making a decision whether to invest in our common stock. If any of the described risks actually were to occur, our business, financial condition or results of operations could be affected materially and adversely. In that case, the trading price of our common stock could decline and you could lose all or part of your investment.

Risks Related to this Offering and Our Common Stock

The market price of our common stock has fluctuated substantially in the past and is likely to fluctuate in the future.

The market price of our common stock has historically varied greatly. For example, during the period beginning on January 1, 2013, and ending on January 4, 2016, our common stock has traded as high as \$234.60 and as low as \$105.83 per share. The market price of our common stock is likely to continue to be volatile because of numerous factors, including:

changes in domestic and worldwide supply of and demand for oil, natural gas liquids and gas;

quarterly fluctuations in our operating results and those of our competitors;

changes in stock market analysts' estimates of our future performance and the future performance of our competitors;

sales of a high volume of shares of our common stock by our stockholders;

events affecting other companies that the market deems comparable to us;

general conditions in the industries in which we operate; and

general economic conditions in the United States and other countries.

Volatility of our common stock may make it difficult for you to resell shares of our common stock when you want or at attractive prices.

Although our board of directors has declared semiannual dividends on our common stock in recent years, we may not pay cash dividends in the future.

Although we have paid cash dividends on our common stock in the past, our board of directors may not declare dividends in the future or may reduce the amount of dividends paid in the future. Any payment of future dividends will be at the discretion of our board of directors and will depend on our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends, and other considerations that our board of directors deems relevant.

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Some provisions of our charter documents and Delaware law may inhibit a takeover, which could limit the price investors might be willing to pay in the future for our common stock.

Some provisions in our certificate of incorporation and bylaws may have the effect of delaying, discouraging or preventing an acquisition of our company or a merger in which we are not the surviving company and may otherwise prevent or slow changes in our board of directors and management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits business combinations between us and one or more significant stockholders unless specified conditions are met. These provisions could discourage an acquisition of our company or other change in control transaction, whether or not it is desired or beneficial to our stockholders, and thereby negatively affect the price that investors might be willing to pay in the future for our common stock. In addition, to the extent that these provisions discourage an acquisition of our company or other change in control transaction, they could deprive stockholders of opportunities to realize takeover premiums for their shares of our common stock.

There may be future dilution of our common stock, which could adversely affect the market price of our common stock.

We are not restricted from issuing additional shares of our common stock. In the future, we may issue shares of our common stock to raise cash for future drilling activities or acquisitions. We may also acquire interests in other companies by using a combination of cash and our common stock or just our common stock. We may also issue securities convertible into, or exchangeable for, or that represent the right to receive, our common stock. Any of these events may dilute your ownership interest in our company, reduce our earnings per share and have an adverse effect on the price of our common stock. In addition, sales of a substantial amount of our common stock in the public market, or the perception that these sales may occur, could reduce the market price of our common stock.

Risks Related to Our Business

In addition to the risks set forth in this prospectus supplement, our business is subject to numerous risks and uncertainties that could materially affect our business, financial condition or future results. These risks are discussed in our annual and quarterly reports and other documents we file with the Securities and Exchange Commission (the SEC). You should carefully consider these risks before investing in our common stock. See [Where You Can Find More Information](#).

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents we incorporate by reference contain statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The forward-looking statements speak only as of the date made, and we undertake no obligation to update forward-looking statements. These forward-looking statements may be identified by the use of the words believe, expect, anticipate, will, contemplate, would and similar expressions that contemplate future events. These statements appear in a number of places in the documents we incorporate by reference. All statements other than statements of historical fact included or incorporated in this prospectus supplement or the accompanying prospectus, including statements regarding the financial position, business strategy, production and reserve growth and other plans and objectives for our future operations, are forward-looking statements.

Although we believe that such forward-looking statements are based on reasonable assumptions, we give no assurance that our expectations will in fact occur. Important factors could cause actual results to differ materially from those in the forward-looking statements, including factors identified in our periodic reports incorporated in this prospectus supplement and the accompanying prospectus by reference. Forward-looking statements are subject to risks and uncertainties and include information concerning general economic conditions and possible or assumed future results of operations, estimates of oil and gas production and proved reserves, drilling plans, future cash flows, anticipated capital expenditures, the level of future expenditures for environmental costs, and our management's strategies, plans and objectives.

All forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately \$ (or \$ if the underwriters exercise their option to purchase additional shares in full), after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering for general corporate purposes, including continuing to develop our acreage position in the Spraberry/Wolfcamp play in West Texas.

While we have identified the expected uses for the net proceeds of this offering, we have not fully determined the specific amounts we plan to spend on any of the particular uses listed above or the timing of these expenditures. As a result, our management will have broad discretion to allocate the net proceeds from this offering, and investors will be relying on the judgment of our management with regard to the use of these net proceeds.

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The following table sets forth, as of September 30, 2015, our cash and cash equivalents and capitalization:

on a historical basis;

on an as-adjusted basis to reflect our issuance and sale on December 7, 2015, of \$500 million aggregate principal amount of our 3.45% senior notes due 2021 and \$500 million aggregate principal amount of our 4.45% senior notes due 2026 in an underwritten offering and the application of the net proceeds therefrom to increase our cash balance (the "December 2015 Notes Issuance"); and

on an as-further-adjusted basis to reflect the completion of this offering and our application of the estimated net proceeds from this offering in the manner described in "Use of Proceeds," assuming no exercise of the underwriters' option to purchase additional shares.

The following table is unaudited and should be read in conjunction with, and is qualified in its entirety by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited consolidated interim financial statements and the related notes thereto in our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015, which is incorporated by reference into this prospectus supplement.

	Historical	September 30, 2015 As Adjusted for the December 2015 Notes Issuance (in millions)	As Further Adjusted for this Offering
Cash and cash equivalents	\$ 581	\$ 1,573	\$
Long-term debt:			
Credit facility of Pioneer Natural Resources Company	\$	\$	\$
5.875% senior notes due 2016	455	455	455
6.65% senior notes due 2017	485	485	485
6.875% senior notes due 2018	450	450	450
7.50% senior notes due 2020	450	450	450
3.45% senior notes due 2021		500	500
3.95% senior notes due 2022	600	600	600
4.45% senior notes due 2026		500	500
7.20% senior notes due 2028	250	250	250
	2,690	3,690	3,690
Issuance discounts	(15)	(17)	(17)
Total long-term debt	2,675	3,673	3,673

Stockholders equity:			
Common Stock, \$.01 par value (a)	2	2	
Additional paid-in capital	6,250	6,250	
Treasury stock, at cost (b)	(199)	(199)	(199)
Retained earnings	2,921	2,921	2,921
Total stockholders equity attributable to common stockholders	8,974	8,974	
Noncontrolling interest in consolidated subsidiaries	7	7	7
Total equity	8,981	8,981	
Total capitalization	\$ 11,656	\$ 12,654	\$

(a) 500,000,000 shares authorized; 152,774,139 shares issued and 149,377,939 shares outstanding as of September 30, 2015.

(b) 3,396,200 shares as of September 30, 2015.

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Our common stock trades on the New York Stock Exchange under the symbol PXD. The following table shows, for the periods indicated, the high and low sales prices for our common stock, as reported on the New York Stock Exchange.

	Sales Price	
	High	Low
2013:		
First quarter	\$ 133.68	\$ 107.29
Second quarter	\$ 157.81	\$ 109.18
Third quarter	\$ 190.15	\$ 146.19
Fourth quarter	\$ 227.42	\$ 172.60
2014:		
First quarter	\$ 205.89	\$ 163.90
Second quarter	\$ 234.20	\$ 177.53
Third quarter	\$ 234.60	\$ 193.03
Fourth quarter	\$ 199.56	\$ 127.31
2015		
First quarter	\$ 167.30	\$ 133.95
Second quarter	\$ 181.97	\$ 136.18
Third quarter	\$ 140.08	\$ 105.83
Fourth quarter	\$ 150.00	\$ 114.40
2016		
First quarter (through January 4, 2016)	\$ 127.09	\$ 122.04

The last sales price of our common stock on January 4, 2016 was \$124.35 per share, as reported on the New York Stock Exchange.

As of December 31, 2015, there were approximately 12,120 holders of record of our common stock.

DIVIDEND POLICY

During each of 2015, 2014 and 2013, our board of directors declared semiannual dividends of \$0.04 per common share. Any payment of future dividends will be at the discretion of our board of directors and will depend on our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends, and other considerations that our board of directors deems relevant.

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Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC are acting as joint book-running managers of the offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each of the underwriters named below has severally agreed to purchase, and we have agreed to sell to that underwriter, the number of shares set forth opposite the underwriter's name.

<u>Underwriter</u>	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Citigroup Global Markets Inc.	
Credit Suisse Securities (USA) LLC	
J.P. Morgan Securities LLC	
Total	10,500,000

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares (other than those covered by the underwriters' option to purchase additional shares described below) if they purchase any of the shares.

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any shares sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price not to exceed \$ _____ per share. If all the shares are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 1,575,000 additional shares at the public offering price less the underwriting discount. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter's initial purchase commitment. Any shares issued or sold under the option will be issued and sold on the same terms and conditions as the other shares that are the subject of this offering.

We and our executive officers and directors have agreed, with certain limited exceptions, that, for a period of 60 days from the date of this prospectus supplement, we and they will not, without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc., dispose of or hedge any shares or any securities convertible into or exchangeable for our common stock. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc., in their sole discretion, may release any of the securities subject to these lock-up agreements at any time without notice. Beginning on the 21st day from the date of the prospectus supplement, an aggregate of up to 350,000 shares may be sold by our executive officers and our directors without restriction by the lock-up provision.

The shares are listed on the New York Stock Exchange under the symbol PXD.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	No Exercise	Full Exercise
Per share	\$	\$
Total	\$	\$

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We estimate that our portion of the total expenses of this offering will be \$575,000.

In connection with the offering, the underwriters may purchase and sell shares of our common stock in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the underwriters' option to purchase additional shares, and stabilizing purchases.

Short sales involve secondary market sales by the underwriters of a greater number of shares than they are required to purchase in the offering.

Covered short sales are sales of shares in an amount up to the number of shares represented by the underwriters' option to purchase additional shares.

Naked short sales are sales of shares in an amount in excess of the number of shares represented by the underwriters' option to purchase additional shares.

Covering transactions involve purchases of shares either pursuant to the underwriters' option to purchase additional shares or in the open market in order to cover short positions.

To close a naked short position, the underwriters must purchase shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

To close a covered short position, the underwriters must purchase shares in the open market or must exercise the underwriters' option to purchase additional shares. In determining the source of shares to close the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the underwriters' option to purchase additional shares.

Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the shares. They may also cause the price of the shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Other Relationships

The underwriters are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they

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may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. In addition, certain of the underwriters and their affiliates may be lenders, and in some cases, agents or managers for the lenders, under our credit facility. If any of the underwriters or their affiliates have a lending relationship with us, certain of those underwriters or their affiliates routinely hedge, and certain other of those underwriters may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities. Any such credit default swaps or short positions could adversely affect future trading prices of our common stock. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area, no offer of ordinary shares which are the subject of the offering has been, or will be made to the public in that Member State, other than under the following exemptions under the Prospectus Directive:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Representatives for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, *provided* that no such offer of ordinary shares referred to in (a) to (c) above shall result in a requirement for us or any representative to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person located in a Member State to whom any offer of ordinary shares is made or who receives any communication in respect of an offer of ordinary shares, or who initially acquires any ordinary shares will be deemed to have represented, warranted, acknowledged and agreed to and with each representative and us that (1) it is a qualified investor within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive; and (2) in the case of any ordinary shares acquired by it as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, the ordinary shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Representatives has been given to the offer or resale; or where ordinary shares have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those ordinary shares to it is not treated under the Prospectus Directive as having been made to such persons.

We, the representatives and their respective affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements.

This prospectus supplement has been prepared on the basis that any offer of shares in any Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Member

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State of shares which are the subject of the offering contemplated in this prospectus supplement may only do so in circumstances in which no obligation arises for us or any of the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the representatives have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for us or the representatives to publish a prospectus for such offer.

For the purposes of this provision, the expression an offer of ordinary shares to the public in relation to any ordinary shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the ordinary shares to be offered so as to enable an investor to decide to purchase or subscribe the ordinary shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in each Member State.

The above selling restriction is in addition to any other selling restrictions set out below.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are qualified investors (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Prospective Investors in France

Neither this prospectus supplement nor any other offering material relating to the shares described in this prospectus supplement has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus supplement nor any other offering material relating to the shares has been or will be:

released, issued, distributed or caused to be released, issued or distributed to the public in France; or

used in connection with any offer for subscription or sale of the shares to the public in France. Such offers, sales and distributions will be made in France only:

to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with

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articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*;

to investment services providers authorized to engage in portfolio management on behalf of third parties;
or

in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

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The shares may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Notice to Prospective Investors in Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (SIX) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, us, or the shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (CISA). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus supplement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (DFSA). This prospectus supplement is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement nor taken steps to verify the information set forth herein and has no responsibility for the prospectus supplement. The shares to which this prospectus supplement relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus supplement you should consult an authorized financial advisor.

Notice to Prospective Investors in Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission (ASIC), in relation to the offering. This prospectus supplement does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the Corporations Act), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons (the Exempt Investors) who are sophisticated investors (within the meaning of section 708(8) of the Corporations Act), professional investors (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under

Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

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This prospectus supplement contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus supplement is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Notice to Prospective Investors in Hong Kong

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory autm" width="1%" style="TEXT-ALIGN: left"> (138%) (151%)

S&P 1500 EMS

(11%) (10%) (14%) (11%) (37%) (80%) (155%) (40%) (62%) (47%)

This election is a referendum on BHE’s long-tenured incumbent directors Bernee Strom, Clay Williams, and Michael Dawson, who have overseen a nearly unbroken string of long-term underperformance. BHE’s attempt to focus on a single date, which has no relevance to the tenure of the incumbent directors we are seeking to replace, speaks volumes. It also ignores the fact that Gayla Delly has been President of the Company since 2006 and an executive officer since 2001.

Quote: “Shareholders have benefited substantially from our ability to increase our proportion of higher-value markets in our business mix from 32% of total revenue in 2007 to 55% in 2015.”

Fact: Since 2007, BHE shares have underperformed the EMS peer group average by 30%. We do not see how BHE can claim shareholders have “benefited substantially” from long-term underperformance. Shareholders only benefit from mix changes, revenue growth and margin expansion if it results in actual share price outperformance. Clearly the Board and management have failed to provide shareholders any meaningful return on their investment.

Quote: “When you examine our performance using what we believe are the most relevant and unbiased criteria, you see clearly that we have outperformed our peer group, contrary to Engaged Capital's claims.”

Engaged comment: We believe long -term total shareholder return is the most important “relevant and unbiased [criterion]” and we find it hard to believe that any shareholder can “see clearly” the alleged outperformance the Company asserts.

BENCHMARK’S FLAWED INCENTIVE COMPENSATION PROGRAM

Quote: “[ROIC] is a poor short-term incentive metric since (a) it is difficult to meaningfully impact ROIC in the short-term and (b) including it as a short-term metric can discourage management from making smart long-term investment decisions that enhance shareholder value.”

Fact: BHE has the lowest ROIC² in the Company's EMS peer group and every one of BHE's EMS peers includes ROIC in short-term incentive compensation. If ROIC is such a poor short-term incentive compensation metric, why does every peer who uses it in short-term compensation have a higher ROIC than BHE? Additionally, BHE's long-term underperformance vs. peers – who all include ROIC in short-term incentive compensation – contradicts the Company's puzzling assertion that using ROIC as a short-term performance metric might somehow inhibit long-term shareholder value creation.

Quote: "Our compensation construct, which importantly includes cash as capital in the ROIC calculation, was explicitly designed to incentivize management not to hoard cash on the balance sheet by counting un-invested capital against management. Instead, the policy incentivizes management to deploy capital where it can earn a high return and to return excess capital to shareholders, shrinking the capital base and increasing ROIC."

Fact #1: The Compensation Committee, which includes Messrs. Strom, Williams and Dawson, has reduced management's long-term ROIC target every year since 2011³, despite the fact that BHE's reported ROIC⁴ has increased over this time frame. We find it highly unusual and concerning that the Compensation Committee would be lowering management's performance hurdles while performance was improving. As a result, rather than "counting un-invested capital against management", the Compensation Committee continually lowered management's ROIC target as BHE's cash balance increased, which wholly defeats the purpose of using ROIC as a long-term performance target.

	2011		2012		2013		2014	
Company-Reported ROIC	6.3	%	8.9	%	9.6	%	10.1	%
Long-term Incentive Compensation ROIC Target	12.0	%	9.5	%	8.3	%	8.2	%

Fact #2: The Compensation Committee's seemingly flawed definition of ROIC including cash incentivizes management to deploy large amounts of cash at dilutive rates of return. Below we depict the impact of the acquisition of a low-return business on the Company's ROIC using both the universally-accepted definition, and the Compensation Committee's flawed definition:

2 ROIC defined as NOPAT (including the impact of stock-based compensation and excluding the impact of amortization expense) divided by average invested capital for the twelve-month period ended 12/31/2015.

3 Per BHE proxy statements 2012 through 2015.

4 Per BHE company presentation dated 11/12/2015.

Acquisition Example

	Pre-Cash Deployment	Dilutive Acquisition	Pro Forma
Avg. Equity	1,299		1,299
Avg. Debt	54		54
Invested Capital - BHE Compensation Committee Definition	1,353		1,353
Less: Avg. Cash	(430)	300	(130)
Invested Capital - Correct Definition	923		1,223
NOPAT	92	9	101
ROIC - BHE Compensation Committee Definition	6.8 %		7.5 %
ROIC - Correct Definition	10.0 %		8.2 %

As the example shows, if BHE were to acquire a clearly-dilutive 3% return business, ROIC would incorrectly increase under the Compensation Committee's flawed definition of ROIC. Additionally, a larger dilutive acquisition would wrongly have a greater positive impact on BHE's ROIC. Hence, the Compensation Committee is incentivizing poor capital allocation decisions. It is clear from the Company's letter to shareholders that the Compensation Committee does not understand this.

BENCHMARK'S UNSOPHISTICATED APPROACH TO CAPITAL ALLOCATION

Quote: "As all companies in our sector have discovered as they try to transition to higher-value markets, generally we must pay multiples higher than EMS sector trading multiples because higher-value businesses like Secure have inherently different business, growth and margin profiles. By contrast, under Engaged Capital's flawed logic, no company should ever pay a premium for a strategic, growth- and margin-enhancing acquisition."

Fact #1: While BHE is correct in asserting that acquiring business with higher growth and margins will typically require paying higher multiples, BHE's acquisition of Secure Technology ("Secure") represents the highest revenue multiple paid for any material acquisition⁵ in the EMS sector since 2010.

⁵ Acquisitions over \$50M. Data per FactSet, company filings, transcripts and presentations.

Announce Date	Acquiror	Target	Price Paid	Revenue	EV/Sales
2015-10-22	BHE	Secure Technology	230	100	2.30x
2015-09-08	FLEX	NEXTracker, Inc.	330	400	0.83x
2015-04-29	FLEX	Mirror Controls International CTS Electronics Manufacturing Solutions	494	216	2.29x
2013-10-02	BHE	Solutions	75	200	0.38x
2013-02-04	JBL	Nypro, Inc.	665	1,000	0.67x
2012-12-03	FLEX	Saturn Electronics & Engineering	209	300	0.70x
2012-07-27	CLS	D&H Manufacturing Co.	70	80	0.88x
2011-08-25	JBL	Telmar Network Technology, Inc.	129	145	0.89x
2011-04-21	CLS	Brooks Automation Semiconductor	80	270	0.30x
2010-04-26	SANM	BreconRidge Corp.	53	180	0.29x
Average ex-Secure:					0.80x
Median ex-Secure:					0.70x

We believe our definition of disciplined capital allocation is simple: allocate capital to the highest risk-adjusted return, with share repurchases representing the benchmark for alternative uses of capital. We fully support any acquisitions that clear this bar – however, BHE’s acquisition of Secure fails to meet this hurdle.

Further, a disciplined approach to capital allocation dictates that, when acquiring an asset for a premium multiple, the acquirer must have a clear path to realizing that value in the Company’s stock price. In BHE’s case, we do not view acquiring Secure for over 12x LTM EBITDA⁶ when the core business was trading at ~4x EBITDA and below tangible book value on the date of the announcement as an example of disciplined capital allocation – especially when over 80% of Secure’s revenue is generated from services outside of BHE’s core EMS market⁷.

We would also note, at our prior firm, acquisitive companies such as Zimmeri, Harman Internationalii, and CVS Caremarkiii adopted our capital allocation discipline to great success, rather than viewing it as “flawed logic”.

Fact #2: Despite paying over 12x LTM EBITDA for Secure, BHE’s EV / EBITDA multiple has not appreciably changed⁸ since the acquisition – indicating to us that investors are not assigning a significant premium to Secure.

Quote: “In the EMS sector, premium valuation multiples are highly correlated to business mix, revenue growth and margin enhancement, and poorly correlated to ROIC.”

Fact: The Company’s assertion is inaccurate. As the table below shows, not only do business mix, revenue growth and margins in and of themselves show little to no correlation with valuation multiples in the EMS industry, ROIC is the metric most correlated with any meaningful valuation multiple⁹.

⁶ Based on LTM revenue of \$100M per BHE’s Q3:2015 earnings presentation, and the Company’s disclosure in its 4/6/2016 letter to shareholders that Secure EBITDA margins are approximately 3x that of BHE’s core business.

⁷ Per BHE’s Q3:2015 earnings call.

⁸ Data per FactSet. EV / NTM EBITDA multiple of 4.73x as of 10/21/2015 vs. EV / NTM EBITDA multiple of 4.96x as of 4/6/2016. BHE’s current NTM EBITDA estimate adjusted to account for \$8M of amortization expense associated with the acquisition of Secure not accounted for in analysts’ estimates.

R-Squared Correlation of Financial Metrics to Valuation for EMS Companies

	P / TB	EV / NTM EBITDA	NTM P/E ex-cash
ROIC	0.82	0.00	0.18
Revenue Growth	0.05	0.14	0.08
Operating Margin	0.32	0.00	0.00
Non-Traditional Revenue Mix	0.14	0.15	0.23

It is ironic that the Company would accuse us of “unfamiliarity with the EMS industry”, when their own supposition (presented without evidence, we would note) about the correlation of valuation and key financial metrics is not supported by the data.

Additionally, we are troubled that the Company would assert that one of the core tenets of asset valuation theory – the positive relationship between ROIC and valuation – somehow does not apply to the EMS industry; especially when analysts who cover the EMS industry assert “cash returns on cash invested and ROIC are key metrics.”¹⁰

IT IS TIME INCUMBENT DIRECTORS ARE HELD ACCOUNTABLE

BHE’s long-term underperformance, flawed incentive compensation structure, and unsophisticated approach to capital allocation are, in our view, symptoms of ossified incumbent directors who have failed in their duty to represent shareholders’ interests. Our highly-qualified candidates, who are fully aligned with shareholders’ interests, bring the necessary skills and expertise to fix BHE’s inefficient working capital, bring discipline to capital allocation, and would work diligently to correct management’s flawed incentive compensation program and improve investor communications. Vote today to let the Board know: “The time for change is now!”

VOTE FOR OUR HIGHLY QUALIFIED SLATE OF DIRECTORS TO CREATE VALUE AT
BENCHMARK ELECTRONICS

PLEASE SIGN, DATE AND MAIL THE ENCLOSED BLUE PROXY CARD TODAY

Thank you for your support,

/s/ Glenn W. Welling

Glenn W. Welling

9 Calendar-year 2015 financial data per company filings for FLEX, JBL, CLS, SANM, PLXS, and BHE. FactSet valuation estimates as of 4/06/2016. EV / NTM EBITDA multiples adjusted to include stock compensation expense. P/E ex-net cash adjusted to include stock compensation expense, exclude amortization expense, and add-back net cash.

10 Mark Delaney, Goldman Sachs, “Technology: IT Supply Chain”. 3/12/2015.

If you have any questions, or require assistance with your vote, please contact Morrow & Co., LLC, toll-free at (800) 662-5200, call direct at (203) 658-9400 or email: engaged@morrowco.com

About Engaged Capital:

Engaged Capital, LLC (“Engaged Capital”) was established in 2012 by a group of professionals with significant experience in activist investing in North America and was seeded by Grosvenor Capital Management, L.P., one of the oldest and largest global alternative investment managers. Engaged Capital is a limited liability company owned by its principals and formed to create long-term shareholder value by bringing an owner’s perspective to the managements and boards of undervalued public companies. Engaged Capital manages both a long-only and long/short North American equity fund. Engaged Capital’s efforts and resources are dedicated to a single investment style, “Constructive Activism” with a focus on delivering superior, long-term, risk-adjusted returns for investors. Engaged Capital is based in Newport Beach, California.

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SOURCE: Engaged Capital, LLC

i “We remain committed to returning cash to stockholders while still pursuing other alternatives for investment and evaluating, as we said before, alternative uses of capital. We will continue to apply rigorous discipline, including, as an example, benchmarking long-term accretion and earnings and return on invested capital against share repurchases.” – Zimmer, Credit Suisse healthcare conference, 11/09/2011.

ii “We believe in investing in accretive acquisitions and you've seen us demonstrate that with a couple of acquisitions we've talked about in the past. Also, we definitely invest in organic growth with our CapEx, and we look for 20% returns or higher. We plan to consistently give a dividend at the current rate or increase that rate. We benchmark all of this to a buyback.” Harman International Investor Day, 10/26/2011.

iii “In fact, these bolt-on acquisitions should enhance the operations and grow our core business. We will look for risk adjusted, return hurdles in the mid teens, that will ensure significant shareholder value creation. And importantly, we will pursue these acquisitions only if they offer the highest long-term return as compared to other alternatives for deploying capital.” CVS Investor Day, 10/08/2010.

Item 2: The following materials were posted by Engaged Capital to www.aeeperbench.com:
