Sanmina

Q3 FY'18 Results

July 30, 2018



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Concept to Delivery / Advanced Technology / Manufacturing & Global Supply Chain Solutions / Systems & Intelligence

Safe Harbor Statement

Certain statements made during this presentation, including the Company's outlook for and expected improvements in fourth quarter fiscal year 2018 results, constitute forward-looking statements within the meaning of the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those projected in these statements as a result of a number of factors, including adverse changes to the key markets we target; significant uncertainties that can cause our future sales and net income to be variable; reliance on a small number of customers for a substantial portion of our sales; risks arising from our international operations; and the other factors set forth in the Company's annual and quarterly reports filed with the Securities Exchange Commission ("SEC"). In addition, during the course of today's presentation, we will refer to certain non-GAAP financial information. The corresponding GAAP financial information and a reconciliation of the non-GAAP results disclosed during this presentation to the most directly comparable GAAP measures are included on slide 16 of this presentation.

The Company is under no obligation to (and expressly disclaims any such obligation to) update or alter any of the forward-looking statements made in this presentation, our earnings press release, the conference call or the Investor Relations section of our website whether as a result of new information, future events or otherwise, unless otherwise required by law.

Financial Results
(Unaudited)

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($ in millions, except per share data)	Three Month Period Q3'18	Q2'18	Q3'17
GAAP:			
Revenue	$1,813	$1,676	$1,711
Gross profit	$119	$115	$131
Operating expense	$71	$66	$64
Operating income	$47	$49	$67
Other expense	$6	$7	$4
Taxes	$7	$17	$26
Net income	$34	$25	$36
Diluted earnings per share	$0.47	$0.33	$0.47
Non-GAAP[(1)]:			
Revenue	$1,813	$1,676	$1,711
Gross profit	$117	$117	$133
Operating expense	$62	$65	$62
Operating income	$54	$52	$71
Other expense	$6	$7	$4
Taxes	$9	$8	$9
Net income	$40	$37	$58
Diluted earnings per share	$0.55	$0.50	$0.74

[(1)]Non-GAAP financial results exclude charges or gains relating to: stock-based compensation expenses, restructuring costs (including employee severance and benefits costs and charges related to excess facilities and assets), acquisition and integration costs (consisting of costs associated with the acquisition and integration of acquired businesses into our operations), asset impairment charges, amortization expense and amounts associated with distressed customers, litigation settlements, gains on sales of assets and redemptions of debt and adjustments for deferred tax and discrete tax items. Please refer to "Reconciliation of Non-GAAP Measures" on slide 16 of this presentation.

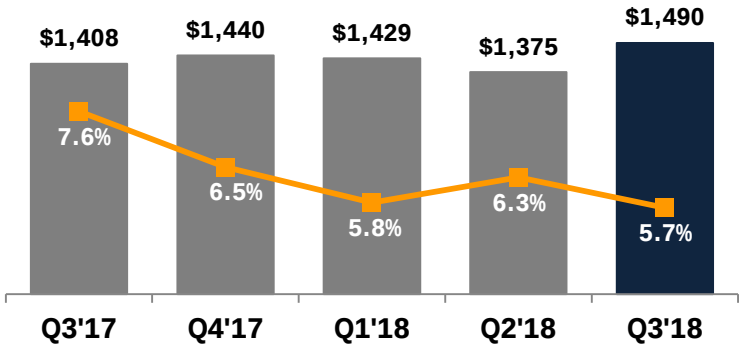
Numbers may not foot due to rounding.

Segment Reporting - Revenue and Non-GAAP Gross Margin*

($ in Millions)

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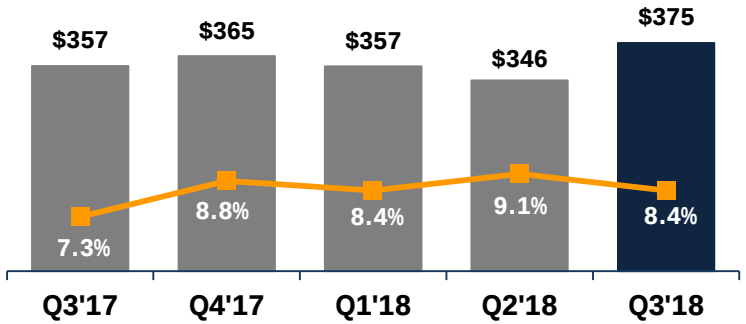
Integrated Manufacturing Solutions



Integrated Manufacturing Solutions

- PCB Assembly & Test
- Final System Assembly & Test
- Direct Order Fulfillment

Components, Products and Services



Components, Products & Services

- Components
  - Interconnect Systems
    - High Technology Printed Circuits
    - Backplane Assemblies
    - Cable Assemblies
  - Mechanical Systems
    - Precision Machining
    - Enclosures
    - Plastics
- Products
  - Computing & Storage
  - Defense & Aerospace
  - Memory & SSD Modules
  - Optical & RF Modules
- Services
  - Design & Engineering
  - Logistics
  - Repair

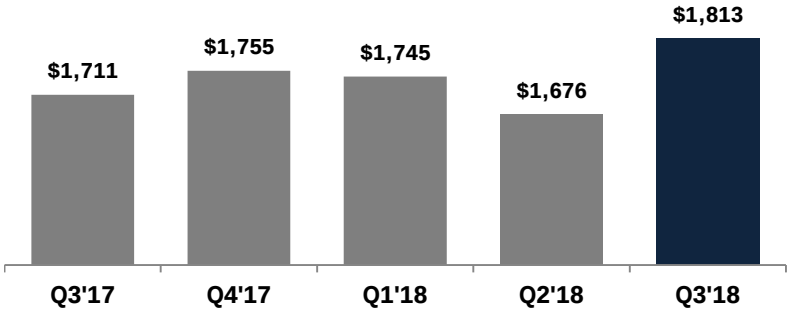
*Non-GAAP gross margin for IMS segment and CPS category includes inter-segment revenues that are eliminated under GAAP and excludes the same GAAP items that are excluded from the calculation of non-GAAP gross margin for the consolidated business. The reconciliation of non-GAAP gross margin for the consolidated business to GAAP gross margin is shown on slide 16.

Non-GAAP P&L Performance

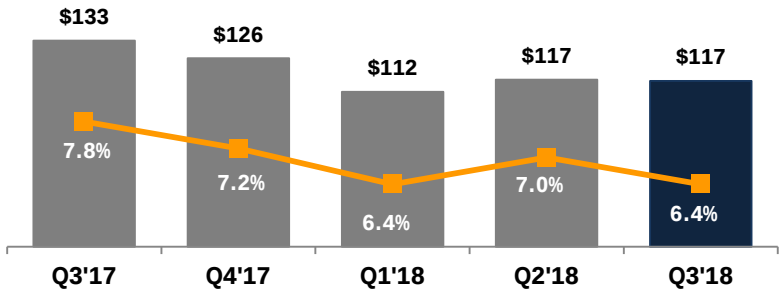
($ in Millions, except per share data)

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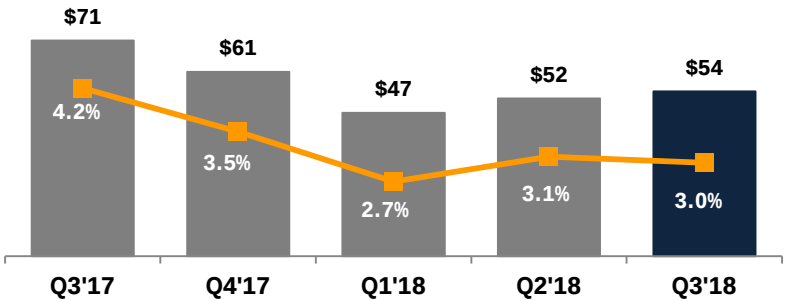
Revenue



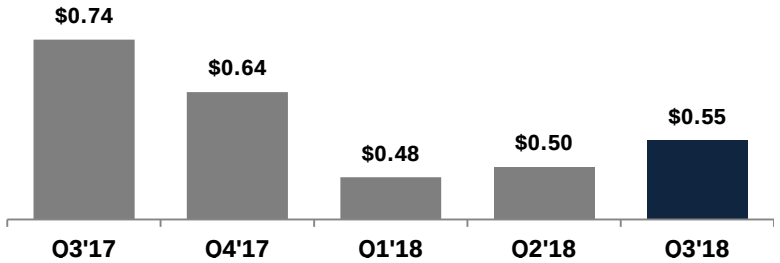
Gross Profit / Margin



Operating Income / Margin



Earnings Per Share



Summary Balance Sheet
($ in Millions)

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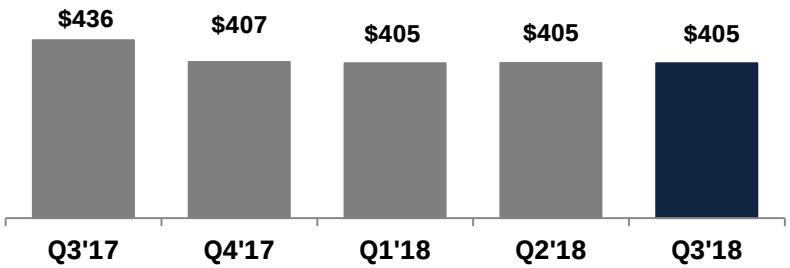
	6/30/18	3/31/18	9/30/17
Cash and cash equivalents	$405	$405	$407
Accounts receivable, net	1,154	1,088	1,110
Inventories	1,187	1,122	1,052
Property, plant and equipment, net	636	635	640
Deferred tax assets	346	355	477
Other assets	165	175	162
Total assets	$3,893	$3,779	$3,847
Accounts payable	$1,349	$1,224	$1,280
Short-term debt	611	244	88
Long-term debt	15	393	391
Other liabilities	441	455	440
Total stockholders' equity	1,477	1,463	1,648
Total liabilities and stockholders' equity	$3,893	$3,779	$3,847

Numbers may not foot due to rounding.

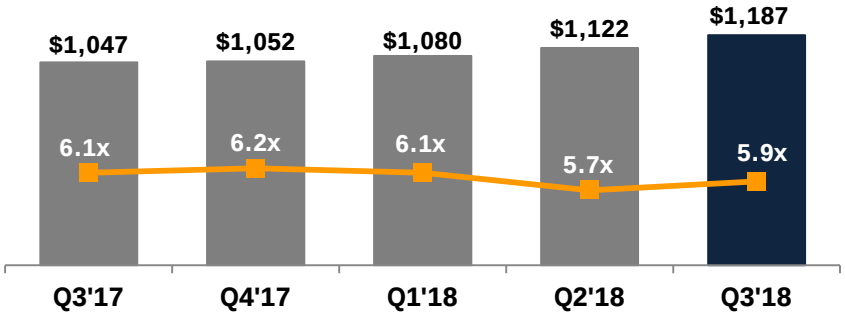
Balance Sheet Metrics
($ in Millions)

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Cash and Cash Equivalents

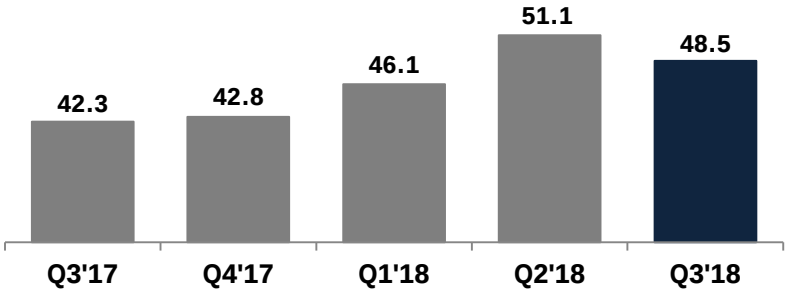


Inventory $ / Turns



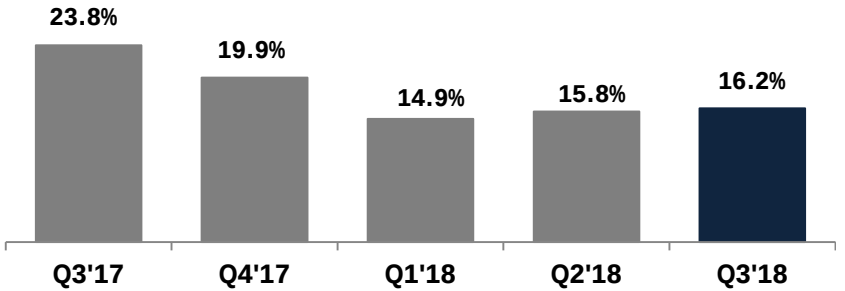
Inventory turns (annualized) are calculated as the ratio of four times non-GAAP cost of sales for the quarter to average inventory.

Cash Cycle Days



Cash cycle days is calculated as days inventory on hand (ratio of average inventory for the quarter to average daily non-GAAP cost of sales for the quarter) plus days sales outstanding (ratio of average net accounts receivable to average daily net sales for the quarter) minus accounts payable days (ratio of 365 days divided by accounts payable turns - ratio of four times non-GAAP cost of sales for the quarter to average accounts payable).

Non-GAAP Pre-Tax ROIC



Refer to slide 17 for non-GAAP pre-tax ROIC reconciliation.

Q4’18 Outlook

The following outlook is for the fourth fiscal quarter ending September 29, 2018. These statements are forward-looking and actual results may differ materially.

Revenue:	**$1.825B - $1.875B**
GAAP Diluted EPS[(1)] :	**$0.50 - $0.56**
Non-GAAP Diluted EPS:	**$0.63 - $0.69**

[(1)] Includes stock-based compensation expense of $0.11 and amortization of intangible asset expense of $0.02.

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CEO Remarks

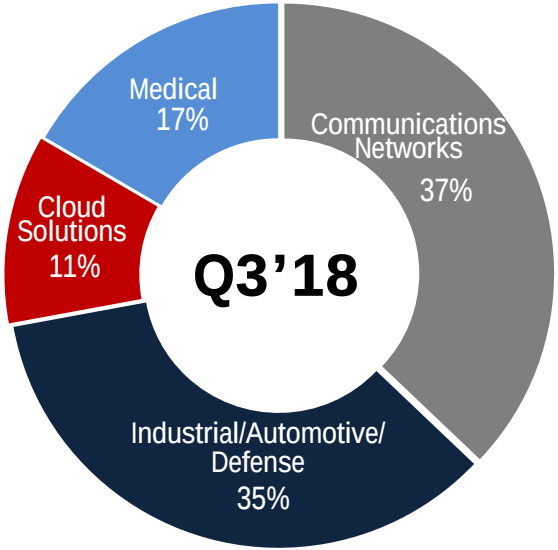
July 30, 2018



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Q3’18 Revenue Breakdown By End-Market



	Sequential Growth	Y-Y Growth	YTD Growth
Communications Networks (Networking, optical & wireless infrastructure)	4.8%	0.5%	3.0%
Industrial/Automotive/Defense (Industrial equipment, energy, oil and gas, LIDAR, infotainment, control systems and defense & aerospace)	7.0%	3.5%	0.1%
Medical (MRI, CT scan, blood glucose meters, infusion and ultrasound)	12.7%	29.8%	18.2%
Cloud Solutions (Cloud computing, storage systems, point-of-sale, casino gaming, set-top boxes)	18.2%	4.2%	(10.6%)
Total	8.2%	6.0%	2.4%

Top 10 Customers – 52.0% of Revenue

Q4’18 Expectations

Communications Networks (Networking, optical & wireless infrastructure)	Slightly ↓
Industrial/Automotive/Defense (Industrial equipment, energy, oil and gas, LIDAR, infotainment, control systems and defense & aerospace)	↑
Medical (MRI, CT scan, blood glucose meters, infusion and ultrasound)	↑
Cloud Solutions (Cloud computing, storage systems, point-of-sale, casino gaming, set-top boxes)	↑



Demand Remains Strong

Summary

- Q3’18
  - Strong revenue and good progress on new program ramps
  - Profit impacted by under-utilized capacity, and inefficiencies due to material shortages
- Q4’18
  - Demand remains strong
  - Improved profitability as we better utilize capacity and reduce our cost inefficiencies
  - Pipeline of new business remains solid across all segments
  - Begin to realize restructuring benefits

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Consolidated Financial Statements
Reconciliation of GAAP vs. Non-GAAP

Quarter Ended
June 30, 2018



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GAAP Condensed Consolidated Balance Sheet

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($ in thousands)	June 30, 2018 (Unaudited)	September 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 404,777	$ 406,661
Accounts receivable, net	1,153,930	1,110,334
Inventories	1,187,006	1,051,669
Prepaid expenses and other current assets	48,279	47,586
Total current assets	2,793,992	2,616,250
Property, plant and equipment, net	635,733	640,275
Deferred tax assets	345,780	476,554
Other	117,023	114,284
Total assets	$ 3,892,528	$ 3,847,363
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,348,917	$ 1,280,106
Accrued liabilities	145,954	116,582
Accrued payroll and related benefits	109,155	130,939
Short-term debt	236,280	88,416
Current portion of long-term debt	375,000	-
Total current liabilities	2,215,306	1,616,043
Long-term liabilities:		
Long-term debt	14,562	391,447
Other	185,904	192,189
Total long-term liabilities	200,466	583,636
Stockholders' equity	1,476,756	1,647,684
Total liabilities and stockholders' equity	$ 3,892,528	$ 3,847,363

GAAP Condensed Consolidated Statement of Operations
(Unaudited)

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($ in thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net sales	$ 1,813,366	$ 1,711,377	$ 5,233,795	$ 5,113,616
Cost of sales	1,694,830	1,580,689	4,891,095	4,717,556
Gross profit	118,536	130,688	342,700	396,060
Operating expenses:				
Selling, general and administrative	61,421	58,708	190,408	186,236
Research and development	8,144	8,394	23,980	25,002
Amortization of intangible assets	890	918	2,718	2,754
Restructuring costs	1,021	(3,908)	15,972	121
Gain on sales of long-lived assets	-	-	-	(1,451)
Total operating expenses	71,476	64,112	233,078	212,662
Operating income	47,060	66,576	109,622	183,398
Interest income	492	219	1,064	658
Interest expense	(7,284)	(5,503)	(20,324)	(16,256)
Other income, net	1,000	952	3,747	6,021
Interest and other, net	(5,792)	(4,332)	(15,513)	(9,577)
Income before income taxes	41,268	62,244	94,109	173,821
Provision for income taxes	7,305	25,840	190,424	60,836
Net income (loss)	$ 33,963	$ 36,404	$ (96,315)	$ 112,985
Basic income (loss) per share	$ 0.49	$ 0.48	$ (1.37)	$ 1.52
Diluted income (loss) per share	$ 0.47	$ 0.47	$ (1.37)	$ 1.45
Weighted-average shares used in computing per share amounts:				
Basic	68,907	75,332	70,366	74,548
Diluted	72,053	78,241	70,366	77,917

Reconciliation of Non-GAAP Measures (Unaudited)

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($ in thousands, except per share data)	Three Month Periods Q3'18	Q2'18	Q1'18	Q4'17	Q3'17
GAAP Gross Profit	$ 118,536	$ 114,698	$ 109,466	$ 123,851	$ 130,688
GAAP gross margin	*6.5%*	*6.8%*	*6.3%*	*7.1%*	*7.6%*
Adjustments					
Stock compensation expense (1)	2,055	1,851	2,448	2,180	1,880
Amortization of intangible assets	902	902	902	902	902
Reversal of contingent consideration accrual (2)	(4,812)	-	-	-	
Distressed customer charges (3)	-	(163)	(333)	(573)	(400)
Non-GAAP Gross Profit	**$ 116,681**	**$ 117,288**	**$ 112,483**	**$ 126,360**	**$ 133,070**
Non-GAAP gross margin	***6.4%***	***7.0%***	***6.4%***	***7.2%***	***7.8%***
GAAP Operating Expenses	$ 71,476	$ 65,924	$ 95,678	$ 80,782	64,112
Adjustments					
Stock compensation expense (1)	(7,706)	(8,444)	(6,194)	(8,832)	(5,409)
Amortization of intangible assets	(890)	(910)	(918)	(918)	(918)
Distressed customer charges (3)	357	-	-	-	-
Restructuring costs	(1,021)	8,591	(23,542)	(1,218)	3,908
Asset impairments	-	-	-	(4,600)	-
Non-GAAP Operating Expenses	**$ 62,216**	**$ 65,161**	**$ 65,024**	**$ 65,214**	**$ 61,693**
GAAP Operating Income	$ 47,060	$ 48,774	$ 13,788	$ 43,069	$ 66,576
GAAP operating margin	*2.6%*	*2.9%*	*0.8%*	*2.5%*	*3.9%*
Adjustments					
Stock compensation expense (1)	9,761	10,295	8,642	11,012	7,289
Amortization of intangible assets	1,792	1,812	1,820	1,820	1,820
Reversal of contingent consideration accrual (2)	(4,812)	-	-	-	-
Distressed customer charges (3)	(357)	(163)	(333)	(573)	(400)
Restructuring costs	1,021	(8,591)	23,542	1,218	(3,908)
Asset impairments	-	-	-	4,600	-
Non-GAAP Operating Income	**$ 54,465**	**$ 52,127**	**$ 47,459**	**$ 61,146**	**$ 71,377**
Non-GAAP operating margin	***3.0%***	***3.1%***	***2.7%***	***3.5%***	***4.2%***
GAAP Interest and Other, net	$ (5,792)	$ (7,022)	$ (2,699)	$ (3,410)	$ (4,332)
Adjustments					
Litigation settlements (4)	-	-	(287)	-	-
Non-GAAP Interest and Other, net	**$ (5,792)**	**$ (7,022)**	**$ (2,986)**	**$ (3,410)**	**$ (4,332)**
GAAP Provision for Income Taxes	$ 7,305	$ 17,120	$ 165,999	$ 13,811	$ 25,840
Adjustments					
Tax impact of non-GAAP adjustments	118	125	656	152	206
Discrete tax items	4,905	(2,552)	700	(50)	(1,089)
Other deferred tax adjustments	(3,567)	(6,574)	3,050	(5,948)	(15,922)
Impact of US tax reform	-	-	(162,400)	-	-
Non-GAAP Provision for Income Taxes	**$ 8,761**	**$ 8,119**	**$ 8,005**	**$ 7,965**	**$ 9,035**
GAAP Net Income (Loss)	$ 33,963	$ 24,632	$ (154,910)	$ 25,848	$ 36,404
Adjustments:					
Operating income adjustments (see above)	7,405	3,353	33,671	18,077	4,801
Litigation settlements (4)	-	-	(287)	-	-
Adjustments for taxes	(1,456)	9,001	157,994	5,846	16,805
Non-GAAP Net Income	**$ 39,912**	**$ 36,986**	**$ 36,468**	**$ 49,771**	**$ 58,010**
GAAP Net Income (Loss) Per Share:					
Basic	**$ 0.49**	**$ 0.35**	**$ (2.16)**	**$ 0.35**	**$ 0.48**
Diluted	**$ 0.47**	**$ 0.33**	**$ (2.16)**	**$ 0.33**	**$ 0.47**
Non-GAAP Net Income Per Share:					
Basic	**$ 0.58**	**$ 0.53**	**$ 0.51**	**$ 0.67**	**$ 0.77**
Diluted	**$ 0.55**	**$ 0.50**	**$ 0.48**	**$ 0.64**	**$ 0.74**
Weighted-average shares used in computing GAAP per share amounts:					
Basic	68,907	70,441	71,605	74,281	75,332
Diluted	72,053	73,582	71,605	77,575	78,241
Weighted-average shares used in computing non-GAAP per share amounts:					
Basic	68,907	70,441	71,605	74,281	75,332
Diluted	72,053	73,582	75,485	77,575	78,241

(1) Stock compensation expense was as follows:

	Three Month Periods Q3'18	Q2'18	Q1'18	Q4'17	Q3'17
Cost of sales	$ 2,055	$ 1,851	$ 2,448	$ 2,180	$ 1,880
Selling, general and administrative	7,490	8,388	6,164	8,677	5,276
Research and development	216	56	30	155	133
Total	$ 9,761	$ 10,295	$ 8,642	$ 11,012	$ 7,289

(2) Represents a reduction in an accrual for contingent consideration related to an acquisiton completed in a previous period.

(3) Relates to recovery of previously written-off inventory and bad debt associated with distressed customers.

(4) Represents cash received in connection with certain litigation settlements.

Pre-tax Return on Invested Capital (ROIC) (Unaudited)

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		Q3 FY18
Pre-tax Return on Invested Capital (ROIC)		
GAAP operating income		$ 47,060
	x	4
Annualized GAAP operating income		188,240
Average invested capital (1)	÷	1,346,374
GAAP pre-tax ROIC		**14.0%**
Non-GAAP operating income		$ 54,465
	x	4
Annualized non-GAAP operating income		217,860
Average invested capital (1)	÷	1,346,374
Non-GAAP pre-tax ROIC		**16.2%**

(1) Invested capital is defined as total assets (not including cash and cash equivalents and deferred tax assets) less total liabilities (excluding short-term and long-term debt).

Condensed Consolidated Cash Flow (Unaudited)

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($ in thousands)	Three Month Periods Q3'18	Q2'18	Q3'17
GAAP Net Income	$ 33,963	$ 24,632	$ 36,404
Depreciation and amortization	29,632	29,879	29,271
Other, net*	18,516	11,676	24,010
Net change in net working capital	(20,354)	(40,504)	(30,664)
Cash provided by operating activities	61,757	25,683	59,021
Purchases of long-term investments	-	(2,019)	-
Net purchases of property & equipment	(22,647)	(22,482)	(31,411)
Cash used in investing activities	(22,647)	(24,501)	(31,411)
Net share repurchases	(29,172)	(75,842)	(20,910)
Net borrowing activities	(11,416)	75,000	(3,416)
Cash used in financing activities	(40,588)	(842)	(24,326)
Effect of exchange rate changes	978	23	(311)
Net change in cash & cash equivalents	$ (500)	$ 363	$ 2,973
Free cash flow:			
Cash provided by operating activities	$ 61,757	$ 25,683	$ 59,021
Net purchases of property & equipment	(22,647)	(22,482)	(31,411)
	$ 39,110	$ 3,201	$ 27,610

*Primarily changes in deferred income taxes and stock-based compensation expense

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