



Benchmark Electronics Fourth Quarter and Fiscal Year 2024 Results

January 29, 2025

Today's Speakers



Jeff Benck,
President and CEO



Bryan Schumaker,
EVP and CFO

Forward-Looking 2025 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 Company's outlook and guidance for first quarter and fiscal year 2025 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, amortization of intangibles, award of any tax incentives and capital expenditures, 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, 2023, and in any of the Company's subsequent reports filed with the Securities and Exchange Commission. 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, 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 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.

Non-GAAP Financial Information

Management discloses certain non-GAAP information to provide investors with additional information to analyze the Company's performance and underlying trends. These non-GAAP financial measures exclude restructuring charges, stock-based compensation expense, amortization of intangible assets acquired in business combinations, certain legal and other settlement losses (gains), customer insolvency losses (recoveries), asset impairments, other significant non-recurring costs and the related tax impacts of all of the above. 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", a non-GAAP measure, 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.

Fourth Quarter 2024 Results *

- Revenue of \$657M was in-line with guidance
 - Solid year-over-year growth in Semi-Cap, A&D and Industrials
 - Offset by anticipated softness in Medical and AC&C
- GAAP EPS of \$0.50 and non-GAAP EPS of \$0.61
- GAAP and non-GAAP gross margin of 10.3% and 10.4%
- GAAP operating margin of 4.3% with non-GAAP margin of 5.1%
- 7th consecutive quarter of positive Free Cash Flow generation

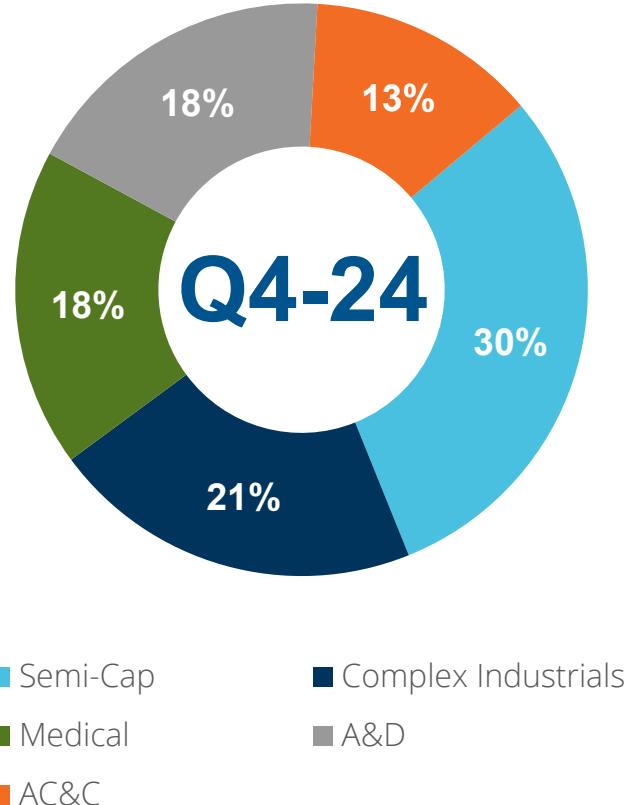
* See APPENDIX 1 for a reconciliation of GAAP to non-GAAP Financial Results

Fiscal Year 2024 Results *

- Revenue of \$2.7 billion, down 6% year-over-year
 - Strength in Semi-Cap and A&D
 - Industrials improved in the back half; Medical and AC&C remained challenged
- GAAP and non-GAAP gross margin of 10.2%, expanded 70 and 60 basis points year-over-year
- GAAP operating margin of 4.1% with non-GAAP margin of 5.1% represents 4th consecutive year of improvement
- Delivered GAAP EPS of \$1.72 and non-GAAP EPS of \$2.29
- Generated \$156 million in Free Cash Flow led by a 20% reduction in inventory

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

Fourth Quarter 2024 Revenue by Market Sector



Revenue by Mix and Market Sector

(Dollars in Millions) Sector	Q4-23		Q3-24		Q4-24	
	Revenue	Mix %	Revenue	Mix %	Revenue	Mix %
Semi-Cap	\$168	24%	\$188	28%	\$198	30%
Complex Industrials	\$132	19%	\$151	23%	\$140	21%
Medical	\$126	18%	\$107	16%	\$117	18%
A&D	\$102	15%	\$102	16%	\$117	18%
AC&C	\$163	24%	\$110	17%	\$85	13%
Total Revenue	\$691	100%	\$658	100%	\$657	100%
	0%	(5%)				

Fourth Quarter 2024 Financial Summary *

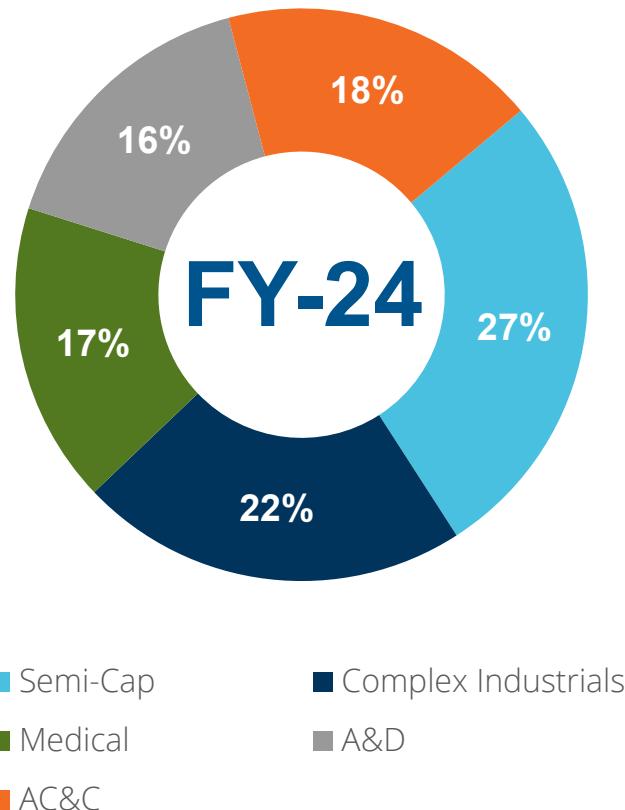
(Dollars in Millions, except EPS)	Q4-23	Q3-24	Q4-24	Q/Q	Y/Y
Net Sales	\$691	\$658	\$657	0%	(5%)
GAAP Gross Margin	10.3%	10.1%	10.3%	20 bps	0 bps
GAAP SG&A	\$35.6	\$36.6	\$37.5	2%	5%
GAAP Operating Margin	4.6%	4.3%	4.3%	0 bps	(30) bps
GAAP Diluted EPS	\$0.49	\$0.42	\$0.50	19%	2%
GAAP ROIC	7.3%	7.7%	7.7%	0 bps	40 bps
Non-GAAP Gross Margin	10.3%	10.2%	10.4%	20 bps	10 bps
Non-GAAP SG&A	\$33.1	\$32.3	\$35.1	9%	6%
Non-GAAP Operating Margin	5.5%	5.3%	5.1%	(20) bps	(40) bps
Non-GAAP Diluted EPS	\$0.65	\$0.57	\$0.61	7%	(6%)
Non-GAAP ROIC	9.3%	9.9%	9.9%	0 bps	60 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]

Fiscal Year 2024 Revenue by Market Sector



Revenue by Mix and Market Sector

(Dollars in Millions)	FY 2023		FY 2024		Y/Y
	Sector	Revenue	Mix %	Revenue	Mix %
Semi-Cap	\$646	23%	\$723	27%	12%
Complex Industrials	\$596	21%	\$573	22%	(4%)
Medical	\$557	20%	\$451	17%	(19%)
A&D	\$362	13%	\$434	16%	20%
AC&C	\$678	23%	\$475	18%	(30%)
Total Revenue	\$2,839	100%	\$2,656	100%	(6%)

Fiscal Year 2024 Financial Summary *

(Dollars in Millions, except EPS)	FY 2023	FY 2024	Y/Y (%)
Net Sales	\$2,839	\$2,656	(6%)
GAAP Gross Margin	9.5%	10.2%	70 bps
GAAP SG&A	\$147.0	\$149.5	2%
GAAP Operating Margin	3.9%	4.1%	20 bps
GAAP Diluted EPS	\$1.79	\$1.72	(4%)
GAAP ROIC	7.3%	7.7%	40 bps
Non-GAAP Gross Margin	9.6%	10.2%	60 bps
Non-GAAP SG&A	\$133.4	\$136.0	2%
Non-GAAP Operating Margin	4.9%	5.1%	20 bps
Non-GAAP Diluted EPS	\$2.38	\$2.29	(4%)
Non-GAAP ROIC	9.3%	9.9%	60 bps

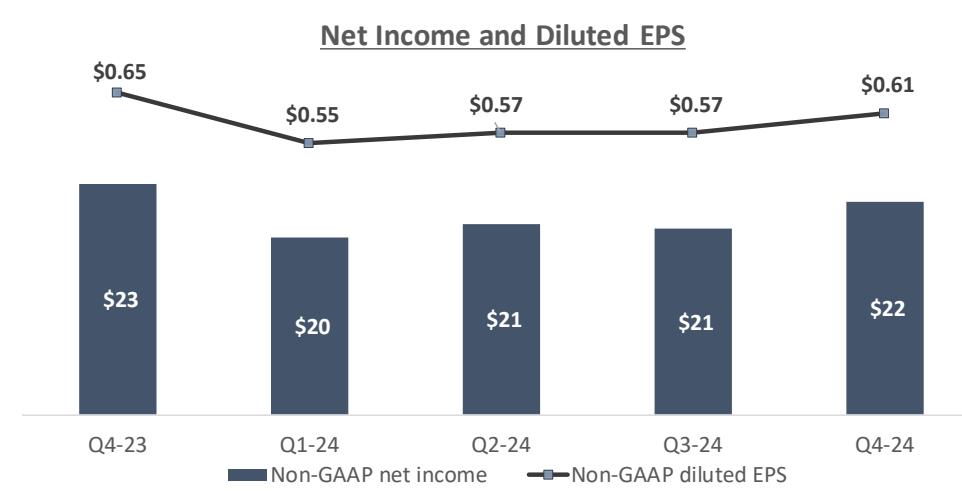
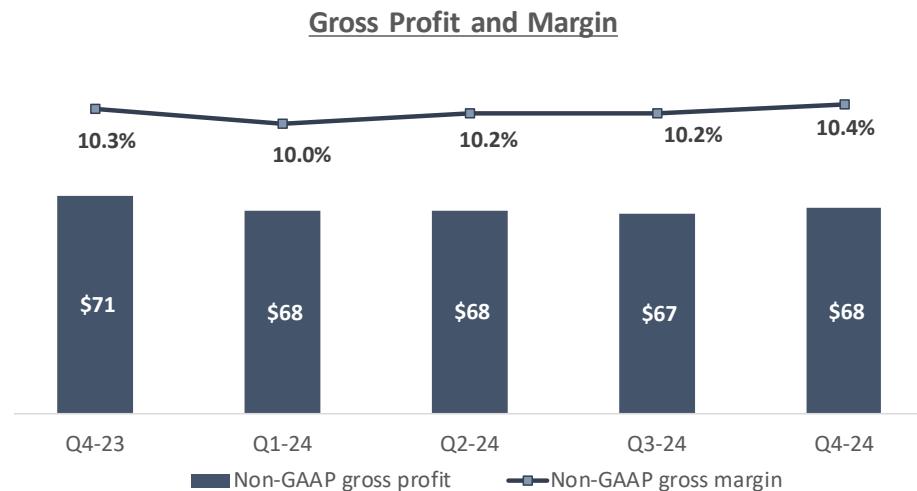
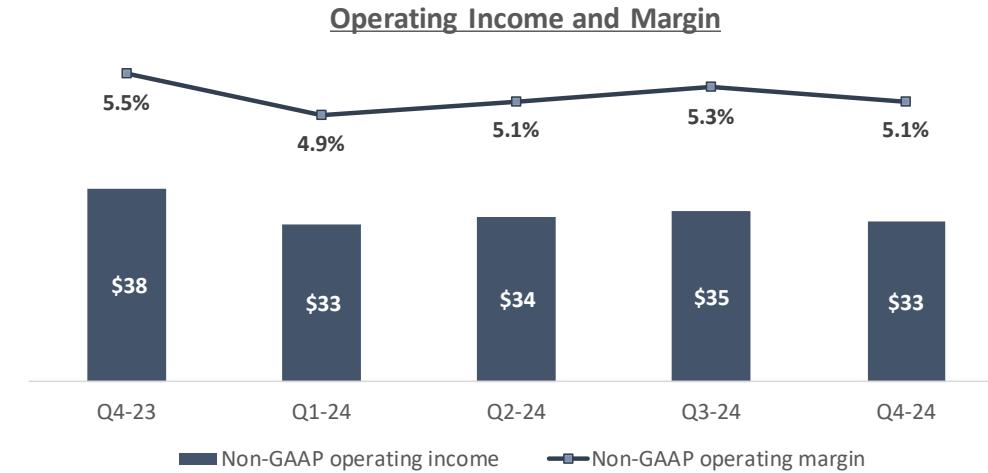
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Trended Non-GAAP Results*

(Dollars in Millions, except EPS)



* See APPENDIX 1 for a reconciliation of GAAP to non-GAAP financial results

Cash Conversion Cycle Update

	Q4-23	Q1-24	Q2-24	Q3-24	Q4-24
Accounts Receivable Days	59	56	51	51	57
Contract Asset Days	23	24	25	26	23
Inventory Days	99	94	90	89	85
Accounts Payable Days	(53)	(52)	(52)	(54)	(54)
Advance Payments from Customers Days	(30)	(28)	(24)	(22)	(22)
Cash Conversion Cycle Days	98	94	90	90	89

Liquidity Update

(In Millions)	FY 2023	FY 2024	Q4-23	Q3-24	Q4-24
Cash Flows from Operations	\$174	\$189	\$137	\$39	\$46
FCF ⁽¹⁾	\$97	\$156	\$126	\$29	\$37
Cash	\$283	\$328	\$283	\$324	\$328

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

Debt Structure (In Millions)	Q4-24
Senior Secured Term Loan	\$123
Revolving Credit Facility Drawn Amount	\$135
Borrowing Capacity Available under Revolver	\$411

* Leverage ratio is Net Debt / LTM Adjusted EBITDA, as defined in the credit facility, is a non-GAAP measure

- Continued inventory reductions, contributing to Free Cash Flow
- Further reduced revolving debt balance
- Strong balance sheet and leverage ratio *

Capital Allocation Update

Capital Expenditures

- In FY 2024, paid \$33 million in capital expenditures
- Capital expenditures tightly aligned to future organic growth objectives

Cash Dividends

- In FY 2024, paid cash dividends of \$24 million
- Committed to supporting return of capital via consistent dividend payments

Share Repurchases

- FY 2024: repurchased 0.1M shares for \$5M
- Approximately \$150 million remains available under Board authorized share repurchase program

- Capex for Fiscal Year 2025 expected to be \$65 - \$75 million
- Continuing to support current dividend
- Will evaluate share repurchases opportunistically

First Quarter 2025 Guidance

	Q1-25E
Net Sales	\$620 to \$660M
Gross Margin – non-GAAP	10.0% to 10.2%
Operating Margin – non-GAAP	4.5% to 4.7%
Interest and Other Expenses, Net	\$4 to \$5M
Non-operating Expenses *	\$2.6 to \$2.8M
Stock-Based Compensation Expense	\$4 to \$5M
Effective Tax Rate	23% to 24%
Diluted EPS – GAAP	\$0.34 to \$0.40
Diluted EPS – non-GAAP	\$0.48 to \$0.54
Diluted Weighted-Average Shares	37.3M

* Non-GAAP earnings per share guidance excludes stock-based compensation and other non-operating expenses including restructuring, amortization and other expenses. This guidance takes into consideration all known constraints for the quarter and assumes no further significant interruptions to our supply base, operations or customers.

Sector Outlook

	Q1-25 Q/Q	2025 Y/Y	Sector Commentary
Semi-Cap			<ul style="list-style-type: none">• Breaking ground on building #4 in Penang in support of Semi-Cap expansion• Expect >10% growth in 2025 on further new program ramps• Growth is being largely driven by share gain in wafer fab equipment
Complex Industrials			<ul style="list-style-type: none">• Q4 grew Y/Y as expected, full year growth anticipated in 2025• Intelligent controls, test and measurement, and automation are drivers• Significant TAM in Industrial; we have increased our Business Development focus
Medical			<ul style="list-style-type: none">• Seeing ongoing inventory corrections in medical device customer base• New bookings momentum continues providing confidence in growth• Anticipating gradual recovery in second half as these programs take longer to ramp
A&D			<ul style="list-style-type: none">• Upside led by defense, with stable commercial aero demand• Dept of Homeland Security border surveillance win launched in Q4• Anticipating continued double-digit growth in FY 2025
AC&C			<ul style="list-style-type: none">• Next gen HPC platform delays due to technology transition impacting near-term revenue• Pursuing new compute opportunities leveraging our cooling expertise and domestic factory infrastructure• New communications win expected to ramp in second half of 2025

Year End Summary

Progress Toward Key Objectives

1. Manage demand volatility while continuing to progress toward improved profitability
 - Continued non-GAAP Gross and Operating Margin expansion despite modest revenue decline
2. Drive Free Cash Flow
 - Reduced inventory by ~\$130M
 - Delivered \$156M in Free Cash Flow
3. Return capital to investors
 - Increased our recurring dividend during the year
 - Resumed share repurchase activity

Appendix

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

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

	Three Months Ended							Year Ended	
	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	December 31, 2024	December 31, 2023
Income from operations (GAAP)	\$ 28,524	\$ 28,105	\$ 27,253	\$ 25,529	\$ 32,100	\$ 30,341	\$ 24,481	\$ 109,411	\$ 109,664
Restructuring charges and other costs	727	795	1,471	3,343	2,054	1,437	2,364	6,336	7,281
Stock-based compensation expense	2,626	4,379	4,185	2,176	2,955	3,674	3,867	13,366	15,286
Amortization of intangible assets	1,204	1,205	1,204	1,204	1,204	1,592	1,591	4,817	5,979
Asset impairment	—	—	—	—	—	198	923	—	1,121
Legal and other settlement loss	239	367	317	855	—	—	—	1,778	—
Customer insolvency (recovery)	—	—	(316)	—	—	—	—	(316)	—
Non-GAAP income from operations	<u>\$ 33,320</u>	<u>\$ 34,851</u>	<u>\$ 34,114</u>	<u>\$ 33,107</u>	<u>\$ 38,313</u>	<u>\$ 37,242</u>	<u>\$ 33,226</u>	<u>\$ 135,392</u>	<u>\$ 139,331</u>
GAAP operating margin	4.3%	4.3%	4.1%	3.8%	4.6%	4.2%	3.3%	4.1%	3.9%
Non-GAAP operating margin	5.1%	5.3%	5.1%	4.9%	5.5%	5.2%	4.5%	5.1%	4.9%
Gross profit (GAAP)	\$ 67,925	\$ 66,741	\$ 67,950	\$ 67,408	\$ 71,004	\$ 69,077	\$ 67,031	\$ 270,024	\$ 271,070
Stock-based compensation expense	503	413	326	426	416	420	423	1,668	1,655
Customer insolvency (recovery)	—	—	(316)	—	—	—	—	(316)	—
Non-GAAP gross profit	<u>\$ 68,428</u>	<u>\$ 67,154</u>	<u>\$ 67,960</u>	<u>\$ 67,834</u>	<u>\$ 71,420</u>	<u>\$ 69,497</u>	<u>\$ 67,454</u>	<u>\$ 271,376</u>	<u>\$ 272,725</u>
GAAP gross margin	10.3%	10.1%	10.2%	10.0%	10.3%	9.6%	9.1%	10.2%	9.5%
Non-GAAP gross margin	10.4%	10.2%	10.2%	10.0%	10.3%	9.7%	9.2%	10.2%	9.6%
Selling, general and administrative expenses	\$ 37,470	\$ 36,636	\$ 38,022	\$ 37,332	\$ 35,646	\$ 35,509	\$ 37,672	\$ 149,460	\$ 147,025
Stock-based compensation expense	(2,123)	(3,966)	(3,859)	(1,750)	(2,539)	(3,254)	(3,444)	(11,698)	(13,631)
Legal and other settlement loss	(239)	(367)	(317)	(855)	—	—	—	(1,778)	—
Non-GAAP selling, general and administrative expenses	<u>\$ 35,108</u>	<u>\$ 32,303</u>	<u>\$ 33,847</u>	<u>\$ 34,727</u>	<u>\$ 33,107</u>	<u>\$ 32,255</u>	<u>\$ 34,228</u>	<u>\$ 135,984</u>	<u>\$ 133,394</u>
Net income (GAAP)	\$ 18,423	\$ 15,374	\$ 15,528	\$ 14,002	\$ 17,552	\$ 20,412	\$ 13,991	\$ 63,327	\$ 64,315
Restructuring charges and other costs	727	795	1,471	3,343	2,899	1,437	2,364	6,336	8,126
Stock-based compensation expense	2,626	4,379	4,185	2,176	2,955	3,674	3,867	13,366	15,286
Amortization of intangible assets	1,204	1,205	1,204	1,204	1,204	1,592	1,591	4,817	5,979
Asset impairment	—	—	—	—	—	198	923	—	1,121
Legal and other settlement loss (gain)	239	367	317	855	(37)	(3,375)	(1,155)	1,778	(4,567)
Customer insolvency (recovery)	—	—	(316)	—	—	—	—	(316)	—
Income tax adjustments ⁽¹⁾	(971)	(1,406)	(1,437)	(1,393)	(1,280)	(529)	(1,484)	(5,207)	(4,816)
Non-GAAP net income	<u>\$ 22,248</u>	<u>\$ 20,714</u>	<u>\$ 20,952</u>	<u>\$ 20,187</u>	<u>\$ 23,293</u>	<u>\$ 23,409</u>	<u>\$ 20,097</u>	<u>\$ 84,101</u>	<u>\$ 85,444</u>
Diluted earnings per share:									
Diluted (GAAP)	\$ 0.50	\$ 0.42	\$ 0.43	\$ 0.38	\$ 0.49	\$ 0.57	\$ 0.39	\$ 1.72	\$ 1.79
Diluted (Non-GAAP)	\$ 0.61	\$ 0.57	\$ 0.57	\$ 0.55	\$ 0.65	\$ 0.65	\$ 0.56	\$ 2.29	\$ 2.38
Weighted-average number of shares used in calculating diluted earnings per share:									
Diluted (GAAP)	36,659	36,629	36,497	36,401	35,956	35,876	35,676	36,759	35,973
Diluted (Non-GAAP)	36,659	36,629	36,497	36,401	35,956	35,876	35,676	36,759	35,973
Net cash provided by operations	\$ 45,916	\$ 39,036	\$ 55,816	\$ 48,457	\$ 137,079	\$ 37,583	\$ 24,538	\$ 189,225	\$ 174,294
Additions to property, plant and equipment and software	(9,032)	(9,814)	(8,504)	(5,903)	(11,026)	(19,664)	(8,318)	(33,253)	(77,739)
Free cash flow	<u>\$ 36,884</u>	<u>\$ 29,222</u>	<u>\$ 47,312</u>	<u>\$ 42,554</u>	<u>\$ 126,053</u>	<u>\$ 17,919</u>	<u>\$ 16,220</u>	<u>\$ 155,972</u>	<u>\$ 96,555</u>

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