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# Sanmina

## Q1 FY'19 Results

January 28, 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 second quarter fiscal 2019 results, the Company's expectations for continuation of supply chain constraints 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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	Q1'19 (A)	Q1'19 Outlook <u>WAS</u>
Revenue:	\$2.19B	\$1.875 - \$1.925B
Non-GAAP Diluted EPS:	\$0.83	\$0.68 - \$0.74

# Financial Results

(Unaudited)



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## Three Month Period

(\$ in millions, except per share data)	Q1'19	Q4'18	Q1'18
<b>GAAP:</b>			
Revenue	\$2,188	\$1,876	\$1,745
Gross profit	\$149	\$121	\$109
Operating expense	\$72	\$111	\$96
Operating income	\$78	\$10	\$14
Other expense	\$14	\$6	\$3
Taxes	\$26	\$3	\$166
Net (loss) income	\$38	\$1	(\$155)
Diluted earnings (loss) per share	\$0.54	\$0.01	(\$2.16) <sup>(1)</sup>
<b>Non-GAAP<sup>(2)</sup>:</b>			
Revenue	\$2,188	\$1,876	\$1,745
Gross profit	\$151	\$124	\$112
Operating expense	\$65	\$65	\$65
Operating income	\$86	\$59	\$47
Other expense	\$14	\$7	\$3
Taxes	\$13	\$9	\$8
Net income	\$59	\$43	\$36
Diluted earnings per share	\$0.83	\$0.60	\$0.48

<sup>(1)</sup>The first quarter of 2018 GAAP loss per share included a non-cash tax charge of \$2.27 per share as a result of the U.S. Tax Cuts & Jobs Act and the fourth quarter of fiscal 2018 includes a non-cash goodwill impairment charge of \$0.43 per share.

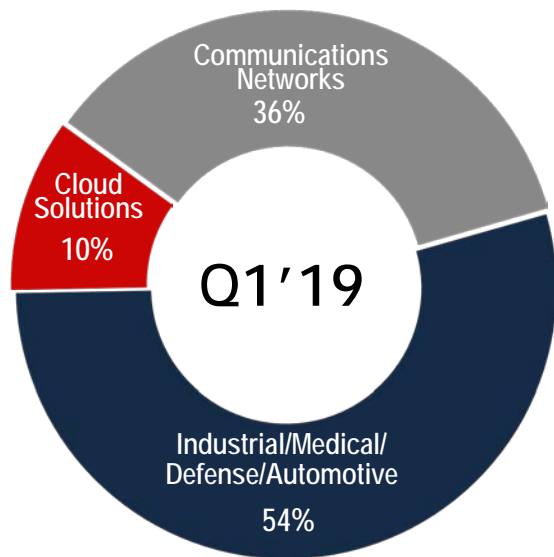
<sup>(2)</sup>Non-GAAP financial results exclude charges or gains relating to: stock-based compensation expenses, restructuring costs (including employee severance and benefits costs and charges related to excess facilities and assets), acquisition and integration costs (consisting of costs associated with the acquisition and integration of acquired businesses into our operations), impairment charges for goodwill and 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.

# Q1'19 Revenue By End-Market



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\$ in Millions	Q1'19	Sequential Growth	Y-Y Growth
<b>Communications Networks</b> (Networking, optical & wireless infrastructure)	\$780	13.0%	14.9%
<b>Industrial/Medical/Defense/Automotive</b> (Industrial equipment, energy, oil and gas, LIDAR, infotainment, control systems, MRI, CT scan, blood glucose meters, infusion, ultrasound and defense & aerospace)	\$1,182	18.3%	33.5%
<b>Cloud Solutions</b> (Cloud computing, storage systems, point-of-sale, casino gaming)	\$226	20.9%	25.3%
<b>Total</b>	\$2,188	16.6%	25.4%

**Top 10 Customers - 53.8% of Revenue**

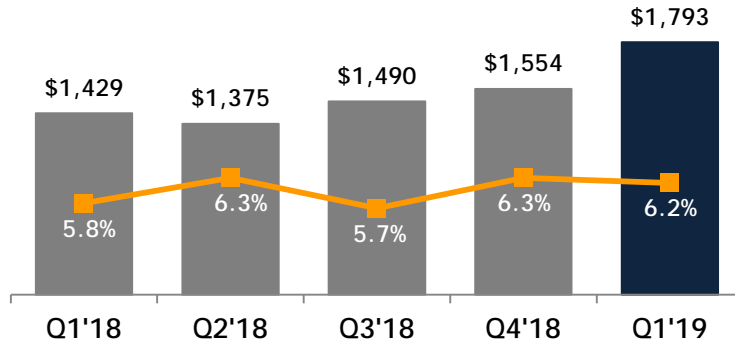
# Segment Reporting - Revenue and Non-GAAP Gross Margin\*

(\$ in Millions)

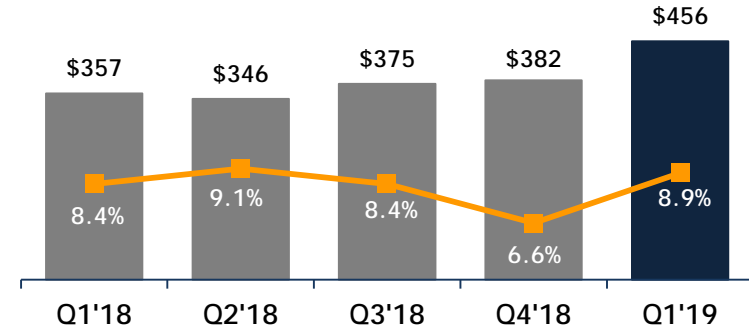


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## Integrated Manufacturing Solutions



## 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.

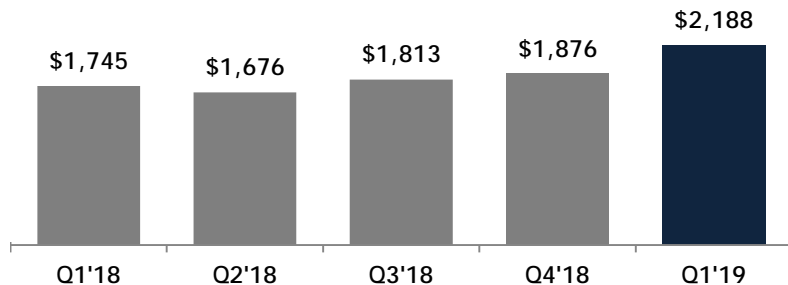
# Non-GAAP P&L Performance

(\$ in Millions, except per share data)

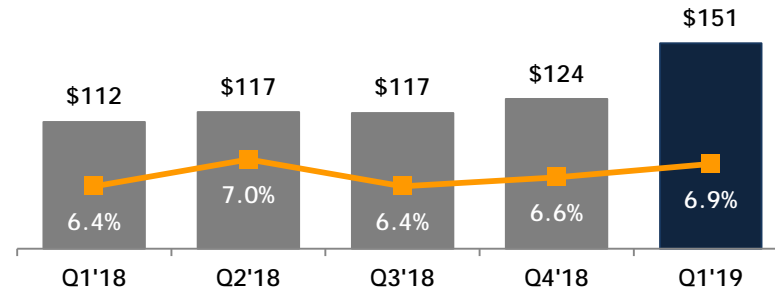


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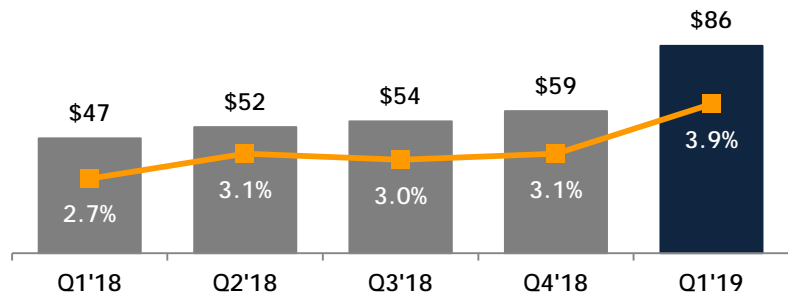
## Revenue



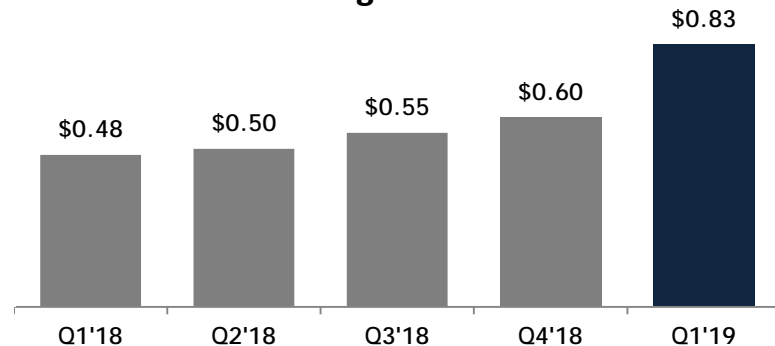
## Gross Profit / Margin



## Operating Income / Margin



## Earnings Per Share



# Summary Balance Sheet

(\$ in Millions)



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

Numbers may not foot due to rounding.



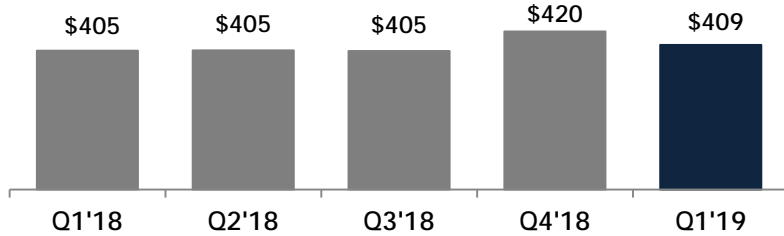
# Balance Sheet Metrics

(\$ in Millions)

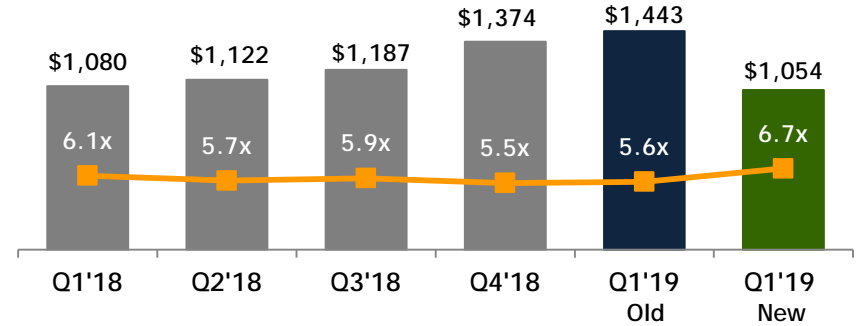


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## Cash and Cash Equivalents

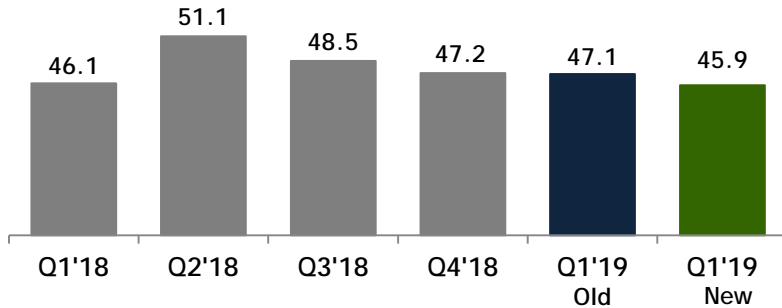


## Inventory \$ / Turns\*



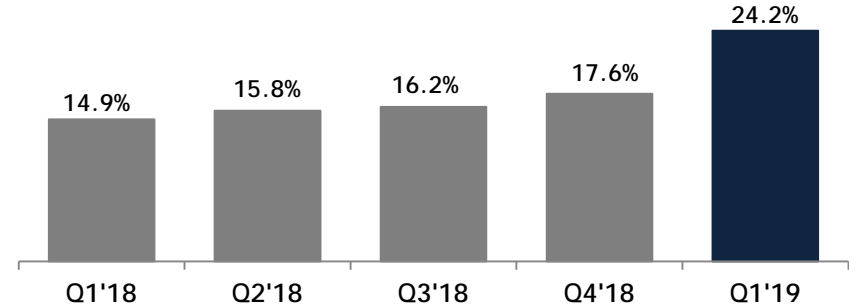
Inventory turns (annualized) are calculated as the ratio of four times non-GAAP cost of sales for the quarter to average inventory.

## Cash Cycle Days\*



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).

## Non-GAAP Pre-Tax ROIC



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

\* Q1'19 "Old" metrics for inventory turns and cash cycle days exclude the impact of the new revenue standard to provide comparability with prior periods.  
Q1'19 "New" metrics for inventory turns and cash cycle days include the impact of the new revenue standard and will become the basis for these measures going forward.

# Q2'19 Outlook



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The following outlook is for the second fiscal quarter ending March 30, 2019. These statements are forward-looking and actual results may differ materially.

<b>Revenue:</b>	<b>\$1.9B - \$2.0B</b>
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<b>GAAP Diluted EPS<sup>(1)</sup> :</b>	<b>\$0.59 - \$0.69</b>
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<b>Non-GAAP Diluted EPS:</b>	<b>\$0.70 - \$0.80</b>
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<sup>(1)</sup> Includes stock-based compensation expense of \$0.11.



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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**

## ■ Q1'19

- Revenue up 16.6% sequentially and up 25.4% Y-Y
- Operating margin expanded 80 basis points sequentially to 3.9%
- Solid demand across all of our end-markets

## ■ Q2'19

- Good outlook
- Healthy pipeline
- Continue to make operational improvements that support our overall financial performance and goals

**Expect Revenue Growth in FY'19**



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Consolidated Financial  
Statements  
Reconciliation of  
GAAP vs. Non-GAAP

Quarter Ended  
December 29, 2018



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# GAAP Condensed Consolidated Balance Sheet



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	December 29, 2018	September 29, 2018
	(Unaudited)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 409,290	\$ 419,528
Accounts receivable, net	1,344,536	1,177,219
Contract assets	419,484	-
Inventories	1,054,166	1,374,004
Prepaid expenses and other current assets	46,296	43,676
Total current assets	<u>3,273,772</u>	<u>3,014,427</u>
Property, plant and equipment, net	643,518	642,913
Deferred tax assets	323,931	344,124
Other	75,632	83,669
Total assets	<u>\$ 4,316,853</u>	<u>\$ 4,085,133</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 1,531,927	\$ 1,547,399
Accrued liabilities	215,215	136,427
Accrued payroll and related benefits	117,631	124,748
Short-term debt, including current portion of long-term debt	708,362	593,321
Total current liabilities	<u>2,573,135</u>	<u>2,401,895</u>
Long-term liabilities:		
Long-term debt	14,361	14,346
Other	196,740	196,048
Total long-term liabilities	<u>211,101</u>	<u>210,394</u>
Stockholders' equity	<u>1,532,617</u>	<u>1,472,844</u>
Total liabilities and stockholders' equity	<u>\$ 4,316,853</u>	<u>\$ 4,085,133</u>

# GAAP Condensed Consolidated Statement of Operations (Unaudited)



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	Three Months Ended	
	Dec. 29, 2018	Dec. 30, 2017
Net sales	\$ 2,188,018	\$ 1,744,800
Cost of sales	2,038,681	1,635,334
Gross profit	<u>149,337</u>	<u>109,466</u>
Operating expenses:		
Selling, general and administrative	63,028	63,603
Research and development	6,437	7,615
Restructuring and other costs	2,329	24,460
Total operating expenses	<u>71,794</u>	<u>95,678</u>
Operating income	77,543	13,788
Interest income	194	285
Interest expense	(8,271)	(6,214)
Other income (expense), net	(5,994)	3,230
Interest and other, net	<u>(14,071)</u>	<u>(2,699)</u>
Income before income taxes	63,472	11,089
Provision for income taxes	25,520	165,999
Net income (loss)	<u>\$ 37,952</u>	<u>\$ (154,910)</u>
Basic income (loss) per share	\$ 0.56	\$ (2.16)
Diluted income (loss) per share	\$ 0.54	\$ (2.16)
Weighted-average shares used in computing per share amounts:		
Basic	68,303	71,605
Diluted	70,901	71,605



# Reconciliation of Non-GAAP Measures (Unaudited)



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(\$ in thousands, except per share data)	Three Month Periods				
	Q1'19	Q4'18	Q3'18	Q2'18	Q1'18
<b>GAAP Gross Profit</b>	\$ 149,337	\$ 121,083	\$ 118,536	\$ 114,698	\$ 109,466
<i>GAAP gross margin</i>	6.8%	6.5%	6.5%	6.8%	6.3%
<b>Adjustments</b>					
Stock compensation expense (1)	1,735	1,833	2,055	1,851	2,448
Amortization of intangible assets	446	902	902	902	902
Reversal of contingent consideration accrual (2)	-	-	(4,812)	-	-
Distressed customer charges (3)	(344)	(73)	-	(163)	(333)
<b>Non-GAAP Gross Profit</b>	<b>\$ 151,174</b>	<b>\$ 123,745</b>	<b>\$ 116,681</b>	<b>\$ 117,288</b>	<b>\$ 112,483</b>
<i>Non-GAAP gross margin</i>	6.9%	6.6%	6.4%	7.0%	6.4%
<b>GAAP Operating Expenses</b>	\$ 71,794	\$ 111,264	\$ 71,476	\$ 65,924	\$ 95,678
<b>Adjustments</b>					
Stock compensation expense (1)	(4,081)	(2,294)	(7,706)	(8,444)	(6,194)
Amortization of intangible assets	(190)	(190)	(890)	(910)	(918)
Distressed customer charges (3)	-	-	357	-	-
Restructuring costs	(2,139)	(13,174)	(1,021)	8,591	(23,542)
Goodwill and other asset impairments	-	(30,610)	-	-	-
<b>Non-GAAP Operating Expenses</b>	<b>\$ 65,384</b>	<b>\$ 64,996</b>	<b>\$ 62,216</b>	<b>\$ 65,161</b>	<b>\$ 65,024</b>
<b>GAAP Operating Income</b>	\$ 77,543	\$ 9,819	\$ 47,060	\$ 48,774	\$ 13,788
<i>GAAP operating margin</i>	3.5%	0.5%	2.6%	2.9%	0.8%
<b>Adjustments</b>					
Stock compensation expense (1)	5,816	4,127	9,761	10,295	8,642
Amortization of intangible assets	636	1,092	1,792	1,812	1,820
Reversal of contingent consideration accrual (2)	-	-	(4,812)	-	-
Distressed customer charges (3)	(344)	(73)	(357)	(163)	(333)
Restructuring costs	2,139	13,174	1,021	(8,591)	23,542
Goodwill and other asset impairments	-	30,610	-	-	-
<b>Non-GAAP Operating Income</b>	<b>\$ 85,790</b>	<b>\$ 58,749</b>	<b>\$ 54,465</b>	<b>\$ 52,127</b>	<b>\$ 47,459</b>
<i>Non-GAAP operating margin</i>	3.9%	3.1%	3.0%	3.1%	2.7%
<b>GAAP Interest and Other, net</b>	\$ (14,071)	\$ (6,389)	\$ (5,792)	\$ (7,022)	\$ (2,699)
<b>Adjustments</b>					
Litigation settlements (4)	-	(475)	-	-	(287)
<b>Non-GAAP Interest and Other, net</b>	<b>\$ (14,071)</b>	<b>\$ (6,864)</b>	<b>\$ (5,792)</b>	<b>\$ (7,022)</b>	<b>\$ (2,986)</b>
<b>GAAP Provision for Income Taxes</b>	\$ 25,520	\$ 2,648	\$ 7,305	\$ 17,120	\$ 165,999
<b>Adjustments</b>					
Tax impact of non-GAAP adjustments	168	990	118	125	656
Discrete tax items	2,127	177	4,905	(2,552)	700
Other deferred tax adjustments	(15,264)	4,220	(3,567)	(6,574)	3,050
Impact of US tax reform	-	1,304	-	-	(162,400)
<b>Non-GAAP Provision for Income Taxes</b>	<b>\$ 12,551</b>	<b>\$ 9,339</b>	<b>\$ 8,761</b>	<b>\$ 8,119</b>	<b>\$ 8,005</b>
<b>GAAP Net Income (Loss)</b>	\$ 37,952	\$ 782	\$ 33,963	\$ 24,632	\$ (154,910)
<b>Adjustments:</b>					
Operating income adjustments (see above)	8,247	48,930	7,405	3,353	33,671
Litigation settlements (4)	-	(475)	-	-	(287)
Adjustments for taxes	12,969	(6,691)	(1,456)	9,001	157,994
<b>Non-GAAP Net Income</b>	<b>\$ 59,168</b>	<b>\$ 42,546</b>	<b>\$ 39,912</b>	<b>\$ 36,986</b>	<b>\$ 36,468</b>
<b>GAAP Net Income (Loss) Per Share:</b>					
Basic	\$ 0.56	\$ 0.01	\$ 0.49	\$ 0.35	\$ (2.16)
Diluted	\$ 0.54	\$ 0.01	\$ 0.47	\$ 0.33	\$ (2.16)
<b>Non-GAAP Net Income Per Share:</b>					
Basic	\$ 0.87	\$ 0.62	\$ 0.58	\$ 0.53	\$ 0.51
Diluted	\$ 0.83	\$ 0.60	\$ 0.55	\$ 0.50	\$ 0.48

Weighted-average shares used in computing GAAP per share amounts:

Basic	68,303	68,236	68,907	70,441	71,605
Diluted	70,901	71,500	72,053	73,582	71,605

Weighted-average shares used in computing non-GAAP per share amounts:

Basic	68,303	68,236	68,907	70,441	71,605
Diluted	70,901	71,500	72,053	73,582	75,485

(1) Stock compensation expense was as follows:

	Three Month Periods				
	Q1'19	Q4'18	Q3'18	Q2'18	Q1'18
Cost of sales	\$ 1,735	\$ 1,833	\$ 2,055	\$ 1,851	\$ 2,448
Selling, general and administrative	3,990	3,164	7,490	8,388	6,164
Research and development	91	(870)	216	56	30
<b>Total</b>	<b>\$ 5,816</b>	<b>\$ 4,127</b>	<b>\$ 9,761</b>	<b>\$ 10,295</b>	<b>\$ 8,642</b>

- (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.

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



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	<u>Q1 FY19</u>
<b>Pre-tax Return on Invested Capital (ROIC)</b>	
GAAP operating income	\$ 77,543
	<u>x 4</u>
Annualized GAAP operating income	310,172
Average invested capital (1)	<u>÷ 1,419,489</u>
<b>GAAP pre-tax ROIC</b>	<b><u>21.9%</u></b>
Non-GAAP operating income	\$ 85,790
	<u>x 4</u>
Annualized non-GAAP operating income	343,160
Average invested capital (1)	<u>÷ 1,419,489</u>
<b>Non-GAAP pre-tax ROIC</b>	<b><u>24.2%</u></b>

(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		
	Q1'19	Q4'18	Q1'18
GAAP Net Income	\$ 37,952	\$ 782	\$(154,910)
Depreciation and amortization	29,792	29,686	29,623
Other, net*	17,752	36,926	171,685
Net change in net working capital	<u>(163,932)</u>	<u>(6,850)</u>	<u>(37,958)</u>
Cash provided by operating activities	<u>(78,436)</u>	<u>60,544</u>	<u>8,440</u>
Net purchases of property & equipment	<u>(36,591)</u>	<u>(20,639)</u>	<u>(48,391)</u>
Cash used in investing activities	<u>(36,591)</u>	<u>(20,639)</u>	<u>(48,391)</u>
Net share repurchases	(10,277)	(6,946)	(42,959)
Net borrowing activities	<u>115,000</u>	<u>(18,000)</u>	<u>81,000</u>
Cash used in financing activities	<u>104,723</u>	<u>(24,946)</u>	<u>38,041</u>
Effect of exchange rate changes	<u>66</u>	<u>(208)</u>	<u>163</u>
Net change in cash & cash equivalents	<u>\$ (10,238)</u>	<u>\$ 14,751</u>	<u>\$ (1,747)</u>
Free cash flow:			
Cash provided by operating activities	\$ (78,436)	\$ 60,544	\$ 8,440
Net purchases of property & equipment	<u>(36,591)</u>	<u>(20,639)</u>	<u>(48,391)</u>
	<u>\$ (115,027)</u>	<u>\$ 39,905</u>	<u>\$ (39,951)</u>

\*Primarily changes in deferred income taxes (\$162.4M in Q1 FY18 due to Tax Reform Act), goodwill impairment (\$30.6M in Q4 FY18) and changes in stock-based compensation expense.

**What we make, makes a difference™**



**S A N M I N A**