



SANMINA

# Second Quarter Fiscal 2016 Results



Communications Networks • Industrial • Medical Systems • Defense & Aerospace • Embedded Computing & Storage

## Quarter Ended April 2, 2016

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# Safe Harbor Statement



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Certain statements made during this presentation, including the Company's outlook for the third quarter, 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; credit problems experienced by our customers; 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 may refer to certain non-GAAP financial information for historical periods. The corresponding GAAP financial information and a reconciliation of the non-GAAP results disclosed during this presentation to their more directly comparable GAAP measures is included on page 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.

# Non-GAAP Financial Results Compared to Outlook



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	Q2'16 (A)	Q2'16 Outlook <u>WAS</u>
Revenue:	\$1.61B	\$1.55 - \$1.65B
Diluted earnings per share:	\$0.63	\$0.55 - \$0.59

# Financial Results

(Unaudited)



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## Three Month Periods

(\$ in millions, except per share data)	Q2'16	Q1'16	Q2'15
<b>GAAP:</b>			
Revenue	\$1,611	\$1,535	\$1,528
Net income	\$30	\$27	\$15
Diluted earnings per share	\$0.39	\$0.33	\$0.17
<b>Non-GAAP<sup>(1)</sup>:</b>			
Gross profit	\$132	\$126	\$117
Operating expense	\$67	\$65	\$61
Operating income	\$65	\$61	\$57
Other expense	\$7	\$6	\$6
Taxes	\$9	\$8	\$7
Net income	\$49	\$47	\$43
Diluted earnings per share	\$0.63	\$0.58	\$0.50

<sup>(1)</sup>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 other infrequent or unusual items, to the extent material or which we consider to be of a non-operational nature 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.

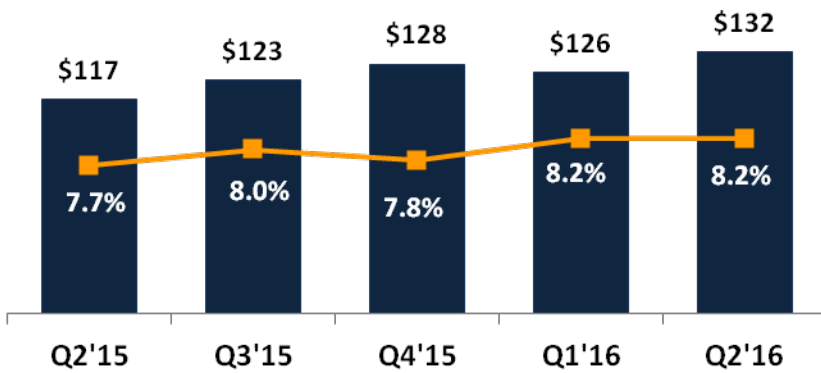
# Non-GAAP P&L Metrics

(\$ in Millions)

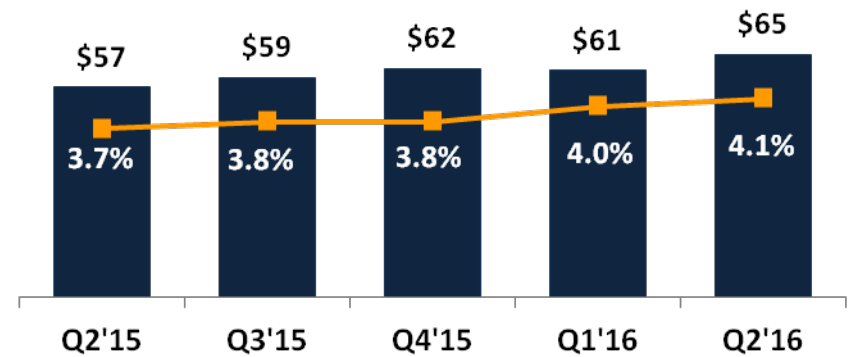


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### Gross Profit / Margin



### Operating Income / Margin



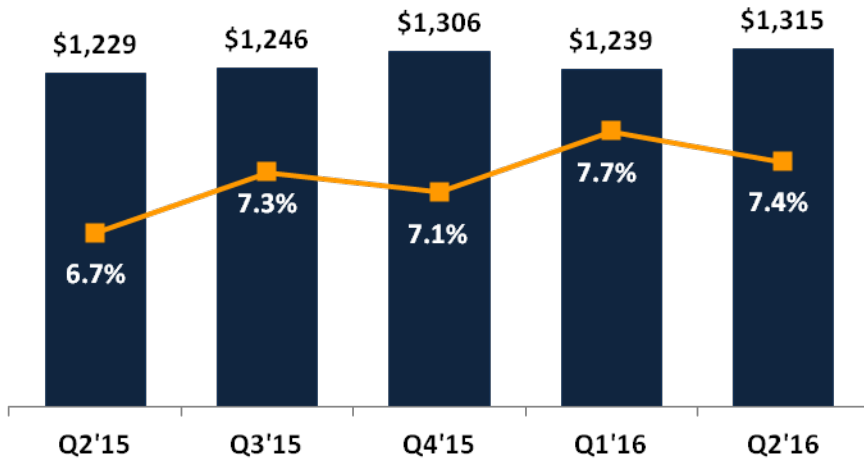
# Segment Reporting - Revenue and Non-GAAP Gross Margin\*

(\$ in Millions)



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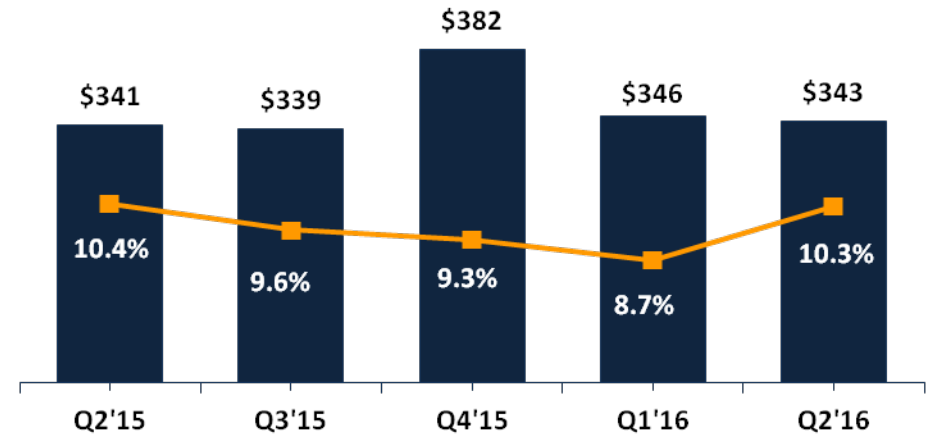
## Integrated Manufacturing Solutions



### 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 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.

# Summary Balance Sheet

(\$ in Millions)



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	4/2/16	1/2/16	3/28/15
Cash and cash equivalents	\$407	\$398	\$408
Accounts receivable, net	999	930	922
Inventories	923	896	858
Property, plant and equipment, net	612	586	553
Deferred tax assets	476	485	236
Other assets	182	135	140
Total assets	<u>\$3,598</u>	<u>\$3,431</u>	<u>\$3,116</u>
Accounts payable	\$1,104	\$1,014	\$1,015
Short-term debt	136	89	43
Long-term debt	438	424	427
Other liabilities	425	376	354
Total stockholders' equity	<u>1,495</u>	<u>1,527</u>	<u>1,277</u>
Total liabilities and stockholders' equity	<u>\$3,598</u>	<u>\$3,431</u>	<u>\$3,116</u>

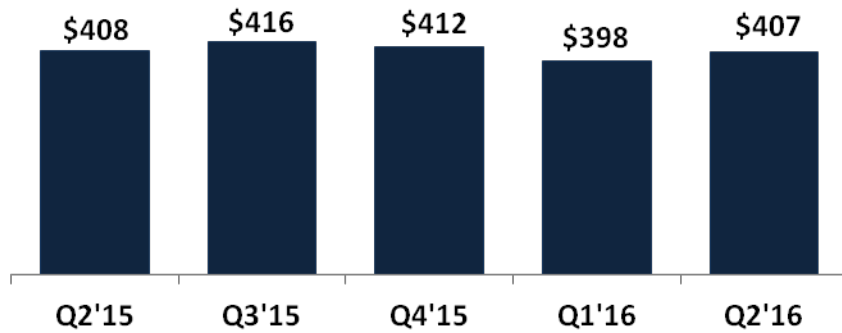
# Balance Sheet Metrics

(\$ in Millions)

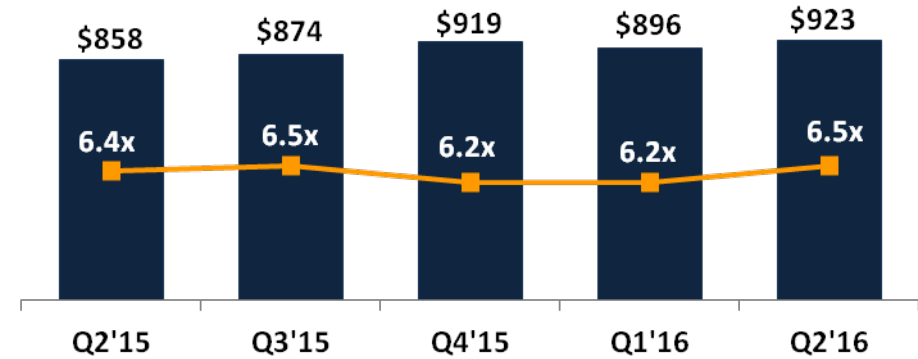


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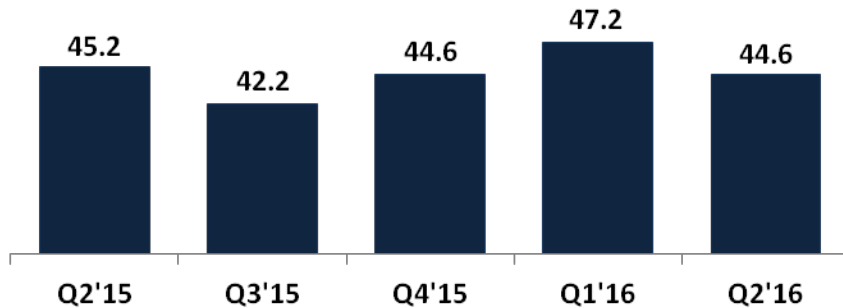
### Cash and Cash Equivalents



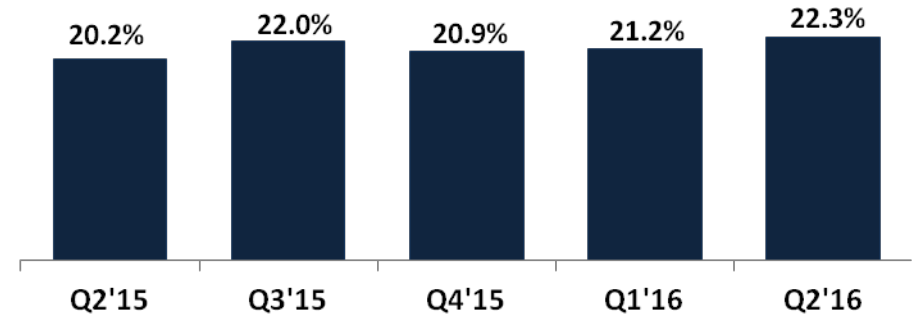
### Inventory \$ / Turns



### Cash Cycle Days



### Pre-Tax ROIC





# Q3'16 Outlook<sup>(1)</sup>



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The following outlook is for the third fiscal quarter ending July 2, 2016. These statements are forward-looking and actual results may differ materially.

Revenue:	\$1.625 - \$1.675B
Non-GAAP EPS:	\$0.61 - \$0.65

<sup>(1)</sup> Outlook for the quarter ending July 2, 2016 is provided only on a non-GAAP basis. The comparable GAAP earnings or loss per share amount is not determinable without unreasonable effort due to inherent difficulties in predicting certain expenses and gains affecting GAAP earnings or loss, such as the amount and timing of Sanmina's restructuring costs, if any, that would be included in GAAP earnings.



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## CEO Remarks



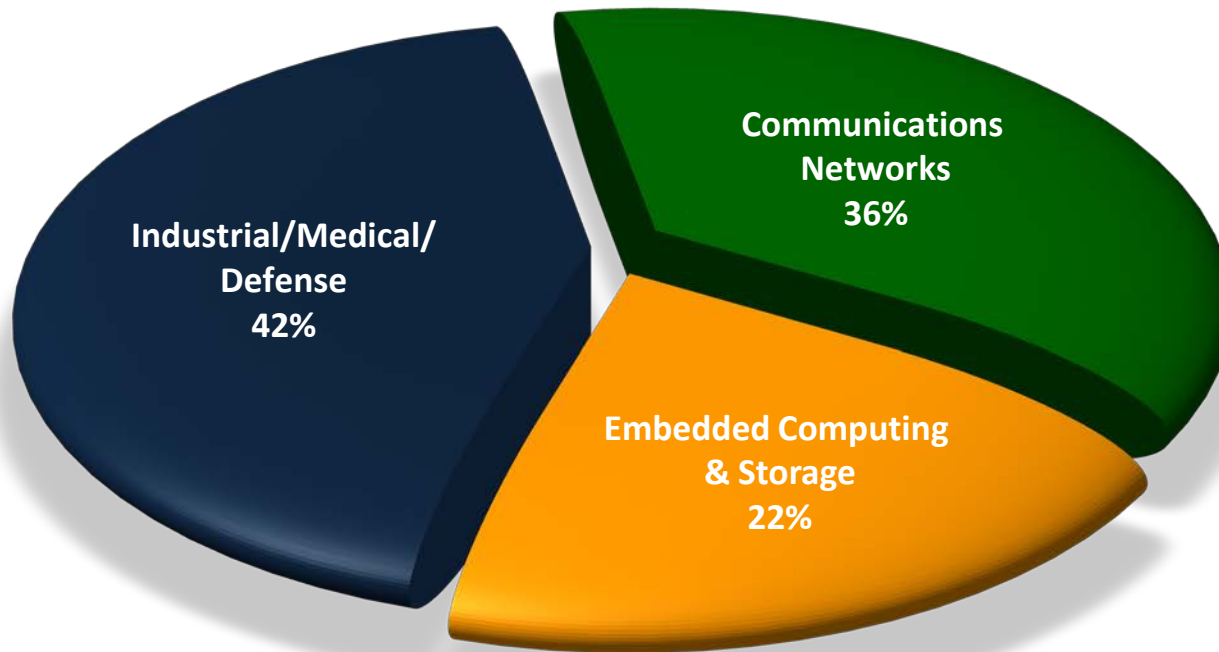
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# Q2'16 Revenue Breakdown By End-Market



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**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

↑ 11.7%

↓ 3.5%

↑ 8.1%

Numbers may not foot due to rounding.

Q2 FY'16 Top 10 Customers - 53.9% of Revenue

# Q3'16 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

(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



- Q2'16:
  - Solid quarter
  - Growth and margin improvement Q/Q and Y/Y
- Q3'16:
  - Stable demand
  - Growth driven by new wins
- Rest of FY'16:
  - Remain confident
  - Opportunity to continue to build a stronger Sanmina

**Continue to Create Shareholder Value**



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



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## Quarter Ended April 2, 2016

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# GAAP Condensed Consolidated Balance Sheet



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(in thousands)	April 2, 2016	October 3, 2015
	(Unaudited)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 407,319	\$ 412,253
Accounts receivable, net	998,600	936,952
Inventories	922,704	918,728
Prepaid expenses and other current assets	64,313	55,047
Total current assets	<u>2,392,936</u>	<u>2,322,980</u>
Property, plant and equipment, net	611,799	590,844
Deferred tax assets	476,009	497,605
Other	117,590	81,835
Total assets	<u>\$ 3,598,334</u>	<u>\$ 3,493,264</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 1,104,187	\$ 1,035,323
Accrued liabilities	134,670	111,416
Accrued payroll and related benefits	119,964	120,402
Short-term debt	136,430	113,416
Total current liabilities	<u>1,495,251</u>	<u>1,380,557</u>
Long-term liabilities:		
Long-term debt	437,566	423,949
Other	170,423	168,287
Total long-term liabilities	<u>607,989</u>	<u>592,236</u>
Stockholders' equity	1,495,094	1,520,471
Total liabilities and stockholders' equity	<u>\$ 3,598,334</u>	<u>\$ 3,493,264</u>



# GAAP Condensed Consolidated Statement of Operations



(Unaudited)

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	Three Months Ended		Six Months Ended	
	April 2, 2016	March 28, 2015	April 2, 2016	March 28, 2015
(in thousands, except per share data)				
Net sales	\$ 1,611,174	\$ 1,527,530	\$ 3,145,888	\$ 3,198,692
Cost of sales	1,474,462	1,412,267	2,885,538	2,957,083
Gross profit	136,712	115,263	260,350	241,609
Operating expenses:				
Selling, general and administrative	63,494	57,023	121,187	116,441
Research and development	9,997	7,559	19,644	15,628
Amortization of intangible assets	918	425	1,610	850
Restructuring costs	1,204	1,740	1,757	4,740
Asset impairments	-	-	1,000	1,954
Gain on sales of long-lived assets	-	(1,136)	-	(1,136)
Total operating expenses	75,613	65,611	145,198	138,477
Operating income	61,099	49,652	115,152	103,132
Interest income	159	265	307	554
Interest expense	(6,353)	(6,197)	(12,231)	(12,634)
Other income (expense), net	489	(365)	271	(1,893)
Interest and other, net	(5,705)	(6,297)	(11,653)	(13,973)
Income before income taxes	55,394	43,355	103,499	89,159
Provision for income taxes	25,033	28,607	46,000	51,755
Net income	\$ 30,361	\$ 14,748	\$ 57,499	\$ 37,404
Basic income per share	\$ 0.40	\$ 0.18	\$ 0.75	\$ 0.45
Diluted income per share	\$ 0.39	\$ 0.17	\$ 0.72	\$ 0.43
Weighted-average shares used in computing per share amounts:				
Basic	75,477	82,977	76,605	82,762
Diluted	78,525	86,897	79,740	86,797



# Reconciliation of Non-GAAP Measures (Unaudited)



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(in thousands, except per share data)

	Three Month Periods			Six Month Periods	
	Q2'16	Q1'16	Q2'15	FY16	FY15
<b>GAAP Gross Profit</b>	\$ 136,712	\$ 123,638	\$ 115,263	\$ 260,350	\$ 241,609
<i>GAAP gross margin</i>	8.5%	8.1%	7.5%	8.3%	7.6%
<b>Adjustments</b>					
Stock compensation expense (1)	1,932	1,405	1,491	3,337	3,067
Amortization of intangible assets	1,202	668	460	1,870	1,070
Reversal of contingent consideration accrual (2)	(7,558)	-	-	(7,558)	-
Distressed customer charges (3)	-	-	-	-	3,942
<b>Non-GAAP Gross Profit</b>	<b>\$ 132,288</b>	<b>\$ 125,711</b>	<b>\$ 117,214</b>	<b>\$ 257,999</b>	<b>\$ 249,688</b>
<i>Non-GAAP gross margin</i>	8.2%	8.2%	7.7%	8.2%	7.8%
<b>GAAP Operating Expenses</b>	\$ 75,613	\$ 69,585	\$ 65,611	\$ 145,198	\$ 138,477
<b>Adjustments</b>					
Stock compensation expense (1)	(6,553)	(2,647)	(3,997)	(9,200)	(8,138)
Amortization of intangible assets	(918)	(692)	(425)	(1,610)	(850)
Distressed customer charges (3)	-	-	-	-	840
Restructuring costs	(1,204)	(553)	(1,740)	(1,757)	(4,740)
Gain on sales of long-lived assets	-	-	1,196	-	1,196
Asset impairments	-	(1,000)	-	(1,000)	(1,954)
<b>Non-GAAP Operating Expenses</b>	<b>\$ 66,938</b>	<b>\$ 64,693</b>	<b>\$ 60,645</b>	<b>\$ 131,631</b>	<b>\$ 124,831</b>
<b>GAAP Operating Income</b>	\$ 61,099	\$ 54,053	\$ 49,652	\$ 115,152	\$ 103,132
<i>GAAP operating margin</i>	3.8%	3.5%	3.3%	3.7%	3.2%
<b>Adjustments</b>					
Stock compensation expense (1)	8,485	4,052	5,488	12,537	11,205
Amortization of intangible assets	2,120	1,360	885	3,480	1,920
Reversal of contingent consideration accrual (2)	(7,558)	-	-	(7,558)	-
Distressed customer charges (3)	-	-	-	-	3,102
Restructuring costs	1,204	553	1,740	1,757	4,740
Gain on sales of long-lived assets	-	-	(1,196)	-	(1,196)
Asset impairments	-	1,000	-	1,000	1,954
<b>Non-GAAP Operating Income</b>	<b>\$ 65,350</b>	<b>\$ 61,018</b>	<b>\$ 56,569</b>	<b>\$ 126,368</b>	<b>\$ 124,857</b>
<i>Non-GAAP operating margin</i>	4.1%	4.0%	3.7%	4.0%	3.9%
<b>GAAP Interest and Other, net</b>	\$ (5,705)	\$ (5,948)	\$ (6,297)	\$ (11,653)	\$ (13,973)
<b>Adjustments</b>					
Loss on extinguishment of debt (4)	-	-	-	-	2,913
Bargain purchase gain (5)	(1,642)	-	-	(1,642)	-
Litigation settlements (6)	-	-	-	-	(273)
<b>Non-GAAP Interest and Other, net</b>	<b>\$ (7,347)</b>	<b>\$ (5,948)</b>	<b>\$ (6,297)</b>	<b>\$ (13,295)</b>	<b>\$ (11,333)</b>
<b>GAAP Provision for Income Taxes</b>	\$ 25,033	\$ 20,967	\$ 28,607	\$ 46,000	\$ 51,755
<b>Adjustments</b>					
Deferred and non-recurring tax adjustments	(16,332)	(12,707)	(21,698)	(29,039)	(34,726)
<b>Non-GAAP Provision for Income Taxes</b>	<b>\$ 8,701</b>	<b>\$ 8,260</b>	<b>\$ 6,909</b>	<b>\$ 16,961</b>	<b>\$ 17,029</b>
<b>GAAP Net Income</b>	\$ 30,361	\$ 27,138	\$ 14,748	\$ 57,499	\$ 37,404
<b>Adjustments:</b>					
Operating income adjustments (see above)	4,251	6,965	6,917	11,216	21,725
Loss on extinguishment of debt (4)	-	-	-	-	2,913
Bargain purchase gain (5)	(1,642)	-	-	(1,642)	-
Litigation settlements (6)	-	-	-	-	(273)
Deferred and non-recurring tax adjustments	16,332	12,707	21,698	29,039	34,726
<b>Non-GAAP Net Income</b>	<b>\$ 49,302</b>	<b>\$ 46,810</b>	<b>\$ 43,363</b>	<b>\$ 96,112</b>	<b>\$ 96,495</b>
<b>GAAP Net Income Per Share:</b>					
<b>Basic</b>	\$ 0.40	\$ 0.35	\$ 0.18	\$ 0.75	\$ 0.45
<b>Diluted</b>	\$ 0.39	\$ 0.33	\$ 0.17	\$ 0.72	\$ 0.43
<b>Non-GAAP Net Income Per Share:</b>					
<b>Basic</b>	\$ 0.65	\$ 0.60	\$ 0.52	\$ 1.25	\$ 1.17
<b>Diluted</b>	\$ 0.63	\$ 0.58	\$ 0.50	\$ 1.21	\$ 1.11

Weighted-average shares used in computing per share amounts:

	Q2'16	Q1'16	Q2'15	FY16	FY15
Basic	75,477	77,921	82,977	76,605	82,762
Diluted	78,525	81,205	86,897	79,740	86,797

(1) Stock compensation expense was as follows:

	Three Month Periods			Six Month Periods	
	Q2'16	Q1'16	Q2'15	FY16	FY15
Cost of sales	\$ 1,932	\$ 1,405	\$ 1,491	\$ 3,337	\$ 3,067
Selling, general and administrative	6,422	2,566	3,959	8,988	8,062
Research and development	131	81	38	212	76
<b>Total</b>	<b>\$ 8,485</b>	<b>\$ 4,052</b>	<b>\$ 5,488</b>	<b>\$ 12,537</b>	<b>\$ 11,205</b>

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

(3) Relates to inventory and bad debt reserves associated with distressed customers.

(4) Represents a loss, including write-off of unamortized debt issuance costs, on debt redeemed, repurchased or otherwise extinguished prior to maturity.

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

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

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