Sanmina

Q2 FY'18 Results

April 23, 2018



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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 third quarter fiscal year 2018 and improvements in the second half of 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; reliance on a small number of customers for a substantial portion of our sales; risks arising from our international operations; competition that could cause us to lose 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 more directly comparable GAAP measures are included on slide 16 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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	Three Month Period		
($ in millions, except per share data)	**Q2'18**	**Q1'18**	**Q2'17**
GAAP:			
Revenue	$1,676	$1,745	$1,682
Gross profit	$115	$109	$133
Operating expense	$66	$96	$75
Operating income	$49	$14	$58
Other expense	$7	$3	$1
Taxes	$17	$166	$25
Net income (loss)	$25	($155)	$32
Diluted earnings (loss) per share	$0.33	($2.16)	$0.41
Non-GAAP[(1)]:			
Revenue	$1,676	$1,745	$1,682
Gross profit	$117	$112	$136
Operating expense	$65	$65	$65
Operating income	$52	$47	$71
Other expense	$7	$3	$1
Taxes	$8	$8	$10
Net income	$37	$36	$59
Diluted earnings per share	$0.50	$0.48	$0.76

[(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 16 of this presentation.

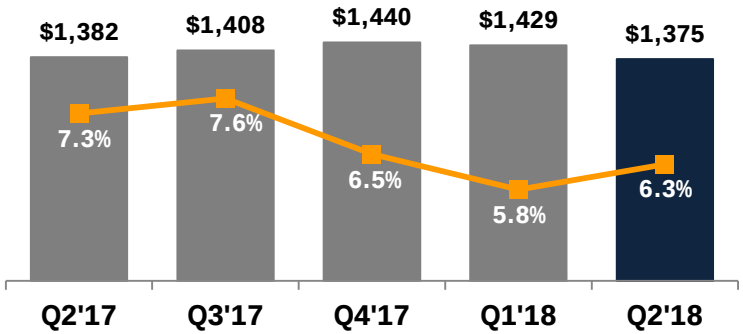
Numbers may not foot due to rounding.

Segment Reporting - Revenue and Non-GAAP Gross Margin*

($ in Millions)

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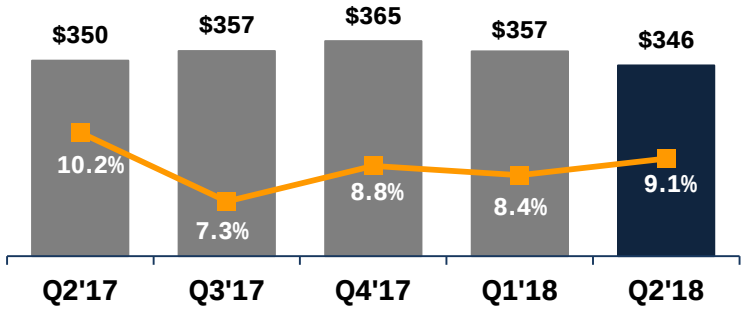
Integrated Manufacturing Solutions



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

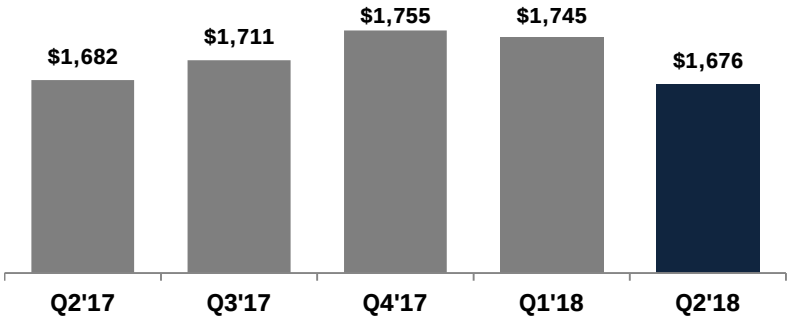
*Non-GAAP revenue and gross margin for IMS segment and CPS category includes inter-segment revenues that are eliminated under GAAP and excludes the same GAAP items that are excluded from the calculation of non-GAAP gross margin for the consolidated business. The reconciliation of non-GAAP gross margin for the consolidated business to GAAP gross margin is shown on slide 16.

Non-GAAP P&L Performance

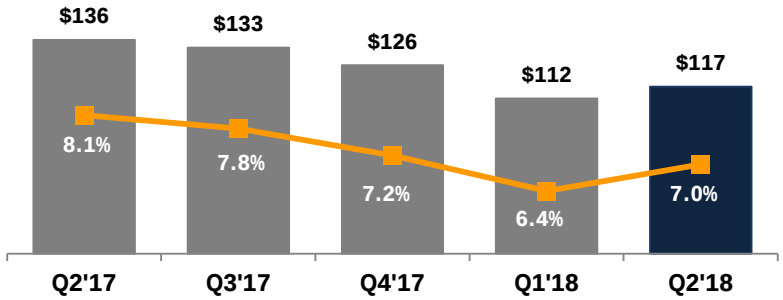
($ in Millions, except per share data)

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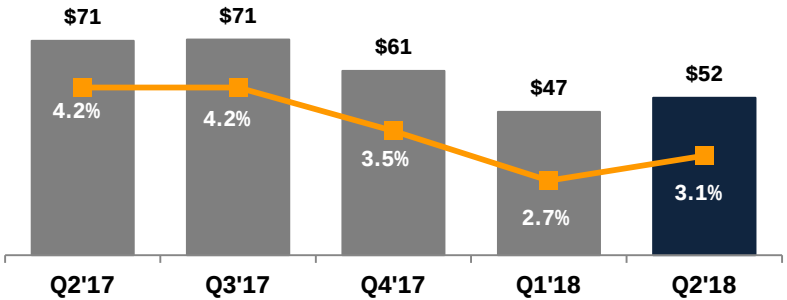
Revenue



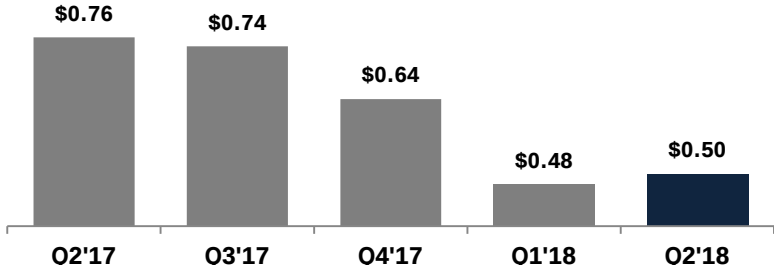
Gross Profit / Margin



Operating Income / Margin



Earnings Per Share



Summary Balance Sheet
($ in Millions)

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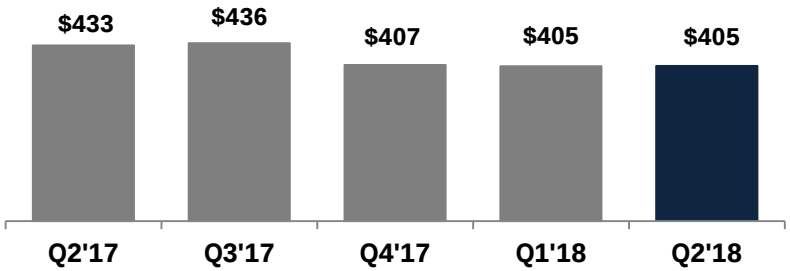
	3/31/18	12/30/17
Cash and cash equivalents	$405	$405
Accounts receivable, net	1,088	1,122
Inventories	1,122	1,080
Property, plant and equipment, net	635	635
Deferred tax assets	355	357
Other assets	175	161
Total assets	$3,779	$3,759
Accounts payable	$1,224	$1,260
Short-term debt	244	169
Long-term debt	393	392
Other liabilities	455	435
Total stockholders' equity	1,463	1,502
Total liabilities and stockholders' equity	$3,779	$3,759

Numbers may not foot due to rounding.

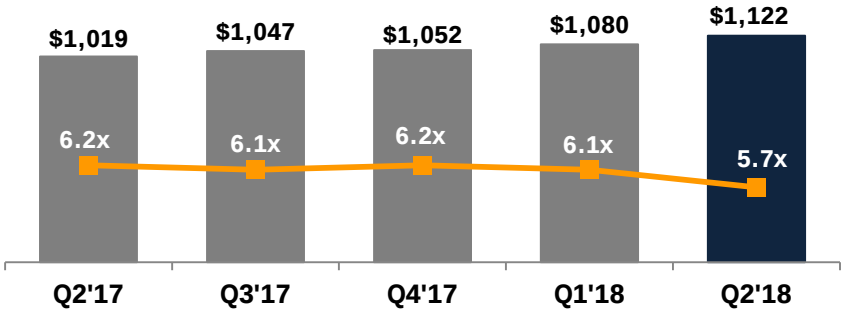
Balance Sheet Metrics
($ in Millions)

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Cash and Cash Equivalents

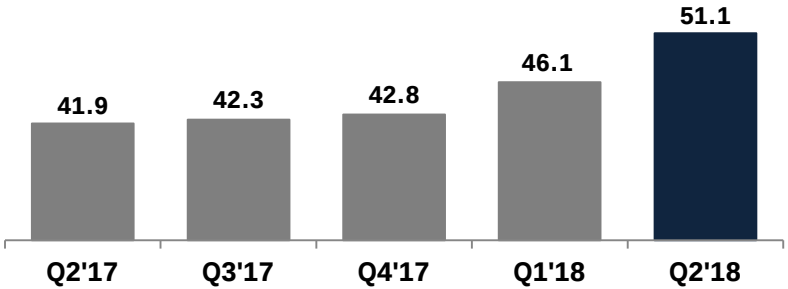


Inventory $ / Turns



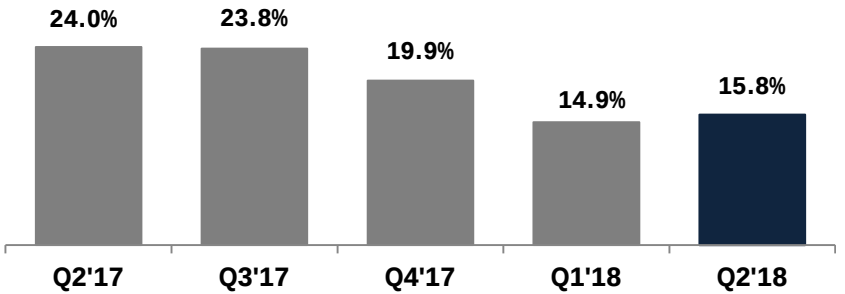
Inventory turns (annualized) are calculated as the ratio of four times cost of sales for the quarter to average inventory.

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 17 for non-GAAP pre-tax ROIC reconciliation.

Q3’18 Outlook

The following outlook is for the third fiscal quarter ending June 30, 2018. These statements are forward-looking and actual results may differ materially.

Revenue:	**$1.70B - $1.75B**
GAAP Diluted EPS(1) :	**$0.34 - $0.42**
Non-GAAP Diluted EPS:	**$0.53 - $0.61**

(1) Includes stock-based compensation expense of $0.14 and amortization of intangible assets and restructuring costs of $0.05.

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CEO Remarks

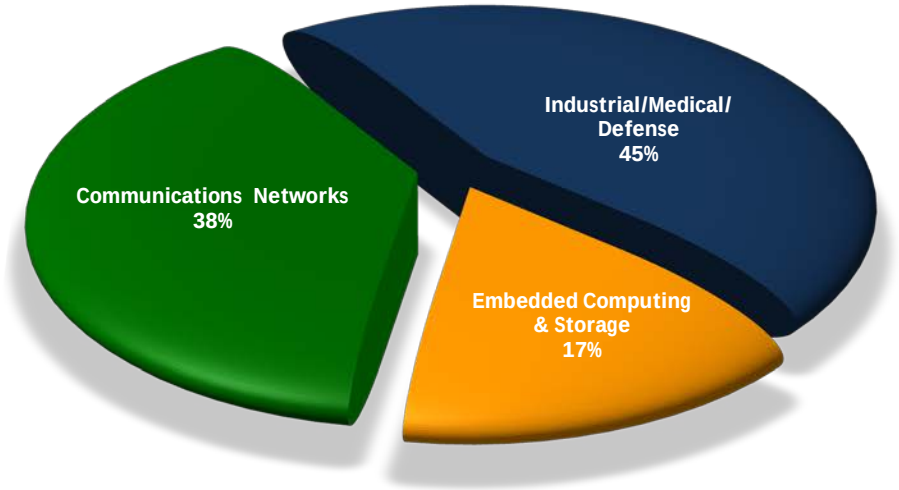
April 23, 2018



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Q2'18 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	↓4.8%	↓5.4%	↑2.2%

Numbers may not foot due to rounding.

Top 10 Customers – 53.0% of Revenue

Q3’18 End-market Outlook

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



Summary

- Q2’18
  - Seasonally soft quarter
  - Results were better than expected
  - Cost structure improved
  - Yields improved
  - Access to critical components remained challenging
  - Sequential and year over year growth in Medical, Defense and Automotive
- Q3’18
  - New programs will continue ramp
  - Solid pipeline of new business
  - The supply chain will be an ongoing challenge
  - Continue to optimize our cost structure

Optimistic About Second Half of FY’18

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Consolidated Financial Statements
Reconciliation of GAAP vs. Non-GAAP

Quarter Ended
March 31, 2018



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GAAP Condensed Consolidated Balance Sheet

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($ in thousands)	March 31, 2018	September 30, 2017
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 405,277	$ 406,661
Accounts receivable, net	1,087,713	1,110,334
Inventories	1,122,018	1,051,669
Prepaid expenses and other current assets	55,510	47,586
Total current assets	2,670,518	2,616,250
Property, plant and equipment, net	635,127	640,275
Deferred tax assets	354,658	476,554
Other	119,052	114,284
Total assets	$ 3,779,355	$ 3,847,363
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,224,062	$ 1,280,106
Accrued liabilities	125,332	116,582
Accrued payroll and related benefits	123,549	130,939
Short-term debt	244,416	88,416
Total current liabilities	1,717,359	1,616,043
Long-term liabilities:		
Long-term debt	393,236	391,447
Other	205,770	192,189
Total long-term liabilities	599,006	583,636
Stockholders' equity	1,462,990	1,647,684
Total liabilities and stockholders' equity	$ 3,779,355	$ 3,847,363

GAAP Condensed Consolidated Statement of Operations
(Unaudited)

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($ in thousands, except per share data)	Three Months Ended		Six Months Ended	
	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
Net sales	$ 1,675,629	$ 1,682,262	$ 3,420,429	$ 3,402,239
Cost of sales	1,560,931	1,549,052	3,196,265	3,136,867
Gross profit	114,698	133,210	224,164	265,372
Operating expenses:				
Selling, general and administrative	65,384	62,388	128,987	127,528
Research and development	8,221	8,437	15,836	16,608
Amortization of intangible assets	910	918	1,828	1,836
Restructuring costs	(8,591)	3,301	14,951	4,029
Gain on sales of long-lived assets	-	-	-	(1,451)
Total operating expenses	65,924	75,044	161,602	148,550
Operating income	48,774	58,166	62,562	116,822
Interest income	287	238	572	439
Interest expense	(6,826)	(5,486)	(13,040)	(10,753)
Other income (expense), net	(483)	3,812	2,747	5,069
Interest and other, net	(7,022)	(1,436)	(9,721)	(5,245)
Income before income taxes	41,752	56,730	52,841	111,577
Provision for income taxes	17,120	25,013	183,119	34,996
Net income (loss)	$ 24,632	$ 31,717	$ (130,278)	$ 76,581
Basic income (loss) per share	$ 0.35	$ 0.42	$ (1.83)	$ 1.03
Diluted income (loss) per share	$ 0.33	$ 0.41	$ (1.83)	$ 0.99
Weighted-average shares used in computing per share amounts:				
Basic	70,441	74,761	71,096	74,156
Diluted	73,582	77,864	71,096	77,531

Reconciliation of Non-GAAP Measures (Unaudited)

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($ in thousands, except per share data)	Three Month Periods				
	Q2'18	Q1'18	Q4'17	Q3'17	Q2'17
GAAP Gross Profit	$ 114,698	$ 109,466	$ 123,851	$ 130,688	$ 133,210
GAAP gross margin	*6.8%*	*6.3%*	*7.1%*	*7.6%*	*7.9%*
Adjustments					
Stock compensation expense (1)	1,851	2,448	2,180	1,880	2,035
Amortization of intangible assets	902	902	902	902	902
Distressed customer charges (2)	(163)	(333)	(573)	(400)	-
Non-GAAP Gross Profit	**$ 117,288**	**$ 112,483**	**$ 126,360**	**$ 133,070**	**$ 136,147**
Non-GAAP gross margin	***7.0%***	***6.4%***	***7.2%***	***7.8%***	***8.1%***
GAAP Operating Expenses	$ 65,924	$ 95,678	$ 80,782	64,112	$ 75,044
Adjustments					
Stock compensation expense (1)	(8,444)	(6,194)	(8,832)	(5,409)	(5,607)
Amortization of intangible assets	(910)	(918)	(918)	(918)	(918)
Restructuring costs	8,591	(23,542)	(1,218)	3,908	(3,301)
Asset impairments	-	-	(4,600)	-	-
Non-GAAP Operating Expenses	**$ 65,161**	**$ 65,024**	**$ 65,214**	**$ 61,693**	**$ 65,218**
GAAP Operating Income	$ 48,774	$ 13,788	$ 43,069	$ 66,576	$ 58,166
GAAP operating margin	*2.9%*	*0.8%*	*2.5%*	*3.9%*	*3.5%*
Adjustments					
Stock compensation expense (1)	10,295	8,642	11,012	7,289	7,642
Amortization of intangible assets	1,812	1,820	1,820	1,820	1,820
Distressed customer charges (2)	(163)	(333)	(573)	(400)	-
Restructuring costs	(8,591)	23,542	1,218	(3,908)	3,301
Asset impairments	-	-	4,600	-	-
Non-GAAP Operating Income	**$ 52,127**	**$ 47,459**	**$ 61,146**	**$ 71,377**	**$ 70,929**
Non-GAAP operating margin	***3.1%***	***2.7%***	***3.5%***	***4.2%***	***4.2%***
GAAP Interest and Other, net	$ (7,022)	$ (2,699)	$ (3,410)	$ (4,332)	$ (1,436)
Adjustments					
Litigation settlements (3)	-	(287)	-	-	-
Non-GAAP Interest and Other, net	**$ (7,022)**	**$ (2,986)**	**$ (3,410)**	**$ (4,332)**	**$ (1,436)**
GAAP Provision for Income Taxes	$ 17,120	$ 165,999	$ 13,811	$ 25,840	$ 25,013
Adjustments					
Tax impact of non-GAAP adjustments	125	656	152	206	934
Discrete tax items	(2,552)	700	(50)	(1,089)	(1,105)
Other deferred tax adjustments	(6,574)	3,050	(5,948)	(15,922)	(14,418)
Impact of US tax reform	-	(162,400)	-	-	-
Non-GAAP Provision for Income Taxes	**$ 8,119**	**$ 8,005**	**$ 7,965**	**$ 9,035**	**$ 10,424**
GAAP Net Income (Loss)	$ 24,632	$ (154,910)	$ 25,848	$ 36,404	$ 31,717
Adjustments:					
Operating income adjustments (see above)	3,353	33,671	18,077	4,801	12,763
Litigation settlements (3)	-	(287)	-	-	-
Adjustments for taxes	9,001	157,994	5,846	16,805	14,589
Non-GAAP Net Income	**$ 36,986**	**$ 36,468**	**$ 49,771**	**$ 58,010**	**$ 59,069**
GAAP Net Income (Loss) Per Share:					
Basic	**$ 0.35**	**$ (2.16)**	**$ 0.35**	**$ 0.48**	**$ 0.42**
Diluted	**$ 0.33**	**$ (2.16)**	**$ 0.33**	**$ 0.47**	**$ 0.41**
Non-GAAP Net Income Per Share:					
Basic	**$ 0.53**	**$ 0.51**	**$ 0.67**	**$ 0.77**	**$ 0.79**
Diluted	**$ 0.50**	**$ 0.48**	**$ 0.64**	**$ 0.74**	**$ 0.76**
Weighted-average shares used in computing GAAP per share amounts:					
Basic	70,441	71,605	74,281	75,332	74,761
Diluted	73,582	71,605	77,575	78,241	77,864
Weighted-average shares used in computing non-GAAP per share amounts:					
Basic	70,441	71,605	74,281	75,332	74,761
Diluted	73,582	75,485	77,575	78,241	77,864

(1) Stock compensation expense was as follows:

	Three Month Periods				
	Q2'18	Q1'18	Q4'17	Q3'17	Q2'17
Cost of sales	$ 1,851	$ 2,448	$ 2,180	$ 1,880	$ 2,035
Selling, general and administrative	8,388	6,164	8,677	5,276	5,376
Research and development	56	30	155	133	231
Total	$ 10,295	$ 8,642	$ 11,012	$ 7,289	$ 7,642

(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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		Q2 FY18
Pre-tax Return on Invested Capital (ROIC)		
GAAP operating income		$ 48,774
	x	4
Annualized GAAP operating income		195,096
Average invested capital (1)	÷	1,321,166
GAAP pre-tax ROIC		**14.8%**
Non-GAAP operating income		$ 52,127
	x	4
Annualized non-GAAP operating income		208,508
Average invested capital (1)	÷	1,321,166
Non-GAAP pre-tax ROIC		**15.8%**

(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 Q2'18	Q1'18	Q2'17
GAAP Net Income	$ 24,632	$ (154,910)	$ 31,717
Depreciation and amortization	29,879	29,623	29,277
Other, net*	11,676	171,685	19,021
Net change in net working capital	(40,504)	(37,958)	8,706
Cash provided by operating activities	25,683	8,440	88,721
Purchases of long-term investments	(2,019)	-	-
Net purchases of property & equipment	(22,482)	(48,391)	(33,370)
Cash used in investing activities	(24,501)	(48,391)	(33,370)
Net share repurchases	(75,842)	(42,959)	12,048
Net borrowing activities	75,000	81,000	(40,000)
Cash used in financing activities	(842)	38,041	(27,952)
Effect of exchange rate changes	23	163	(112)
Net change in cash & cash equivalents	$ 363	$ (1,747)	$ 27,287
Free cash flow:			
Cash provided by operating activities	$ 25,683	$ 8,440	$ 88,721
Net purchases of property & equipment	(22,482)	(48,391)	(33,370)
	$ 3,201	$ (39,951)	$ 55,351

*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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