

## BENCHMARK ELECTRONICS REPORTS FOURTH QUARTER AND FULL YEAR 2019 RESULTS

### Full year 2019 results:

- Full year revenue of \$2.27 billion
- Higher-value markets revenue mix greater than 70%
- Medical sector revenue up 14% compared to 2018
- Cash flow generated from operations of \$93 million and free cash flow of \$58 million
- Annual GAAP diluted EPS of \$0.60 and non-GAAP diluted EPS of \$1.32

### Fourth quarter 2019 results:

- Quarterly revenue of \$508 million
- Semi-Cap revenue growth of 17% year-over-year
- Quarterly GAAP diluted loss per share of \$(0.19) and non-GAAP diluted EPS of \$0.27

TEMPE, Ariz., Feb. 6, 2020 /PRNewswire/ -- Benchmark Electronics, Inc. (NYSE: BHE) today announced financial results for the fourth quarter and year ended December 31, 2019. As previously reported, 2019 results were impacted by the ransomware incident in the fourth quarter.

| <u>In millions, except EPS</u>             | Three Months Ended |                 |                 |
|--------------------------------------------|--------------------|-----------------|-----------------|
|                                            | Dec 31,<br>2019    | Sep 30,<br>2019 | Dec 31,<br>2018 |
| Sales                                      | \$508              | \$555           | \$657           |
| Net income (loss)                          | \$(7)              | \$7             | \$28            |
| Net income – non-GAAP <sup>(1)</sup>       | \$10               | \$14            | \$18            |
| Diluted earnings (loss) per share          | \$(0.19)           | \$0.19          | \$0.64          |
| Diluted EPS – non-GAAP <sup>(1)</sup>      | \$0.27             | \$0.36          | \$0.41          |
| Operating margin                           | (1.8)%             | 1.8%            | 2.3%            |
| Operating margin – non-GAAP <sup>(1)</sup> | 2.6%               | 3.2%            | 3.2%            |

| <u>In millions, except EPS</u>             | Twelve Months Ended |                 |
|--------------------------------------------|---------------------|-----------------|
|                                            | Dec 31,<br>2019     | Dec 31,<br>2018 |
| Net sales                                  | \$2,268             | \$2,566         |
| Net income                                 | \$23                | \$23            |
| Net income – non-GAAP <sup>(1)</sup>       | \$51                | \$68            |
| Diluted EPS                                | \$0.60              | \$0.49          |
| Diluted EPS – non-GAAP <sup>(1)</sup>      | \$1.32              | \$1.45          |
| Operating margin                           | 1.3%                | 2.3%            |
| Operating margin – non-GAAP <sup>(1)</sup> | 3.0%                | 3.1%            |

(1) A reconciliation of GAAP and non-GAAP results is included below.

Jeff Benck, Benchmark's President and CEO stated, "As we enter 2020, we continue to see momentum in our higher-value markets: Aerospace & Defense (A&D), Medical and Semi-Cap markets are each expected to grow 10% year-over-year. With these increases, we expect the higher value markets mix to approach 80% of our revenue for the year."

Benck stated, "Additionally, we generated over \$50 million of free cash flow and returned over \$140 million to shareholders through share repurchases and dividends in 2019. We expect operating cash flows in 2020 to be between \$70 million and \$90 million and provide further opportunities to return capital to our shareholders."

"Our key strategic focus will underpin how we are creating a better Benchmark and it all starts with our focus on the customer. We are changing the relationships with our customers by delivering incremental value through our expanded set of services and differentiated technology. We are also attracting new customers that are seeking us out based on our unique capabilities and broad solutions portfolio as they look to outsource more

work to a strategic partner like Benchmark."

#### Cash Conversion Cycle

|                            | Dec 31,<br>2019 | Sep 30,<br>2019 | Dec 31,<br>2018 |
|----------------------------|-----------------|-----------------|-----------------|
| Accounts receivable days   | 57              | 56              | 64              |
| Contract asset days        | 29              | 26              | 19              |
| Inventory days             | 61              | 57              | 46              |
| Accounts payable days      | (59)            | (53)            | (63)            |
| Customer deposits          | (7)             | (7)             | (4)             |
| Cash Conversion Cycle days | 81              | 79              | 62              |

With the completion of the legacy computing contract, the cash conversion cycle days increased as expected.

#### Fourth Quarter 2019 Industry Sector Update

Revenue and percentage of sales by industry sector (in millions) was as follows.

|                             | Dec 31,<br>2019 |     |       | Sep 30,<br>2019 |     |       | Dec 31,<br>2018 |     |       |
|-----------------------------|-----------------|-----|-------|-----------------|-----|-------|-----------------|-----|-------|
| <b>Higher-Value Markets</b> |                 |     |       |                 |     |       |                 |     |       |
| Industrials                 | \$              | 107 | 21 %  | \$              | 115 | 21 %  | \$              | 121 | 18 %  |
| A&D                         |                 | 106 | 21    |                 | 115 | 21    |                 | 105 | 16    |
| Medical                     |                 | 103 | 20    |                 | 128 | 23    |                 | 104 | 16    |
| Semi-Cap                    |                 | 81  | 16    |                 | 68  | 12    |                 | 70  | 11    |
|                             | \$              | 397 | 78 %  | \$              | 426 | 77 %  | \$              | 400 | 61 %  |
| <b>Traditional Markets</b>  |                 |     |       |                 |     |       |                 |     |       |
| Computing                   | \$              | 45  | 9 %   | \$              | 59  | 11 %  | \$              | 171 | 26 %  |
| Telecommunications          |                 | 66  | 13    |                 | 70  | 12    |                 | 86  | 13    |
|                             | \$              | 111 | 22 %  | \$              | 129 | 23 %  | \$              | 257 | 39 %  |
| Total                       | \$              | 508 | 100 % | \$              | 555 | 100 % | \$              | 657 | 100 % |

Overall, revenues during the fourth quarter were down due to the impact of the ransomware incident, although revenues from Semi-Cap were up quarter-over-quarter and year-over-year. Traditional market revenues were down 57% year-over-year primarily from our exit of the legacy computing contract.

#### First Quarter 2020 Outlook

- Revenue between \$530 - \$570 million
- Diluted GAAP earnings per share between \$0.22 - \$0.28
- Diluted non-GAAP earnings per share between \$0.32 - \$0.38 (excluding restructuring charges and other costs and amortization of intangibles)

Restructuring charges are expected to range between \$1.5 million to \$2.5 million in the first quarter and the amortization of intangibles is expected to be \$2.4 million in the first quarter.

#### Fourth Quarter 2019 and CY2019 Earnings Conference Call

The Company will host a conference call to discuss the results today at 5:00 p.m. Eastern Time. The live webcast of the call and accompanying reference materials will be accessible by logging on to the Company's website at [www.bench.com](http://www.bench.com). A replay of the broadcast will also be available until Thursday, February 13, 2020 on the Company's website.

#### About Benchmark Electronics, Inc.

Benchmark provides comprehensive solutions across the entire product life cycle; leading through its innovative technology and engineering design services; leveraging its optimized global supply chain; and delivering world-class manufacturing services in the following industries: commercial aerospace, defense, advanced computing, next generation telecommunications, complex industrials, medical, and semiconductor capital equipment.

Benchmark's global operations include facilities in seven countries and its common shares trade on the New York Stock Exchange under the symbol BHE.

#### Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words "expect," "estimate," "anticipate," "could" "predict" and similar expressions, and the negatives thereof, often identify forward-looking statements, which are not limited to historical facts. Forward-looking statements include, among other things, guidance for first quarter 2020 results; statements, express or implied, concerning future operating results or margins, the ability to generate sales and income or cash flow, and expected revenue mix; and Benchmark's business and growth strategies. Although Benchmark believes these statements are based upon reasonable assumptions, they involve risks and uncertainties relating to operations, markets and the business environment generally. If one or more of these risks or uncertainties materializes, or underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. Readers are advised to consult further disclosures on these risks and uncertainties, particularly in Part 1, Item 1A, "Risk Factors", of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and in Part II, Item 1A, "Risk Factors" in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, and in its subsequent filings with the Securities and Exchange Commission. All forward-looking statements included in this document are based upon information available to the Company as of the date of this document, and it assumes no obligation to update them.

### Non-GAAP Financial Measures

Management discloses non-GAAP information to provide investors with additional information to analyze the Company's performance and underlying trends. 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.

#### Benchmark Electronics, Inc. and Subsidiaries

##### Reconciliation of GAAP to Non-GAAP Financial Results (Amounts in Thousands, Except Per Share Data) (UNAUDITED)

|                                        | Three Months Ended |                 |                 | Year Ended |                 |
|----------------------------------------|--------------------|-----------------|-----------------|------------|-----------------|
|                                        | Dec 31,<br>2019    | Sep 30,<br>2019 | Dec 31,<br>2018 | 2019       | Dec 31,<br>2018 |
| Income (loss) from operations (GAAP)   | \$ (9,281)         | \$ 9,798        | \$ 15,265       | \$ 28,545  | \$ 58,538       |
| Restructuring charges and other costs  | 2,268              | 5,843           | 3,527           | 13,101     | 9,365           |
| Ransomware incident related costs, net | 7,681              | -               | -               | 7,681      | -               |
| Settlement                             | (773)              | -               | -               | -          | -               |
| Customer insolvency (recovery)         | 11,036             | -               | (113)           | 8,278      | 2,511           |
| Amortization of intangible assets      | 2,366              | 2,367           | 2,384           | 9,461      | 9,485           |
| Non-GAAP income from operations        | \$ 13,297          | \$ 18,008       | \$ 21,063       | \$ 67,066  | \$ 79,899       |
| Gross Profit (GAAP)                    | \$ 40,725          | \$ 52,883       | \$ 55,199       | \$ 200,406 | \$ 220,593      |
| Settlement                             | (773)              | -               | -               | -          | -               |
| Customer insolvency (recovery)         | 967                | -               | (113)           | (73)       | 797             |
| Non-GAAP gross profit                  | \$ 40,919          | \$ 52,883       | \$ 55,086       | \$ 200,333 | \$ 221,390      |
| Net income (loss) (GAAP)               | \$ (6,931)         | \$ 7,136        | \$ 27,716       | \$ 23,425  | \$ 22,817       |
| Restructuring charges and other costs  | 2,268              | 6,168           | 3,527           | 13,426     | 9,365           |
| Ransomware incident related costs, net | 7,681              | -               | -               | 7,681      | -               |
| Customer insolvency (recovery)         | 11,036             | -               | (113)           | 8,278      | 2,511           |
| Amortization of intangible assets      | 2,366              | 2,367           | 2,384           | 9,461      | 9,485           |
| Settlements                            | (773)              | (83)            | -               | (3,021)    | -               |
| Refinancing of credit facilities       | -                  | -               | -               | -          | 1,982           |
| Income tax adjustments <sup>(1)</sup>  | (5,385)            | (1,879)         | (1,050)         | (8,095)    | (4,592)         |
| Tax Cuts and Jobs Act <sup>(2)</sup>   | -                  | -               | (14,529)        | -          | 26,008          |
| Non-GAAP net income                    | \$ 10,262          | \$ 13,709       | \$ 17,935       | \$ 51,155  | \$ 67,576       |
| Diluted earnings (loss) per share:     |                    |                 |                 |            |                 |
| Diluted (GAAP)                         | \$ (0.19)          | \$ 0.19         | \$ 0.64         | \$ 0.60    | \$ 0.49         |
| Diluted (Non-GAAP)                     | \$ 0.27            | \$ 0.36         | \$ 0.41         | \$ 1.32    | \$ 1.45         |

Weighted-average number of shares used in calculating diluted earnings (loss) per share:

|                    |        |        |        |        |        |
|--------------------|--------|--------|--------|--------|--------|
| Diluted (GAAP)     | 36,928 | 37,645 | 43,229 | 38,763 | 46,655 |
| Diluted (Non-GAAP) | 37,374 | 37,645 | 43,229 | 38,763 | 46,655 |

- (1) This amount represents the tax impact of the non-GAAP adjustments using the applicable effective tax rates.
- (2) This amount represents the impact of repatriating foreign earnings from our foreign jurisdictions to the U.S., offset by available U.S. foreign tax credits, and a non-recurring tax true-up benefit as a result of finalizing our federal and state income tax accounting for the U.S. transitions toll tax from the 2017 Tax Cuts and Jobs Act.

### Benchmark Electronics, Inc. and Subsidiaries

Condensed Consolidated Statements of Income  
(Amounts in Thousands, Except Per Share Data)  
(UNAUDITED)

|                                                                                  | Three Months Ended<br>December 31, |            | Year Ended<br>December 31, |              |
|----------------------------------------------------------------------------------|------------------------------------|------------|----------------------------|--------------|
|                                                                                  | 2019                               | 2018       | 2019                       | 2018         |
| Sales                                                                            | \$ 508,444                         | \$ 657,050 | \$ 2,268,095               | \$ 2,566,465 |
| Cost of sales                                                                    | 467,719                            | 601,851    | 2,067,689                  | 2,345,872    |
| Gross profit                                                                     | 40,725                             | 55,199     | 200,406                    | 220,593      |
| Selling, general and administrative expenses                                     | 37,691                             | 34,023     | 141,618                    | 143,205      |
| Amortization of intangible assets                                                | 2,366                              | 2,384      | 9,461                      | 9,485        |
| Restructuring charges and other costs                                            | 2,268                              | 3,527      | 13,101                     | 9,365        |
| Ransomware incident related costs, net                                           | 7,681                              | -          | 7,681                      | -            |
| Income (loss) from operations                                                    | (9,281)                            | 15,265     | 28,545                     | 58,538       |
| Interest expense                                                                 | (1,650)                            | (1,930)    | (6,664)                    | (10,473)     |
| Interest income                                                                  | 745                                | 1,651      | 3,829                      | 6,848        |
| Other income (expense), net                                                      | (717)                              | (199)      | 1,559                      | 628          |
| Income (loss) before income taxes                                                | (10,903)                           | 14,787     | 27,269                     | 55,541       |
| Income tax expense                                                               | (3,972)                            | (12,929)   | 3,844                      | 32,724       |
| Net income (loss)                                                                | \$ (6,931)                         | \$ 27,716  | \$ 23,425                  | \$ 22,817    |
| Earnings (loss) per share:                                                       |                                    |            |                            |              |
| Basic                                                                            | \$ (0.19)                          | \$ 0.64    | \$ 0.61                    | \$ 0.49      |
| Diluted                                                                          | \$ (0.19)                          | \$ 0.64    | \$ 0.60                    | \$ 0.49      |
| Weighted-average number of shares used in calculating earnings (loss) per share: |                                    |            |                            |              |
| Basic                                                                            | 36,928                             | 43,120     | 38,338                     | 46,332       |
| Diluted                                                                          | 36,928                             | 43,229     | 38,763                     | 46,655       |

### Benchmark Electronics, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets  
(UNAUDITED)  
(in thousands)

|                                                                         | December 31,<br>2019 | December 31,<br>2018 |
|-------------------------------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                                           |                      |                      |
| Current assets:                                                         |                      |                      |
| Cash and cash equivalents                                               | \$ 363,956           | \$ 458,102           |
| Accounts receivable, net                                                | 324,424              | 468,161              |
| Contract assets                                                         | 161,061              | 140,082              |
| Inventories                                                             | 314,956              | 309,975              |
| Other current assets                                                    | 30,685               | 27,230               |
| Total current assets                                                    | 1,195,082            | 1,403,550            |
| Property, plant and equipment, net                                      | 205,819              | 210,954              |
| Operating lease right-of-use assets                                     | 76,859               | -                    |
| Goodwill and other, net                                                 | 282,114              | 285,279              |
| Total assets                                                            | \$ 1,759,874         | \$ 1,899,783         |
| <b>Liabilities and Shareholders' Equity</b>                             |                      |                      |
| Current liabilities:                                                    |                      |                      |
| Current installments of long-term debt and finance lease obligations    | \$ 8,825             | \$ 6,793             |
| Accounts payable                                                        | 302,994              | 422,053              |
| Accrued liabilities                                                     | 147,426              | 108,313              |
| Total current liabilities                                               | 459,245              | 537,159              |
| Long-term debt and finance lease obligations, less current installments | 138,912              | 147,277              |
| Operating lease liabilities                                             | 67,898               | -                    |
| Other long-term liabilities                                             | 78,987               | 83,122               |
| Shareholders' equity                                                    | 1,014,832            | 1,132,225            |

|                                            |    |           |    |           |
|--------------------------------------------|----|-----------|----|-----------|
| Total liabilities and shareholders' equity | \$ | 1,759,874 | \$ | 1,899,783 |
|--------------------------------------------|----|-----------|----|-----------|

**Benchmark Electronics, Inc. and Subsidiaries**

Condensed Consolidated Statement of Cash Flows  
(in thousands)  
(UNAUDITED)

|                                                         | Year Ended<br>December 31, |            |
|---------------------------------------------------------|----------------------------|------------|
|                                                         | 2019                       | 2018       |
| Cash flows from operating activities:                   |                            |            |
| Net income                                              | \$ 23,425                  | \$ 22,817  |
| Depreciation and amortization                           | 48,427                     | 51,839     |
| Stock-based compensation expense                        | 10,194                     | 10,089     |
| Accounts receivable, net                                | 134,926                    | (33,952)   |
| Contract assets                                         | (20,979)                   | 6,414      |
| Inventories                                             | (5,238)                    | (43,264)   |
| Accounts payable                                        | (121,860)                  | 61,391     |
| Other changes in working capital and other, net         | 24,241                     | 1,353      |
| Net cash provided by operations                         | 93,136                     | 76,687     |
| Cash flows from investing activities:                   |                            |            |
| Additions to property, plant and equipment and software | (35,118)                   | (66,732)   |
| Other investing activities, net                         | 255                        | (2,117)    |
| Net cash used in investing activities                   | (34,863)                   | (68,849)   |
| Cash flows from financing activities:                   |                            |            |
| Share repurchases                                       | (122,110)                  | (211,858)  |
| Net debt activity                                       | (6,794)                    | (58,024)   |
| Other financing activities, net                         | (23,933)                   | (21,085)   |
| Net cash used in financing activities                   | (152,837)                  | (290,967)  |
| Effect of exchange rate changes                         | 418                        | (1,315)    |
| Net decrease in cash and cash equivalents               | (94,146)                   | (284,444)  |
| Cash and cash equivalents at beginning of year          | 458,102                    | 742,546    |
| Cash and cash equivalents at end of period              | \$ 363,956                 | \$ 458,102 |

SOURCE Benchmark Electronics, Inc.

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<https://ir.bench.com/2020-02-06-Benchmark-Electronics-Reports-Fourth-Quarter-And-Full-Year-2019-Results>