

Benchmark Electronics

Q4-21 and CY2021 Earnings Results

February 3, 2022

Forward-Looking 2022 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 or 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 2022 results, the company’s anticipated plans and responses to the COVID-19 pandemic, 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 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, 2020, Part II, Item 1A of the company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 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 or resulting from the COVID-19 pandemic, including the possibility of customer demand fluctuations, supply chain constraints, 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 to respond to the COVID-19 pandemic. 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 special 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.

Q4-21 Overview

- Achieved 21% year-over-year revenue growth at \$633 million
 - Strength from Semi-cap, Industrials and Computing sectors
- Realized Non-GAAP gross margin of 9.8% and Non-GAAP operating margin of 3.8%
- Grew Non-GAAP earnings 41% year-over-year delivering \$0.48 per share
- Cash conversion cycle of 69 days
- Managing ongoing supply chain challenges and COVID impacts

Q4-21 New Business Wins

Medical	<ul style="list-style-type: none">• Diagnostic instrumentation (process design & manufacturing)• Cardiovascular systems (design)• Cell therapy manufacturing (design & manufacturing)
Semi-Cap	<ul style="list-style-type: none">• Wafer handling system (design)• Wafer processing tool (design)
Aerospace & Defense	<ul style="list-style-type: none">• RF signal processing system (design & manufacturing)• Weapons systems electronics (process design & manufacturing)• Drone system (process design & manufacturing)
Industrials	<ul style="list-style-type: none">• Smart recycling electronics (manufacturing)• Warehouse automation (process design & manufacturing)• Rail transportation systems (design & manufacturing)
Computing & Telco	<ul style="list-style-type: none">• Broadband systems (process design & manufacturing)• Satellite communications (design & manufacturing)• High performance computing (test design)

TITAN MEDICAL

TITAN MEDICAL SELECTS BENCHMARK TO MANUFACTURE ENOS ROBOTIC SINGLE ACCESS SURGICAL SYSTEM

- Awarded to Benchmark based on deep experience and vertical integration in complex medical device engineering, manufacturing and assembly, and its capacity to scale production
- Benchmark differentiated by expertise in the design and manufacture of optical systems and complex electro-mechanical capabilities which complements Titan's core expertise

2021: Delivering on Our Objectives

What We Said

What We Did

01 Grow Revenue

- ▶ Grew annual revenues 10% (ahead of mid-term model)
- ▶ Fueled by record bookings of over \$900 million
- ▶ Achieved >50% engineering attach rate to EMS deals

02 Invest in Sustainable Infrastructure and Talent

- ▶ Meaningful progress on ESG/Sustainability Initiatives
- ▶ Invested in Talent and DEI Initiatives
- ▶ Aligned investments to support customer growth (inventory & CAPEX)

03 Grow Earnings Faster Than Revenue

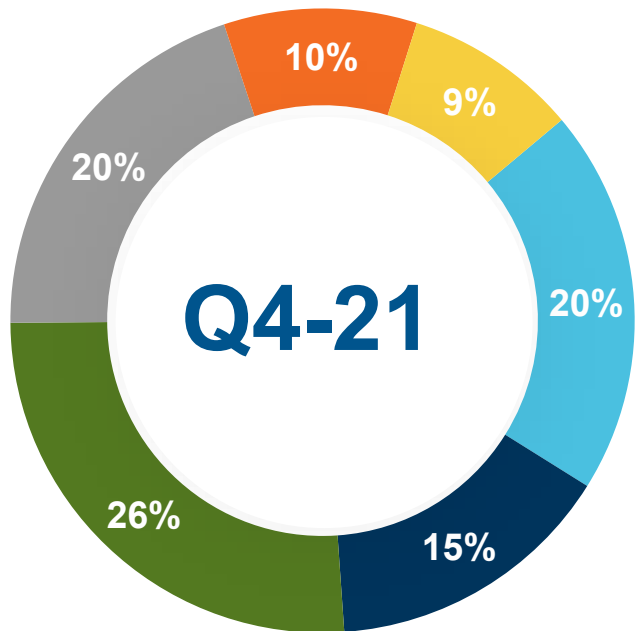
- ▶ Grew Non-GAAP earnings per share 42% year-over-year
- ▶ Achieved 9.1% GAAP and non-GAAP gross margins for 2021
- ▶ Grew earnings 4x faster than revenue demonstrating leverage in our business model

Roop Lakkaraju

Chief Financial Officer



Fourth Quarter Revenue by Market Sector



Medical A&D Semi-Cap
Industrials Telco Computing

Revenue by Mix and Market Sector
For the Three Months Ended

Dollars in Millions	Dec. 31, 2021		Sept. 30, 2021			Dec. 31, 2020		
Higher-Value Markets	Mix %	Revenue	Mix %	Revenue	Q/Q	Mix %	Revenue	Y/Y
Medical	20%	\$127	21%	\$118	8%	21%	\$111	14%
Semi-Cap	26%	\$163	23%	\$133	22%	20%	\$101	62%
Aerospace & Defense	15%	\$95	18%	\$101	(6%)	21%	\$111	(15%)
Industrials	20%	\$125	19%	\$108	15%	19%	\$97	29%
Higher-Value Subtotal	81%	\$510	81%	\$460	11%	81%	\$420	21%
Traditional Markets	Mix %	Revenue	Mix %	Revenue	Q/Q	Mix %	Revenue	Y/Y
Computing	9%	\$60	10%	\$57	5%	9%	\$46	28%
Telecommunications	10%	\$63	9%	\$55	15%	10%	\$55	16%
Traditional Subtotal	19%	\$123	19%	\$112	10%	19%	\$101	22%
Total Revenue		\$633		\$572	11%		\$521	21%

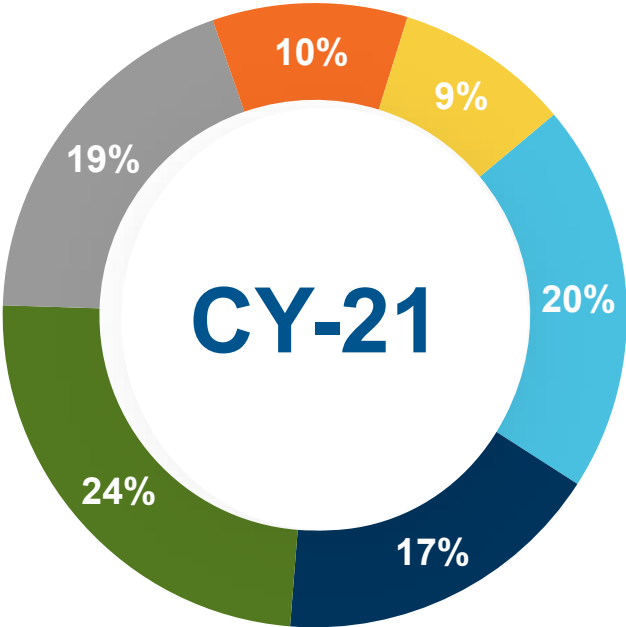
Fourth Quarter 2021 Financial Summary

(In millions, except EPS)	Dec. 31, 2021	Sept. 30, 2021	Q/Q	Dec. 31, 2020	Y/Y
Net Sales	\$633	\$572	11%	\$521	21%
GAAP Gross Margin	9.8%	9.4%	40 bps	9.7%	10 bps
GAAP SG&A	\$37.7	\$34.4	10%	\$32.4	16%
GAAP Operating Margin	2.9%	2.1%	80 bps	2.3%	60 bps
GAAP Diluted EPS	\$0.35	\$0.23	52%	\$0.21	67%
GAAP ROIC	5.4%	4.9%	50 bps	2.6%	280 bps
Net Sales	\$633	\$572	11%	\$521	21%
Non-GAAP Gross Margin	9.8%	9.4%	40 bps	9.6%	20 bps
Non-GAAP SG&A	\$37.7	\$34.4	10%	\$32.4	16%
Non-GAAP Operating Margin	3.8%	3.3%	50 bps	3.4%	40 bps
Non-GAAP Diluted EPS	\$0.48	\$0.39	23%	\$0.34	41%
Non-GAAP ROIC	8.6%	7.8%	80 bps	6.2%	240 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]

2021 Revenue by Market Sector



■ Medical
■ A&D
■ Semi-Cap
■ Industrials
■ Telco
■ Computing

Revenue by Mix and Market Sector For the Twelve Months Ended

Dollars in Millions

	Dec. 31, 2021		Dec. 31, 2020		
Higher-Value Markets	Mix %	Revenue	Mix %	Revenue	Y/Y
Medical	20%	\$462	24%	\$498	(7%)
Semi-Cap	24%	\$549	18%	\$369	49%
Aerospace & Defense	17%	\$382	21%	\$424	(10%)
Industrials	19%	\$428	18%	\$373	15%
Higher-Value Subtotal	81%	\$1,821	81%	\$1,664	9%
Traditional Markets	Mix %	Revenue	Mix %	Revenue	Y/Y
Computing	9%	\$199	8%	\$171	16%
Telecommunications	10%	\$235	11%	\$218	8%
Traditional Subtotal	19%	\$434	19%	\$389	12%
Total Revenue	100%	\$2,255	100%	\$2,053	10%

2021 Financial Summary

(In millions, except EPS)	Dec. 31, 2021	Dec. 31, 2020	'20 to '21 change	Y/Y
Net Sales	\$2,255	\$2,053	\$202	10%
GAAP Gross Margin	9.1%	8.5%		60 bps
GAAP SG&A	\$136.7	\$122.2	\$14.5	12%
GAAP Operating Margin	2.4%	1.2%		120 bps
GAAP Diluted EPS	\$0.99	\$0.38	\$0.61	161%
GAAP ROIC	5.4%	2.6%		280 bps
Net Sales	\$2,255	\$2,053	\$202	10%
Non-GAAP Gross Margin	9.1%	8.4%		70 bps
Non-GAAP SG&A	\$136.7	\$122.2	\$14.5	12%
Non-GAAP Operating Margin	3.0%	2.5%		50 bps
Non-GAAP Diluted EPS	\$1.35	\$0.95	\$0.40	42%
Non-GAAP ROIC	8.6%	6.2%		240 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]

Cash Conversion Cycle Update

	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21
Accounts Receivable Days	52	53	49	48	49	51
Contract Asset Days	28	25	26	26	25	22
Inventory Days	66	63	69	75	83	82
Accounts Payable Days	(54)	(54)	(64)	(69)	(70)	(67)
Advance Payments from Customers Days	(11)	(16)	(15)	(16)	(16)	(19)
Cash Conversion Cycle	81	71	65	64	71	69

Liquidity and Capital Resources

	For the Twelve Months Ended		For the Three Months Ended		
	Dec. 31, 2021	Dec. 30, 2020	Dec. 31, 2021	Sept. 30, 2021	Dec. 30, 2020
Cash (In millions)					
Cash Flows from (used in) Operations	(\$3)	\$120	(\$1)	(\$42)	\$95
FCF ⁽¹⁾	(\$45)	\$81	(\$11)	(\$55)	\$84
Cash	\$272	\$396	\$272	\$291	\$396
International	\$195	\$207	\$195	\$185	\$207
US	\$77	\$189	\$77	\$106	\$189

(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	\$0

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

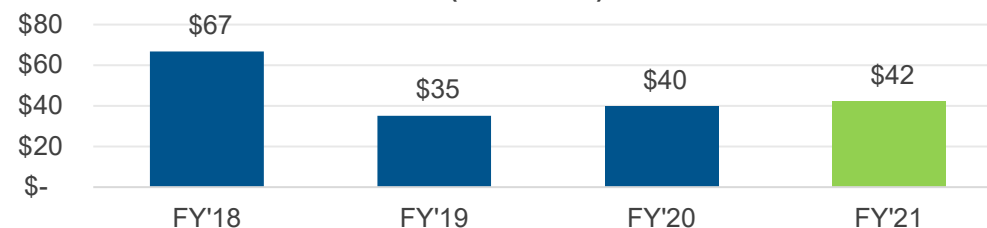
- Strong balance sheet and appropriate debt structure
- Refinanced credit facility in December 2021 which now matures December 2026
- Focused investments in inventory which impacted cash flow
- Positive cash net of debt of \$141 million as of December 31, 2021

Capital Allocation Update

Capital Expenditures

- ▶ FY'21: paid \$42M in capital expenditures
- ▶ Since 2018 invested \$184M in additions to property, plant and equipment and software
- ▶ Strategic capital expenditures for future organic growth

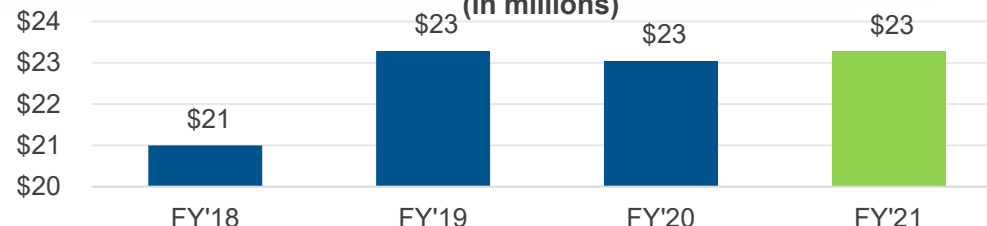
Capital Expenditures
(in millions)



Cash Dividends

- ▶ FY'21: paid cash dividends of \$23M
- ▶ Since 2018 paid cash dividends of \$90M
- ▶ Instituted a recurring cash dividend in February 2018 of \$0.15 which was increased to \$0.16 in February 2020 and to \$0.165 in May 2021

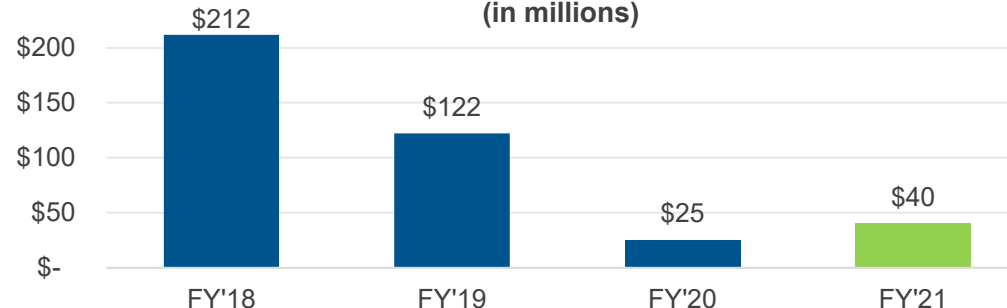
Cash Dividends
(in millions)



Share Repurchases

- ▶ FY'21: repurchased 1.4M shares for \$40M
- ▶ Since 2018, 15.3M shares repurchased for \$399M
- ▶ Approximately \$164M remains available under Board authorized program

Shares Repurchases
(in millions)



First Quarter 2022 Guidance

	Q1-22 Guidance
Net Sales (in millions)	\$565 – \$605
Diluted EPS - GAAP	\$0.21 – \$0.27
Diluted EPS – non-GAAP*	\$0.32 – \$0.38

Sector Information	Q1-22 Sequential Outlook
Medical	Growth
Semi-Cap and Industrial	Flat
A&D, Telco & Computing	Decline













	Q1-22 Model Inputs
SG&A (in millions)	\$34 - \$36
Operating Margin - non-GAAP*	3.0% – 3.3%
Other Expenses, Net (in millions)	\$2.9
Effective Tax Rate	19 – 21%
Weighted Average Shares (in millions)	~35.5

* This guidance takes into consideration all known constraints for the quarter and assumes no further significant interruptions to our supply base, operations or customers. Guidance also assumes no material changes to end market conditions and our operations due to COVID.

2022 Goals and Initiatives

Jeff Benck - CEO

2022 Sector Outlook

		CY2021 <u>Revenue</u> <u>Mix</u>	CY2022 <u>Revenue Outlook</u>	CY2022 <u>Sector Revenue Drivers</u>
Semi-Cap		\$549M 24%		<ul style="list-style-type: none"> Continued strength in Semi-Cap through 2022 Expecting 10-15% growth year-over-year
Medical		\$462M 20%		<ul style="list-style-type: none"> Strong demand and ramping new programs Anticipate to be highest growth sector in 2022
Industrial		\$428M 19%		<ul style="list-style-type: none"> Continued growth from new programs Energy & infrastructure demand stable
A&D		\$382M 17%		<ul style="list-style-type: none"> Defense growth from new programs Limited commercial aerospace growth in 2022
Telco		\$235M 10%		<ul style="list-style-type: none"> Growth from new program ramps Focused on broadband and satellites
Computing		\$199M 9%		<ul style="list-style-type: none"> Growth in secure and industrial computing High performance computing remains strong

2022 Expectations to the Mid-Term Target Model

Q4-21 Results

21%

Year-over-Year Revenue Growth

9.8%

Non-GAAP Gross Margins

6.0%

SG&A Expenses

3.8%

Non-GAAP Operating Margins

2021 Results

10%

Annual Revenue Growth

9.1%

Non-GAAP Gross Margins

6.1%

SG&A Expenses

3.0%

Non-GAAP Operating Margins

2022 Mid-Term Model

~5%

Annual Revenue Growth

9.3 – 9.7%

Expand Non-GAAP Gross Margins

< 6%

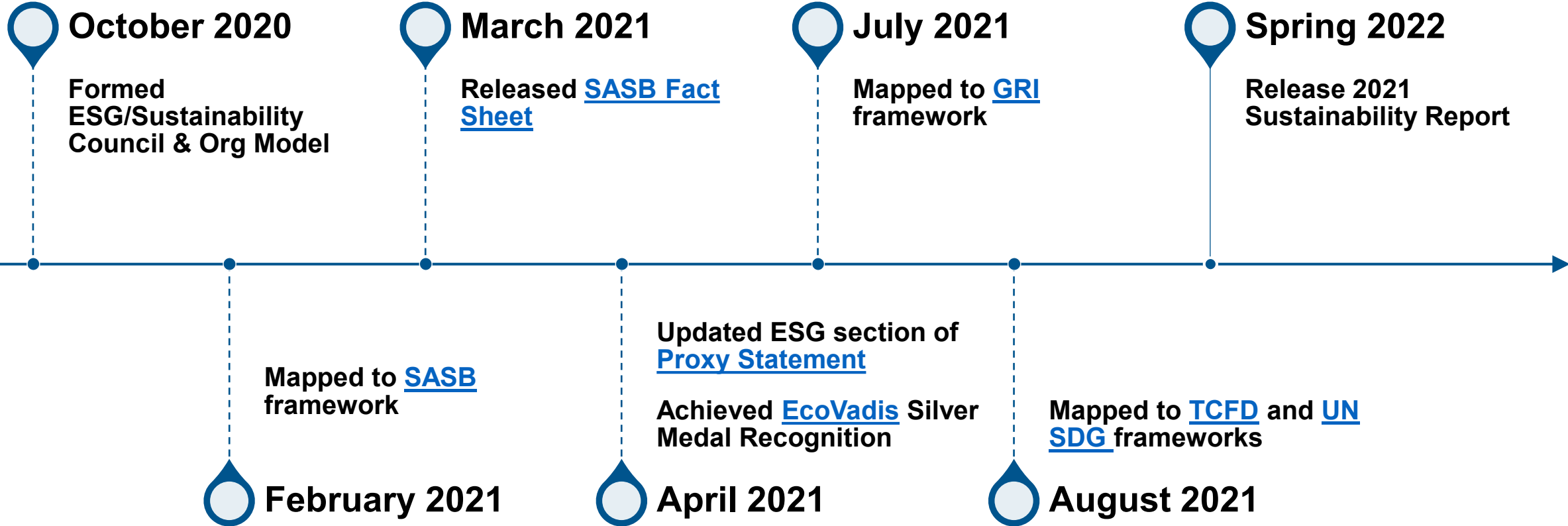
Manage SG&A Expenses

3.4 – 3.8%

Increase Non-GAAP Operating Margins

- Mid-Term Model for 2022 set in October of 2020
- Steady progress through 2021; Q4-21 results show the potential in the model
- Annual growth of 10% in 2021 exceeded mid-term model growth rate
- Full year non-GAAP gross margins expected to be between 9.3% and 9.4%
- Expect 2022 revenues to be high single digits and operating margins tracking to the 2022 model

ESG/Sustainability Roadmap



2022 Key Strategic Initiatives Update

Playbook unchanged for creating value for our shareholders

01 Grow Revenue

- Secure component supply to support growth objectives
- Increase engineering attach rate goal to >70% bookings
- Growth in all sectors for the full year 2022 except A&D
- Targeting high single digit growth in 2022



02 Invest in Sustainable Infrastructure and Talent

- Maintain momentum in DEI initiatives
- Publish our first standalone Corporate Sustainability Report in Spring 2022
- Continue to invest in supply chain capabilities
- Effective SG&A expense management in support of the mid-term model



03 Grow Earnings Faster Than Revenue

- Improving revenue offers better leverage against fixed costs
- Expect to improve non-GAAP gross margins to 9.3% to 9.4% for the full year
- Inventory levels will remain higher as we continue to navigate supply chain constraints



Appendix

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

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

	Three Months Ended			Year Ended	
	Dec 31, 2021	Sep 30, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Income from operations (GAAP)	\$ 18,635	\$ 11,794	\$ 11,857	\$ 53,062	\$ 25,134
Amortization of intangible assets	1,591	1,596	1,979	6,384	9,099
Restructuring charges and other costs	4,099	2,070	4,490	9,341	13,227
Impairment	—	4,358	—	4,358	6,743
Ransomware incident related costs (recovery), net	—	(500)	(45)	(3,944)	(1,350)
Customer insolvency (recovery)	(72)	(168)	(553)	(425)	(1,702)
Non-GAAP income from operations	<u>\$ 24,253</u>	<u>\$ 19,150</u>	<u>\$ 17,728</u>	<u>\$ 68,776</u>	<u>\$ 51,151</u>
Operating margin (GAAP)	2.9%	2.1%	2.3%	2.4%	1.2%
Non-GAAP operating margin	3.8%	3.3%	3.4%	3.0%	2.5%
Gross Profit (GAAP)	\$ 62,056	\$ 53,705	\$ 50,661	\$ 205,901	\$ 175,048
Customer insolvency (recovery)	(72)	(168)	(553)	(425)	(1,702)
Non-GAAP gross profit	<u>\$ 61,984</u>	<u>\$ 53,537</u>	<u>\$ 50,108</u>	<u>\$ 205,476</u>	<u>\$ 173,346</u>
Gross margin (GAAP)	9.8%	9.4%	9.7%	9.1%	8.5%
Non-GAAP gross margin	9.8%	9.4%	9.6%	9.1%	8.4%
Selling, general and administrative expenses (GAAP)	\$ 37,731	\$ 34,387	\$ 32,380	\$ 136,700	\$ 122,195
Non-GAAP selling, general and administrative expenses	<u>\$ 37,731</u>	<u>\$ 34,387</u>	<u>\$ 32,380</u>	<u>\$ 136,700</u>	<u>\$ 122,195</u>
Net income (GAAP)	\$ 12,419	\$ 8,065	\$ 7,695	\$ 35,770	\$ 14,055
Amortization of intangible assets	1,591	1,596	1,979	6,384	9,099
Restructuring charges and other costs	4,099	2,070	4,490	9,341	13,227
Impairment	—	4,358	—	4,358	6,743
Ransomware incident related costs (recovery), net	—	(500)	(45)	(3,944)	(1,350)
Customer insolvency (recovery)	(72)	(168)	(553)	(425)	(1,702)
Refinancing of Credit Facilities	276	—	—	276	—
Income tax adjustments ⁽¹⁾	(1,212)	(1,491)	(1,006)	(3,178)	(5,157)
Non-GAAP net income	<u>\$ 17,101</u>	<u>\$ 13,930</u>	<u>\$ 12,560</u>	<u>\$ 48,582</u>	<u>\$ 34,915</u>
Diluted earnings per share:					
Diluted (GAAP)	\$ 0.35	\$ 0.23	\$ 0.21	\$ 0.99	\$ 0.38
Diluted (Non-GAAP)	\$ 0.48	\$ 0.39	\$ 0.34	\$ 1.35	\$ 0.95
Weighted-average number of shares used in calculating diluted earnings per share:					
Diluted (GAAP)	35,410	35,666	36,596	36,101	36,817
Diluted (Non-GAAP)	35,410	35,666	36,596	36,101	36,817
Net cash (used in) provided by operations	\$ (1,314)	\$ (41,581)	\$ 94,823	\$ (2,622)	\$ 120,438
Additions to property, plant and equipment and software	(9,740)	(13,818)	(10,417)	(42,177)	(39,519)
Free cash flow (used)	<u>\$ (11,054)</u>	<u>\$ (55,399)</u>	<u>\$ 84,406</u>	<u>\$ (44,799)</u>	<u>\$ 80,919</u>

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