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Q2 FY'19 Results

April 29, 2019



WHAT WE MAKE, **MAKES A DIFFERENCE**

Concept to Delivery / Advanced Technology / Manufacturing & Global Supply Chain Solutions / Systems & Intelligence

Safe Harbor Statement



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Certain statements made during this presentation, including the Company's outlook for the third quarter fiscal 2019 results and expectations for full fiscal 2019 revenue growth 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 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 the most 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, our earnings 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



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	Q2'19 (A)	Q2'19 Outlook <u>WAS</u>
Revenue:	\$2.13B	\$1.9 - \$2.0B
Non-GAAP Diluted EPS:	\$0.91	\$0.70 - \$0.80

Financial Results

(Unaudited)



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Three Month Period

(\$ in millions, except per share data)	Q2'19	Q1'19	Q2'18
GAAP:			
Revenue	\$2,127	\$2,188	\$1,676
Gross profit	\$153	\$149	\$115
Operating expense	\$75	\$72	\$66
Operating income	\$78	\$78	\$49
Other expense	\$9	\$14	\$7
Taxes	\$28	\$26	\$17
Net income	\$41	\$38	\$25
Diluted earnings per share	\$0.57	\$0.54	\$0.33
Non-GAAP⁽¹⁾:			
Revenue	\$2,127	\$2,188	\$1,676
Gross profit	\$155	\$151	\$117
Operating expense	\$68	\$65	\$65
Operating income	\$87	\$86	\$52
Other expense	\$9	\$14	\$7
Taxes	\$13	\$13	\$8
Net income	\$65	\$59	\$37
Diluted earnings per share	\$0.91	\$0.83	\$0.50

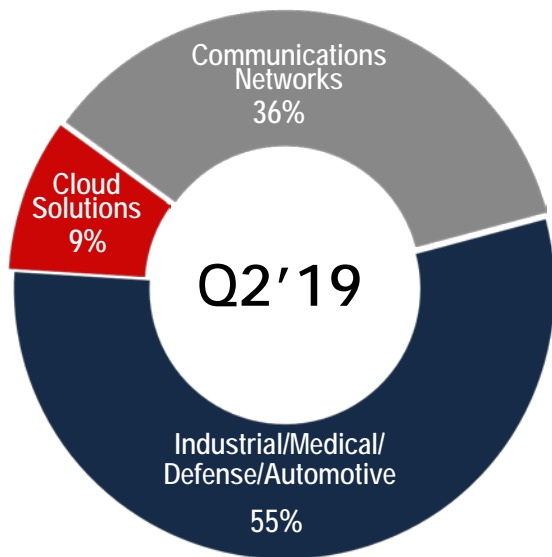
⁽¹⁾Non-GAAP financial results exclude charges or gains relating to: stock-based compensation expenses, restructuring costs (including employee severance and benefits costs and charges related to excess facilities and assets), acquisition and integration costs (consisting of costs associated with the acquisition and integration of acquired businesses into our operations), impairment charges for goodwill and other assets, 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 17 of this presentation.

Numbers may not foot due to rounding.

Q2'19 Revenue By End-Market



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\$ in Millions	Q2'19	Sequential	Y-Y
Communications Networks (Networking, optical & wireless infrastructure)	\$761	(2.4%)	18.5%
Industrial/Medical/Defense/Automotive (Industrial equipment, energy, oil and gas, LIDAR, infotainment, control systems, MRI, CT scan, blood glucose meters, infusion, ultrasound and defense & aerospace)	\$1,163	(1.7%)	35.1%
Cloud Solutions (Cloud computing, storage systems, point-of-sale, casino gaming)	\$203	(10.0%)	17.7%
Total	\$2,127	(2.8%)	26.9%

Top 10 Customers - 54.9% of Revenue

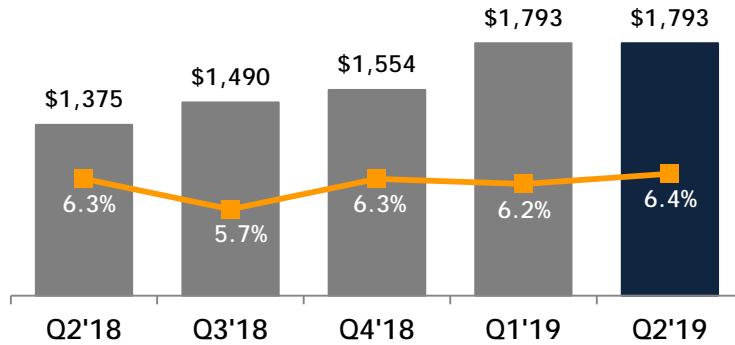
Segment Reporting - Revenue and Non-GAAP Gross Margin*

(\$ in Millions)

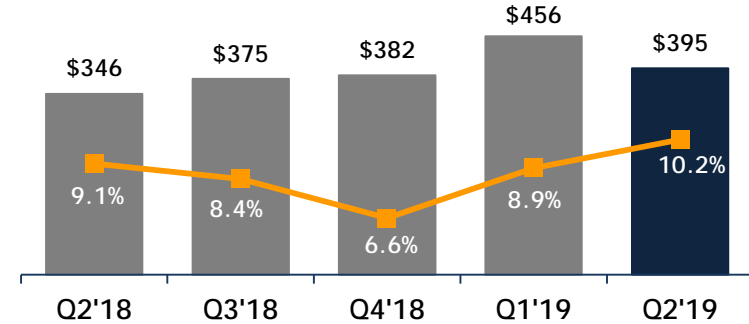


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Integrated Manufacturing Solutions



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 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 17.

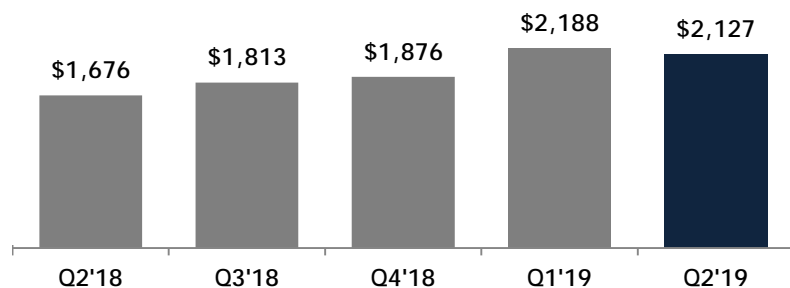
Non-GAAP P&L Performance

(\$ in Millions, except per share data)

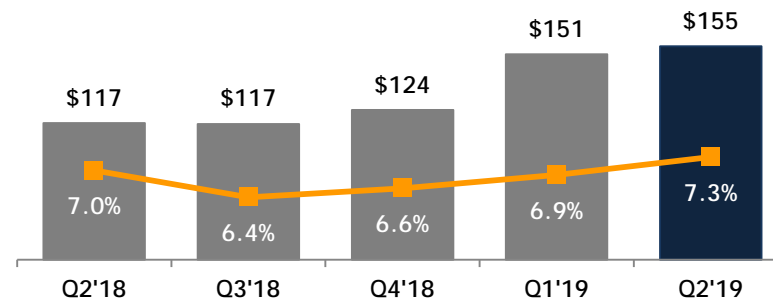


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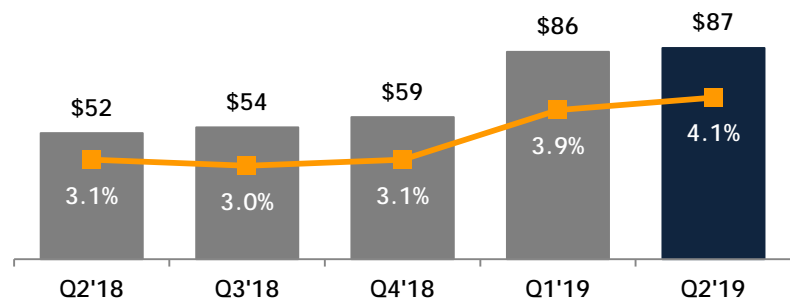
Revenue



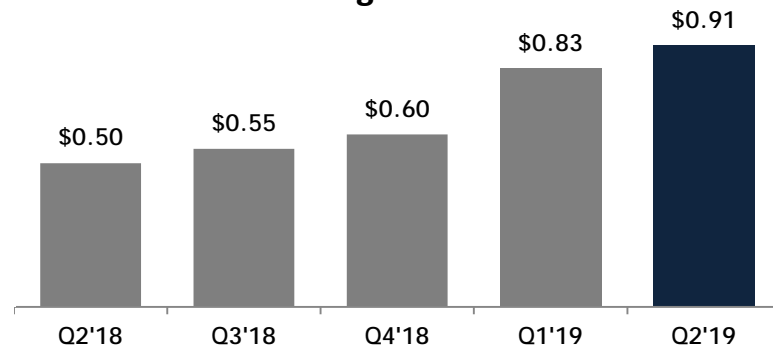
Gross Profit / Margin



Operating Income / Margin



Earnings Per Share



Summary Balance Sheet

(\$ in Millions)



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	3/30/19	12/29/18	9/29/18
Cash and cash equivalents	\$405	\$409	\$420
Accounts receivable, net	1,313	1,345	1,177
Contract Assets	402	419	-
Inventories	1,007	1,054	1,374
Property, plant and equipment, net	640	644	643
Deferred tax assets	312	324	344
Other assets	128	122	127
Total assets	\$4,207	\$4,317	\$4,085
Accounts payable	\$1,439	\$1,532	\$1,547
Short-term debt	643	708	593
Long-term debt	-	14	14
Other liabilities	543	530	457
Total stockholders' equity	1,581	1,533	1,473
Total liabilities and stockholders' equity	\$4,207	\$4,317	\$4,085

Numbers may not foot due to rounding.

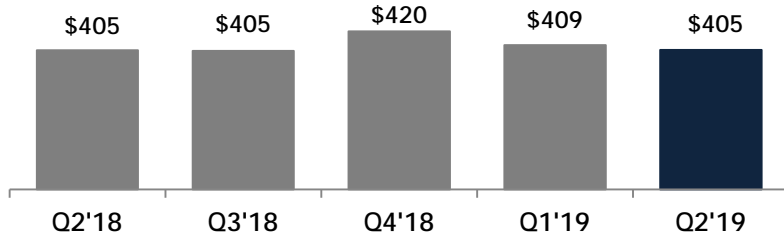
Balance Sheet Metrics

(\$ in Millions)

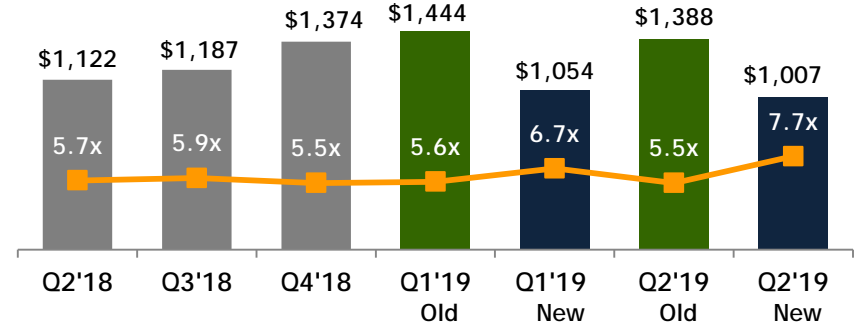


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Cash and Cash Equivalents

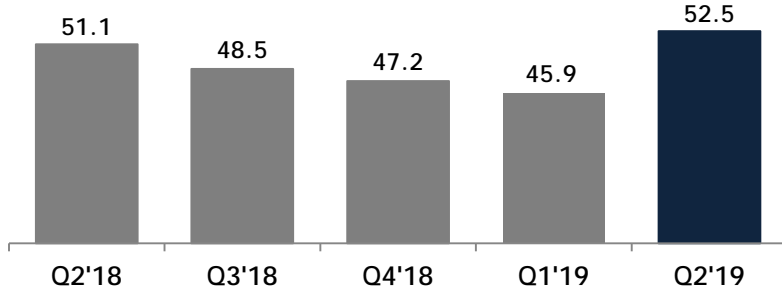


Inventory \$ / Turns*

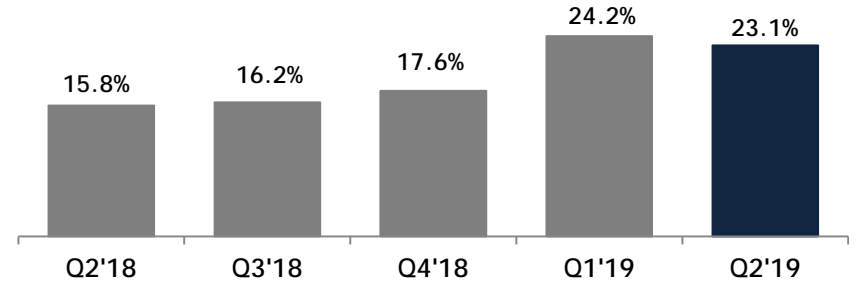


Inventory turns (annualized) are calculated as the ratio of four times non-GAAP cost of sales for the quarter to average inventory.

Cash Cycle Days



Non-GAAP Pre-Tax ROIC



Refer to slide 18 for non-GAAP pre-tax ROIC reconciliation.

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

* "Old" metrics for inventory turns exclude the impact of the new revenue standard to provide comparability with prior periods.
 "New" metrics for inventory turns include the impact of the new revenue standard and will become the basis for these measures going forward.

Q3'19 Outlook



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The following outlook is for the third fiscal quarter ending June 29, 2019. These statements are forward-looking and actual results may differ materially.

Revenue:	\$1.925B - \$2.025B
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GAAP Diluted EPS:	\$0.60 - \$0.70
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Non-GAAP Diluted EPS:	\$0.72 - \$0.82
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CEO Remarks



WHAT WE MAKE, **MAKES A DIFFERENCE**

Concept to Delivery / Advanced Technology / Manufacturing & Global Supply Chain Solutions / Systems & Intelligence

Communications Networks

(Networking, optical & wireless infrastructure)



Industrial/Medical/Defense/Automotive

(Industrial equipment, energy, oil and gas, MRI, CT scan, blood glucose meters, infusion and ultrasound, LIDAR, infotainment, control systems and defense & aerospace)



Cloud Solutions

(Cloud computing, storage systems, point-of-sale, casino gaming)



Healthy Pipeline
Excited About The Opportunities Ahead

- Q2'19
 - Strong demand and solid execution drove results
 - Operating margin in the 4.0%+ range
 - Better than expected demand across all of our end-markets
- Q3'19
 - We have a healthy pipeline
 - Focused on operating margin improvement
 - Well positioned in our key end-markets

Expect Mid-Teens Revenue Growth in FY'19



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Consolidated Financial
Statements
Reconciliation of
GAAP vs. Non-GAAP

Quarter Ended
March 30, 2019



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GAAP Condensed Consolidated Balance Sheet



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(\$ in thousands)	March 30, 2019	September 29, 2018
	(Unaudited)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 405,494	\$ 419,528
Accounts receivable, net	1,312,887	1,177,219
Contract assets	401,705	-
Inventories	1,006,548	1,374,004
Prepaid expenses and other current assets	48,454	43,676
Total current assets	3,175,088	3,014,427
Property, plant and equipment, net	639,901	642,913
Deferred tax assets	312,081	344,124
Other	79,617	83,669
Total assets	\$ 4,206,687	\$ 4,085,133
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 1,439,397	\$ 1,547,399
Accrued liabilities	208,839	136,427
Accrued payroll and related benefits	126,932	124,748
Short-term debt, including current portion of long-term debt	643,360	593,321
Total current liabilities	2,418,528	2,401,895
Long-term liabilities:		
Long-term debt	-	14,346
Other	207,440	196,048
Total long-term liabilities	207,440	210,394
Stockholders' equity	1,580,719	1,472,844
Total liabilities and stockholders' equity	\$ 4,206,687	\$ 4,085,133

GAAP Condensed Consolidated Statement of Operations (Unaudited)



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	Three Months Ended		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
(\$ in thousands, except per share data)				
Net sales	\$ 2,126,639	\$ 1,675,629	\$ 4,314,657	\$ 3,420,429
Cost of sales	1,973,537	1,560,931	4,012,218	3,196,265
Gross profit	153,102	114,698	302,439	224,164
Operating expenses:				
Selling, general and administrative	64,186	65,384	127,214	128,987
Research and development	7,599	8,221	14,036	15,836
Restructuring and other costs	3,202	(7,681)	5,531	16,779
Total operating expenses	74,987	65,924	146,781	161,602
Operating income	78,115	48,774	155,658	62,562
Interest income	364	287	558	572
Interest expense	(8,472)	(6,826)	(16,743)	(13,040)
Other income (expense), net	(891)	(483)	(6,885)	2,747
Interest and other, net	(8,999)	(7,022)	(23,070)	(9,721)
Income before income taxes	69,116	41,752	132,588	52,841
Provision for income taxes	28,231	17,120	53,751	183,119
Net income (loss)	\$ 40,885	\$ 24,632	\$ 78,837	\$ (130,278)
Basic income (loss) per share	\$ 0.59	\$ 0.35	\$ 1.15	\$ (1.83)
Diluted income (loss) per share	\$ 0.57	\$ 0.33	\$ 1.11	\$ (1.83)
Weighted-average shares used in computing per share amounts:				
Basic	68,821	70,441	68,556	71,096
Diluted	71,446	73,582	71,162	71,096

Reconciliation of Non-GAAP Measures (Unaudited)



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(\$ in thousands, except per share data)	Three Month Periods				
	Q2'19	Q1'19	Q4'18	Q3'18	Q2'18
GAAP Gross Profit	\$ 153,102	\$ 149,337	\$ 121,083	\$ 118,536	\$ 114,698
GAAP gross margin	7.2%	6.8%	6.5%	6.5%	6.8%
Adjustments					
Stock compensation expense (1)	2,582	1,735	1,833	2,055	1,851
Amortization of intangible assets	-	446	902	902	902
Reversal of contingent consideration accrual (2)	-	-	-	(4,812)	-
Distressed customer charges (3)	(555)	(344)	(73)	-	(163)
Non-GAAP Gross Profit	\$ 155,129	\$ 151,174	\$ 123,745	\$ 116,681	\$ 117,288
Non-GAAP gross margin	7.3%	6.9%	6.6%	6.4%	7.0%
GAAP Operating Expenses	\$ 74,987	\$ 71,794	\$ 111,264	\$ 71,476	\$ 65,924
Adjustments					
Stock compensation expense (1)	(4,044)	(4,081)	(2,294)	(7,706)	(8,444)
Amortization of intangible assets	(190)	(190)	(190)	(890)	(910)
Distressed customer charges (3)	-	-	-	357	-
Restructuring costs	(3,012)	(2,139)	(13,174)	(1,021)	8,591
Goodwill and other asset impairments	-	-	(30,610)	-	-
Non-GAAP Operating Expenses	\$ 67,741	\$ 65,384	\$ 64,996	\$ 62,216	\$ 65,161
GAAP Operating Income	\$ 78,115	\$ 77,543	\$ 9,819	\$ 47,060	\$ 48,774
GAAP operating margin	3.7%	3.5%	0.5%	2.6%	2.9%
Adjustments					
Stock compensation expense (1)	6,626	5,816	4,127	9,761	10,295
Amortization of intangible assets	190	636	1,092	1,792	1,812
Reversal of contingent consideration accrual (2)	-	-	-	(4,812)	-
Distressed customer charges (3)	(555)	(344)	(73)	(357)	(163)
Restructuring costs	3,012	2,139	13,174	1,021	(8,591)
Goodwill and other asset impairments	-	-	30,610	-	-
Non-GAAP Operating Income	\$ 87,388	\$ 85,790	\$ 58,749	\$ 54,465	\$ 52,127
Non-GAAP operating margin	4.1%	3.9%	3.1%	3.0%	3.1%
GAAP Interest and Other, net	\$ (8,999)	\$ (14,071)	\$ (6,389)	\$ (5,792)	\$ (7,022)
Adjustments					
Litigation settlements (4)	-	-	(475)	-	(7,022)
Non-GAAP Interest and Other, net	\$ (8,999)	\$ (14,071)	\$ (6,864)	\$ (5,792)	\$ (7,022)
GAAP Provision for Income Taxes	\$ 28,231	\$ 25,520	\$ 2,648	\$ 7,305	\$ 17,120
Adjustments					
Tax impact of non-GAAP adjustments	189	168	990	118	125
Discrete tax items	(3,741)	2,127	177	4,905	(2,552)
Other deferred tax adjustments	(11,336)	(15,264)	4,220	(3,567)	(6,574)
Impact of US tax reform	-	-	1,304	-	-
Non-GAAP Provision for Income Taxes	\$ 13,343	\$ 12,551	\$ 9,339	\$ 8,761	\$ 8,119
GAAP Net Income	\$ 40,885	\$ 37,952	\$ 782	\$ 33,963	\$ 24,632
Adjustments:					
Operating income adjustments (see above)	9,273	8,247	48,930	7,405	3,353
Litigation settlements (4)	-	-	(475)	-	-
Adjustments for taxes	14,888	12,969	(6,691)	(1,456)	9,001
Non-GAAP Net Income	\$ 65,046	\$ 59,168	\$ 42,546	\$ 39,912	\$ 36,986
GAAP Net Income Per Share:					
Basic	\$ 0.59	\$ 0.56	\$ 0.01	\$ 0.49	\$ 0.35
Diluted	\$ 0.57	\$ 0.54	\$ 0.01	\$ 0.47	\$ 0.33
Non-GAAP Net Income Per Share:					
Basic	\$ 0.95	\$ 0.87	\$ 0.62	\$ 0.58	\$ 0.53
Diluted	\$ 0.91	\$ 0.83	\$ 0.60	\$ 0.55	\$ 0.50
Weighted-average shares used in computing per share amounts:					
Basic	68,821	68,303	68,236	68,907	70,441
Diluted	71,446	70,901	71,500	72,053	73,582

(1) Stock compensation expense was as follows:

	Three Month Periods				
	Q2'19	Q1'19	Q4'18	Q3'18	Q2'18
Cost of sales	\$ 2,582	\$ 1,735	\$ 1,833	\$ 2,055	\$ 1,851
Selling, general and administrative	3,939	3,990	3,164	7,490	8,388
Research and development	105	91	(870)	216	56
Total	\$ 6,626	\$ 5,816	\$ 4,127	\$ 9,761	\$ 10,295

(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.

Q3 FY19 Earnings Per Share Outlook:

	Q3 FY19 EPS Range	
	Low	High
GAAP diluted earnings per share	\$ 0.60	\$ 0.70
Stock compensation expense	\$ 0.12	\$ 0.12
Non-GAAP diluted earnings per share	\$ 0.72	\$ 0.82

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



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	<u>Q2 FY19</u>
(\$ in thousands)	
Pre-tax Return on Invested Capital (ROIC)	
GAAP operating income	\$ 78,115
	x <u>4</u>
Annualized GAAP operating income	312,460
Average invested capital (1)	÷ <u>1,514,312</u>
GAAP pre-tax ROIC	<u><u>20.6%</u></u>
Non-GAAP operating income	\$ 87,388
	x <u>4</u>
Annualized non-GAAP operating income	349,552
Average invested capital (1)	÷ <u>1,514,312</u>
Non-GAAP pre-tax ROIC	<u><u>23.1%</u></u>

(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		
	Q2'19	Q1'19	Q2'18
GAAP Net Income	\$ 40,885	\$ 37,952	\$ 24,632
Depreciation and amortization	29,088	29,792	29,879
Other, net*	18,687	17,752	11,676
Net change in net working capital	17,078	(163,932)	(40,504)
Cash provided by operating activities	<u>105,738</u>	<u>(78,436)</u>	<u>25,683</u>
Purchases of long-term investments	-	-	(2,019)
Net purchases of property & equipment	(35,232)	(36,591)	(22,482)
Cash used in investing activities	<u>(35,232)</u>	<u>(36,591)</u>	<u>(24,501)</u>
Net share repurchases	5,603	(10,277)	(75,842)
Net borrowing activities	(80,000)	115,000	75,000
Cash used in financing activities	<u>(74,397)</u>	<u>104,723</u>	<u>(842)</u>
Effect of exchange rate changes	95	66	23
Net change in cash & cash equivalents	<u>\$ (3,796)</u>	<u>\$ (10,238)</u>	<u>\$ 363</u>
Free cash flow:			
Cash provided by operating activities	\$ 105,738	\$ (78,436)	\$ 25,683
Net purchases of property & equipment	(35,232)	(36,591)	(22,482)
	<u>\$ 70,506</u>	<u>\$ (115,027)</u>	<u>\$ 3,201</u>

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

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