



SANMINA

FINANCIAL NEWS

SANMINA REPORTS FOURTH QUARTER AND FISCAL YEAR END RESULTS

San Jose, CA – October 29, 2018. Sanmina Corporation (“Sanmina” or the “Company”) (NASDAQ: SANM), a leading integrated manufacturing solutions company, today reported financial results for the fourth quarter and fiscal year ended September 29, 2018.

Fourth Quarter Fiscal 2018 Summary

- Revenue of **\$1.88 billion**
- GAAP operating margin of **0.8 percent**
- GAAP diluted earnings per share of **\$0.08**

- Non-GAAP⁽¹⁾ operating margin of **3.5 percent**
- Non-GAAP diluted earnings per share of **\$0.67**

Fiscal Year 2018 Summary

- Revenue of **\$7.11 billion**
- GAAP loss per share of **\$1.30**
- Non-GAAP diluted earnings per share of **\$2.21**

“We delivered respectable quarterly results. Revenue grew 3.5 percent, operating margin expanded 50 basis points and our earnings per share were up 21.3 percent sequentially. Our continuous improvement in the areas we can control are evident in our results,” stated Jure Sola, Executive Chairman. “Fiscal 2018 revenue also grew 3.5 percent; however, profitability for the year fell short of our expectations. While we made nice improvements in our fourth quarter, there is still more work to do. We are moving in the right direction and I am encouraged by our momentum as we head into 2019.”

“Sanmina has a solid foundation and I am confident in the team’s ability to get us back to sustainable profitable growth. We have a lot of leverage in our business model that we can translate into higher levels of shareholder value. I am excited about the opportunities ahead of us,” stated Michael Clarke, Chief Executive Officer.

Revenue for the fourth quarter was \$1.88 billion, compared to \$1.81 billion in the prior quarter and \$1.76 billion for the same period of fiscal 2017. Revenue for fiscal year ended September 29, 2018 was \$7.11 billion, compared to \$6.87 billion for the fiscal year ended September 30, 2017.

GAAP operating income in the fourth quarter was \$15.8 million or 0.8 percent of revenue, compared to \$43.1 million or 2.5 percent of revenue for the same period a year ago. GAAP operating income for fiscal year 2018 was \$125.4 million, compared to \$226.5 million in fiscal year 2017. GAAP net income in the fourth quarter was \$5.4 million, compared to \$25.8 million for the same period a year ago. GAAP diluted earnings per share for the fourth quarter was \$0.08, compared to \$0.33 in the same period a year ago. GAAP net loss for fiscal year 2018 was \$90.9 million, compared to GAAP net income of \$138.8 million in fiscal year 2017. GAAP loss per share in fiscal year 2018 was \$1.30, compared to GAAP diluted earnings per share of \$1.78 in fiscal year 2017. *(The first quarter of 2018 GAAP loss per share includes a non-cash tax charge of \$2.27 per share as a result of the U.S. Tax Cuts & Jobs Act and the fourth quarter of 2018 includes a non-cash goodwill impairment charge of \$0.43 per share.)*

Non-GAAP operating income in the fourth quarter was \$64.7 million or 3.5 percent of revenue, compared to \$61.1 million or 3.5 percent of revenue for the same period a year ago. Non-GAAP operating income for the full fiscal year was \$218.8 million or 3.1 percent of revenue compared to \$275.2 million or 4.0 percent of revenue for fiscal year 2017. Non-GAAP net income in the fourth quarter was \$48.1 million, compared to \$49.8 million

for the same period a year ago. Non-GAAP diluted earnings per share for the fourth quarter was \$0.67, compared to \$0.64 in the same period a year ago. Non-GAAP net income for fiscal year 2018 was \$161.4 million, compared to \$224.6 million in fiscal year 2017. Non-GAAP diluted earnings per share in fiscal year 2018 was \$2.21, compared to \$2.87 in fiscal year 2017.

Balance Sheet and Cash Flow Summary

- **Ending cash and cash equivalents were \$419.5 million**
- **Cash flow from operations was \$60.5 million in Q4 and \$156.4 million for FY'18**
- **Inventory turns were 5.5x**
- **Cash cycle days were 47.3 days**

First Quarter Fiscal 2019 Outlook

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

- Revenue between \$1.875 billion to \$1.925 billion
- GAAP diluted earnings per share between \$0.57 to \$0.63, including stock-based compensation expense of \$0.10 and amortization of intangible assets of \$0.01
- Non-GAAP diluted earnings per share between \$0.68 to \$0.74

This outlook includes the expected impact from the adoption of ASC 606, "Revenue from Contracts with Customers". The Company does not expect the adoption of ASC 606 to materially impact its revenue or earnings per share.

Company Conference Call Information

Sanmina will hold a conference call to review its financial results for the fourth quarter on Monday, October 29, 2018 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 8067279.

⁽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, deferred tax and discrete tax items 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 first quarter fiscal 2019 results and statements regarding the expected impact of the new revenue recognition standard, 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; finalization of the manner of adoption of the new revenue recognition standard; 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.

Sanmina Contact

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

	September 29, 2018	September 30, 2017
	(Unaudited)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 419,528	\$ 406,661
Accounts receivable, net	1,177,219	1,110,334
Inventories	1,363,004	1,051,669
Prepaid expenses and other current assets	43,676	47,586
Total current assets	3,003,427	2,616,250
Property, plant and equipment, net	642,913	640,275
Deferred tax assets	342,724	476,554
Other	83,669	114,284
Total assets	\$ 4,072,733	\$ 3,847,363
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 1,530,399	\$ 1,280,106
Accrued liabilities	136,427	116,582
Accrued payroll and related benefits	124,748	130,939
Short-term debt, including current portion of long-term debt	593,321	88,416
Total current liabilities	2,384,895	1,616,043
Long-term liabilities:		
Long-term debt	14,346	391,447
Other	196,048	192,189
Total long-term liabilities	210,394	583,636
Stockholders' equity	1,477,444	1,647,684
Total liabilities and stockholders' equity	\$ 4,072,733	\$ 3,847,363

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

	Three Months Ended		Twelve Months Ended	
	Sept. 29, 2018	Sept. 30, 2017	Sept. 29, 2018	Sept. 30, 2017
Net sales	\$ 1,876,335	\$ 1,755,003	\$ 7,110,130	\$ 6,868,619
Cost of sales	1,749,252	1,631,152	6,640,347	6,348,708
Gross profit	<u>127,083</u>	<u>123,851</u>	<u>469,783</u>	<u>519,911</u>
Operating expenses:				
Selling, general and administrative	60,516	65,332	250,924	251,568
Research and development	6,774	8,714	30,754	33,716
Amortization of intangible assets	190	918	2,908	3,672
Restructuring costs	13,174	1,218	29,146	1,339
Goodwill and other asset impairments	30,610	4,600	30,610	4,600
Gain on sales of long-lived assets	-	-	-	(1,451)
Total operating expenses	<u>111,264</u>	<u>80,782</u>	<u>344,342</u>	<u>293,444</u>
Operating income	15,819	43,069	125,441	226,467
Interest income	204	607	1,268	1,265
Interest expense	(7,410)	(5,678)	(27,734)	(21,934)
Other income, net	817	1,661	4,564	7,682
Interest and other, net	<u>(6,389)</u>	<u>(3,410)</u>	<u>(21,902)</u>	<u>(12,987)</u>
Income before income taxes	9,430	39,659	103,539	213,480
Provision for income taxes	<u>4,048</u>	<u>13,811</u>	<u>194,472</u>	<u>74,647</u>
Net income (loss)	<u>\$ 5,382</u>	<u>\$ 25,848</u>	<u>\$ (90,933)</u>	<u>\$ 138,833</u>
Basic income (loss) per share	\$ 0.08	\$ 0.35	\$ (1.30)	\$ 1.86
Diluted income (loss) per share	\$ 0.08	\$ 0.33	\$ (1.30)	\$ 1.78
Weighted-average shares used in computing per share amounts:				
Basic	68,236	74,281	69,833	74,481
Diluted	71,500	77,575	69,833	78,128

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

	Three Months Ended		Twelve Months Ended	
	Sept. 29, 2018	Sept. 30, 2017	Sept. 29, 2018	Sept. 30, 2017
GAAP Operating Income	\$ 15,819	\$ 43,069	\$ 125,441	\$ 226,467
<i>GAAP operating margin</i>	<i>0.8%</i>	<i>2.5%</i>	<i>1.8%</i>	<i>3.3%</i>
Adjustments:				
Stock compensation expense (1)	4,127	11,012	32,825	37,920
Amortization of intangible assets	1,092	1,820	6,516	7,280
Reversal of contingent consideration accrual (2)	-	-	(4,812)	-
Distressed customer charges (3)	(73)	(573)	(926)	(973)
Restructuring costs	13,174	1,218	29,146	1,339
Gain on sales of long-lived assets	-	-	-	(1,451)
Goodwill and other asset impairments	30,610	4,600	30,610	4,600
Non-GAAP Operating Income	\$ 64,749	\$ 61,146	\$ 218,800	\$ 275,182
<i>Non-GAAP operating margin</i>	<i>3.5%</i>	<i>3.5%</i>	<i>3.1%</i>	<i>4.0%</i>
GAAP Net Income (Loss)	\$ 5,382	\$ 25,848	\$ (90,933)	\$ 138,833
Adjustments:				
Operating income adjustments (see above)	48,930	18,077	93,359	48,715
Litigation settlements (4)	(475)	-	(762)	-
Adjustments for taxes (5)	(5,783)	5,846	159,756	37,035
Non-GAAP Net Income	\$ 48,054	\$ 49,771	\$ 161,420	\$ 224,583
GAAP Net Income (Loss) Per Share:				
Basic	\$ 0.08	\$ 0.35	\$ (1.30)	\$ 1.86
Diluted	\$ 0.08	\$ 0.33	\$ (1.30)	\$ 1.78
Non-GAAP Net Income Per Share:				
Basic	\$ 0.70	\$ 0.67	\$ 2.31	\$ 3.02
Diluted	\$ 0.67	\$ 0.64	\$ 2.21	\$ 2.87
Weighted-average shares used in computing GAAP per share amounts:				
Basic	68,236	74,281	69,833	74,481
Diluted	71,500	77,575	69,833	78,128
Weighted-average shares used in computing non-GAAP per share amounts:				
Basic	68,236	74,281	69,833	74,481
Diluted	71,500	77,575	73,200	78,128
(1) Stock compensation expense was as follows:				
Cost of sales	\$ 1,833	\$ 2,180	\$ 8,187	\$ 8,958
Selling, general and administrative	3,164	8,677	25,206	28,169
Research and development	(870)	155	(568)	793
Total	<u>\$ 4,127</u>	<u>\$ 11,012</u>	<u>\$ 32,825</u>	<u>\$ 37,920</u>
(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				
(5) GAAP provision for income taxes	\$ 4,048	\$ 13,811	\$ 194,472	\$ 74,647
Adjustments:				
Tax impact of operating income adjustments	990	152	1,889	1,556
Discrete tax items	177	(50)	3,230	7,141
Other deferred tax adjustments	3,312	(5,948)	(3,779)	(45,732)
Impact of US Tax Reform	1,304	-	(161,096)	-
Subtotal - adjustments for taxes	<u>5,783</u>	<u>(5,846)</u>	<u>(159,756)</u>	<u>(37,035)</u>
Non-GAAP provision for income taxes	<u>\$ 9,831</u>	<u>\$ 7,965</u>	<u>\$ 34,716</u>	<u>\$ 37,612</u>

Schedule I

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, as adjusted for taxes, 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 stock options 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, excluding these charges permits more accurate comparisons of the Company's core results with those of its competitors. Items excluded by the Company may be different from those excluded by the Company's competitors and 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. We determine the tax adjustments based upon the various applicable effective tax rates. In those jurisdictions where we do not expect to realize a tax cost or benefit (due to a history of operating losses or other factors), a reduced tax rate is applied.