

 Benchmark

Benchmark Electronics Second Quarter 2023 Earnings

July 31, 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 Company's outlook and guidance for third quarter 2023 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, 2022, 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 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.

Second Quarter 2023 Results

- Total revenue of \$733 million, up 6% sequentially and 1% year-over-year.
 - Supply chain premiums (SCP)* reduced by \$74 million year-over-year
 - Excluding SCP, year-over-year revenue grew 12% with double-digit growth in 4 of 6 sectors
- GAAP and non-GAAP operating margin of 3.3% and 4.0%**
 - Improved 20 and 90 basis points year-over-year, respectively
- GAAP EPS of \$0.39 with non-GAAP EPS of \$0.48**, the high end of guidance range
- Generated positive operating cash flow and free cash flow in the quarter

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

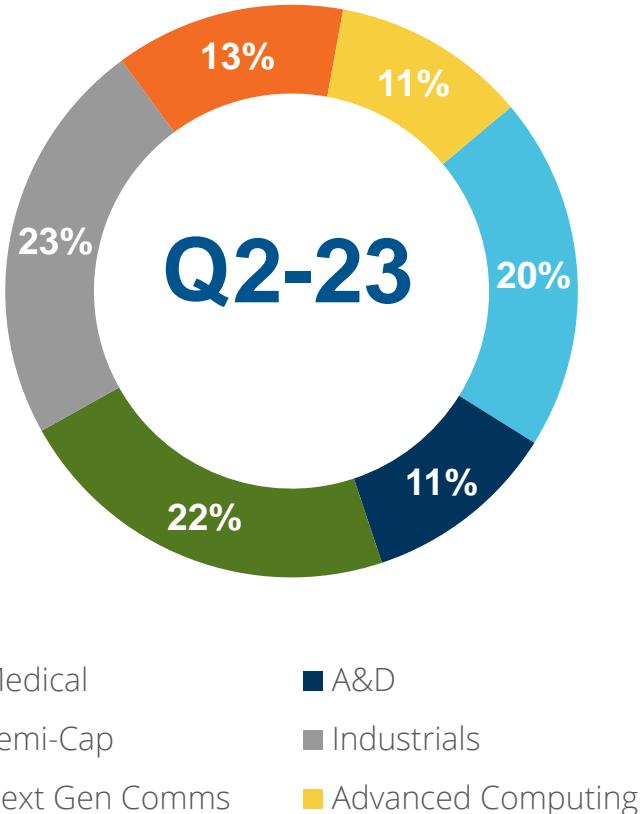
** See APPENDIX 1 for a reconciliation of GAAP to nonGAAP Financial Result

Roop Lakkaraju

Chief Financial Officer



Second Quarter GAAP Revenue by Market Sector



**Revenue by Mix and Market Sector
For the Three Months Ended**

Sector	Jun 30, 2023		Mar 31, 2023		Jun 30, 2022			
	Mix %	Revenue	Mix %	Revenue	Q/Q Growth	Mix %	Revenue	Y/Y Growth
Medical	20%	\$145	20%	\$137	6%	23%	\$166	(13%)
Semi-Cap	22%	\$164	21%	\$149	11%	24%	\$175	(6%)
Aerospace & Defense	11%	\$80	11%	\$79	1%	12%	\$90	(11%)
Industrials	23%	\$167	21%	\$144	16%	22%	\$159	5%
Advanced Computing	11%	\$81	14%	\$96	(15%)	10%	\$69	19%
Next Gen Comms	13%	\$96	13%	\$90	6%	9%	\$69	38%
Total Revenue	100%	\$733	100%	\$695	6%	100%	\$728	1%

Sector Results Excluding Supply Chain Premium

Q2-23 Results (\$MM)				
	Total Revenue	Supply chain premiums (SCP)	Revenue adjusted for SCP	Year-over-Year growth adjusted for SCP
Medical	\$145	\$(2)	\$143	14%
Semi-Cap	\$164	\$(1)	\$163	(4%)
A&D	\$80	\$-	\$80	(10%)
Industrials	\$167	\$(9)	\$158	28%
Adv. Computing	\$81	\$-	\$81	19%
Next Gen Comms	\$96	\$(5)	\$91	53%

See APPENDIX 3 for a reconciliation of GAAP Sales to non-GAAP Sales Adjusted for Supply Chain Premiums

Second Quarter 2023 Financial Summary

(Dollars in millions, except EPS)	Jun 30, 2023	Mar 31, 2023	Q/Q	Jun 31, 2022	Y/Y
Net Sales	\$733	\$695	5%	\$728	1%
GAAP Gross Margin	9.1%	9.2%	(10) bps	8.1%	100 bps
GAAP SG&A	\$37.7	\$38.2	(1%)	\$35.8	5%
GAAP Operating Margin	3.3%	3.3%	0 bps	3.1%	20 bps
GAAP Diluted EPS	\$0.39	\$0.35	11%	\$0.49	(20%)
GAAP ROIC	7.1%	7.4%	(30) bps	6.3%	80 bps
Net Sales	\$733	\$695	5%	\$728	1%
Non-GAAP Gross Margin	9.1%	9.2%	(10) bps	8.1%	100 bps
Non-GAAP SG&A	\$37.7	\$38.2	(1%)	\$35.8	5%
Non-GAAP Operating Margin	4.0%	3.7%	30 bps	3.1%	90 bps
Non-GAAP Diluted EPS	\$0.48	\$0.42	14%	\$0.50	(4%)
Non-GAAP ROIC	9.5%	9.6%	(10) bps	9.6%	(10) bps

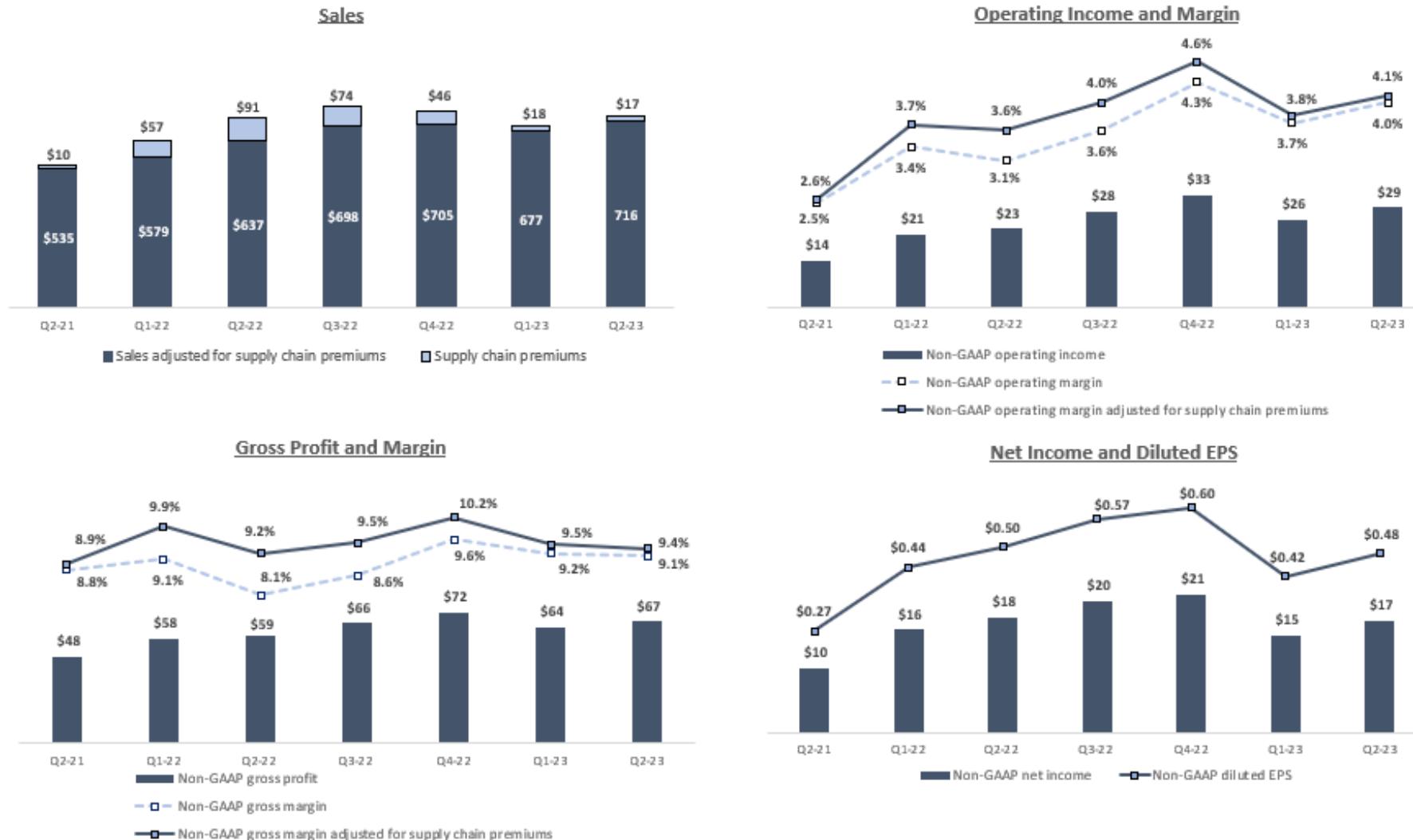
See APPENDIX 1 for a reconciliation of GAAP to non-GAAP Financial Results

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

(Dollars in millions, except EPS)



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

Cash Conversion Cycle Update

	Q2-23	Q1-23	Q4-22	Q3-22	Q2-22
Accounts Receivable Days	59	60	59	56	55
Contract Asset Days	23	25	22	22	22
Inventory Days	102	111	97	95	90
Accounts Payable Days	(56)	(60)	(56)	(67)	(67)
Advance Payments from Customers Days	(25)	(27)	(26)	(27)	(23)
Cash Conversion Cycle	103	109	96	79	77

Liquidity and Capital Allocation

	For the Three Months Ended		
	Jun 30, 2023	Mar 31, 2023	Jun 30, 2022
Cash (In millions)			
Cash Flows from (used in) Operations	\$25	(\$25)	(\$25)
FCF ⁽¹⁾	\$16	(\$64)	(\$32)
Cash	\$245	\$212	\$264
International	\$236	\$192	\$185
US	\$9	\$20	\$79

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

Debt Structure (In millions)	
Senior Secured Term Loan	\$129
Revolving Credit Facility Drawn Amount	\$300



Third Quarter 2023 Guidance

	Q2-2023
Net Sales*	\$680 - \$720 million
Diluted EPS – GAAP	\$0.45 - \$0.51
Diluted EPS – non-GAAP	\$0.51 - \$0.59
Operating Margin – non-GAAP	4.7% - 4.9%
Other Expenses, Net	~ \$9 million
Effective Tax Rate	19% - 21%
Weighted Average Shares	~ 35.7 million

* Guidance does not include supply chain premium revenue

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

Business Trends

Jeff Benck - CEO

Sector Outlook*

	Q3-23 Q/Q	FY2023 Y/Y	Sector Commentary
Medical			<ul style="list-style-type: none"> Benefitting from medical device demand from existing programs and new ramps Strength in defibrillators sub-sector
Semi-Cap			<ul style="list-style-type: none"> Broader market recovery timing is pushing deeper into 2024 We expect to continue to out-perform the market
A&D			<ul style="list-style-type: none"> New wins and program ramps drive 2023 growth Improving supply chain for commercial aero
Industrials			<ul style="list-style-type: none"> New customer revenues in test and measurement and energy efficiency
Adv. Computing			<ul style="list-style-type: none"> Major HPC program has been completed as of June 2023 New HPC win expected to ramp in Q4
Next Gen Comms			<ul style="list-style-type: none"> Potential for comms infrastructure deployment push-out weighing on outlook

* Excludes supply chain premiums (SCP) revenue in forecast and comparable period(s)

See APPENDIX 3 for a reconciliation of GAAP to non-GAAP Financial Results

Summary

- Delivered 12% revenue growth* and 28% non-GAAP operating income growth year-on-year
- Generated positive operating and free cash flow
- Expecting growth in at least 4 of 6 sectors for fiscal 2023*
- Investing in Semi-Cap for long-term secular growth
- Supply chain expected to continue to improve in second half

* Excluding supply chain premium revenue in forecast and comparable period(s).

Appendix

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

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

	Three Months Ended			Six Months Ended	
	June 30, 2023	Mar 31, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Income from operations (GAAP)	\$ 24,481	\$ 22,742	\$ 22,432	\$ 47,223	\$ 37,839
Amortization of intangible assets	1,591	1,592	1,592	3,183	3,201
Restructuring charges and other costs	2,364	1,426	1,266	3,790	3,580
Gain on assets held for sale	—	—	(2,376)	—	(393)
Asset impairment	923	—	—	923	—
Non-GAAP income from operations	\$ 29,359	\$ 25,760	\$ 22,914	\$ 55,119	\$ 44,227
GAAP operating margin	3.3%	3.3%	3.1%	3.3%	2.8%
Non-GAAP operating margin	4.0%	3.7%	3.1%	3.9%	3.2%
Gross Profit (GAAP)	\$ 67,031	\$ 63,958	\$ 58,756	\$ 130,989	\$ 116,358
Non-GAAP gross profit	\$ 67,031	\$ 63,958	\$ 58,756	\$ 130,989	\$ 116,358
GAAP gross margin	9.1%	9.2%	8.1%	9.2%	8.5%
Non-GAAP gross margin	9.1%	9.2%	8.1%	9.2%	8.5%
Selling, general and administrative expenses	\$ 37,672	\$ 38,198	\$ 35,842	\$ 75,870	\$ 72,131
Non-GAAP selling, general and administrative expenses	\$ 37,672	\$ 38,198	\$ 35,842	\$ 75,870	\$ 72,131
Net income (GAAP)	\$ 13,991	\$ 12,360	\$ 17,221	\$ 26,351	\$ 28,181
Amortization of intangible assets	1,591	1,592	1,592	3,183	3,201
Restructuring charges and other costs	2,364	1,426	1,266	3,790	3,580
Gain on assets held for sale	—	—	(2,376)	—	(393)
Asset impairment	923	—	—	923	—
Settlement	(1,155)	—	—	(1,155)	—
Income tax adjustments ⁽¹⁾	(670)	(516)	(82)	(1,186)	(1,288)
Non-GAAP net income	\$ 17,044	\$ 14,862	\$ 17,621	\$ 31,906	\$ 33,281
Diluted earnings per share:					
Diluted (GAAP)	\$ 0.39	\$ 0.35	\$ 0.49	\$ 0.74	\$ 0.79
Diluted (Non-GAAP)	\$ 0.48	\$ 0.42	\$ 0.50	\$ 0.89	\$ 0.93
Weighted-average number of shares used in calculating diluted earnings per share:					
Diluted (GAAP)	35,676	35,592	35,336	35,730	35,616
Diluted (Non-GAAP)	35,676	35,592	35,336	35,730	35,616
Net cash provided by (used in) operations	\$ 24,538	\$ (24,906)	\$ (25,485)	\$ (368)	\$ (93,510)
Additions to property, plant and equipment and software	(8,318)	(38,731)	(6,996)	(47,049)	(24,971)
Free cash flow (used)	\$ 16,220	\$ (63,637)	\$ (32,481)	\$ (47,417)	\$ (118,481)

(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

(Dollars in Millions) – (UNAUDITED)

	Three Months Ended						
	June 30, 2023	Mar 31, 2023	Dec 31, 2022	Sept 30, 2022	June 30, 2022	Mar 31, 2022	Mar 31, 2021
Sales (GAAP)	\$ 733	\$ 695	\$ 751	\$ 772	\$ 728	\$ 636	\$ 506
Adjustment for supply chain premiums	(17)	(18)	(46)	(74)	(91)	(57)	(4)
Non-GAAP sales adjusted for supply chain premiums	<u>\$ 716</u>	<u>\$ 677</u>	<u>\$ 705</u>	<u>\$ 698</u>	<u>\$ 637</u>	<u>\$ 579</u>	<u>\$ 502</u>
GAAP and non-GAAP cost of sales	\$ 666	\$ 631	\$ 679	\$ 705	\$ 669	\$ 578	\$ 464
Adjustment for supply chain premiums	(17)	(18)	(46)	(74)	(91)	(57)	(4)
Non-GAAP cost of sales adjusted for supply chain premiums	<u>\$ 649</u>	<u>\$ 613</u>	<u>\$ 633</u>	<u>\$ 631</u>	<u>\$ 578</u>	<u>\$ 521</u>	<u>\$ (460)</u>
Non-GAAP gross margin	9.1%	9.2%	9.6%	8.6%	8.1%	9.1%	8.3%
Non-GAAP gross margin adjusted for supply chain premiums	9.4%	9.5%	10.2%	9.5%	9.2%	9.9%	8.4%
Non-GAAP operating margin	4.0%	3.7%	4.3%	3.6%	3.1%	3.4%	2.3%
Non-GAAP operating margin adjusted for supply chain premiums	4.1%	3.8%	4.6%	4.0%	3.6%	3.7%	2.3%

APPENDIX 3 - Reconciliation of Supply Chain Premiums by Sector

(Dollars in Millions) – (UNAUDITED)

	Three Months Ended		
	Jun 30, 2023	Mar 31, 2023	Jun 30, 2022
Sales (GAAP)			
Medical	\$ 145	\$ 137	\$ 166
Semi-Cap	164	149	175
A&D	80	79	90
Industrials	167	144	159
Advanced Computing	81	96	69
Next Gen Comms	96	90	69
Total Sales (GAAP)	\$ 733	\$ 695	\$ 728
Supply Chain Premiums			
Medical	\$ 2	\$ 5	\$ 41
Semi-Cap	1	2	4
A&D	—	—	1
Industrials	9	8	35
Advanced Computing	—	—	—
Next Gen Comms	5	3	10
Total Supply Chain Premiums	\$ 17	\$ 18	\$ 91
Sales Adjusted for Supply Chain Premiums			
Medical	\$ 143	\$ 132	\$ 125
Semi-Cap	163	147	171
A&D	80	79	89
Industrials	158	136	124
Advanced Computing	81	96	69
Next Gen Comms	91	87	59
Total Sales Adjusted for Supply Chain Premiums	\$ 716	\$ 677	\$ 637