

Q3 FY'21 Results

August 2, 2021



SANMINA



Today's Presenters



Jure Sola
Chairman & CEO



Kurt Adzema
EVP & CFO



Safe Harbor Statement



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Certain statements made during this presentation, including our expectations for customer demand during the fourth quarter, the Company's ability to manage ongoing supply chain constraints, the financial outlook for the fourth quarter and our expectations for increases in revenue and margins and decrease in inventory 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 resulted in supply chain constraints preventing the Company from shipping all product for which there is demand and which could result in renewed restrictions on where we can build products and prevent us from fully staffing our plants. 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 such non-GAAP financial information 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 during this presentation, whether as a result of new information, future events or otherwise, unless otherwise required by law.

Financial Review

Kurt Adzema



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Q3'21 Non-GAAP Financial Highlights



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	Q3'21	Outlook <u>WAS</u>
Revenue	\$1.66B	\$1.675B - \$1.775B
Gross Margin	8.5%	7.8% - 8.4%
Operating Margin	5.0%	4.4% - 5.0%
Diluted EPS	\$0.99	\$0.84 - \$0.94

Executing Well In A Dynamic Environment

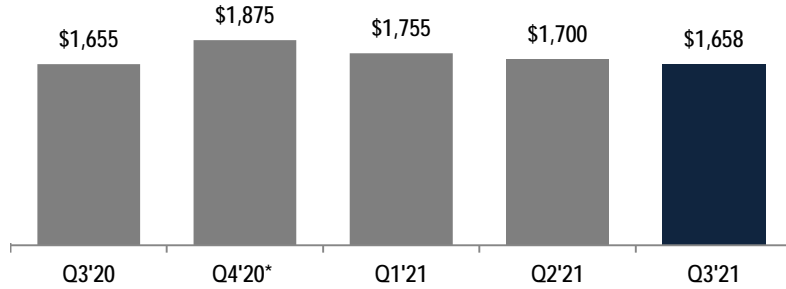
P&L Performance

(\$ in Millions, except per share data)

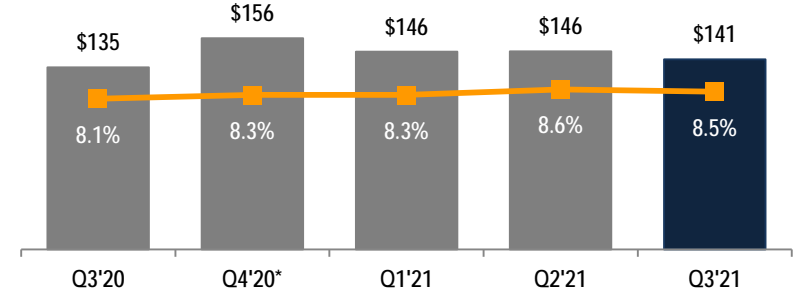


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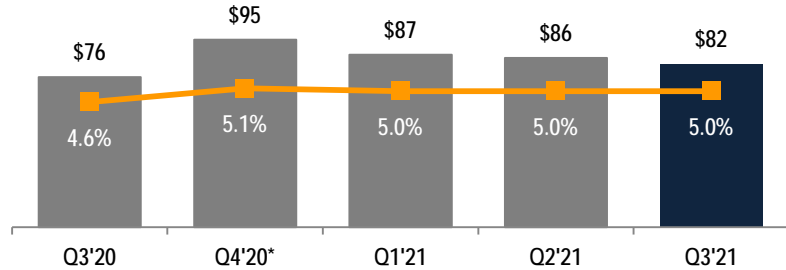
Revenue



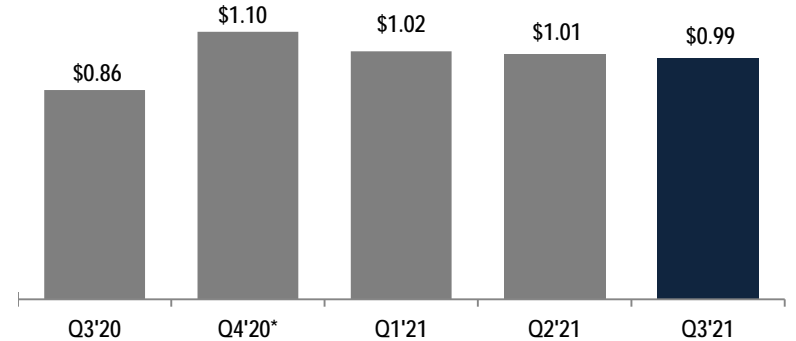
Non-GAAP Gross Profit / Margin



Non-GAAP Operating Income / Margin



Non-GAAP Earnings Per Share



*Q4'20 was a 14 week quarter, compared to a normal 13 week quarter.

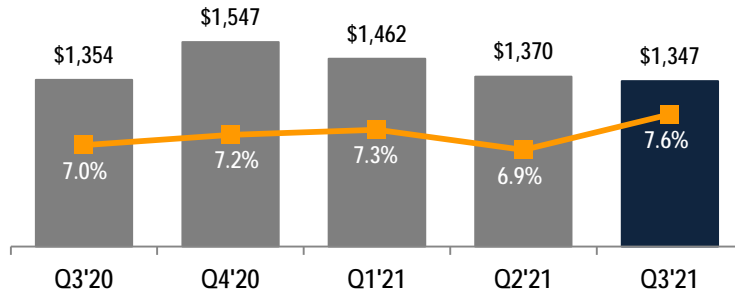
Segment Reporting – Revenue and Non-GAAP Gross Margin*

(\$ in Millions)

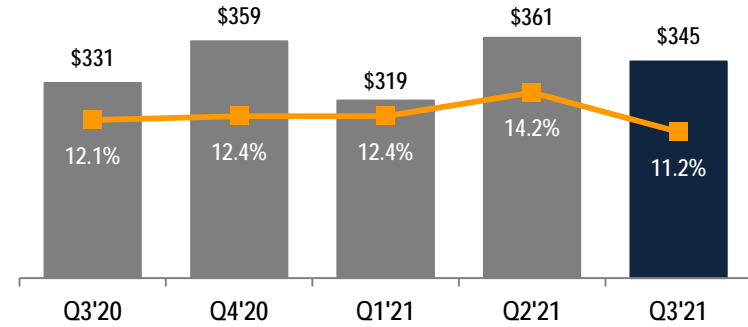


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Integrated Manufacturing Solutions



Components, Products and Services



5 Consecutive Quarters of Non-GAAP Gross Margin > 8%

*Revenue and non-GAAP gross margin for IMS segment and CPS category includes inter-segment revenues that are eliminated under GAAP and, in the case of gross margin, excludes the same items that are excluded from the calculation of non-GAAP gross margin for the consolidated business.

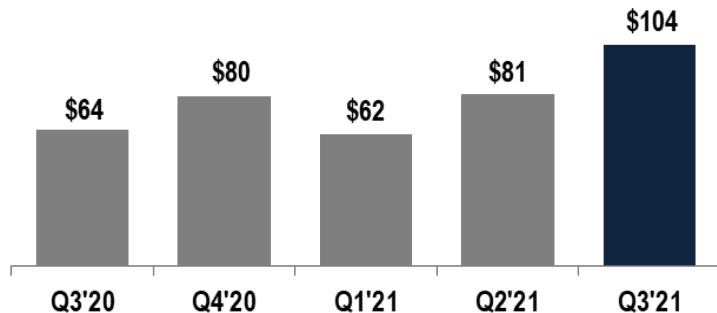
Consistent Cash Generation

(\$ in Millions)

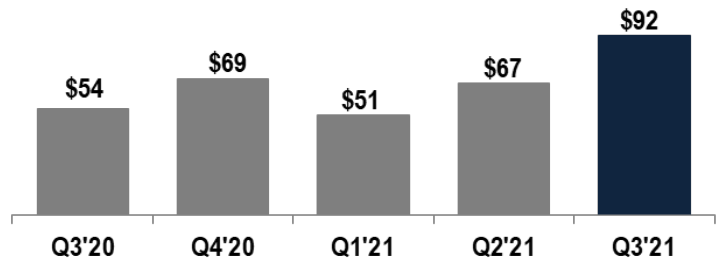


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Cash Flow From Operations



Free Cash Flow



- Q3: \$104M cash flow from operations
- Q3: \$92M free cash flow
- LTM: \$327M cash flow from operations
- LTM: \$279M free cash flow
- Shares repurchased: 300,000 for \$12.2M
- Cash and cash equivalents: \$624M
- Liquidity: \$1.4B

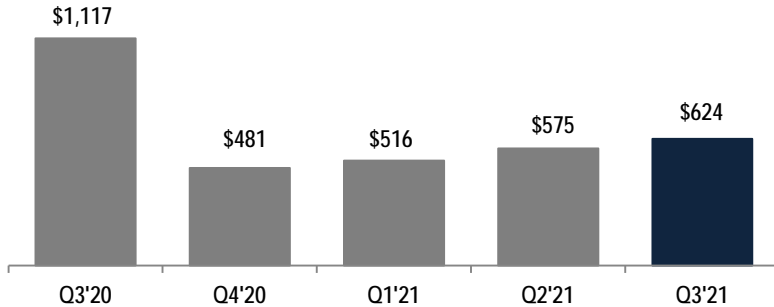
Balance Sheet Metrics

(\$ in Millions)



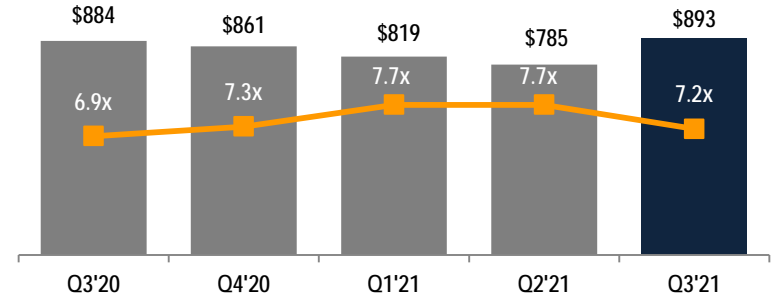
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Cash and Cash Equivalents



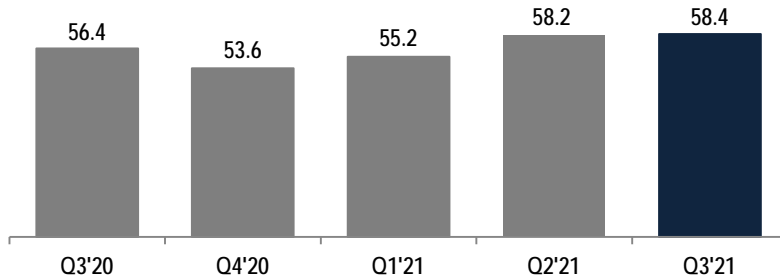
Q3'20 include \$650 million of borrowings on our cash flow revolver, which we repaid in Q4'20.

Inventory \$ / Turns



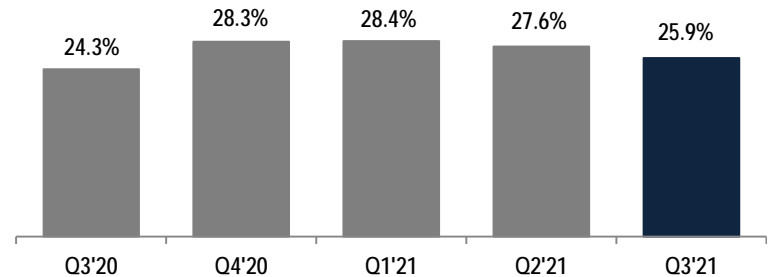
Annualized Inventory turns (a measure of how quickly we sell inventory) are calculated as the ratio of four times non-GAAP cost of sales for the quarter to average inventory.

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



Q4'21 Outlook*



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The following outlook for the fourth fiscal quarter ended October 2, 2021. These statements are forward-looking and actual results may differ materially.

Revenue: **\$1.65B - \$1.75B**

GAAP Diluted EPS: **\$0.80 - \$0.90**

Non-GAAP Diluted EPS: **\$0.93- \$1.03**

- Anticipate stronger demand
- Expect continued supply chain challenges
- Expect positive free cash flow

*The outlook and statements made during the Q3FY21 earnings call 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 certain notably the ongoing impacts of the COVID-19 pandemic which have resulted in supply chain constraints preventing the Company from shipping all products for which there is demand and which could result in renewed restrictions on where we can build products and prevent us from staffing our plants. 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

Jure Sola



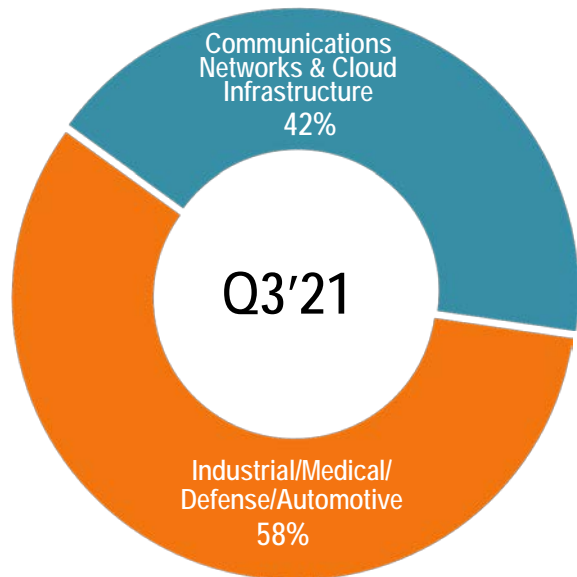
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Q3'21 Revenue By End-Market



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(\$ in Millions)	Q3'20	Q4'20*	Q1'21	Q2'21	Q3'21
Communications Networks & Cloud Infrastructure	\$717	\$759	\$723	\$719	\$701
Industrial/Medical/Defense/Automotive	\$938	\$1,116	\$1,033	\$981	\$957
Total	\$1,655	\$1,875	\$1,755	\$1,700	\$1,658

Numbers may not foot due to rounding.
 * Q4'20 was a 14 week quarter, compared to a normal 13 week quarter.

Top 10 Customers – 50.9% of Revenue

Q4'21 End-Market Outlook



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Communications Networks

Networking, IP routing, advanced optical systems and 5G networks



Cloud Infrastructure

Enterprise computing and storage

Communications Networks and
Cloud Infrastructure

Q/Q: UP

I/M/D/A
Q/Q: FLAT to UP



Industrial

Security and safety, inverters and renewable energy systems, test and measurement, semiconductor equipment and heavy machinery



Defense and Aerospace

Tactical communications, military aircraft onboard voice and data communications and counter-unmanned aerial systems



Medical

Lab diagnostic, ventilator, patient monitoring, ultrasound, MRI, CT scan, blood glucose sensor & meters, medication delivery

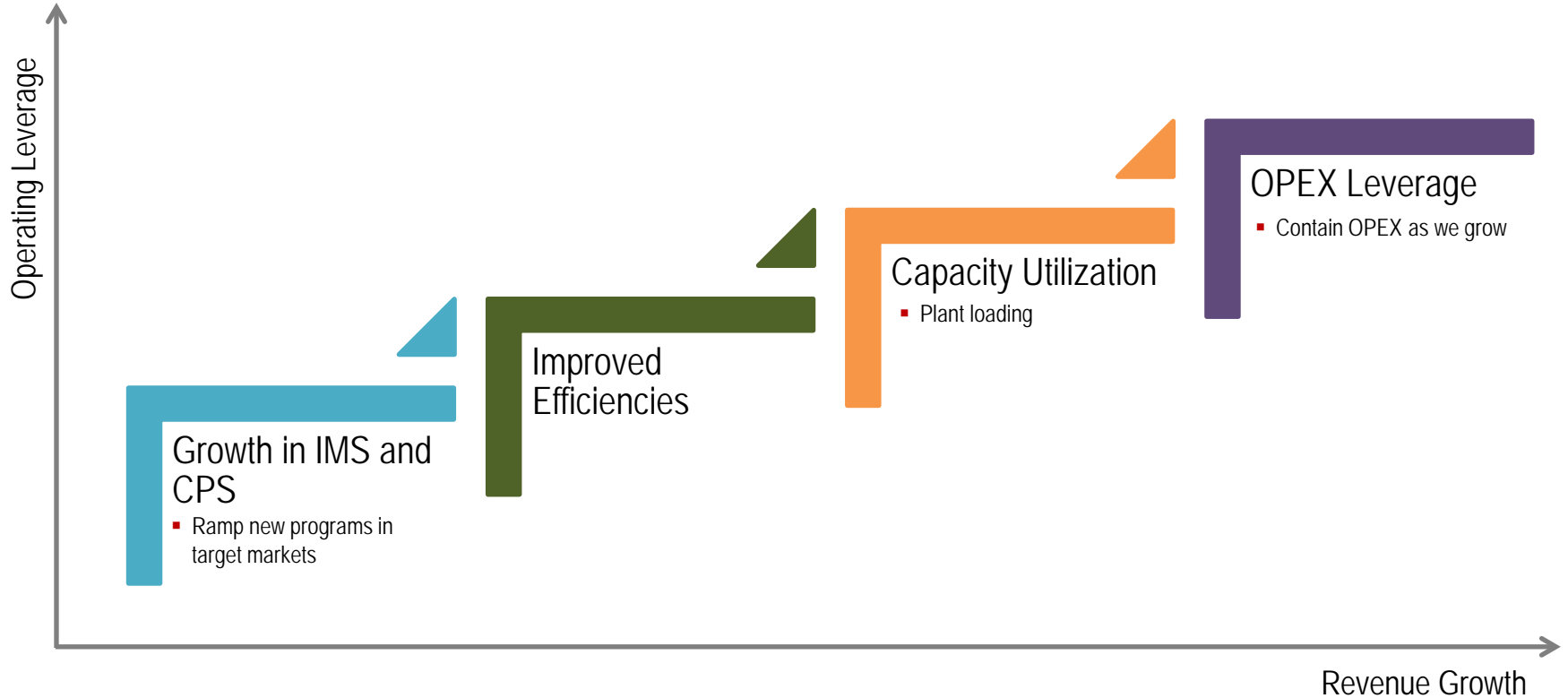


Automotive

LIDAR and radar systems, e-motor power management systems, infotainment, safety systems and electronic control systems

Mission Critical, Heavily Regulated Markets

Elements of Long-term Margin Improvement - FY'22 and Beyond



Operating Model With Upside

- Q3'21
 - Revenue: Impacted by supply chain constraints
 - Non-GAAP operating margin: 5.0%
 - Non-GAAP diluted EPS: \$0.99, exceeded outlook
 - Free cash flow: \$92M

- Q4'21
 - Demand remains strong
 - Working closely with customers and suppliers to meet requirements
 - Revenue outlook: \$1.65B - \$1.75B
 - Non-GAAP diluted EPS outlook: \$0.93 - \$1.03

Strong global supply chain structure helps navigate material challenges

Consolidated Financial
Statements
Reconciliation of
GAAP vs. Non-GAAP
Quarter Ended
July 3, 2021





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Sanmina Corporation
Condensed Consolidated Balance Sheets
(in thousands)
(GAAP)

	July 3, 2021	October 3, 2020
	(Unaudited)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 623,844	\$ 480,526
Accounts receivable, net	1,153,813	1,043,334
Contract assets	345,096	396,583
Inventories	892,633	861,281
Prepaid expenses and other current assets	50,446	37,718
Total current assets	3,065,832	2,819,442
Property, plant and equipment, net	550,038	559,242
Deferred tax assets	241,069	273,470
Other	145,651	120,502
Total assets	\$ 4,002,590	\$ 3,772,656
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 1,296,005	\$ 1,210,049
Accrued liabilities	149,236	171,761
Accrued payroll and related benefits	123,365	122,029
Short-term debt, including current portion of long-term debt	18,750	18,750
Total current liabilities	1,587,356	1,522,589
Long-term liabilities:		
Long-term debt	315,987	329,249
Other	260,132	290,902
Total long-term liabilities	576,119	620,151
Stockholders' equity	1,839,115	1,629,916
Total liabilities and stockholders' equity	\$ 4,002,590	\$ 3,772,656



Sanmina Corporation
Condensed Consolidated Statements of Income
(in thousands, except per share amounts)
(GAAP)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net sales	\$ 1,657,741	\$ 1,654,691	\$ 5,112,667	\$ 5,085,412
Cost of sales	1,521,151	1,523,218	4,691,744	4,711,636
Gross profit	<u>136,590</u>	<u>131,473</u>	<u>420,923</u>	<u>373,776</u>
Operating expenses:				
Selling, general and administrative	57,438	59,314	177,547	184,722
Research and development	5,269	5,181	15,427	16,148
Restructuring and other costs	(382)	2,875	13,402	27,253
Total operating expenses	<u>62,325</u>	<u>67,370</u>	<u>206,376</u>	<u>228,123</u>
Operating income	74,265	64,103	214,547	145,653
Interest income	217	764	691	1,492
Interest expense	(4,823)	(8,460)	(14,657)	(20,377)
Other income (expense), net	29,258	3,200	37,268	(3,142)
Interest and other, net	<u>24,652</u>	<u>(4,496)</u>	<u>23,302</u>	<u>(22,027)</u>
Income before income taxes	98,917	59,607	237,849	123,626
Provision for (benefit from) income taxes	<u>(18,458)</u>	<u>14,727</u>	<u>25,416</u>	<u>35,519</u>
Net income	<u>\$ 117,375</u>	<u>\$ 44,880</u>	<u>\$ 212,433</u>	<u>\$ 88,107</u>
Basic income per share	\$ 1.79	\$ 0.66	\$ 3.25	\$ 1.26
Diluted income per share	\$ 1.74	\$ 0.64	\$ 3.17	\$ 1.23
Weighted-average shares used in computing per share amounts:				
Basic	65,427	68,216	65,306	69,657
Diluted	67,352	69,645	67,055	71,504



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Sanmina Corporation
 Reconciliation of GAAP to Non-GAAP Measures
 (in thousands, except per share amounts)
 (Unaudited)

	Three Month Periods				
	Q3'21	Q2'21	Q1'21	Q4'20	Q3'20
GAAP Gross Profit	\$ 136,590	\$ 143,098	\$ 141,235	\$ 151,931	\$ 131,473
GAAP gross margin	8.2%	8.4%	8.0%	8.1%	7.9%
Adjustments					
Stock compensation expense (1)	3,712	3,629	3,421	1,833	2,772
Amortization of intangible assets	284	-	-	-	-
Legal and other (3)	-	-	1,873	2,346	-
Distressed customer charges (2)	-	(296)	(325)	-	330
Non-GAAP Gross Profit	\$ 140,586	\$ 146,431	\$ 146,204	\$ 156,110	\$ 134,575
Non-GAAP gross margin	8.5%	8.6%	8.3%	8.3%	8.1%
GAAP Operating Expenses	\$ 62,325	\$ 78,375	\$ 65,676	\$ 69,897	\$ 67,370
Adjustments					
Stock compensation expense (1)	(5,003)	(5,595)	(4,788)	(2,359)	(4,582)
Amortization of intangible assets	-	-	-	(817)	(63)
Distressed customer charges (2)	428	-	-	531	(1,169)
Restructuring costs	382	(11,880)	(1,904)	(6,455)	(2,812)
Gain on sales of long-lived assets	-	-	-	604	-
Non-GAAP Operating Expenses	\$ 58,132	\$ 60,900	\$ 58,984	\$ 61,401	\$ 58,744
GAAP Operating Income	\$ 74,265	\$ 64,723	\$ 75,559	\$ 82,034	\$ 64,103
GAAP operating margin	4.5%	3.8%	4.3%	4.4%	3.9%
Adjustments					
Stock compensation expense (1)	8,715	9,224	8,209	4,192	7,354
Amortization of intangible assets	284	-	-	817	63
Legal and other (3)	-	-	1,873	2,346	-
Distressed customer charges (2)	(428)	(296)	(325)	(531)	1,499
Restructuring costs	(382)	11,880	1,904	6,455	2,812
Gain on sales of long-lived assets	-	-	-	(604)	-
Non-GAAP Operating Income	\$ 82,454	\$ 85,531	\$ 87,220	\$ 94,709	\$ 75,831
Non-GAAP operating margin	5.0%	5.0%	5.0%	5.1%	4.6%
GAAP Interest and Other, net	\$ 24,652	\$ 1,507	\$ (2,857)	\$ (4,902)	\$ (4,496)
Adjustments					
Gain on liquidation of foreign entity	(8,493)	-	-	-	-
Gain on sale of intellectual property	(15,000)	-	-	-	-
Legal and other (3)	(3,440)	(4,807)	-	(729)	-
Non-GAAP Interest and Other, net	\$ (2,281)	\$ (3,300)	\$ (2,857)	\$ (5,631)	\$ (4,496)
GAAP Provision for (benefit from) Income Taxes	\$ (18,458)	\$ 19,193	\$ 24,681	\$ 25,526	\$ 14,727
Adjustments					
Tax impact of non-GAAP adjustments	452	284	280	285	602
Discrete tax items	37,583	(232)	(6,451)	(5,991)	3,152
Deferred tax adjustments	(5,979)	(4,454)	(2,481)	(6,163)	(7,141)
Non-GAAP Provision for Income Taxes	\$ 13,598	\$ 14,791	\$ 16,029	\$ 13,657	\$ 11,340
GAAP Net Income	\$ 117,375	\$ 47,037	\$ 48,021	\$ 51,606	\$ 44,880
Adjustments:					
Operating income adjustments (see above)	8,189	20,808	11,661	12,675	11,728
Interest and other (see above)	(26,933)	(4,807)	-	(729)	-
Adjustments for taxes	(32,056)	4,402	8,652	11,869	3,387
Non-GAAP Net Income	\$ 66,575	\$ 67,440	\$ 68,334	\$ 75,421	\$ 59,995
GAAP Net Income Per Share:					
Basic	\$ 1.79	\$ 0.72	\$ 0.74	\$ 0.77	\$ 0.66
Diluted	\$ 1.74	\$ 0.70	\$ 0.72	\$ 0.75	\$ 0.64
Non-GAAP Net Income Per Share:					
Basic	\$ 1.02	\$ 1.03	\$ 1.05	\$ 1.12	\$ 0.88
Diluted	\$ 0.99	\$ 1.01	\$ 1.02	\$ 1.10	\$ 0.86
Weighted-average shares used in computing per share amounts:					
Basic	65,427	65,249	65,243	67,329	68,216
Diluted	67,352	66,957	66,818	68,799	69,645

(1) Stock compensation expense was as follows:

	Three Month Periods				
	Q3'21	Q2'21	Q1'21	Q4'20	Q3'20
Cost of sales	\$ 3,712	\$ 3,629	\$ 3,421	\$ 1,833	\$ 2,772
Selling, general and administrative	4,913	5,479	4,718	2,349	4,496
Research and development	90	116	70	10	86
Total	\$ 8,715	\$ 9,224	\$ 8,209	\$ 4,192	\$ 7,354

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

(3) Represents expenses, charges and recoveries associated with certain legal matters.

Earnings Per Share Outlook:

	Q4 FY21 EPS Range*	
	Low	High
GAAP diluted earnings per share	\$ 0.80	\$ 0.90
Stock compensation expense	\$ 0.13	\$ 0.13
Non-GAAP diluted earnings per share	\$ 0.93	\$ 1.03

* 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 of FY21, an estimate of such charges is not included in the outlook for Q4 FY21 GAAP EPS.

Sanmina Corporation
Pre-tax Return on Invested Capital (ROIC)
(in thousands)
(Unaudited)

	Three Month Periods				
	Q3 FY21	Q2 FY21	Q1 FY21	Q4 FY20	Q3 FY20
(\$ in thousands)					
Pre-tax Return on Invested Capital (ROIC)					
GAAP operating income	\$ 74,265	\$ 64,723	\$ 75,559	\$ 82,034	\$ 64,103
	4.0	4.0	4.0	3.7	4.0
Annualized GAAP operating income	297,060	258,892	302,236	304,698	256,412
Average invested capital (1)	1,274,041	1,237,417	1,229,805	1,245,006	1,247,777
GAAP pre-tax ROIC	23.3%	20.9%	24.6%	24.5%	20.5%
Non-GAAP operating income	\$ 82,454	\$ 85,531	\$ 87,220	\$ 94,709	\$ 75,831
	4.0	4.0	4.0	3.7	4.0
Annualized non-GAAP operating income	329,816	342,124	348,880	351,776	303,324
Average invested capital (1)	1,274,041	1,237,417	1,229,805	1,245,006	1,247,777
Non-GAAP pre-tax ROIC	25.9%	27.6%	28.4%	28.3%	24.3%

(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).



Sanmina Corporation
Condensed Consolidated Cash Flow Statement
(in thousands)
(Unaudited)

	Three Month Periods				
	Q3'21	Q2'21	Q1'21	Q4'20	Q3'20
GAAP Net Income	\$ 117,375	\$ 47,037	\$ 48,021	\$ 51,606	\$ 44,880
Depreciation and amortization	27,373	27,196	27,635	28,555	28,886
Other, net	3,339	19,498	11,556	6,822	15,532
Net change in net working capital	<u>(44,366)</u>	<u>(12,642)</u>	<u>(25,401)</u>	<u>(7,094)</u>	<u>(25,531)</u>
Cash provided by operating activities	<u>103,721</u>	<u>81,089</u>	<u>61,811</u>	<u>79,889</u>	<u>63,767</u>
Purchases of short-term investments	-	-	-	-	(30,000)
Proceeds from sale of short-term investments	-	-	-	30,000	-
Purchases of long-term investments	(1,705)	-	-	-	-
Net purchases of property & equipment	(17,182)	(14,349)	(11,191)	(10,512)	(9,441)
Proceeds from sale of intellectual property	5,000	-	-	-	-
Cash paid for businesses acquired	(21,408)	-	-	-	-
Cash provided by (used in) investing activities	<u>(35,295)</u>	<u>(14,349)</u>	<u>(11,191)</u>	<u>19,488</u>	<u>(39,441)</u>
Net share repurchases	(15,698)	(1,502)	(11,472)	(76,580)	(17,791)
Net borrowing activities	<u>(4,688)</u>	<u>(4,688)</u>	<u>(4,688)</u>	<u>(659,374)</u>	<u>(4,688)</u>
Cash used in financing activities	<u>(20,386)</u>	<u>(6,190)</u>	<u>(16,160)</u>	<u>(735,954)</u>	<u>(22,479)</u>
Effect of exchange rate changes	<u>628</u>	<u>(1,404)</u>	<u>1,044</u>	<u>(114)</u>	<u>785</u>
Net change in cash & cash equivalents	<u>\$ 48,668</u>	<u>\$ 59,146</u>	<u>\$ 35,504</u>	<u>\$(636,691)</u>	<u>\$ 2,632</u>
Free cash flow:					
Cash provided by operating activities	\$ 103,721	\$ 81,089	\$ 61,811	\$ 79,889	\$ 63,767
Net purchases of property & equipment	(17,182)	(14,349)	(11,191)	(10,512)	(9,441)
Proceeds from sale of intellectual property	5,000	-	-	-	-
	<u>\$ 91,539</u>	<u>\$ 66,740</u>	<u>\$ 50,620</u>	<u>\$ 69,377</u>	<u>\$ 54,326</u>



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