

# Q2 FY23 Financial Results

May 11, 2023

# Today's Presenters



**Jure Sola**  
Chairman & CEO



**Kurt Adzema**  
EVP & CFO

# Safe Harbor Statement

Certain statements made during this presentation concerning our financial outlook for the third quarter fiscal 2023 and cost overruns under certain contracts for one of our divisions and the resultant pending restatement of certain prior period financial result 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; the other risk factors set forth in the Company's annual and quarterly reports filed with the Securities Exchange Commission ("SEC"); risks relating to the final impact of the restatement on our consolidated financial statements; the impact of the restatement on our evaluation of the effectiveness of our internal control over financial reporting and disclosure controls and procedures; delays in the preparation of the consolidated financial statements; the risk that additional information will come to light during the course of the independent investigation that alters the scope or magnitude of the restatement; the risk that the amounts ultimately recovered from customers under the contracts at issue in the restatement are less than the amount of cost overruns that we are required to record in our consolidated financial statements; and the risk we will be unable to obtain, if needed, any required waivers under our credit agreement with respect to a significant delay in filing periodic reports with the Securities and Exchange Commission, which could affect our liquidity. 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 19 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, in the earnings release, the conference call or the Investor Relations section of our website whether as a result of new information, future events or otherwise, unless otherwise required by law.

# Financial Overview

## Kurt Adzema

# Q2'23 Non-GAAP Actual Results vs Outlook



	<b>Q2'23</b>	<b>Outlook <u>WAS</u></b>
Revenue	\$2.32B	\$2.2B - \$2.3B
Gross Margin	8.4%	8.2% - 8.7%
Operating Margin	5.8%	5.5% - 6.0%
Diluted EPS	\$1.59	\$1.50 - \$1.60

**Strong Financial Performance**

# Q/Q and Y/Y P&L Performance

(\$ in millions, except per share data)



## Three Month Period

	Q2'23	Q1'23*	Q2'22*
<b>GAAP:</b>			
Revenue	\$2,320	\$2,356	\$1,915
Gross profit	\$191	\$195	\$146
Gross margin	8.2%	8.3%	7.6%
Operating income	\$121	\$128	\$76
Operating margin	5.2%	5.5%	4.0%
Diluted earnings per share	\$1.33	\$1.54	\$0.76
<b>Non-GAAP<sup>(1)</sup>:</b>			
Gross profit	\$195	\$200	\$150
Gross margin	8.4%	8.5%	7.8%
Operating income	\$135	\$141	\$89
Operating margin	5.8%	6.0%	4.7%
Diluted earnings per share	\$1.59	\$1.72	\$1.05

\*Refer to restated financial results for such period provided at end of presentation.

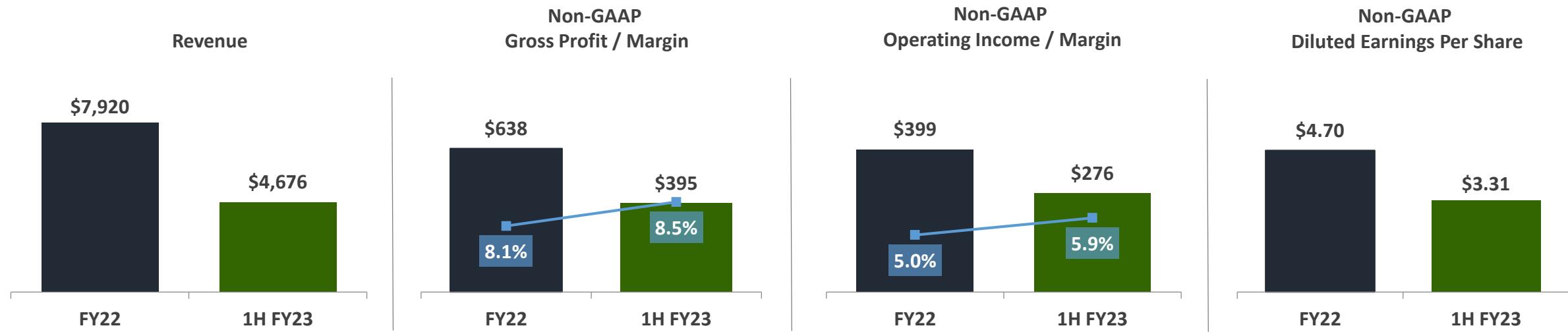
<sup>(1)</sup> Refer to GAAP to non-GAAP reconciliation on slide 19.

# Trended P&L Performance\*

(\$ in millions, except per share data)



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## Strong Start to FY23

\*Refer to restated financial results provided at end of presentation.

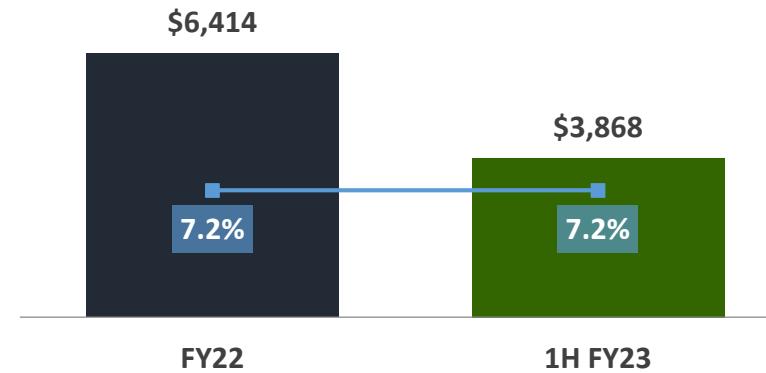
Refer to GAAP to non-GAAP reconciliation on slide 19.

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

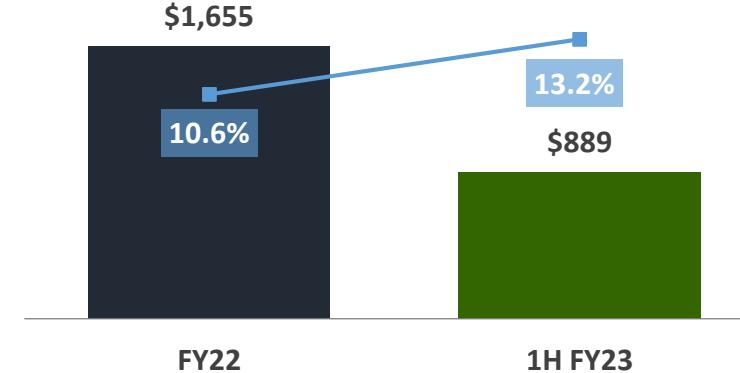
(\$ in millions)



## 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.

\*\*Reflects restated financial results for such period provided at end of presentation.

# Strong Balance Sheet

(\$ in Millions)



4/1/2023

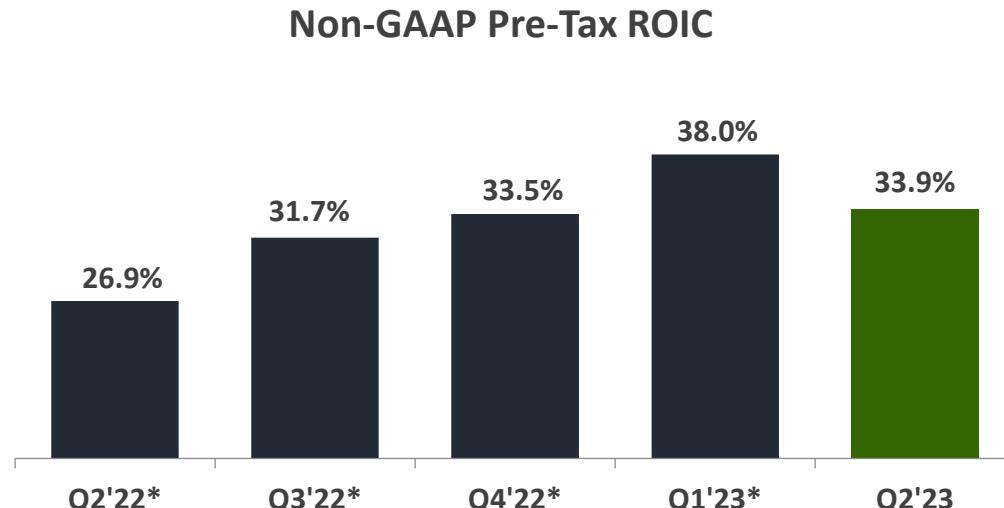
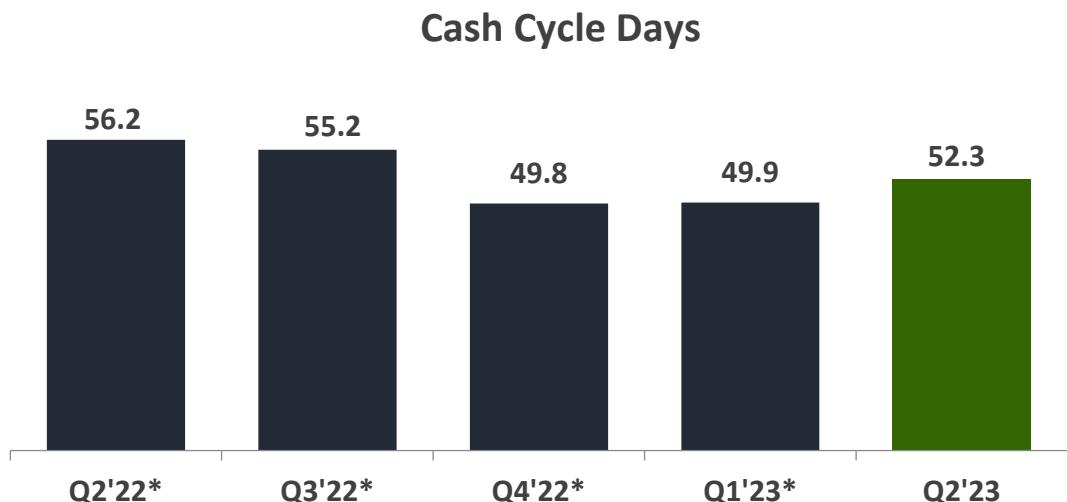
Cash and cash equivalents	\$ 718
Accounts receivable, net	1,209
Contract assets	486
Inventories	1,553
Property, plant and equipment, net	617
Deferred tax assets	196
Other assets	250
Total assets	<u>\$ 5,029</u>
Accounts payable	\$ 1,829
Short-term debt	18
Long-term debt	321
Other liabilities	644
Total stockholders' equity	<u>2,218</u>
Total liabilities and stockholders' equity	<u>\$ 5,029</u>

## Key Takeaways:

- Solid cash position
- No borrowings under \$800M revolver
- Cash flow from operations: \$65M
- Net CapEx: \$63M
- At the end of Q2: \$164M remained available under existing repurchase program
- Board authorized additional repurchase of up to an additional \$200M

**Well Positioned to Manage Through Uncertain Environment**

# Balance Sheet Metrics



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\*\*) 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).

\*Reflects restated financial results for such period provided at end of presentation.

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

# Q3'23 Outlook



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The following outlook for the third fiscal quarter ending July 1, 2023\*.

Q3'23	
Revenue:	\$2.2B - \$2.3B
GAAP Diluted EPS:	\$1.29 - \$1.39
Non-GAAP Diluted EPS:	\$1.50 - \$1.60

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# Business Overview

## Jure Sola

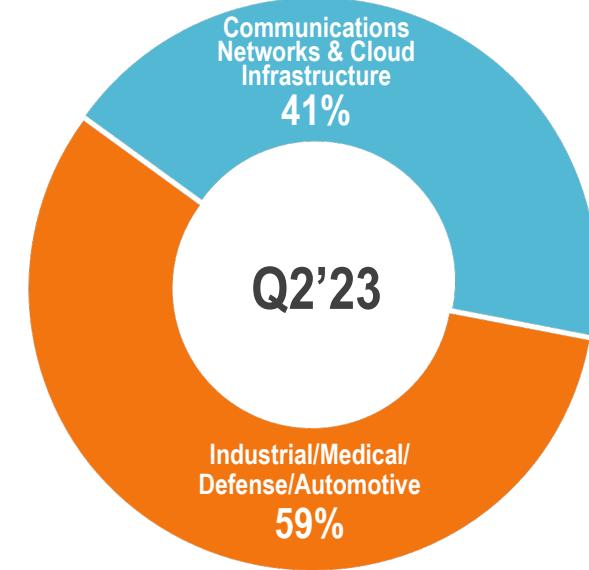
# Revenue by End-Market

(\$ in millions)



	Q2'22*	Q1'23*	Q2'23	Q2'23 Performance	
	\$1,158	\$1,340	\$1,362	Q/Q: Y/Y:	2% 18%
Industrial/Medical/ Defense/Automotive	\$757	\$1,016	\$958	Q/Q: Y/Y:	(6%) 27%
<b>Total</b>	<b>\$1,915</b>	<b>\$2,356</b>	<b>\$2,320</b>	<b>Q/Q: Y/Y:</b>	<b>(2%) 21%</b>

Numbers may not foot due to rounding.



## Q2 FY'23 Top 10 Customers – 49% of Revenue

\*Refer to restated financial results for such period provided at end of presentation.

# Q3'23 and FY23 Outlook



## Q3'23

- Expect growth Y/Y
- Customer backlog remains healthy
- Supply constraints continue to improve

Q3'23 Y/Y Outlook
Industrial/Medical/ Defense/Automotive
Communications Networks & Cloud Infrastructure

## FY23

- On track to deliver Y/Y mid-teens revenue growth
- Expect margin expansion and EPS growth

# Summary

- Q2'23 strong top and bottom line results
- Our priorities have not changed
- Our strategy is working and delivering results
- Continue to make investments for future growth
- We are excited about our future

**We Remain Confident in Our FY23 Profitable Growth Objectives**

# Consolidated Financial Statements

## Reconciliation of GAAP vs. Non-GAAP

### Quarter Ended: April 1, 2023



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

	April 1, 2023	October 1, 2022
	Restated (Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 718,203	\$ 529,857
Accounts receivable, net	1,208,808	1,138,894
Contract assets	486,290	461,739
Inventories	1,552,568	1,698,081
Prepaid expenses and other current assets	69,091	62,044
Total current assets	<u>4,034,960</u>	<u>3,890,615</u>
Property, plant and equipment, net	616,998	575,170
Deferred tax assets	196,191	209,554
Other	181,307	160,192
Total assets	<u>\$ 5,029,456</u>	<u>\$ 4,835,531</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,828,699	\$ 2,041,434
Accrued liabilities	282,414	281,599
Accrued payroll and related benefits	126,373	130,892
Short-term debt, including current portion of long-term debt	17,500	17,500
Total current liabilities	<u>2,254,986</u>	<u>2,471,425</u>
Long-term liabilities:		
Long-term debt	320,779	329,237
Other	235,697	215,333
Total long-term liabilities	<u>556,476</u>	<u>544,570</u>
Stockholders' equity	2,217,994	1,819,536
Total liabilities and stockholders' equity	<u>\$ 5,029,456</u>	<u>\$ 4,835,531</u>



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

	Three Months Ended		Six Months Ended	
	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Net sales	\$ 2,320,103	\$ 1,915,070	\$ 4,675,911	\$ 3,671,396
Cost of sales	2,128,914	1,768,575	4,289,336	3,383,604
Gross profit	191,189	146,495	386,575	287,792
Operating expenses:				
Selling, general and administrative	63,390	61,817	124,120	123,292
Research and development	6,394	5,472	11,993	10,249
Gain on sale of assets	-	-	-	(4,610)
Restructuring and other costs	804	2,932	1,435	4,346
Total operating expenses	70,588	70,221	137,548	133,277
Operating income	120,601	76,274	249,027	154,515
Interest income	2,539	349	5,472	658
Interest expense	(9,286)	(4,870)	(17,967)	(9,747)
Other income (expense), net	(2,768)	(1,408)	(9,480)	664
Interest and other, net	(9,515)	(5,929)	(21,975)	(8,425)
Income before income taxes	111,086	70,345	227,052	146,090
Provision for income taxes	25,779	21,724	46,631	41,292
Net income before noncontrolling interest in subsidiary earnings	85,307	48,621	180,421	104,798
Noncontrolling interest in subsidiary earnings	5,686	-	8,786	-
Net income attributable to common shareholders	\$ 79,621	\$ 48,621	\$ 171,635	\$ 104,798
Basic income per share	\$ 1.37	\$ 0.77	\$ 2.96	\$ 1.65
Diluted income per share	\$ 1.33	\$ 0.76	\$ 2.87	\$ 1.60
Weighted-average shares used in computing per share amounts:				
Basic	58,269	62,845	57,999	63,622
Diluted	59,819	64,271	59,863	65,365



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

	Q2'23	Q1'23	Q4'22	Q3'22	Q2'22	Q1'22
GAAP Revenue	\$ 2,320,103	\$ 2,355,808	\$ 2,224,865	\$ 2,023,361	\$ 1,915,070	\$ 1,756,326
Adjustments						
Distressed customer charges (3)	-	-	-	-	-	-
<b>Non-GAAP Revenue</b>	<b>\$ 2,320,103</b>	<b>\$ 2,355,808</b>	<b>\$ 2,224,865</b>	<b>\$ 2,023,361</b>	<b>\$ 1,915,070</b>	<b>\$ 1,756,326</b>
GAAP Gross Profit	\$ 191,189	\$ 195,386	\$ 172,229	\$ 162,185	\$ 146,495	\$ 141,297
GAAP gross margin	8.2%	8.3%	7.7%	8.0%	7.6%	8.0%
Adjustments						
Stock compensation expense (1)	4,025	4,242	3,610	3,724	2,948	3,783
Amortization of intangible assets	249	233	234	251	263	262
Legal and other (2)	-	-	-	-	-	833
<b>Non-GAAP Gross Profit</b>	<b>\$ 195,463</b>	<b>\$ 199,861</b>	<b>\$ 176,073</b>	<b>\$ 166,160</b>	<b>\$ 149,706</b>	<b>\$ 146,175</b>
Non-GAAP gross margin	8.4%	8.5%	7.9%	8.2%	7.8%	8.3%
GAAP Operating Expenses	\$ 70,588	\$ 66,960	\$ 68,879	\$ 70,571	\$ 70,221	\$ 63,056
Adjustments						
Stock compensation expense (1)	(8,509)	(7,367)	(6,953)	(6,959)	(6,382)	(5,249)
Legal and other (2)	(695)	-	-	(500)	-	-
Restructuring costs	(804)	(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>\$ 60,580</b>	<b>\$ 58,962</b>	<b>\$ 58,841</b>	<b>\$ 58,918</b>	<b>\$ 60,407</b>	<b>\$ 61,003</b>
GAAP Operating Income	\$ 120,601	\$ 128,426	\$ 103,350	\$ 91,614	\$ 76,274	\$ 78,241
GAAP operating margin	5.2%	5.5%	4.6%	4.5%	4.0%	4.5%
Adjustments						
Stock compensation expense (1)	12,534	11,609	10,563	10,683	9,330	9,032
Amortization of intangible assets	249	233	234	251	263	262
Legal and other (2)	695	-	-	500	-	833
Restructuring costs	804	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>\$ 134,883</b>	<b>\$ 140,899</b>	<b>\$ 117,232</b>	<b>\$ 107,242</b>	<b>\$ 89,299</b>	<b>\$ 85,172</b>
Non-GAAP operating margin	5.8%	6.0%	5.3%	5.3%	4.7%	4.8%
GAAP Interest and Other, net	\$ (9,515)	\$ (12,460)	\$ (25,885)	\$ (12,849)	\$ (5,929)	\$ (2,496)
Adjustments						
Loss on termination of pension plan	-	-	2,380	-	-	-
Reversal of gain on sale of IP	-	-	7,000	-	-	-
Loss on extinguishment of debt	-	-	1,370	-	-	-
Legal and other (2)	(3,630)	-	-	-	-	-
<b>Non-GAAP Interest and Other, net</b>	<b>\$ (13,145)</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	\$ 25,779	\$ 20,852	\$ 19,101	\$ 1,543	\$ 21,724	\$ 19,568
Adjustments						
Tax impact of non-GAAP adjustments	1,288	1,986	878	534	346	167
Discrete tax items	(1,082)	5,845	2,415	18,394	(3,526)	(384)
Deferred tax adjustments	(5,050)	(6,325)	(2,489)	(3,479)	(2,675)	(4,809)
<b>Non-GAAP Provision for Income Taxes</b>	<b>\$ 20,935</b>	<b>\$ 22,358</b>	<b>\$ 19,905</b>	<b>\$ 16,992</b>	<b>\$ 15,869</b>	<b>\$ 14,542</b>
GAAP Net Income	\$ 79,621	\$ 92,014	\$ 58,364	\$ 77,222	\$ 48,621	\$ 56,177
Adjustments:						
Operating income adjustments (see above)	14,282	12,473	13,882	15,628	13,025	6,931
Interest and other (see above)	(3,630)	-	10,750	-	(110)	-
Adjustments for taxes	4,844	(15,066)	(804)	(15,449)	5,786	5,026
<b>Non-GAAP Net Income</b>	<b>\$ 95,117</b>	<b>\$ 102,981</b>	<b>\$ 82,192</b>	<b>\$ 77,401</b>	<b>\$ 67,322</b>	<b>\$ 68,134</b>
<b>GAAP Net Income Per Share:</b>						
Basic	\$ 1.37	\$ 1.59	\$ 1.01	\$ 1.29	\$ 0.77	\$ 0.87
Diluted	\$ 1.33	\$ 1.54	\$ 0.98	\$ 1.25	\$ 0.76	\$ 0.85
<b>Non-GAAP Net Income Per Share:</b>						
Basic	\$ 1.63	\$ 1.78	\$ 1.42	\$ 1.29	\$ 1.07	\$ 1.06
Diluted	\$ 1.59	\$ 1.72	\$ 1.37	\$ 1.25	\$ 1.05	\$ 1.03
Weighted-average shares used in computing per share amounts:						
Basic	58,269	57,727	58,023	59,970	62,845	64,399
Diluted	59,819	59,867	59,844	61,702	64,271	66,233

(1) Stock compensation expense was as follows:

	Q2'23	Q1'23	Q4'22	Q3'22	Q2'22	Q1'22
Cost of sales	\$ 4,025	\$ 4,242	\$ 3,610	\$ 3,724	\$ 2,948	\$ 3,783
Selling, general and administrative	8,304	7,142	6,807	6,819	6,276	5,135
Research and development	205	225	146	140	106	114
Total	<b>\$ 12,534</b>	<b>\$ 11,609</b>	<b>\$ 10,563</b>	<b>\$ 10,683</b>	<b>\$ 9,330</b>	<b>\$ 9,032</b>

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

Earnings Per Share Outlook:	Q3 FY23 EPS Range*	
	Low	High
GAAP diluted earnings per share	\$ 1.29	\$ 1.39
Stock compensation expense	\$ 0.21	\$ 0.21
Non-GAAP diluted earnings per share	<b>\$ 1.50</b>	<b>\$ 1.60</b>

\* 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 third quarter of FY23, an estimate of such charges is not included in the outlook for Q3 FY23 GAAP EPS.



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

	Three Month Periods				
	Q2'23	Q1'23	Q4'22	Q3'22	Q2'22
	Restated	Restated	Restated	Restated	Restated
GAAP Net Income before NCI	\$ 85,307	\$ 95,114	\$ 58,364	\$ 77,222	\$ 48,621
Depreciation and amortization	29,282	28,536	26,686	27,065	27,567
Other, net	17,075	20,727	33,886	18,108	14,179
Net change in net working capital	(67,086)	(107,153)	(37,038)	(20,712)	(11,394)
Cash provided by operating activities	<u>64,578</u>	<u>37,224</u>	<u>81,898</u>	<u>101,683</u>	<u>78,973</u>
Purchases of long-term investments	(700)	(800)	(300)	(700)	(1,000)
Net purchases of property & equipment	(63,458)	(36,530)	(48,155)	(37,434)	(27,263)
Cash used in investing activities	<u>(64,158)</u>	<u>(37,330)</u>	<u>(48,455)</u>	<u>(38,134)</u>	<u>(28,263)</u>
Net share repurchases	(13,376)	(7,836)	(23,438)	(124,365)	(113,146)
Net borrowing activities	(4,375)	(4,375)	27,987	(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>(17,751)</u>	<u>203,588</u>	<u>4,549</u>	<u>(128,553)</u>	<u>(117,834)</u>
Effect of exchange rate changes	<u>220</u>	<u>1,975</u>	<u>(1,440)</u>	<u>(1,584)</u>	<u>(700)</u>
Net change in cash & cash equivalents	<u>\$ (17,111)</u>	<u>\$ 205,457</u>	<u>\$ 36,552</u>	<u>\$ (66,588)</u>	<u>\$ (67,824)</u>
Free cash flow:					
Cash provided by operating activities	\$ 64,578	\$ 37,224	\$ 81,898	\$ 101,683	\$ 78,973
Net purchases of property & equipment	(63,458)	(36,530)	(48,155)	(37,434)	(27,263)
Proceeds from sale of intellectual property	-	-	-	500	-
	<u>\$ 1,120</u>	<u>\$ 694</u>	<u>\$ 33,743</u>	<u>\$ 64,749</u>	<u>\$ 51,710</u>



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

	Three Month Periods				
	Q2 FY23	Q1 FY23 Restated	Q4 FY22 Restated	Q3 FY22 Restated	Q2 FY22 Restated
GAAP operating income	\$ 120,601	\$ 128,426	\$ 103,350	\$ 91,614	\$ 76,274
x 4.0	4.0	4.0	4.0	4.0	4.0
Annualized GAAP operating income	482,404	513,704	413,400	366,456	305,096
Average invested capital (1)	÷ 1,592,563	1,485,054	1,398,566	1,353,671	1,327,399
<b>GAAP pre-tax ROIC</b>	<b>30.3%</b>	<b>34.6%</b>	<b>29.6%</b>	<b>27.1%</b>	<b>23.0%</b>
Non-GAAP operating income	\$ 134,883	\$ 140,899	\$ 117,232	\$ 107,242	\$ 89,299
x 4.0	4.0	4.0	4.0	4.0	4.0
Annualized non-GAAP operating income	539,532	563,596	468,928	428,968	357,196
Average invested capital (1)	÷ 1,592,563	1,485,054	1,398,566	1,353,671	1,327,399
<b>Non-GAAP pre-tax ROIC</b>	<b>33.9%</b>	<b>38.0%</b>	<b>33.5%</b>	<b>31.7%</b>	<b>26.9%</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).



Thank You