



SANMINA

Sanmina

Q2 FY20 Results

April 27, 2020



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 2020 financial results, constitutes 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, mostly notably the ongoing impacts of the COVID-19 pandemic which have and are expected to continue to reduce demand from our customers, interrupt the flow of components needed for our customers' products, restrict the types of products we can build for our customers and create health risks to our employees. Other factors that could cause our results to differ from our outlook include 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 their most directly comparable GAAP measures are included on slide 19 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 earnings 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.

Q2 FY20 P&L Summary



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- Revenue: \$1.6 billion, down 13.6% sequentially and down 9.1% to mid-point of original outlook, primarily driven by COVID-19 pandemic
 - Withdrew guidance in March
- Non-GAAP gross margin: 6.9%, down 60 bps sequentially
 - Under absorption due to lower revenue
 - Manufacturing inefficiencies
 - Additional costs associated with COVID-19
- Operating expense: Declined relative to prior quarter
- Non-GAAP EPS: \$0.32, impacted by lower revenue and gross margins

Q2 FY20 P&L

(Unaudited)



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(\$ in millions, except per share data)	Three Month Period		
	Q2 FY20	Q1 FY20	Q2 FY19
GAAP:			
Revenue	\$1,591	\$1,840	\$2,217
Gross profit	\$107	\$135	\$153
<i>Gross margin</i>	6.8%	7.3%	7.2%
Operating expense	\$83	\$78	\$75
Operating income	\$24	\$57	\$78
<i>Operating margin</i>	1.5%	3.1%	3.7%
Other expense	\$13	\$4	\$9
Taxes	\$6	\$15	\$28
Net income	\$5	\$38	\$41
Diluted earnings per share	\$0.07	\$0.53	\$0.57
Non-GAAP⁽¹⁾:			
Revenue	\$1,591	\$1,840	\$2,217
Gross profit	\$110	\$138	\$155
<i>Gross margin</i>	6.9%	7.5%	7.3%
Operating expense	\$63	\$64	\$68
Operating income	\$47	\$73	\$87
<i>Operating margin</i>	3.0%	4.0%	4.1%
Other expense	\$14	\$4	\$9
Taxes	\$11	\$12	\$13
Net income	\$23	\$57	\$65
Diluted earnings per share	\$0.32	\$0.79	\$0.91

⁽¹⁾Non-GAAP financial measures 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 other unusual or infrequent items (e.g. charges or benefits associated with distressed customers, litigation settlements or recoveries, gains and losses on sales of assets and redemptions of debt, deferred tax and discrete tax items). See [Schedule 1](#) below for more information regarding our use of non-GAAP financial measures, including the economic substance behind each exclusion, the manner in which management uses non-GAAP measures to conduct and evaluate the business, the material limitations associated with using such measures and the manner in which management compensates for such limitations. Please refer to "Reconciliation of Non-GAAP Measures" on slide 19 of this presentation.

Numbers may not foot due to rounding.

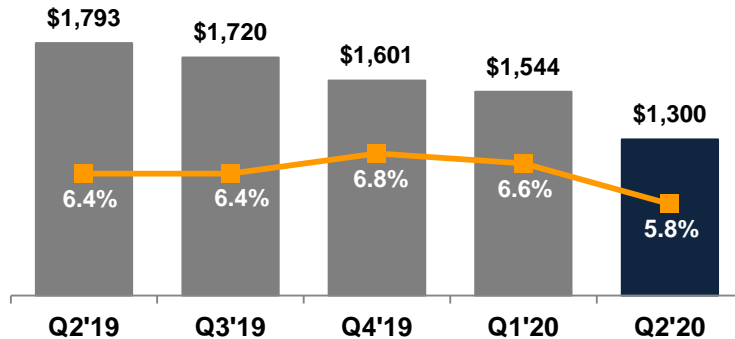
Segment Reporting - Revenue and Non-GAAP Gross Margin*

(\$ in Millions)

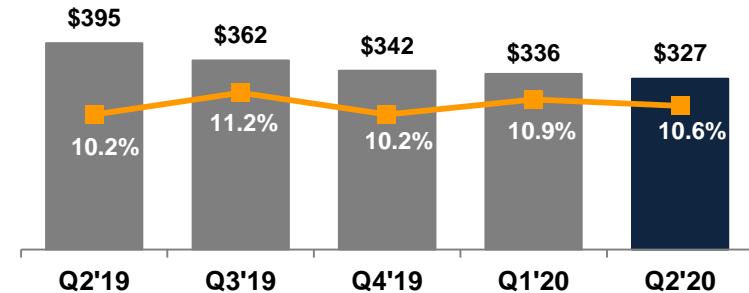


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Integrated Manufacturing Solutions



Components, Products and Services



Revenue and gross margins: Impacted by COVID-19

*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 19.

Revenue By End-Market



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\$ in Millions	Q2 FY20	% of Sales
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)	\$967	61%
Communications Networks (Networking, optical & wireless infrastructure)	\$500	31%
Cloud Solutions (Cloud computing, storage systems, point-of-sale, casino gaming)	\$123	8%
Total	\$1,591	100%

Numbers may not foot due to rounding.



Impacted By COVID-19

- Cash flow from operations: \$136 million
- Free cash flow: \$119 million
- Cash and cash equivalents: \$1.1 billion
- Debt to cash ratio: 0.9x
- Healthy debt maturity profile: Long-term debt, November 2023
- Repurchased 2.4 million shares, approximately \$61 million

Strong Liquidity Position

Summary Balance Sheet

(\$ in Millions)



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	3/28/20	12/28/19	9/28/19
Cash and cash equivalents	\$1,115	\$431	\$455
Accounts receivable, net	919	1,064	1,128
Contract Assets	407	422	396
Inventories	884	844	901
Property, plant and equipment, net	592	612	631
Deferred tax assets	285	277	280
Other assets	159	181	115
Total assets	<u>\$4,360</u>	<u>\$3,830</u>	<u>\$3,906</u>
Accounts payable	\$1,127	\$1,180	\$1,337
Short-term debt	673	39	38
Long-term debt	338	343	347
Other liabilities	604	589	541
Total stockholders' equity	1,618	1,679	1,643
Total liabilities and stockholders' equity	<u>\$4,360</u>	<u>\$3,830</u>	<u>\$3,906</u>

Numbers may not foot due to rounding.

Q3 FY20 Outlook



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The following outlook is for the third fiscal quarter ended June 27, 2020. These statements are forward-looking and actual results may differ materially.

Revenue: \$1.50B - \$1.60B

GAAP Diluted EPS: \$0.18 - \$0.28

Non-GAAP Diluted EPS: \$0.30 - \$0.40

- Continued global impact of COVID-19
- Focused on what we can control:
 - Optimization of cost structure
 - Capital expenditures
 - Cash generation

Now More Than Ever, What We Make, Makes a Difference

The outlook above constitutes 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, mostly notably the ongoing impacts of the COVID-19 pandemic which have and are expected to continue to reduce demand from our customers, interrupt the flow of components needed for our customers' products, restrict the types of products we can build for our customers and create health risks to our employees. Other factors that could cause our results to differ from our outlook include 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; and 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").

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CEO Remarks



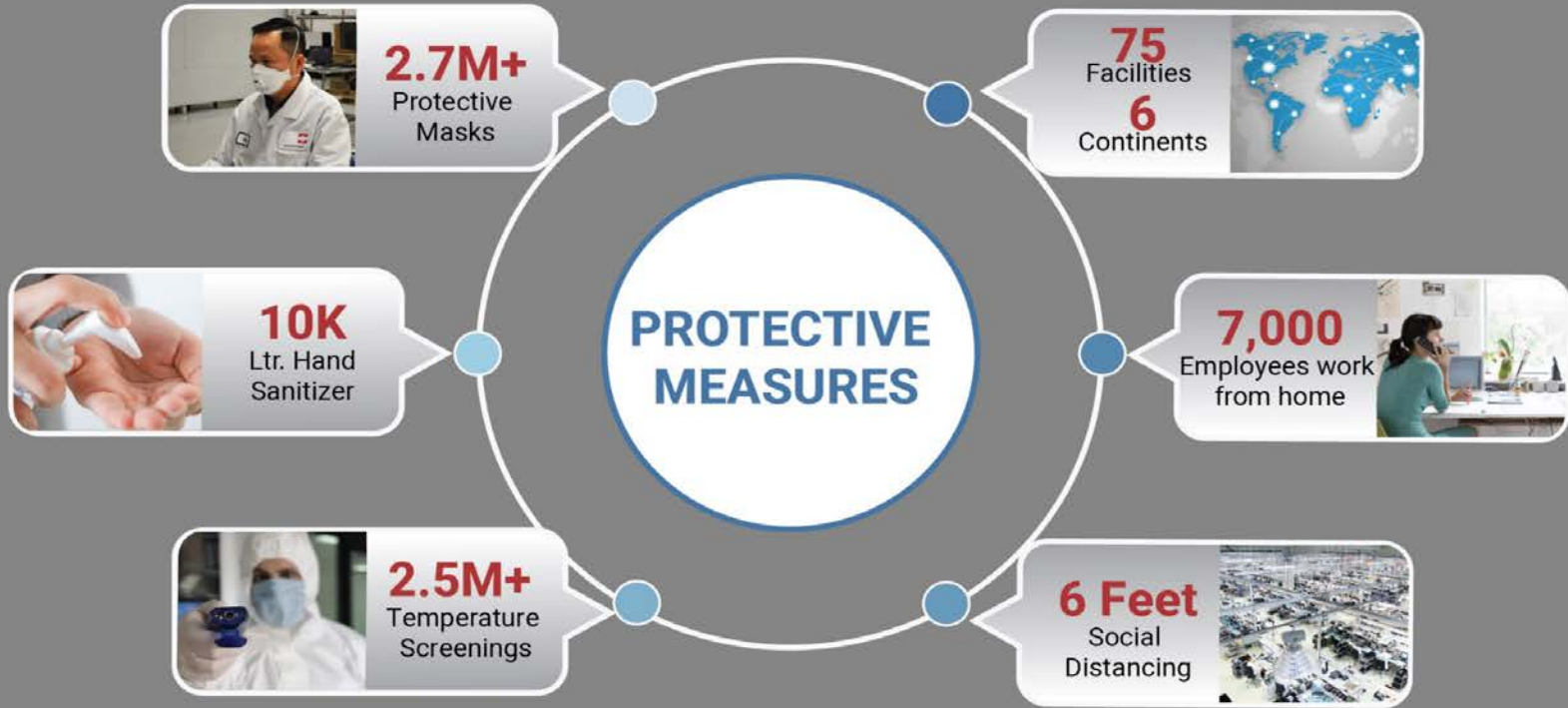
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Protective Measures



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Safety Of Our Employees Is Our Number One Priority

Production: Essential Medical and Communications



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Research
Analyzers



Diagnostics



Patient
Monitors



Ventilators



First Responder
Comms



Data
Centers



Optical
Systems



4G & 5G
Radios



- Focused on High-Complexity, Heavily Regulated Markets
 - Communications Networks
 - Industrial/Medical/Defense/Automotive
 - Cloud Solutions



**Stable Demand Based On Current Q3 FY20 Outlook
With Exception of Weakness in Automotive**

- Protect the institutional value of Sanmina
- Strength and partnership with key customers
- Seasoned management team
- Regionalization, Sanmina is well positioned

Ready When The Market Recovers

Q2 FY20

- Revenue and non-GAAP EPS impacted by COVID-19
- Generated free cash flow of \$119 million
- Ended the quarter with \$1.1 billion in cash and cash equivalents

Q3 FY20

- Revenue outlook of \$1.50 billion - \$1.60 billion
- Non-GAAP EPS outlook of \$0.30 - \$0.40
- Expect to generate free cash flow
- Manage what we can control

Well Positioned For Any Economic Environment



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Consolidated Financial
Statements
Reconciliation of
GAAP and Non-GAAP
Measures

Quarter Ended
March 28, 2020



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GAAP Condensed Consolidated Balance Sheet



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(\$ in thousands)	March 28, 2020	September 28, 2019
	(Unaudited)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,114,585	\$ 454,741
Accounts receivable, net	918,582	1,128,379
Contract assets	407,284	396,300
Inventories	883,727	900,557
Prepaid expenses and other current assets	39,121	40,952
Total current assets	3,363,299	2,920,929
Property, plant and equipment, net	591,738	630,647
Deferred tax assets	285,244	279,803
Other	119,904	74,134
Total assets	\$ 4,360,185	\$ 3,905,513
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 1,126,997	\$ 1,336,914
Accrued liabilities	225,330	180,107
Accrued payroll and related benefits	105,312	127,647
Short-term debt, including current portion of long-term debt	673,437	38,354
Total current liabilities	2,131,076	1,683,022
Long-term liabilities:		
Long-term debt	338,105	346,971
Other	273,255	232,947
Total long-term liabilities	611,360	579,918
Stockholders' equity	1,617,749	1,642,573
Total liabilities and stockholders' equity	\$ 4,360,185	\$ 3,905,513

GAAP Condensed Consolidated Statement of Operations (Unaudited)



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	Three Months Ended		Six Months Ended	
	March 28, 2020	March 30, 2019	March 28, 2020	March 30, 2019
(\$ in thousands, except per share data)				
Net sales	\$ 1,590,550	\$ 2,126,639	\$ 3,430,721	\$ 4,314,657
Cost of sales	1,483,129	1,973,537	3,188,418	4,012,218
Gross profit	107,421	153,102	242,303	302,439
Operating expenses:				
Selling, general and administrative	62,257	64,186	125,408	127,214
Research and development	5,767	7,599	10,967	14,036
Restructuring and other costs	15,028	3,202	24,378	5,531
Total operating expenses	83,052	74,987	160,753	146,781
Operating income	24,369	78,115	81,550	155,658
Interest income	418	364	728	558
Interest expense	(6,040)	(8,472)	(11,917)	(16,743)
Other expense, net	(7,660)	(891)	(6,342)	(6,885)
Interest and other, net	(13,282)	(8,999)	(17,531)	(23,070)
Income before income taxes	11,087	69,116	64,019	132,588
Provision for income taxes	6,205	28,231	20,792	53,751
Net income	\$ 4,882	\$ 40,885	\$ 43,227	\$ 78,837
Basic income per share	\$ 0.07	\$ 0.59	\$ 0.61	\$ 1.15
Diluted income per share	\$ 0.07	\$ 0.57	\$ 0.60	\$ 1.11
Weighted-average shares used in computing per share amounts:				
Basic	70,584	68,821	70,377	68,556
Diluted	72,245	71,446	72,429	71,162

Reconciliation of Non-GAAP Measures (Unaudited)



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	Three Month Periods				
	Q2'20	Q1'20	Q4'19	Q3'19	Q2'19
(\$ in thousands, except per share data)					
GAAP Gross Profit	\$ 107,421	\$ 134,882	\$ 141,704	\$ 147,795	\$ 153,102
GAAP gross margin	6.8%	7.3%	7.5%	7.3%	7.2%
Adjustments					
Stock compensation expense (1)	2,582	2,912	2,711	2,729	2,582
Distressed customer charges (2)	-	-	(49)	(804)	(555)
Non-GAAP Gross Profit	\$ 110,003	\$ 137,794	\$ 144,366	\$ 149,720	\$ 155,129
Non-GAAP gross margin	6.9%	7.5%	7.6%	7.4%	7.3%
GAAP Operating Expenses	\$ 83,052	\$ 77,701	\$ 78,619	\$ 80,421	\$ 74,987
Adjustments					
Stock compensation expense (1)	(5,201)	(3,994)	(7,555)	(5,407)	(4,044)
Amortization of intangible assets	(63)	(190)	(190)	(190)	(190)
Restructuring costs	(8,356)	(9,160)	(2,411)	(6,191)	(3,012)
Goodwill and other asset impairments	(6,609)	-	(3,724)	-	-
Non-GAAP Operating Expenses	\$ 62,823	\$ 64,357	\$ 64,739	\$ 68,633	\$ 67,741
GAAP Operating Income	\$ 24,369	\$ 57,181	\$ 63,085	\$ 67,374	\$ 78,115
GAAP operating margin	1.5%	3.1%	3.3%	3.3%	3.7%
Adjustments					
Stock compensation expense (1)	7,783	6,906	10,266	8,136	6,626
Amortization of intangible assets	63	190	190	190	190
Distressed customer charges (2)	-	-	(49)	(804)	(555)
Restructuring costs	8,356	9,160	2,411	6,191	3,012
Goodwill and other asset impairments	6,609	-	3,724	-	-
Non-GAAP Operating Income	\$ 47,180	\$ 73,437	\$ 79,627	\$ 81,087	\$ 87,388
Non-GAAP operating margin	3.0%	4.0%	4.2%	4.0%	4.1%
GAAP Interest and Other, net	\$ (13,282)	\$ (4,249)	\$ (8,679)	\$ (8,749)	\$ (8,999)
Adjustments					
Litigation settlements (3)	(259)	-	-	(830)	-
Non-GAAP Interest and Other, net	\$ (13,541)	\$ (4,249)	\$ (8,679)	\$ (9,579)	\$ (8,999)
GAAP Provision for Income Taxes	\$ 6,205	\$ 14,587	\$ 34,649	\$ 15,704	\$ 28,231
Adjustments					
Tax impact of non-GAAP adjustments	222	391	337	263	189
Discrete tax items	3,244	(2,526)	(3,983)	2,240	(3,741)
Deferred tax adjustments	1,189	(690)	(20,666)	(5,872)	(11,336)
Non-GAAP Provision for Income Taxes	\$ 10,860	\$ 11,762	\$ 10,337	\$ 12,335	\$ 13,343
GAAP Net Income	\$ 4,882	\$ 38,345	\$ 19,757	\$ 42,921	\$ 40,885
Adjustments:					
Operating income adjustments (see above)	22,811	16,256	16,542	13,713	9,273
Litigation settlements (3)	(259)	-	-	(830)	-
Adjustments for taxes	(4,655)	2,825	24,312	3,369	14,888
Non-GAAP Net Income	\$ 22,779	\$ 57,426	\$ 60,611	\$ 59,173	\$ 65,046
GAAP Net Income Per Share:					
Basic	\$ 0.07	\$ 0.55	\$ 0.28	\$ 0.62	\$ 0.59
Diluted	\$ 0.07	\$ 0.53	\$ 0.27	\$ 0.60	\$ 0.57
Non-GAAP Net Income Per Share:					
Basic	\$ 0.32	\$ 0.82	\$ 0.87	\$ 0.85	\$ 0.95
Diluted	\$ 0.32	\$ 0.79	\$ 0.84	\$ 0.82	\$ 0.91
Weighted-average shares used in computing per share amounts:					
Basic	70,584	70,178	69,898	69,499	68,821
Diluted	72,245	72,598	72,294	72,007	71,446

(1) Stock compensation expense was as follows:

	Three Month Periods				
	Q2'20	Q1'20	Q4'19	Q3'19	Q2'19
Cost of sales	\$ 2,582	\$ 2,912	\$ 2,711	\$ 2,729	\$ 2,582
Selling, general and administrative	5,127	3,925	7,550	5,328	3,939
Research and development	74	69	5	79	105
Total	\$ 7,783	\$ 6,906	\$ 10,266	\$ 8,136	\$ 6,626

(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.

	Q3 FY20 EPS Range*	
	Low	High
GAAP diluted earnings per share	\$ 0.18	\$ 0.28
Stock compensation expense	\$ 0.12	\$ 0.12
Non-GAAP diluted earnings per share	\$ 0.30	\$ 0.40

* Due to uncertainty regarding the timing of recognition of restructuring charges that will be incurred during fiscal 2020 in connection with the Company's rightsizing plan, an estimate of restructuring charges is not included in the outlook for Q3 FY20 GAAP EPS.

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



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(\$ in thousands)

Q2 FY20

Pre-tax Return on Invested Capital (ROIC)

GAAP operating income	\$	24,369
	x	<u>4</u>
Annualized GAAP operating income		97,476
Average invested capital (1)	÷	<u>1,291,364</u>
GAAP pre-tax ROIC		<u>7.5%</u>
Non-GAAP operating income	\$	47,180
	x	<u>4</u>
Annualized non-GAAP operating income		188,720
Average invested capital (1)	÷	<u>1,291,364</u>
Non-GAAP pre-tax ROIC		<u>14.6%</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		
	Q2'20	Q1'20	Q2'19
GAAP Net Income	\$ 4,882	\$ 38,345	\$ 40,885
Depreciation and amortization	28,042	28,735	29,088
Other, net*	16,029	9,589	18,687
Net change in net working capital	86,775	(55,498)	17,078
Cash provided by operating activities	<u>135,728</u>	<u>21,171</u>	<u>105,738</u>
Net purchases of property & equipment	(16,410)	(28,046)	(35,232)
Cash used in investing activities	<u>(16,410)</u>	<u>(28,046)</u>	<u>(35,232)</u>
Net share issuances <repurchases>	(64,163)	(12,698)	5,603
Net borrowing activities	629,702	(4,688)	(80,000)
Cash provided by (used in) financing activities	<u>565,539</u>	<u>(17,386)</u>	<u>(74,397)</u>
Effect of exchange rate changes	(836)	84	95
Net change in cash & cash equivalents	<u>\$ 684,021</u>	<u>\$ (24,177)</u>	<u>\$ (3,796)</u>
Free cash flow:			
Cash provided by operating activities	\$ 135,728	\$ 21,171	\$ 105,738
Net purchases of property & equipment	(16,410)	(28,046)	(35,232)
	<u>\$ 119,318</u>	<u>\$ (6,875)</u>	<u>\$ 70,506</u>

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

What we make, makes a difference™



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