UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2024
or
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ________________ to________________

Commission File Number: 1-10560

BENCHMARK ELECTRONICS, INC.

(Exact name of registrant as specified in its charter)

Texas	**74-2211011**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
56 South Rockford Drive **Tempe, Arizona**	**85288**
(Address of principal executive offices)	(Zip Code)

(623) 300-7000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.10 per share	BHE	The New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

As of July 29, 2024, there were 36,105,783 shares of common stock of Benchmark Electronics, Inc., par value $0.10 per share, outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(unaudited)

(in thousands, except par value)	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 309,287	$ 277,391
Restricted cash	578	5,822
Accounts receivable, net of allowance for doubtful accounts of $1,016 and $470, respectively	376,568	449,404
Contract assets	182,090	174,979
Inventories	599,842	683,801
Prepaid expenses and other current assets	42,286	44,350
Total current assets	1,510,651	1,635,747
Property, plant and equipment, net	225,888	227,698
Operating lease right-of-use assets	125,082	130,830
Goodwill	192,116	192,116
Deferred income taxes	30,196	26,943
Other long-term assets	70,806	61,421
Total assets	$ 2,154,739	$ 2,274,755
Liabilities and Shareholders' Equity		
Current liabilities:		
Current installments of long-term debt	$ 5,928	$ 4,283
Accounts payable	346,153	367,480
Advance payments from customers	157,156	204,883
Income taxes payable	27,263	22,225
Accrued liabilities	106,560	114,676
Total current liabilities	643,060	713,547
Long-term debt, net of current installments	283,559	326,674
Operating lease liabilities	116,637	123,385
Other long-term liabilities	16,379	32,064
Shareholders' equity:		
Preferred stock, $0.10 par value; 5,000 shares authorized, none issued	—	—
Common stock, $0.10 par value; 145,000 shares authorized; issued and outstanding – 36,077 and 35,664, respectively	3,608	3,566
Additional paid-in capital	529,836	528,842
Retained earnings	578,162	560,537
Accumulated other comprehensive loss	(16,502)	(13,860)
Total shareholders' equity	1,095,104	1,079,085
Total liabilities and shareholders' equity	$ 2,154,739	$ 2,274,755

See the accompanying notes to the unaudited condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(unaudited)

(in thousands, except per share data)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Sales	$ 665,896	$ 733,232	$ 1,341,471	$ 1,427,927
Cost of sales	597,946	666,201	1,206,113	1,296,938
Gross profit	67,950	67,031	135,358	130,989
Selling, general and administrative expenses	38,022	37,672	75,354	75,870
Amortization of intangible assets	1,204	1,591	2,408	3,183
Restructuring charges and other costs	1,471	3,287	4,814	4,713
Income from operations	27,253	24,481	52,782	47,223
Interest expense	(6,933)	(8,258)	(14,178)	(14,708)
Interest income	2,526	1,622	4,518	2,880
Other (expense) income, net	(2,323)	61	(3,500)	(2,104)
Income before income taxes	20,523	17,906	39,622	33,291
Income tax expense	4,995	3,915	10,092	6,940
Net income	$ 15,528	$ 13,991	$ 29,530	$ 26,351
Earnings per share:				
Basic	$ 0.43	$ 0.39	$ 0.82	$ 0.74
Diluted	$ 0.43	$ 0.39	$ 0.81	$ 0.74
Weighted-average number of shares outstanding:				
Basic	36,047	35,618	35,929	35,478
Diluted	36,497	35,676	36,388	35,730

See the accompanying notes to the unaudited condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income
(unaudited)

(in thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Net income	$ 15,528	$ 13,991	$ 29,530	$ 26,351
Other comprehensive income (loss):				
Foreign currency translation adjustments	(523)	55	(2,060)	1,105
Unrealized (loss) gain on derivatives, net of tax	(3,425)	996	(691)	2,144
Other	66	206	109	432
Total other comprehensive (loss) income	(3,882)	1,257	(2,642)	3,681
Comprehensive income	$ 11,646	$ 15,248	$ 26,888	$ 30,032

See the accompanying notes to the unaudited condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Shareholders' Equity
(unaudited)

(in thousands)	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balances, December 31, 2023	35,664	$ 3,566	$ 528,842	$ 560,537	$ (13,860)	$ 1,079,085
Net income	—	—	—	29,530	—	29,530
Other comprehensive loss	—	—	—	—	(2,642)	(2,642)
Dividends declared	—	—	—	(11,905)	—	(11,905)
Stock-based compensation expense	—	—	6,361	—	—	6,361
Stock options exercised	23	2	468	—	—	470
Vesting of restricted stock units	586	59	(59)	—	—	—
Shares withheld for taxes	(196)	(19)	(5,776)	—	—	(5,795)
Balances, June 30, 2024	36,077	$ 3,608	$ 529,836	$ 578,162	$ (16,502)	$ 1,095,104
Balances, March 31, 2024	36,014	$ 3,601	$ 525,596	$ 568,590	$ (12,620)	$ 1,085,167
Net income	—	—	—	15,528	—	15,528
Other comprehensive loss	—	—	—	—	(3,882)	(3,882)
Dividends declared	—	—	—	(5,956)	—	(5,956)
Stock-based compensation expense	—	—	4,185	—	—	4,185
Stock options exercised	5	—	99	—	—	99
Vesting of restricted stock units	59	6	(6)	—	—	—
Shares withheld for taxes	(1)	1	(38)	—	—	(37)
Balances, June 30, 2024	36,077	$ 3,608	$ 529,836	$ 578,162	$ (16,502)	$ 1,095,104

(in thousands)	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balances, December 31, 2022	35,164	$ 3,516	$ 519,238	$ 519,895	$ (16,233)	$ 1,026,416
Net income	—	—	—	26,351	—	26,351
Other comprehensive income	—	—	—	—	3,681	3,681
Dividends declared	—	—	—	(11,776)	—	(11,776)
Stock-based compensation expense	—	—	8,657	—	—	8,657
Stock options exercised	5	1	67	—	—	68
Vesting of restricted stock units	705	70	(70)	—	—	—
Shares withheld for taxes	(232)	(23)	(5,645)	—	—	(5,668)
Balances, June 30, 2023	35,642	$ 3,564	$ 522,247	$ 534,470	$ (12,552)	$ 1,047,729
Balances, March 31, 2023	35,589	$ 3,559	$ 518,499	$ 526,377	$ (13,809)	$ 1,034,626
Net income	—	—	—	13,991	—	13,991
Other comprehensive income	—	—	—	—	1,257	1,257
Dividends declared	—	—	—	(5,898)	—	(5,898)

Stock-based compensation expense	—	—	3,867	—	—	3,867
Vesting of restricted stock units	54	5	(5)	—	—	—
Shares withheld for taxes	(1)	—	(114)	—	—	(114)
Balances, June 30, 2023	35,642	$ 3,564	$ 522,247	$ 534,470	$ (12,552)	$ 1,047,729

See the accompanying notes to the unaudited condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(unaudited)

(in thousands)	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cash flows from operating activities:		
Net income	$ 29,530	$ 26,351
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	17,905	16,774
Amortization	5,121	5,775
Stock-based compensation expense	6,361	8,657
Provision for doubtful accounts	671	1,321
Deferred income taxes	(3,021)	(3,045)
Asset impairments	—	923
Loss (gain) on the sale of property, plant and equipment	7	(392)
Changes in operating assets and liabilities:		
Accounts receivable	71,346	6,359
Contract assets	(7,111)	(2,264)
Inventories	82,717	(28,096)
Prepaid expenses and other assets	(8,061)	(9,404)
Accounts payable	(25,550)	9,499
Advance payments from customers	(47,727)	(12,260)
Accrued liabilities	(22,598)	(22,324)
Operating leases	(761)	(1,004)
Income taxes	5,445	2,762
Net cash provided by (used in) operating activities	104,274	(368)
Cash flows from investing activities:		
Additions to property, plant and equipment	(12,763)	(44,668)
Additions to capitalized purchased software	(1,644)	(2,381)
Proceeds from the sale of property, plant and equipment	37	635
Other, net	(1,442)	(50)
Net cash used in investing activities	(15,812)	(46,464)
Cash flows from financing activities:		
Borrowings under credit agreement	320,000	409,500
Principal payments on credit agreement	(361,641)	(306,961)
Dividends paid	(11,836)	(11,696)
Employee taxes paid with shares withheld	(5,795)	(5,668)
Proceeds from stock options exercised	470	68
Debt issuance costs	—	(216)
Principal payments on finance leases	(90)	(86)
Net cash (used in) provided by financing activities	(58,892)	84,941
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,918)	(209)
Net increase in cash, cash equivalents and restricted cash	26,652	37,900
Cash, cash equivalents and restricted cash at the beginning of the year	283,213	207,430
Cash, cash equivalents and restricted cash at the end of the period	$ 309,865	$ 245,330

See the accompanying notes to the unaudited condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(amounts in thousands, except per share data, unless otherwise noted)
(unaudited)

Note 1 – Basis of Presentation

Benchmark Electronics, Inc. (the Company) is a Texas corporation that provides advanced manufacturing services, which include design and engineering services and technology solutions. From initial product concept to volume production, including direct order fulfillment and aftermarket services, the Company has been providing integrated services and solutions to original equipment manufacturers (OEMs) since 1979. The Company serves the following market sectors: complex industrials, aerospace and defense (A&D), medical technologies, semiconductor capital equipment (semi-cap), and advanced computing and communications (AC&C). The Company has manufacturing operations located in the United States and Mexico (the Americas), Asia and Europe.

The unaudited condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC) relating to interim financial statements. The condensed consolidated financial statements reflect all normal and recurring adjustments necessary in the opinion of management for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the 2023 10-K).

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these unaudited condensed consolidated financial statements in accordance with generally accepted accounting principles in the United States (U.S. GAAP) for interim financial statements. However, actual results could differ materially from these estimates.

Note 2 – New Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures (Topic 740) (ASU 2023-09), which improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the guidance and its impact to the financial statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (ASU 2023-07), which requires public entities disclose information about their reportable segments' oversight and significant expenses on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the guidance and its impact to the financial statements.

The Company does not believe that any other recently issued accounting standards will have a material impact on its consolidated financial position, results of operations or cash flows, or will not apply to its operations.

Note 3 – Inventories

Inventory costs are summarized as follows:

(in thousands)	**June 30, 2024**	**December 31, 2023**
Raw materials	$ 576,689	$ 659,210
Work in process	20,271	22,088
Finished goods	2,882	2,503
Total inventories	$ 599,842	$ 683,801

Note 4 – Goodwill and Other Intangible Assets

Goodwill allocated to the Company's reportable operating segments follows:

(in thousands)	Americas	Asia	Total
Goodwill as of June 30, 2024 and December 31, 2023	$ 154,014	$ 38,102	$ 192,116

A summary of the Company's acquired identifiable intangible assets and capitalized purchased software costs follows:

(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 100,073	$ (74,312)	$ 25,761
Capitalized purchased software costs	44,574	(29,642)	14,932
Technology licenses	15,500	(15,500)	—
Trade names and trademarks	7,800	—	7,800
Other	869	(416)	453
Total intangible assets as of June 30, 2024	$ 168,816	$ (119,870)	$ 48,946

(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 100,105	$ (71,947)	$ 28,158
Capitalized purchased software costs	45,062	(30,463)	14,599
Technology licenses	15,500	(15,500)	—
Trade names and trademarks	7,800	—	7,800
Other	869	(404)	465
Total intangible assets as of December 31, 2023	$ 169,336	$ (118,314)	$ 51,022

A summary of the components of amortization expense, as presented in the consolidated statements of cash flows, follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2024	2023	2024	2023
Amortization of intangible assets	$ 1,204	$ 1,591	$ 2,408	$ 3,183
Amortization of capitalized purchased software costs	1,247	1,280	2,454	2,354
Amortization of debt costs	130	124	259	238
Total amortization expense	$ 2,581	$ 2,995	$ 5,121	$ 5,775

A summary of the future amortization expense related to the Company's intangible assets held as of June 30, 2024 for each of the next five years follows:

Year ending December 31,	Amortization Expense
Remaining six months of 2024	$ 2,408
2025	4,817
2026	4,817
2027	4,817
2028	4,817
2029	4,218

Note 5 – Borrowing Facilities

Long-term debt consists of the following:

(in thousands)	June 30, 2024	December 31, 2023
Revolving credit facility	$ 165,000	$ 205,000
Term loan	125,508	127,148
Less: Unamortized debt issuance costs	(1,287)	(1,546)
Total long-term debt, including current installments	$ 289,221	$ 330,602

On July 20, 2018, the Company entered into a $650 million credit agreement (the Prior Credit Agreement) by and among the Company, certain of its subsidiaries, the lenders party thereto and Bank of America, N.A., as Administrative Agent, Swingline Lender and an L/C Issuer. The Prior Credit Agreement was comprised of a five-year $500 million revolving credit facility and a five-year $151 million term loan facility, both of which had a maturity date of July 20, 2023. The term loan facility proceeds were used to (i) refinance a portion of existing indebtedness and terminate all commitments under the Company's prior $430 million credit agreement and (ii) pay the fees, costs and expenses associated with the foregoing and the negotiation, execution and delivery of the Prior Credit Agreement.

On December 21, 2021, the Company amended and restated the Prior Credit Agreement by entering into a $381 million amended and restated credit agreement (the Amended and Restated Credit Agreement). The Amended and Restated Credit Agreement is comprised of a five-year $250 million revolving credit facility (the Revolving Credit Facility) and a five-year $131.3 million term loan facility (the Term Loan Facility), and the maturity date of the original revolving credit facility and term loan facility was extended from July 20, 2023 to December 21, 2026.

On May 20, 2022, the Company entered into Amendment No. 1 (the Amendment) to the Amended and Restated Credit Agreement (as amended, the Credit Agreement). The Amendment increased the Revolving Credit Facility commitments from $250 million to $450 million. The Amendment also established that the interest on outstanding borrowings starting on the next reset date and any new borrowings under the Amendment (other than swingline loans) will accrue, at the Company's option, at (a) the Bloomberg Short Term Bank Yield Index (BSBY) plus the Applicable Rate (as defined in the Credit Agreement, approximately 1.00% to 2.00% per annum depending on various factors) or (b) for U.S. dollar denominated loans, the base rate (which is the highest of (i) the federal funds rate plus 0.50%, (ii) the Bank of America, N.A. prime rate, (iii) the one month BSBY adjusted daily rate plus 1.00% and (iv) 1.00%).

On February 3, 2023, the Company entered into Amendment No. 2 to the Credit Agreement, which increased the maximum amount of trade accounts receivable that the Company may elect to sell at any one time to $200.0 million.

On May 1, 2023, the Company entered into Amendment No. 3 to the Credit Agreement (Amendment No. 3), which increased the Revolving Credit Facility commitments from $450 million to $550 million. Amendment No. 3 also established that the interest on outstanding borrowings starting on the next reset date and any new borrowings under Amendment No. 3 (other than swingline loans) will accrue, at the Company's option, at (a) the Term Secured Overnight Financing Rate (SOFR) plus 0.10% plus the Applicable Rate (as defined in the Credit Agreement, approximately 1.00% to 2.00% per annum depending on various factors) or (b) for U.S. dollar denominated loans, the base rate (which is the highest of (i) the federal funds rate plus 0.50%, (ii) the Bank of America, N.A. prime rate, (iii) Term SOFR plus 1.00% and (iv) 1.00%).

The Revolving Credit Facility is available for general corporate purposes. The Credit Agreement includes an accordion feature pursuant to which the Company is permitted to add one or more incremental term loans and/or increase commitments under the Revolving Credit Facility in an aggregate amount of $100 million or a higher amount, subject to the satisfaction of certain conditions and exceptions.

The Term Loan Facility is subject to quarterly principal installments equal to 0.625% of the initial aggregate term loan advances to be paid. On December 31, 2024, the quarterly principal installments on the Term Loan Facility increases to 1.25% of the initial aggregate term loan advances to be paid.

As of June 30, 2024, a portion of the $125.5 million outstanding debt under the Credit Agreement is effectively at a fixed interest rate of 4.039% as a result of a $125.5 million notional interest rate swap contract, which is discussed in Note 14. A commitment fee of 0.20% to 0.30% per annum (based on the debt to EBITDA ratio) on the unused portion of the Revolving Credit Facility is payable quarterly in arrears.

The Credit Agreement is generally secured by a pledge of (a) all the capital stock of the Company's domestic subsidiaries and 65% of the capital stock of its directly owned foreign subsidiaries, (b) all or substantially all other personal property of the Company and its domestic subsidiaries (including, but not limited to, accounts receivable, contract assets, inventory, intellectual property and fixed assets of the Company and its domestic subsidiaries), in each case, subject to customary exceptions and limitations, and (c) all proceeds and products of the property and assets described in (a) and (b) above.

The Credit Agreement contains certain financial covenants related to interest coverage and debt leverage, and certain customary affirmative and negative covenants, including restrictions on the Company's ability to incur additional debt and liens, pay dividends, repurchase shares, sell assets and merge or consolidate with other persons. Amounts due under the Credit Agreement could be accelerated upon specified events of default, including a failure to pay amounts due, breach of a covenant, material inaccuracy of a representation, or occurrence of bankruptcy or insolvency, subject, in some cases, to cure periods. As of June 30, 2024, the Company was in compliance with all of these covenants and restrictions.

As of June 30, 2024, the Company had $125.5 million in borrowings outstanding under the Term Loan Facility, $165.0 million in borrowings outstanding under the Revolving Credit Facility, and $4.4 million in letters of credit outstanding under the Revolving Credit Facility. As of June 30, 2024, the Company had $380.6 million available for future borrowings under the Revolving Credit Facility subject to compliance with financial covenants as to interest coverage and debt leverage, in addition to other debt covenant restrictions.

Note 6 – Leases

The Company determines if a contract is or contains a lease at inception. The Company leases certain facilities, vehicles and other equipment. The Company's leases primarily consist of operating leases which expire at various dates through 2036. Variable lease payments are generally expensed as incurred and primarily include certain index-based changes in rent and certain non-lease components, such as maintenance and other services provided by the lessor.

The components of lease expense were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Finance lease costs:				
Amortization of right-of-use assets (included in depreciation expense)	$ —	$ 24	$ —	$ 48
Interest on lease liabilities	3	5	7	11
Operating lease costs	5,555	4,335	11,065	8,906
Short-term lease costs	202	150	428	290
Variable lease costs	490	436	963	892
Total lease costs	$ 6,250	$ 4,950	$ 12,463	$ 10,147

A summary of cash flow information related to leases follows:

	Six Months Ended June 30,	
(in thousands)	**2024**	**2023**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	$ 10,650	$ 8,820
Operating cash flows used for finance leases	7	11
Financing cash flows used for finance leases	90	86
Right-of-use assets obtained in exchange for new operating lease liabilities	3,044	6,401

A summary of other information about the Company's leases follows:

(dollars in thousands)	June 30, 2024	December 31, 2023
Operating lease right-of-use assets	$ 125,082	$ 130,830
Finance lease liabilities, current (included in current installments of long-term debt)	$ 186	$ 181
Finance lease liabilities, noncurrent (included in long-term debt)	$ 80	$ 174
Operating lease liabilities, current (included in accrued liabilities)	$ 16,838	$ 15,486
Operating lease liabilities, noncurrent	$ 116,637	$ 123,385
Weighted average remaining lease term – finance leases	1.4 years	1.9 years
Weighted average remaining lease term – operating leases	9.2 years	9.7 years
Weighted average discount rate – finance leases	4.8 %	4.8 %
Weighted average discount rate – operating leases	4.6 %	4.5 %

A summary of the Company's future annual minimum lease payments as of June 30, 2024 follows (in thousands):

Year ending December 31,	Operating Leases	Finance Leases
Remaining six months of 2024	$ 11,282	$ 97
2025	21,516	178
2026	17,308	—
2027	15,825	—
2028	14,912	—
2029 and thereafter	84,052	—
Total minimum lease payments	164,895	275
Less: imputed interest	(31,420)	(9)
Total present value of lease liabilities	$ 133,475	$ 266

Note 7 – Common Stock and Stock-Based Awards

<u>Dividends</u>

For the three and six months ended June 30, 2024, cash dividends paid totaled $5.9 million and $11.8 million, respectively. For the three and six months ended June 30, 2023, cash dividends paid totaled $5.9 million and $11.7 million, respectively.

On June 10, 2024, the Company declared a quarterly cash dividend of $0.165 per share of the Company’s common stock to shareholders of record as of June 28, 2024. The dividend of $6.0 million was paid on July 12, 2024.

The Board of Directors currently intends to continue paying quarterly dividends. However, the Company’s future dividend policy is subject to the Company’s compliance with applicable laws, and depends on, among other things, the Company’s results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, restrictions in the Company’s debt agreements, and other factors that the Board of Directors may deem relevant. Dividend payments are not mandatory or guaranteed and no assurance is made that the Company will continue to pay a dividend in the future.

<u>Share Repurchase Authorization</u>

On March 6, 2018, the Board of Directors approved an expanded share repurchase authorization granting the Company authority to repurchase up to $250 million in common stock in addition to the $100 million previously approved on December 7, 2015. On October 26, 2018 and February 19, 2020, the Board of Directors authorized the repurchase of an additional $100 million and $150 million of the Company’s common stock, respectively.

Share purchases may be made in the open market, in privately negotiated transactions or block transactions, at the discretion of the Company’s management and as market conditions warrant. Purchases will be funded from available cash and may be commenced, suspended or discontinued at any time without prior notice. Shares repurchased under the program are retired.

The Company did not repurchase shares during the six months ended June 30, 2024. As of June 30, 2024, the Company had $154.6 million remaining under share repurchase authorizations.

Stock-Based Compensation

Under the 2019 Omnibus Incentive Compensation Plan (as amended, the 2019 Plan), the Company, upon approval of the Compensation Committee of the Board of Directors, may grant stock options, restricted shares, restricted stock units (both time-based and performance-based) and certain other forms of equity awards, or any combination thereof, to any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of the Company. Stock options (which have not been awarded since 2015) are granted to employees with an exercise price equal to the market price of the Company's common stock on the date of grant, generally vest over a four-year period from the date of grant and typically have a term of 10 years. Time-based restricted stock units granted to employees generally vest over a three-year or four-year period from the date of grant and are subject to continued employment with the Company. Performance-based restricted stock units generally vest over a three-year performance cycle, which includes the year of the grant, and are based upon the Company's achievement of specified performance metrics. Awards under the 2019 Plan to non-employee directors have historically been in the form of restricted stock units, which vest annually starting on the grant date. As of June 30, 2024, the Company had 1.8 million common shares available for issuance under the 2019 Plan.

All share-based payments to employees of the Company, including grants of employee stock options (last awarded in 2015), are recognized in the consolidated financial statements based on their grant date fair values. The total compensation costs recognized for stock-based awards were $4.2 million and $6.4 million for the three and six months ended June 30, 2024, respectively. The total compensation costs recognized for stock-based awards were $3.9 million and $8.7 million for the three and six months ended June 30, 2023, respectively. The future tax benefit of these stock-based awards as of the grant date was $1.0 million and $1.5 million for the three and six months ended June 30, 2024, respectively. The future tax benefit of these stock-based awards as of the grant date was $0.9 million and $2.0 million for the three and six months ended June 30, 2023, respectively. The fair value of stock option grants is estimated on the date of grant using the Black-Scholes option pricing model. The fair values of restricted stock units and performance-based restricted stock units are determined based on the closing market price of the Company's common stock on the date of grant. For performance-based restricted stock units, compensation cost is calculated taking into consideration the probability that the underlying performance goals will be achieved, which is monitored by management throughout the requisite service period. When it becomes probable, based on management's expectation of the Company's performance during the measurement period, that more or less than the previous estimate of the awarded shares will vest, an adjustment to compensation cost is recognized as a change in accounting estimate in the period the change is determined.

As of June 30, 2024, the unrecognized compensation costs and remaining weighted-average amortization periods related to stock-based awards were as follows:

(in thousands)	Time-Based Restricted Stock Units	Performance-Based Restricted Stock Units[1]
Unrecognized compensation cost	$ 29,721	$ 6,210
Remaining weighted-average amortization period	2.3 years	2.2 years

(1) Based on the probable achievement of the performance goals identified in each award.

The total cash received by the Company as a result of stock option exercises for the six months ended June 30, 2024 and 2023 was $0.5 million and $0.1 million, respectively. The actual tax benefit realized as a result of stock option exercises and the vesting of other share-based awards for the six months ended June 30, 2024 and 2023 were $3.2 million and $2.5 million, respectively. For the six months ended June 30, 2024 and 2023, the total intrinsic value of stock options exercised were less than $0.3 million and $0.1 million, respectively.

For performance-based restricted stock units granted during the six months ended June 30, 2024 and 2023, the number of performance-based restricted stock units that will ultimately be earned will not be determined until the end of the respective performance periods, and may vary from as low as zero to as high as 2.5 times the target number depending on the level of achievement of certain performance goals. The level of achievement of these goals is based upon the financial results of the Company for the last full calendar year within the performance period. The performance goals consist of certain levels of achievement using the following financial metrics: revenue, operating income margin, and return on invested capital. If the performance goals are not met based on the Company's financial results, the applicable performance-based restricted stock units will not vest and will be forfeited. Shares subject to forfeited performance-based restricted stock units will be available for re-issuance under the Company's 2019 Plan.

The following table summarizes activities relating to the Company's stock options:

(in thousands, except per share data and years)	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2023	37	$ 23.07		
Exercised	(34)	23.07		
Forfeited or expired	(2)	22.99		
Outstanding and exercisable as of June 30, 2024	1	23.14	0.6	$ 15

The aggregate intrinsic value in the table above is before income taxes and is calculated as the difference between the exercise price of the underlying options and the Company's closing stock price as of the last business day of the period ended June 30, 2024 for options that had exercise prices that were below the closing price.

The following table summarizes the activities related to the Company's time-based restricted stock units:

(in thousands, except per share data)	Number of Units	Weighted-Average Grant Date Fair Value
Non-vested awards outstanding as of December 31, 2023	1,246	$ 25.43
Granted	592	30.64
Vested	(447)	25.63
Forfeited	(132)	26.59
Non-vested awards outstanding as of June 30, 2024	1,259	27.73

The following table summarizes the activities related to the Company's performance-based restricted stock units:

(in thousands, except per share data)	Number of Units	Weighted-Average Grant Date Fair Value
Non-vested awards outstanding as of December 31, 2023	442	$ 26.12
Granted[1]	198	29.62
Vested	(139)	28.60
Forfeited	(103)	26.57
Non-vested awards outstanding as of June 30, 2024	398	26.84

(1) Represents target number of units that can vest based on the achievement of the performance goals.

Note 8 – Income Taxes

Income tax expense consists of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2024	2023	2024	2023
Current:				
U.S. Federal	$ (237)	$ 1,130	$ (682)	$ 1,655
State and local	122	120	237	186
Foreign	6,284	4,700	13,558	8,144

Deferred	(1,174)	(2,035)	(3,021)	(3,045)
Total income tax expense	$ 4,995	$ 3,915	$ 10,092	$ 6,940

Income tax expense differs from the amount computed by applying the U.S. federal statutory income tax rate to income (loss) before income taxes primarily due to the mix of taxable income by taxing jurisdiction, the impact of tax incentives and tax holidays in foreign locations, state income taxes (net of federal benefit), the U.S. tax under the global intangible low-taxed income (GILTI) provisions, and the Global Minimum Tax (GMT) as defined under the Pillar Two directives of the Organization of Economic Co-operation and Development (OECD) for those international countries that have adopted the specific requirements of the Pillar Two directives. GILTI requires the Company to include in its U.S federal income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiaries tangible fixed assets. The taxable earnings can be offset by a limited deemed paid foreign tax credit with no carrybacks or carryforwards available. The Company accounts for the GILTI as a period cost and does not include it as a factor in the determination of deferred taxes. The GMT has been adopted by several international countries where the Company conducts its manufacturing operations. The adoption by these countries of the GMT requires that the Company's applicable foreign subsidiaries include in their income tax expense an additional “top-up” tax that achieves a corporate minimum effective tax rate of 15% if the overall adjusted effective tax rate is less than 15%. The Company has included in its income tax expense for the six months ended June 30, 2024 an estimated amount of GMT for its foreign subsidiaries as required under the applicable GMT rules of the countries that have adopted the Pillar Two directives.

As of June 30, 2024, the Company has a total transition tax liability of $20.1 million. The Company intends to pay this liability over the remaining one-year payment period as prescribed by the U.S. Tax Reform and regulatory guidance issued by the Internal Revenue Service (IRS). As of June 30, 2024, the Company expects to pay the remaining liability of $20.1 million in 2025. The remaining balance of the transition tax liability is recorded in other accrued liabilities on the condensed consolidated balance sheets.

As of December 31, 2023, the Company had approximately $477.2 million in cumulative undistributed foreign earnings of its foreign subsidiaries. These earnings are not subject to U.S. federal income tax if distributed to the Company. The Company changed its assertion during 2018 on its foreign subsidiaries earnings that are permanently reinvested. A certain amount of earnings from specific foreign subsidiaries are permanently reinvested, and certain foreign earnings from other specific foreign subsidiaries are considered to be non-permanently reinvested and are available for immediate distribution to the Company. Income taxes have been accrued on the non-permanently reinvested foreign earnings, including the 2017 transition tax, the U.S. tax on GILTI and any applicable foreign or local withholding taxes. The Company estimates that it has approximately $9.1 million of unrecognized deferred tax liabilities related to any remaining undistributed permanently reinvested foreign earnings that have not already been subject to the 2017 transition tax, the U.S. tax on GILTI, and any applicable foreign income tax or local withholding tax on cash distributions.

The Company has been granted certain tax incentives, including tax holidays, for its subsidiaries in Thailand, China and Malaysia that expire at various dates, unless extended or otherwise renegotiated and are subject to certain conditions with which the Company expects to comply. The tax incentives in Thailand will expire on December 31, 2030. The tax incentives in China expired on December 31, 2023 and the tax incentives in Malaysia expired on March 31, 2021. The Company will apply for a continuation of the Malaysia tax holiday, which will extend the tax incentive period for five to ten years if approved. The Company will also apply for a China tax holiday in 2024. There is no guarantee of being awarded these tax incentives in the future. The net impact of these tax incentives was to lower foreign income tax expense for the six months ended June 30, 2024 and 2023 by approximately $1.8 million (approximately $0.05 per diluted share) and $2.8 million (approximately $0.08 per diluted share), respectively.

A summary of the Company's tax incentives follows:

	Six Months Ended June 30,	
(in thousands)	**2024**	**2023**
Thailand	$ 1,801	$ 2,514
China	—	326
Total tax incentives	$ 1,801	$ 2,840

As of June 30, 2024, the total amount of the Company’s reserve for uncertain tax benefits, including interest and penalties, was $7.3 million. The reserve is classified as long-term based on the Company’s expectation of when the items will be settled. If the reserve for uncertain tax benefits was recognized, the effect would be $7.3 million. The Company records interest expense and penalties accrued in relation to uncertain income tax benefits as a component of current income tax expense on the condensed consolidated statements of income.

The Company and its subsidiaries in Brazil, China, Ireland, Malaysia, Mexico, Netherlands, Romania, Singapore, Thailand and the United States remain open to examination by the various local taxing authorities, in total or in part, for fiscal years 2017 to 2023. During the course of such income tax examinations, disputes may occur as to matters of fact or law. Also, in most tax jurisdictions, the passage of time without examination will result in the expiration of applicable statutes of limitations thereby precluding examination of the tax period(s) for which such statute of limitation has expired. The Company believes that it has adequately provided for its tax liabilities.

Note 9 – Revenue

The Company's revenues are generated primarily from its manufacturing services, which entails the sale of manufactured products built to customer specifications. The Company also generates revenue from design, development and engineering services, in addition to the sale of other inventory.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a manufactured product to a customer. The Company's contracts with customers are generally short-term in nature. Customers are generally billed when the product is shipped or as services are performed. Under the majority of the Company's manufacturing contracts with customers, the customer controls all of the work-in-progress as products are being built. Revenues under these contracts are recognized progressively based on the cost-to-cost method. For other manufacturing contracts, the customer does not take control of the product until it is completed. Under these contracts, the Company recognizes revenue upon transfer of control of the product to the customer, which is generally when goods are shipped. Revenue from design, development and engineering services is recognized over time as the services are performed. The Company assumes no significant obligations after shipment as it typically warrants workmanship only. Therefore, the warranty provisions are generally not significant.

If the Company records revenue, but does not issue an invoice, a contract asset is recognized. The contract asset is transferred to trade accounts receivable when the entitlement to payment becomes unconditional.

Taxes assessed by governmental authorities that are imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer, are excluded from revenue.

Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as fulfillment costs and are included in cost of sales.

Disaggregation of Revenue

The following tables provide a summary of the Company's revenue disaggregated by market sector and a reconciliation of the disaggregated revenue to the Company's revenue by reportable operating segment:

	Three Months Ended June 30, 2024			
(in thousands)	**Americas**	**Asia**	**Europe**	**Total**
Market sector:				
Semi-Cap	$ 54,471	$ 85,258	$ 32,135	$ 171,864
Complex Industrials	35,671	79,276	26,756	141,703
Medical	56,014	42,952	12,585	111,551
A&D	94,262	2,680	11,898	108,840
AC&C	92,648	39,288	2	131,938
External revenue	333,066	249,454	83,376	665,896
Elimination of intersegment sales	10,075	8,216	2,480	20,771
Segment revenue	$ 343,141	$ 257,670	$ 85,856	$ 686,667

(in thousands)	Six Months Ended June 30, 2024 Americas	Asia	Europe	Total
Market sector:				
Semi-Cap	$ 108,129	$ 167,157	$ 62,517	$ 337,803
Complex Industrials	65,321	163,487	53,927	282,735
Medical	117,877	85,178	23,223	226,278
A&D	181,125	11,802	21,747	214,674
AC&C	209,280	70,682	19	279,981
External revenue	681,732	498,306	161,433	1,341,471
Elimination of intersegment sales	33,738	17,180	4,919	55,837
Segment revenue	$ 715,470	$ 515,486	$ 166,352	$ 1,397,308

(in thousands)	Three Months Ended June 30, 2023 Americas	Asia	Europe	Total
Market sector:				
Semi-Cap	$ 63,070	$ 76,682	$ 24,355	$ 164,107
Complex Industrials	38,838	95,378	32,621	166,837
Medical	90,210	45,010	9,716	144,936
A&D	64,062	8,899	7,203	80,164
AC&C	127,598	49,580	10	177,188
External revenue	383,778	275,549	73,905	733,232
Elimination of intersegment sales	20,442	11,301	685	32,428
Segment revenue	$ 404,220	$ 286,850	$ 74,590	$ 765,660

(in thousands)	Six Months Ended June 30, 2023 Americas	Asia	Europe	Total
Market sector:				
Semi-Cap	$ 124,019	$ 141,419	$ 47,138	$ 312,576
Complex Industrials	67,886	175,430	67,047	310,363
Medical	158,492	99,168	24,325	281,985
A&D	130,364	16,822	12,393	159,579
AC&C	267,591	95,777	56	363,424
External revenue	748,352	528,616	150,959	1,427,927
Elimination of intersegment sales	53,075	26,277	1,486	80,838
Segment revenue	$ 801,427	$ 554,893	$ 152,445	$ 1,508,765

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, contract assets and advance payments from customers. During the six months ended June 30, 2024 and 2023, 86.0% and 89.7%, respectively, of the Company's revenue was recognized as products and services that were transferred over time.

Contract assets primarily relate to the Company's right to consideration for work completed but not billed to the customer as of period end. Contract asset balances are transferred to trade accounts receivable when the rights become unconditional.

A summary of activity related to the Company's contract assets follows:

(in thousands)	Six Months Ended June 30, 2024	2023
Balance as of the beginning of the year	$ 174,979	$ 183,613
Revenue recognized	1,153,907	1,300,085
Amounts collected or invoiced	(1,146,796)	(1,297,821)

Balance as of the end of the period	$ 182,090	$ 185,877

As of June 30, 2024 and December 31, 2023, the Company had $157.2 million and $204.9 million, respectively, in advance payments from customers. Of those amounts, $144.5 million and $191.6 million, respectively, were customer deposits and prepayments of inventory and $12.7 million and $13.3 million, respectively, were related to the contractual timing of payments. The advance payments are not considered a significant financing component because they are used to meet working capital demands of a contract, offset inventory risks and protect the Company from the failure of other parties to fulfill obligations under a contract.

Note 10 – Accounts Receivable Sale Programs

As of June 30, 2024, in connection with trade accounts receivable sale programs with unaffiliated financial institutions, the Company may elect to sell, at a discount, on an ongoing basis, up to a maximum of $200.0 million of specific accounts receivable at any one time.

During the three months ended June 30, 2024 and 2023, the Company sold $158.5 million and $134.9 million, respectively, of accounts receivable under these programs, and in exchange, the Company received cash proceeds of $157.3 million and $133.5 million, respectively, net of the discount. During the six months ended June 30, 2024 and 2023, the Company sold $293.6 million and $287.7 million, respectively, of accounts receivable under these programs, and in exchange, the Company received cash proceeds of $291.4 million and $285.3 million, respectively, net of the discount. The Company recognizes the loss on sale resulting from the discount in other expense, net in its consolidated statements of income.

Note 11 – Contingencies

The Company is involved in various legal actions arising in the ordinary course of business. Although the outcome of these matters cannot be predicted with certainty, in the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company’s consolidated financial position or results of operations.

Note 12 – Restructuring Charges and Other Costs

The Company has undertaken initiatives to restructure its business operations to improve utilization and realize cost savings. These initiatives have included changing the number and location of production facilities, largely to align capacity and infrastructure with current and anticipated customer demand. This alignment includes transferring programs from higher cost geographies to lower cost geographies. The Company’s restructuring process entails moving production between facilities, reducing staff levels, realigning business processes, reorganizing management and other activities.

During the six months ended June 30, 2024, the Company recognized $4.8 million of restructuring charges, which primarily related to capacity and workforce reductions at its sites in the Americas.

The Company recognized $3.8 million of restructuring charges during the six months ended June 30, 2023 primarily related to the previously announced closures of our site in Moorpark, California in the Americas, and other smaller activities involving capacity reductions and reductions in workforce in certain facilities across various regions. Moorpark, California operations have ceased as of March 31, 2023 with restructuring activity substantially completed in 2023.

The components of restructuring charges were as follows:

	Six Months Ended June 30, 2024			
(in thousands)	**Americas**	**Asia**	**Europe**	**Total**
Severance costs	$ 3,699	$ 371	$ —	$ 4,070
Lease facility costs	—	(9)	—	(9)
Other exit costs	753	—	—	753
Total restructuring charges	$ 4,452	$ 362	$ —	$ 4,814

The changes in the Company’s accrued restructuring costs were as follows:

(in thousands)	**Balances as of December 31, 2023**	**Restructuring Charges**	**Cash Payments**	**Non-Cash Activity**	**Balances as of June 30, 2024**
Severance	$ 35	$ 4,070	$ (3,717)	$ —	$ 388
Lease facility costs	9	(9)	—	—	—
Other exit costs	81	753	(834)	—	—
Total accrued restructuring costs	$ 125	$ 4,814	$ (4,551)	$ —	$ 388

Note 13 – Earnings Per Share

Basic earnings per share is computed using the weighted-average number of common shares outstanding. Diluted earnings per share is computed using the weighted-average number of common shares outstanding adjusted for the incremental shares attributed to outstanding stock equivalents. Stock equivalents include common shares issuable upon the exercise of stock options and other equity instruments and are computed using the treasury stock method. Under the treasury stock method, the exercise price of a share and the amount of compensation cost, if any, for future service that the Company has not yet recognized are assumed to be used to repurchase shares in the current period.

The following table sets forth the calculation of the Company's basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share data)	**2024**	**2023**	**2024**	**2023**
Net income	$ 15,528	$ 13,991	$ 29,530	$ 26,351
Denominator for basic earnings per share	36,047	35,618	35,929	35,478
Incremental common shares attributable to outstanding restricted stock units	448	—	455	4
Incremental common shares attributable to exercise of dilutive options	2	58	4	248
Denominator for diluted earnings per share	36,497	35,676	36,388	35,730
Earnings per share:				
Basic	$ 0.43	$ 0.39	$ 0.82	$ 0.74
Diluted	$ 0.43	$ 0.39	$ 0.81	$ 0.74

Restricted stock units totaling less than 0.1 million common shares for both the three and six months ended June 30, 2024 were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. Restricted stock units totaling 0.6 million and 0.3 million common shares for the three and six months ended June 30, 2023, respectively, were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive.

Note 14 – Financial Instruments

The Company's financial instruments include cash equivalents, accounts receivable, other receivables, accounts payable, accrued liabilities, long-term debt, interest rate swaps and foreign currency hedges. For cash equivalents, accounts receivable, other receivables, accounts payable and accrued liabilities, the Company believes that the carrying values of its financial instruments approximate the fair values because of their short-term nature. For borrowings under the Credit Agreement in long-term debt, the Company believes that the fair value approximates the carrying value because the interest rates are variable. The Company uses derivative instruments to manage the variability of foreign currency obligations and interest rates. The Company does not enter into derivatives for speculative purposes.

The fair value of the Company's derivative instruments follows:

(in thousands)	**Balance Sheet Location**	**June 30, 2024**	**December 31, 2023**
Derivatives designated as hedging instruments:			
Forward currency exchange contracts	Other long-term assets (liabilities)	$ (1,048)	$ 2,664
Interest rate swap agreement	Other long-term assets (liabilities)	331	(2,458)

Forward Currency Exchange Contracts

The Company utilizes forward currency exchange contracts to manage its foreign currency exposure. The Company enters into forward currency exchange contracts for its operations in Mexico, Europe and Asia. These instruments are designated as cash flow hedges and the changes in fair value of the derivatives are recorded in accumulated other comprehensive loss on the consolidated balance sheet until earnings are affected by the variability of the cash flows. The fair value estimates for the Company’s forward currency exchange contracts are based on Level 2 inputs of the fair value hierarchy, which includes obtaining directly or indirectly observable values from third parties active in the relevant markets. Inputs in the fair value of the foreign currency forward contracts include prevailing forward and spot prices for currencies.

During the three and six months ended June 30, 2024, the Company recorded an unrealized loss of $5.0 million ($3.7 million net of tax) and an unrealized loss of $3.7 million ($2.8 million net of tax), respectively, on its forward currency exchange contracts in other comprehensive income (loss) and transferred unrealized gains of $1.1 million and $2.1 million, respectively, to cost of sales.

During the three and six months ended June 30, 2023, the Company recorded an unrealized gain of $1.7 million ($1.3 million net of tax) and an unrealized gain of $3.4 million ($2.5 million net of tax), respectively, on its forward currency exchange contracts in other comprehensive income (loss) and transferred unrealized gains of $0.9 million and $1.3 million, respectively, to cost of sales.

The Company also has forward currency exchange contracts that have not been designated as accounting hedges and, therefore, changes in fair value are recorded in other (expense) income, net in the consolidated statements of income.

Interest Rate Swap Agreement

The Company utilizes an interest rate swap agreement to hedge a portion of its interest rate exposure on outstanding borrowings under the Credit Agreement. Under the interest rate swap agreement, the Company receives variable rate interest payments based on the one-month SOFR rate and pays fixed rate interest payments. The effect of the swap is to convert a portion of the floating rate interest expense to fixed interest rate expense. Based on the terms of the interest rate swap contract and the underlying borrowings outstanding under the Credit Agreement, the interest rate swap was determined to be highly effective, and thus qualifies and has been designated as a cash flow hedge. As such, changes in the fair value of the interest rate swap are recorded in accumulated other comprehensive loss on the consolidated balance sheet until earnings are affected by the variability of cash flows. The fair value estimates for the Company's respective interest rate swap agreements were based on Level 2 inputs of the fair value hierarchy, as the Company obtains the valuation from a third party active in relevant markets. The valuation of the interest rate swap agreements is primarily measured through various pricing models and discounted cash flow analysis that incorporate observable market parameters, such as interest rate yield curves and volatility.

The Company entered into an interest rate swap agreement on July 20, 2023 and the fixed interest rate for the contract is 4.039%. As of June 30, 2024, the notional amount of this interest rate swap was $125.5 million. The Company's previous interest rate swap agreement matured on July 20, 2023.

During the three and six months ended June 30, 2024, the Company recorded an unrealized gain of $0.4 million ($0.3 million net of tax) and an unrealized gain of $2.8 million ($2.0 million net of tax), respectively, on the interest rate swap in other comprehensive income (loss).

During the three and six months ended June 30, 2023, the Company recorded an unrealized loss of $0.4 million ($0.3 million net of tax) and an unrealized loss of $0.5 million ($0.4 million net of tax), respectively, on the interest rate swap in other comprehensive income (loss).

Note 15 – Accumulated Other Comprehensive Loss

A summary of the changes in accumulated other comprehensive loss follows:

	Three Months Ended June 30,							
	2024				2023			
(in thousands)	Foreign Currency Translation Adjustments	Derivative Instruments, Net of Tax	Other	Total	Foreign Currency Translation Adjustments	Derivative Instruments, Net of Tax	Other	Total
Beginning balance	$ (14,450)	$ 2,894	$ (1,064)	$ (12,620)	$ (14,827)	$ 1,936	$ (918)	$ (13,809)
Other comprehensive gain (loss) before reclassifications	(523)	(2,292)	66	(2,749)	55	1,863	206	2,124
Amounts reclassified from accumulated other comprehensive loss	—	(1,133)	—	(1,133)	—	(867)	—	(867)
Total other comprehensive income (loss)	(523)	(3,425)	66	(3,882)	55	996	206	1,257
Ending balance	$ (14,973)	$ (531)	$ (998)	$ (16,502)	$ (14,772)	$ 2,932	$ (712)	$ (12,552)

	Six Months Ended June 30,							
	2024				2023			
(in thousands)	Foreign Currency Translation Adjustments	Derivative Instruments, Net of Tax	Other	Total	Foreign Currency Translation Adjustments	Derivative Instruments , Net of Tax	Other	Total
Beginning balance	$ (12,913)	$ 160	$ (1,107)	$ (13,860)	$ (15,877)	$ 788	$ (1,144)	$ (16,233)
Other comprehensive gain (loss) before reclassifications	(2,060)	1,384	109	(567)	1,105	3,439	432	4,976
Amounts reclassified from accumulated other comprehensive loss	—	(2,075)	—	(2,075)	—	(1,295)	—	(1,295)
Total other comprehensive income (loss)	(2,060)	(691)	109	(2,642)	1,105	2,144	432	3,681
Ending balance	$ (14,973)	$ (531)	$ (998)	$ (16,502)	$ (14,772)	$ 2,932	$ (712)	$ (12,552)

See Note 14 for further discussion about the Company's derivative instruments.

Note 16 – Segment and Geographic Information

The Company currently has manufacturing facilities in the Americas, Asia and Europe to serve its customers. The Company is operated and managed geographically, and management evaluates performance and allocates the Company's resources on a geographic basis. Intersegment sales are generally recorded at prices that approximate arm's length transactions. Operating segments' measure of profitability is based on income from operations. Corporate and intersegment eliminations include (1) corporate expenses not allocated to the Company's three reporting segments, which are primarily general and administrative expenses such as corporate employee payroll and benefit costs and corporate facility costs, and (2) income from operations on intersegment sales between reporting segments. Corporate functions include legal, finance, tax, treasury, information technology, risk management, human resources, business development and other administrative functions. The accounting policies for the reportable operating segments are the same as for the Company taken as a whole. The Company has three reportable operating segments: the Americas, Asia, and Europe.

Information about the Company's operating segments follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Sales:				
Americas	$ 343,141	$ 404,220	$ 715,470	$ 801,427
Asia	257,670	286,850	515,486	554,893
Europe	85,856	74,590	166,352	152,445
Elimination of intersegment sales	(20,771)	(32,428)	(55,837)	(80,838)
Total sales	$ 665,896	$ 733,232	$ 1,341,471	$ 1,427,927
Depreciation and amortization:				
Americas	$ 5,254	$ 5,130	$ 10,679	$ 10,262
Asia	2,513	2,385	5,037	4,736
Europe	862	810	1,743	1,588
Corporate	2,803	3,124	5,567	5,963
Total depreciation and amortization	$ 11,432	$ 11,449	$ 23,026	$ 22,549
Income from operations:				
Americas	$ 12,197	$ 13,915	$ 25,163	$ 27,246
Asia	32,129	25,598	65,906	54,382
Europe	6,628	3,360	13,405	10,046
Corporate and intersegment eliminations	(23,701)	(18,392)	(51,692)	(44,451)
Total income from operations	27,253	24,481	52,782	47,223
Interest expense	(6,933)	(8,258)	(14,178)	(14,708)
Interest income	2,526	1,622	4,518	2,880
Other (expense) income, net	(2,323)	61	(3,500)	(2,104)
Income before income taxes	$ 20,523	$ 17,906	$ 39,622	$ 33,291
Capital expenditures:				
Americas	$ 3,833	$ 5,480	$ 5,616	$ 28,589
Asia	2,365	3,076	4,870	10,624
Europe	1,037	1,105	2,061	2,793
Corporate	1,269	(1,343)	1,860	5,043
Total capital expenditures	$ 8,504	$ 8,318	$ 14,407	$ 47,049

(in thousands)	**June 30, 2024**	**December 31, 2023**
Assets:		
Americas	$ 927,584	$ 1,064,047

Asia	795,678	769,744
Europe	214,378	222,591
Corporate	217,099	218,373
Total assets	$ 2,154,739	$ 2,274,755

Geographic sales information about the Company's sales is determined based on the destination of the product shipped. Long-lived assets information is determined based on the physical location of the Company's assets and includes property, plant and equipment, net, operating lease right-of-use assets and other long-term assets, net.

A summary of the Company's geographic sales and long-lived assets follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Geographic sales:				
United States	$ 387,720	$ 440,908	$ 784,139	$ 872,093
Singapore	105,070	110,934	206,308	197,890
Other Asia	44,880	56,638	104,776	101,891
Europe	103,278	101,092	201,300	205,785
Other	24,948	23,660	44,948	50,268
Total sales	$ 665,896	$ 733,232	$ 1,341,471	$ 1,427,927

(in thousands)	**June 30, 2024**	**December 31, 2023**
Long-lived assets:		
United States	$ 231,037	$ 231,740
Asia	81,962	79,203
Europe	41,993	42,934
Other	66,784	66,072
Total long-lived assets	$ 421,776	$ 419,949

Note 17 –Supplemental Cash Flow and Non-Cash Information

The following table includes supplemental cash flow disclosures:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Supplemental cash flow information:				
Income taxes paid, net	$ 1,654	$ 18,900	$ 6,124	$ 23,328
Interest paid	7,907	7,171	15,306	13,045
Non-cash investing activities:				
Unpaid purchases of property, plant and equipment at the end of the period			4,981	7,053
Unpaid purchases of capitalized purchased software costs at the end of the period			1,320	—

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The financial information and the discussion below should be read in conjunction with other information, including the unaudited condensed consolidated financial statements and Notes thereto in Part I, Item 1 of this quarterly report on Form 10-Q for the quarterly period ended June 30, 2024 (this Report), the consolidated financial statements appearing in the Company's annual report on Form 10-K for the year ended December 31, 2023 (the 2023 10-K), and Part I, Item 1A, Risk Factors of the 2023 10-K. In this Report, references to Benchmark, the Company or use of the words "we," "our" and "us" include Benchmark's subsidiaries unless otherwise noted.

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts and may include words such as "anticipate," "believe," "intend," "plan," "project," "forecast," "strategy," "position," "continue," "estimate," "expect," "may," "will," "could," "predict," and similar expressions of the negative or other variations thereof. In particular, statements, express or implied, concerning the Company's outlook and guidance for quarterly periods or fiscal year 2024 results, future operating results or margins, the ability to generate sales and income or cash flow, expected revenue mix, the Company's business strategy and strategic initiatives, the Company's repurchases of shares of its common stock, the Company's expectations regarding restructuring charges, stock-based compensation expense and amortization of intangibles, and the Company's intentions concerning the payment of dividends, among others, are forward-looking statements. Although the Company believes these statements are based on and derived from reasonable assumptions, they involve risks, uncertainties and assumptions, that are beyond the Company's ability to control or predict, relating to operations, markets and the business environment generally, including those discussed under Part I, Item 1A of the 2023 10-K and in any of the Company's subsequent reports filed with the Securities and Exchange Commission (the SEC). Events relating to the possibility of customer demand fluctuations, supply chain constraints, continuing inflationary pressures, the effects of foreign currency fluctuations and high interest rates, geopolitical uncertainties including continuing hostilities and tensions, trade restrictions and sanctions, the ability to utilize the Company's manufacturing facilities at sufficient levels to cover its fixed operating costs, or write-downs or write-offs of obsolete or unsold inventory, may have resulting impacts on the Company's business, financial condition, results of operations, and the Company's ability (or inability) to execute on its plans. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes, including the future results of the Company's operations, may vary materially from those indicated. Undue reliance should not be placed on any forward-looking statements. Forward-looking statements are not guarantees of performance. All forward-looking statements included in this document are based upon information available to the Company as of the date of this document, and the Company assumes no obligation to update.

OVERVIEW

Benchmark Electronics, Inc. (the Company) is a Texas corporation that provides advanced manufacturing services (electronic manufacturing services (EMS) and precision technology (PT) services), which includes design and engineering services and technology solutions. From initial product concept to volume production, including direct order fulfillment and aftermarket services, we are a trusted integrated services partner to original equipment manufacturers (OEMs). Served markets include: semiconductor capital equipment (semi-cap), complex industrials, medical technologies, commercial aerospace and defense (A&D), and advanced computing and communications (AC&C). The Company has manufacturing operations located in the United States and Mexico (the Americas), Asia and Europe.

Our customer engagement focuses on three principal areas:

- *Manufacturing Services*, which include printed circuit board assemblies (PCBAs) using both traditional surface mount technologies and microelectronics, subsystem assembly, system build and integration. System builds and integration often involve building a finished assembly that includes PCBAs, complex subsystem assemblies, mechatronics, displays, mechanicals, and other components. These final products may be configured to order and delivered directly to the end customer across all the industries we serve. Manufacturing services also includes precision technology services comprised of precision machining, advanced metal joining and welding, cleaning, assembly and functional testing primarily for the semi-cap (serving semi-cap customers) and A&D markets.

- *Design & Engineering Services*, which include design for manufacturability, design optimization for our factory processes and supply chain, and test development, concurrent and sustaining engineering, turnkey product design and regulatory services. Our engineering services may be for systems, sub-systems, printed circuit boards and assemblies, and components. We have the flexibility and capability to engage anywhere in the customer's design process flow. We provide these services across all the industries we serve.

- *Technology Solutions*, which involve developing a library of building blocks or reference designs primarily in defense solutions, surveillance systems, millimeter wave radio frequency (RF) subsystems, and front-end managed connected data collection systems. We often partner with our customers to merge these solutions utilizing our engineering services to provide turnkey product development from requirements through the launch to volume production into our factories. Our building blocks can be utilized across a variety of industries, but we have significant focus and capabilities in the A&D, medical, advanced communications, and the complex industrials markets. We have also developed differentiated capabilities in RF. The need to improve size, weight, and power to accommodate high frequency electronics communications is important to customers in the A&D, medical, and advanced communications markets.

Our core strength lies in our ability to partner with our customers to provide concept-to-production solutions through a tightly integrated and seamless set of design, test, manufacturing, supply chain, and support services. The integration of these product realization services, along with our global manufacturing presence, increases our ability to respond to our customers' needs by providing accelerated time-to-market and time-to-volume production of high-quality products with an emphasis on complex products serving regulated markets with higher reliability requirements. These capabilities and attributes enable us to build strong strategic relationships with our customers while becoming an integral part of their business.

We believe our primary source of differentiation and value-add rests with our ability to engage with our customers at any point, from product development through volume production. This is enabled by our highly skilled personnel's ability to provide leading-edge technical capabilities in engineering services (including full lifecycle), high frequency RF solutions, microelectronics, miniaturization, and manufacturing services (including electronics and complex precision machining). These capabilities are brought to bear across diversified commercial end-markets, many of which are government regulated. To support customers across these sectors, we have strategically invested in geographically diverse manufacturing locations and global supply chain efficiencies.

In addition, we believe that a strong focus on human capital through the talent we hire and retain is critical to maintaining our competitiveness. Our people-first culture is centered on our five core values, consisting of acting with integrity, valuing inclusion, commitment to customers, promoting ingenuity, and genuine caring for each other, our customers and our communities, and we take pride in our innovative and continuous improvement mindset. We desire to delight our customers and deliver operational and financial performance aligned with our goals. Through our employee engagement and customer satisfaction feedback processes, we continuously solicit and act upon information to improve our company and better support our customers and business processes. We have invested in attracting and developing leadership throughout the organization and are committed to diversity and inclusion in our efforts to develop an innovative and forward-thinking workforce.

Our customers often face challenges in designing supply chains, demand planning, procuring materials and managing their inventories efficiently due to fluctuations in their customer demand, product design changes, short product life cycles and component price fluctuations.

We employ enterprise resource planning (ERP) systems and lean manufacturing principles to manage procurement and manufacturing processes in an efficient and cost-effective manner so that, where possible, components arrive on a just-in-time, as-and-when-needed basis. Because we are a significant purchaser of electronic components and other raw materials, we are generally able to capitalize on the economies of scale associated with our relationships with suppliers to negotiate price discounts, obtain components and other raw materials that are in short supply, and return excess components. Utilizing our agility and expertise in supply chain management and our relationships with suppliers across the supply chain, we strive to help reduce our customers' cost of goods sold and inventory exposure. However, due to global labor and supply disruptions, we continue to see component supply chain constraints across certain commodity categories that are constraining our ability to produce the full demand forecasts we are receiving from customers.

We recognize manufacturing services revenue as the customer takes control of the manufactured products built to customer specifications. We also generate revenue from our design, development and engineering services, in addition to the sale of other inventory.

Revenue is measured based on the consideration specified in a contract with a customer. Under the majority of our manufacturing contracts with customers, the customer controls all of the work-in-progress as products are being built. Revenues under these contracts are recognized progressively based on the cost-to-cost method. For other manufacturing contracts, the customer does not take control of the product until it is completed. Under these contracts, we recognize revenue upon transfer of control of the product to the customer, which is generally when the goods are shipped. Revenue from design, development and engineering services is recognized over time as the services are performed. As a general matter, we assume no significant obligations after shipment as we typically warrant workmanship only. Therefore, the warranty provisions are generally not significant.

Second Quarter of 2024 Highlights

Sales for the three months ended June 30, 2024 were $665.9 million, a 9% decrease from sales of $733.2 million during the three months ended June 30, 2023. During the second quarter of 2024, sales to customers in our various industry sectors varied from the second quarter of 2023 as follows:

- Semi-Cap increased by 5%,
- Complex Industrials decreased by 15%,
- Medical decreased by 23%,
- A&D increased by 36%, and
- Advanced Computing and Communications decreased by 26%

The overall revenue decrease was primarily due to lower Medical and AC&C revenue, due to general end demand softness. This was partially offset by an increase in Semi-Cap revenue, as a result of higher demand from existing customers. See "Results of Operations — Sales" discussion below.

Our sales depend on the success of our customers, some of which operate in businesses associated with rapid technological change and consequent product obsolescence. Developments adverse to our major customers or their products, the availability of electronic component supply, or the failure of a major customer to pay for components or services have adversely affected us by not allowing us to fulfill our total customer demand. A substantial percentage of our sales are made to a small number of customers, and the loss of a major customer, if not replaced, would adversely affect us. Sales to our ten largest customers represented 53% and 52% of our total sales during the six months ended June 30, 2024 and 2023, respectively. After a period of unprecedented global labor and supply disruptions, we have seen a general easing of certain material constraints across commodity categories, with the exception of older technologies where semiconductor original equipment manufacturers are not adding incremental capacity. The lack of capacity regarding these older technologies could constrain our ability to produce the full demand forecasts we are receiving from customers needing those parts. Lead times are also improving from the previous highs that prompted many suppliers to categorize some of their constrained components with non-cancellable and non-returnable business terms. Until recently, these constraints led to last-minute allocations and created inefficiencies in our operations, as well as increased costs to us and our customers.

We experience fluctuations in gross profit from period to period. Different programs contribute different gross profits depending on the type of services involved, location of production, size of the program, complexity of the product and level of material costs associated with the various products. Moreover, new programs can contribute relatively less to our gross profit in their early stages when manufacturing volumes are usually lower, resulting in inefficiencies and unabsorbed manufacturing overhead costs. During periods of low production volume, we generally have unabsorbed manufacturing overhead costs and reduced gross profit. Gross profit can also be impacted by higher costs associated with other situations, such as supply chain constraints. This includes supply chain premiums for excess component costs paid to secure available supply resulting in revenue with cost recovery only with no margin. In addition, a number of our new program ramps require incremental investment during the launch and ramp phase, which can exert downward pressure on our gross profit.

We have undertaken initiatives to restructure our business operations with the intention of improving utilization and reducing costs. During the six months ended June 30, 2024, we recognized $4.8 million of restructuring charges and other costs due to capacity and workforce reductions primarily at our sites in the Americas. See "Results of Operations — Restructuring Charges and Other Costs".

Inflation, interest rates, disruption in the global economy and financial markets, and geopolitical events continue to create uncertainty. However, we are not aware of any specific event or circumstance that would require updates to our estimates or judgments or require us to revise the carrying values of our assets or liabilities as of the date we filed this Report. These estimates may change as new events occur and additional information is obtained. Actual results could differ from these estimates under different assumptions or conditions.

RESULTS OF OPERATIONS

The following table presents the percentage relationship that certain items in our condensed consolidated statements of income bear to sales for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	89.8%	90.9%	89.9%	90.8%
Gross profit	10.2%	9.1%	10.1%	9.2%
Selling, general and administrative expenses	5.7%	5.1%	5.6%	5.3%
Amortization of intangible assets	0.2%	0.2%	0.2%	0.2%
Restructuring charges and other costs	0.2%	0.4%	0.4%	0.3%
Income from operations	4.1%	3.4%	3.9%	3.4%
Other expense, net	(1.0)%	(0.9)%	(1.0)%	(1.0)%
Income before income taxes	3.1%	2.5%	2.9%	2.4%
Income tax expense	0.8%	0.6%	0.8%	0.6%
Net income	2.3%	1.9%	2.1%	1.8%

Sales

As noted above, sales for the second quarter of 2024 decreased 9% from the second quarter of 2023.

Sales are analyzed by management by market sector and by geographic segment, which reflect our reportable segments. Our global business development strategy is based on our targeted market sectors. Management measures operational performance and allocates resources on a geographic segment basis.

Sales by market sector were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2024	2023	2024	2023
Semi-Cap	$ 171,864	$ 164,107	$ 337,803	$ 312,576
Complex Industrials	141,703	166,837	282,735	310,363
Medical	111,551	144,936	226,278	281,985
A&D	108,840	80,164	214,674	159,579
AC&C	131,938	177,188	279,981	363,424
Total net sales	$ 665,896	$ 733,232	$ 1,341,471	$ 1,427,927

Semi-Conductor Capital Equipment. Second quarter of 2024 sales increased 5% to $171.9 million from $164.1 million in the second quarter of 2023. Sales during the first six months of 2024 increased 8% to $337.8 million from $312.6 million in the same period of 2023. The increases were primarily due to stronger demand with existing customers.

Complex Industrials. Second quarter of 2024 sales decreased 15% to $141.7 million from $166.8 million in the second quarter of 2023. Sales during the first six months of 2024 decreased 9% to $282.7 million from $310.4 million in the same period of 2023. The decreases were primarily due to reduced demand from certain existing customers partially offset by new program ramps.

Medical. Second quarter of 2024 sales decreased 23% to $111.6 million from $144.9 million in the second quarter of 2023. Sales during the first six months of 2024 decreased 20% to $226.3 million from $282.0 million in the same period of 2023. The decreases were primarily due to inventory re-balancing and end-demand weakness impacting medical devices.

Aerospace and Defense. Second quarter of 2024 sales increased 36% to $108.8 million from $80.2 million in the second quarter of 2023. Sales during the first six months of 2024 increased 35% to $214.7 million from $159.6 million in the same period of 2023. The increases were primarily due to increased demand from existing programs and incremental support from new program ramps.

Advanced Computing and Communications. Second quarter of 2024 sales decreased 26% to $131.9 million from $177.2 million in the second quarter of 2023. Sales during the first six months of 2024 decreased 23% to $280.0 million from $363.4 million in the same period of 2023. The decreases were primarily due to softness in demand coupled with the completion of several programs during the period.

Our international operations are subject to the risks of doing business abroad. See Part I, Item 1A of our 2023 10-K for factors pertaining to our international sales, fluctuations in foreign currency exchange rates and a discussion of potential adverse effects in operating results associated with the risks of doing business abroad. During both the three months ended June 30, 2024 and 2023, 61% of our sales were from international operations. During the six months ended June 30, 2024 and 2023, 60% and 59%, respectively, of our sales were from international operations.

Sales by geographic segment were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Sales:				
Americas	$ 343,141	$ 404,220	$ 715,470	$ 801,427
Asia	257,670	286,850	515,486	554,893
Europe	85,856	74,590	166,352	152,445
Elimination of intersegment sales	(20,771)	(32,428)	(55,837)	(80,838)
Total sales	$ 665,896	$ 733,232	$ 1,341,471	$ 1,427,927

Americas. Second quarter of 2024 sales decreased 15% to $343.1 million from $404.2 million in the second quarter of 2023. Sales during the first six months of 2024 decreased 11% to $715.5 million from $801.4 million in the same period of 2023. The decreases were primarily due to softness in the semi-cap, medical and AC&C sectors partially offset by increased demand in the A&D sector.

Asia. Second quarter of 2024 sales decreased 10% to $257.7 million from $286.9 million in the second quarter of 2023. Sales during the first six months of 2024 decreased 7% to $515.5 million from $554.9 million in the same period of 2023. The decreases were primarily due to a decrease in existing customer demand of our complex industrials, A&D and AC&C sectors partially offset by increased demand in the semi-cap sector.

Europe. Second quarter of 2024 sales increased 15% to $85.9 million from $74.6 million in the second quarter of 2023. Sales during the first six months of 2024 increased 9% to $166.4 million from $152.4 million in the same period of 2023. The increases were primarily due to higher demand in the semi-cap and A&D sectors partially offset by a decrease in the complex industrials sector.

Gross Profit

Gross profit increased 1% to $68.0 million in the second quarter of 2024 from $67.0 million in the second quarter of 2023. Gross profit increased 3% to $135.4 million in the first six months of 2024 from $131.0 million in the same period of 2023. The increases were primarily due to improved operational efficiencies and the proactive reduction actions taken by our manufacturing sites. Gross profit margin increased to 10.2% in the second quarter of 2024 from 9.1% in the second quarter of 2023. Gross profit margin increased to 10.1% in the first six months of 2024 from 9.2% in the first six months of 2023. The increases were primarily due to improved operational efficiencies and the proactive cost reduction actions taken by our manufacturing sites.

Income from Operations

Second quarter of 2024 income from operations increased 11% to $27.3 million from $24.5 million in the second quarter of 2023. During the first six months of 2024 income from operations increased 12% to $52.8 million from $47.2 million in the first six months of 2023. The increases were primarily due to improved gross margin and cost actions taken to reduce selling, general and administrative (SG&A) expenses.

Income from operations by reportable segment was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Income from operations:				
Americas	$ 12,197	$ 13,915	$ 25,163	$ 27,246
Asia	32,129	25,598	65,906	54,382

Europe	6,628	3,360	13,405	10,046
Corporate and intersegment eliminations	(23,701)	(18,392)	(51,692)	(44,451)
Total income from operations	$ 27,253	$ 24,481	$ 52,782	$ 47,223

Americas. Second quarter of 2024 income from operations decreased 12% to $12.2 million from $13.9 million in the second quarter of 2023. Sales during the first six months of 2024 decreased 8% to $25.2 million from $27.2 million in the same period of 2023. The decreases were primarily due to lower revenue partially offset by cost control.

Asia. Second quarter of 2024 income from operations increased 26% to $32.1 million from $25.6 million in the second quarter of 2023. Sales during the first six months of 2024 increased 21% to $65.9 million from $54.4 million in the same period of 2023. The increases were primarily due to cost control partially offset by lower revenue.

Europe. Second quarter of 2024 income from operations increased 97% to $6.6 million from $3.4 million in the second quarter of 2023. Sales during the first six months of 2024 increased 33% to $13.4 million from $10.0 million in the same period of 2023. The increases were primarily due to higher revenue and cost control.

Selling, General and Administrative Expenses

SG&A expenses increased to $38.0 million in the second quarter of 2024 from $37.7 million in the second quarter of 2023. The increase was primarily due to higher stock compensation expense. SG&A decreased to $75.4 million in the first six months of 2024 from $75.9 million in the same period of 2023. The decrease was primarily due to cost actions taken, coupled with lower variable compensation expense.

Amortization of Intangible Assets

Amortization of intangible assets decreased to $1.2 million in the second quarter of 2024 from $1.6 million in the second quarter of 2023. Amortization of intangible assets decreased to $2.4 million in the first six months of 2024 from $3.2 million in the same period of 2023. The decrease was primarily due to certain intangible assets becoming fully amortized in 2023.

Restructuring Charges and Other Costs

During the six months ended June 30, 2024, we recognized $4.8 million of restructuring charges and other costs primarily due to capacity and workforce reductions at our sites in the Americas.

During the six months ended June 30, 2023, we recognized $3.8 million of restructuring charges and other costs primarily due to expenses associated with announced site closures or exits, reductions in force and other restructuring activities primarily in the Americas. Additionally, during the second quarter of 2023, the Company made the decision to no longer continue certain manufacturing capabilities in the Americas. In connection with that decision, the Company assessed the facility and equipment assets used in those manufacturing capabilities using valuation information from third parties and recorded $0.9 million of impairment charges as a result of that assessment. The asset impairment charges are included in the restructuring charges and other costs line item on the consolidated statements of income as of June 30, 2023.

See Note 12 to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Report for additional information on our restructuring charges and other costs.

Interest Expense

Interest expense decreased to $6.9 million in the second quarter of 2024 from $8.3 million in the second quarter of 2023. Interest expense decreased to $14.2 million in the first six months of 2024 from $14.7 million in the same period of 2023. The decreases were primarily due to decreased borrowings partially offset by a higher interest rate environment.

Interest Income

Interest income increased to $2.5 million in the second quarter of 2024 from $1.6 million in the second quarter of 2023. Interest expense increased to $4.5 million in the first six months of 2024 from $2.9 million in the same period of 2023. The increase was primarily due to higher interest rates.

Other (Expense) Income, Net

Other (expense) income, net was an expense of $2.3 million in the second quarter of 2024 compared to income of $0.1 million in the second quarter of 2023. Other (expense) income, net was an expense of $3.5 million in the first six months of 2024 compared to an expense of $2.1 million in the same period of 2023. The changes were primarily due to higher foreign currency exchange losses.

Income Tax Expense

Income tax expense of $5.0 million represented a 24.3% effective tax rate for the second quarter of 2024, compared with $3.9 million in the second quarter of 2023, representing an effective tax rate of 21.9%. The increase in 2024 is due to the expiration of tax incentives in China, the impact of the global intangible low-taxed income (GILTI) tax in the United States, and the implementation of the Global Minimum Tax (GMT) in some of our foreign jurisdictions beginning in 2024.

The Company has been granted certain tax incentives, including tax holidays, for its subsidiaries in Thailand, China and Malaysia that expire at various dates, unless extended or otherwise renegotiated, and are subject to certain conditions with which the Company expects to comply. The tax incentives in Thailand will expire on December 31, 2030. The tax incentives in China expired on December 31, 2023 and the tax incentives in Malaysia expired on March 31, 2021. The Company is applying for a continuation of the Malaysia tax incentives, which will extend the tax incentive period for five to ten years if approved. The Company will also apply for a three year China tax reduction in 2024 that will provide tax incentives for 2024 to 2026. There is no guarantee of being awarded these tax incentives in the future. See Note 8 to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Report.

Net Income

We reported net income of $15.5 million, or $0.43 per diluted share, for the second quarter of 2024, compared with net income of $14.0 million, or $0.39 per diluted share, for the second quarter of 2023. We reported net income of $29.5 million, or $0.81 per diluted share, for the first six months of 2024, compared with net income of $26.4 million, or $0.74 per diluted share, for the first six months of 2023. The increases were primarily due to the items discussed above.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed our organic growth and operations through funds generated from operations and occasional borrowings under our Credit Agreement (as defined below). Cash, cash equivalents and restricted cash totaled $309.9 million as of June 30, 2024, which included $291.0 million held outside the United States in various foreign subsidiaries.

Our operations, and the operations of businesses we acquire, are subject to certain foreign, federal, state and local regulatory requirements relating to environmental, waste management, health and safety matters. We believe we operate in substantial compliance with all applicable requirements, and we seek to ensure that newly acquired businesses comply or will comply substantially with applicable requirements. To date, the costs of compliance and workplace and environmental remediation have not been material to us. However, material costs and liabilities may arise from these requirements or from new, modified or more stringent requirements in the future. In addition, our past, current and future operations, and the operations of businesses we have or may acquire, may give rise to claims of exposure by employees or the public, or to other claims or liabilities relating to environmental, waste management or health and safety concerns.

Management believes that our existing cash balances, funds generated from operations, and borrowing availability under our revolving credit facility will be sufficient to permit us to meet our liquidity requirements over the next 12 months. Management further believes that our ongoing cash flows from operations and any borrowings we may incur under our revolving credit facility will enable us to meet operating cash requirements in future years. If we consummated significant acquisitions in the future, our capital needs would increase and could possibly result in our need to increase available borrowings under our Credit Agreement or access public or private debt and equity markets. There can be no assurance, however, that we would be successful in raising additional debt or equity on acceptable terms.

Cash Flows

Cash provided from operating activities was $104.3 million during the first six months of 2024 and primarily consisted of $29.5 million of net income, adjusted for $23.0 million of depreciation and amortization, $6.4 million of stock-based compensation expense, a $71.3 million decrease in accounts receivable and a $82.7 million decrease in inventories, partially offset by a $47.7 million decrease in advance payments from customers, a $22.6 million decrease in accrued liabilities and a $25.6 million decrease in accounts payable. Working capital was $0.9 billion as of June 30, 2024.

We primarily purchase components only after customer orders or forecasts are received, which mitigates, but does not eliminate, the risk of loss on inventories. Supplies of electronic components and other materials used in operations are subject to industry-wide shortages. In certain instances, suppliers may allocate available quantities to us. When shortages of these components and other material supplies used in operations have occurred, vendors have at times been unable to ship the quantities we need for production, forcing us to delay shipments, which can increase backorders and impact cash flows. Vendors also may increase the costs of components based on the market conditions including these shortages. In certain instances, we request and receive advance payments from customers as prepayments of inventory to meet working capital demands of a contract, offset inventory risks such as inventory purchased in advance of current needs and protect the Company from the failure of other parties to fulfill obligations under a contract. For example, we have been impacted by supply chain constraints, including shortages, longer lead times and increased transit times.

Cash used in investing activities was $15.8 million during the first six months of 2024 primarily due to capital expenditures for property, plant and equipment of $12.8 million and purchased software of $1.6 million. The purchases of property, plant and equipment were primarily for leasehold improvements and machinery and equipment in the Americas and Asia.

Cash used in financing activities was $58.9 million during the first six months of 2024. Borrowings under the Credit Agreement were $320.0 million and principal payments under the Credit Agreement were $361.6 million. In addition, we paid $11.8 million of dividends and $5.8 million for employee taxes paid to settle stock-based awards exercised during the first six months of 2024.

Credit Agreement

On December 21, 2021, the Company amended and restated the Company’s prior $650 million credit agreement by entering into a $381 million amended and restated credit agreement (the Amended and Restated Credit Agreement). Under the terms of the Amended and Restated Credit Agreement, in addition to the $131.3 million term loan facility, we have a $250.0 million five-year revolving credit facility to be used for general corporate purposes, both with a maturity date of December 21, 2026.

On May 20, 2022, the Company entered into Amendment No. 1 (the Amendment) to the Amended and Restated Credit Agreement (as amended, the Credit Agreement). The Amendment increased the revolving credit facility commitments from $250 million to $450 million. The Amendment also established that the interest on outstanding borrowings starting on the next reset date and any new borrowings under the Amendment (other than swingline loans) will accrue, at the Company's option, at (a) Bloomberg Short Term Bank Yield Index (BSBY) plus the Applicable Rate (as defined in the Credit Agreement, approximately 1.00% to 2.00% per annum depending on various factors) or (b) for U.S. dollar denominated loans, the base rate (which is the highest of (i) the federal funds rate plus 0.50%, (ii) the Bank of America, N.A. prime rate, (iii) the one-month BSBY adjusted daily rate plus 1.00% and (iv) 1.00%).

On February 3, 2023, the Company entered into Amendment No. 2 to the Credit Agreement, which increased the maximum amount of trade accounts receivable that the Company may elect to sell at any one time to $200.0 million.

On May 1, 2023, the Company entered into Amendment No. 3 to the Credit Agreement (Amendment No. 3), which increased the revolving credit facility commitments from $450 million to $550 million. Amendment No. 3 also established that the interest on outstanding borrowings starting on the next reset date and any new borrowings under Amendment No. 3 (other than swingline loans) will accrue, at the Company's option, at (a) Term Secured Overnight Financing Rate (SOFR) plus 0.10% plus the Applicable Rate (as defined in the Credit Agreement, approximately 1.00% to 2.00% per annum depending on various factors) or (b) for U.S. dollar denominated loans, the base rate (which is the highest of (i) the federal funds rate plus 0.50%, (ii) the Bank of America, N.A. prime rate, (iii) Term SOFR plus 1.00% and (iv) 1.00%).

As of June 30, 2024, we had $125.5 million in borrowings outstanding under the term loan facility and $165.0 million outstanding under our revolving credit facility and $4.4 million in letters of credit outstanding under our revolving credit facility. See Note 5 to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Report for more information regarding the terms of our Credit Agreement.

The Credit Agreement contains certain financial covenants related to interest coverage and debt leverage, and certain customary affirmative and negative covenants, including restrictions on our ability to incur additional debt and liens, pay dividends, repurchase shares, sell assets and merge or consolidate with other persons. Amounts due under the Credit Agreement could be accelerated upon specified events of default, including a failure to pay amounts due, breach of a covenant, material inaccuracy of a representation, or occurrence of bankruptcy or insolvency, subject, in some cases, to cure periods. As of June 30, 2024, we were in compliance with all of these covenants and restrictions.

As of June 30, 2024, we had $380.6 million available for borrowings under the Credit Agreement. During the next 12 months, we believe our capital expenditures will approximate $60 million to $70 million, principally for machinery and equipment to help increase our production capacity to support anticipated revenue growth and our ongoing business around the globe.

Dividends

During the six months ended June 30, 2024 and 2023, cash dividends paid totaled $11.8 million and $11.7 million, respectively. On June 10, 2024, the Company declared a quarterly cash dividend of $0.165 per share of the Company's common stock to shareholders of record as of June 28, 2024. The dividend of $5.9 million was paid on July 12, 2024.

The Board of Directors currently intends to continue paying quarterly dividends. However, the Company's future dividend policy is subject to the Company's compliance with applicable law, and depending on, among other things, the Company's results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, restrictions in the Company's debt agreements, and other factors that the Board of Directors may deem relevant. Dividend payments are not mandatory or guaranteed; there can be no assurance that the Company will continue to pay a dividend in the future.

Effective July 30, 2024, the Company's Board of Directors have authorized an increase in the quarterly dividend from $0.165 to $0.17 per share.

Share Repurchase Authorization

On March 6, 2018, the Board of Directors approved an expanded share repurchase authorization granting the Company authority to repurchase up to $250 million in common stock in addition to the $100 million previously approved on December 7, 2015. On October 26, 2018 and February 19, 2020, the Board of Directors authorized the repurchase of an additional $100 million and $150 million of the Company’s common stock, respectively.

Share purchases may be made in the open market, in privately negotiated transactions or block transactions, at the discretion of the Company’s management and as market conditions warrant. Purchases will be funded from available cash and may be commenced, suspended or discontinued at any time without prior notice. Shares repurchased under the program are retired. The Company did not repurchase shares during the six months ended June 30, 2024. As of June 30, 2024, the Company had $154.6 million remaining under share repurchase authorizations.

CONTRACTUAL OBLIGATIONS

We have certain contractual obligations for operating leases that were summarized in “Contractual Obligations” under Part II, Item 7 in our 2023 10-K. Other than items discussed in Note 5 and Note 6 to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Report, there have been no material changes to our contractual obligations, outside of the ordinary course of our business, since December 31, 2023.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES AND RECENTLY ENACTED ACCOUNTING PRINCIPLES

Management’s discussion and analysis is based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. See Note 2 to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Report for a discussion of recently enacted accounting principles. Also, our significant accounting policies are summarized in Note 1 to the consolidated financial statements included in our 2023 10-K. There have been no changes to the items disclosed as critical accounting estimates in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our 2023 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our international sales comprise a significant portion of our business. We are exposed to risks associated with operating internationally, including:

- Foreign currency exchange risk;
- Import and export duties, taxes and regulatory changes;
- Inflationary economies or currencies; and
- Economic and political instability.

Additionally, some of our operations are in developing countries. Certain events, including natural disasters, can impact the infrastructure of a developing country more severely than they would impact the infrastructure of a developed country. A developing country can also take longer to recover from such events, which could lead to delays in our ability to resume full operations.

We transact business in various foreign countries and are subject to foreign currency fluctuation risks. We use natural hedging and forward contracts to economically hedge transactional exposure primarily associated with trade accounts receivable, other receivables and trade accounts payable that are denominated in a currency other than the functional currency of the respective operating entity. We do not use derivative financial instruments for speculative purposes. Certain forward currency exchange contracts in place as of June 30, 2024 have not been designated as accounting hedges and, therefore, changes in fair value are recorded within our unaudited condensed consolidated statements of income in Part I, Item 1 of this Report.

The Company enters into forward currency exchange contracts designated as cash flow hedges of forecasted foreign currency expenses. Changes in the fair value of the derivatives are recorded in accumulated other comprehensive loss on the condensed consolidated balance sheets until earnings are affected by the variability of the cash flows.

Our sales are substantially denominated in U.S. dollars. Our foreign currency cash flows are generated in certain European and Asian countries and Mexico.

We are also exposed to market risk for changes in interest rates on our financial instruments, a portion of which relates to our invested cash balances. We do not use derivative financial instruments in our investing activities. We place cash and cash equivalents and investments with various major financial institutions. We protect our invested principal funds by limiting default risk, market risk and reinvestment risk. We mitigate default risk by generally investing in investment grade securities.

We are also exposed to interest rate risk on borrowings under our Credit Agreement. As of June 30, 2024, we had $125.5 million outstanding on the floating rate term loan facility, and we have an interest rate swap agreement with a notional amount of $125.5 million and a fixed interest rate of 4.039%. Under this swap agreement, we receive variable rate interest rate payments and pay fixed rate interest payments. The effect of this swap is to convert our floating rate interest expense to fixed interest rate expense. The interest rate swap is designated as a cash flow hedge.

For additional information regarding our forward currency exchange contracts and interest rate swap agreement, see Note 14 to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Report.

Item 4. Controls and Procedures

As of the end of the period covered by this Report, the Company's management (with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO)) conducted an evaluation pursuant to Rule 13a-15 under the Exchange Act of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act). Based on this evaluation, the CEO and CFO concluded that as of the end of the period covered by this Report, such disclosure controls and procedures were effective at a reasonable assurance level to ensure that information required to be disclosed by the Company in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the last fiscal quarter covered by this Report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

We are currently upgrading our ERP system, which is expected to occur in phases over the next several years. We have completed the implementation of the upgrades at certain of the Company's locations and have revised and updated the related controls. These changes did not materially affect our internal control over financial reporting. As we implement the upgrades of this ERP system at the remaining locations over the next several years, we will continue to assess the impact on our internal control over financial reporting.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by individuals' acts, by collusion of two or more people, or by management overriding the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various legal actions arising in the ordinary course of business. Information about our legal proceedings is included in Note 11 to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Report and is incorporated by reference herein. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position or results of operations.

Item 1A.Risk Factors

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A of our 2023 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) The following table provides information for the three months ended June 30, 2024 about the Company's repurchases of its equity securities registered pursuant to Section 12 of the Exchange Act:

(amounts in millions, except per share data)	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs [1]
April 1 to 30, 2024	—	$ —	—	$ 154.6
May 1 to 31, 2024	—	—	—	154.6
June 1 to 30, 2024	—	—	—	154.6
Total	—	—	—	154.6

[1] On October 30, 2018, the Company announced that the Board of Directors authorized the repurchase of $100 million of shares of the Company's common stock in addition to the $250 million previously announced on March 7, 2018. On February 24, 2020, the Company announced that the Board of Directors authorized the repurchase of an additional $150 million of shares of the Company's common stock. Stock purchases may be made in the open market, in privately negotiated transactions or block transactions, at the discretion of the Company's management and as market conditions warrant. Purchases are funded from available cash and may be commenced, suspended or discontinued at any time without prior notice. Shares of stock repurchased under the program are retired. The Company did not repurchase shares during the six months ended June 30, 2024 and 2023. As of June 30, 2024, the Company had $154.6 million remaining under share repurchase authorizations.

Item 5. Other Information

Rule 10b5-1 Plan Adoptions and Modifications

During the three months ended June 30, 2024, no director or officer adopted or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement", each as defined in Item 408 of Regulation S-K.

Item 6. Exhibits

Exhibit No.	Exhibit Description
3.1	Restated Certificate of Formation dated May 17, 2016 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 17, 2016) (the 8-K) (Commission file number 1-10560)
3.2	Amended and Restated Bylaws of the Company dated December 2, 2020 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated December 7, 2020 (Commission file number 1-10560))
4.1	Specimen form of certificate evidencing the Common Shares (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014) (Commission file number 1-10560)
31.1 (1)	Section 302 Certification of Chief Executive Officer
31.2 (1)	Section 302 Certification of Chief Financial Officer
32.1 (2)	Section 1350 Certification of Chief Executive Officer
32.2 (2)	Section 1350 Certification of Chief Financial Officer
101.INS (1)	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH (1)	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104 (1)	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101)

(1) Filed herewith

(2) Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on July 31, 2024.

BENCHMARK ELECTRONICS, INC.

(Registrant)

By: /s/ Jeffrey W. Benck

Jeffrey W. Benck
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Arvind Kamal

Arvind Kamal
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)