



SANMINA

FINANCIAL NEWS

SANMINA REPORTS THIRD QUARTER FISCAL 2017 RESULTS

San Jose, CA – July 24, 2017. Sanmina Corporation (“Sanmina” or the “Company”) (NASDAQ: SANM), a leading integrated manufacturing solutions company, today reported financial results for the third fiscal quarter ended July 1, 2017.

Third Quarter Fiscal 2017 Summary

- Revenue of **\$1.71 billion**
- GAAP operating margin of **3.9 percent**
- GAAP diluted earnings per share of **\$0.47**
- Non-GAAP⁽¹⁾ operating margin of **4.2 percent**
- Non-GAAP⁽¹⁾ diluted earnings per share of **\$0.74**

Revenue for the third quarter was \$1.71 billion, compared to \$1.68 billion in the prior quarter and \$1.67 billion for the same period of fiscal 2016.

GAAP operating income in the third quarter was \$66.6 million or 3.9 percent of revenue, compared to \$54.6 million or 3.3 percent of revenue for the third quarter fiscal 2016. GAAP net income in the third quarter was \$36.4 million, compared to \$29.5 million for the same period a year ago. GAAP diluted earnings per share were \$0.47, compared to \$0.38 in the third quarter of fiscal 2016.

Non-GAAP operating income in the third quarter was \$71.4 million or 4.2 percent of revenue, compared to \$61.9 million or 3.7 percent of revenue in the third quarter fiscal 2016. Non-GAAP net income in the third quarter was \$58.0 million, compared to \$48.2 million in the same period a year ago. Non-GAAP diluted earnings per share for the quarter were \$0.74, compared to \$0.63 for the same period a year ago.

“We delivered good results for the quarter. We continue to execute well and deliver consistent operating margin and solid cash generation,” stated Jure Sola, Chairman and Chief Executive Officer. “Our customer base and pipeline of new opportunities remain solid. We are confident in our ability to drive operational improvements and growth in 2017 and execution of our strategy supports a promising future.”

Balance Sheet Summary

- Ending cash and cash equivalents were **\$435.5 million**
- Cash flow from operations was **\$59.0 million**
- Repurchased **0.5 million common shares for \$20.3 million**
- Inventory turns were **6.1x**
- Cash cycle days were **42.3 days**

Fourth Quarter Fiscal 2017 Outlook

The following forecast is for the fourth fiscal quarter ending September 30, 2017. These statements are forward-looking and actual results may differ materially.

- Revenue between **\$1.725 billion to \$1.775 billion**
- GAAP diluted earnings per share between **\$0.61 to \$0.67**, including stock-based compensation expense of **\$0.10** and amortization of intangible assets of **\$0.02**
- Non-GAAP diluted earnings per share between **\$0.73 to \$0.79**

Company Conference Call Information

Sanmina will hold a conference call to review its financial results for the third quarter on Monday, July 24, 2017 at 5:00 p.m. ET (2:00 p.m. PT). The access numbers are: domestic 877-273-6760 and international 706-634-6605. The conference will also be webcast live over the Internet. You can log on to the live webcast at www.sanmina.com. Additional information in the form of a slide presentation is available on Sanmina's website at www.sanmina.com. A replay of the conference call will be available for 48-hours. The access numbers are: domestic 855-859-2056 and international 404-537-3406, access code is 51634850.

⁽¹⁾ In the commentary set forth above and/or in the financial statements included in this earnings release, we present the following non-GAAP financial measures: operating income, operating margin, net income and diluted earnings per share. In computing each of these non-GAAP financial measures, we 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 charges associated with distressed customers, litigation settlements, gains and losses on sales of assets and redemptions of debt, discrete tax events and deferred tax changes to the extent material in the applicable period. See Schedule 1 below for more information regarding our use of non-GAAP financial measures, including the economic substance behind each exclusion, the manner in which management uses non-GAAP measures to conduct and evaluate the business, the material limitations associated with using such measures and the manner in which management compensates for such limitations. A reconciliation of the non-GAAP results contained in this release to their most directly comparable GAAP measures is included in the financial statements contained in this release.

About Sanmina

Sanmina Corporation is a leading integrated manufacturing solutions provider serving the fastest growing segments of the global Electronics Manufacturing Services (EMS) market. Recognized as a technology leader, Sanmina provides end-to-end manufacturing solutions, delivering superior quality and support to Original Equipment Manufacturers (OEMs) primarily in the communications networks, storage, industrial, defense, medical, energy, and industries that include embedded computing technologies, such as point of sale devices, casino gaming and automotive. Sanmina has facilities strategically located in key regions throughout the world. More information about the Company is available at www.sanmina.com.

Sanmina Safe Harbor Statement

Certain statements contained in this press release, including the Company's outlook for the fourth quarter fiscal 2017 and expectations for fiscal year 2017 and the future, 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; operational and other inefficiencies; risks arising from our international operations; competition that could cause us to lose sales; reliance on a relatively small number of customers for a substantial portion of our sales; and the other factors set forth in the Company's annual and quarterly reports filed with the Securities Exchange Commission ("SEC").

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 earnings 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.

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Sanmina Corporation
Condensed Consolidated Balance Sheets
(in thousands)
(GAAP)

	July 1, 2017	October 1, 2016
	(Unaudited)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 435,500	\$ 398,288
Accounts receivable, net	1,036,049	973,680
Inventories	1,046,842	946,239
Prepaid expenses and other current assets	45,940	57,445
Total current assets	2,564,331	2,375,652
Property, plant and equipment, net	642,853	617,524
Deferred tax assets	483,766	514,314
Other	117,906	117,732
Total assets	\$ 3,808,856	\$ 3,625,222
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 1,256,081	\$ 1,121,135
Accrued liabilities	119,979	124,386
Accrued payroll and related benefits	116,178	127,326
Short-term debt	3,416	28,416
Total current liabilities	1,495,654	1,401,263
Long-term liabilities:		
Long-term debt	390,957	434,059
Other	182,698	180,097
Total long-term liabilities	573,655	614,156
Stockholders' equity	1,739,547	1,609,803
Total liabilities and stockholders' equity	\$ 3,808,856	\$ 3,625,222

Sanmina Corporation
Condensed Consolidated Statements of Income
(in thousands, except per share amounts)
(GAAP)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Net sales	\$ 1,711,377	\$ 1,669,474	\$ 5,113,616	\$ 4,815,362
Cost of sales	1,580,689	1,542,813	4,717,556	4,428,351
Gross profit	<u>130,688</u>	<u>126,661</u>	<u>396,060</u>	<u>387,011</u>
Operating expenses:				
Selling, general and administrative	58,708	61,982	186,236	183,169
Research and development	8,394	9,444	25,002	29,088
Amortization of intangible assets	918	918	2,754	2,528
Restructuring costs	(3,908)	(266)	121	1,491
Asset impairments	-	-	-	1,000
Gain on sales of long-lived assets	-	-	(1,451)	-
Total operating expenses	<u>64,112</u>	<u>72,078</u>	<u>212,662</u>	<u>217,276</u>
Operating income	66,576	54,583	183,398	169,735
Interest income	219	177	658	484
Interest expense	(5,503)	(6,410)	(16,256)	(18,641)
Other income, net	952	1,138	6,021	1,409
Interest and other, net	<u>(4,332)</u>	<u>(5,095)</u>	<u>(9,577)</u>	<u>(16,748)</u>
Income before income taxes	62,244	49,488	173,821	152,987
Provision for income taxes	<u>25,840</u>	<u>19,954</u>	<u>60,836</u>	<u>65,954</u>
Net income	<u>\$ 36,404</u>	<u>\$ 29,534</u>	<u>\$ 112,985</u>	<u>\$ 87,033</u>
Basic income per share	\$ 0.48	\$ 0.40	\$ 1.52	\$ 1.15
Diluted income per share	\$ 0.47	\$ 0.38	\$ 1.45	\$ 1.10
Weighted-average shares used in computing per share amounts:				
Basic	75,332	73,620	74,548	75,609
Diluted	78,241	76,992	77,917	78,872

Sanmina Corporation
Reconciliation of GAAP to Non-GAAP Measures
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	July 1, 2017	July 2, 2016
GAAP Operating Income	\$ 66,576	\$ 54,583
<i>GAAP operating margin</i>	3.9%	3.3%
Adjustments:		
Stock compensation expense (1)	7,289	5,422
Amortization of intangible assets	1,820	2,120
Distressed customer charges (2)	(400)	-
Restructuring costs	(3,908)	(266)
Non-GAAP Operating Income	\$ 71,377	\$ 61,859
<i>Non-GAAP operating margin</i>	4.2%	3.7%
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GAAP Net Income	\$ 36,404	\$ 29,534
Adjustments:		
Operating income adjustments (see above), net of tax	3,036	4,601
Adjustments for deferred tax and discrete tax items	18,570	14,114
Non-GAAP Net Income	\$ 58,010	\$ 48,249
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GAAP Net Income Per Share:		
Basic	\$ 0.48	\$ 0.40
Diluted	\$ 0.47	\$ 0.38
Non-GAAP Net Income Per Share:		
Basic	\$ 0.77	\$ 0.66
Diluted	\$ 0.74	\$ 0.63
Weighted-average shares used in computing per share amounts:		
Basic	75,332	73,620
Diluted	78,241	76,992

(1) Stock compensation expense was as follows:

	Three Months Ended	
	July 1, 2017	July 2, 2016
Cost of sales	\$ 1,880	\$ 1,542
Selling, general and administrative	5,276	3,669
Research and development	133	211
Total	\$ 7,289	\$ 5,422

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

Schedule 1

The commentary and financial information above includes non-GAAP measures of operating income, operating margin, net income and earnings per share. Management excludes from these measures stock-based compensation, restructuring, acquisition and integration expenses, impairment charges, amortization charges and other infrequent items, to the extent material or which we consider to be of a non-operational nature in the applicable period, and as more fully described below.

Management excludes these items principally because such charges are not directly related to the Company's ongoing core business operations. We use such non-GAAP measures in order to (1) make more meaningful period-to-period comparisons of Company's operations, both internally and externally, (2) guide management in assessing the performance of the business, internally allocating resources and making decisions in furtherance of Company's strategic plan, (3) provide investors with a better understanding of how management plans and measures the business and (4) provide investors with a better understanding of the ongoing, core business. The material limitations to management's approach include the fact that the charges and expenses excluded are nonetheless charges required to be recognized under GAAP and, in some cases, consume cash which reduces the Company's liquidity. Management compensates for these limitations primarily by reviewing GAAP results to obtain a complete picture of the Company's performance and by including a reconciliation of non-GAAP results back to GAAP in its earnings releases.

Additional information regarding the economic substance of each exclusion, management's use of the resultant non-GAAP measures, the material limitations of management's approach and management's methods for compensating for such limitations is provided below.

Stock-based Compensation Expense, which consists of non-cash charges for the estimated fair value of stock options and unvested restricted stock units granted to employees, is excluded in order to permit more meaningful period-to-period comparisons of the Company's results since the Company grants different amounts and value of equity awards in each quarter. In addition, given the fact that competitors grant different amounts and types of equity award and may use different option valuation assumptions, excluding stock-based compensation permits more accurate comparisons of the Company's core results with those of its competitors.

Restructuring, Acquisition and Integration Expenses, which consist of severance, lease termination, exit costs and other charges primarily related to closing and consolidating manufacturing facilities and those associated with the acquisition and integration of acquired businesses, are excluded because such charges (1) can be driven by the timing of acquisitions which are difficult to predict, (2) are not directly related to ongoing business results and (3) do not reflect expected future operating expenses. In addition, given the fact that the Company's competitors complete acquisitions and adopt restructuring plans at different times and in different amounts than the Company and may exclude different items than those excluded by the Company, excluding these charges permits more accurate comparisons of the Company's core results with those of its competitors. However, restructuring and integration expenses include both cash and non-cash expenses. Cash expenses reduce the Company's liquidity. Therefore, management also reviews GAAP results including these amounts.

Impairment Charges, which consist of non-cash charges, are excluded because such charges are non-recurring and do not reduce the Company's liquidity. In addition, given the fact that the Company's competitors may record impairment charges at different times, excluding these charges permits more accurate comparisons of the Company's core results with those of its competitors.

Amortization Charges, which consist of non-cash charges impacted by the timing and magnitude of acquisitions of businesses or assets, are also excluded because such charges do not reduce the Company's liquidity. In addition, such charges can be driven by the timing of acquisitions, which is difficult to predict. Excluding these charges permits more accurate comparisons of the Company's core results with those of its competitors because the Company's competitors complete acquisitions at different times and for different amounts than the Company.

Other Infrequent Items, which consist of other infrequent or unusual items (including charges associated with distressed customers, litigation settlements and gains and losses on sales of assets and redemptions of debt), to the extent material or non-operational in nature, are excluded because such items are typically non-recurring, difficult to predict or not directly related to the Company's ongoing core operations. However, items excluded by the Company may be different from those excluded by the Company's competitors. In addition, these expenses include both cash and non-cash expenses. Cash expenses reduce the Company's liquidity. Management compensates for these limitations by reviewing GAAP results including these amounts.

Adjustments for Taxes, which consist of the tax effects of the various adjustments that we include in our non-GAAP measures, and adjustments related to deferred tax and discrete tax items. Including these adjustments permits more accurate comparisons of the Company's core results with those of its competitors.