

 Benchmark

Benchmark Electronics Q3-22 Earnings Results

October 26, 2022

Forward-Looking 2022 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 fourth quarter 2022 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 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, inflationary pressures, the effects of foreign currency fluctuations, 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.

Q3-22 Overview

- Achieved 35% year-over-year revenue growth to \$772 million
- Balanced strength led by Computing, Telco and Industrials sectors
- Realized GAAP and non-GAAP gross margin of 8.7% and 8.6%
- Realized GAAP and non-GAAP operating margin of 3.3% and 3.6%
- Excluding supply chain premiums, revenue grew 28% year-over-year, non-GAAP gross margin of 9.5% and non-GAAP operating margin of 4.0% *
- Grew non-GAAP earnings 46% year-over-year delivering \$0.57 per share *

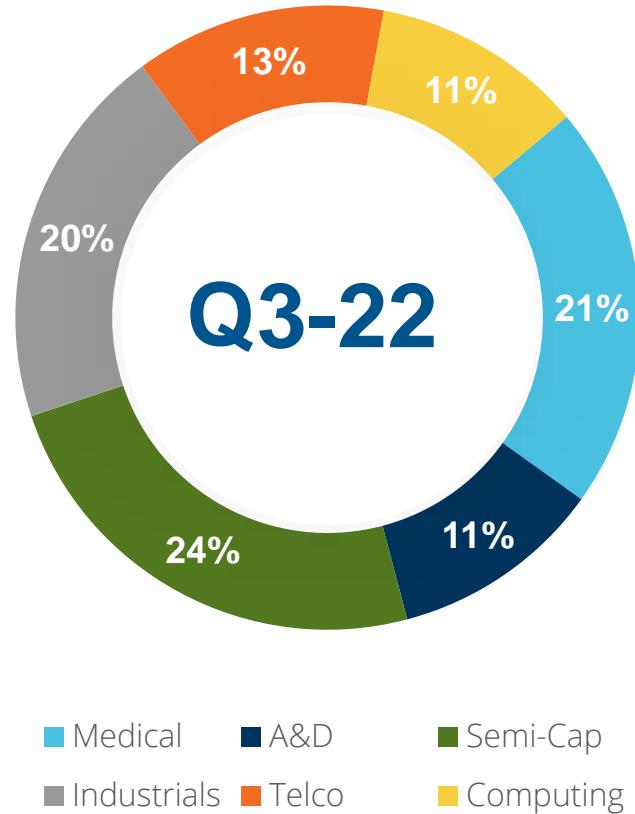
* Component pass-through revenue for supply chain premiums with no impact on non-GAAP operating income or EPS

Roop Lakkaraju

Chief Financial Officer



Third Quarter Revenue by Market Sector



Revenue by Mix and Market Sector For the Three Months Ended

Dollars in Millions	Sept 30, 2022		June 30, 2022		Sept 30, 2021		Y/Y Growth	
	Mix %	Revenue	Mix %	Revenue	Q/Q Growth	Mix %	Revenue	
Higher-Value Markets								
Medical	21%	\$166	23%	\$166	0%	21%	\$118	41%
Semi-Cap	24%	\$186	24%	\$175	7%	23%	\$133	39%
Aerospace & Defense	11%	\$86	12%	\$90	(4%)	18%	\$101	(14%)
Industrials	20%	\$155	22%	\$159	(2%)	19%	\$108	44%
Higher-Value Subtotal	76%	\$593	81%	\$590	1%	81%	\$460	29%
Traditional Markets								
Computing	13%	\$95	10%	\$69	38%	10%	\$57	67%
Telecommunications	11%	\$84	9%	\$69	20%	9%	\$55	52%
Traditional Subtotal	24%	\$179	19%	\$138	29%	19%	\$112	60%
Total Revenue	100%	\$772	100%	\$728	6%	100%	\$572	35%

Third Quarter 2022 Financial Summary

(In millions, except EPS)	Sept 30, 2022	June 30, 2022	Q/Q	Sept 30, 2021	Y/Y
Net Sales	\$772	\$728	6%	\$572	35%
GAAP Gross Margin	8.7%	8.1%	60 bps	9.4%	(70) bps
GAAP SG&A	\$38.5	\$35.8	8%	\$34.4	12%
GAAP Operating Margin	3.3%	3.1%	20 bps	2.1%	120 bps
GAAP Diluted EPS	\$0.53	\$0.49	8%	\$0.23	130%
GAAP ROIC	7.1%	6.3%	80 bps	4.9%	220 bps
Net Sales	\$772	\$728	6%	\$572	35%
Non-GAAP Gross Margin	8.6%	8.1%	50 bps	9.4%	(80) bps
Non-GAAP SG&A	\$38.7	\$35.8	8%	\$34.4	13%
Non-GAAP Operating Margin	3.6%	3.1%	50 bps	3.3%	30 bps
Non-GAAP Diluted EPS	\$0.57	\$0.50	14%	\$0.39	46%
Non-GAAP ROIC	9.8%	9.6%	20 bps	7.8%	200 bps

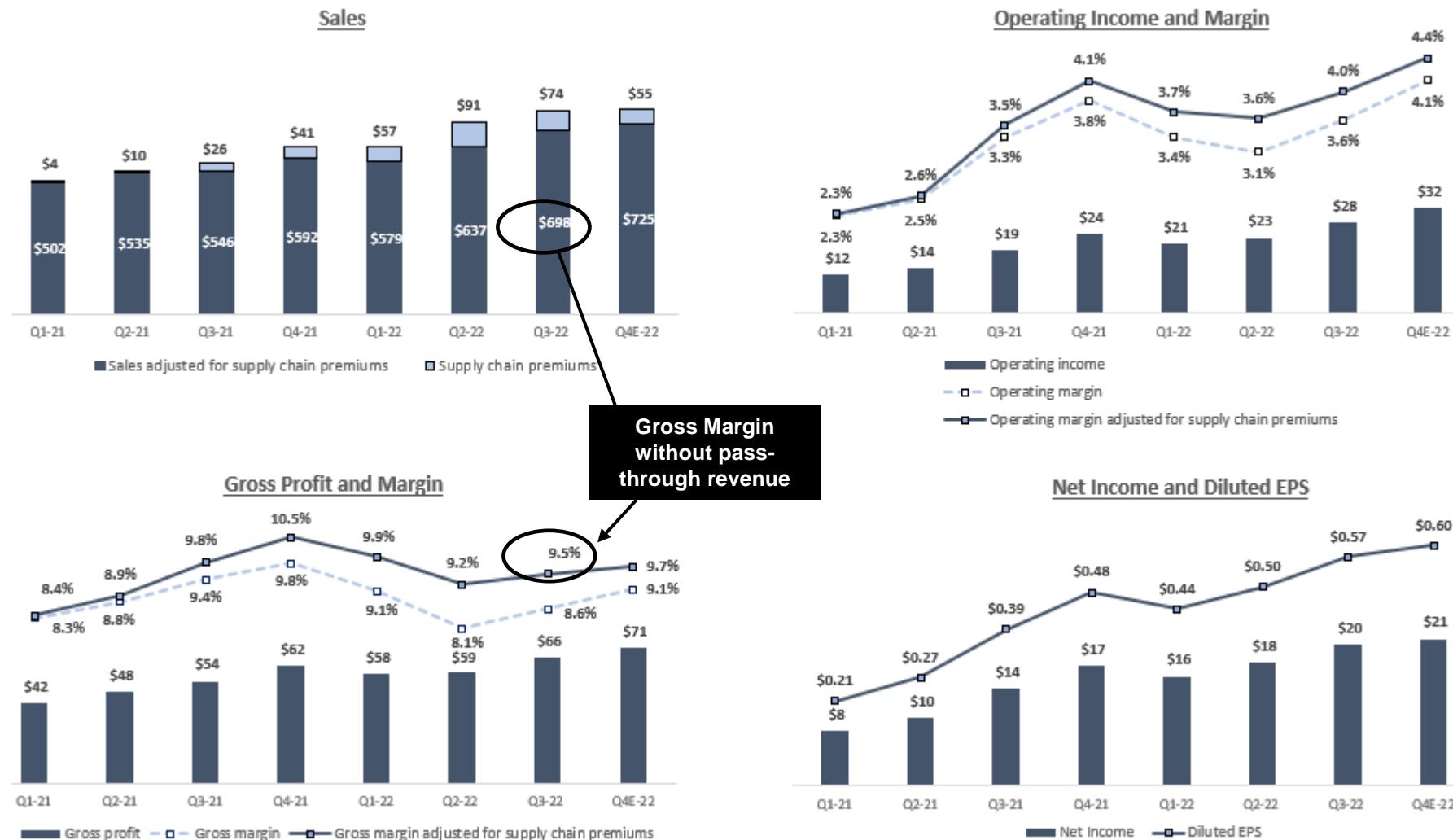
See APPENDIX 1 for a reconciliation of GAAP to non-GAAP Financial Results

GAAP ROIC = (GAAP TTM income from operations – GAAP Tax Impact) / (Average Invested Capital for last 5 quarters)

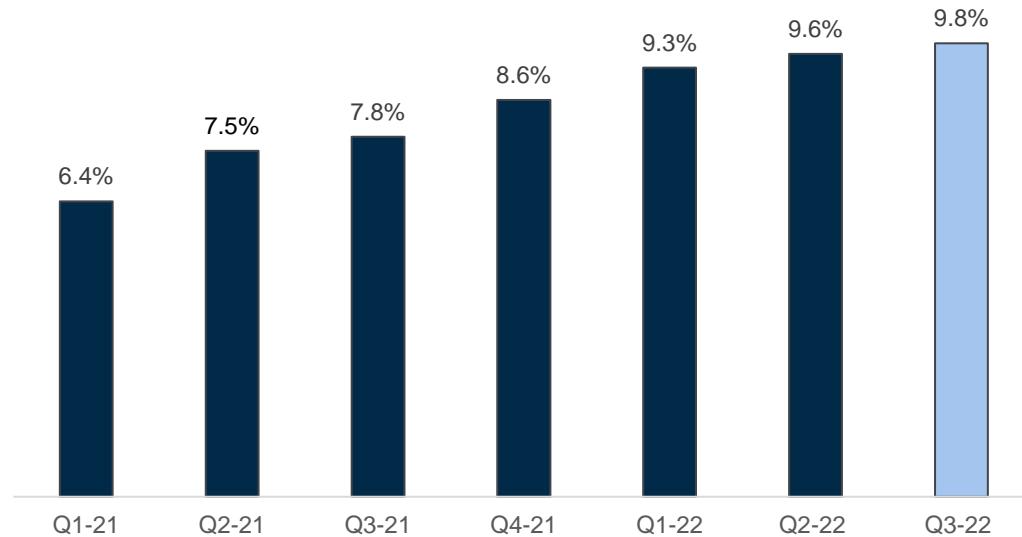
Non-GAAP ROIC = (Non-GAAP TTM income from operations + Stock-based compensation – Non-GAAP Tax Impact) ÷ [Average Invested Capital for last 5 quarters]

Non-GAAP Financial Summary Excluding Supply Chain Premiums

(In millions, except EPS)



Trended Non-GAAP 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]

- ROIC grew by 53% between Q1:21 and Q3:22
- Fueled by growth of 53% in revenue and 137% in operating income since Q1:22
- Anticipating 10% or better ROIC exiting fiscal 2022

Cash Conversion Cycle Update

	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22
Accounts Receivable Days	49	51	54	55	56
Contract Asset Days	25	22	24	22	22
Inventory Days	83	82	95	90	95
Accounts Payable Days	(70)	(67)	(71)	(67)	(67)
Advance Payments from Customers Days	(16)	(19)	(20)	(23)	(27)
Cash Conversion Cycle	71	69	82	77	79

Liquidity and Capital Resources

	For the Three Months Ended		
Cash (In millions)	Sept 30, 2022	June 30, 2022	Sept 30, 2021
Cash Flows from (used in) Operations	(\$31)	(\$25)	(\$42)
FCF ⁽¹⁾	(\$40)	(\$32)	(\$55)
Cash	\$249	\$264	\$291
International	\$189	\$185	\$185
US	\$60	\$79	\$106

(1) Free cash flow (used) (FCF) defined as net cash provided by (used in) operations less capex

Debt Structure (In millions)	Sept 30, 2022
Senior Secured Term Loan	\$131
Revolving Credit Facility Drawn Amount	\$170

- Strong balance sheet and available debt facilities
- Strategically investing in inventory which impacted cash flow

Capital Allocation Update

► Dividends

- Quarterly dividend of \$0.165 per share totaling \$5.8 million paid in July 2022
- Recurring quarterly dividend of \$0.165 per share paid to shareholders as of September 30, 2022 on October 14, 2022
- Recurring quarterly dividends to continue until further notice

► Share Repurchases

- No Share repurchases in Q3 2022
- Share repurchase program remaining authorization of \$155 million as of September 30, 2022
- Will consider share repurchases opportunistically



Fourth Quarter 2022 Guidance

	Q4:2022 Guidance
Net Sales	\$760 - \$800 million
Diluted EPS – GAAP	\$0.52 - \$0.56
Diluted EPS – non-GAAP*	\$0.58 - \$0.62
SG&A expenses	~ \$39 million
Operating Margin – non-GAAP*	4.1%
Other Expenses, Net	\$5.4 million
Effective Tax Rate	18% - 20%
Weighted Average Shares	~ 35.4 million

* This guidance takes into consideration all known constraints for the quarter and assumes no further significant interruptions to our supply base, operations or customers.

2022 Outlook

Jeff Benck - CEO

Q3-22 New Business Wins

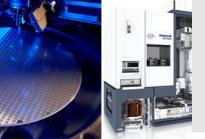
Medical	<ul style="list-style-type: none">Precision optical ultrasound system (Manufacturing)Automatic external defibrillator (Manufacturing)Cardiology treatment platform (Design)
Semi-Cap	<ul style="list-style-type: none">Wafer surface conditioning tools (Manufacturing)Process control tools (Engineering)Automated vacuum curing tools (Manufacturing)
Aerospace & Defense	<ul style="list-style-type: none">UAV communication system (Design and Manufacturing)Defense aviation radar system (Manufacturing)Defense artillery pilot controls (Manufacturing)
Industrials	<ul style="list-style-type: none">Power inverter for integrated energy storage system (Manufacturing)Autonomous mobile robots (Engineering)Industrial drives, power and control systems (Manufacturing)
Computing & Telco	<ul style="list-style-type: none">LTE/5G smart coverage solutions (Manufacturing)RF filter for 4G (Manufacturing)New super computing program (Engineering)



**YIELD ENGINEERING SYSTEMS PARTNERS WITH
BENCHMARK FOR GLOBAL ENGINEERING AND
MANUFACTURING SUPPORT**

Benchmark to partner with Yield Engineering Systems (YES) to manufacture the YES flagship product line, as well as provide engineering and manufacturing support for their innovative modular wet process systems.

Q4-22 Sector Outlook

	<u>Q4-22 Revenue Outlook</u>	<u>CY2022 Revenue</u>	<u>Sector Revenue Drivers</u>
Semi-Cap 			<ul style="list-style-type: none">Limited semi-cap demand softening due to memory weakness and new China restrictionsCHIPS Act is a multi-year driver
Medical 			<ul style="list-style-type: none">Strong year-over-year growth fueled by recovery in existing programs and new rampsContinued impact from supply constraints
Industrials 			<ul style="list-style-type: none">Healthy year-over-year growth due to new programs and strong demand in existing products
A&D 			<ul style="list-style-type: none">Some modest easing of supply constraintsUnfulfilled demand persists
Telco 			<ul style="list-style-type: none">Next Gen Networking infrastructure program rampingGovernment broadband initiatives fueling growth
Computing 			<ul style="list-style-type: none">HPC ramp continues in support of large supercomputer buildsExpected strength to continue into 2023

Expecting to Achieve Mid-Term Model

2022
Mid-Term
Model



Q3-22
Adjusted⁽¹⁾



FY:22E
Results⁽²⁾



FY:22E Performance Excluding Supply Chain Premium

- ✓ Revenue growth at ~4x target rate
- ✓ Non-GAAP Gross Margin within the target range
- ✓ Operating Expenses achieved target
- ✓ Non-GAAP Operating Income achieved high end of range in Q3:22 and expected to exceed range on the full year

⁽¹⁾ Adjusted to reflect operating performance excluding the effect of supply chain premiums

⁽²⁾ Assumes the mid-point of Q4:22 guidance and excluding the effect of supply chain premiums

Highlights

- 2022 Mid-Term Model expected to be achieved for the full year
- Strong demand across market sectors
- Diversified portfolio with limited exposure to consumer or commoditized markets
- Anticipate 56% non-GAAP earnings growth in fiscal 2022
- Well positioned for growth in 2023 and a return to positive free cash flow
- Hosting Investor and Analyst Day on November 8th at NYSE

Appendix

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

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

	Three Months Ended		
	Sept 30, 2022	June 30, 2022	Sept 30, 2021
Income from operations (GAAP)	\$ 25,284	\$ 22,432	\$ 11,794
Amortization of intangible assets	1,591	1,592	1,596
Restructuring charges and other costs	1,331	1,266	2,070
(Gain) loss on assets held for sale	—	(2,376)	—
Impairment	—	—	4,358
Ransomware incident related costs (recovery), net	—	—	(500)
Customer insolvency (recovery)	(599)	—	(168)
Non-GAAP income from operations	<u>\$ 27,607</u>	<u>\$ 22,914</u>	<u>\$ 19,150</u>
GAAP operating margin	3.3%	3.1%	2.1%
Non-GAAP operating margin	3.6%	3.1%	3.3%
Gross Profit (GAAP)	\$ 66,750	\$ 58,756	\$ 53,705
Customer insolvency (recovery)	(425)	—	(168)
Non-GAAP gross profit	<u>\$ 66,325</u>	<u>\$ 58,756</u>	<u>\$ 53,537</u>
GAAP gross margin	8.7%	8.1%	9.4%
Non-GAAP gross margin	8.6%	8.1%	9.4%
Selling, general and administrative expenses	\$ 38,544	\$ 35,842	\$ 34,387
Customer recovery	174	—	—
Non-GAAP selling, general and administrative expenses	<u>\$ 38,718</u>	<u>\$ 35,842</u>	<u>\$ 34,387</u>
Net income (GAAP)	\$ 18,829	\$ 17,221	\$ 8,065
Amortization of intangible assets	1,591	1,592	1,596
Restructuring charges and other costs	1,331	1,266	2,070
(Gain) loss on assets held for sale	—	(2,376)	—
Impairment	—	—	4,358
Ransomware incident related costs (recovery), net	—	—	(500)
Customer insolvency (recovery)	(599)	—	(168)
Settlement	(611)	—	—
Income tax adjustments ⁽¹⁾	(351)	(82)	(1,491)
Non-GAAP net income	<u>\$ 20,190</u>	<u>\$ 17,621</u>	<u>\$ 13,930</u>
Diluted earnings per share:			
Diluted (GAAP)	\$ 0.53	\$ 0.49	\$ 0.23
Diluted (Non-GAAP)	\$ 0.57	\$ 0.50	\$ 0.39
Weighted-average number of shares used in calculating diluted earnings per share:			
Diluted (GAAP)	35,348	35,336	35,666
Diluted (Non-GAAP)	35,348	35,336	35,666
Net cash used in operations	\$ (31,208)	\$ (25,485)	\$ (41,581)
Additions to property, plant and equipment and software	(8,623)	(6,996)	(13,818)
Free cash flow (used)	<u>\$ (39,831)</u>	<u>\$ (32,481)</u>	<u>\$ (55,399)</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)

	Three Months Ended							
	Dec 31, 2022E	Sept 30, 2022	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sept 30, 2021	June 30, 2021	Mar 31, 2021
Sales (GAAP)	\$ 780	\$ 772	\$ 728	\$ 636	\$ 633	\$ 572	\$ 545	\$ 506
Adjustment for supply chain premiums	(55)	(74)	(91)	(57)	(41)	(26)	(10)	(10)
Non-GAAP sales adjusted for supply chain premiums	<u>\$ 725</u>	<u>\$ 698</u>	<u>\$ 637</u>	<u>\$ 579</u>	<u>\$ 592</u>	<u>\$ 546</u>	<u>\$ 535</u>	<u>\$ 496</u>
Non-GAAP cost of sales	\$ 709	\$ 705	\$ 669	\$ 578	\$ 571	\$ 518	\$ 497	\$ 464
Adjustment for supply chain premiums	(55)	(74)	(91)	(57)	(41)	(26)	(10)	(10)
Non-GAAP cost of sales adjusted for supply chain premiums	<u>\$ 654</u>	<u>\$ 631</u>	<u>\$ 578</u>	<u>\$ 521</u>	<u>\$ 530</u>	<u>\$ 492</u>	<u>\$ 487</u>	<u>\$ 454</u>
Non-GAAP gross margin	9.1%	8.6%	8.1%	9.1%	9.8%	9.4%	8.8%	8.3%
Non-GAAP gross margin adjusted for supply chain premiums	9.7%	9.5%	9.2%	9.9%	10.5%	9.8%	8.9%	8.5%
Non-GAAP operating margin	4.1%	3.6%	3.1%	3.4%	3.8%	3.3%	2.5%	2.5%
Non-GAAP operating margin adjusted for supply chain premiums	4.4%	4.0%	3.6%	3.7%	4.1%	3.5%	2.6%	2.6%