



**Benchmark Electronics**

**Fourth Quarter and Fiscal Year 2023 Financial Results**

**January 31, 2024**

## Forward-Looking 2024 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 2024 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 continuing hostilities and tensions, 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", 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 2023 Results

- Revenue of \$691 million
  - Total revenue impacted by \$38 million reduction in supply chain premiums (SCP)\* versus the prior year
- GAAP and non-GAAP\*\* gross margin of 10.3%, expanded 70 basis points year-over-year
- GAAP operating margin of 4.6% with non-GAAP\*\* of 5.1%, expanded 80 basis points year-over-year
- GAAP EPS of \$0.49 and non-GAAP\*\* EPS of \$0.58, above mid-point of guidance range
- Free Cash Flow of \$126 million aided by \$57 million sequential reduction in inventory and contract assets
- Net Debt reduced to \$48 million, a \$124 million, or 72%, sequential decrease



\* 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 non-GAAP Financial Results

# Fiscal Year 2023 Results

- Revenue of \$2.8 billion
  - Total revenue impacted by \$209 million reduction in supply chain premiums (SCP)\* versus prior year
- GAAP and non-GAAP\*\* gross margin of 9.5%, expanded 70 basis points year-over-year
- GAAP operating margin of 3.9% with non-GAAP\*\* of 4.4%, up 80 basis points year-over-year
- GAAP EPS of \$1.79 and non-GAAP\*\* EPS of \$2.04
- Delivered \$97 million in Free Cash Flow, exceeding our annual target range of \$70 - \$80 million

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

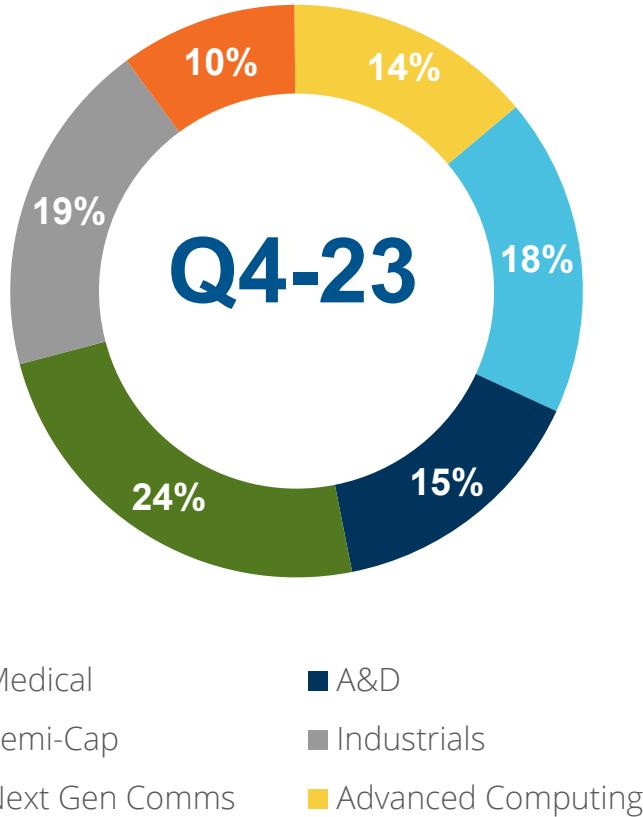
\*\* See APPENDIX 1 for a reconciliation of GAAP to non-GAAP Financial Results

# Roop Lakkaraju

Chief Financial Officer



# Fourth Quarter 2023 GAAP Revenue by Market Sector



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

(Dollars in Millions)	Dec 31, 2023			Sep 30, 2023			Dec 31, 2022		
	Sector	Mix %	Revenue	Mix %	Revenue	Q/Q	Mix %	Revenue	Y/Y
Medical		18%	\$126	21%	\$149	(15)%	19%	\$144	(13%)
Semi-Cap		24%	\$168	23%	\$165	2%	24%	\$178	(6%)
Aerospace & Defense		15%	\$102	14%	\$100	2%	12%	\$90	13%
Industrials		19%	\$132	21%	\$154	(14%)	19%	\$143	(8%)
Advanced Computing		14%	\$95	9%	\$66	44%	12%	\$92	3%
Next Gen Comms		10%	\$68	12%	\$86	(21%)	14%	\$104	(35%)
<b>Total Revenue</b>		<b>100%</b>	<b>\$691</b>	<b>100%</b>	<b>\$720</b>	<b>(4%)</b>	<b>100%</b>	<b>\$751</b>	<b>(8%)</b>

# Sector Results Excluding Supply Chain Premiums

Q4 2023				
(Dollars in Millions)	Total Revenue	Supply Chain Premiums (SCP)	Revenue adjusted for SCP	Y/Y adjusted for SCP
<b>Medical</b>	\$126	(\$2)	\$124	(7%)
<b>Semi-Cap</b>	\$168	\$0	\$168	(5%)
<b>Aerospace &amp; Defense</b>	\$102	\$0	\$102	15%
<b>Industrials</b>	\$132	(\$4)	\$128	8%
<b>Advanced Computing</b>	\$95	\$0	\$95	3%
<b>Next Gen Comms</b>	\$68	(\$2)	\$66	(31%)

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

# Fourth Quarter 2023 Financial Summary

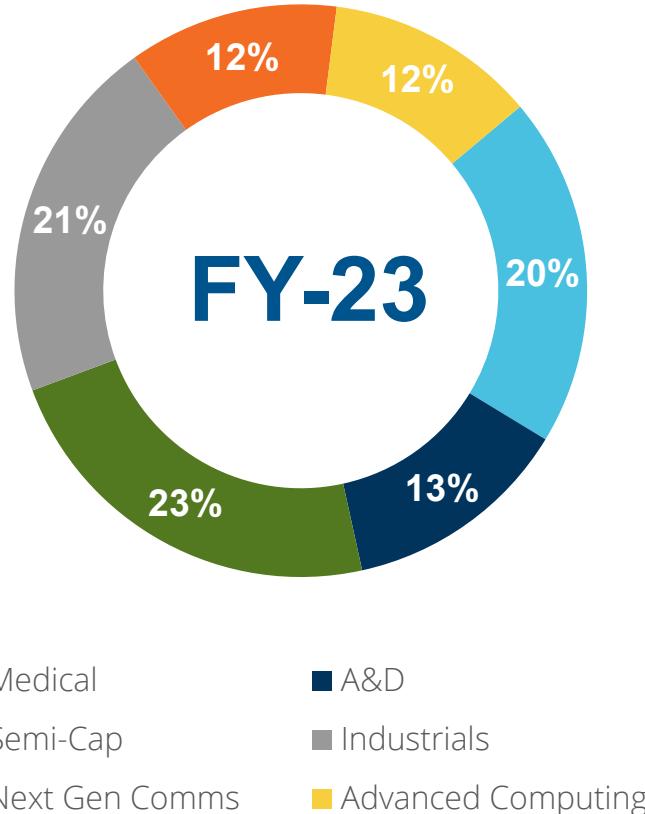
(Dollars in Millions, except EPS)	Dec 31, 2023	Sep 30, 2023	Q/Q	Dec 31, 2022	Y/Y
<b>Net Sales</b>	\$691	\$720	(4%)	\$751	(8%)
<b>GAAP Gross Margin</b>	10.3%	9.6%	70 bps	9.6%	70 bps
<b>GAAP SG&amp;A</b>	\$35.6	\$35.5	0%	\$39.5	(10%)
<b>GAAP Operating Margin</b>	4.6%	4.2%	40 bps	3.6%	100 bps
<b>GAAP Diluted EPS</b>	\$0.49	\$0.57	(14%)	\$0.60	(18%)
<b>GAAP ROIC</b>	9.1%	7.1%	200 bps	7.4%	170 bps
<b>Net Sales</b>	\$691	\$720	(4%)	\$751	(8%)
<b>Non-GAAP Gross Margin</b>	10.3%	9.6%	70 bps	9.6%	70 bps
<b>Non-GAAP SG&amp;A</b>	\$35.6	\$35.5	0%	\$39.5	(10%)
<b>Non-GAAP Operating Margin</b>	5.1%	4.7%	40 bps	4.3%	80 bps
<b>Non-GAAP Diluted EPS</b>	\$0.58	\$0.57	2%	\$0.60	(3%)
<b>Non-GAAP ROIC</b>	9.3%	9.4%	(10) bps	9.9%	(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 2023 Reported Revenue by Market Sector



## Revenue by Mix and Market Sector For the Twelve Months Ended

Sector	Dollars in Millions		Dec 31, 2023		Dec 31, 2022		Y/Y
	Mix %	Revenue	Mix %	Revenue	Mix %	Revenue	
Medical	20%	\$557	21%	\$593	(6%)		
Semi-Cap	23%	\$646	25%	\$722	(11%)		
Aerospace & Defense	13%	\$362	12%	\$348	4%		
Industrials	21%	\$596	21%	\$593	1%		
Advanced Computing	12%	\$338	10%	\$310	9%		
Next Gen Comms	12%	\$340	11%	\$320	6%		
Total Revenue	100%	\$2,839	100%	\$2,886	(2%)		

# Sector Results Excluding Supply Chain Premiums

	Fiscal Year 2023 (Dollars in Millions)			
	Total Revenue	Supply Chain Premiums (SCP)	Revenue adjusted for SCP	Y/Y adjusted for SCP
<b>Medical</b>	\$557	(\$12)	\$545	9%
<b>Semi-Cap</b>	\$646	(\$3)	\$643	(9%)
<b>Aerospace &amp; Defense</b>	\$362	(\$1)	\$361	6%
<b>Industrials</b>	\$596	(\$32)	\$564	17%
<b>Advanced Computing</b>	\$338	\$0	\$338	10%
<b>Next Gen Comms</b>	\$340	(\$11)	\$329	16%

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

# Fiscal Year 2023 Financial Summary

(Dollars in Millions, except EPS)	Dec 31, 2023	Dec 31, 2022	Y/Y (%)
<b>Net Sales</b>	\$2,839	\$2,886	(2%)
<b>GAAP Gross Margin</b>	9.5%	8.8%	70 bps
<b>GAAP SG&amp;A</b>	\$147.0	\$150.2	(2%)
<b>GAAP Operating Margin</b>	3.9%	3.1%	80 bps
<b>GAAP Diluted EPS</b>	\$1.79	\$1.91	(6%)
<b>GAAP ROIC</b>	9.1%	7.4%	170 bps
<b>Net Sales</b>	\$2,839	\$2,886	(2%)
<b>Non-GAAP Gross Margin</b>	9.5%	8.8%	70 bps
<b>Non-GAAP SG&amp;A</b>	\$147.0	\$150.4	(2%)
<b>Non-GAAP Operating Margin</b>	4.4%	3.6%	80 bps
<b>Non-GAAP Diluted EPS</b>	\$2.04	\$2.09	(2%)
<b>Non-GAAP ROIC</b>	9.3%	9.9%	(60) bps

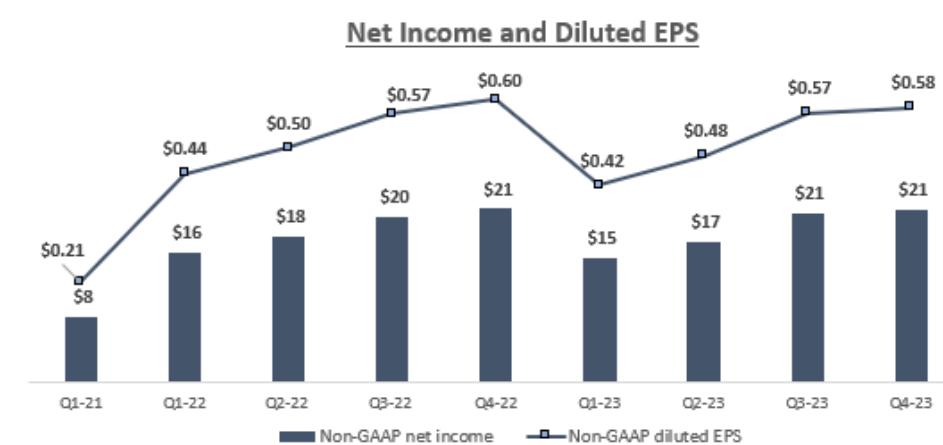
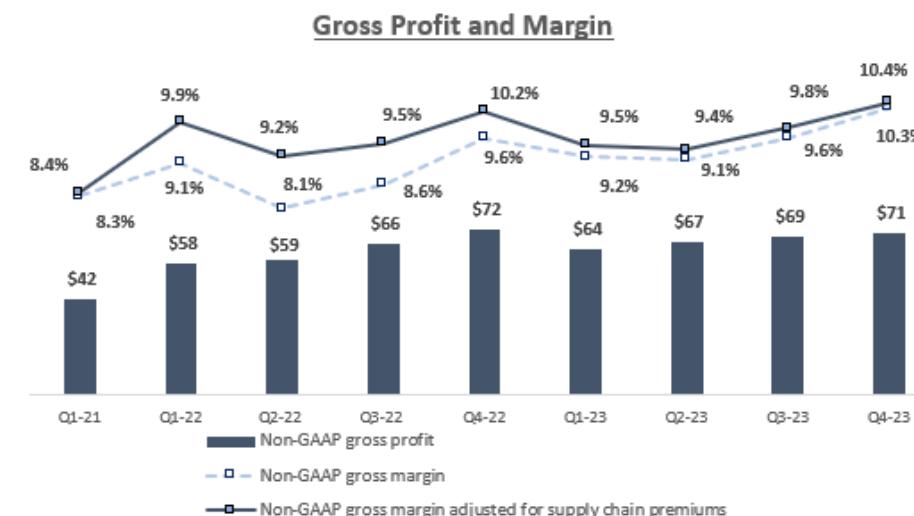
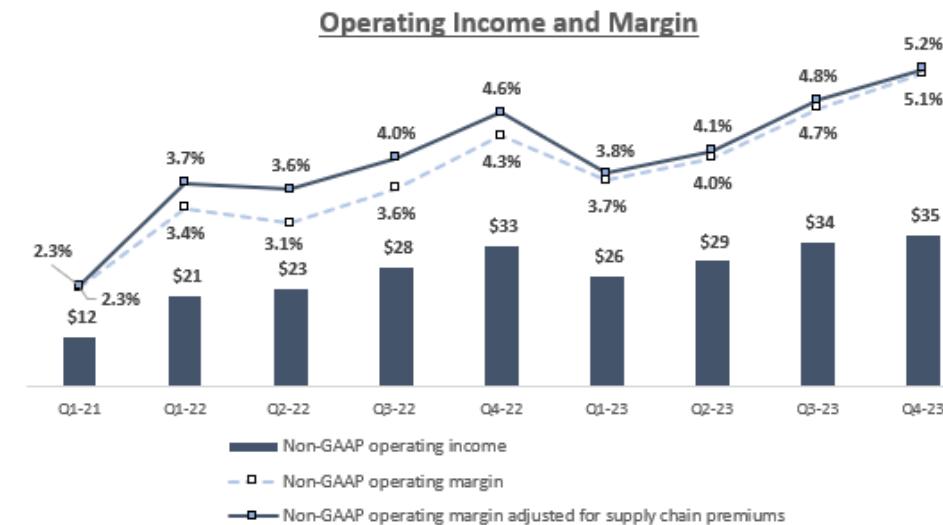
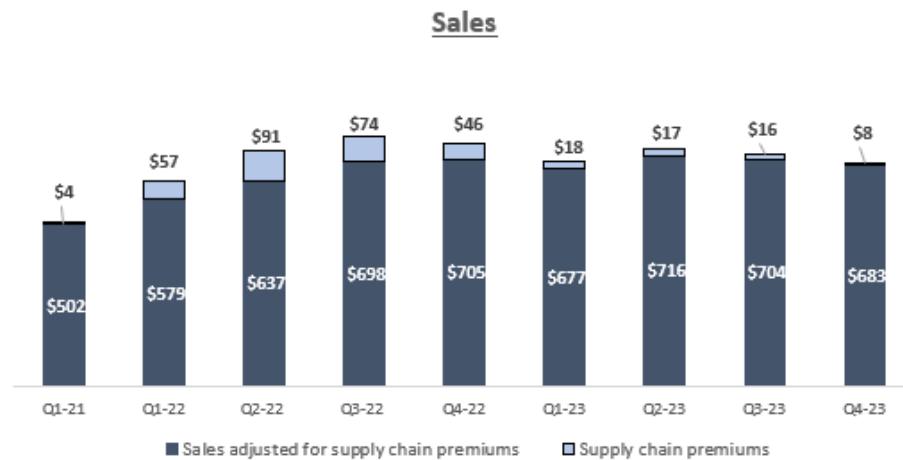
See APPENDIX 1 for a reconciliation of GAAP to non-GAAP Financial Results

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]

# 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

	Q4-23	Q3-23	Q2-23	Q1-23	Q4-22
Accounts Receivable Days	59	60	59	60	59
Contract Asset Days	23	24	23	25	22
Inventory Days	99	100	102	111	97
Accounts Payable Days	(53)	(53)	(56)	(60)	(56)
Advance Payments from Customer Days	(30)	(26)	(25)	(27)	(26)
<b>Cash Conversion Cycle Days</b>	<b>98</b>	<b>105</b>	<b>103</b>	<b>109</b>	<b>96</b>

# Liquidity Update

(In Millions)	For the Twelve Months Ended		For the Three Months Ended		
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Sep 30, 2023	Dec 30, 2022
<b>Cash Flows from (used in) Operations</b>	\$174	(\$177)	\$137	\$38	(\$53)
<b>FCF (1)</b>	\$97	(\$224)	\$126	\$18	(\$66)
<b>Cash</b>	\$283	\$207	\$283	\$261	\$207
International	\$270	\$168	\$270	\$238	\$168
US	\$13	\$39	\$13	\$23	\$39

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

Debt Structure (In Millions)	Dec 31, 2023
Senior Secured Term Loan	\$127
Revolving Credit Facility Drawn Amount	\$205

\* Leverage ratio is Net Debt / LTM Adjusted EBITDA, as defined in the credit facility, which are non-GAAP measures

- Strong balance sheet and leverage ratio
- Working down inventory to help drive free cash flow
- Significantly reduced net debt position in the quarter

# Capital Allocation Update

## Capital Expenditures

- In FY 2023, paid \$78 million in capital expenditures
- Since 2018, invested \$305 million in additions to property, plant and equipment and software
- Capital expenditures tightly aligned to future organic growth objectives

## Cash Dividends

- In FY 2023, paid cash dividends of \$23 million
- Since 2018, paid cumulative cash dividends of \$136 million
- Committed to supporting return of capital via consistent dividend payments

## Share Repurchases

- No share repurchases in FY 2023 but plan to resume in FY 2024
- Since 2018, 15.7 million shares repurchased for \$409 million
- Approximately \$155 million remains available under Board authorized share repurchase program

- Capex for Fiscal Year 2024 expected to be \$55 - \$65 million
- Continuing to support current dividend
- Will evaluate share repurchases opportunistically

# First Quarter 2024 Guidance

	<b>Q1 2024</b>
Net Sales	\$625 - \$665 million
Gross Margin – non-GAAP	9.8% - 10.2%
Operating Margin – non-GAAP	4.5% - 4.7%
Other Expenses, Net	\$8.5 million
Effective Tax Rate	23% – 25%
Diluted EPS – GAAP	\$0.32 - \$0.38
Diluted EPS – non-GAAP	\$0.42 - \$0.48
Diluted Weighted-Average Shares	~ 36.0 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.

# Business Trends

Jeff Benck - CEO

# Sector Outlook

	1H 2024	Sector Commentary
<b>Semi-Cap</b>		<ul style="list-style-type: none"><li>• Early signs of a potential recovery late 2024, but first half expected to remain consistent with recent levels</li><li>• We continue to out-perform the market and are winning new business</li></ul>
<b>Medical</b>		<ul style="list-style-type: none"><li>• Seeing broad-based softness across the industry driven by inventory re-balancing and demand normalization</li><li>• New win momentum in recent quarters driven by near-shoring</li></ul>
<b>Industrials</b>		<ul style="list-style-type: none"><li>• Demand reduction coupled with inventory rebalancing expected to weigh on performance in 1H 2024</li><li>• Continuing to invest given the market opportunity</li></ul>
<b>Aerospace &amp; Defense</b>		<ul style="list-style-type: none"><li>• Commercial aerospace remains strong</li><li>• Defense is benefitting from ramp of existing programs and broadening of new wins within our customer base</li></ul>
<b>Next Gen Comms</b>		<ul style="list-style-type: none"><li>• Reductions in capital spending are broadly impacting the sector</li><li>• Demand expected to remain challenged throughout 2024</li></ul>
<b>Advanced Computing</b>		<ul style="list-style-type: none"><li>• Large HPC build completing in Q1 2024</li><li>• Working new opportunities to drive future revenue growth</li></ul>

# Summary

## **2023 was a year of strong execution**

- Generated \$97 million in Free Cash Flow
- Invested to exploit the Semi-Cap secular growth opportunity
- Delivered on Gross and Operating Margin expansion
- Significantly reduced Net Debt

## **2024 objectives**

- Manage volatility while continuing to progress to our target model profitability
- Continue to work down inventory, driving positive Free Cash Flow
- Return capital to investors in the form of continued dividends and opportunistic share repurchasing

# Appendix

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

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

	Three Months Ended								Year Ended	
	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2023	Dec 31, 2022
Income from operations (GAAP)	\$ 32,100	\$ 30,341	\$ 24,481	\$ 22,742	\$ 26,946	\$ 25,284	\$ 22,432	\$ 15,407	\$ 109,664	\$ 90,069
Amortization of intangible assets	1,204	1,592	1,591	1,592	1,592	1,591	1,592	1,609	5,979	6,384
Restructuring charges and other costs	2,054	1,437	2,364	1,426	799	1,331	1,266	2,314	7,281	5,317
(Gain) loss on assets held for sale	–	–	–	–	–	–	(2,376)	1,983	–	–
Impairment	–	198	923	–	–	–	–	–	1,121	–
Settlement	–	–	–	–	3,250	–	–	–	–	3,250
Customer insolvency (recovery)	–	–	–	–	–	(599)	–	–	–	(599)
Non-GAAP income from operations	\$ 35,358	\$ 33,568	\$ 29,359	\$ 25,760	\$ 32,587	\$ 27,607	\$ 22,914	\$ 21,313	\$ 124,045	\$ 104,421
GAAP operating margin	4.6%	4.2%	3.3%	3.3%	3.6%	3.3%	3.1%	2.4%	3.9%	3.1%
Non-GAAP operating margin	5.1%	4.7%	4.0%	3.7%	4.3%	3.6%	3.1%	3.4%	4.4%	3.6%
Gross profit (GAAP)	\$ 71,004	\$ 69,077	\$ 67,031	\$ 63,958	\$ 72,127	\$ 66,750	\$ 58,756	\$ 57,602	\$ 271,070	\$ 255,235
Customer insolvency (recovery)	–	–	–	–	–	(425)	–	–	–	(425)
Non-GAAP gross profit	\$ 71,004	\$ 69,077	\$ 67,031	\$ 63,958	\$ 72,127	\$ 66,325	\$ 58,756	\$ 57,602	\$ 271,070	\$ 254,810
GAAP gross margin	10.3%	9.6%	9.1%	9.2%	9.6%	9.7%	8.1%	9.1%	9.5%	8.8%
Non-GAAP gross margin	10.3%	9.6%	9.1%	9.2%	9.6%	8.6%	8.1%	9.1%	9.5%	8.8%
Selling, general and administrative expenses	\$ 35,646	\$ 35,509	\$ 37,672	\$ 38,198	\$ 39,540	\$ 38,544	\$ 35,842	\$ 36,289	\$ 147,025	\$ 150,215
Customer recovery	–	–	–	–	–	174	–	–	–	174
Non-GAAP selling, general and administrative expenses	\$ 35,646	\$ 35,509	\$ 37,672	\$ 38,198	\$ 39,540	\$ 38,718	\$ 35,842	\$ 36,289	\$ 147,025	\$ 150,389
Net income (GAAP)	\$ 17,552	\$ 20,412	\$ 13,991	\$ 12,360	\$ 21,219	\$ 18,829	\$ 17,221	\$ 10,960	\$ 64,315	\$ 68,229
Amortization of intangible assets	1,204	1,592	1,591	1,592	1,592	1,591	1,592	1,609	5,979	6,384
Restructuring charges and other costs	2,899	1,437	2,364	1,426	799	1,331	1,266	2,314	8,126	5,317
(Gain) loss on assets held for sale	–	–	–	–	–	–	(2,376)	1,983	–	–
Impairment	–	198	923	–	–	–	–	–	1,121	–
Settlement	(37)	(3,375)	(1,155)	–	(2,344)	(611)	–	–	(4,567)	(2,955)
Customer insolvency (recovery)	–	–	–	–	–	(599)	–	–	–	(599)
Income tax adjustments <sup>(1)</sup>	(657)	245	(670)	(516)	(5)	(351)	(82)	(1,206)	(1,598)	(1,644)
Non-GAAP net income	\$ 20,961	\$ 20,509	\$ 17,044	\$ 14,862	\$ 21,261	\$ 20,190	\$ 17,627	\$ 15,660	\$ 73,376	\$ 74,732
Diluted earnings per share:										
Diluted (GAAP)	\$ 0.49	\$ 0.57	\$ 0.39	\$ 0.35	\$ 0.60	\$ 0.53	\$ 0.49	\$ 0.31	\$ 1.79	\$ 1.91
Diluted (non-GAAP)	\$ 0.58	\$ 0.57	\$ 0.48	\$ 0.42	\$ 0.60	\$ 0.57	\$ 0.50	\$ 0.44	\$ 2.04	\$ 2.09
Weighted-average number of shares used in calculating diluted earnings per share:										
Diluted (GAAP)	35,956	35,876	35,676	35,592	35,630	35,348	35,336	35,470	35,973	35,718
Diluted (non-GAAP)	35,956	35,876	35,676	35,592	35,630	35,348	35,336	35,470	35,973	35,718
Net cash provided by (used in) operations	\$ 137,080	\$ 37,583	\$ 24,538	\$ (24,906)	\$ (52,749)	\$ (31,208)	\$ (25,485)	\$ (68,025)	\$ 174,294	\$ (177,467)
Additions to property, plant and equipment and software	(11,026)	(19,664)	(8,318)	(38,731)	(13,180)	(8,623)	(6,996)	(17,975)	(77,739)	(46,774)
Free cash flow (used)	\$ 126,054	\$ 17,919	\$ 16,220	\$ (63,637)	\$ (65,929)	\$ (39,831)	\$ (32,481)	\$ (86,000)	\$ 96,555	\$ (224,241)

(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								Year Ended		
	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2021	Dec 31, 2023	Dec 31, 2022	
Sales (GAAP)	\$ 691	\$ 720	\$ 733	\$ 695	\$ 751	\$ 772	\$ 728	\$ 636	\$ 506	\$ 2,839	\$ 2,886
Adjustment for supply chain premiums	(8)	(16)	(17)	(18)	(46)	(74)	(91)	(57)	(4)	(59)	(268)
Non-GAAP sales adjusted for supply chain premiums	<u>\$ 683</u>	<u>\$ 704</u>	<u>\$ 716</u>	<u>\$ 677</u>	<u>\$ 705</u>	<u>\$ 698</u>	<u>\$ 637</u>	<u>\$ 579</u>	<u>\$ 502</u>	<u>\$ 2,780</u>	<u>\$ 2,618</u>
GAAP and non-GAAP cost of sales	\$ 620	\$ 651	\$ 666	\$ 631	\$ 679	\$ 705	\$ 669	\$ 578	\$ 464	\$ 2,568	\$ 2,632
Adjustment for supply chain premiums	(8)	(16)	(17)	(18)	(46)	(74)	(91)	(57)	(4)	(59)	(268)
Non-GAAP cost of sales adjusted for supply chain premiums	<u>\$ 612</u>	<u>\$ 635</u>	<u>\$ 649</u>	<u>\$ 613</u>	<u>\$ 633</u>	<u>\$ 631</u>	<u>\$ 578</u>	<u>\$ 521</u>	<u>\$ (460)</u>	<u>\$ 2,509</u>	<u>\$ 2,364</u>
Non-GAAP gross margin	10.3%	9.6%	9.1%	9.2%	9.6%	8.6%	8.1%	9.1%	8.3%	9.5%	8.8%
Non-GAAP gross margin adjusted for supply chain premiums	10.4%	9.8%	9.4%	9.5%	10.2%	9.5%	9.2%	9.9%	8.4%	9.8%	9.7%
Non-GAAP operating margin	5.1%	4.7%	4.0%	3.7%	4.3%	3.6%	3.1%	3.4%	2.3%	4.4%	3.6%
Non-GAAP operating margin adjusted for supply chain premiums	5.2%	4.8%	4.1%	3.8%	4.6%	4.0%	3.6%	3.7%	2.3%	4.5%	4.0%

# APPENDIX 3 - Reconciliation of Supply Chain Premiums by Sector

(Dollars in Millions) – (UNAUDITED)

Sales (GAAP)	Three Months Ended			Year Ended	
	Dec 31, 2023	Sep 30, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Medical	\$ 126	\$ 149	\$ 144	\$ 557	\$ 593
Semi-Cap	168	165	178	646	722
A&D	102	100	90	362	348
Industrials	132	154	143	596	593
Advanced Computing	95	66	92	338	310
Next Gen Comms	68	86	104	340	320
<b>Total Sales (GAAP)</b>	<b>\$ 691</b>	<b>\$ 720</b>	<b>\$ 751</b>	<b>\$ 2,839</b>	<b>\$ 2,886</b>
<b>Supply Chain Premiums</b>					
Medical	\$ 2	\$ 2	\$ 11	\$ 12	\$ 95
Semi-Cap	—	1	2	3	16
A&D	—	—	1	1	6
Industrials	4	11	24	32	111
Advanced Computing	—	—	—	—	3
Next Gen Comms	2	2	8	11	37
<b>Total Supply Chain Premiums</b>	<b>\$ 8</b>	<b>\$ 16</b>	<b>\$ 46</b>	<b>\$ 59</b>	<b>\$ 268</b>
<b>Sales Adjusted for Supply Chain Premiums</b>					
Medical	\$ 124	\$ 147	\$ 133	\$ 545	\$ 498
Semi-Cap	168	164	176	643	706
A&D	102	100	89	361	342
Industrials	128	143	119	564	482
Advanced Computing	95	66	92	338	307
Next Gen Comms	66	84	96	329	283
<b>Total Sales Adjusted for Supply Chain Premiums</b>	<b>\$ 683</b>	<b>\$ 704</b>	<b>\$ 705</b>	<b>\$ 2,780</b>	<b>\$ 2,618</b>