Sanmina

Q1 FY'18 Results

January 29, 2018



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 second quarter fiscal year 2018, and expectations for the second half of fiscal 2018, 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; consolidation among our customers and suppliers that could adversely affect our business; 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 19 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
(Unaudited)

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Revenue

- Late in quarter cancellations/push-outs primarily in communications segment

Profitability

- IMS business shipment mix worst in a number of years
- High fixed costs associated with new program ramps – under absorption
- CPS impacted predominantly by Oil and Gas

($ in millions, except per share data)	Three Month Period Q1'18	Q4'17	Q1'17
GAAP:			
Revenue	$1,745	$1,755	$1,720
Gross profit	$109	$124	$132
Operating expense	$96	$81	$74
Operating income	$14	$43	$59
Other expense	$3	$3	$4
Taxes	$166	$14	$10
Net income (loss)	($155)	$26	$45
Diluted earnings (loss) per share	($2.16)	$0.33	$0.58
Non-GAAP[(1)]:			
Revenue	$1,745	$1,755	$1,720
Gross profit	$112	$126	$136
Operating expense	$65	$65	$64
Operating income	$47	$61	$72
Other expense	$3	$3	$4
Taxes	$8	$8	$10
Net income	$36	$50	$58
Diluted earnings per share	$0.48	$0.64	$0.75

[(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 19 of this presentation.

Numbers may not foot due to rounding.

Segment Reporting - Revenue and Gross Margin*

($ in Millions)

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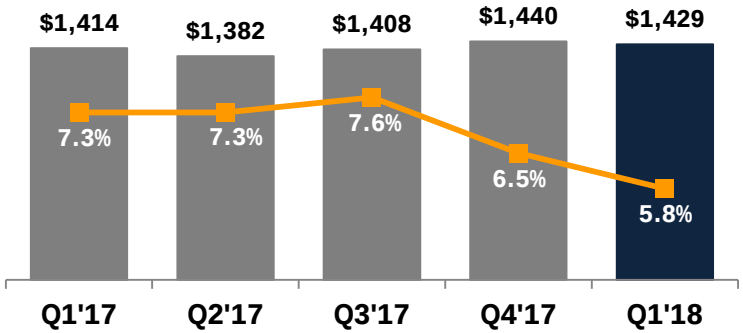
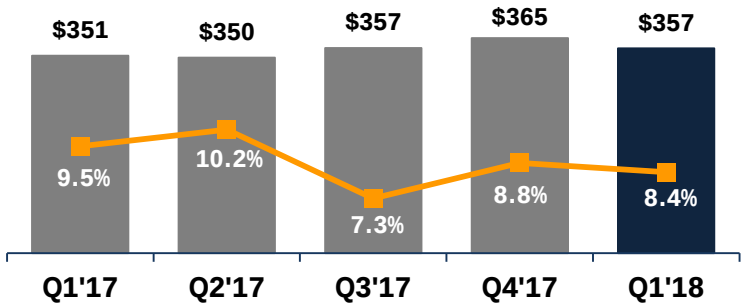
Integrated Manufacturing Solutions



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 revenue and 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 19.

Non-GAAP P&L Performance

($ in Millions, except per share data)

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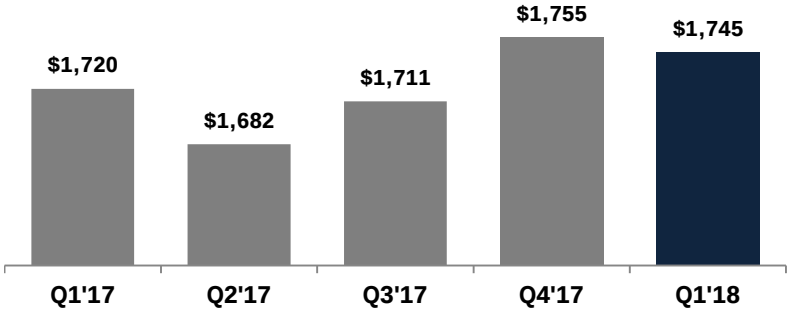
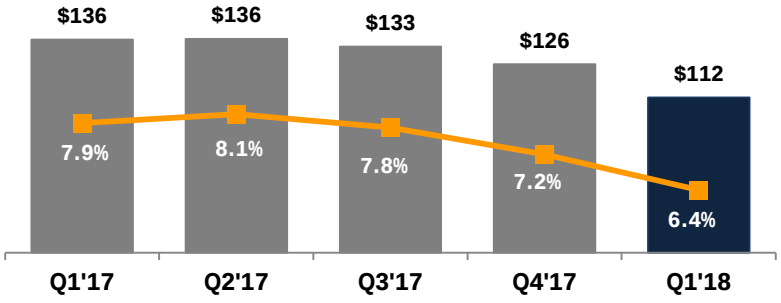
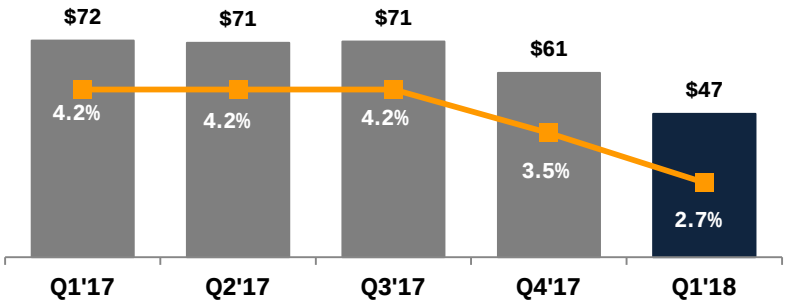
Revenue



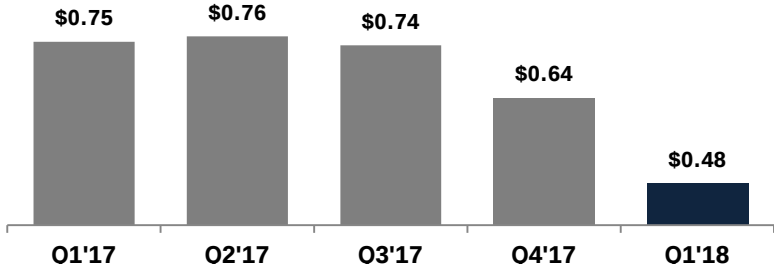
Gross Profit / Margin



Operating Income / Margin



Earnings Per Share



Summary Balance Sheet
($ in Millions)

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	12/30/17	9/30/17
Cash and cash equivalents	$405	$407
Accounts receivable, net	1,122	1,110
Inventories	1,080	1,052
Property, plant and equipment, net	635	640
Deferred tax assets	357	477
Other assets	161	162
Total assets	$3,759	$3,847
Accounts payable	$1,260	$1,280
Short-term debt	169	88
Long-term debt	392	391
Other liabilities	435	440
Total stockholders' equity	1,502	1,648
Total liabilities and stockholders' equity	$3,759	$3,847

Balance Sheet Metrics
($ in Millions)

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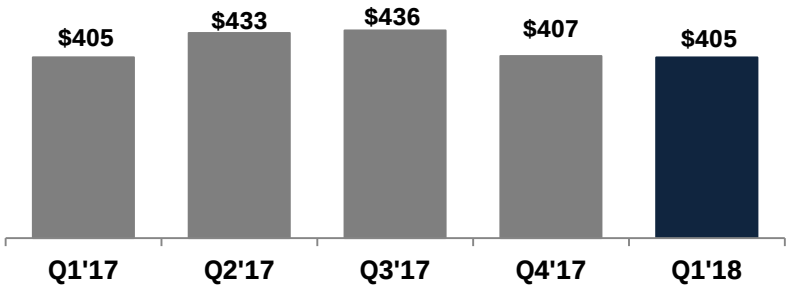
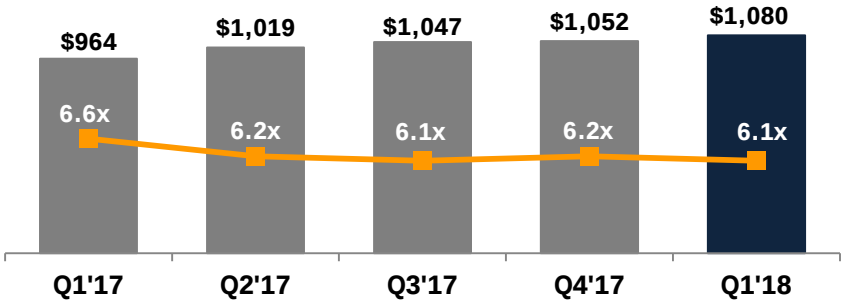
Cash and Cash Equivalents

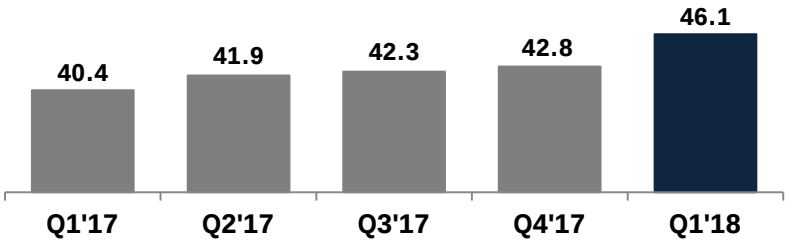


Inventory $ / Turns



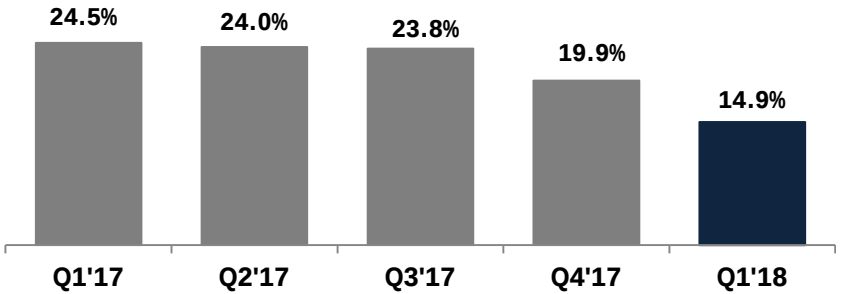
Inventory turns (annualized) are calculated as the ratio of four times cost of sales for the quarter to average inventory.

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).

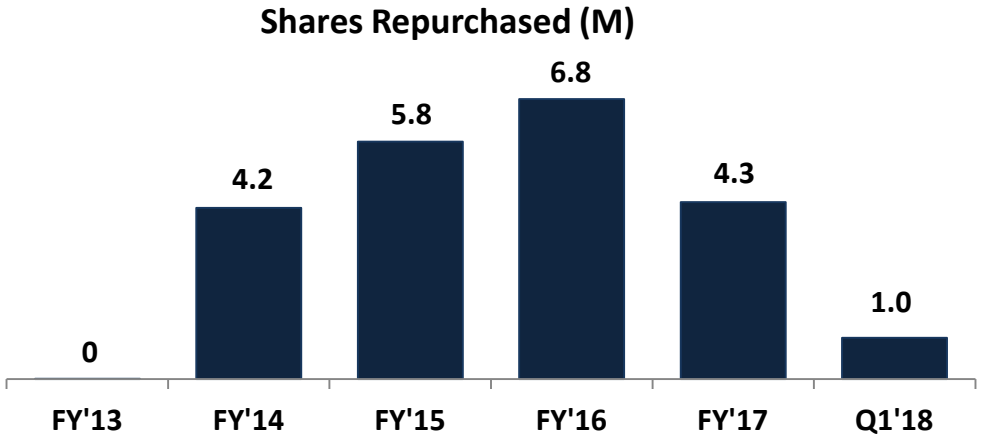
Non-GAAP Pre-Tax ROIC



Refer to slide 20 for pre-tax ROIC calculation.

Share Repurchase Program

- Q1’18 repurchased 1 million common shares for $34.3 million at an average share price of $33.62
- $531.0 million share repurchases since FY’14
- $219.0 million authorized for future purchases at the end of Q1’18
- Opportunistic plan



U.S. Tax Cuts and Jobs Act (Tax Act) – Impact to Sanmina

- Supportive of tax reform
- Believe it will immediately improve competitiveness of the U.S.
- Q1’18 non-cash charge of $162.4 million, primarily result of estimated reduction in carrying value of deferred tax asset
- No immediate plans for incremental cash repatriation – company already has an effective business model for the efficient repatriation of cash
- Global Intangible Low-Taxed Income (GILTI) Provision – applies to Sanmina’s fiscal year 2019. No tax cash impact expected. Impact on GAAP tax rate not expected to be material
- Q1’18 GAAP loss per share of $2.27, no additional material charges expected
- SEC guidance allows use of “reasonable estimate” within a one year measurement period from quarter of enactment of the US Tax Cuts and Jobs Act

Consolidated Restructuring Plan

- Decision to optimize and re-align cost structure across the Company to support our long term profitable growth strategy
- 3 Facilities
  - Owego, New York
  - Two facilities in China
- Cash restructuring charges of approximately $35 million, paid through calendar 2019
- $23.3 million recorded in Q1’18
- Estimated $2 to $4M incremental cost savings beginning in Q4’18 from Owego, New York facility

Q2’18 Outlook

The following outlook is for the second fiscal quarter ending March 31, 2018. These statements are forward-looking and actual results may differ materially.

Revenue:	**$1.60B - $1.70B**
GAAP Diluted EPS(1) :	**$0.20 - $0.30**
Non-GAAP Diluted EPS:	**$0.40 - $0.50**

(1) Includes stock-based compensation expense of $0.17 and amortization of intangible assets and restructuring costs of $0.03.

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CEO Remarks

January 29, 2018



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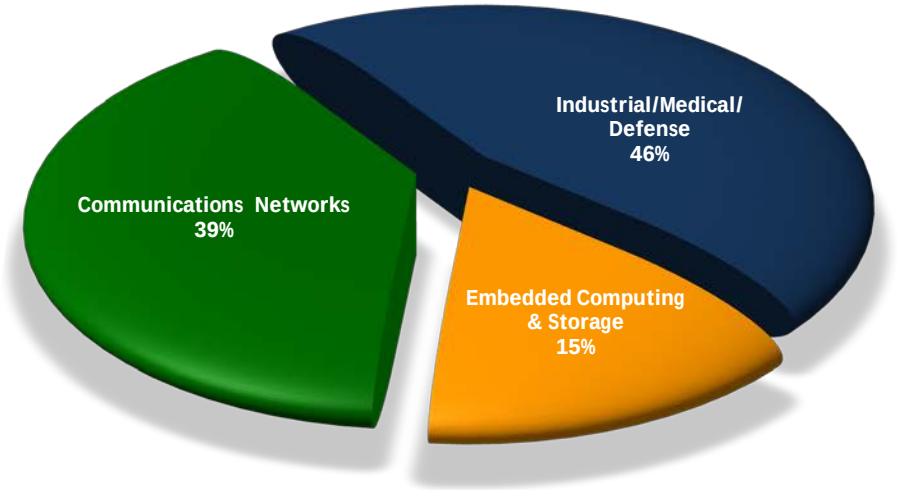
Q1'18 Revenue Breakdown By End-Market



	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	↑4.9%	↓4.9%	↓4.4%

Numbers may not foot due to rounding.

Top 10 Customers – 54.4% of Revenue

Q2’18 End-market Outlook

Industrial/Medical/Defense (Industrial equipment, energy, oil and gas and medical equipment, 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)	FLAT



Summary

- Q1’18
  - Disappointing profitability
  - Poor mix of business in IMS
  - Late in quarter (December) cancellations/push-outs
  - New programs not ramping as quickly as expected
  - Continued supply constraints
- Q2’18
  - Seasonally soft quarter, particularly in industrial and communications
  - Supply constraints remain challenging
  - Optimizing our cost structure
- Second Half Fiscal ‘18
  - Confident stronger second half – pipeline is solid
  - New programs moving to volume production
  - Expect slight FY’18 Y-Y revenue growth
  - Improved profitability

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Consolidated Financial Statements
Reconciliation of GAAP vs. Non-GAAP

Quarter Ended
December 30, 2017



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GAAP Condensed Consolidated Balance Sheet

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($ in thousands)	December 30, 2017 (Unaudited)	September 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 404,914	$ 406,661
Accounts receivable, net	1,121,800	1,110,334
Inventories	1,079,638	1,051,669
Prepaid expenses and other current assets	46,345	47,586
Total current assets	2,652,697	2,616,250
Property, plant and equipment, net	635,000	640,275
Deferred tax assets	356,660	476,554
Other	114,223	114,284
Total assets	$ 3,758,580	$ 3,847,363
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,260,432	$ 1,280,106
Accrued liabilities	121,001	116,582
Accrued payroll and related benefits	111,806	130,939
Short-term debt	169,416	88,416
Total current liabilities	1,662,655	1,616,043
Long-term liabilities:		
Long-term debt	392,195	391,447
Other	202,142	192,189
Total long-term liabilities	594,337	583,636
Stockholders' equity	1,501,588	1,647,684
Total liabilities and stockholders' equity	$ 3,758,580	$ 3,847,363

GAAP Condensed Consolidated Statement of Operations
(Unaudited)

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($ in thousands, except per share amounts)	Three Months Ended Dec. 30, 2017	Three Months Ended Dec. 31, 2016
Net sales	$ 1,744,800	$ 1,719,977
Cost of sales	1,635,334	1,587,815
Gross profit	109,466	132,162
Operating expenses:		
Selling, general and administrative	63,603	65,140
Research and development	7,615	8,171
Amortization of intangible assets	918	918
Restructuring costs	23,542	728
Gain on sales of long-lived assets	-	(1,451)
Total operating expenses	95,678	73,506
Operating income	13,788	58,656
Interest income	285	201
Interest expense	(6,214)	(5,267)
Other income, net	3,230	1,257
Interest and other, net	(2,699)	(3,809)
Income before income taxes	11,089	54,847
Provision for income taxes	165,999	9,983
Net income (loss)	$ (154,910)	$ 44,864
Basic income per share	$ (2.16)	$ 0.61
Diluted income per share	$ (2.16)	$ 0.58
Weighted-average shares used in computing per share amounts:		
Basic	71,605	73,554
Diluted	71,605	77,175

Reconciliation of Non-GAAP Measures (Unaudited)

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($ in thousands, except per share data)	Three Month Periods Q1'18	Q4'17	Q3'17	Q2'17	Q1'17
GAAP Gross Profit	$ 109,466	$ 123,851	$ 130,688	$ 133,210	$ 132,162
GAAP gross margin	*6.3%*	*7.1%*	*7.6%*	*7.9%*	*7.7%*
Adjustments					
Stock compensation expense (1)	2,448	2,180	1,880	2,035	2,863
Amortization of intangible assets	902	902	902	902	902
Distressed customer charges (2)	(333)	(573)	(400)	-	-
Non-GAAP Gross Profit	**$ 112,483**	**$ 126,360**	**$ 133,070**	**$ 136,147**	**$ 135,927**
Non-GAAP gross margin	***6.4%***	***7.2%***	***7.8%***	***8.1%***	***7.9%***
GAAP Operating Expenses	$ 95,678	$ 80,782	64,112	75,044	$ 73,506
Adjustments					
Stock compensation expense (1)	(6,194)	(8,832)	(5,409)	(5,607)	(9,114)
Amortization of intangible assets	(918)	(918)	(918)	(918)	(918)
Restructuring costs	(23,542)	(1,218)	3,908	(3,301)	(728)
Gain on sales of long-lived assets	-	-	-	-	1,451
Asset impairments	-	(4,600)	-	-	-
Non-GAAP Operating Expenses	**$ 65,024**	**$ 65,214**	**$ 61,693**	**$ 65,218**	**$ 64,197**
GAAP Operating Income	$ 13,788	$ 43,069	$ 66,576	$ 58,166	$ 58,656
GAAP operating margin	*0.8%*	*2.5%*	*3.9%*	*3.5%*	*3.4%*
Adjustments					
Stock compensation expense (1)	8,642	11,012	7,289	7,642	11,977
Amortization of intangible assets	1,820	1,820	1,820	1,820	1,820
Distressed customer charges (2)	(333)	(573)	(400)	-	-
Restructuring costs	23,542	1,218	(3,908)	3,301	728
Gain on sales of long-lived assets	-	-	-	-	(1,451)
Asset impairments	-	4,600	-	-	-
Non-GAAP Operating Income	**$ 47,459**	**$ 61,146**	**$ 71,377**	**$ 70,929**	**$ 71,730**
Non-GAAP operating margin	***2.7%***	***3.5%***	***4.2%***	***4.2%***	***4.2%***
GAAP Interest and Other, net	$ (2,699)	$ (3,410)	$ (4,332)	$ (1,436)	$ (3,809)
Adjustments					
Litigation settlements (3)	(287)	-	-	-	-
Non-GAAP Interest and Other, net	**$ (2,986)**	**$ (3,410)**	**$ (4,332)**	**$ (1,436)**	**$ (3,809)**
GAAP Provision for Income Taxes	$ 165,999	$ 13,811	$ 25,840	$ 25,013	$ 9,983
Adjustments					
Tax effect of non-GAAP adjustments	7,121	5,257	1,765	4,684	4,806
Adjustments for deferred tax and discrete tax items	(165,115)	(11,103)	(18,570)	(19,273)	(4,601)
Non-GAAP Provision for Income Taxes	**$ 8,005**	**$ 7,965**	**$ 9,035**	**$ 10,424**	**$ 10,188**
GAAP Net Income (Loss)	$ (154,910)	$ 25,848	$ 36,404	$ 31,717	$ 44,864
Adjustments:					
Operating income adjustments (see above)	33,671	18,077	4,801	12,763	13,074
Litigation settlements (3)	(287)	-	-	-	-
Adjustments for taxes	157,994	5,846	16,805	14,589	(205)
Non-GAAP Net Income	**$ 36,468**	**$ 49,771**	**$ 58,010**	**$ 59,069**	**$ 57,733**
GAAP Net Income (Loss) Per Share:					
Basic	**$ (2.16)**	**$ 0.35**	**$ 0.48**	**$ 0.42**	**$ 0.61**
Diluted	**$ (2.16)**	**$ 0.33**	**$ 0.47**	**$ 0.41**	**$ 0.58**
Non-GAAP Net Income (Loss) Per Share:					
Basic	**$ 0.51**	**$ 0.67**	**$ 0.77**	**$ 0.79**	**$ 0.78**
Diluted	**$ 0.48**	**$ 0.64**	**$ 0.74**	**$ 0.76**	**$ 0.75**
Weighted-average shares used in computing GAAP per share amounts:					
Basic	71,605	74,281	75,332	74,761	73,554
Diluted	71,605	77,575	78,241	77,864	77,175
Weighted-average shares used in computing non-GAAP per share amounts:					
Basic	71,605	74,281	75,332	74,761	73,554
Diluted	75,485	77,575	78,241	77,864	77,175

(1) Stock compensation expense was as follows:

	Three Month Periods Q1'18	Q4'17	Q3'17	Q2'17	Q1'17
Cost of sales	$ 2,448	$ 2,180	$ 1,880	$ 2,035	$ 2,863
Selling, general and administrative	6,164	8,677	5,276	5,376	8,840
Research and development	30	155	133	231	274
Total	$ 8,642	$ 11,012	$ 7,289	$ 7,642	$ 11,977

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

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

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

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		Q1 FY18
GAAP operating income		$ 13,788
	x	4
Annualized GAAP operating income		55,152
Average invested capital (1)	÷	1,272,979
GAAP pre-tax ROIC		**4.3%**
Non-GAAP operating income		$ 47,459
	x	4
Annualized non-GAAP operating income		189,836
Average invested capital (1)	÷	1,272,979
Non-GAAP pre-tax ROIC		**14.9%**

(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 Q1'18	Q1'17
GAAP Net Income	$ (154,910)	$ 44,864
Depreciation and amortization	29,623	28,972
Other, net*	171,685	14,098
Net change in net working capital	(37,958)	(34,007)
Cash provided by operating activities	8,440	53,927
Net purchases of property & equipment	(48,391)	(18,085)
Cash used in investing activities	(48,391)	(18,085)
Net share repurchases	(42,959)	(2,980)
Payments for previous acquisitions	-	(2,262)
Net borrowing activities	81,000	(25,000)
Cash used in financing activities	38,041	(30,242)
Effect of exchange rate changes	163	1,352
Net change in cash & cash equivalents	$ (1,747)	$ 6,952
Free cash flow:		
Cash provided by operating activities	$ 8,440	$ 53,927
Net purchases of property & equipment	(48,391)	(18,085)
	$ (39,951)	$ 35,842

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

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