SANMINA

# Second Quarter Fiscal 2017


Industrial


Medical Systems


Defense & Aerospace


Communications Networks


Computing & Storage


Automotive

## Quarter Ended April 1, 2017

# Safe Harbor Statement

Certain statements made during this presentation, including the Company's outlook for the third quarter fiscal year 2017 and expectations for the second half of fiscal 2017, 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; risks arising from our international operations; competition that could cause us to lose sales; reliance on a relatively small number of customers for a majority of our sales; 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 their more directly comparable GAAP measures are included on slide 17 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, the 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

| | Q2'17 (A) | Q2'17 Outlook |
|---|---|---|
| Revenue: | $1.68B | $1.675 - $1.725B |
| Non-GAAP Diluted earnings per share: | $0.76 | $0.67 - $0.72 |

# Financial Results
***(Unaudited)***

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| | Three Month Periods | | |
|---|---|---|---|
| **($ in millions, except per share data)** | **Q2'17** | **Q1'17** | **Q2'16** |
| **GAAP:** | | | |
| Revenue | $1,682 | $1,720 | $1,611 |
| Gross profit | $133 | $132 | $137 |
| Operating expense | $75 | $74 | $76 |
| Operating income | $58 | $59 | $61 |
| Other expense | $1 | $4 | $6 |
| Taxes | $25 | $10 | $25 |
| Net income | $32 | $45 | $30 |
| Diluted earnings per share | $0.41 | $0.58 | $0.39 |
| **Non-GAAP[(1)]:** | | | |
| Revenue | $1,682 | $1,720 | $1,611 |
| Gross profit | $136 | $136 | $132 |
| Operating expense | $65 | $64 | $67 |
| Operating income | $71 | $72 | $65 |
| Other expense | $1 | $4 | $7 |
| Taxes | $10 | $10 | $9 |
| Net income | $59 | $58 | $49 |
| Diluted earnings per share | $0.76 | $0.75 | $0.63 |

[(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), impairment charges for goodwill and intangible assets, amortization expense and charges associated with distressed customers, litigation settlements, gains on sales of assets and redemptions of debt, discrete tax events and deferred tax changes, to the extent material in the applicable period. Please refer to "Reconciliation of Non-GAAP Measures" on slide 17 of this presentation.

Numbers may not foot due to rounding.

# Segment Reporting – Revenue and Non-GAAP Gross Margin*

*($ in Millions)*

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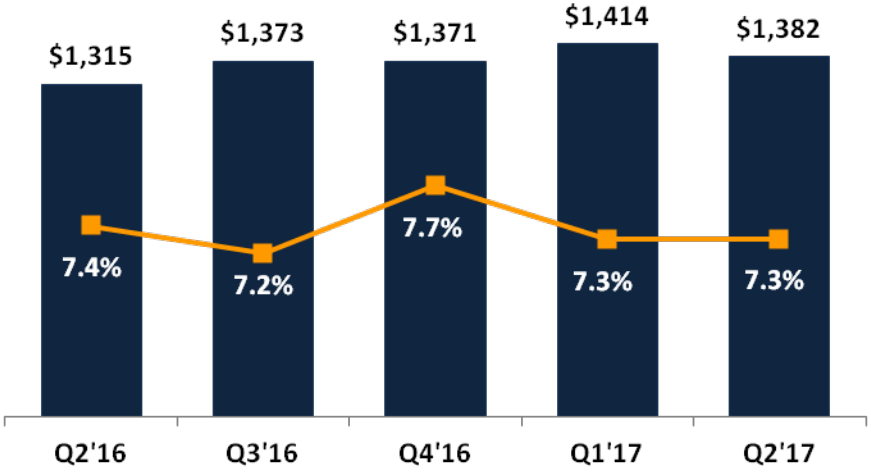
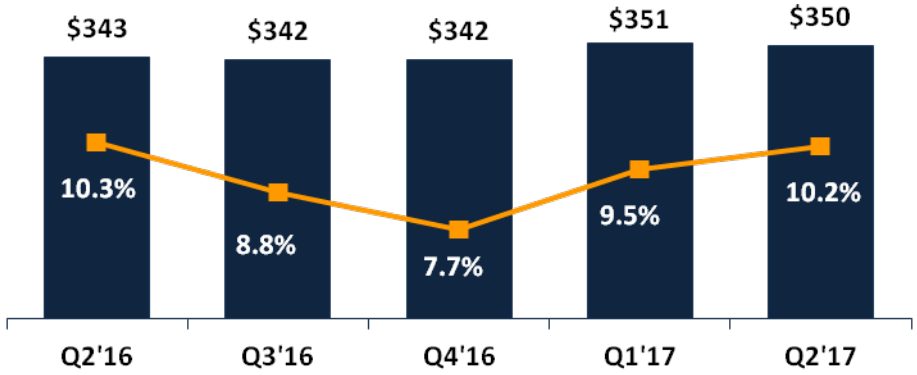
## Integrated Manufacturing Solutions




## 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 revenue and gross margin for IMS segment and CPS category includes inter-segment revenues that are eliminated under GAAP and exclude 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 17.

# Non-GAAP P&L Metrics

*($ in Millions)*

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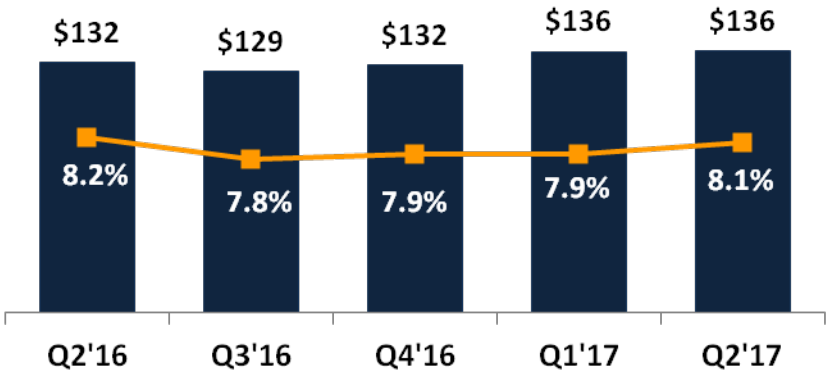
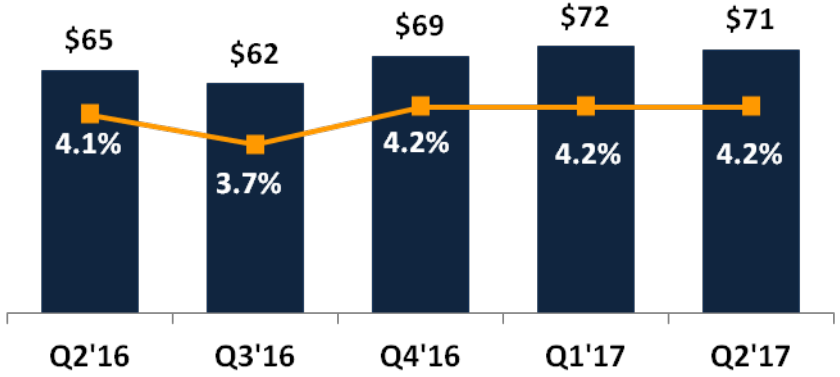
**Gross Profit / Margin**




**Operating Income / Margin**



# Summary Balance Sheet

***($ in Millions)***

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| | 4/1/17 | 12/31/16 | 4/2/16 |
|---|---|---|---|
| Cash and cash equivalents | $433 | $405 | $407 |
| Accounts receivable, net | 971 | 993 | 999 |
| Inventories | 1,019 | 964 | 923 |
| Property, plant and equipment, net | 623 | 621 | 612 |
| Deferred tax assets | 501 | 513 | 476 |
| Other assets | 173 | 172 | 182 |
| Total assets | $3,720 | $3,668 | $3,598 |
| Accounts payable | $1,174 | $1,171 | $1,104 |
| Short-term debt | 3 | 43 | 136 |
| Long-term debt | 394 | 393 | 438 |
| Other liabilities | 432 | 397 | 425 |
| Total stockholders' equity | 1,717 | 1,663 | 1,495 |
| Total liabilities and stockholders' equity | $3,720 | $3,668 | $3,598 |

# Balance Sheet Metrics
## *($ in Millions)*

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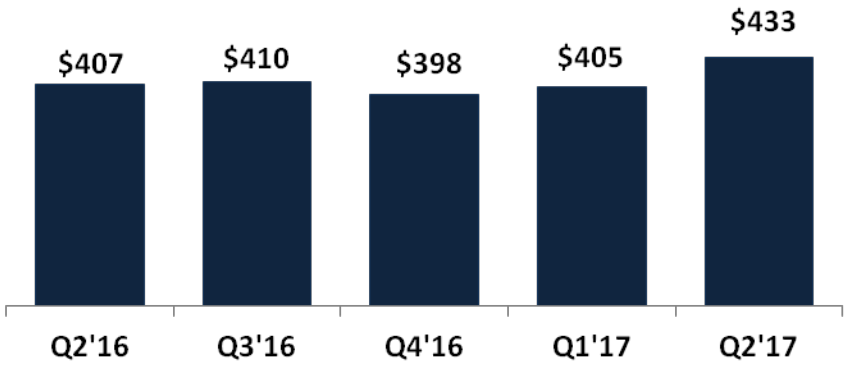
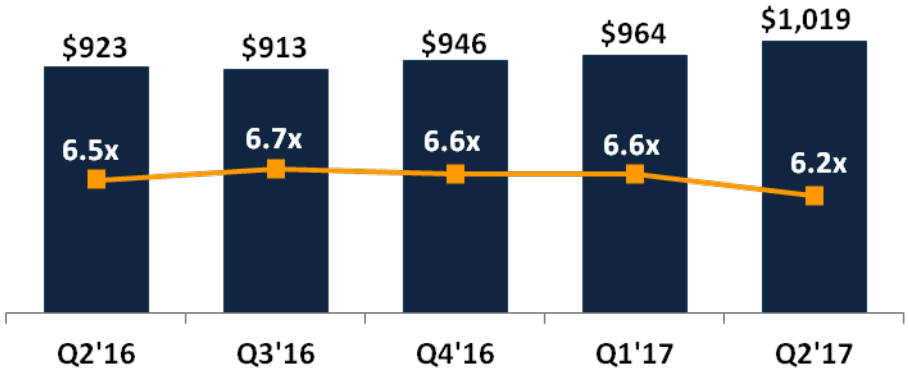
### Cash and Cash Equivalents

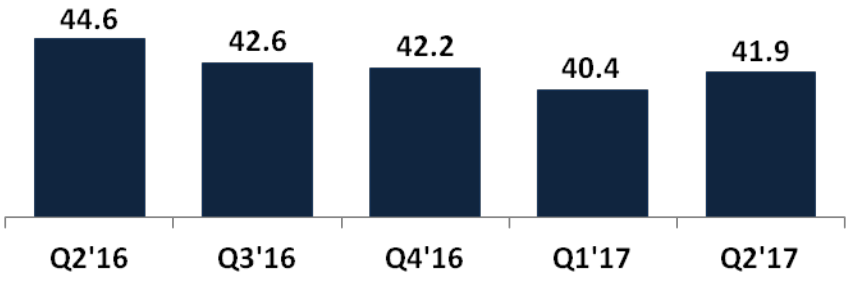



### Inventory $ / Turns



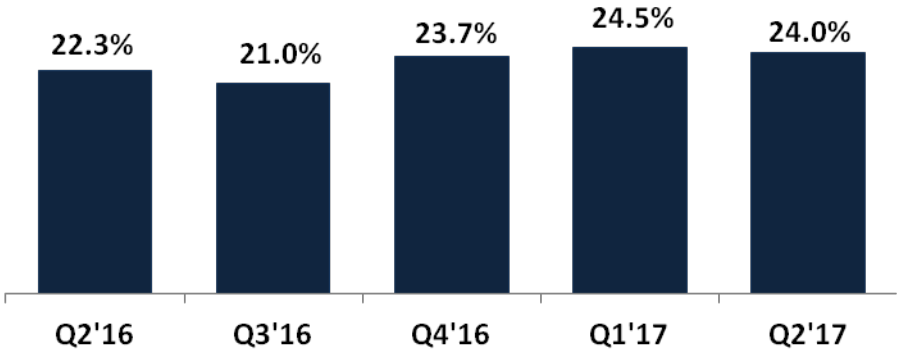

Inventory turns (annualized are calculated as the ratio of four times cost of sales for the quarter to average inventory).

### Cash Cycle Days




Cash cycle days is calculated as days inventory on hand (ratio of average inventory for the quarter to average daily 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 cost of sales for the quarter to average accounts payable).

### Non-GAAP Pre-Tax ROIC




Refer to slide 18 for pre-tax ROIC calculation.

# Q3’17 Outlook

**The following outlook is for the third fiscal quarter ending July 1, 2017. These statements are forward-looking and actual results may differ materially.**

| | |
|---|---|
| **Revenue:** | **$1.7 - $1.8B** |
| **GAAP Diluted EPS[(1)] :** | **$0.65 - $0.70** |
| **Non-GAAP Diluted EPS:** | **$0.72 - $0.77** |

[(1)] Includes stock-based compensation expense of $0.06 and amortization of intangible assets of $0.01

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# CEO Remarks


Industrial


Medical Systems

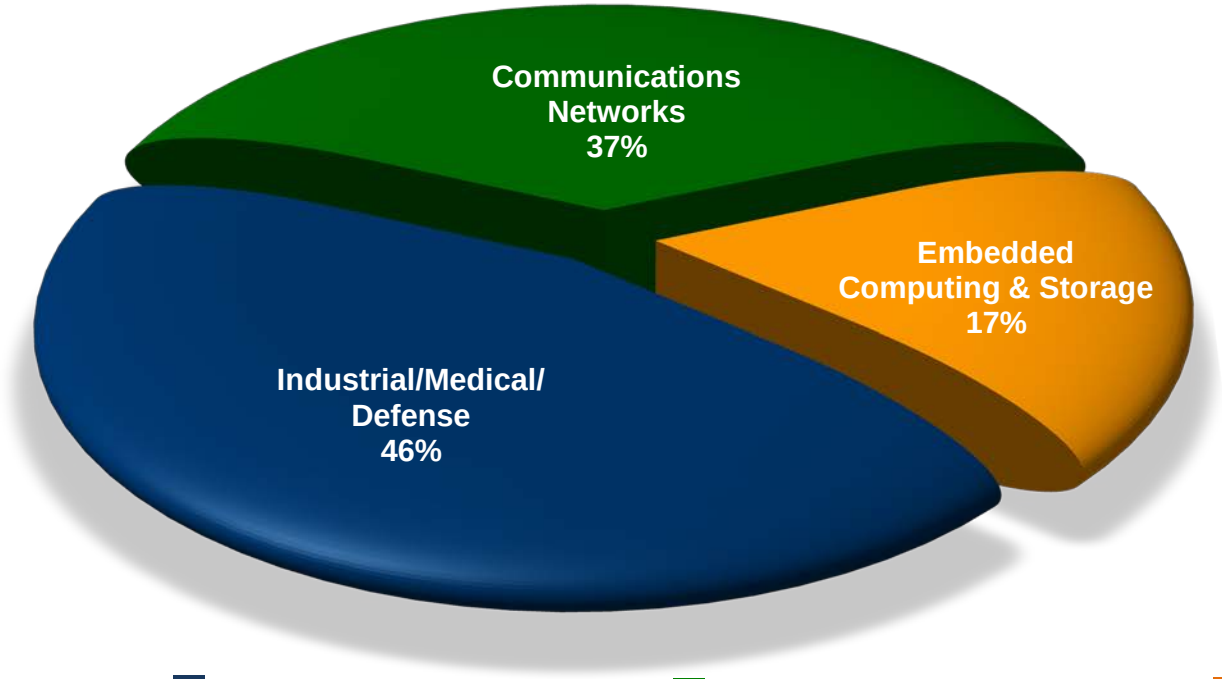

Defense & Aerospace


Communications Networks


Computing & Storage


Automotive

# Q2’17 Revenue Breakdown By End-Market




**Industrial/Medical/Defense**
(Industrial equipment, energy, oil and gas, medical equipment and aerospace & defense)

**Communications Networks**
(Networking, optical & wireless infrastructure)

**Embedded Computing & Storage**
(Casino gaming equipment, set-top boxes, cinematography, point-of-sale equipment, automotive electronics and storage systems)

| | | | |
|---|---|---|---|
| **Sequential** | ↓1.5% | ↓2.8% | ↓2.7% |

Numbers may not foot due to rounding.

## Top 10 Customers – 53.5% of Revenue

# Q3’17 End-Market Outlook

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Collaborative Design and Engineering | Interconnect Systems | Mechanical Systems | Optical / RF Solutions | Integrated Manufacturing Solutions | Products and Services | Direct Order Fulfillment and Logistics

| | |
|---|---|
| **Industrial/Medical/Defense**<br>(Industrial equipment, energy, oil and gas and medical equipment, aerospace & defense) | **FLAT** |
| **Communications Networks**<br>(Networking, optical & wireless infrastructure) | ↑ |
| **Embedded Computing & Storage**<br>(Casino gaming equipment, set-top boxes, cinematography, point-of-sale equipment, automotive electronics and storage systems) | ↑ |




**Focused on Key Markets**
**Providing Competitive Advantage**

# Summary

- Q2'17:
  - Consistent gross and operating margin
  - Non-GAAP EPS expanded
  - Solid cash flow from operations
- Q3'17:
  - Good demand
  - Remain focused on quality of growth
- FY'17:
  - Solid first half, expect stronger second half fiscal 2017
  - Continue to drive improvements and shareholder value

**Consistent and Predictable Results**

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# Consolidated Financial Statements
# Reconciliation of GAAP vs Non-GAAP


Industrial


Medical Systems


Defense & Aerospace


Communications Networks


Computing & Storage


Automotive

## Quarter Ended April 1, 2017

# GAAP Condensed Consolidated Balance Sheet

| (in thousands) | April 1, 2017 | October 1, 2016 |
|---|---|---|
| | (Unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 432,527 | $ 398,288 |
| Accounts receivable, net | 971,363 | 973,680 |
| Inventories | 1,019,155 | 946,239 |
| Prepaid expenses and other current assets | 54,362 | 57,445 |
| Total current assets | 2,477,407 | 2,375,652 |
| Property, plant and equipment, net | 623,037 | 617,524 |
| Deferred tax assets | 500,675 | 514,314 |
| Other | 118,989 | 117,732 |
| Total assets | $ 3,720,108 | $ 3,625,222 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $ 1,174,209 | $ 1,121,135 |
| Accrued liabilities | 130,724 | 124,386 |
| Accrued payroll and related benefits | 118,852 | 127,326 |
| Short-term debt | 3,416 | 28,416 |
| Total current liabilities | 1,427,201 | 1,401,263 |
| Long-term liabilities: | | |
| Long-term debt | 393,762 | 434,059 |
| Other | 182,442 | 180,097 |
| Total long-term liabilities | 576,204 | 614,156 |
| Stockholders' equity | 1,716,703 | 1,609,803 |
| Total liabilities and stockholders' equity | $ 3,720,108 | $ 3,625,222 |

# GAAP Condensed Consolidated Statement of Operations
(Unaudited)

| (in thousands, except per share data) | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | April 1, 2017 | April 2, 2016 | April 1, 2017 | April 2, 2016 |
| Net sales | $ 1,682,262 | $ 1,611,174 | $ 3,402,239 | $ 3,145,888 |
| Cost of sales | 1,549,052 | 1,474,462 | 3,136,867 | 2,885,538 |
| Gross profit | 133,210 | 136,712 | 265,372 | 260,350 |
| Operating expenses: | | | | |
| Selling, general and administrative | 62,388 | 63,494 | 127,528 | 121,187 |
| Research and development | 8,437 | 9,997 | 16,608 | 19,644 |
| Amortization of intangible assets | 918 | 918 | 1,836 | 1,610 |
| Restructuring costs | 3,301 | 1,204 | 4,029 | 1,757 |
| Asset impairments | - | - | - | 1,000 |
| Gain on sales of long-lived assets | - | - | (1,451) | - |
| Total operating expenses | 75,044 | 75,613 | 148,550 | 145,198 |
| Operating income | 58,166 | 61,099 | 116,822 | 115,152 |
| Interest income | 238 | 159 | 439 | 307 |
| Interest expense | (5,486) | (6,353) | (10,753) | (12,231) |
| Other income, net | 3,812 | 489 | 5,069 | 271 |
| Interest and other, net | (1,436) | (5,705) | (5,245) | (11,653) |
| Income before income taxes | 56,730 | 55,394 | 111,577 | 103,499 |
| Provision for income taxes | 25,013 | 25,033 | 34,996 | 46,000 |
| Net income | $ 31,717 | $ 30,361 | $ 76,581 | $ 57,499 |
| Basic income per share | $ 0.42 | $ 0.40 | $ 1.03 | $ 0.75 |
| Diluted income per share | $ 0.41 | $ 0.39 | $ 0.99 | $ 0.72 |
| Weighted-average shares used in computing per share amounts: | | | | |
| Basic | 74,761 | 75,477 | 74,156 | 76,605 |
| Diluted | 77,864 | 78,525 | 77,531 | 79,740 |

# Reconciliation of Non-GAAP Measures
(Unaudited)

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| ($ in thousands, except per share data) | Three Month Periods Q2'17 | Q1'17 | Q2'16 |
|---|---|---|---|
| GAAP Gross Profit | $ 133,210 | $ 132,162 | $ 136,712 |
| *GAAP gross margin* | *7.9%* | *7.7%* | *8.5%* |
| Adjustments | | | |
| Stock compensation expense (1) | 2,035 | 2,863 | 1,932 |
| Amortization of intangible assets | 902 | 902 | 1,202 |
| Reversal of contingent consideration accrual (2) | - | - | (7,558) |
| **Non-GAAP Gross Profit** | **$ 136,147** | **$ 135,927** | **$ 132,288** |
| ***Non-GAAP gross margin*** | ***8.1%*** | ***7.9%*** | ***8.2%*** |
| GAAP Operating Expenses | $ 75,044 | $ 73,506 | $ 75,613 |
| Adjustments | | | |
| Stock compensation expense (1) | (5,607) | (9,114) | (6,553) |
| Amortization of intangible assets | (918) | (918) | (918) |
| Restructuring costs | (3,301) | (728) | (1,204) |
| Gain on sales of long-lived assets | - | 1,451 | - |
| Asset impairments | - | - | - |
| **Non-GAAP Operating Expenses** | **$ 65,218** | **$ 64,197** | **$ 66,938** |
| GAAP Operating Income | $ 58,166 | $ 58,656 | $ 61,099 |
| *GAAP operating margin* | *3.5%* | *3.4%* | *3.8%* |
| Adjustments | | | |
| Stock compensation expense (1) | 7,642 | 11,977 | 8,485 |
| Amortization of intangible assets | 1,820 | 1,820 | 2,120 |
| Reversal of contingent consideration accrual (2) | - | - | (7,558) |
| Restructuring costs | 3,301 | 728 | 1,204 |
| Gain on sales of long-lived assets | - | (1,451) | - |
| Asset impairments | - | - | - |
| **Non-GAAP Operating Income** | **$ 70,929** | **$ 71,730** | **$ 65,350** |
| ***Non-GAAP operating margin*** | ***4.2%*** | ***4.2%*** | ***4.1%*** |
| GAAP Interest and Other, net | $ (1,436) | $ (3,809) | $ (5,705) |
| Adjustments | | | |
| Bargain purchase gain, net of tax (3) | - | - | (1,642) |
| **Non-GAAP Interest and Other, net** | **$ (1,436)** | **$ (3,809)** | **$ (7,347)** |
| GAAP Provision for Income Taxes | $ 25,013 | $ 9,983 | $ 25,033 |
| Adjustments | | | |
| Tax effect of non-GAAP adjustments | 4,684 | 4,798 | 1,560 |
| Adjustments for deferred tax and discrete tax items | (19,273) | (4,593) | (17,892) |
| **Non-GAAP Provision for Income Taxes** | **$ 10,424** | **$ 10,188** | **$ 8,701** |
| GAAP Net Income | $ 31,717 | $ 44,864 | $ 30,361 |
| Adjustments: | | | |
| Operating income adjustments (see above) | 12,763 | 13,074 | 4,251 |
| Bargain purchase gain, net of tax (3) | - | - | (1,642) |
| Adjustments for taxes | 14,589 | (205) | 16,332 |
| **Non-GAAP Net Income** | **$ 59,069** | **$ 57,733** | **$ 49,302** |
| **GAAP Net Income Per Share:** | | | |
| **Basic** | **$ 0.42** | **$ 0.61** | **$ 0.40** |
| **Diluted** | **$ 0.41** | **$ 0.58** | **$ 0.39** |
| **Non-GAAP Net Income Per Share:** | | | |
| **Basic** | **$ 0.79** | **$ 0.78** | **$ 0.65** |
| **Diluted** | **$ 0.76** | **$ 0.75** | **$ 0.63** |
| Weighted-average shares used in computing per share amounts: | | | |
| Basic | 74,761 | 73,554 | 75,477 |
| Diluted | 77,864 | 77,175 | 78,525 |

(1) Stock compensation expense was as follows:

| | Three Month Periods Q2'17 | Q1'17 | Q2'16 |
|---|---|---|---|
| Cost of sales | $ 2,035 | $ 2,863 | $ 1,932 |
| Selling, general and administrative | 5,376 | 8,840 | 6,422 |
| Research and development | 231 | 274 | 131 |
| Total | $ 7,642 | $ 11,977 | $ 8,485 |

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

(3) Represents a bargain purchase gain recorded in connection with an acquisition.

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

| | | Q2 FY17 |
|---|---|---|
| **Pre-tax Return on Invested Capital (ROIC)** | | |
| GAAP operating income | | $ 58,166 |
| | x | 4 |
| Annualized GAAP operating income | | 232,664 |
| Average invested capital (1) | ÷ | 1,180,950 |
| **GAAP pre-tax ROIC** | | **19.7%** |
| Non-GAAP operating income | | $ 70,929 |
| | x | 4 |
| Annualized non-GAAP operating income | | 283,716 |
| Average invested capital (1) | ÷ | 1,180,950 |
| **Non-GAAP pre-tax ROIC** | | **24.0%** |

(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)

| (in thousands) | Three Month Periods Q2'17 | Q1'17 | Q2'16 |
|---|---|---|---|
| GAAP Net Income | $ 31,717 | $ 44,864 | $ 30,361 |
| Depreciation and amortization | 29,277 | 28,972 | 27,692 |
| Other, net* | 19,021 | 14,098 | 8,933 |
| Net change in net working capital | 8,706 | (34,007) | 75,663 |
| Cash provided by operating activities | 88,721 | 53,927 | 142,649 |
| Net purchases of property & equipment | (33,370) | (18,085) | (28,973) |
| Payments for acquisitions | - | - | (58,878) |
| Cash used in investing activities | (33,370) | (18,085) | (87,851) |
| Net share repurchases | 12,048 | (2,980) | (73,824) |
| Payments for previous acquisitions | - | (2,262) | - |
| Net borrowing activities | (40,000) | (25,000) | 28,034 |
| Cash used in financing activities | (27,952) | (30,242) | (45,790) |
| Effect of exchange rate changes | (112) | 1,352 | (136) |
| Net change in cash & cash equivalents | $ 27,287 | $ 6,952 | $ 8,872 |
| Free cash flow: | | | |
| Cash provided by operating activities | $ 88,721 | $ 53,927 | $142,649 |
| Net purchases of property & equipment | (33,370) | (18,085) | (28,973) |
| | $ 55,351 | $ 35,842 | $113,676 |

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

What we make, makes a difference™



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