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Q1 FY20 Results

January 27, 2020



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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 2020 financial results, expectations for the longer-term revenue outlook beyond the second quarter and the anticipated benefits of the Company's right-sizing plan, 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; the amount of restructuring charges relating to the Company-wide right-sizing plan actually recorded in the second quarter; 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 most 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, 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.

Q1 FY20 P&L Highlights



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- Revenue exceeded high-end of our outlook range of \$1.725B-\$1.825B
- Non-GAAP gross margin relatively flat sequentially despite decline in revenue
- Reduced non-GAAP operating expenses
- Non-GAAP operating margin of 4.0%
- Non-GAAP EPS exceeded high-end of our outlook of \$0.65-\$0.75

Q1 FY20 P&L Performance

(Unaudited)



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(\$ in millions, except per share data)	Three Month Period		
	Q1 FY20	Q4 FY19	Q1 FY19
GAAP:			
Revenue	\$1,840	\$1,892	\$2,188
Gross profit	\$135	\$142	\$149
<i>Gross margin</i>	7.3%	7.5%	6.8%
Operating expense	\$78	\$79	\$72
Operating income	\$57	\$63	\$78
<i>Operating margin</i>	3.1%	3.3%	3.5%
Other expense	\$4	\$9	\$14
Taxes	\$15	\$35	\$26
Net income	\$38	\$20	\$38
Diluted earnings per share	\$0.53	\$0.27	\$0.54
Non-GAAP⁽¹⁾:			
Revenue	\$1,840	\$1,892	\$2,188
Gross profit	\$138	\$144	\$151
<i>Gross margin</i>	7.5%	7.6%	6.9%
Operating expense	\$64	\$65	\$65
Operating income	\$73	\$80	\$86
<i>Operating margin</i>	4.0%	4.2%	3.9%
Other expense	\$4	\$9	\$14
Taxes	\$12	\$10	\$13
Net income	\$57	\$61	\$59
Diluted earnings per share	\$0.79	\$0.84	\$0.83

⁽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 to the extent material. Please refer to "Reconciliation of Non-GAAP Measures" on slide 16 of this presentation.

Numbers may not foot due to rounding.

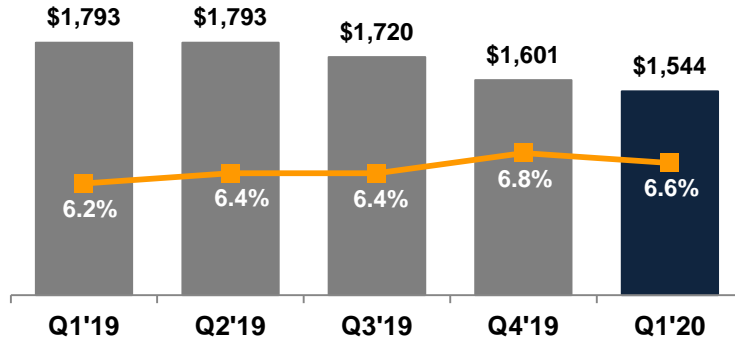
Segment Reporting - Revenue and Non-GAAP Gross Margin*

(\$ in Millions)



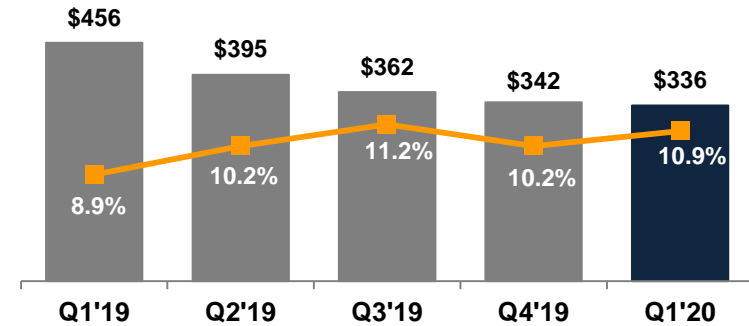
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Integrated Manufacturing Solutions



- Decline in revenue primarily the result of inventory in the channel
- Modest decline in gross margin sequentially driven by lower revenues

Components, Products and Services



- Revenues relatively flat to prior quarter
- Gross margins improved due to efficiency improvements

*Revenue and non-GAAP gross margin for IMS segment and CPS category includes inter-segment revenues that are eliminated under GAAP and non-GAAP gross margin 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.

Strong Balance Sheet



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- Reduced inventory by \$57M
- Improved turns: 7.8x
- Cash cycle days: 52.9
- Non-GAAP pre-tax ROIC: 22.2%
- Cash flow from operations: \$21M
- Leverage: 0.9x

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 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) and contract asset days (ratio of average contract assets 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 17 for reconciliation.

Summary Balance Sheet

(\$ in Millions)



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	12/28/19	9/28/19
Cash and cash equivalents	\$431	\$455
Accounts receivable, net	1,064	1,128
Contract Assets	422	396
Inventories	844	901
Property, plant and equipment, net	612	631
Deferred tax assets	277	280
Other assets	181	115
Total assets	\$3,830	\$3,906
Accounts payable	\$1,180	\$1,337
Short-term debt	39	38
Long-term debt	343	347
Other liabilities	589	541
Total stockholders' equity	1,679	1,643
Total liabilities and stockholders' equity	\$3,830	\$3,906

Numbers may not foot due to rounding.

The following outlook is for the second fiscal quarter ended March 28, 2020. The anticipated sequential revenue decline in the second fiscal quarter is primarily the result of seasonality. These statements are forward-looking and actual results may differ materially.

Revenue:	\$1.70B - \$1.80B
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GAAP Diluted EPS:	\$0.53 - \$0.63
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Non-GAAP Diluted EPS:	\$0.65 - \$0.75
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CEO Remarks



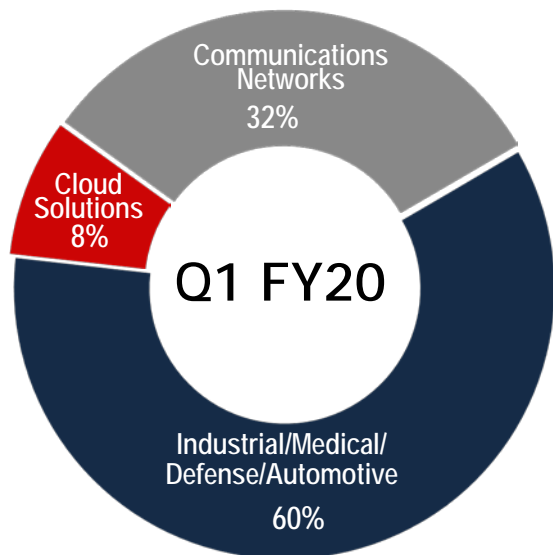
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Revenue By End-Market



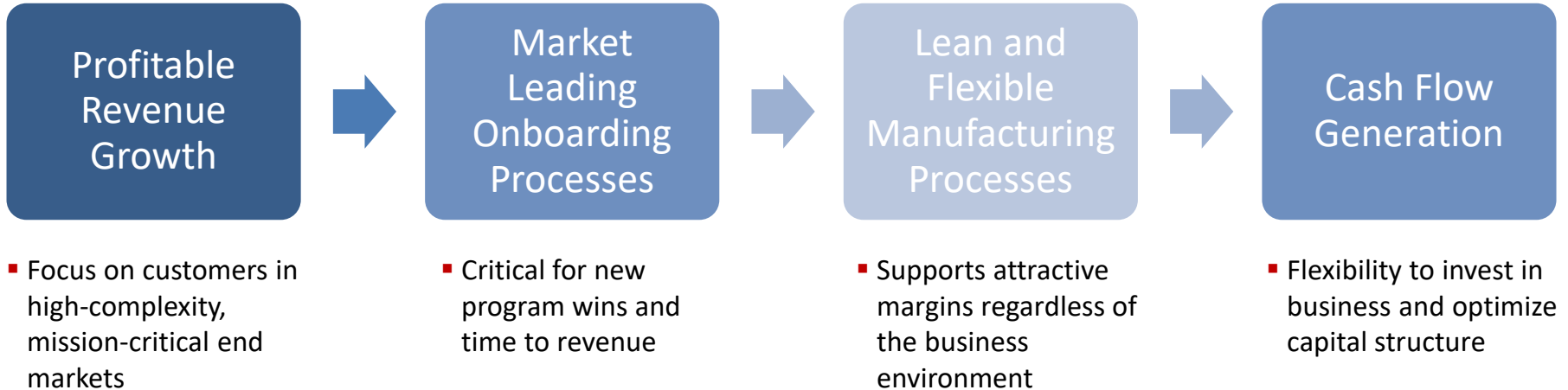
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\$ in Millions	Q1 FY20	Sequential
Industrial/Medical/Defense/Automotive (Industrial equipment, energy, oil and gas, LIDAR, infotainment, control systems, MRI, CT scan, blood glucose meters, infusion, ultrasound and defense & aerospace)	\$1,108	-0.5%
Communications Networks (Networking, optical & wireless infrastructure)	\$581	-7.8%
Cloud Solutions (Cloud computing, storage systems, point-of-sale, casino gaming)	\$152	1.3%
Total	\$1,840	-2.7%

Numbers may not foot due to rounding.

Q2 FY20: Sequential Decline Primarily Driven By Seasonality



Q1 FY20

- Revenue and non-GAAP EPS exceeded high-end of outlook
- Continued to fine-tune our operations, further enhancing our efficiencies
- Lowered our operating expenses

Q2 FY20

- Revenue outlook of \$1.70B - \$1.80B, modestly lower primarily due to seasonality
- Non-GAAP EPS outlook of \$0.65 - \$0.75, continued focus on operational execution and cost containment
- Expect to generate free cash flow

Expect Sequential Revenue Growth And Margin Improvement Longer-Term As Excess Inventory Burns Off And New Programs Ramp



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Consolidated Financial
Statements
Reconciliation of
GAAP and Non-GAAP
Measures

Quarter Ended
December 28, 2019



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GAAP Condensed Consolidated Balance Sheet



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(\$ in thousands)	December 28, 2019	September 28, 2019
	(Unaudited)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 430,564	\$ 454,741
Accounts receivable, net	1,063,922	1,128,379
Contract assets	421,860	396,300
Inventories	843,764	900,557
Prepaid expenses and other current assets	45,131	40,952
Total current assets	2,805,241	2,920,929
Property, plant and equipment, net	612,214	630,647
Deferred tax assets	276,820	279,803
Other	135,460	74,134
Total assets	\$ 3,829,735	\$ 3,905,513
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 1,180,179	\$ 1,336,914
Accrued liabilities	204,749	180,107
Accrued payroll and related benefits	106,476	127,647
Short-term debt, including current portion of long-term debt	38,728	38,354
Total current liabilities	1,530,132	1,683,022
Long-term liabilities:		
Long-term debt	342,537	346,971
Other	277,681	232,947
Total long-term liabilities	620,218	579,918
Stockholders' equity		
Total liabilities and stockholders' equity	\$ 3,829,735	\$ 3,905,513

GAAP Condensed Consolidated Statement of Operations (Unaudited)



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	Three Months Ended	
	Dec. 28, 2019	Dec. 29, 2018
(\$ in thousands, except per share data)		
Net sales	\$ 1,840,171	\$ 2,188,018
Cost of sales	1,705,289	2,038,681
Gross profit	<u>134,882</u>	<u>149,337</u>
Operating expenses:		
Selling, general and administrative	63,151	63,028
Research and development	5,200	6,437
Restructuring and other costs	9,350	2,329
Total operating expenses	<u>77,701</u>	<u>71,794</u>
Operating income	57,181	77,543
Interest income	310	194
Interest expense	(5,877)	(8,271)
Other income (expense), net	1,318	(5,994)
Interest and other, net	<u>(4,249)</u>	<u>(14,071)</u>
Income before income taxes	52,932	63,472
Provision for income taxes	<u>14,587</u>	<u>25,520</u>
Net income	<u>\$ 38,345</u>	<u>\$ 37,952</u>
Basic income per share	\$ 0.55	\$ 0.56
Diluted income per share	\$ 0.53	\$ 0.54
Weighted-average shares used in computing per share amounts:		
Basic	70,178	68,303
Diluted	72,598	70,901

Reconciliation of Non-GAAP Measures (Unaudited)



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	Three Month Periods				
	Q1'20	Q4'19	Q3'19	Q2'19	Q1'19
(\$ in thousands, except per share data)					
GAAP Gross Profit	\$ 134,882	\$ 141,704	\$ 147,795	\$ 153,102	\$ 149,337
GAAP gross margin	7.3%	7.5%	7.3%	7.2%	6.8%
Adjustments					
Stock compensation expense (1)	2,912	2,711	2,729	2,582	1,735
Amortization of intangible assets	-	-	-	-	446
Distressed customer charges (2)	-	(49)	(804)	(555)	(344)
Non-GAAP Gross Profit	\$ 137,794	\$ 144,366	\$ 149,720	\$ 155,129	\$ 151,174
Non-GAAP gross margin	7.5%	7.6%	7.4%	7.3%	6.9%
GAAP Operating Expenses	\$ 77,701	\$ 78,619	\$ 80,421	\$ 74,987	\$ 71,794
Adjustments					
Stock compensation expense (1)	(3,994)	(7,555)	(5,407)	(4,044)	(4,081)
Amortization of intangible assets	(190)	(190)	(190)	(190)	(190)
Restructuring costs	(9,160)	(2,411)	(6,191)	(3,012)	(2,139)
Goodwill and other asset impairments	-	(3,724)	-	-	-
Non-GAAP Operating Expenses	\$ 64,357	\$ 64,739	\$ 68,633	\$ 67,741	\$ 65,384
GAAP Operating Income	\$ 57,181	\$ 63,085	\$ 67,374	\$ 78,115	\$ 77,543
GAAP operating margin	3.1%	3.3%	3.3%	3.7%	3.5%
Adjustments					
Stock compensation expense (1)	6,906	10,266	8,136	6,626	5,816
Amortization of intangible assets	190	190	190	190	636
Distressed customer charges (2)	-	(49)	(804)	(555)	(344)
Restructuring costs	9,160	2,411	6,191	3,012	2,139
Goodwill and other asset impairments	-	3,724	-	-	-
Non-GAAP Operating Income	\$ 73,437	\$ 79,627	\$ 81,087	\$ 87,388	\$ 85,790
Non-GAAP operating margin	4.0%	4.2%	4.0%	4.1%	3.9%
GAAP Interest and Other, net	\$ (4,249)	\$ (8,679)	\$ (8,749)	\$ (8,999)	\$ (14,071)
Adjustments					
Litigation settlements (3)	-	-	(830)	-	-
Non-GAAP Interest and Other, net	\$ (4,249)	\$ (8,679)	\$ (9,579)	\$ (8,999)	\$ (14,071)
GAAP Provision for Income Taxes	\$ 14,587	\$ 34,649	\$ 15,704	\$ 28,231	\$ 25,520
Adjustments					
Tax impact of non-GAAP adjustments	391	337	263	189	168
Discrete tax items	(2,526)	(3,983)	2,240	(3,741)	2,127
Deferred tax adjustments	(690)	(20,666)	(5,872)	(11,336)	(15,264)
Non-GAAP Provision for Income Taxes	\$ 11,762	\$ 10,337	\$ 12,335	\$ 13,343	\$ 12,551
GAAP Net Income	\$ 38,345	\$ 19,757	\$ 42,921	\$ 40,885	\$ 37,952
Adjustments:					
Operating income adjustments (see above)	16,256	16,542	13,713	9,273	8,247
Litigation settlements (3)	-	-	(830)	-	-
Adjustments for taxes	2,825	24,312	3,369	14,888	12,969
Non-GAAP Net Income	\$ 57,426	\$ 60,611	\$ 59,173	\$ 65,046	\$ 59,168
GAAP Net Income Per Share:					
Basic	\$ 0.55	\$ 0.28	\$ 0.62	\$ 0.59	\$ 0.56
Diluted	\$ 0.53	\$ 0.27	\$ 0.60	\$ 0.57	\$ 0.54
Non-GAAP Net Income Per Share:					
Basic	\$ 0.82	\$ 0.87	\$ 0.85	\$ 0.95	\$ 0.87
Diluted	\$ 0.79	\$ 0.84	\$ 0.82	\$ 0.91	\$ 0.83
Weighted-average shares used in computing per share amounts:					
Basic	70,178	69,898	69,499	68,821	68,303
Diluted	72,598	72,294	72,007	71,446	70,901

(1) Stock compensation expense was as follows:

	Three Month Periods				
	Q1'20	Q4'19	Q3'19	Q2'19	Q1'19
Cost of sales	\$ 2,912	\$ 2,711	\$ 2,729	\$ 2,582	\$ 1,735
Selling, general and administrative	3,925	7,550	5,328	3,939	3,990
Research and development	69	5	79	105	91
Total	\$ 6,906	\$ 10,266	\$ 8,136	\$ 6,626	\$ 5,816

(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.

Earnings Per Share Outlook*:

	Q2 FY20 EPS Range		Q1 FY20 EPS Range	
	Low	High	Low	High
GAAP diluted earnings per share	\$ 0.53	\$ 0.63	\$ 0.52	\$ 0.62
Stock compensation expense	\$ 0.12	\$ 0.12	\$ 0.13	\$ 0.13
Non-GAAP diluted earnings per share	\$ 0.65	\$ 0.75	\$ 0.65	\$ 0.75

* Due to uncertainty regarding the timing of recognition of restructuring charges that will be incurred during the first half of fiscal 2020 in connection with the Company's rightsizing plan, an estimate of restructuring charges is not included in the outlook for Q1 FY20 or Q2 FY20 GAAP EPS.

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



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(\$ in thousands)

Q1 FY20

Pre-tax Return on Invested Capital (ROIC)

GAAP operating income	\$	57,181	
	x	<u>4</u>	
Annualized GAAP operating income		228,724	
Average invested capital (1)	÷	<u>1,323,310</u>	
GAAP pre-tax ROIC			<u>17.3%</u>
Non-GAAP operating income	\$	73,437	
	x	<u>4</u>	
Annualized non-GAAP operating income		293,748	
Average invested capital (1)	÷	<u>1,323,310</u>	
Non-GAAP pre-tax ROIC			<u>22.2%</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		
	Q1'20	Q4'19	Q1'19
GAAP Net Income	\$ 38,345	\$ 19,757	\$ 37,952
Depreciation and amortization	28,735	28,508	29,792
Other, net*	9,589	41,332	17,752
Net change in net working capital	(55,498)	100,600	(163,932)
Cash provided by operating activities	<u>21,171</u>	<u>190,197</u>	<u>(78,436)</u>
Net purchases of property & equipment	(28,046)	(29,174)	(36,591)
Cash used in investing activities	<u>(28,046)</u>	<u>(29,174)</u>	<u>(36,591)</u>
Net share issuances <repurchases>	(12,698)	820	(10,277)
Net borrowing activities	(4,688)	(121,000)	115,000
Cash used in financing activities	<u>(17,386)</u>	<u>(120,180)</u>	<u>104,723</u>
Effect of exchange rate changes	84	(375)	66
Net change in cash & cash equivalents	<u>\$ (24,177)</u>	<u>\$ 40,468</u>	<u>\$ (10,238)</u>
Free cash flow:			
Cash provided by operating activities	\$ 21,171	\$ 190,197	\$ (78,436)
Net purchases of property & equipment	(28,046)	(29,174)	(36,591)
	<u>\$ (6,875)</u>	<u>\$ 161,023</u>	<u>\$ (115,027)</u>

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

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