Sanmina

Q4 & FY'19 Results

October 28, 2019



WHAT WE MAKE, MAKES A DIFFERENCE

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 the first quarter fiscal 2020 results and the expected cost and anticipated benefits of the Company's right-sizing plan, 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; the amount of restructuring charges relating to the Company-wide right-sizing plan actually recorded in the first quarter; 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 22 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 Compared to Outlook

	Q4'19(A)	Q4'19 Outlook WAS
Revenue:	**$1.9B**	**$1.9B - $2.0B**
GAAP Diluted EPS:	**$0.27**	**$0.61 - $0.71**
Non-GAAP Diluted EPS(1):	**$0.84**	**$0.73 - $0.83**

(1)See slide 22 for non-GAAP reconciliation.

Financial Results
(Unaudited)

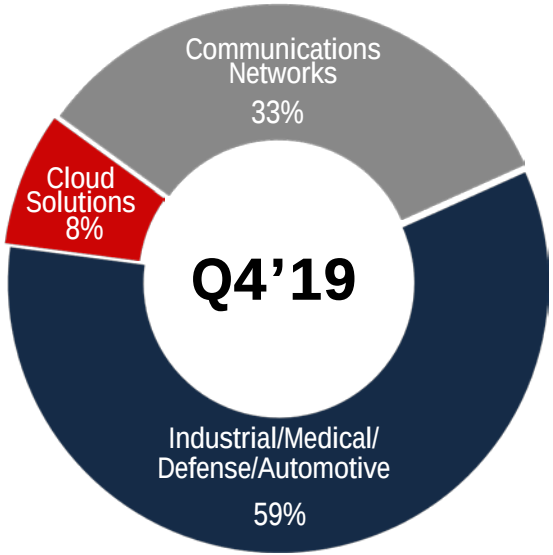
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($ in millions, except per share data)	Three Month Period Q4'19	Q3'19	Q4'18	Twelve Month Period FY'19	FY'18
GAAP:					
Revenue	$1,892	$2,027	$1,876	$8,234	$7,110
Gross profit	$142	$148	$121	$592	$464
Operating expense	$79	$80	$111	$306	$344
Operating income	$63	$67	$10	$286	$119
Other expense	$9	$9	$6	$40	$22
Taxes	$35	$16	$3	$104	$193
Net income (loss)	$20	$43	$1	$142	($96)
Diluted earnings (loss) per share[1]	$0.27	$0.60	$0.01	$1.97	($1.37)
Non-GAAP[2]:					
Revenue	$1,892	$2,027	$1,876	$8,234	$7,110
Gross profit	$144	$150	$124	$600	$470
Operating expense	$65	$69	$65	$266	$257
Operating income	$80	$81	$59	$334	$213
Other expense	$9	$10	$7	$41	$23
Taxes	$10	$12	$9	$49	$34
Net income	$61	$59	$43	$244	$156
Diluted earnings per share	$0.84	$0.82	$0.60	$3.40	$2.13

[1]Fiscal 2018 GAAP loss per share includes a non-cash tax charge of $2.33 per share as a result of the U.S. Tax Cuts & Jobs Act and a non-cash goodwill impairment charge of $0.44 per share.
[2]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), impairment charges for goodwill and other assets, 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 22 of this presentation.

Numbers may not foot due to rounding.

Q4’19 Revenue By End-Market

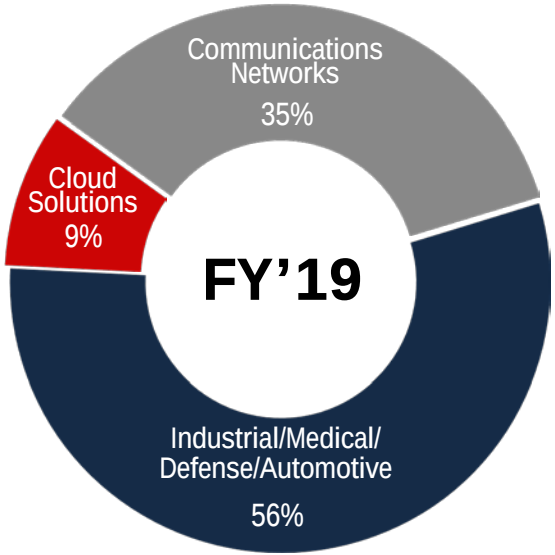


$ in Millions	Q4’19	Sequential	Y-Y	Outlook WAS
Communications Networks (Networking, optical & wireless infrastructure)	$630	(14.5%)	(8.8%)	↓
Industrial/Medical/Defense/Automotive (Industrial equipment, energy, oil and gas, LIDAR, infotainment, control systems, MRI, CT scan, blood glucose meters, infusion, ultrasound and defense & aerospace)	$1,113	(0.2%)	11.4%	FLAT
Cloud Solutions (Cloud computing, storage systems, point-of-sale, casino gaming)	$150	(15.0%)	(19.7%)	↓
Total	$1,892	(6.6%)	0.8%	↓

Numbers may not foot due to rounding.

Top 10 Customers – 55.7% of Revenue

FY'19 Revenue By End-Market



$ in Millions	FY'19	FY'18	Y-Y	Outlook WAS
Communications Networks (Networking, optical & wireless infrastructure)	$2,907	$2,685	8.3%	↑
Industrial/Medical/Defense/Automotive (Industrial equipment, energy, oil and gas, LIDAR, infotainment, control systems, MRI, CT scan, blood glucose meters, infusion, ultrasound and defense & aerospace)	$4,572	$3,682	24.2%	↑
Cloud Solutions (Cloud computing, storage systems, point-of-sale, casino gaming)	$755	$744	1.6%	FLAT
Total	$8,234	$7,110	15.8%	↑

Numbers may not foot due to rounding.

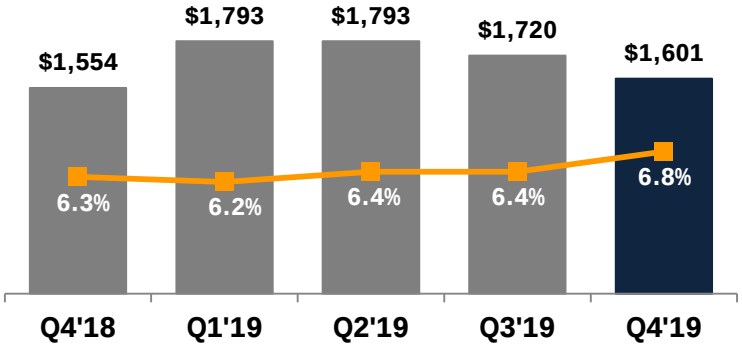
All of Our Key Focus Markets Were Up Y/Y

Segment Reporting - Revenue and Non-GAAP Gross Margin*

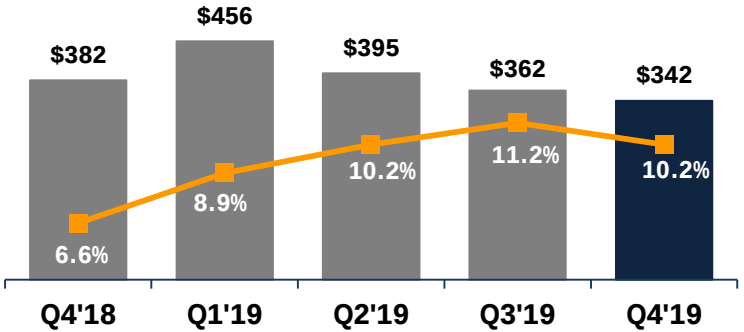
($ in Millions)

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Integrated Manufacturing Solutions



Components, Products and Services



Integrated Manufacturing Solutions

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

Components, Products & Services

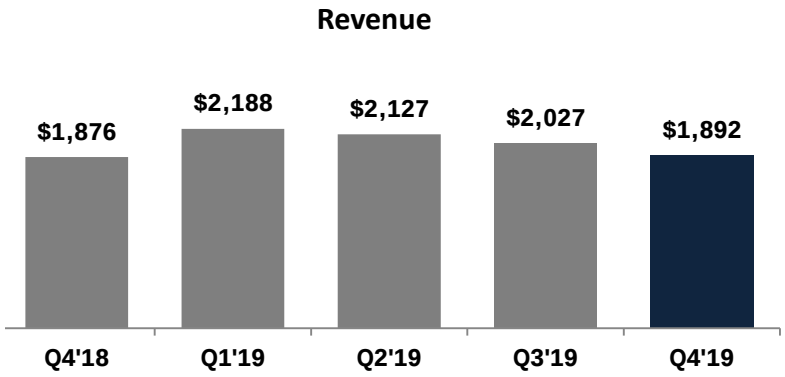
- Components
  - Interconnect Systems
    - High Technology Printed Circuits
    - Backplane Assemblies
    - Cable Assemblies
  - Mechanical Systems
    - Precision Machining
    - Enclosures
    - Plastics
- Products
  - Computing & Storage
  - Defense & Aerospace
  - Memory & SSD Modules
  - Optical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

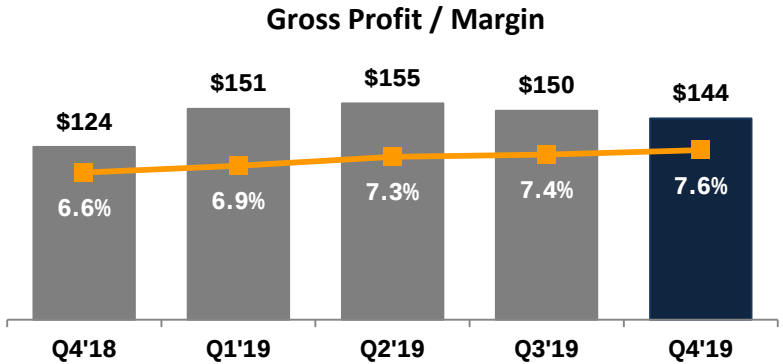
*Non-GAAP gross margin for IMS segment and CPS category includes inter-segment revenues that are eliminated under GAAP and excludes the same GAAP items that are excluded from the calculation of non-GAAP gross margin for the consolidated business. The reconciliation of non-GAAP gross margin for the consolidated business to GAAP gross margin is shown on slide 22.

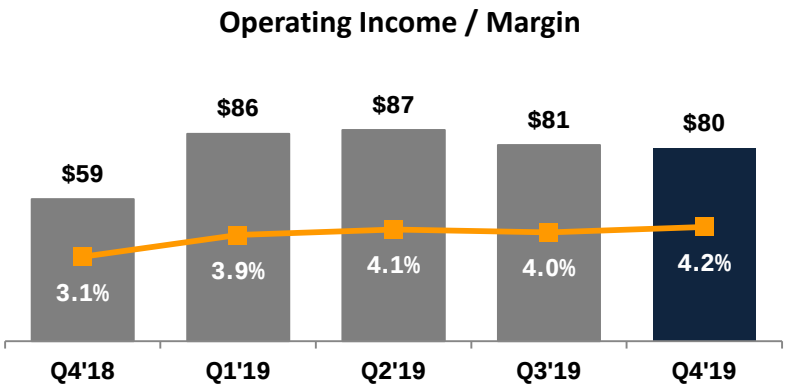
Non-GAAP P&L Performance

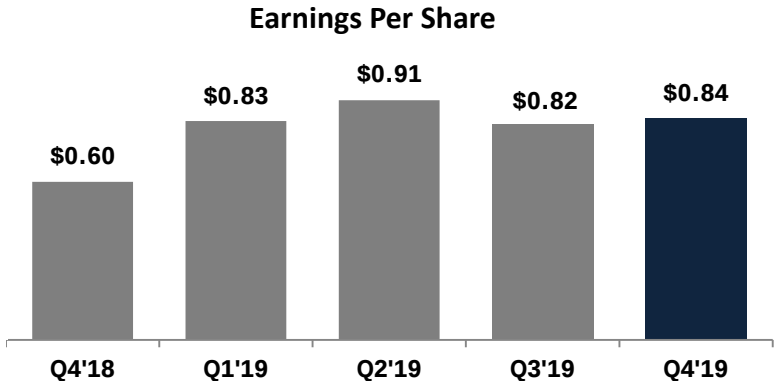
($ in Millions, except per share data)

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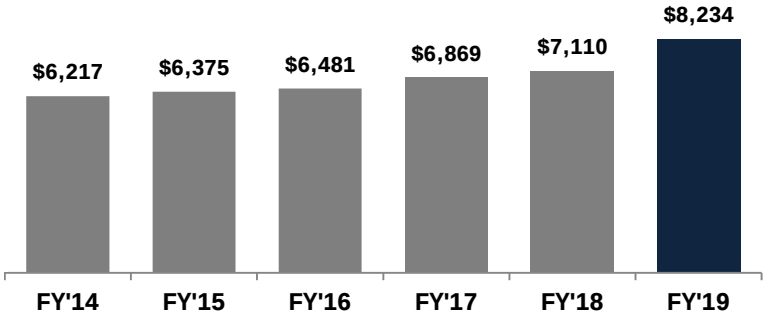


Y-Y Non-GAAP P&L Performance

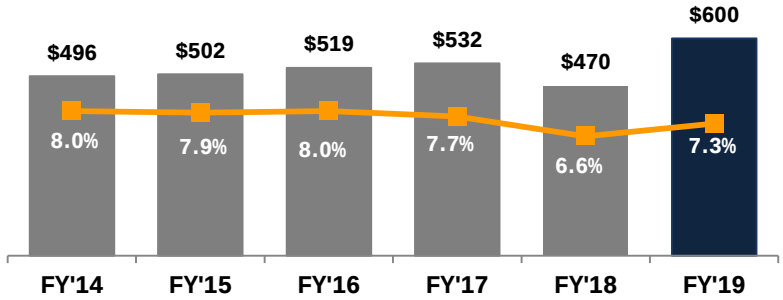
($ in Millions, except per share data)

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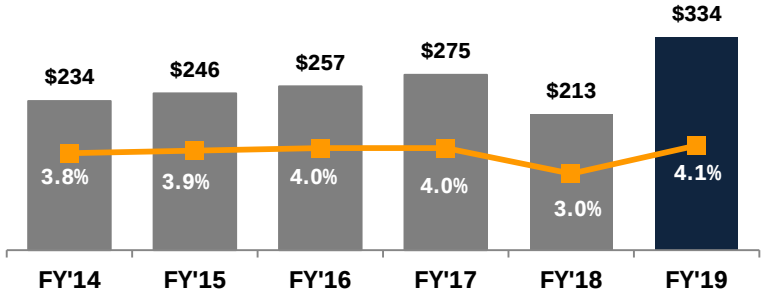
Revenue



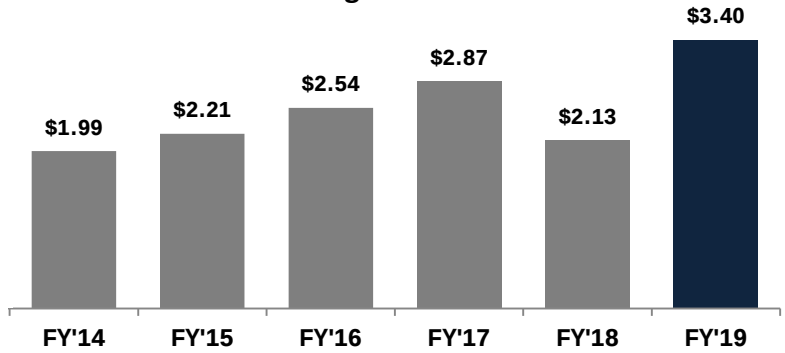
Gross Profit / Margin



Operating Income / Margin



Earnings Per Share



Summary Balance Sheet
($ in Millions)

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	9/28/19	6/29/19	9/29/18
Cash and cash equivalents	$455	$414	$420
Accounts receivable, net	1,128	1,235	1,177
Contract Assets	396	387	-
Inventories	901	915	1,374
Property, plant and equipment, net	631	635	643
Deferred tax assets	280	308	344
Other assets	115	125	127
Total assets	$3,906	$4,020	$4,085
Accounts payable	$1,337	$1,350	$1,547
Short-term debt	38	155	593
Long-term debt	347	351	14
Other liabilities	541	536	457
Total stockholders' equity	1,643	1,627	1,473
Total liabilities and stockholders' equity	$3,906	$4,020	$4,085

Numbers may not foot due to rounding.

Strong Balance Sheet

Return of Capital - Expanded Share Repurchase Program

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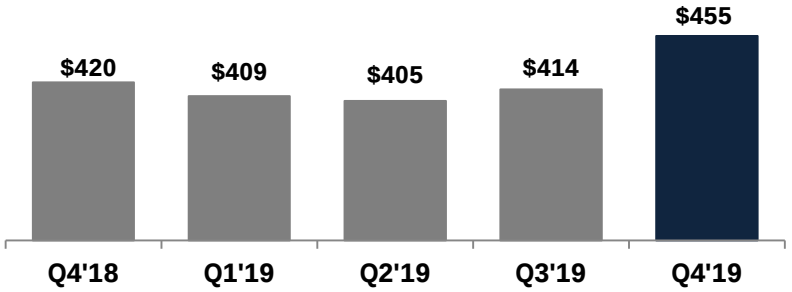
- Repurchased 26.4M shares for approximately $649 million since FY'14
- Reduced shares outstanding from 84.2M shares in FY'13 to 69.7M shares in FY'19
- $100.8 million remains available under current program
- Board authorized today an additional $200 million of share repurchases
- $300.8M now available for share repurchases
- Opportunistic plan

Strong Return of Capital

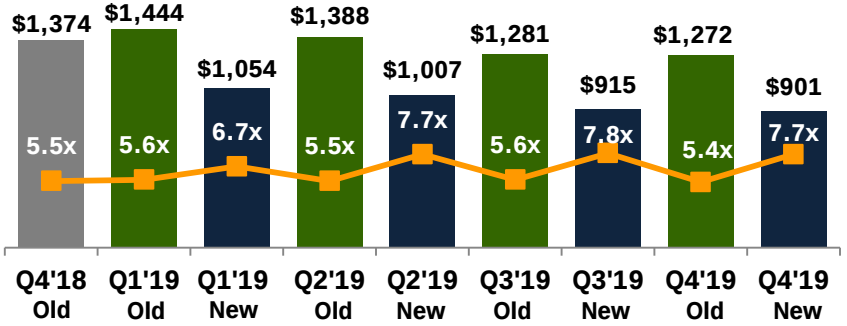
Balance Sheet Metrics
($ in Millions)

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Cash and Cash Equivalents

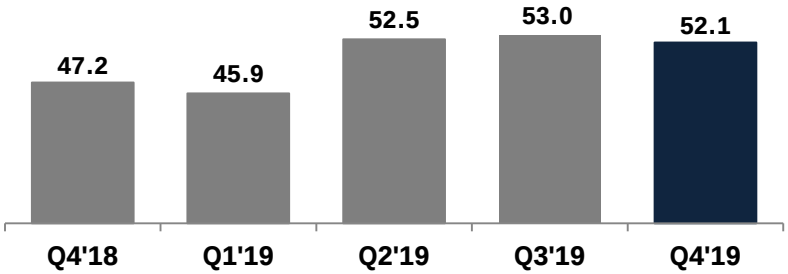


Inventory $ / Turns*

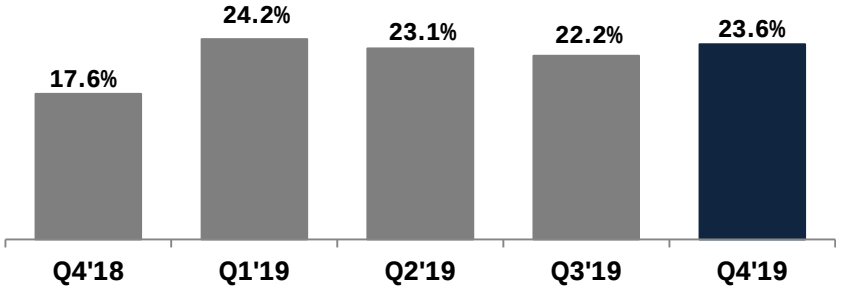


Inventory turns (annualized) are calculated as the ratio of four times non-GAAP cost of sales for the quarter to average inventory.

Cash Cycle Days



Non-GAAP Pre-Tax ROIC



Refer to slide 23 for non-GAAP pre-tax ROIC reconciliation.

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).

* "Old" metrics for inventory turns exclude the impact of the new revenue standard to provide comparability with prior periods.
"New" metrics for inventory turns include the impact of the new revenue standard and will become the basis for these measures going forward.

Capital Structure & Capital Allocation Priorities

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- $375M bank term loan matures November 30th, 2023
- Upsized credit facility to $700M - $692M available at FY'19's year end
- Gross leverage ratio is .91 based on total debt at end of Q4'19
- Generated $383M of cash flow from ops and $256M of free cash flow in FY'19
- Generated average annual cash flow from ops of $271M and free cash flow of $160M over the past 5 years
- Capital Allocation Priorities Remain the Same: invest in business; tuck in acquisitions; opportunistic share repurchases ; and debt reduction

Capital Structure Remains Strong

Q1’20 Outlook

The following outlook is for the first fiscal quarter ending December 28, 2019. These statements are forward-looking and actual results may differ materially.

Revenue:	**$1.725B - $1.825B**
GAAP Diluted EPS:	**$0.52 - $0.62**
Non-GAAP Diluted EPS:	**$0.65 - $0.75**

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End-market Outlook



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Q1’20 End-Market Outlook

	Q1’20
Communications Networks (Networking, optical & wireless infrastructure)	↓
Industrial/Medical/Defense/Automotive (Industrial equipment, energy, oil and gas, MRI, CT scan, blood glucose meters, infusion and ultrasound, LIDAR, infotainment, control systems and defense & aerospace)	FLAT
Cloud Solutions (Cloud computing, storage systems, point-of-sale, casino gaming)	↓



Focused on High-Complexity, Heavily Regulated Markets

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CEO Remarks



WHAT WE MAKE, MAKES A DIFFERENCE

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

Summary

- Q4’19
  - Operating margin of 4.2%, up 20 basis points sequentially
  - Revenue $1.9 billion, lower than expected
  - Non-GAAP diluted EPS of $0.84, through efficiency improvement
- FY’19
  - Revenue up 16%, solid growth year
  - Operating margin 4.1%, in line with our 4%+ margin objective
  - Non-GAAP diluted EPS of $3.40, increase of 60%
  - Solid cash flow from operations of $383 million and free cash flow of $255.8 million
- Q1’20
  - Demand softness in the first half of fiscal 2020
  - Focused on what we can control
  - Continue to drive profitability improvements

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Consolidated Financial Statements
Reconciliation of GAAP vs. Non-GAAP

Quarter Ended
September 28, 2019



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GAAP Condensed Consolidated Balance Sheet

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($ in thousands)	September 28, 2019	September 29, 2018
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 454,741	$ 419,528
Accounts receivable, net	1,128,379	1,177,219
Contract assets	396,300	-
Inventories	900,557	1,374,004
Prepaid expenses and other current assets	40,952	43,676
Total current assets	2,920,929	3,014,427
Property, plant and equipment, net	630,647	642,913
Deferred tax assets	279,803	344,124
Other	74,134	83,669
Total assets	$ 3,905,513	$ 4,085,133
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,336,914	$ 1,547,399
Accrued liabilities	180,107	136,427
Accrued payroll and related benefits	127,647	124,748
Short-term debt, including current portion of long-term debt	38,354	593,321
Total current liabilities	1,683,022	2,401,895
Long-term liabilities:		
Long-term debt	346,971	14,346
Other	232,947	196,048
Total long-term liabilities	579,918	210,394
Stockholders' equity	1,642,573	1,472,844
Total liabilities and stockholders' equity	$ 3,905,513	$ 4,085,133

GAAP Condensed Consolidated Statement of Operations
(Unaudited)

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($ in thousands, except per share data)	Three Months Ended		Twelve Months Ended	
	Sept. 28, 2019	Sept. 29, 2018	Sept. 28, 2019	Sept. 29, 2018
Net sales	$ 1,892,207	$ 1,876,335	$ 8,233,859	$ 7,110,130
Cost of sales	1,750,503	1,755,252	7,641,921	6,646,347
Gross profit	141,704	121,083	591,938	463,783
Operating expenses:				
Selling, general and administrative	66,050	60,516	260,032	250,924
Research and development	6,244	6,774	27,552	30,754
Restructuring and other costs	6,325	43,974	18,237	62,664
Total operating expenses	78,619	111,264	305,821	344,342
Operating income	63,085	9,819	286,117	119,441
Interest income	223	204	1,111	1,268
Interest expense	(6,421)	(7,410)	(30,763)	(27,734)
Other income (expense), net	(2,481)	817	(10,846)	4,564
Interest and other, net	(8,679)	(6,389)	(40,498)	(21,902)
Income before income taxes	54,406	3,430	245,619	97,539
Provision for income taxes	34,649	2,648	104,104	193,072
Net income (loss)	$ 19,757	$ 782	$ 141,515	$ (95,533)
Basic income (loss) per share	$ 0.28	$ 0.01	$ 2.05	$ (1.37)
Diluted income (loss) per share	$ 0.27	$ 0.01	$ 1.97	$ (1.37)
Weighted-average shares used in computing per share amounts:				
Basic	69,898	68,236	69,129	69,833
Diluted	72,294	71,500	71,678	69,833

Reconciliation of Non-GAAP Measures (Unaudited)

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($ in thousands, except per share data)	Three Month Periods					Twelve Month Periods	
	Q4'19	Q3'19	Q2'19	Q1'19	Q4'18	FY19	FY18
GAAP Gross Profit	$ 141,704	$ 147,795	$ 153,102	$ 149,337	$ 121,083	$ 591,938	$ 463,783
GAAP gross margin	*7.5%*	*7.3%*	*7.2%*	*6.8%*	*6.5%*	*7.2%*	*6.5%*
Adjustments							
Stock compensation expense (1)	2,711	2,729	2,582	1,735	1,833	9,757	8,187
Amortization of intangible assets	-	-	-	446	902	446	3,608
Reversal of contingent consideration accrual (2)	-	-	-	-	-	-	(4,812)
Distressed customer charges (3)	(49)	(804)	(555)	(344)	(73)	(1,752)	(569)
Non-GAAP Gross Profit	**$ 144,366**	**$ 149,720**	**$ 155,129**	**$ 151,174**	**$ 123,745**	**$ 600,389**	**$ 470,197**
Non-GAAP gross margin	***7.6%***	***7.4%***	***7.3%***	***6.9%***	***6.6%***	***7.3%***	***6.6%***
GAAP Operating Expenses	$ 78,619	$ 80,421	$ 74,987	$ 71,794	$ 111,264	$ 305,821	$ 344,342
Adjustments							
Stock compensation expense (1)	(7,555)	(5,407)	(4,044)	(4,081)	(2,294)	(21,087)	(24,638)
Amortization of intangible assets	(190)	(190)	(190)	(190)	(190)	(760)	(2,908)
Distressed customer charges (3)	-	-	-	-	-	-	357
Restructuring costs	(2,411)	(6,191)	(3,012)	(2,139)	(13,174)	(13,753)	(29,146)
Goodwill and other asset impairments	(3,724)	-	-	-	(30,610)	(3,724)	(30,610)
Non-GAAP Operating Expenses	**$ 64,739**	**$ 68,633**	**$ 67,741**	**$ 65,384**	**$ 64,996**	**$ 266,497**	**$ 257,397**
GAAP Operating Income	$ 63,085	$ 67,374	$ 78,115	$ 77,543	$ 9,819	$ 286,117	$ 119,441
GAAP operating margin	*3.3%*	*3.3%*	*3.7%*	*3.5%*	*0.5%*	*3.5%*	*1.7%*
Adjustments							
Stock compensation expense (1)	10,266	8,136	6,626	5,816	4,127	30,844	32,825
Amortization of intangible assets	190	190	190	636	1,092	1,206	6,516
Reversal of contingent consideration accrual (2)	-	-	-	-	-	-	(4,812)
Distressed customer charges (3)	(49)	(804)	(555)	(344)	(73)	(1,752)	(926)
Restructuring costs	2,411	6,191	3,012	2,139	13,174	13,753	29,146
Goodwill and other asset impairments	3,724	-	-	-	30,610	3,724	30,610
Non-GAAP Operating Income	**$ 79,627**	**$ 81,087**	**$ 87,388**	**$ 85,790**	**$ 58,749**	**$ 333,892**	**$ 212,800**
Non-GAAP operating margin	***4.2%***	***4.0%***	***4.1%***	***3.9%***	***3.1%***	***4.1%***	***3.0%***
GAAP Interest and Other, net	$ (8,679)	$ (8,749)	$ (8,999)	$ (14,071)	$ (6,389)	$ (40,498)	$ (21,902)
Adjustments							
Litigation settlements (4)	-	(830)	-	-	(475)	(830)	(762)
Non-GAAP Interest and Other, net	**$ (8,679)**	**$ (9,579)**	**$ (8,999)**	**$ (14,071)**	**$ (6,864)**	**$ (41,328)**	**$ (22,664)**
GAAP Provision for Income Taxes	$ 34,649	$ 15,704	$ 28,231	$ 25,520	$ 2,648	$ 104,104	$ 193,072
Adjustments							
Tax impact of non-GAAP adjustments	337	263	189	168	990	957	1,889
Discrete tax items	(3,983)	2,240	(3,741)	2,127	177	(3,357)	3,230
Other deferred tax adjustments	(20,666)	(5,872)	(11,336)	(15,264)	4,220	(53,138)	(2,871)
Impact of US tax reform	-	-	-	-	1,304	-	(161,096)
Non-GAAP Provision for Income Taxes	**$ 10,337**	**$ 12,335**	**$ 13,343**	**$ 12,551**	**$ 9,339**	**$ 48,566**	**$ 34,224**
GAAP Net Income (Loss)	$ 19,757	$ 42,921	$ 40,885	$ 37,952	$ 782	$ 141,515	$ (95,533)
Adjustments:							
Operating income adjustments (see above)	16,542	13,713	9,273	8,247	48,930	47,775	93,359
Litigation settlements (4)	-	(830)	-	-	(475)	(830)	(762)
Adjustments for taxes	24,312	3,369	14,888	12,969	(6,691)	55,538	158,848
Non-GAAP Net Income	**$ 60,611**	**$ 59,173**	**$ 65,046**	**$ 59,168**	**$ 42,546**	**$ 243,998**	**$ 155,912**
GAAP Net Income (Loss) Per Share:							
Basic	**$ 0.28**	**$ 0.62**	**$ 0.59**	**$ 0.56**	**$ 0.01**	**$ 2.05**	**$ (1.37)**
Diluted	**$ 0.27**	**$ 0.60**	**$ 0.57**	**$ 0.54**	**$ 0.01**	**$ 1.97**	**$ (1.37)**
Non-GAAP Net Income Per Share:							
Basic	**$ 0.87**	**$ 0.85**	**$ 0.95**	**$ 0.87**	**$ 0.62**	**$ 3.53**	**$ 2.23**
Diluted	**$ 0.84**	**$ 0.82**	**$ 0.91**	**$ 0.83**	**$ 0.60**	**$ 3.40**	**$ 2.13**
Weighted-average shares used in computing GAAP per share amounts:							
Basic	69,898	69,499	68,821	68,303	68,236	69,129	69,833
Diluted	72,294	72,007	71,446	70,901	71,500	71,678	69,833
Weighted-average shares used in computing non-GAAP per share amounts:							
Basic	69,898	69,499	68,821	68,303	68,236	69,129	69,833
Diluted	72,294	72,007	71,446	70,901	71,500	71,678	73,200

(1) Stock compensation expense was as follows:

	Three Month Periods					Twelve Month Periods	
	Q4'19	Q3'19	Q2'19	Q1'19	Q4'18	FY19	FY18
Cost of sales	$ 2,711	$ 2,729	$ 2,582	$ 1,735	$ 1,833	$ 9,757	$ 8,187
Selling, general and administrative	7,550	5,328	3,939	3,990	3,164	20,807	25,206
Research and development	5	79	105	91	(870)	280	(568)
Total	$ 10,266	$ 8,136	$ 6,626	$ 5,816	$ 4,127	$ 30,844	$ 32,825

(2) Represents a reduction in an accrual for contingent consideration related to an acquisition 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.

Earnings Per Share Outlook:	**Q1 FY20 EPS Range**		**Q4 FY19 EPS Range**	
	Low	**High**	**Low**	**High**
GAAP diluted earnings per share	**$ 0.52**	**$ 0.62**	**$ 0.61**	**$ 0.71**
Stock compensation expense	**$ 0.13**	**$ 0.13**	**$ 0.12**	**$ 0.12**
Non-GAAP diluted earnings per share	**$ 0.65**	**$ 0.75**	**$ 0.73**	**$ 0.83**

* Due to uncertainty regarding the timing of recognition of restructuring charges that will be incurred during the first half of fiscal 2020 in connection with the Company's rightsizing plan, the Q1 FY20 outlook for GAAP EPS does not include an estimate of restructuring charges.

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

($ in thousands)		Q4 FY19
Pre-tax Return on Invested Capital (ROIC)		
GAAP operating income		$ 63,085
	x	4
Annualized GAAP operating income		252,340
Average invested capital (1)	÷	1,352,195
GAAP pre-tax ROIC		**18.7%**
Non-GAAP operating income		$ 79,627
	x	4
Annualized non-GAAP operating income		318,508
Average invested capital (1)	÷	1,352,195
Non-GAAP pre-tax ROIC		**23.6%**

(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 Q4'19	Q3'19	Q4'18	Twelve Month Periods FY19	FY18
GAAP Net Income	$ 19,757	$ 42,921	$ 782	$141,515	$ (95,533)
Depreciation and amortization	28,508	29,561	29,686	116,949	118,820
Other, net*	41,332	9,960	36,926	87,731	238,803
Net change in net working capital	100,600	83,024	(6,850)	36,770	(105,666)
Cash provided by operating activities	190,197	165,466	60,544	382,965	156,424
Purchases of long-term investments	-	(499)	-	(499)	(2,019)
Net purchases of property & equipment	(29,174)	(26,145)	(20,639)	(127,142)	(114,159)
Cash used in investing activities	(29,174)	(26,644)	(20,639)	(127,641)	(116,178)
Net share issuances <repurchases>	820	2,052	(6,946)	925	(153,218)
Net borrowing activities	(121,000)	(132,416)	(18,000)	(221,143)	124,883
Cash used in financing activities	(120,180)	(130,364)	(24,946)	(220,218)	(28,335)
Effect of exchange rate changes	(375)	321	(208)	107	956
Net change in cash & cash equivalents	$ 40,468	$ 8,779	$ 14,751	$ 35,213	$ 12,867
Free cash flow:					
Cash provided by operating activities	$190,197	$165,466	$ 60,544	$382,965	$156,424
Net purchases of property & equipment	(29,174)	(26,145)	(20,639)	(127,142)	(114,159)
	$161,023	$139,321	$ 39,905	$255,823	$ 42,265

*Primarily changes in deferred income taxes ($162.4M in Q1 FY18 due to Tax Reform Act), goodwill impairment ($30.6M in Q4 FY18) and stock-based compensation expense.

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