

# ▶ Benchmark

## **Benchmark Electronics Fourth Quarter and Fiscal Year 2022 Financial Results**

February 1, 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 estimated financial impact of the COVID-19 pandemic, the Company’s outlook and guidance for first quarter and fiscal year 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, 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, continued 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.

# Q4 2022 Results

- Achieved 19% year-over-year revenue growth to \$751 million, with double-digit growth in 4 of 6 sectors
- GAAP and non-GAAP gross margin of 9.6%
- GAAP and non-GAAP operating margin of 3.6% and 4.3%, respectively
- GAAP and non-GAAP EPS of \$0.60
- All items below adjusted for supply chain premiums\*:
  - Revenue grew 19% year-over-year, with double-digit growth in 5 of 6 sectors
  - Non-GAAP gross margin of 10.2% and non-GAAP operating margin of 4.6%

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

# FY 2022 Results

- Achieved record revenue of \$2.9 billion, up 28% year-on-year, with double-digit growth in 5 of 6 sectors
- GAAP and non-GAAP gross margin of 8.8%
- GAAP and non-GAAP operating margin of 3.1% and 3.6%, respectively
- GAAP EPS of \$1.91 and non-GAAP EPS of \$2.09
- All items below adjusted for supply chain premiums\*:
  - Revenue grew 20% year-over-year, with double-digit growth in 5 of 6 sectors
  - Non-GAAP gross margin of 9.7% and non-GAAP operating margin of 4.0%

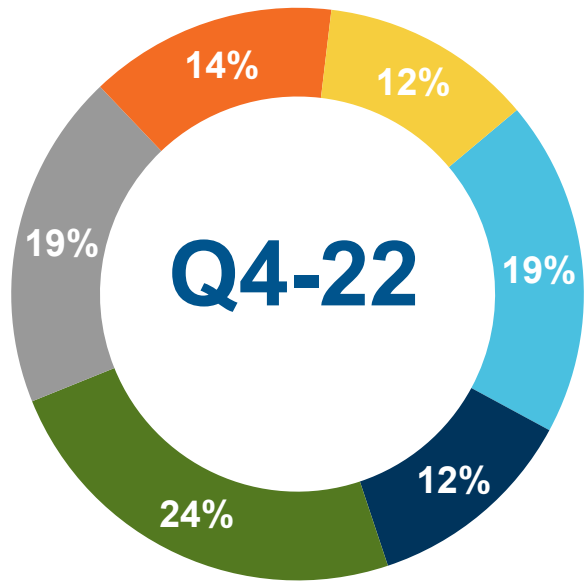
\* Component pass-through revenue for supply chain premiums with no impact on non-GAAP operating income or EPS

# Roop Lakkaraju

Chief Financial Officer



# Fourth Quarter Reported Revenue by Market Sector



- Medical
- Semi-Cap
- Next Gen Comms
- A&D
- Industrials
- Advanced Computing

Revenue by Mix and Market Sector  
For the Three Months Ended

Dollars in Millions		Dec 31, 2022			Sept 30, 2022			Dec 31, 2021		
Sector		Mix %	Revenue		Mix %	Revenue	Q/Q Growth	Mix %	Revenue	Y/Y Growth
Medical		19%	\$144		21%	\$166	(13%)	20%	\$127	14%
Semi-Cap		24%	\$178		24%	\$186	(5%)	26%	\$163	9%
Aerospace & Defense		12%	\$90		11%	\$86	5%	15%	\$95	(5%)
Industrials		19%	\$143		20%	\$155	(8%)	20%	\$125	14%
Advanced Computing		12%	\$92		13%	\$95	(2%)	9%	\$60	55%
Next Gen Comms		14%	\$104		11%	\$84	24%	10%	\$63	64%
Total Revenue		100%	\$751		100%	\$772	(3%)	100%	\$633	19%



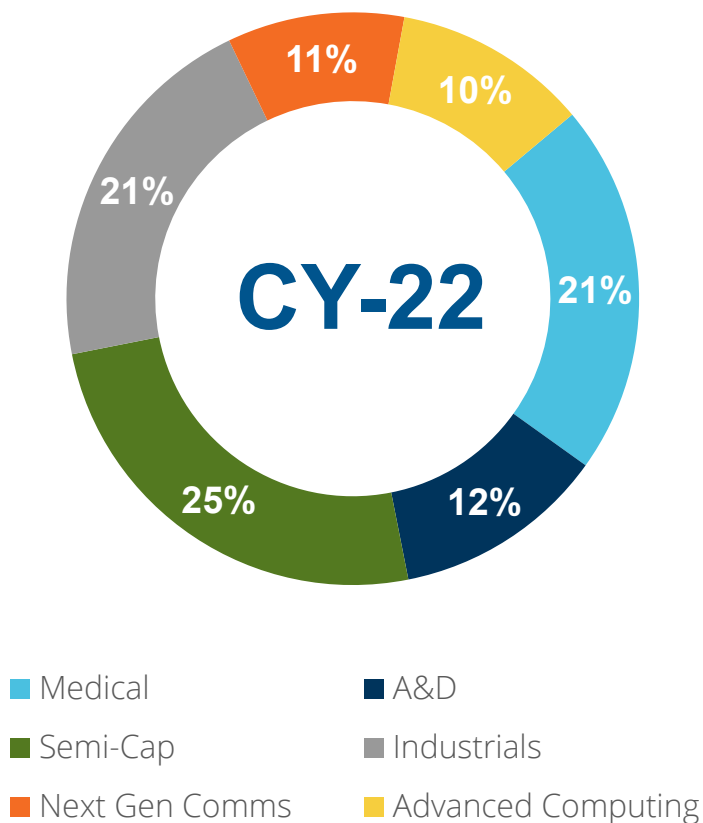
# Fourth Quarter 2022 Financial Summary

(Dollars in millions, except EPS)	Dec 31, 2022	Sept 30, 2022	Q/Q	Dec 31, 2021	Y/Y
Net Sales	\$751	\$772	(3%)	\$633	19%
GAAP Gross Margin	9.6%	8.7%	90 bps	9.8%	(20) bps
GAAP SG&A	\$39.5	\$38.5	3%	\$37.7	5%
GAAP Operating Margin	3.6%	3.3%	30 bps	2.9%	70 bps
GAAP Diluted EPS	\$0.60	\$0.53	13%	\$0.35	71%
GAAP ROIC	7.4%	7.1%	30 bps	5.4%	200 bps
Net Sales	\$751	\$772	(3%)	\$633	19%
Non-GAAP Gross Margin	9.6%	8.6%	100 bps	9.8%	(20) bps
Non-GAAP SG&A	\$39.5	\$38.7	2%	\$37.7	5%
Non-GAAP Operating Margin	4.3%	3.6%	70 bps	3.8%	50 bps
Non-GAAP Diluted EPS	\$0.60	\$0.57	5%	\$0.48	25%
Non-GAAP ROIC	9.9%	9.8%	10 bps	8.6%	130 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]

# 2022 Reported Revenue by Market Sector



Revenue by Mix and Market Sector  
For the Twelve Months Ended

Dollars in Millions		Dec. 31, 2022		Dec. 31, 2021		Y/Y
Sector		Mix %	Revenue	Mix %	Revenue	
Medical		21%	\$593	20%	\$462	28%
Semi-Cap		25%	\$722	24%	\$549	31%
Aerospace & Defense		12%	\$348	17%	\$382	(9%)
Industrials		21%	\$593	19%	\$428	39%
Advanced Computing		10%	\$310	9%	\$199	56%
Next Gen Comms		11%	\$320	10%	\$235	36%
Total Revenue		100%	\$2,886	100%	\$2,255	28%



# Fiscal Year 2022 Financial Summary

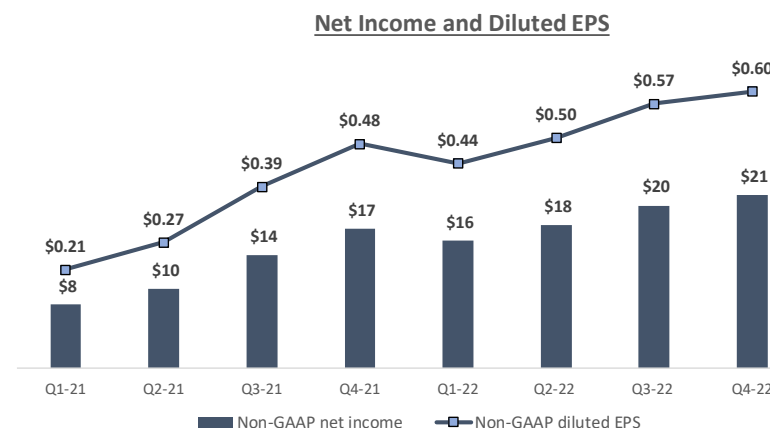
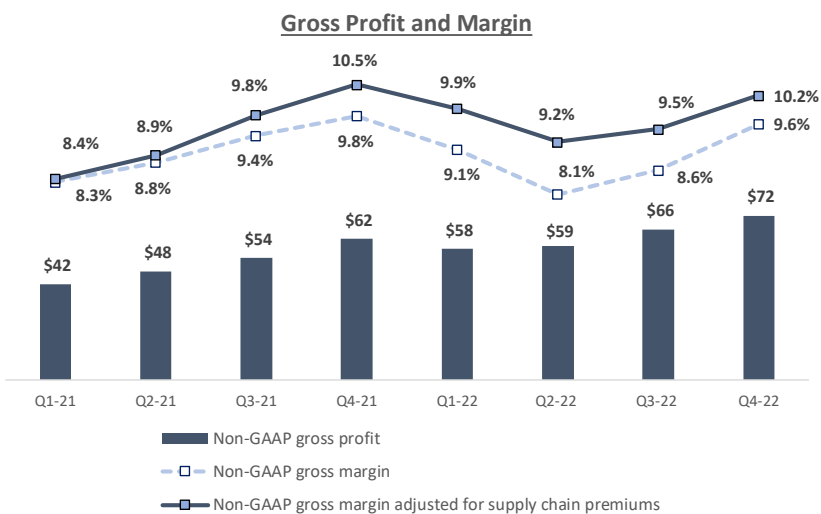
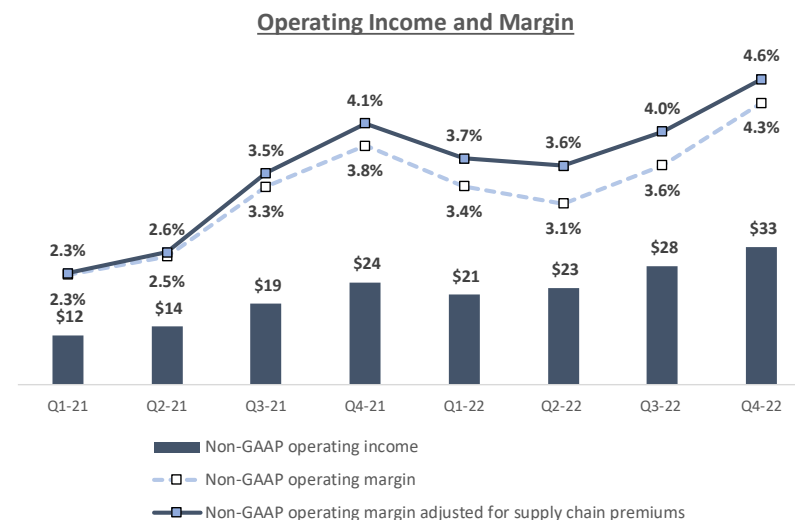
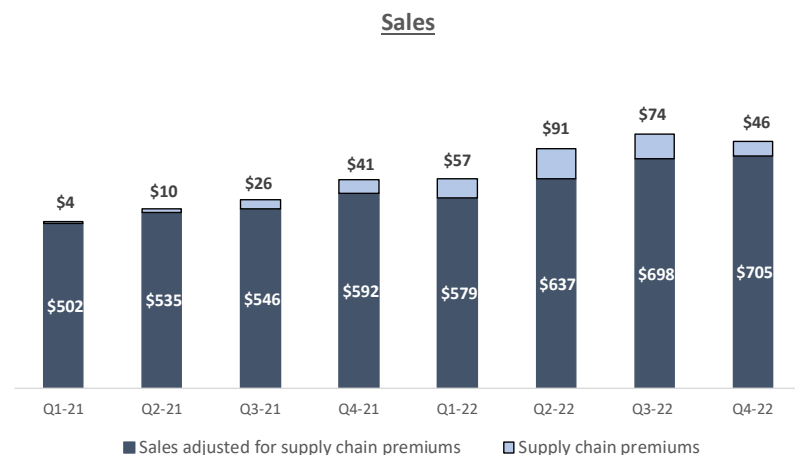
(Dollars in millions, except EPS)	Dec. 31, 2022	Dec. 31, 2021	'21 to '22 change	Y/Y
Net Sales	\$2,886	\$2,255	\$631	28%
GAAP Gross Margin	8.8%	9.1%		(30) bps
GAAP SG&A	\$150.2	\$136.7	\$13.5	10%
GAAP Operating Margin	3.1%	2.4%		70 bps
GAAP Diluted EPS	\$1.91	\$0.99	\$0.92	93%
GAAP ROIC	7.4%	5.4%		200 bps
Net Sales	\$2,886	\$2,255	\$631	28%
Non-GAAP Gross Margin	8.8%	9.1%		(30) bps
Non-GAAP SG&A	\$150.4	\$136.7	\$13.7	10%
Non-GAAP Operating Margin	3.6%	3.0%		60 bps
Non-GAAP Diluted EPS	\$2.09	\$1.35	\$0.74	55%
Non-GAAP ROIC	9.9%	8.6%		130 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 for a reconciliation of GAAP to non-GAAP Financial Results

# Cash Conversion Cycle Update

	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21
Accounts Receivable Days	59	56	55	54	51	49
Contract Asset Days	22	22	22	24	22	25
Inventory Days	97	95	90	95	82	83
Accounts Payable Days	(56)	(67)	(67)	(71)	(67)	(70)
Advance Payments from Customers Days	(26)	(27)	(23)	(20)	(19)	(16)
<b>Cash Conversion Cycle</b>	<b>96</b>	<b>79</b>	<b>77</b>	<b>82</b>	<b>69</b>	<b>71</b>

# Liquidity and Capital Resources

	For the Twelve Months Ended		For the Three Months Ended		
	Dec. 31, 2022	Dec. 30, 2021	Dec. 31, 2022	Sept. 30, 2022	Dec. 30, 2021
Cash (In millions)					
Cash Flows from (used in) Operations	(\$177)	(\$3)	(\$53)	(\$31)	(\$1)
FCF <sup>(1)</sup>	(\$224)	(\$45)	(\$66)	(\$40)	(\$11)
Cash	\$207	\$272	\$207	\$249	\$272
International	\$168	\$195	\$168	\$189	\$195
US	\$39	\$77	\$39	\$60	\$77

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

Debt Structure (In millions)	
Senior Secured Term Loan	\$131
Revolving Credit Facility Drawn Amount	\$195

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

- Strong balance sheet and appropriate debt structure
- Refinanced credit facility in December 2021 which matures December 2026
- Focused investments in inventory which impacted cash flow

# Capital Allocation Update

## Capital Expenditures

- FY'22: paid \$47M in capital expenditures
- Since 2018 invested \$227M in additions to property, plant and equipment and software
- Strategic capital expenditures for future organic growth

## Cash Dividends

- FY'22: paid cash dividends of \$23M
- Since 2018 paid cash dividends of \$113M
- Instituted a recurring quarterly cash dividend in February 2018 of \$0.15 which was increased to \$0.16 in February 2020 and to \$0.165 in May 2021

## Share Repurchases

- FY'22: repurchased 0.4M shares for \$9M
- Since 2018, 15.7M shares repurchased for \$409M
- Approximately \$155M remains available under Board authorized program

# First Quarter and Fiscal Year 2023 Update

	Q1:2023
Net Sales*	\$640 - \$680 million
Diluted EPS – GAAP	\$0.35 - \$0.40
Diluted EPS – non-GAAP	\$0.39 - \$0.45
Operating Margin – non-GAAP	3.6% - 3.8.%
Other Expenses, Net	\$6 million
Effective Tax Rate	18% - 20%
Weighted Average Shares	~ 35.5 million

	FY 2023
Net Sales Growth *	7 – 9%
Diluted EPS – GAAP	\$1.96 - \$2.06
Diluted EPS – non-GAAP	\$2.18 - \$2.28
Operating Margin – non-GAAP	4.1% - 4.5%
Free Cash Flow	\$70-90 million

\* Adjusted for 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 Year-Over-Year Outlook\*

	Fiscal Year 2022 Results (\$MM)				Outlook *		
	Total Revenue	Supply chain premiums (SCP)	Revenue adjusted for SCP *	Revenue growth adjusted for SCP*	Q1:23	FY2023	Sector Commentary
<b>Semi-Cap</b>	\$722	\$(16)	\$706	30%			<ul style="list-style-type: none"> <li>Memory weakness and trade restrictions are impacting current demand and visibility</li> <li>Multi-year industry catalysts remain in place; investing through downturn and gaining share</li> </ul>
<b>Medical</b>	\$593	\$(95)	\$498	13%			<ul style="list-style-type: none"> <li>Strong year-over-year growth fueled by strong demand in existing programs and new ramps</li> <li>Improving supply chain is a tail-wind</li> </ul>
<b>Industrials</b>	\$593	\$(111)	\$482	24%			<ul style="list-style-type: none"> <li>Healthy year-over-year growth due to new programs and strong demand from existing products</li> <li>Supply chain to ease throughout the year</li> </ul>
<b>A&amp;D</b>	\$348	\$(6)	\$342	(10%)			<ul style="list-style-type: none"> <li>Weapons systems replenishment could be a new driver</li> <li>Unfulfilled demand persists, particularly in Defense</li> </ul>
<b>Next Gen Comms</b>	\$320	\$(37)	\$283	24%			<ul style="list-style-type: none"> <li>Sequential performance impacted by strong Q4 but confident in annual growth led by sizable wins</li> <li>Broadband Infrastructure deployments fueling growth</li> </ul>
<b>Adv. Computing</b>	\$310	\$(3)	\$307	58%			<ul style="list-style-type: none"> <li>Some push-out from Q4 into 1H not demand related</li> <li>Major program concluding in 2023 will weigh on growth potential this year</li> </ul>

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

# Q4-22 New Business Wins

<b>Medical</b>	<ul style="list-style-type: none"><li>• Cosmetic surgery treatment system (Manufacturing)</li><li>• Minimally invasive surgical robotic platform (Design)</li><li>• Novel rapid cancer diagnostics solution (Design)</li></ul>
<b>Semi-Cap</b>	<ul style="list-style-type: none"><li>• Wafer handling equipment (Manufacturing)</li><li>• Test development solutions supporting metrology and lithography (Engineering)</li><li>• Design support for new wafer fab tools (Engineering)</li></ul>
<b>Aerospace &amp; Defense</b>	<ul style="list-style-type: none"><li>• Compact flight computer for space applications (Manufacturing)</li><li>• Advance communications module for fighter jet (Design, Manufacturing)</li><li>• Secure communication module for ground vehicles (Manufacturing)</li></ul>
<b>Industrials</b>	<ul style="list-style-type: none"><li>• Wind energy management system (Manufacturing)</li><li>• Energy-efficient heat pump replacing fossil fuel systems (Manufacturing)</li><li>• Test development and programming stations for climate controllers (Engineering)</li></ul>
<b>Advanced Computing &amp; Next Generation Comms</b>	<ul style="list-style-type: none"><li>• Secure biometric comms reader (Manufacturing)</li><li>• High performance optical transceiver module (Manufacturing)</li><li>• Large functional tester for advanced computing (Engineering)</li></ul>

# Highlights

- Executed through adversity, culminating in record results in 2022
- Strategically diversified portfolio enabled solid growth in 5 of 6 sectors in 2022\*
- Supply chain remains a challenge, but continued improvement expected in 2023
- Expecting growth in at least 4 of 6 sectors in 2023\*
- Continued ESG Focus: MSCI upgraded to AA; top 10% of 73 in peer group



\* 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								Year Ended	
	Dec 31, 2022	Sept 30, 2022	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	2022	Dec 31, 2021
Income from operations (GAAP)	\$ 26,946	\$ 25,284	\$ 22,432	\$ 15,407	\$ 18,635	\$ 11,794	\$ 10,699	\$ 11,934	\$ 90,069	\$ 53,062
Amortization of intangible assets	1,592	1,591	1,592	1,609	1,591	1,596	1,599	1,598	6,384	6,384
Restructuring charges and other costs	799	1,331	1,266	2,314	4,099	2,070	1,581	1,591	5,710	9,341
(Gain) loss on assets held for sale	—	—	(2,376)	1,983	—	—	—	—	(393)	—
Impairment	—	—	—	—	—	4,358	—	—	—	4,358
Ransomware incident related costs (recovery), net	—	—	—	—	—	(500)	—	(3,444)	—	(3,944)
Settlement	3,250	—	—	—	—	—	—	—	3,250	—
Customer insolvency (recovery)	—	(599)	—	—	(72)	(168)	(153)	(32)	(599)	(425)
Non-GAAP income from operations	\$ 32,587	\$ 27,607	\$ 22,914	\$ 21,313	\$ 24,253	\$ 19,150	\$ 13,726	\$ 11,647	\$ 104,421	\$ 68,776
GAAP operating margin	3.6%	3.3%	3.1%	2.4%	2.9%	2.1%	2.0%	2.4%	3.1%	2.4%
Non-GAAP operating margin	4.3%	3.6%	3.1%	3.4%	3.8%	3.3%	2.5%	2.3%	3.6%	3.0%
Gross Profit (GAAP)	\$ 72,127	\$ 66,750	\$ 58,756	\$ 57,602	\$ 62,056	\$ 53,705	\$ 47,913	\$ 42,227	\$ 255,235	\$ 205,901
Customer insolvency (recovery)	—	(425)	—	—	(72)	(168)	(153)	(32)	(425)	(425)
Non-GAAP gross profit	\$ 72,127	\$ 66,325	\$ 58,756	\$ 57,602	\$ 61,984	\$ 53,537	\$ 47,760	\$ 42,195	\$ 254,810	\$ 205,476
GAAP gross margin	9.6%	8.7%	8.1%	9.1%	9.8%	9.4%	8.8%	8.3%	8.8%	9.1%
Non-GAAP gross margin	9.6%	8.6%	8.1%	9.1%	9.8%	9.4%	8.8%	8.3%	8.8%	9.1%
Selling, general and administrative expenses	\$ 39,540	\$ 38,544	\$ 35,842	\$ 36,289	\$ 37,731	\$ 34,387	\$ 34,034	\$ 30,548	\$ 150,215	\$ 136,700
Customer recovery	—	174	—	—	—	—	—	—	174	—
Non-GAAP selling, general and administrative expenses	\$ 39,540	\$ 38,718	\$ 35,842	\$ 36,289	\$ 37,731	\$ 34,387	\$ 34,034	\$ 30,548	\$ 150,389	\$ 136,700
Net income (GAAP)	\$ 21,219	\$ 18,829	\$ 17,221	\$ 10,960	\$ 12,419	\$ 8,065	\$ 7,369	\$ 7,917	\$ 68,229	\$ 35,770
Amortization of intangible assets	1,592	1,591	1,592	1,609	1,591	1,596	1,599	1,598	6,384	6,384
Restructuring charges and other costs	799	1,331	1,266	2,314	4,099	2,070	1,581	1,591	5,710	9,341
(Gain) loss on assets held for sale	—	—	(2,376)	1,983	—	—	—	—	(393)	—
Impairment	—	—	—	—	—	4,358	—	—	—	4,358
Ransomware incident related costs (recovery), net	—	—	—	—	—	(500)	—	(3,444)	—	(3,944)
Settlement	(2,344)	(611)	—	—	—	—	—	—	(2,955)	—
Customer insolvency (recovery)	—	(599)	—	—	(72)	(168)	(153)	(32)	(599)	(425)
Refinancing of Credit Facilities	—	—	—	—	276	—	—	—	—	276
Income tax adjustments <sup>(1)</sup>	(5)	(351)	(82)	(1,206)	(1,212)	(1,491)	(633)	169	(1,644)	(3,178)
Non-GAAP net income	\$ 21,261	\$ 20,190	\$ 17,621	\$ 15,660	\$ 17,101	\$ 13,930	\$ 9,763	\$ 7,799	\$ 74,732	\$ 48,582
Diluted earnings per share:										
Diluted (GAAP)	\$ 0.60	\$ 0.53	\$ 0.49	\$ 0.31	\$ 0.35	\$ 0.23	\$ 0.20	\$ 0.22	\$ 1.91	\$ 0.99
Diluted (Non-GAAP)	\$ 0.60	\$ 0.57	\$ 0.50	\$ 0.44	\$ 0.48	\$ 0.39	\$ 0.27	\$ 0.21	\$ 2.09	\$ 1.35
Weighted-average number of shares used in calculating diluted earnings per share:										
Diluted (GAAP)	35,630	35,348	35,336	35,470	35,410	35,666	36,061	36,711	35,718	36,101
Diluted (Non-GAAP)	35,630	35,348	35,336	35,470	35,410	35,666	36,061	36,711	35,718	36,101
Net cash used in operations	\$ (52,749)	\$ (31,208)	\$ (25,485)	\$ (68,025)	\$ (1,314)	\$ (41,581)	\$ 3,660	\$ 36,613	\$ (177,467)	\$ (2,622)
Additions to property, plant and equipment and software	(13,180)	(8,623)	(6,996)	(17,975)	(9,740)	(13,818)	(12,197)	(6,422)	(46,774)	(42,177)
Free cash flow (used)	\$ (65,929)	\$ (39,831)	\$ (32,481)	\$ (86,000)	\$ (11,054)	\$ (55,399)	\$ (8,537)	\$ 30,191	\$ (224,241)	\$ (44,799)

(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, 2022	Sept 30, 2022	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sept 30, 2021	June 30, 2021	Mar 31, 2021	Dec 31, 2022	Dec 31, 2021
Sales (GAAP)	\$ 751	\$ 772	\$ 728	\$ 636	\$ 633	\$ 572	\$ 545	\$ 506	\$ 2,886	\$ 2,255
Adjustment for supply chain premiums	(46)	(74)	(91)	(57)	(41)	(26)	(10)	(4)	(268)	(80)
Non-GAAP sales adjusted for supply chain premiums	<u>\$ 705</u>	<u>\$ 698</u>	<u>\$ 637</u>	<u>\$ 579</u>	<u>\$ 592</u>	<u>\$ 546</u>	<u>\$ 535</u>	<u>\$ 502</u>	<u>\$ 2,618</u>	<u>\$ 2,175</u>
GAAP and non-GAAP cost of sales	\$ 679	\$ 705	\$ 669	\$ 578	\$ 571	\$ 518	\$ 497	\$ 464	\$ 2,632	\$ 2,050
Adjustment for supply chain premiums	(46)	(74)	(91)	(57)	(41)	(26)	(10)	(4)	(268)	(80)
Non-GAAP cost of sales adjusted for supply chain premiums	<u>\$ 633</u>	<u>\$ 631</u>	<u>\$ 578</u>	<u>\$ 521</u>	<u>\$ 530</u>	<u>\$ 492</u>	<u>\$ 487</u>	<u>\$ (460)</u>	<u>\$ 2,364</u>	<u>\$ 1,970</u>
Non-GAAP gross margin	9.6%	8.6%	8.1%	9.1%	9.8%	9.4%	8.8%	8.3%	8.8%	9.1%
Non-GAAP gross margin adjusted for supply chain premiums	10.2%	9.5%	9.2%	9.9%	10.5%	9.8%	8.9%	8.4%	9.7%	9.5%
Non-GAAP operating margin	4.3%	3.6%	3.1%	3.4%	3.8%	3.3%	2.5%	2.3%	3.6%	3.0%
Non-GAAP operating margin adjusted for supply chain premiums	4.6%	4.0%	3.6%	3.7%	4.1%	3.5%	2.6%	2.3%	4.0%	3.2%

# APPENDIX 3 - Reconciliation of Supply Chain Premiums by Sector

(Dollars in Millions) – (UNAUDITED)

	Year Ended	
	Dec 31, 2022	Dec 31, 2021
<b>Sales (GAAP)</b>		
Medical	\$ 593	\$ 462
Semi-Cap	722	549
A&D	348	382
Industrials	593	428
Advanced Computing	310	199
Next Gen Comms	320	235
<b>Total Sales (GAAP)</b>	<b>\$ 2,886</b>	<b>\$ 2,255</b>
<b>Supply Chain Premiums</b>		
Medical	\$ (95)	\$ (20)
Semi-Cap	(16)	(7)
A&D	(6)	(1)
Industrials	(111)	(40)
Advanced Computing	(3)	(5)
Next Gen Comms	(37)	(5)
<b>Total Supply Chain Premiums</b>	<b>\$ (268)</b>	<b>\$ (78)</b>
<b>Sales Adjusted for Supply Chain Premiums</b>		
Medical	\$ 498	\$ 442
Semi-Cap	706	542
A&D	342	381
Industrials	482	388
Advanced Computing	307	194
Next Gen Comms	283	228
<b>Total Sales Adjusted for Supply Chain Premiums</b>	<b>\$ 2,618</b>	<b>\$ 2,175</b>