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# Q1 FY'23 Financial Results

January 30, 2023

# Today's Presenters



SANMINA



**Jure Sola**  
**Chairman & CEO**



**Kurt Adzema**  
**EVP & CFO**

# Safe Harbor Statement

Certain statements made during this presentation, including our financial outlook for the second quarter and expectations for fiscal year 2023 constitute forward-looking statements within the meaning of the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those projected in these statements as a result of a number of factors, most notably ongoing supply chain constraints, including those resulting from the continuing impacts of the COVID-19 pandemic, and geopolitical uncertainty, including from the conflict in Ukraine. Other factors that could cause our results to differ from our outlook include adverse changes to the key markets we target; significant uncertainties that can cause our future sales and net income to be variable; reliance on a small number of customers for a substantial portion of our sales; risks arising from our international operations; and the other factors set forth in the Company's annual and quarterly reports filed with the Securities Exchange Commission ("SEC"). In addition, during the course of today's presentation, we will refer to certain non-GAAP financial information. A reconciliation of such non-GAAP financial information to their most directly comparable GAAP measures are included on slide 18 of this presentation.

The Company is under no obligation to (and expressly disclaims any such obligation to) update or alter any of the forward-looking statements made during this presentation, whether as a result of new information, future events or otherwise, unless otherwise required by law.



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# Financial Overview

Kurt Adzema

# Q1'23 Non-GAAP Actual Results vs Outlook

	Q1'23	Outlook <u>WAS</u>
Revenue	\$2.36B	\$2.1B - \$2.2B
Gross Margin	8.3%	8.1% - 8.6%
Operating Margin	5.8%	5.3% - 5.8%
Diluted EPS	\$1.64	\$1.41 - \$1.51

**Strong Demand and Solid Execution**

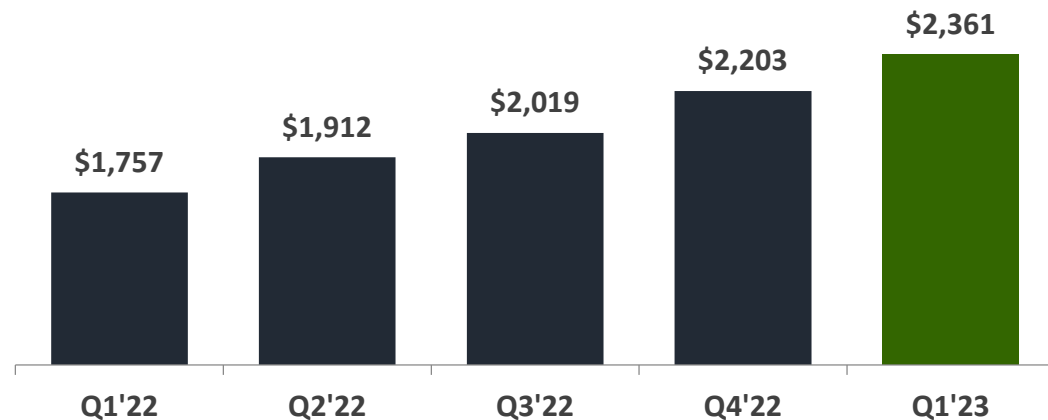
# Q/Q P&L Performance

(\$ in millions, except per share data)

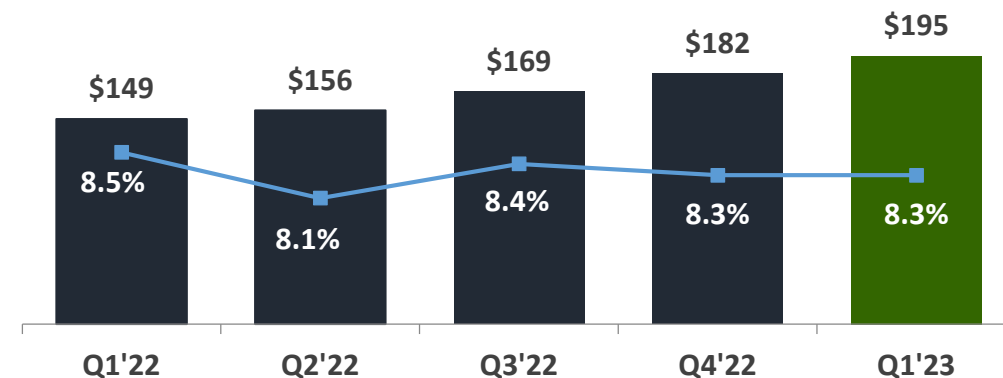


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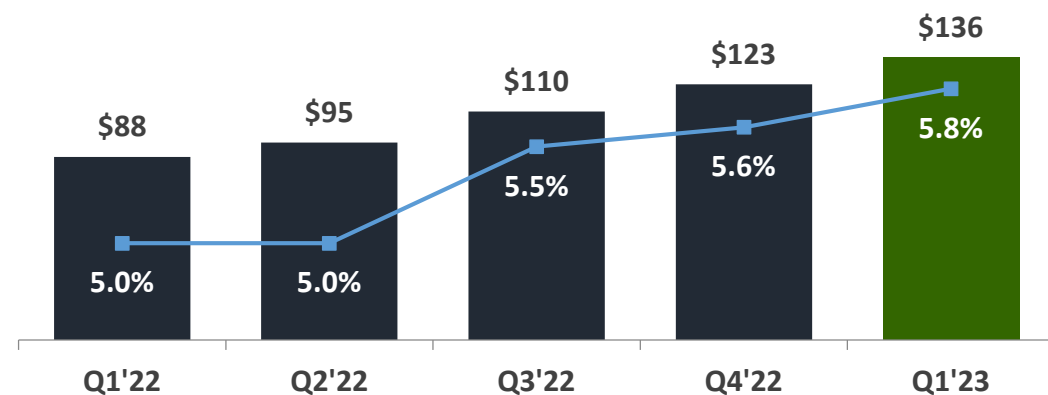
## Revenue



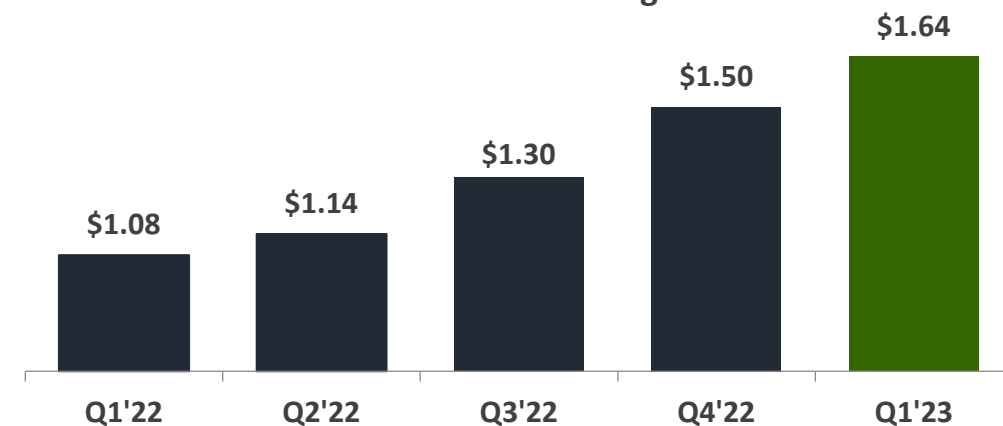
## Non-GAAP Gross Profit / Margin



## Non-GAAP Operating Income / Margin



## Non-GAAP Diluted Earnings Per Share



Refer to GAAP to non-GAAP reconciliation on slide 18.

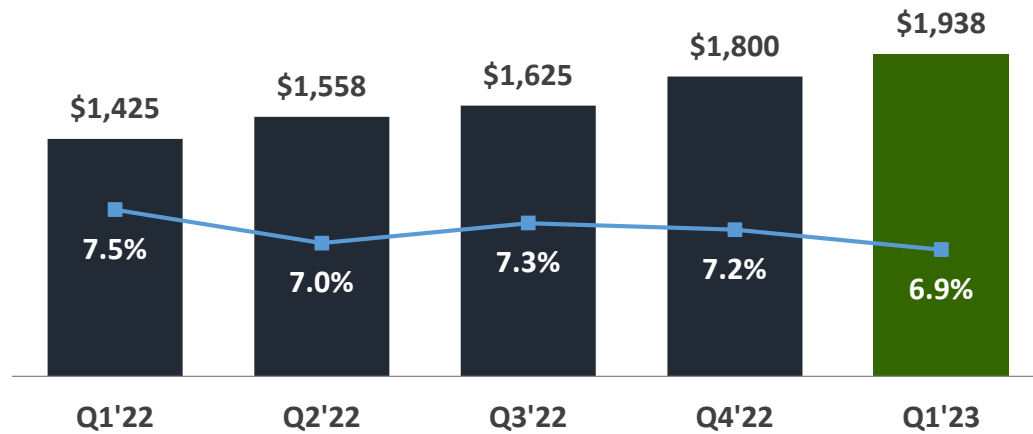
# Segment Reporting – Revenue and Non-GAAP Gross Margin\*

(\$ in millions)

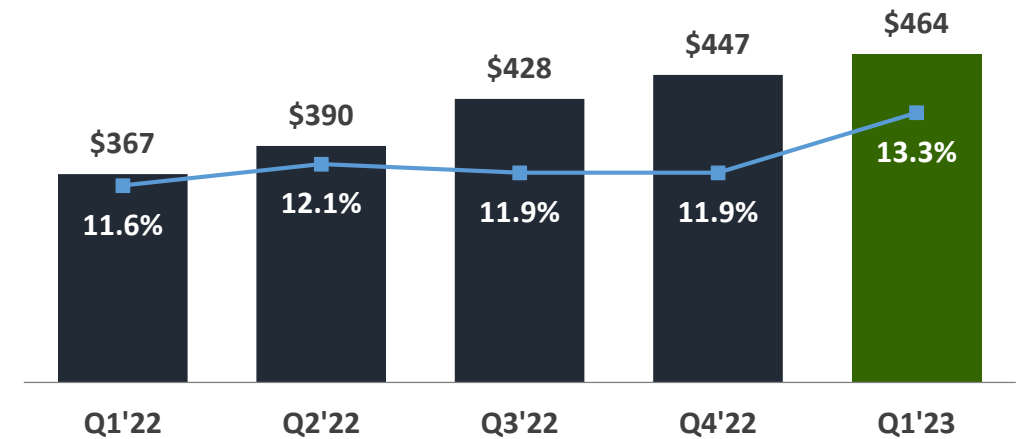


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## Integrated Manufacturing Solutions



## Components, Products and Services



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

# Strong Balance Sheet

(\$ in Millions)



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12/31/2022

Cash and cash equivalents	\$ 735
Accounts receivable, net	1,309
Contract assets	502
Inventories	1,728
Property, plant and equipment, net	591
Deferred tax assets	190
Other assets	253
Total assets	<u>\$ 5,307</u>
Accounts payable	\$ 2,139
Short-term debt	18
Long-term debt	325
Other liabilities	651
Total stockholders' equity	<u>2,174</u>
Total liabilities and stockholders' equity	<u>\$ 5,307</u>

## Key Takeaways:

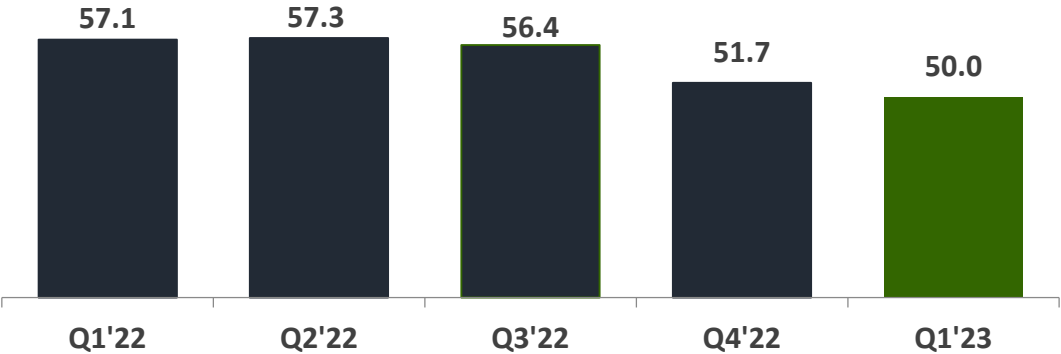
- Solid cash position
- No borrowings under \$800M revolver
- Cash flow from operations: \$37M
- Net CapEx: \$37M

**Well Positioned to Manage Through Uncertain Environment**

# Balance Sheet Metrics

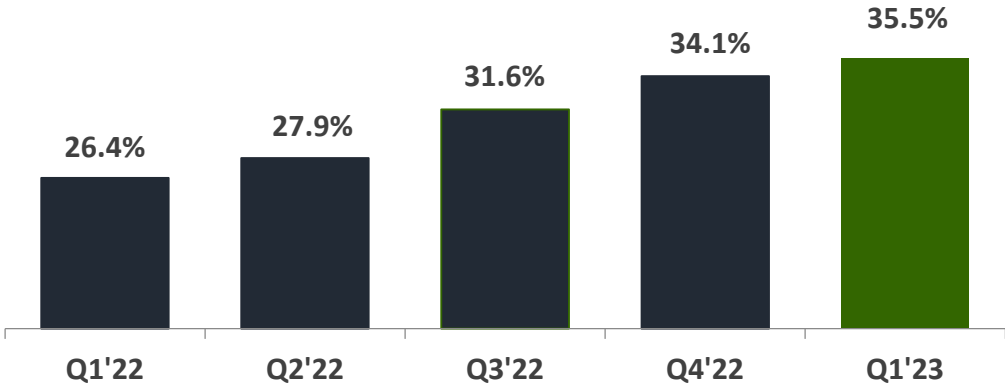


Cash Cycle Days



Cash cycle days (a measure of how quickly we convert investments in inventory to cash) is calculated as days inventory on hand (ratio of average inventory for the quarter to average daily non-GAAP cost of sales\* for the quarter) plus days sales outstanding (ratio of average net accounts receivable to average daily net sales for the quarter) minus accounts payable days (ratio of 365 days divided by accounts payable turns - ratio of four times non-GAAP cost of sales for the quarter to average accounts payable).

Non-GAAP Pre-Tax ROIC



**Working Capital Management Remains a Priority**

\* Non-GAAP cost of sales excludes the same items that are excluded from the calculation of non-GAAP gross margin.

# Q2'23 Outlook

The following outlook for the second fiscal quarter ending April 1, 2023\*.

	Q2'23
Revenue:	\$2.2B - \$2.3B
GAAP Diluted EPS:	\$1.30 - \$1.40
Non-GAAP Diluted EPS:	\$1.50 - \$1.60

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# Business Overview

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# Revenue by End-Market

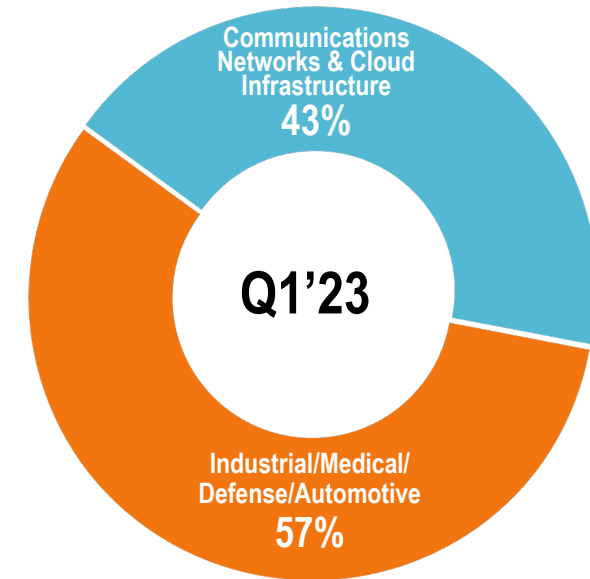
(\$ in millions)



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	Q1'22	Q4'22	Q1'23	Q1'23 Growth
Industrial/Medical/ Defense/Automotive	\$1,055	\$1,288	\$1,345	Q/Q: 4.5% Y/Y: 27.5%
Communications Networks & Cloud Infrastructure	\$702	\$915	\$1,016	Q/Q: 11.0% Y/Y: 44.6%
<b>Total</b>	<b>\$1,757</b>	<b>\$2,203</b>	<b>\$2,361</b>	Q/Q: 7.2% Y/Y: 34.4%

Numbers may not foot due to rounding.



**Q1 FY'23 Top 10 Customers – 50.6% of Revenue**

# Q2'23 and FY'23 Outlook

## ■ Q2'23

- Strong revenue outlook of \$2.2B - \$2.3B

## ■ FY'23

- We expect to deliver nice improvements over FY'22
- Revenue growth driven by existing and new programs
- Margin expansion and EPS growth
- Cash generation from operations to fund growth



**Strong Demand Across End-Markets**

# Summary

## ■ Q1'23

- Solid execution – Excellent performance by the team
- Revenue: \$2.36B, ↑ 7.2% sequentially, ↑ 34.4% y/y
- Non-GAAP operating margin: 5.8% - expanded 20 bps sequentially
- Non-GAAP diluted EPS: \$1.64, ↑ 9.5% sequentially, ↑ 52.7% y/y

## ■ Q2'23

- Typical seasonality
- Demand remains strong
- Strong backlog
- Revenue outlook: \$2.2B - \$2.3B
- Non-GAAP diluted EPS: \$1.50 - \$1.60

**Driving Continuous Improvements**



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**Consolidated Financial  
Statements  
Reconciliation of  
GAAP vs. Non-GAAP  
Quarter Ended: December 31, 2022**



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**Sanmina Corporation**  
**Condensed Consolidated Balance Sheets**  
(\$ in thousands)  
(GAAP)

	December 31, 2022	October 1, 2022
	(Unaudited)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 735,314	\$ 529,857
Accounts receivable, net	1,308,651	1,138,894
Contract assets	501,893	503,674
Inventories	1,728,000	1,691,081
Prepaid expenses and other current assets	80,675	62,044
Total current assets	<u>4,354,533</u>	<u>3,925,550</u>
Property, plant and equipment, net	591,155	575,170
Deferred tax assets	189,638	198,588
Other	171,886	160,192
Total assets	<u><u>\$ 5,307,212</u></u>	<u><u>\$ 4,859,500</u></u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 2,139,445	\$ 2,029,534
Accrued liabilities	292,212	275,735
Accrued payroll and related benefits	135,880	130,892
Short-term debt, including current portion of long-term debt	17,500	17,500
Total current liabilities	<u>2,585,037</u>	<u>2,453,661</u>
Long-term liabilities:		
Long-term debt	325,007	329,237
Other	223,376	215,333
Total long-term liabilities	<u>548,383</u>	<u>544,570</u>
Stockholders' equity	<u>2,173,792</u>	<u>1,861,269</u>
Total liabilities and stockholders' equity	<u><u>\$ 5,307,212</u></u>	<u><u>\$ 4,859,500</u></u>



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

	Three Months Ended	
	December 31, 2022	January 1, 2022
Net sales	\$ 2,361,361	\$ 1,757,325
Cost of sales	2,170,654	1,612,836
Gross profit	190,707	144,489
Operating expenses:		
Selling, general and administrative	60,730	61,475
Research and development	5,599	4,777
Gain on sale of assets	-	(4,610)
Restructuring and other costs	631	1,414
Total operating expenses	66,960	63,056
Operating income	123,747	81,433
Interest income	2,933	309
Interest expense	(8,681)	(4,877)
Other income (expense), net	(6,712)	2,072
Interest and other, net	(12,460)	(2,496)
Income before income taxes	111,287	78,937
Provision for income taxes	19,788	20,303
Net income before noncontrolling interest in subsidiary earnings	91,499	58,634
Noncontrolling interest in subsidiary earnings	3,100	-
Net income attributable to common shareholders	\$ 88,399	\$ 58,634
Basic income per share	\$ 1.53	\$ 0.91
Diluted income per share	\$ 1.48	\$ 0.89
Weighted-average shares used in computing per share amounts:		
Basic	57,727	64,399
Diluted	59,867	66,233



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

	Three Month Periods				
	Q1'23	Q4'22	Q3'22	Q2'22	Q1'22
GAAP Gross Profit	\$ 190,707	\$ 178,389	\$ 165,189	\$ 152,447	\$ 144,489
GAAP gross margin	8.1%	8.1%	8.2%	8.0%	8.2%
Adjustments					
Stock compensation expense (1)	4,242	3,610	3,724	2,948	3,783
Amortization of intangible assets	233	234	251	263	262
Legal and other (2)	-	-	-	-	833
<b>Non-GAAP Gross Profit</b>	<b>\$ 195,182</b>	<b>\$ 182,233</b>	<b>\$ 169,164</b>	<b>\$ 155,658</b>	<b>\$ 149,367</b>
<b>Non-GAAP gross margin</b>	<b>8.3%</b>	<b>8.3%</b>	<b>8.4%</b>	<b>8.1%</b>	<b>8.5%</b>
GAAP Operating Expenses	\$ 66,960	\$ 68,879	\$ 70,571	\$ 70,221	\$ 63,056
Adjustments					
Stock compensation expense (1)	(7,367)	(6,953)	(6,959)	(6,382)	(5,249)
Legal and other (2)	-	-	(500)	-	-
Restructuring costs	(631)	(3,085)	(3,994)	(2,932)	(1,414)
Transaction costs	-	-	(200)	(500)	-
Gain on sales of long-lived assets	-	-	-	-	4,610
<b>Non-GAAP Operating Expenses</b>	<b>\$ 58,962</b>	<b>\$ 58,841</b>	<b>\$ 58,918</b>	<b>\$ 60,407</b>	<b>\$ 61,003</b>
GAAP Operating Income	\$ 123,747	\$ 109,510	\$ 94,618	\$ 82,226	\$ 81,433
GAAP operating margin	5.2%	5.0%	4.7%	4.3%	4.6%
Adjustments					
Stock compensation expense (1)	11,609	10,563	10,683	9,330	9,032
Amortization of intangible assets	233	234	251	263	262
Legal and other (2)	-	-	500	-	833
Restructuring costs	631	3,085	3,994	2,932	1,414
Transaction costs	-	-	200	500	-
Gain on sales of long-lived assets	-	-	-	-	(4,610)
<b>Non-GAAP Operating Income</b>	<b>\$ 136,220</b>	<b>\$ 123,392</b>	<b>\$ 110,246</b>	<b>\$ 95,251</b>	<b>\$ 88,364</b>
<b>Non-GAAP operating margin</b>	<b>5.8%</b>	<b>5.6%</b>	<b>5.5%</b>	<b>5.0%</b>	<b>5.0%</b>
GAAP Interest and Other, net	\$ (12,460)	\$ (25,885)	\$ (12,849)	\$ (5,929)	\$ (2,496)
Adjustments					
Loss on termination of pension plan	-	2,380	-	-	-
Partial reversal of gain on sale of IP	-	7,000	-	-	-
Loss on extinguishment of debt	-	1,370	-	-	-
Legal and other (2)	-	-	-	(110)	-
<b>Non-GAAP Interest and Other, net</b>	<b>\$ (12,460)</b>	<b>\$ (15,135)</b>	<b>\$ (12,849)</b>	<b>\$ (6,039)</b>	<b>\$ (2,496)</b>
GAAP Provision for Income Taxes	\$ 19,788	\$ 18,901	\$ 2,226	\$ 23,077	\$ 20,303
Adjustments					
Tax impact of non-GAAP adjustments	1,986	879	534	346	167
Discrete tax items	5,845	2,415	18,394	(3,526)	(384)
Deferred tax adjustments	(5,342)	(3,783)	(4,110)	(3,856)	(5,488)
<b>Non-GAAP Provision for Income Taxes</b>	<b>\$ 22,277</b>	<b>\$ 18,412</b>	<b>\$ 17,044</b>	<b>\$ 16,041</b>	<b>\$ 14,598</b>
GAAP Net Income	\$ 88,399	\$ 64,724	\$ 79,543	\$ 53,220	\$ 58,634
Adjustments:					
Operating income adjustments (see above)	12,473	13,882	15,628	13,025	6,931
Interest and other (see above)	-	10,750	-	(110)	-
Adjustments for taxes	(2,489)	489	(14,818)	7,036	5,705
<b>Non-GAAP Net Income</b>	<b>\$ 98,383</b>	<b>\$ 89,845</b>	<b>\$ 80,353</b>	<b>\$ 73,171</b>	<b>\$ 71,270</b>
<b>GAAP Net Income Per Share:</b>					
Basic	\$ 1.53	\$ 1.12	\$ 1.33	\$ 0.85	\$ 0.91
Diluted	\$ 1.48	\$ 1.08	\$ 1.29	\$ 0.83	\$ 0.89
<b>Non-GAAP Net Income Per Share:</b>					
Basic	\$ 1.70	\$ 1.55	\$ 1.34	\$ 1.16	\$ 1.11
Diluted	\$ 1.64	\$ 1.50	\$ 1.30	\$ 1.14	\$ 1.08
Weighted-average shares used in computing per share amounts:					
Basic	57,727	58,023	59,970	62,845	64,399
Diluted	59,867	59,844	61,702	64,271	66,233

(1) Stock compensation expense was as follows:

	Q1'23	Q4'22	Q3'22	Q2'22	Q1'22
Cost of sales	\$ 4,242	\$ 3,610	\$ 3,724	\$ 2,948	\$ 3,783
Selling, general and administrative	7,142	6,807	6,819	6,276	5,135
Research and development	225	146	140	106	114
Total	\$ 11,609	\$ 10,563	\$ 10,683	\$ 9,330	\$ 9,032

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

Earnings Per Share Outlook:	Q2 FY23 EPS Range*	
	Low	High
GAAP diluted earnings per share	\$ 1.30	\$ 1.40
Stock compensation expense	\$ 0.20	\$ 0.20
Non-GAAP diluted earnings per share	\$ 1.50	\$ 1.60

\* Due to uncertainty regarding the timing of recognition of restructuring charges, impairment charges and charges for other unusual or infrequent items, if any, that could be incurred during the second quarter of FY23, an estimate of such charges is not included in the outlook for Q2 FY23 GAAP EPS.



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**Sanmina Corporation**  
**Condensed Consolidated Cash Flow**  
(\$ in thousands)  
(Unaudited)

	Three Month Periods				
	Q1'23	Q4'22	Q3'22	Q2'22	Q1'22
GAAP Net Income before NCI	\$ 91,499	\$ 64,724	\$ 79,543	\$ 53,220	\$ 58,634
Depreciation and amortization	28,536	26,686	27,065	27,567	27,465
Other, net	19,743	35,180	18,739	15,429	12,101
Net change in net working capital	(102,554)	(44,692)	(23,664)	(17,243)	(29,900)
Cash provided by operating activities	<u>37,224</u>	<u>81,898</u>	<u>101,683</u>	<u>78,973</u>	<u>68,300</u>
Purchases of long-term investments	(800)	(300)	(700)	(1,000)	-
Net purchases of property & equipment	(36,530)	(48,155)	(37,434)	(27,263)	(17,362)
Cash used in investing activities	<u>(37,330)</u>	<u>(48,455)</u>	<u>(38,134)</u>	<u>(28,263)</u>	<u>(17,362)</u>
Net share repurchases	(7,836)	(23,438)	(124,365)	(113,146)	(67,773)
Net borrowing activities	(4,375)	27,987	(4,688)	(4,688)	(4,688)
Proceeds from other notes receivable	-	-	500	-	-
Proceeds from sale of non-controlling interest	215,799	-	-	-	-
Cash provided by (used for) financing activities	<u>203,588</u>	<u>4,549</u>	<u>(128,553)</u>	<u>(117,834)</u>	<u>(72,461)</u>
Effect of exchange rate changes	<u>1,975</u>	<u>(1,440)</u>	<u>(1,584)</u>	<u>(700)</u>	<u>(786)</u>
Net change in cash & cash equivalents	<u>\$ 205,457</u>	<u>\$ 36,552</u>	<u>\$ (66,588)</u>	<u>\$ (67,824)</u>	<u>\$ (22,309)</u>
Free cash flow:					
Cash provided by operating activities	\$ 37,224	\$ 81,898	\$ 101,683	\$ 78,973	\$ 68,300
Net purchases of property & equipment	(36,530)	(48,155)	(37,434)	(27,263)	(17,362)
Proceeds from sale of intellectual property	-	-	500	-	-
	<u>\$ 694</u>	<u>\$ 33,743</u>	<u>\$ 64,749</u>	<u>\$ 51,710</u>	<u>\$ 50,938</u>

**Sanmina Corporation**  
**Pre-Tax Return on Invested Capital (ROIC)**  
**(\$ in thousands)**  
**(Unaudited)**

	Three Month Periods				
	Q1 FY23	Q4 FY22	Q3 FY22	Q2 FY22	Q1 FY22
GAAP operating income	\$ 123,747	\$ 109,510	\$ 94,618	\$ 82,226	\$ 81,433
<b>x</b>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>
Annualized GAAP operating income	494,988	438,040	378,472	328,904	325,732
Average invested capital (1)	÷ 1,535,454	1,447,439	1,397,241	1,365,669	1,337,989
<b>GAAP pre-tax ROIC</b>	<b><u>32.2%</u></b>	<b><u>30.3%</u></b>	<b><u>27.1%</u></b>	<b><u>24.1%</u></b>	<b><u>24.3%</u></b>
Non-GAAP operating income	\$ 136,220	\$ 123,392	\$ 110,246	\$ 95,251	\$ 88,364
<b>x</b>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>
Annualized non-GAAP operating income	544,880	493,568	440,984	381,004	353,456
Average invested capital (1)	÷ 1,535,454	1,447,439	1,397,241	1,365,669	1,337,989
<b>Non-GAAP pre-tax ROIC</b>	<b><u>35.5%</u></b>	<b><u>34.1%</u></b>	<b><u>31.6%</u></b>	<b><u>27.9%</u></b>	<b><u>26.4%</u></b>

(1) Invested capital is defined as total assets (not including cash and cash equivalents and deferred tax assets) less total liabilities (excluding short-term and long-term debt).



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Thank You