

▶ **Benchmark**

# **Benchmark Electronics**

## **Sidoti Virtual Conference**

March 23, 2023

## Forward-Looking 2023 Statements

This document 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. 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 estimated financial impact of the COVID-19 pandemic, the Company’s outlook and guidance for first quarter and fiscal year 2023 results, the Company’s expectations relating to current supply chain and labor constraints, global geopolitical events, inflationary pressures, 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 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 Company’s Annual Report on Form 10-K for the year ended December 31, 2021, and in any of the Company’s subsequent reports filed with the Securities and Exchange Commission. In particular, these statements also depend on the duration, severity and evolution of the COVID-19 pandemic and related risks, including the emergence and severity of its variants, the availability of vaccines and potential hesitancy to utilize them, government and other third-party responses to the crisis and the consequences for the global economy, the Company’s business and the businesses of its suppliers and customers. Events relating to the possibility of customer demand fluctuations, supply chain constraints, continued inflationary pressures, the effects of foreign currency fluctuations and high interest rates, geopolitical uncertainties including trade restrictions, or the ability to utilize the Company’s manufacturing facilities at sufficient levels to cover its fixed operating costs, 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 our 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.

## Non-GAAP Financial Information

Management discloses non-GAAP information to provide investors with additional information to analyze the Company’s performance and underlying trends. A detailed reconciliation between GAAP results and results excluding certain items (“non-GAAP”) is included in the following tables attached to this document. In situations where a non-GAAP reconciliation has not been provided, the Company was unable to provide such a reconciliation without unreasonable effort due to the uncertainty and inherent difficulty predicting the occurrence, the financial impact and the periods in which the non-GAAP adjustments may be recognized. Management uses non-GAAP measures that exclude certain items in order to better assess operating performance and help investors compare results with our previous guidance. This document also references “free cash flow”, which the Company defines as cash flow from operations less additions to property, plant and equipment and purchased software. The Company’s non-GAAP information is not necessarily comparable to the non-GAAP information used by other companies. Non-GAAP information should not be viewed as a substitute for, or superior to, net income or other data prepared in accordance with GAAP as a measure of the Company’s profitability or liquidity. Readers should consider the types of events and transactions for which adjustments have been made.

# Benchmark By the Numbers

**\$2.9 billion \***  
2022 FY revenue

\* Including supply chain premium

## Sector Growth \*

**28%** growth  
in **Medical**

**39%** growth  
in **Complex Industrial**

**31%** growth  
in **Semi-Cap**

**21**

Global **Manufacturing**  
Locations

**7**

Global **Design**  
Centers

**13,500+**

Team Members Worldwide

**400+**

**Product Design**  
Engineers

## Our Mission:

Be our customers' trusted partner; providing comprehensive solutions across the entire product lifecycle; leading through our innovative technology and engineering design services; leveraging our optimized global supply chain and delivering world-class manufacturing services.

# Global Services Locations



► Total Sq. Footage: 50% Americas | 10% Europe | 40% Asia

# Benchmark Strategy – When it Matters

## Deliver Our Vision

- ▶ Solve unique high complexity challenges
- ▶ Provide end-to-end product realization services
- ▶ Partner with higher-value customers

## Invest For Sustainability

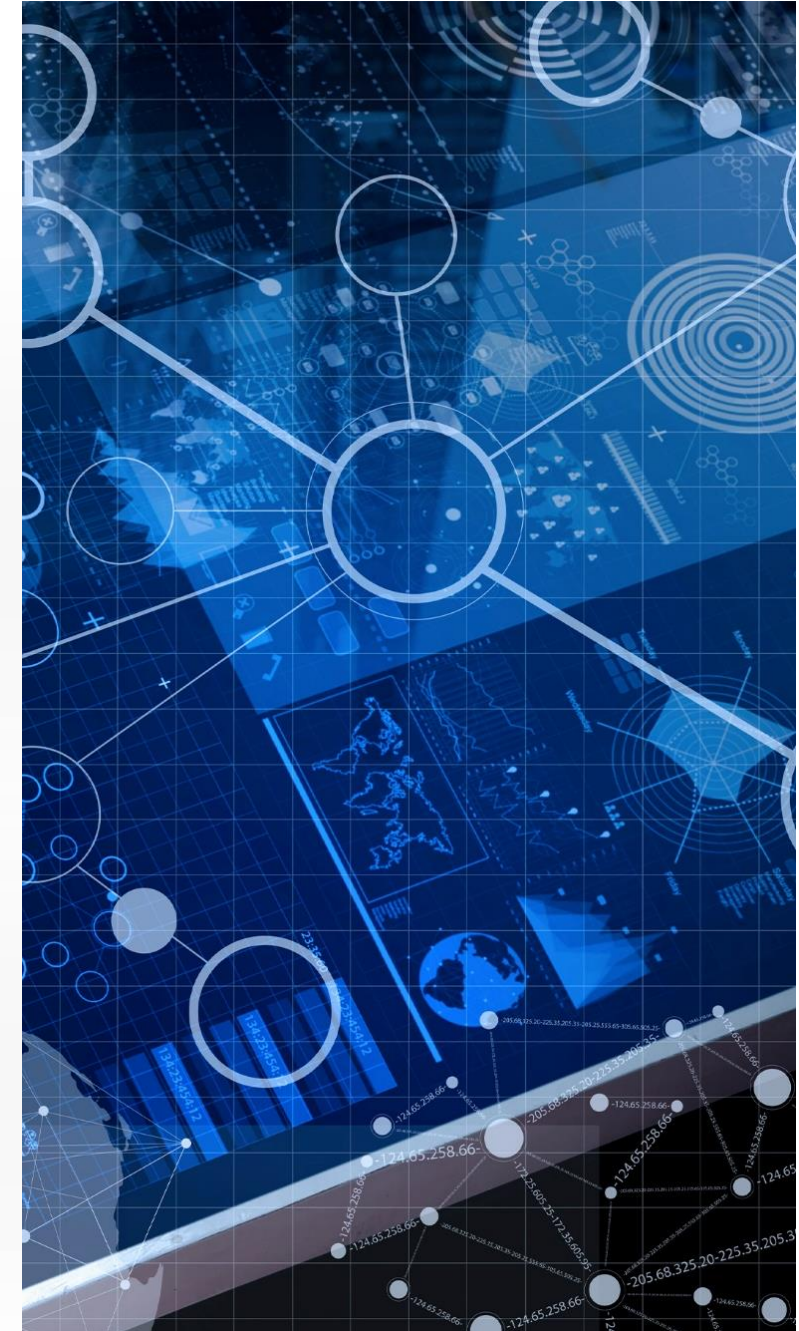
- ▶ Invest in people, processes, and solutions
- ▶ Expand diversity and inclusion
- ▶ Talent engagement—drive empowerment and accountability

## Operational Excellence

- ▶ Deliver best-in-class customer experience
- ▶ Apply lean principles everywhere
- ▶ Unlock cash generation with inventory initiatives

## Financial Model Discipline

- ▶ Sustain double-digit growth through 2025
- ▶ Improve operating margins to over 5%
- ▶ Grow earnings twice as fast as revenue



# Growth Drivers

# EMS Market Summary



2021 EMS Market Size

**\$544B**



Targeted Complex Markets

**~\$100B**



2021–2026 EMS  
Revenue CAGR

**6.8%**

## Next-generation Outsourcing Opportunities



▶ Medical

**< 50%**



▶ A&D

**< 25%**



▶ Industrials\*

**< 30%**



**Market Growth Supported by Increasing Outsourcing Opportunities**

Source: New Venture Research Corp reports.

\* Includes semi-cap

# Our Sector Focus

Pursuing the right business in high-growth, complex sectors

Medical



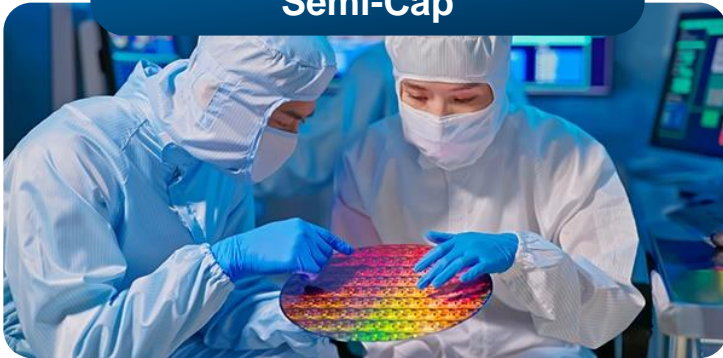
Aerospace and Defense



Industrials



Semi-Cap



Advanced Computing



Next Gen Communications



# Sector Engagement

## Participation

## Select Customers

### Semi-Cap



- ▶ Front-end Wafer Fabrication Equipment
- ▶ Material Handling and Control Systems



### Medical



- ▶ Fluid Management
- ▶ Radiological and Optical Imaging
- ▶ Medical Robotics
- ▶ Connected & Diagnostic Devices



### Industrials



- ▶ Automation & Robotics
- ▶ Control, Measurement & Test
- ▶ Capital Equipment
- ▶ Transportation, Sensory, & Surveillance



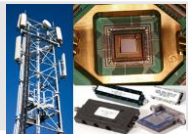
### A&D



- ▶ Communications and Connectivity
- ▶ Digital and Mechanical Subsystems
- ▶ Displays & Sensors
- ▶ Navigation



### Next Gen Comms



- ▶ Smart City and Antenna Infrastructure
- ▶ Wireless/Satellite/Free Space Optics
- ▶ Next-Gen Networking Infrastructure



### Advanced Computing

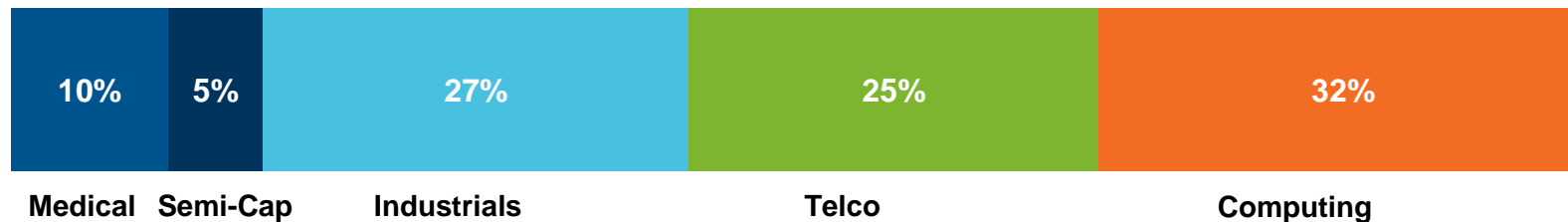


- ▶ Hyperscale/High Value Datacenter
- ▶ High Performance Computing
- ▶ Secure Computing

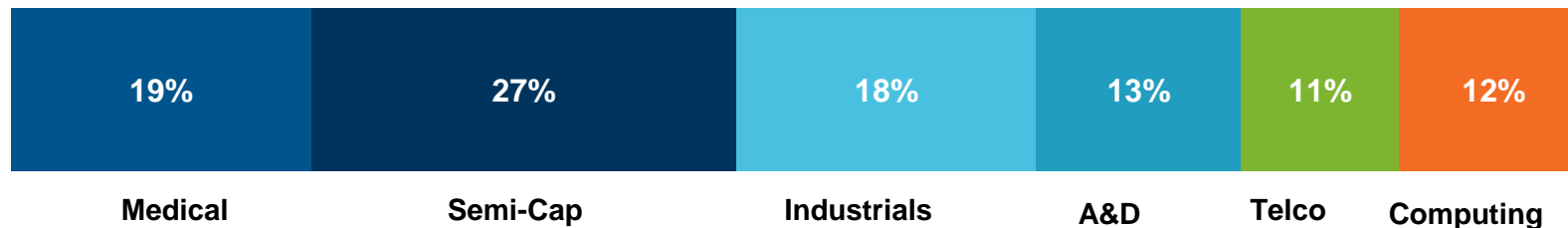


# | Sector Evolution

**FY12**















**FY22**



Excluding supply chain premium

**Highly complex products and demanding regulatory environments**

# Sector Year-Over-Year Outlook\*

	Fiscal Year 2022 Results (\$MM)				Outlook *		
	Total Revenue	Supply chain premiums (SCP)	Revenue adjusted for SCP *	Revenue growth adjusted for SCP*	Q1:23	FY2023	Sector Commentary
<b>Semi-Cap</b>	\$722	\$(16)	\$706	30%			<ul style="list-style-type: none"> <li>Memory weakness and trade restrictions are impacting current demand and visibility</li> <li>Multi-year industry catalysts remain in place; investing through downturn and gaining share</li> </ul>
<b>Medical</b>	\$593	\$(95)	\$498	13%			<ul style="list-style-type: none"> <li>Strong year-over-year growth fueled by strong demand in existing programs and new ramps</li> <li>Improving supply chain is a tail-wind</li> </ul>
<b>Industrials</b>	\$593	\$(111)	\$482	24%			<ul style="list-style-type: none"> <li>Healthy year-over-year growth due to new programs and strong demand from existing products</li> <li>Supply chain to ease throughout the year</li> </ul>
<b>A&amp;D</b>	\$348	\$(6)	\$342	(10%)			<ul style="list-style-type: none"> <li>Weapons systems replenishment could be a new driver</li> <li>Unfulfilled demand persists, particularly in Defense</li> </ul>
<b>Next Gen Comms</b>	\$320	\$(37)	\$283	24%			<ul style="list-style-type: none"> <li>Sequential performance impacted by strong Q4 but confident in annual growth</li> <li>Broadband Infrastructure deployments fueling growth</li> </ul>
<b>Adv. Computing</b>	\$310	\$(3)	\$307	58%			<ul style="list-style-type: none"> <li>Some push-out from Q4 into 1H not demand related</li> <li>Major program concluding in 2023 will weigh on growth potential this year</li> </ul>

\* Excludes supply chain premium (SCP) revenue in forecast and comparable period(s).

# Invest for Sustainability

# Focused Investment Discipline

## Investment Priorities



Regulatory & Compliance



Strategic Growth



Margin Accretive Capability

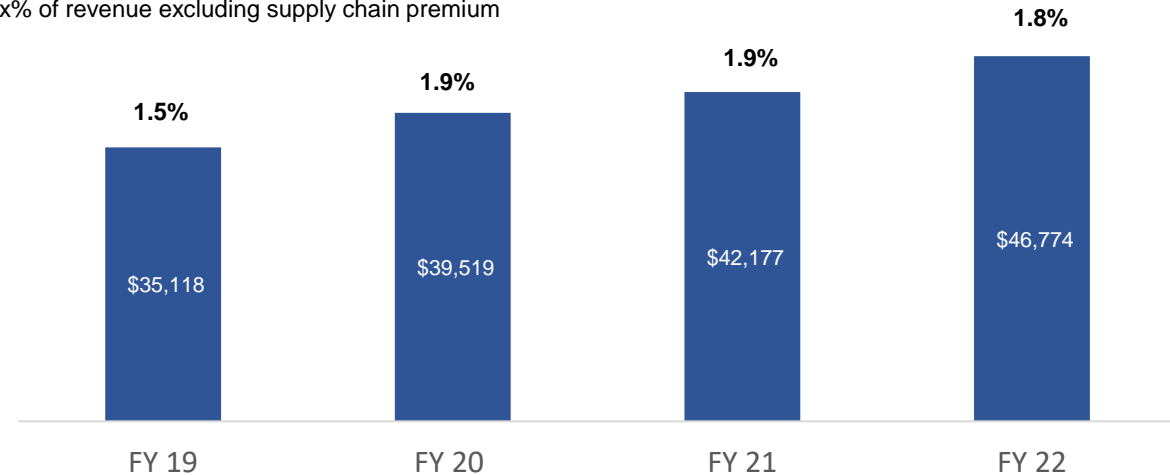


Leading Edge Process Technologies



## Capital Expenditures (\$000)

Capex% of revenue excluding supply chain premium



Investing to continuously improve our operations and drive accretive growth

# Sustainability is Core to Our Strategy



## Environmental

- ▶ Second annual sustainability report published Feb. 2023
- ▶ Set GHG intensity targets
- ▶ Achieved EcoVadis Silver Rating
- ▶ Conducted Benchmark Environmental Challenge to further progress on climate initiatives



## Social

- ▶ Benchmark is an inclusive organization
  - 54% of our workforce are women
  - 26% of senior leaders are women
  - 22% of Board members are female
  - 11% of Board members are racially/ethnically diverse
- ▶ Global unconscious bias and leading inclusively employee training



## Governance

- ▶ Independent Board operates under a contemporary set of published Corporate Governance Guidelines
- ▶ Code of Conduct applies to all directors, officers, and employees
- ▶ Ethics training encourages employees to “Speak up”

## Awards & Ratings:



Overall  
score: AA



2022 CDP  
Questionnaire  
Submission



2022 Sustainability  
Report



2022 EcoVadis  
Silver Rating



Low risk  
(Score of 10.3)

# Financial Model Discipline

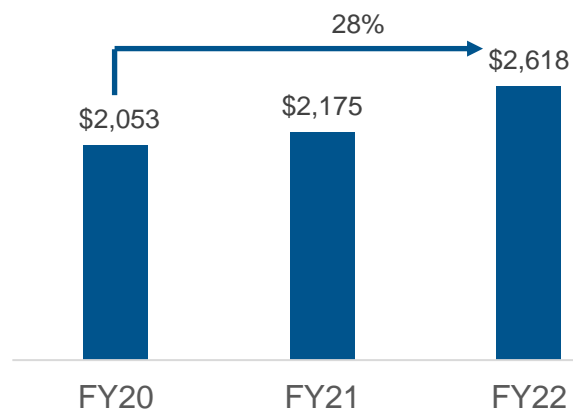
# Delivering on Our Commitments

(\$Millions, except per share data)

## Revenue Growth

5% Growth

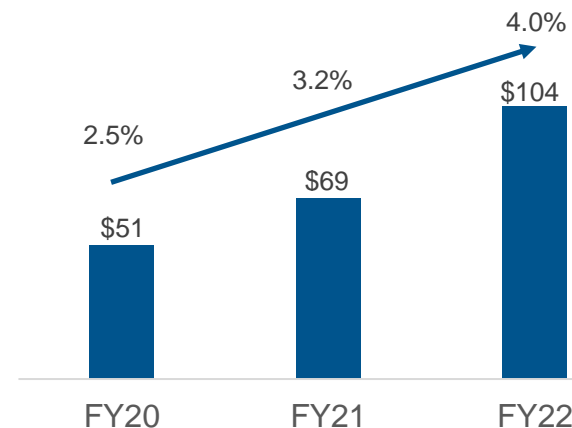
28% Growth <sup>(2)</sup>



## Non-GAAP Operating Income

3.4%\* to 3.8%<sup>(1)</sup>

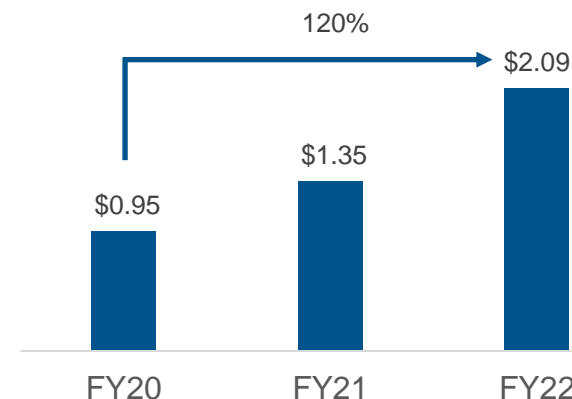
4.0% <sup>(1, 2)</sup>



## Earnings Growth

Growth Rate > Revenue Growth

120% non-GAAP EPS Growth

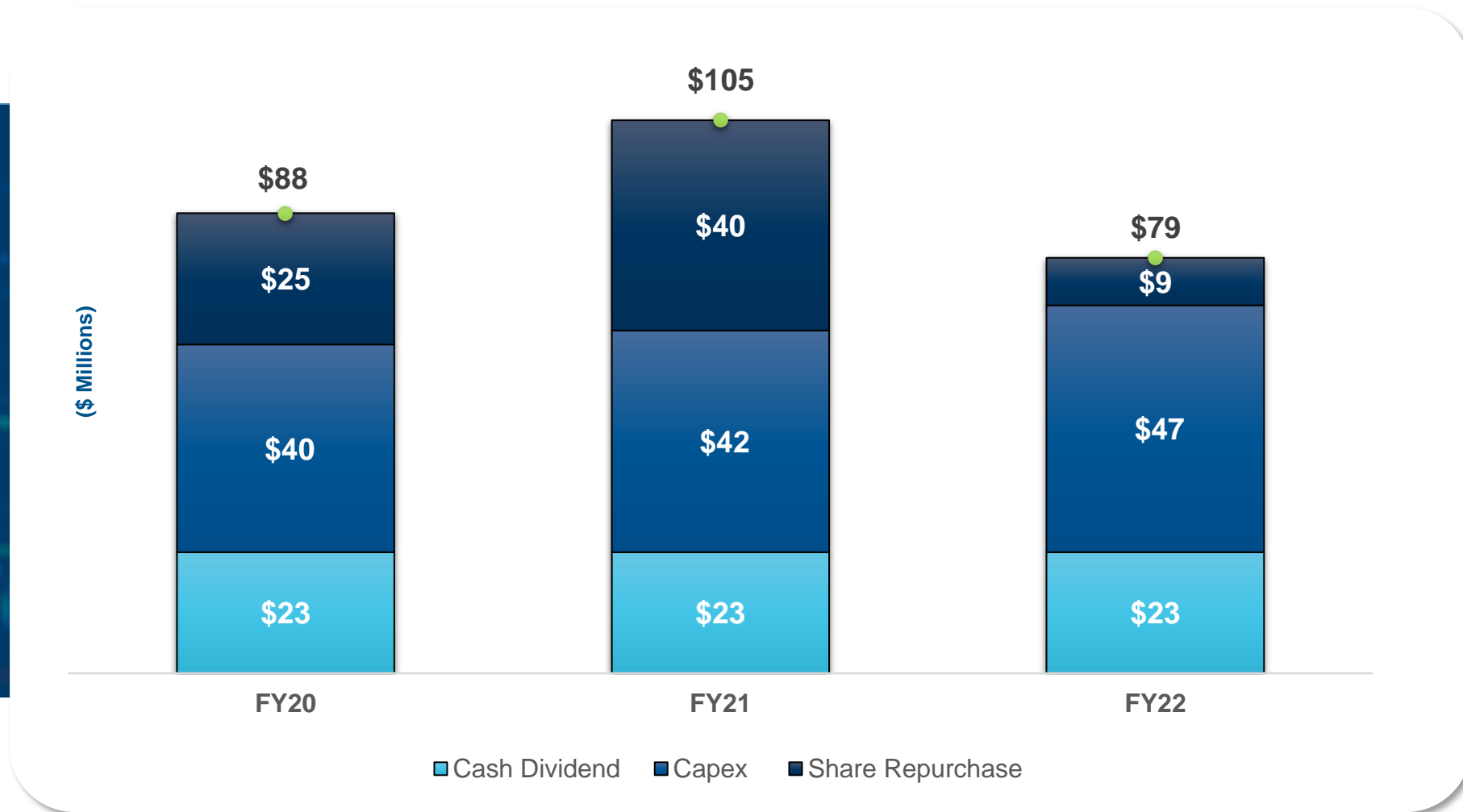


<sup>(1)</sup> Includes ~60 bps stock compensation per year

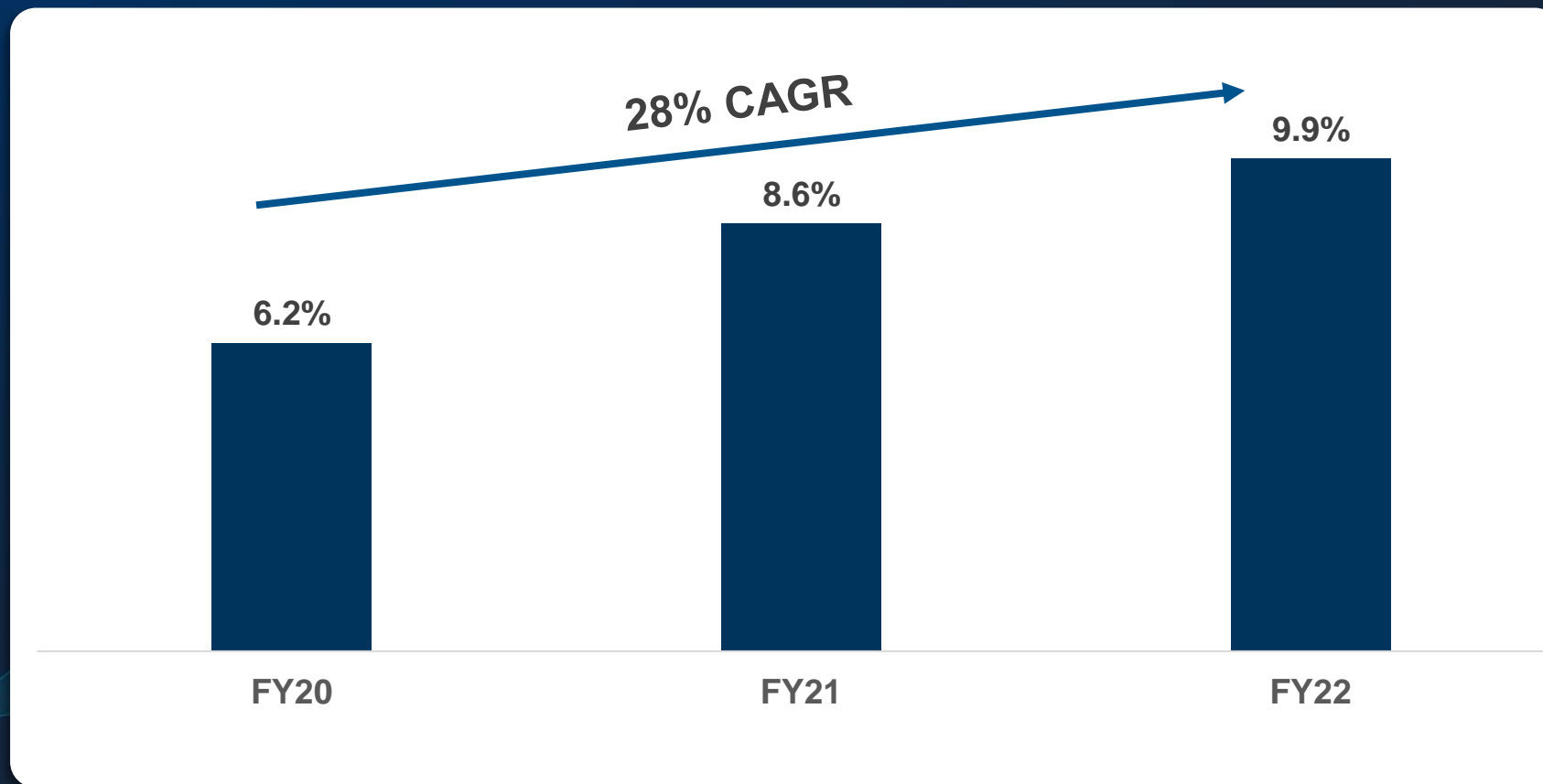
<sup>(2)</sup> Assumes the mid-point of Q4:22 guidance excluding the impact of supply chain premiums.

See APPENDIX 1 and 2 for a reconciliation of GAAP to non-GAAP Financial Results

# | Capital Allocation Trends



# | Driving Return on Invested Capital \*



\* Non-GAAP ROIC = (Non-GAAP TTM income from operations + Stock-based compensation – Non-GAAP Tax Impact) ÷ [Average Invested Capital for last 5 quarters]

# | Q1 Guidance and 2025 Target Model

Q1 23 Guidance	<b>11-17%</b> Revenue Growth <sup>(1)</sup>	<b>3.6-3.8%</b> Non-GAAP Operating Margin <sup>(2)</sup>	<b>\$0.39-\$0.45</b> Non-GAAP EPS		
2025 Target Model	<b>8-12%</b> Compounded Annual Revenue Growth <sup>(2)</sup>	<b>5.0-5.5%</b> Non-GAAP Operating Margin <sup>(2)</sup>	<b>&gt;\$3.30</b> Non-GAAP EPS	<b>14-15%</b> Non-GAAP ROIC <sup>(3)</sup>	<b>&gt;\$200M</b> Cumulative 2023-2025 Free Cash Flow

<sup>(1)</sup> Excluding supply chain premium

<sup>(2)</sup> Includes ~60 basis points of stock compensation

<sup>(3)</sup> Non-GAAP ROIC = (Non-GAAP TTM income from operations + Stock-based compensation – Non-GAAP Tax Impact) ÷ [Average Invested Capital for last 5 quarters]

# | Compelling Investment Opportunity



## **Macro & secular growth drivers**

Strategic roadmap to address multiple, sustainable growth drivers



## **Unique capabilities positioned to win**

Advanced global manufacturing, supply chain resilience, cross-business synergies, & value-added services



## **Operational excellence**

Transformed portfolio and executed with discipline in high-growth markets



## **Strong, profitable growth & margin expansion**

Confidence in our ability to capture and deliver profitable revenue, margin and free cash flow

*Benchmark, the partner you choose **When it matters.***



# APPENDIX 1 - Reconciliation of GAAP to non-GAAP Financial Results

(Amounts in Thousands, Except Per Share Data) – (UNAUDITED)

	Year Ended		
	2022	Dec 31, 2021	2020
Income from operations (GAAP)	\$ 90,069	\$ 53,062	\$ 25,134
Amortization of intangible assets	6,384	6,384	9,099
Restructuring charges and other costs	5,710	9,341	13,227
(Gain) loss on assets held for sale	(393)	—	—
Impairment	—	4,358	6,743
Ransomware incident related costs (recovery), net	—	(3,944)	(1,350)
Settlement	3,250	—	—
Customer insolvency (recovery)	(599)	(425)	(1,702)
Non-GAAP income from operations	<u>\$ 104,421</u>	<u>\$ 68,776</u>	<u>\$ 51,151</u>
GAAP operating margin	3.1%	2.4%	1.2%
Non-GAAP operating margin	3.6%	3.0%	2.5%
Gross Profit (GAAP)	\$ 255,235	\$ 205,901	\$ 175,048
Settlement	—	—	—
Customer insolvency (recovery)	(425)	(425)	(1,702)
Non-GAAP gross profit	<u>\$ 254,810</u>	<u>\$ 205,476</u>	<u>\$ 173,346</u>
GAAP gross margin	8.8%	9.1%	8.5%
Non-GAAP gross margin	8.8%	9.1%	8.4%
Selling, general and administrative expenses	\$ 150,215	\$ 136,700	\$ 122,195
Customer recovery	174	—	—
Non-GAAP selling, general and administrative expenses	<u>\$ 150,389</u>	<u>\$ 136,700</u>	<u>\$ 122,195</u>
Net income (GAAP)	\$ 68,229	\$ 35,770	\$ 14,055
Amortization of intangible assets	6,384	6,384	9,099
Restructuring charges and other costs	5,710	9,341	13,227
(Gain) loss on assets held for sale	(393)	—	—
Impairment	—	4,358	6,743
Ransomware incident related costs (recovery), net	—	(3,944)	(1,350)
Settlement	(2,955)	—	—
Customer insolvency (recovery)	(599)	(425)	(1,702)
Refinancing of Credit Facilities	—	276	—
Income tax adjustments <sup>(1)</sup>	(1,644)	(3,178)	(5,157)
Non-GAAP net income	<u>\$ 74,732</u>	<u>\$ 48,582</u>	<u>\$ 34,915</u>
Diluted earnings per share:			
Diluted (GAAP)	\$ 1.91	\$ 0.99	\$ 0.38
Diluted (Non-GAAP)	\$ 2.09	\$ 1.35	\$ 0.95
Weighted-average number of shares used in calculating diluted earnings per share:			
Diluted (GAAP)	35,718	36,101	36,817
Diluted (Non-GAAP)	35,718	36,101	36,817
Net cash used in operations	\$ (177,467)	\$ (2,622)	\$ 120,438
Additions to property, plant and equipment and software	(46,774)	(42,177)	(39,519)
Free cash flow (used)	<u>\$ (224,241)</u>	<u>\$ (44,799)</u>	<u>\$ 80,919</u>

(1) This amount represents the tax impact of the non-GAAP adjustments using the applicable effective tax rates.

## APPENDIX 2 - Reconciliation of Supply Chain Premiums

(Amounts in Millions) – (UNAUDITED)

	Year Ended		
	2022	Dec 31, 2021	2020
Sales (GAAP)	\$ 2,886	\$ 2,255	\$ 2,053
Adjustment for supply chain premiums	(268)	(80)	-
Non-GAAP sales adjusted for supply chain premiums	<u>\$ 2,618</u>	<u>\$ 2,175</u>	<u>\$ 2,053</u>
Non-GAAP cost of sales	\$ 2,632	\$ 2,050	\$ 1,880
Adjustment for supply chain premiums	(268)	(80)	-
Non-GAAP cost of sales adjusted for supply chain premiums	<u>\$ 2,364</u>	<u>\$ 1,970</u>	<u>\$ 1,880</u>
Non-GAAP gross margin	8.8%	9.1%	8.4%
Non-GAAP gross margin adjusted for supply chain premiums	9.7%	9.5%	8.4%
Non-GAAP operating margin	3.6%	3.0%	2.5%
Non-GAAP operating margin adjusted for supply chain premium	4.0%	3.2%	2.5%

# APPENDIX 3 - Reconciliation of Supply Chain Premiums by Sector

(Dollars in Millions) – (UNAUDITED)

	Year Ended	
	Dec 31, 2022	Dec 31, 2021
<b>Sales (GAAP)</b>		
Medical	\$ 593	\$ 462
Semi-Cap	722	549
A&D	348	382
Industrials	593	428
Advanced Computing	310	199
Next Gen Comms	320	235
<b>Total Sales (GAAP)</b>	<b>\$ 2,886</b>	<b>\$ 2,255</b>
<b>Supply Chain Premiums</b>		
Medical	\$ (95)	\$ (20)
Semi-Cap	(16)	(7)
A&D	(6)	(1)
Industrials	(111)	(40)
Advanced Computing	(3)	(5)
Next Gen Comms	(37)	(5)
<b>Total Supply Chain Premiums</b>	<b>\$ (268)</b>	<b>\$ (78)</b>
<b>Sales Adjusted for Supply Chain Premiums</b>		
Medical	\$ 498	\$ 442
Semi-Cap	706	542
A&D	342	381
Industrials	482	388
Advanced Computing	307	194
Next Gen Comms	283	228
<b>Total Sales Adjusted for Supply Chain Premiums</b>	<b>\$ 2,618</b>	<b>\$ 2,175</b>