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# Sanmina

## Q3 FY20 Results

July 29, 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 fourth 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 reduced demand from our customers, caused supply chain interruptions and created health risks for our employees, and which could result in restrictions on where we can build products, the levels of staffing we can maintain at our plants and the types of products we can build for our customers. 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 financial information 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.

# Q3 FY20 Non-GAAP P&L Summary

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- Revenue: \$1.65 billion, up 4% sequentially and exceeded outlook of \$1.5 - \$1.6 billion
- Gross margin: 8.1%, up 120 bps sequentially
- Operating expense: reduced \$4 million sequentially
- Operating margin: 4.6%, up 160 basis points sequentially
- Diluted EPS: \$0.86

# Q3 FY20 Financial Information

(Unaudited)



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(\$ in millions, except per share data)	Three Month Period		
	Q3 FY20	Q2 FY20	Q3 FY19
<b>GAAP:</b>			
Revenue	\$1,655	\$1,591	\$2,027
Gross profit	\$131	\$107	\$148
<i>Gross margin</i>	7.9%	6.8%	7.3%
Operating expense	\$67	\$83	\$80
Operating income	\$64	\$24	\$67
<i>Operating margin</i>	3.9%	1.5%	3.3%
Other expense	\$4	\$13	\$9
Taxes	\$15	\$6	\$16
Net income	\$45	\$5	\$43
Diluted earnings per share	\$0.64	\$0.07	\$0.60
<b>Non-GAAP<sup>(1)</sup>:</b>			
Revenue	\$1,655	\$1,591	\$2,027
Gross profit	\$135	\$110	\$150
<i>Gross margin</i>	8.1%	6.9%	7.4%
Operating expense	\$59	\$63	\$69
Operating income	\$76	\$47	\$81
<i>Operating margin</i>	4.6%	3.0%	4.0%
Other expense	\$4	\$14	\$10
Taxes	\$11	\$11	\$12
Net income	\$60	\$23	\$59
Diluted earnings per share	\$0.86	\$0.32	\$0.82

<sup>(1)</sup>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](#) to our Q3 FY20 earnings release filed with the SEC 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 for a reconciliation of the non-GAAP financial information disclosed in this presentation to their most directly comparable GAAP measures. Numbers may not foot due to rounding.

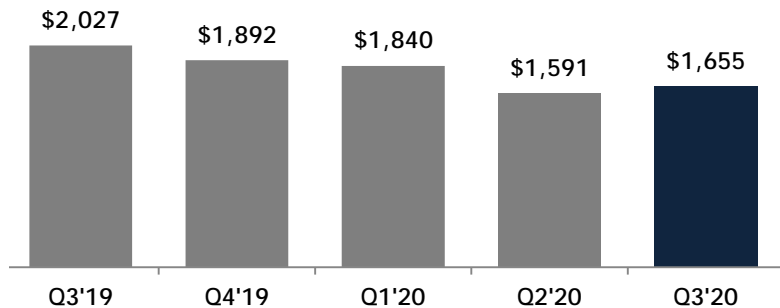
# Non-GAAP P&L Performance

(\$ in Millions, except per share data)

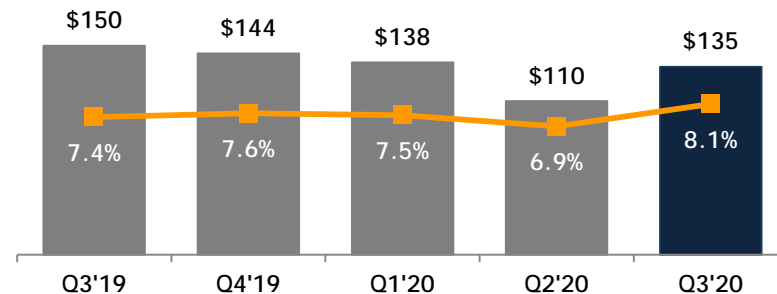


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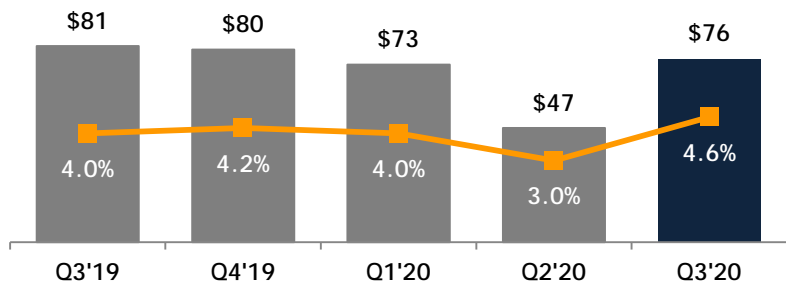
### Revenue



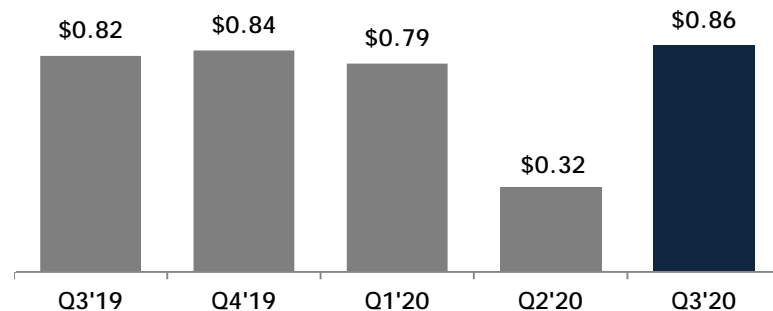
### Gross Profit / Margin



### Operating Income / Margin



### Earnings Per Share



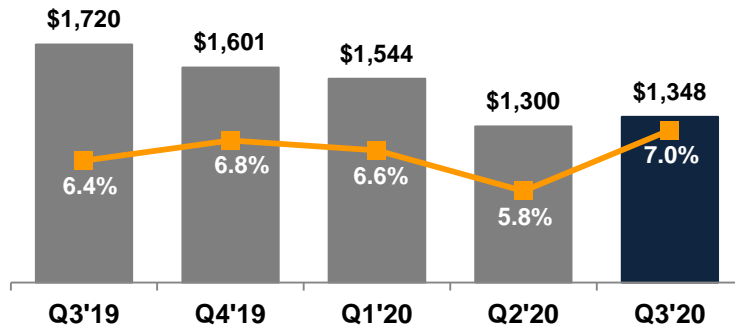
# Segment Reporting - Revenue and Non-GAAP Gross Margin\*

(\$ in Millions)

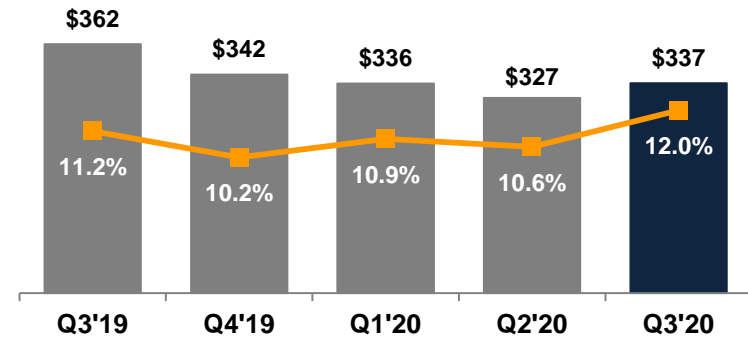


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## Integrated Manufacturing Solutions



## Components, Products and Services



## Revenue and Margin Improvement

\*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.

# Revenue By End-Market



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\$ in Millions	Q3 FY20	Sequential Change	% of Sales
<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)	\$938	(3.0%)	57%
<b>Communications Networks</b> (Networking, optical and wireless infrastructure)	\$595	19.0%	36%
<b>Cloud Solutions</b> (Enterprise computing and storage)	\$121	(1.7%)	7%
<b>Total</b>	\$1,655	4.0%	100%

Numbers may not foot due to rounding.



## Strong Demand in Communications

# Strong Balance Sheet

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- Cash flow from operations: \$64 million
- Free cash flow: \$54 million
- Cash and cash equivalents: \$1.1 billion
- Debt to cash ratio: 0.9x
- Repurchased 667,000 shares for approximately \$17.5 million



# Summary Balance Sheet

(\$ in Millions)



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	6/27/20	3/28/20	9/28/19
Cash and cash equivalents	\$1,117	\$1,115	\$455
Accounts receivable, net	1,042	919	1,128
Contract Assets	381	407	396
Inventories	884	884	901
Property, plant and equipment, net	575	592	631
Deferred tax assets	277	285	280
Other assets	198	159	115
<b>Total assets</b>	<b>\$4,475</b>	<b>\$4,360</b>	<b>\$3,906</b>
Accounts payable	\$1,252	\$1,127	\$1,337
Short-term debt	673	673	38
Long-term debt	334	338	347
Other liabilities	562	604	541
Total stockholders' equity	1,653	1,618	1,643
<b>Total liabilities and stockholders' equity</b>	<b>\$4,475</b>	<b>\$4,360</b>	<b>\$3,906</b>

Numbers may not foot due to rounding.

**Strong Balance Sheet**

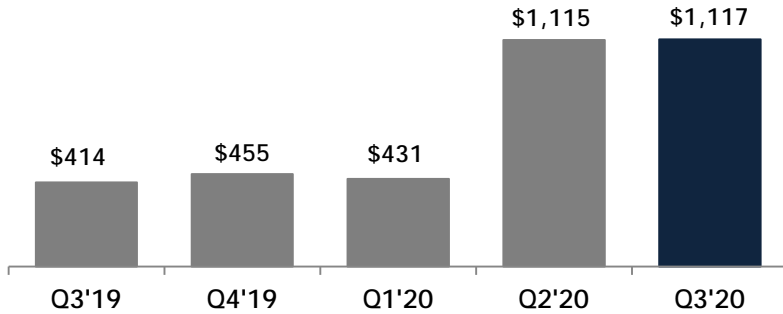
# Balance Sheet Metrics

(\$ in Millions)



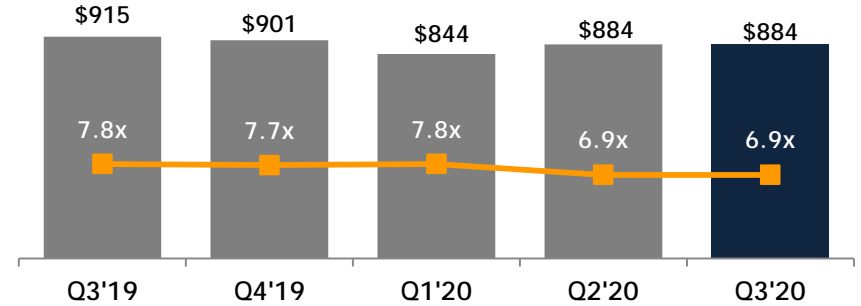
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## Cash and Cash Equivalents



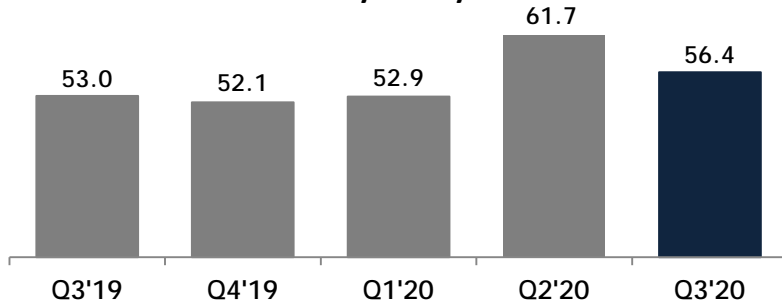
Q2'20 and Q3'20 include \$650 million of borrowings on our cash flow revolver.

## Inventory \$ / Turns



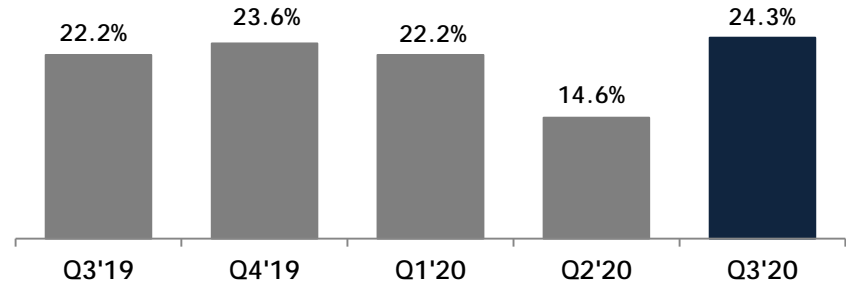
Annualized Inventory turns (a measure of how quickly we sell inventory) are calculated as the ratio of four times non-GAAP cost of sales for the quarter to average inventory.

## Cash Cycle Days



Cash cycle days (a measure of how quickly we convert investments in inventory to cash) 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 20 for non-GAAP pre-tax ROIC reconciliation.

The following outlook for the fourth fiscal quarter ended October 3, 2020 takes into account any additional revenue and expenses associated with a 14 week quarter. These statements are forward-looking and actual results may differ materially.

Revenue: **\$1.73B - \$1.83B**

GAAP Diluted EPS: **\$0.62 - \$0.72**

Non-GAAP Diluted EPS: **\$0.73 - \$0.83**

- Our operations on all 6 continents are running and the vast majority of our employees are back in the facilities
- Impact of COVID-19 and macroeconomic environment continues to evolve
- Customer demand expected to be relatively stable

## Focused on Industry Leading Execution

\*The outlook and statements made in this slide 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, 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 and which could result in restrictions on where we can build products, the levels of staffing we can maintain at our plants and the types of products we can build for our customers. 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").

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## CEO Remarks



WHAT WE MAKE, **MAKES A DIFFERENCE**

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

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



**Relatively Stable Demand Across All Segments**

# Key Initiatives



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- Focus on customers in high-complexity, mission-critical end markets

**Profitable Revenue Growth**

**Market Leading Onboarding Processes**

- Critical for new program wins and time to revenue

- Supports attractive margins regardless of the business environment

**Lean and Flexible Manufacturing Processes**

**Cash Flow Generation**

- Flexibility to invest in business and optimize capital structure

## Q3 FY20

- Revenue, margins and EPS exceeded expectations
- Generated free cash flow of \$54 million
- Healthy balance sheet

## Q4 FY20

- Revenue outlook of \$1.73 billion - \$1.83 billion
- Non-GAAP diluted EPS outlook of \$0.73 - \$0.83
- Expect to generate free cash flow
- Focused on customer requirements

**Well Positioned For Any Economic Environment**



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Consolidated Financial  
Statements  
Reconciliation of  
GAAP and Non-GAAP  
Measures

Quarter Ended  
June 27, 2020



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# GAAP Condensed Consolidated Balance Sheet



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(\$ in thousands)	June 27, 2020	September 28, 2019
	(Unaudited)	
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 1,117,217	\$ 454,741
Short-term investments	30,000	-
Accounts receivable, net	1,042,011	1,128,379
Contract assets	381,249	396,300
Inventories	883,670	900,557
Prepaid expenses and other current assets	45,965	40,952
Total current assets	<u>3,500,112</u>	<u>2,920,929</u>
Property, plant and equipment, net	574,799	630,647
Deferred tax assets	277,285	279,803
Other	122,503	74,134
Total assets	<u>\$ 4,474,699</u>	<u>\$ 3,905,513</u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current liabilities:		
Accounts payable	\$ 1,252,116	\$ 1,336,914
Accrued liabilities	175,793	180,107
Accrued payroll and related benefits	111,699	127,647
Short-term debt, including current portion of long-term debt	673,437	38,354
Total current liabilities	<u>2,213,045</u>	<u>1,683,022</u>
Long-term liabilities:		
Long-term debt	333,675	346,971
Other	274,497	232,947
Total long-term liabilities	<u>608,172</u>	<u>579,918</u>
Stockholders' equity	<u>1,653,482</u>	<u>1,642,573</u>
Total liabilities and stockholders' equity	<u>\$ 4,474,699</u>	<u>\$ 3,905,513</u>

# GAAP Condensed Consolidated Statement of Operations (Unaudited)



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	Three Months Ended		Nine Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
(\$ in thousands, except per share data)				
Net sales	\$ 1,654,691	\$ 2,026,995	\$ 5,085,412	\$ 6,341,652
Cost of sales	1,523,218	1,879,200	4,711,636	5,891,418
Gross profit	131,473	147,795	373,776	450,234
Operating expenses:				
Selling, general and administrative	59,314	66,768	184,722	193,982
Research and development	5,181	7,272	16,148	21,308
Restructuring and other costs	2,875	6,381	27,253	11,912
Total operating expenses	67,370	80,421	228,123	227,202
Operating income	64,103	67,374	145,653	223,032
Interest income	764	330	1,492	888
Interest expense	(8,460)	(7,599)	(20,377)	(24,342)
Other income (expense), net	3,200	(1,480)	(3,142)	(8,365)
Interest and other, net	(4,496)	(8,749)	(22,027)	(31,819)
Income before income taxes	59,607	58,625	123,626	191,213
Provision for income taxes	14,727	15,704	35,519	69,455
Net income	\$ 44,880	\$ 42,921	\$ 88,107	\$ 121,758
Basic income per share	\$ 0.66	\$ 0.62	\$ 1.26	\$ 1.77
Diluted income per share	\$ 0.64	\$ 0.60	\$ 1.23	\$ 1.70
Weighted-average shares used in computing per share amounts:				
Basic	68,216	69,499	69,657	68,872
Diluted	69,645	72,007	71,504	71,460

# Reconciliation of Non-GAAP Measures (Unaudited)



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(\$ in thousands, except per share data)	Three Month Periods				
	Q3'20	Q2'20	Q1'20	Q4'19	Q3'19
GAAP Gross Profit	\$ 131,473	\$ 107,421	\$ 134,882	\$ 141,704	\$ 147,795
GAAP gross margin	7.9%	6.8%	7.3%	7.5%	7.3%
Adjustments					
Stock compensation expense (1)	2,772	2,582	2,912	2,711	2,729
Distressed customer charges (2)	330	-	-	(49)	(804)
<b>Non-GAAP Gross Profit</b>	<b>\$ 134,575</b>	<b>\$ 110,003</b>	<b>\$ 137,794</b>	<b>\$ 144,366</b>	<b>\$ 149,720</b>
Non-GAAP gross margin	8.1%	6.9%	7.5%	7.6%	7.4%
GAAP Operating Expenses	\$ 67,370	\$ 83,052	\$ 77,701	\$ 78,619	\$ 80,421
Adjustments					
Stock compensation expense (1)	(4,582)	(5,201)	(3,994)	(7,555)	(5,407)
Amortization of intangible assets	(63)	(63)	(190)	(190)	(190)
Distressed customer charges (2)	(1,169)	-	-	-	-
Restructuring costs	(2,812)	(8,356)	(9,160)	(2,411)	(6,191)
Goodwill and other asset impairments	-	(6,609)	-	(3,724)	-
<b>Non-GAAP Operating Expenses</b>	<b>\$ 58,744</b>	<b>\$ 62,823</b>	<b>\$ 64,357</b>	<b>\$ 64,739</b>	<b>\$ 68,633</b>
GAAP Operating Income	\$ 64,103	\$ 24,369	\$ 57,181	\$ 63,085	\$ 67,374
GAAP operating margin	3.9%	1.5%	3.1%	3.3%	3.3%
Adjustments					
Stock compensation expense (1)	7,354	7,783	6,906	10,266	8,136
Amortization of intangible assets	63	63	190	190	190
Distressed customer charges (2)	1,499	-	-	(49)	(804)
Restructuring costs	2,812	8,356	9,160	2,411	6,191
Goodwill and other asset impairments	-	6,609	-	3,724	-
<b>Non-GAAP Operating Income</b>	<b>\$ 75,831</b>	<b>\$ 47,180</b>	<b>\$ 73,437</b>	<b>\$ 79,627</b>	<b>\$ 81,087</b>
Non-GAAP operating margin	4.6%	3.0%	4.0%	4.2%	4.0%
GAAP Interest and Other, net	\$ (4,496)	\$ (13,282)	\$ (4,249)	\$ (8,679)	\$ (8,749)
Adjustments					
Litigation settlements (3)	-	(259)	-	-	(830)
<b>Non-GAAP Interest and Other, net</b>	<b>\$ (4,496)</b>	<b>\$ (13,541)</b>	<b>\$ (4,249)</b>	<b>\$ (8,679)</b>	<b>\$ (9,579)</b>
GAAP Provision for Income Taxes	\$ 14,727	\$ 6,205	\$ 14,587	\$ 34,649	\$ 15,704
Adjustments					
Tax impact of non-GAAP adjustments	602	222	391	337	263
Discrete tax items	3,152	3,244	(2,526)	(3,983)	2,240
Deferred tax adjustments	(7,141)	1,189	(690)	(20,666)	(5,872)
<b>Non-GAAP Provision for Income Taxes</b>	<b>\$ 11,340</b>	<b>\$ 10,860</b>	<b>\$ 11,762</b>	<b>\$ 10,337</b>	<b>\$ 12,335</b>
GAAP Net Income	\$ 44,880	\$ 4,882	\$ 38,345	\$ 19,757	\$ 42,921
Adjustments:					
Operating income adjustments (see above)	11,728	22,811	16,256	16,542	13,713
Litigation settlements (3)	-	(259)	-	-	(830)
Adjustments for taxes	3,387	(4,655)	2,825	24,312	3,369
<b>Non-GAAP Net Income</b>	<b>\$ 59,995</b>	<b>\$ 22,779</b>	<b>\$ 57,426</b>	<b>\$ 60,611</b>	<b>\$ 59,173</b>
<b>GAAP Net Income Per Share:</b>					
Basic	\$ 0.66	\$ 0.07	\$ 0.55	\$ 0.28	\$ 0.62
Diluted	\$ 0.64	\$ 0.07	\$ 0.53	\$ 0.27	\$ 0.60
<b>Non-GAAP Net Income Per Share:</b>					
Basic	\$ 0.88	\$ 0.32	\$ 0.82	\$ 0.87	\$ 0.85
Diluted	\$ 0.86	\$ 0.32	\$ 0.79	\$ 0.84	\$ 0.82
Weighted-average shares used in computing per share amounts:					
Basic	68,216	70,584	70,178	69,898	69,499
Diluted	69,645	72,245	72,598	72,294	72,007

(1) Stock compensation expense was as follows:

	Three Month Periods				
	Q3'20	Q2'20	Q1'20	Q4'19	Q3'19
Cost of sales	\$ 2,772	\$ 2,582	\$ 2,912	\$ 2,711	\$ 2,729
Selling, general and administrative	4,496	5,127	3,925	7,550	5,328
Research and development	86	74	69	5	79
Total	\$ 7,354	\$ 7,783	\$ 6,906	\$ 10,266	\$ 8,136

(2) Relates to accounts receivable and inventory write-downs (recoveries) associated with distressed customers.

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

#### Earnings Per Share Outlook:

	Q4 FY20 EPS Range*	
	Low	High
GAAP diluted earnings per share	\$ 0.62	\$ 0.72
Stock compensation expense	\$ 0.11	\$ 0.11
Non-GAAP diluted earnings per share	\$ 0.73	\$ 0.83

\* Due to uncertainty regarding the timing of recognition of restructuring charges, impairment charges and charges for other unusual or infrequent items, if any, that could be incurred during the fourth quarter, an estimate of such charges is not included in the outlook for Q4 FY20 GAAP EPS. 19

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



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(\$ in thousands)

Q3 FY20

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

GAAP operating income	\$	64,103
	x	<u>4</u>
Annualized GAAP operating income		256,412
Average invested capital (1)	÷	<u>1,247,777</u>
<b>GAAP pre-tax ROIC</b>		<b><u><u>20.5%</u></u></b>
Non-GAAP operating income	\$	75,831
	x	<u>4</u>
Annualized non-GAAP operating income		303,324
Average invested capital (1)	÷	<u>1,247,777</u>
<b>Non-GAAP pre-tax ROIC</b>		<b><u><u>24.3%</u></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		
	Q3'20	Q2'20	Q3'19
GAAP Net Income	\$ 44,880	\$ 4,882	\$ 42,921
Depreciation and amortization	28,886	28,042	29,561
Other, net*	15,532	16,029	9,960
Net change in net working capital	(25,531)	86,775	83,024
Cash provided by operating activities	<u>63,767</u>	<u>135,728</u>	<u>165,466</u>
Purchases of short-term investments	(30,000)	-	-
Purchases of long-term investments	-	-	(499)
Net purchases of property & equipment	(9,441)	(16,410)	(26,145)
Cash used in investing activities	<u>(39,441)</u>	<u>(16,410)</u>	<u>(26,644)</u>
Net share issuances <repurchases>	(17,791)	(64,163)	2,052
Net borrowing activities	(4,688)	629,702	(132,416)
Cash provided by (used in) financing activities	<u>(22,479)</u>	<u>565,539</u>	<u>(130,364)</u>
Effect of exchange rate changes	<u>785</u>	<u>(836)</u>	<u>321</u>
Net change in cash & cash equivalents	<u>\$ 2,632</u>	<u>\$ 684,021</u>	<u>\$ 8,779</u>
Free cash flow:			
Cash provided by operating activities	\$ 63,767	\$ 135,728	\$ 165,466
Net purchases of property & equipment	(9,441)	(16,410)	(26,145)
	<u>\$ 54,326</u>	<u>\$ 119,318</u>	<u>\$ 139,321</u>

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

**What we make, makes a difference™**



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