UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________________ to________________

Commission File Number: 1-10560

BENCHMARK ELECTRONICS, INC.

(Exact name of registrant as specified in its charter)

Texas (State or other jurisdiction of incorporation or organization)	**74-2211011** (I.R.S. Employer Identification No.)

56 South Rockford Drive	**85281**
Tempe, Arizona	(Zip Code)
(Address of principal executive offices)	

(623) 300-7000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.10 per share	BHE	New York Stock Exchange, Inc.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b–2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐
Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b–2 of the Act). Yes ☐ No ☑

As of November 4, 2020, there were 36,474,535 shares of common stock of Benchmark Electronics, Inc., par value $0.10 per share, outstanding.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(unaudited)

(in thousands, except par value)	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 329,558	$ 347,558
Restricted cash	5,252	16,398
Accounts receivable, net of allowance for doubtful accounts of $12,192 and $10,085, respectively	306,242	324,424
Contract assets	161,396	161,061
Inventories	352,851	314,956
Prepaid expenses and other current assets	29,280	29,566
Income taxes receivable	648	1,119
Total current assets	1,185,227	1,195,082
Property, plant and equipment, net of accumulated depreciation of $478,310 and $460,708, respectively	190,610	205,819
Operating lease right-of-use assets	82,849	76,859
Goodwill	192,116	192,116
Deferred income taxes	5,200	5,274
Other assets, net	78,505	84,724
	$ 1,734,507	$ 1,759,874
Liabilities and Shareholders' Equity		
Current liabilities:		
Current installments of long-term debt	$ 8,956	$ 8,825
Accounts payable	282,591	302,994
Customer deposits	58,585	37,511
Income taxes payable	4,418	7,895
Accrued liabilities	94,935	102,020
Total current liabilities	449,485	459,245
Long-term debt, less current installments	147,522	138,912
Operating lease liabilities	74,407	67,898
Other long-term liabilities	64,725	65,483
Deferred income taxes	8,041	13,504
Shareholders' equity:		
Preferred stock, $0.10 par value; 5,000 shares authorized, none issued	—	—
Common stock, $0.10 par value; 145,000 shares authorized; issued and outstanding – 36,474 and 36,957, respectively	3,648	3,696
Additional paid-in capital	511,869	512,019
Retained earnings	493,524	515,876
Accumulated other comprehensive loss	(18,714)	(16,759)
Total shareholders' equity	990,327	1,014,832
Commitments and contingencies		
	$ 1,734,507	$ 1,759,874

See accompanying notes to condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(unaudited)

(in thousands, except per share data)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Sales	$ 525,951	$ 555,229	$ 1,531,881	$ 1,759,651
Cost of sales	479,597	506,274	1,407,494	1,611,436
Gross profit	46,354	48,955	124,387	148,215
Selling, general and administrative expenses	29,724	30,947	89,815	92,461
Amortization of intangible assets	2,368	2,367	7,120	7,095
Restructuring charges and other costs	7,161	5,843	15,480	10,833
Ransomware incident related costs (recovery), net	(1,558)	—	(1,305)	—
Income from operations	8,659	9,798	13,277	37,826
Interest expense	(2,136)	(1,687)	(6,189)	(5,014)
Interest income	154	734	1,040	3,084
Other income (expense)	439	(136)	(191)	2,276
Income before income taxes	7,116	8,709	7,937	38,172
Income tax expense	1,201	1,573	1,577	7,816
Net income	$ 5,915	$ 7,136	$ 6,360	$ 30,356
Earnings per share:				
Basic	$ 0.16	$ 0.19	$ 0.17	$ 0.78
Diluted	$ 0.16	$ 0.19	$ 0.17	$ 0.77
Weighted-average number of shares outstanding:				
Basic	36,467	37,419	36,565	38,813
Diluted	36,544	37,645	36,821	39,184

See accompanying notes to condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income
(unaudited)

(in thousands)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net income	$ 5,915	$ 7,136	$ 6,360	$ 30,356
Other comprehensive income (loss):				
Foreign currency translation adjustments	2,045	(1,470)	1,654	(1,718)
Unrealized gain (loss) on derivatives, net of tax	447	(853)	(3,911)	(4,399)
Other	86	(546)	302	(752)
Other comprehensive income (loss)	2,578	(2,869)	(1,955)	(6,869)
Comprehensive income	$ 8,493	$ 4,267	$ 4,405	$ 23,487

See accompanying notes to condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Shareholders' Equity
(unaudited)

(in thousands)	Common Stock Shares Outstanding	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balances, December 31, 2019	36,957	$ 3,696	$ 512,019	$ 515,876	$ (16,759)	$ 1,014,832
Stock-based compensation expense	—	—	9,464	—	—	9,464
Shares repurchased and retired	(724)	(72)	(8,048)	(11,209)	—	(19,329)
Stock options exercised	17	2	369	—	—	371
Vesting of restricted stock units	301	30	(30)	—	—	—
Shares withheld for taxes	(77)	(8)	(1,905)	—	—	(1,913)
Dividends declared	—	—	—	(17,503)	—	(17,503)
Net income	—	—	—	6,360	—	6,360
Other comprehensive loss	—	—	—	—	(1,955)	(1,955)
Balances, September 30, 2020	36,474	$ 3,648	$ 511,869	$ 493,524	$ (18,714)	$ 990,327
Balances, June 30, 2020	36,461	$ 3,647	$ 508,555	$ 493,450	$ (21,292)	$ 984,360
Stock-based compensation expense	—	—	3,420	—	—	3,420
Stock options exercised	—	—	7	—	—	7
Vesting of restricted stock units	18	2	(2)	—	—	—
Shares withheld for taxes	(5)	(1)	(111)	—	—	(112)
Dividends declared	—	—	—	(5,841)	—	(5,841)
Net income	—	—	—	5,915	—	5,915
Other comprehensive income	—	—	—	—	2,578	2,578
Balances, September 30, 2020	36,474	$ 3,648	$ 511,869	$ 493,524	$ (18,714)	$ 990,327

See accompanying notes to condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Shareholders' Equity
(unaudited)

(in thousands)	Common Stock Shares Outstanding	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balances, December 31, 2018	41,357	$ 4,136	$ 554,939	$ 584,274	$ (11,124)	$ 1,132,225
Stock-based compensation expense	—	—	8,461	—	—	8,461
Shares repurchased and retired	(4,590)	(459)	(51,004)	(66,887)	—	(118,350)
Stock options exercised	65	6	1,344	—	—	1,350
Vesting of restricted stock units	252	25	(25)	—	—	—
Shares withheld for taxes	(48)	(4)	(1,314)	—	—	(1,318)
Dividends declared	—	—	—	(17,083)	—	(17,083)
Net income	—	—	—	30,356	—	30,356
Other comprehensive loss	—	—	—	—	(6,869)	(6,869)
Balances, September 30, 2019	37,036	$ 3,704	$ 512,401	$ 530,660	$ (17,993)	$ 1,028,772
Balances, June 30, 2019	37,679	$ 3,768	$ 516,663	$ 539,743	$ (15,124)	$ 1,045,050
Stock-based compensation expense	—	—	2,741	—	—	2,741
Shares repurchased and retired	(682)	(68)	(7,580)	(10,663)	—	(18,311)
Stock options exercised	32	3	654	—	—	657
Vesting of restricted stock units	10	1	(1)	—	—	—
Shares withheld for taxes	(3)	—	(76)	—	—	(76)
Dividends declared	—	—	—	(5,556)	—	(5,556)
Net income	—	—	—	7,136	—	7,136
Other comprehensive loss	—	—	—	—	(2,869)	(2,869)
Balances, September 30, 2019	37,036	$ 3,704	$ 512,401	$ 530,660	$ (17,993)	$ 1,028,772

See accompanying notes to condensed consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(unaudited)

(in thousands)	Nine Months Ended September 30, 2020	2019
Cash flows from operating activities:		
Net income	$ 6,360	$ 30,356
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	28,400	27,920
Amortization	8,539	8,469
Provision for doubtful accounts	2,160	(1,462)
Deferred income taxes	(4,079)	206
Gain on the sale of property, plant and equipment	(114)	(60)
Asset impairments	6,950	834
Stock-based compensation expense	9,464	8,461
Changes in operating assets and liabilities:		
Accounts receivable	16,410	121,171
Contract assets	(335)	(20,986)
Inventories	(37,131)	(6,557)
Prepaid expenses and other assets	1,675	2,944
Accounts payable	(18,260)	(122,156)
Customer deposits	21,074	8,546
Accrued liabilities	(13,498)	7,755
Operating leases	942	652
Income taxes	(2,942)	(8,779)
Net cash provided by operations	25,615	57,314
Cash flows from investing activities:		
Proceeds from sales of investments at par	—	50
Additions to property, plant and equipment	(26,108)	(23,746)
Proceeds from the sale of property, plant and equipment	314	231
Additions to purchased software	(2,994)	(2,196)
Cash received from business divestitures	2,214	—
Other	58	(29)
Net cash used in investing activities	(26,516)	(25,690)
Cash flows from financing activities:		
Proceeds from stock options exercised	371	1,350
Employee taxes paid for shares withheld	(1,913)	(1,318)
Dividends paid	(17,205)	(17,731)
Borrowings under credit agreement	110,000	—
Principal payments on long-term debt	(101,605)	(4,614)
Share repurchases	(19,329)	(118,350)
Net cash used in financing activities	(29,681)	(140,663)
Effect of exchange rate changes	1,436	(1,021)
Net decrease in cash and cash equivalents and restricted cash	(29,146)	(110,060)
Cash and cash equivalents and restricted cash at beginning of year	363,956	458,102
Cash and cash equivalents and restricted cash at end of period	$ 334,810	$ 348,042

See accompanying notes to condensed consolidated financial statements.

Note 1 – Basis of Presentation

Benchmark Electronics, Inc. (the Company) is a Texas corporation that provides innovative product design, engineering services, technology solutions and advanced manufacturing services. From initial product concept to volume production, including direct order fulfillment and aftermarket services, the Company has been providing integrated services and solutions to original equipment manufacturers (OEMs) since 1979. The Company serves the following industries: aerospace and defense (A&D), medical technologies, complex industrials, semiconductor capital equipment (Semi-Cap), next-generation telecommunications and advanced computing. The Company has manufacturing operations located in the United States and Mexico (the Americas), Asia and Europe.

The unaudited condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). The financial statements reflect all normal and recurring adjustments necessary in the opinion of management for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 (the 2019 10-K).

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in accordance with generally accepted accounting principles in the United States (U.S. GAAP) with consideration given to the potential impacts of the coronavirus disease 2019 (COVID-19) pandemic. However, actual results could differ materially from these estimates and be significantly affected by the severity and duration of the pandemic, the extent of actions to contain or treat COVID-19, how quickly and to what extent normal economic and operating activity can resume, and the severity and duration of the global economic downturn that results from the pandemic.

For comparative purposes and based on ongoing evaluation of personnel roles involved in the production process, prior year expenses associated with certain personnel have been reclassified from selling, general and administrative expenses to cost of goods sold to conform to the current year presentation.

Note 2 – New Accounting Pronouncements

<u>Adopted in 2020</u>

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This update is effective for annual reporting periods beginning after December 15, 2019. The Company adopted this update effective January 1, 2020 and the implementation of this update did not have a material impact on its consolidated financial position, results of operations or cash flows.

<u>Not Yet Adopted</u>

The Company has determined that other recently issued accounting standards will either not have a material impact on its consolidated financial position, results of operations or cash flows, or will not apply to its operations.

Note 3 – Contract Assets

As of September 30, 2020 and December 31, 2019, the Company had $161.4 million and $161.1 million, respectively, in contract assets from contracts with customers. The contract assets primarily relate to the Company’s right to consideration for work completed but not billed at the reporting date for those performance obligations for which revenue is recognized over time. The contract assets are transferred to accounts receivable when the rights become unconditional.

Significant changes in the contract asset balance during the period are as follows:

	Nine Months Ended September 30,	
(in thousands)	**2020**	**2019**
Beginning balance as of December 31,	$ 161,061	$ 140,082
Revenue recognized	1,382,582	1,613,047
Amounts collected or invoiced	(1,382,247)	(1,592,061)
Ending balance as of September 30,	$ 161,396	$ 161,068

Note 4 – Inventories

Inventory costs are summarized as follows:

(in thousands)	**September 30, 2020**	**December 31, 2019**
Raw materials	$ 336,774	$ 304,069
Work in process	10,598	8,282
Finished goods	5,479	2,605
	$ 352,851	$ 314,956

Note 5 – Goodwill and Other Intangible Assets

Goodwill allocated to the Company’s reportable segments was as follows:

(in thousands)	**Americas**	**Asia**	**Total**
Goodwill as of December 31, 2019 and September 30, 2020	$ 154,014	$ 38,102	$ 192,116

Other assets, net consist primarily of acquired identifiable intangible assets and capitalized purchased software costs. Intangible assets as of September 30, 2020 and December 31, 2019 were as follows:

	As of September 30, 2020		
(in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Customer relationships	$ 100,174	$ (51,789)	$ 48,385
Purchased software costs	44,467	(32,974)	11,493
Technology licenses	28,800	(26,445)	2,355
Trade names and trademarks	7,800	—	7,800
Other	868	(327)	541
Total	$ 182,109	$ (111,535)	$ 70,574

(in thousands)	As of December 31, 2019 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 100,123	$ (46,981)	$ 53,142
Purchased software costs	41,604	(32,012)	9,592
Technology licenses	28,800	(24,100)	4,700
Trade names and trademarks	7,800	—	7,800
Other	868	(309)	559
Total	$ 179,195	$ (103,402)	$ 75,793

Customer relationships are being amortized on a straight-line basis over a period of 10 to 14 years. Capitalized purchased software costs are amortized straight-line over the estimated useful life of the related software, which ranges from 2 to 14 years. Technology licenses are being amortized over their estimated useful lives in proportion to the economic benefits consumed. The Company’s acquired trade names and trademarks have been determined to have an indefinite life. Amortization on the statements of cash flow for the nine months ended September 30, 2020 and 2019 was as follows:

(in thousands)	Nine Months Ended September 30, 2020	2019
Amortization of intangible assets	$ 7,120	$ 7,095
Amortization of capitalized purchased software costs	1,074	1,029
Amortization of debt costs	345	345
	$ 8,539	$ 8,469

The estimated future amortization expense of acquired intangible assets and capitalized purchased software costs for each of the next five years is as follows (in thousands):

Year ending December 31,	Amount
2020 (remaining three months)	$ 2,837
2021	8,230
2022	8,088
2023	6,759
2024	5,581

Note 6—Borrowing Facilities

Long-term debt outstanding as of September 30, 2020 and December 31, 2019 consists of the following:

(in thousands)	September 30, 2020	December 31, 2019
Revolving credit facility, due 2023	$ 15,000	$ —
Term loan, due 2023	138,750	144,375
Less unamortized debt issuance costs	(1,272)	(1,616)
Long-term debt	$ 152,478	$ 142,759

On July 20, 2018, the Company entered into a $650 million credit agreement (the Credit Agreement) by and among the Company, certain of its subsidiaries, the lenders party thereto and Bank of America, N.A., as Administrative Agent, Swingline Lender and a L/C Issuer. The Credit Agreement is comprised of a 5-year $500 million revolving credit facility (the Revolving Credit Facility) and a 5-year $150 million term loan facility (the Term Loan Facility), both with a maturity date of July 20, 2023. The Term Loan Facility proceeds were used to (i) refinance a portion of existing indebtedness and terminate all commitments under the Company's prior $430 million credit agreement and (ii) pay the fees, costs and expenses associated with the foregoing and the negotiation, execution and delivery of the Credit Agreement.

The Revolving Credit Facility is available for general corporate purposes. The Credit Agreement includes an accordion feature pursuant to which the Company is permitted to add one or more incremental term loan and/or increase commitments under the Revolving Credit Facility in an aggregate amount not exceeding $275 million, subject to the satisfaction of certain conditions.

The Term Loan Facility is payable in quarterly principal installments of $1.9 million with the balance payable on July 20, 2023.

Interest on outstanding borrowings under the Credit Agreement (other than swingline loans) accrues, at the Company's option, at (a) the London Interbank Offered Rate (LIBOR) plus 1.0% to 2.0% or (b) the base rate plus 0.0% to 1.0%.

As of September 30, 2020, $138.8 million of the outstanding debt under the Credit Agreement is effectively at a fixed interest rate of 2.928% (plus the applicable margin) as a result of a $138.8 million notional interest rate swap contract discussed in Note 16. A commitment fee of 0.20% to 0.30% per annum (based on the debt to EBITDA ratio) on the unused portion of the revolving credit line is payable quarterly in arrears.

The Credit Agreement is generally secured by a pledge of (a) all the capital stock of the Company's domestic subsidiaries and 65% of the capital stock of its directly owned foreign subsidiaries, (b) all or substantially all other personal property of Benchmark and its domestic subsidiaries (including, but not limited to, accounts receivable, contract assets, inventory, intellectual property and fixed assets of Benchmark and its domestic subsidiaries), in each case, subject to customary exceptions and limitations, and (c) all proceeds and products of the property and assets described in (a) and (b) above.

The Credit Agreement contains certain financial covenants as to interest coverage and debt leverage, and certain customary affirmative and negative covenants, including restrictions on the Company's ability to incur additional debt and liens, pay dividends, repurchase shares, sell assets and merge or consolidate with other persons. Amounts due under the Credit Agreement could be accelerated upon specified events of default, including a failure to pay amounts due, breach of a covenant, material inaccuracy of a representation, or occurrence of bankruptcy or insolvency, subject, in some cases, to cure periods.

As of September 30, 2020, the Company had $138.8 million in borrowings outstanding under the Term Loan Facility and $15.0 million in borrowings and $3.7 million in letters of credit outstanding under the Revolving Credit Facility, respectively. The Company had $481.3 million available for future borrowings under the Revolving Credit Facility subject to compliance with financial covenants as to interest coverage and debt leverage, in addition to other debt covenant restrictions.

Note 7 – Leases

The Company determines if a contract is or contains a lease at inception. The Company has entered into leases for certain facilities, vehicles and other equipment. The Company's leases consist mainly of operating leases which expire at various dates through 2036. Variable lease payments are generally expensed as incurred and include certain index-based changes in rent, certain nonlease components, such as maintenance and other services provided by the lessor, and other charges included in the lease.

The components of lease expense were as follows:

(in thousands)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Finance lease cost:				
Amortization of right-of-use assets (included in depreciation expense)	$ 177	$ 178	$ 532	$ 534
Interest on lease liabilities	102	135	329	422
Operating lease cost	3,936	4,181	12,074	12,861
Short-term lease cost	105	131	483	452
Variable lease cost	406	595	1,322	1,391
Total lease cost	$ 4,726	$ 5,220	$ 14,740	$ 15,660

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for finance lease	$ 354	$ 444
Operating cash flows used for operating leases	$ 11,798	$ 11,142
Financing cash flows used for finance lease	$ 980	$ 864
Right-to-use assets obtained in exchange for new operating lease liabilities	$ 16,470	$ 15,282

The lease assets and liabilities were as follows (in thousands):

	September 30, 2020	December 31, 2019
Finance lease right-of-use assets (included in other assets)	$ 1,778	$ 2,311
Operating lease right-of-use assets	$ 82,849	$76,859
Finance lease liability, current (included in current installments of long-term debt)	$ 1,457	$ 1,325
Finance lease liability, noncurrent (included in long-term debt)	$ 2,543	$ 3,654
Operating lease liabilities, current (included in accrued liabilities)	$ 11,466	$11,043
Operating lease liabilities, noncurrent	$ 74,407	$67,898
Weighted average remaining lease term – finance leases	2.8 years	3.5 years
Weighted average remaining lease term – operating leases	10.1 years	10.2 years
Weighted average discount rate – finance leases	10.1%	10.1%
Weighted average discount rate – operating leases	4.4%	4.7%

Future annual minimum lease payments and finance lease commitments as of September 30, 2020 were as follows (in thousands):

Year ending December 31,	Operating Leases	Finance Leases
2020 (remaining three months)	$ 3,760	$ 448
2021	13,955	1,816
2022	12,363	1,853
2023	10,962	465
2024	9,990	—
2025 and thereafter	57,147	—
Total minimum lease payments	$ 108,177	$ 4,582
Less: imputed interest	(22,304)	(582)
Present value of lease liabilities	$ 85,873	$ 4,000

As of September 30, 2020, the Company's future operating leases that have not yet commenced are immaterial.

Note 8 – Common Stock and Stock-Based Awards Plans

Dividends

The Company began declaring and paying quarterly dividends during the first quarter of 2018. For the nine months ended September 30, 2020, cash dividends paid totaled $17.2 million. On September 11, 2020, the Company declared a quarterly cash dividend of $0.16 per share of the Company's common stock to shareholders of record as of September 30, 2020. The dividend in the aggregate amount of $5.8 million was paid on October 14, 2020. The Company's future dividend policy is subject to the Company's compliance with applicable law, and depending on, among other things, the Company's results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, restrictions in the Company's debt agreements, and other factors that the Board of Directors may deem relevant, including the impact of the COVID-19 pandemic. Dividend payments are not mandatory or guaranteed; there can be no assurance that the Company will continue to pay a dividend in the future.

Share Repurchase Authorization

On February 19, 2020, the Board of Directors authorized a $150 million increase to its existing stock repurchase program. On October 26, 2018, the Board of Directors authorized the repurchase of $100 million of the Company's common stock in addition to the $250 million previously approved on March 6, 2018. During the nine months ended September 30, 2020, the Company repurchased a total of 0.7 million common shares for an aggregate of $19.3 million at an average price of $26.69 per share. As of September 30, 2020, the Company had an aggregate $210.1 million remaining under its stock repurchase program.

Stock-Based Compensation

The Company's 2019 Omnibus Incentive Compensation Plan (the 2019 Plan) authorizes the Company, upon approval of the Compensation Committee of the Board of Directors, to grant a variety of awards, including stock options, restricted shares and restricted stock units (both time-based and performance-based) and other forms of equity awards, or any combination thereof, to any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of the Company. Stock options (which have not been awarded since 2015) are granted to employees with an exercise price equal to the market price of the Company's common stock on the date of grant, generally vest over a four-year period from the date of grant and have a term of 10 years. Time-based restricted stock units granted to employees generally vest over a four-year period from the date of grant, subject to the continued employment of the employee by the Company. Performance-based restricted stock units generally vest over a three-year performance cycle, which includes the year of the grant, and are based upon the Company's achievement of specified performance metrics. Awards under the 2019 Plan to non-employee directors have been in the form of restricted stock units, which vest in equal annual installments over a one-year period, starting on the grant date.

As of September 30, 2020, 2.7 million common shares were available for issuance under the Company's 2019 Plan.

All share-based payments to employees, including grants of employee stock options, are recognized in the financial statements based on their grant date fair values. The total compensation cost recognized for stock-based awards was $3.4 million and $9.5 million for the three and nine months ended September 30, 2020, respectively, and $2.7 million and $8.5 million for the three and nine months ended September 30, 2019, respectively. The total income tax benefit recognized in the Condensed Consolidated Statements of Income for stock-based awards was $0.8 million and $2.3 million for the three and nine months ended September 30, 2020, respectively, and $0.7 million and $2.0 million for the three and nine months ended September 30, 2019, respectively. Awards of restricted stock units and performance-based restricted stock units are valued at the closing market price of the Company's common stock on the date of grant. For performance-based restricted stock units, compensation expense is based on the probability that the performance goals will be achieved, which is monitored by management throughout the requisite service period. When it becomes probable, based on the Company's expectation of performance during the measurement period, that more or less than the previous estimate of the awarded shares will vest, an adjustment to stock-based compensation expense is recognized as a change in accounting estimate.

As of September 30, 2020, the unrecognized compensation cost and remaining weighted-average amortization period related to stock-based awards were as follows:

(in thousands, except remaining period data)	**Time-based Restricted Stock Units**	**Performance-based Restricted Stock Units[(1)]**
Unrecognized compensation cost	$ 22,573	$ 5,570
Remaining weighted-average amortization period	2.7 years	1.7 years

(1) Based on the probable achievement of the performance goals identified in each award.

The total cash received by the Company as a result of stock option exercises for the nine months ended September 30, 2020 and 2019 was approximately $0.4 million and $1.3 million, respectively. The actual tax benefit realized as a result of stock option exercises and the vesting of other share-based awards during the nine months ended September 30, 2020 and 2019 was $1.8 million and $1.7 million, respectively. For the nine months ended September 30, 2020 and 2019, the total intrinsic value of stock options exercised was $0.1 million and $0.4 million, respectively.

The Company awarded performance-based restricted stock units to employees during the nine months ended September 30, 2020 and 2019. The number of performance-based restricted stock units that will ultimately be earned will not be determined until the end of the corresponding performance periods, and may vary from as low as zero to as high as 2.5 times the target number depending on the level of achievement of certain performance goals. The level of achievement of these goals is based upon the financial results of the Company for the last full calendar year within the performance period. The performance goals consist of certain levels of achievement using the following financial metrics: revenue, operating income margin, and return on invested capital. If the performance goals are not met based on the Company's financial results, the applicable performance-based restricted stock units will not vest and will be forfeited. Shares subject to forfeited performance-based restricted stock units will be available for issuance under the Company's 2019 Plan.

The following table summarizes activities relating to the Company's stock options:

	Number of Options (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2019	270	$20.02		
Exercised	(20)	22.60		
Outstanding and exercisable as of September 30, 2020	250	$19.81	2.66	$ 425

The aggregate intrinsic value in the table above is before income taxes and is calculated as the difference between the exercise price of the underlying options and the Company's closing stock price as of the last business day of the period ended September 30, 2020 for options that had exercise prices that were below the closing price.

The following table summarizes the activities related to the Company's time-based restricted stock units:

	Number of Units (in thousands)	Weighted-Average Grant Date Fair Value
Non-vested awards outstanding as of December 31, 2019	893	$28.06
Granted	525	26.61
Vested	(301)	27.61
Forfeited	(45)	28.60
Non-vested awards outstanding as of September 30, 2020	1,072	$27.45

The following table summarizes the activities related to the Company's performance-based restricted stock units:

	Number of Units (in thousands)	Weighted-Average Grant Date Fair Value
Non-vested awards outstanding as of December 31, 2019	384	$28.89
Granted (1)	165	28.02
Forfeited	(181)	30.04
Non-vested awards outstanding as of September 30, 2020	368	$27.93

(1) Represents target number of units that can vest based on the achievement of the performance goals.

Note 9 – Income Taxes

Income tax expense (benefit) consists of the following:

(in thousands)	Nine Months Ended September 30, 2020	2019
Federal – current	$ 1,288	$ 907
Foreign – current	3,865	5,607
State – current	503	1,096
Deferred	(4,079)	206
	$ 1,577	$ 7,816

Income tax expense differs from the amount computed by applying the U.S. federal statutory income tax rate to income before income taxes primarily due to the mix of taxable income by taxing jurisdiction, the impact of tax incentives and tax holidays in foreign locations, state income taxes (net of federal benefit) and the U.S. tax under the global intangible low-taxed income (GILTI) provisions. GILTI requires the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiaries tangible fixed assets. The taxable earnings can be offset by a limited deemed paid foreign tax credit with no carrybacks or carryforwards available. The Company accounts for the GILTI as a period cost and does not include it as a factor in the determination of deferred taxes.

As of December 31, 2019, the Company had approximately $313.9 million in cumulative undistributed foreign earnings of its foreign subsidiaries. These earnings would not be subject to U.S. income tax, if distributed to the Company. During 2018, the Company changed its assertion on its foreign subsidiaries earnings that are permanently reinvested. A certain amount of earnings from specific foreign subsidiaries are permanently reinvested, and certain foreign earnings from other specific foreign subsidiaries are considered to be non-permanently reinvested and are available for immediate distribution to the Company. Income taxes have been accrued on the non-permanently reinvested foreign earnings including any applicable local withholding taxes.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in the United States in response to the COVID-19 pandemic. The CARES Act among other things, permits NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021, and contains modifications on the limitation of business interest for tax years beginning in 2019 and 2020. The Company has evaluated the impact of these provisions and has determined these provisions did not have any impact on the nine months ended September 30, 2020. In addition, the CARES Act allows for employee retention tax credits to be taken in U.S. payroll tax filings and allows for the deferral of the employer portion of social security taxes with 50% to be paid at the end of calendar years 2021 and 2022, respectively. Accordingly, the Company has deferred the payment of the employer portion of social security taxes for the nine months ended September 30, 2020 until the end of 2021 and 2022, respectively. The Company has also determined it is entitled to employee retention credits and has filed for the credits in the second quarter payroll tax reports pursuant to the guidance provided by the Internal Revenue Service. The amount of credits has been recorded in operating expenses for the nine months ended September 30, 2020.

The Company has been granted certain tax incentives, including tax holidays, for its subsidiaries in Malaysia and Thailand that will expire at various dates, unless extended or otherwise renegotiated, through 2021 in Malaysia and 2028 in Thailand, and are subject to certain conditions with which the Company expects to comply. The net impact of these tax incentives was to lower foreign income tax expense for the nine months ended September 30, 2020 and 2019 by approximately $3.4 million (approximately $0.09 per diluted share) and $4.0 million (approximately $0.10 per diluted share), respectively, as follows:

(in thousands)		Nine Months Ended September 30, 2020		2019
Malaysia		2,164		2,294
Thailand		1,209		1,705
	$	3,373	$	3,999

As of September 30, 2020, the total amount of the reserve for uncertain tax benefits including interest and penalties was $0.6 million. The reserve is classified as a current or long-term liability in the Condensed Consolidated Balance Sheets based on the Company's expectation of when the items will be settled. The Company records interest expense and penalties accrued in relation to uncertain income tax benefits as a component of current income tax expense.

The Company and its subsidiaries in Brazil, China, Ireland, Malaysia, Mexico, the Netherlands, Romania, Singapore, Thailand and the United States remain open to examination by the various local taxing authorities, in total or in part, for fiscal years 2012 to 2019. Currently, the Company does not have any ongoing income tax examinations by any jurisdiction. During such income tax examinations, disputes may occur as to matters of fact or law. Also, in most tax jurisdictions, the passage of time without examination will result in the expiration of applicable statutes of limitations thereby precluding examination of the tax period(s) for which such statute of limitation has expired. The Company believes that it has adequately provided for its tax liabilities.

Note 10 – Revenue

The Company's revenues are generated primarily from the sale of manufactured products built to customer specifications. The Company also generates revenue from design, development and engineering services, in addition to the sale of other inventory.

Revenue is measured based on consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a manufactured product to a customer. The Company's contracts with customers are generally short-term in nature. Customers are generally billed when the product is shipped or as services are performed. Under the majority of the Company's manufacturing contracts with customers, the customer controls all the work-in-progress as products are being built. Revenues under these contracts are recognized progressively based on the cost-to-cost method. For other manufacturing contracts, the customer does not take control of the product until it is completed. Under these contracts, the Company recognizes revenue upon transfer of control of product to the customer. Revenue from design, development and engineering services is recognized over time as the services are performed. The Company assumes no significant obligations after shipment as it typically warrants workmanship only. Therefore, the warranty provisions are generally not significant.

If the Company records revenue, but does not issue an invoice, a contract asset is recognized. The contract asset is transferred to accounts receivable when the entitlement to payment becomes unconditional.

Taxes assessed by governmental authorities that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as fulfillment costs and are included in cost of sales.

Disaggregation of revenue

In the following tables, revenue is disaggregated by market sector. The tables also include a reconciliation of the disaggregated revenue with the reportable operating segments.

(in thousands)	Reportable Operating Segments Three Months Ended September 30, 2020 Americas	Asia	Europe	Total
Market Sector:				
Industrials	$ 24,303	$ 47,281	$ 14,600	$ 86,184
A&D	100,941	—	3,958	104,899
Medical	65,389	61,322	7,431	134,142
Semi-Cap	47,021	38,546	13,154	98,721
Computing	35,788	8,551	—	44,339
Telecommunication	22,023	35,507	136	57,666
External revenue	295,465	191,207	39,279	525,951
Elimination of intersegment sales	10,171	6,300	264	16,735
Segment revenue	$ 305,636	$ 197,507	$ 39,543	$ 542,686

	Nine Months Ended September 30, 2020 Americas	Asia	Europe	Total
Market Sector:				
Industrials	$ 82,546	$ 144,885	$ 48,709	$ 276,140
A&D	294,892	—	17,731	312,623
Medical	207,202	161,415	18,252	386,869
Semi-Cap	114,791	112,989	40,512	268,292
Computing	101,349	23,444	—	124,793
Telecommunication	69,692	92,955	517	163,164
External revenue	870,472	535,688	125,721	1,531,881
Elimination of intersegment sales	38,360	21,807	1,046	61,213
Segment revenue	$ 908,832	$ 557,495	$ 126,767	$ 1,593,094

(in thousands)	Reportable Operating Segments Three Months Ended September 30, 2019 Americas	Asia	Europe	Total
Market Sector:				
Industrials	$ 41,328	$ 55,454	$ 18,191	$ 114,973
A&D	108,101	—	7,253	115,354
Medical	79,201	44,582	3,990	127,773
Semi-Cap	23,998	31,332	12,721	68,051
Computing	47,364	12,158	—	59,522
Telecommunication	33,793	35,459	304	69,556
External revenue	333,785	178,985	42,459	555,229
Elimination of intersegment sales	10,576	9,107	182	19,865
Segment revenue	$ 344,361	$ 188,092	$ 42,641	$ 575,094

	Nine Months Ended September 30, 2019 Americas	Asia	Europe	Total
Market Sector:				
Industrials	$ 127,714	$ 162,681	$ 55,615	$ 346,010
A&D	302,961	—	23,247	326,208
Medical	205,575	126,486	13,377	345,438
Semi-Cap	78,536	79,801	38,185	196,522
Computing	277,538	38,899	85	316,522
Telecommunication	111,422	116,090	1,439	228,951
External revenue	1,103,746	523,957	131,948	1,759,651
Elimination of intersegment sales	36,835	25,714	551	63,100
Segment revenue	$ 1,140,581	$ 549,671	$ 132,499	$ 1,822,751

For the nine months ended September 30, 2020 and 2019, 90% and 92%, respectively, of the Company's revenue was recognized as products and services transferred over time.

Note 11 – Accounts Receivable Sale Program

As of September 30, 2020, in connection with three trade accounts receivable sale programs with unaffiliated financial institutions, the Company may elect to sell, at a discount, on an ongoing basis, up to a maximum of $120.0 million of specific accounts receivable at any one time.

During the three months ended September 30, 2020 and 2019, the Company sold $71.5 million and $75.1 million, respectively, of accounts receivable under this program, and in exchange, the Company received cash proceeds of $71.4 million and $74.9 million, respectively, net of the discount. During the nine months ended September 30, 2020 and 2019, the Company sold $225.8 million and $205.7 million, respectively, of accounts receivable under this program, and in exchange, the Company received cash proceeds of $225.4 million and $205.1 million, respectively, net of the discount. The loss on the sale resulting from the discount was recorded to other income (expense), net within the Condensed Consolidated Statements of Income.

Note 12 – Contingencies

The Company is involved in various legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the

Company’s consolidated financial position or results of operations.

Note 13 – Restructuring Charges

The Company has undertaken initiatives to restructure its business operations to improve utilization and realize cost savings. These initiatives have included changing the number and location of production facilities, largely to align capacity and infrastructure with current and anticipated customer demand. This alignment includes transferring programs from higher cost geographies to lower cost geographies. The process of restructuring entails moving production between facilities, reducing staff levels, realigning our business processes, reorganizing our management and other activities.

The Company recognized restructuring charges during 2020 and 2019 primarily related to facility transitions in the Americas, capacity reduction and reductions in workforce in certain facilities across various regions. The following table summarizes the 2020 activity in the accrued restructuring balances related to the restructuring activities initiated prior to September 30, 2020:

(in thousands)	Balance as of December 31, 2019	Restructuring Charges	Cash Payment	Non-Cash Activity	Foreign Exchange Adjustments	Balance as of September 30, 2020
2020 Restructuring:						
Severance	$ —	$ 5,119	$ (1,391)	(25)	$ —	$ 3,703
Leased facilities and equipment	—	148	(3)	(145)	—	—
Other exit costs	—	210	(40)	—	—	170
	—	5,477	(1,434)	(170)	—	3,873
2019 Restructuring:						
Severance	3,956	(1,183)	(2,470)	(72)	—	231
Leased facilities and equipment	—	3,070	(1,491)	(1,144)	—	435
Other exit costs	—	1,373	(384)	(729)	—	260
	3,956	3,260	(4,345)	(1,945)	—	926
Total	$ 3,956	$ 8,737	$ (5,779)	(2,115)	$ —	$ 4,799

In addition, during the nine months ended September 30, 2020, we incurred $5.7 million and $1.0 million in costs related to asset impairments in the Americas and Asia, respectively.

Note 14 —Ransomware Incident

During the fourth quarter ended December 31, 2019, some of the Company’s systems were affected by a ransomware incident that encrypted information on its systems and disrupted customer and employee access to its applications and services. The Company immediately took steps to isolate the impact and implemented measures to prevent additional systems from being affected, including taking its network offline as a precaution. In connection with this incident, third party consultants and forensic experts were engaged to assist with the restoration and remediation of the Company’s systems and, with the assistance of law enforcement, to investigate the incident. The Company has found no evidence that customer or employee data was exfiltrated from its network.

The Company restored connectivity and resumed operations quickly following the ransomware incident. However, fourth quarter 2019 operations were adversely affected by the inefficiencies caused by taking the network offline for a period of time. As a result, the Company’s fourth quarter 2019 revenue was also adversely affected as the Company was unable to fulfill a portion of customer demand during the quarter.

We do have insurance coverage, including cyber insurance, and are working diligently with our insurance carriers on claims to recover costs incurred. We expect that the insurance recovery process will be ongoing throughout 2020.

In 2019, ransomware incident related costs incurred totaled $7.7 million, net of estimated insurance recoveries of $5.0 million. These costs were primarily comprised of certain employee related expenses and various third party consulting services including forensic experts, legal counsel and other IT professional expenses. During the nine months ended September 30, 2020, the Company collected $6.6 million of insurance recoveries. Any further insurance recoveries will be recorded when considered probable.

Note 15 – Earnings Per Share

Basic earnings per share is computed using the weighted-average number of shares outstanding. Diluted earnings per share is computed using the weighted-average number of shares outstanding adjusted for the incremental shares attributed to outstanding stock equivalents. Stock equivalents include common stock issuable upon the exercise of stock options and other equity instruments and are computed using the treasury stock method. Under the treasury stock method, the exercise price of a share and the amount of compensation cost, if any, for future service that the Company has not yet recognized are assumed to be used to repurchase shares in the current period. In periods when losses are reported, the weighted-average number of shares outstanding excludes stock equivalents because their inclusion would have an anti-dilutive effect.

The following table sets forth the calculation of basic and diluted earnings per share:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(in thousands, except per share data)	**2020**	**2019**	**2020**	**2019**
Net income	$ 5,915	$ 7,136	$ 6,360	$ 30,356
Denominator for basic earnings per share - weighted-average number of common shares outstanding during the period	36,467	37,419	36,565	38,813
Incremental common shares attributable to exercise of dilutive options	22	80	36	77
Incremental common shares attributable to outstanding restricted stock units	55	146	220	294
Denominator for diluted earnings per share	36,544	37,645	36,821	39,184
Basic earnings per share	$ 0.16	$ 0.19	$ 0.17	$ 0.78
Diluted earnings per share	$ 0.16	$ 0.19	$ 0.17	$ 0.77

Restricted stock units totaling 1.0 million and 0.5 million shares for the three and nine months ended September 30, 2020, and outstanding stock options totaling 0.1 million shares for the three months ended September 30, 2020, were not included in the computation of diluted earnings per share because their effect would have been anti-dilutive. Restricted stock units totaling 0.1 million and 0.2 million shares, respectively, for the three and nine months ended September 30, 2019 were not included in the computation of diluted earnings per share because their effect would have been anti-dilutive.

Note 16 – Financial Instruments

The Company's financial instruments include cash equivalents, accounts receivable, other receivables, accounts payable, accrued liabilities and long-term debt. The Company believes that the carrying values of these instruments approximate fair value. The Company uses derivative instruments to manage the variability of foreign currency obligations and interest rates. The Company does not enter into derivatives for speculative purposes. As of September 30, 2020, all the Company's derivative instruments were recorded at fair value using Level 3 inputs.

The forward currency exchange contract in place as of September 30, 2020 has not been designated as an accounting hedge and, therefore, changes in fair value are recorded within the Condensed Consolidated Statements of Income.

The Company has an interest rate swap agreement, with a notional amount of $138.8 million and $144.4 million as of September 30, 2020 and December 31, 2019, respectively, to hedge a portion of its interest rate exposure on outstanding borrowings under the Credit Agreement. Under this interest rate swap agreement, the Company receives variable rate interest payments based on the one-month LIBOR rate and pays fixed rate interest payments. The fixed interest rate for the contract is 2.928%. The effect of this swap is to convert a portion of the floating rate interest expense to fixed interest rate expense. Based on the terms of the interest rate swap contract and the underlying borrowings outstanding under the Credit Agreement, the interest rate contract was determined to be highly effective, and thus qualifies and has been designated as a cash flow hedge. As such, changes in the fair value of the interest rate swap are recorded in other comprehensive income (loss) on the accompanying Condensed Consolidated Balance Sheets until earnings are affected by the variability of cash flows.

The fair value of the interest rate swap was a $10.2 million liability as of September 30, 2020 and a $6.3 million liability as of December 31, 2019 recorded in other long-term liabilities. During the nine months ended September 30, 2020, the Company recorded an unrealized loss of $3.9 million ($2.9 million net of tax) on the swap in other comprehensive income (loss).

As of December 31, 2017, the Company had an interest rate swap agreement with a notional amount of $155.3 million with a fixed interest rate of 1.4935% which was terminated in October 2018 for $3.5 million. This gain is being amortized to offset interest expense over the original term of the swap agreement. During the nine months ended September 30, 2020, the Company transferred unrealized gains of $1.3 million ($1.0 million net of tax) on the terminated swap to interest expense. See Note 17.

Note 17 – Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive loss by component were as follows:

(in thousands)	Foreign currency translation adjustments	Derivative instruments, net of tax	Other	Total
Balances, December 31, 2019	$ (12,425)	$ (3,600)	$ (734)	$ (16,759)
Other comprehensive income (loss) before reclassifications	1,654	(2,929)	302	(973)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(982)	—	(982)
Net current period other comprehensive income (loss)	1,654	(3,911)	302	(1,955)
Balances, September 30, 2020	$ (10,771)	$ (7,511)	$ (432)	$ (18,714)

See Note 16 for further explanation of the change in derivative instruments that is recorded in Accumulated Other Comprehensive Loss. Amounts reclassified from accumulated other comprehensive loss during 2020 primarily affected interest expense.

Note 18 – Segment and Geographic Information

The Company currently has manufacturing facilities in the Americas, Asia and Europe to serve its customers. The Company is operated and managed geographically, and management evaluates performance and allocates the Company's resources on a geographic basis. Intersegment sales are generally recorded at prices that approximate arm's length transactions. Operating segments' measure of profitability is based on income from operations, which includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment. The operating margin of each segment reflects the cost structure of the segments and are not comparable. The accounting policies for the reportable operating segments are the same as for the Company taken as a whole. The Company has three reportable operating segments: Americas, Asia and Europe. Information about operating segments is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2020**	**2019**	**2020**	**2019**
Net sales:				
Americas	$ 305,636	$ 344,361	$ 908,832	$ 1,140,581
Asia	197,507	188,092	557,495	549,671
Europe	39,543	42,641	126,767	132,499
Elimination of intersegment sales	(16,735)	(19,865)	(61,213)	(63,100)
	$ 525,951	$ 555,229	$ 1,531,881	$ 1,759,651
Depreciation and amortization:				
Americas	$ 5,844	$ 5,646	$ 17,191	$ 16,323
Asia	2,801	2,820	8,247	8,363
Europe	706	750	2,131	2,322
Corporate	3,057	3,048	9,370	9,381
	$ 12,408	$ 12,264	$ 36,939	$ 36,389
Income from operations:				
Americas	$ 10,062	$ 10,877	$ 21,700	$ 48,437
Asia	17,865	13,209	45,887	41,666
Europe	1,395	1,871	4,270	5,095
Corporate and intersegment eliminations	(20,663)	(16,159)	(58,580)	(57,372)
	8,659	9,798	13,277	37,826
Interest expense	(2,136)	(1,687)	(6,189)	(5,014)
Interest income	154	734	1,040	3,084
Other income (expense)	439	(136)	(191)	2,276
Income before income taxes	$ 7,116	$ 8,709	$ 7,937	$ 38,172
Capital expenditures:				
Americas	$ 2,134	$ 4,210	$ 17,992	$ 11,910
Asia	1,330	3,965	4,646	7,901
Europe	252	1,304	1,294	2,035
Corporate	2,096	968	5,170	4,096
	$ 5,812	$ 10,447	$ 29,102	$ 25,942

(in thousands)	September 30, 2020	December 31, 2019
Total assets:		
Americas	$ 810,455	$ 792,180
Asia	536,991	533,508
Europe	127,392	139,977
Corporate and other	259,669	294,209
	$ 1,734,507	$ 1,759,874

Geographic net sales information reflects the destination of the product shipped. Long-lived assets information is based upon the physical location of the asset.

(in thousands)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Geographic net sales:				
United States	$ 346,849	$ 362,136	$ 1,001,725	$ 1,196,965
Singapore	51,267	51,025	161,805	135,429
Asia	48,337	49,175	126,863	143,140
Europe	55,372	64,592	177,651	202,985
Other Foreign	24,126	28,301	63,837	81,132
	$ 525,951	$ 555,229	$ 1,531,881	$ 1,759,651

	September 30, 2020	December 31, 2019
Long-lived assets:		
United States	$ 239,332	$ 247,074
Asia	70,975	76,507
Europe	18,438	20,258
Other	23,219	23,563
	$ 351,964	$ 367,402

Note 19 – Supplemental Cash Flow and Non-Cash Information

The following information concerns supplemental disclosures of cash payments.

(in thousands)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Income taxes paid, net	$ 11,629	$ 2,091	$ 14,596	$ 16,375
Interest paid	2,364	2,333	6,791	6,355
Non-cash investing activity:				
Additions to property, plant and equipment in accounts payable			$ 6,531	$ 2,370

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This quarterly report (this Report) 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 (Exchange Act). 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," "projection," "forecast," "strategy," "position," "continue," "estimate," "expect," "may," "will," or the negative or other variations thereof. In particular, statements, express or implied, concerning future operating results, including guidance for fourth quarter 2020 results and beyond, our ability to generate sales, income or cash flow, the anticipated impact of the COVID-19 pandemic, our anticipated plans and responses to the COVID-19 pandemic, our expected revenue mix, our business strategy and strategic initiatives, our repurchases of shares of our common stock and our intentions concerning the payment of dividends, among others, are forward-looking statements. Although we believe these statements are based upon reasonable assumptions, they involve risks, uncertainties and assumptions that are beyond our ability to control or predict, relating to operations, markets and the business environment generally, including those discussed in Part I, Item 1A of the 2019 10-K, in Part II, Item 1A of this Report and in any of our subsequent reports filed with the SEC. In particular, these statements also depend on the duration, severity and evolution of the COVID-19 pandemic and related risks, including government and other third-party responses to it and the consequences for the global economy, our business and the businesses of our suppliers and customers, as well as our 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. The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and accompanying notes, and the 2019 10-K. 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.

OVERVIEW

We are a worldwide provider of innovative product design, engineering services, technology solutions and advanced manufacturing services (both electronic manufacturing services (EMS) and precision technology machining services). In this Report, references to Benchmark, the Company or use of the words "we", "our" and "us" include Benchmark's subsidiaries unless otherwise noted.

From initial product concept to volume production, including direct order fulfillment and aftermarket services, Benchmark has been providing integrated services and solutions to original equipment manufacturers (OEMs) since 1979. Today, Benchmark proudly serves the following industries: aerospace and defense (A&D), medical technologies, complex industrials, semiconductor capital equipment (Semi-Cap), next-generation telecommunications and advanced computing.

Our customer engagement focuses on three principal areas:

- *Engineering Services*, which includes turnkey product design, design for manufacturability, manufacturing process and test development, concurrent and sustaining engineering and regulatory services. Our engineering services may be for systems, sub-systems, printed circuit boards and assemblies, and components. We provide these services across all the industries we serve, but focus primarily in regulated industries such as medical, complex industrials, aerospace and defense, and next-generation telecommunications.

- *Technology Solutions*, which involve developing a library of building blocks or reference designs primarily in defense solutions, surveillance systems, radio frequency and high-speed design, and front-end managed connectivity data collection systems. We often merge these technology solutions with engineering services in order to support manufacturing services. Our reference designs can be utilized across a variety of industries, but we have significant capabilities in the aerospace and defense and next-generation telecommunications markets. We have also developed stronger capabilities in radio frequency (RF) and high-speed design for both components and substrates. The need to reduce Size, Weight, and Power (SWaP) to accommodate embedding high frequency electronic communications into specific designs is important to customers in the aerospace and defense, medical, and next-generation telecommunications markets.

- *Manufacturing Services*, which include producing printed circuit board assemblies (PCBAs) using both traditional surface mount technologies (SMT) and microelectronics are then often integrated into a subsystem assembly, or a box build as part of systems integration. Systems integration often involves building a finished assembly that includes PCBAs, complex subsystem assemblies, mechatronics, displays, optics, and other components. These final products may be configured to order and delivered directly to the end-customer across all the industries we serve. Manufacturing services also includes precision technology manufacturing comprised of precision machining, advanced metal joining, assembly and functional testing primarily for customers in the semiconductor capital equipment as well as the medical and aerospace and defense markets.

Our core strength lies in our ability to provide concept-to-production solutions in support of our customers. Our global manufacturing presence increases our ability to respond to our customers' needs by providing accelerated time-to-market and time-to-volume production of high-quality products – especially for complex products with lower volume and higher mix in regulated markets. These capabilities enable us to build strong strategic relationships with our customers and to become an integral part of their business.

We believe our primary competitive advantages are our engineering services (including product design), technology solutions, and manufacturing services (including electronics and precision technology capabilities) provided by highly skilled personnel. We continue to invest in our business to expand our skills and service offerings from direct customer inputs. We have a closed-loop feedback system in place to respond to customer ideas to enhance our future designs and manufacturing solutions in support of the full life cycle of their products. These solutions offload the electronics design work from our customers so they can focus on product areas where they can provide more value add and, in the process, accelerate their time-to-market and reduce their product development costs. Working closely with our customers and responding promptly to their needs, we become an integral part of their development process helping them bring products to market faster and more economically.

In addition, we believe that a strong focus on human capital through the talent we hire and retain is critical to maintaining our competitiveness. We are driving a customer-centric organization with a high degree of accountability and ownership to develop processes necessary to exceed customer expectations and deliver financial performance aligned to our goals. Through our employee feedback process, we solicit and act upon information to improve our company and better support our customers and business processes in the future. We have taken steps to attract the best leaders into our business and we are accelerating our efforts to mentor and develop key leaders for the future.

Our customers often face challenges in designing supply chains, demand planning, procuring materials and managing their inventories efficiently due to fluctuations in their customer demand, product design changes, short product life cycles and component price fluctuations.

We employ enterprise resource planning (ERP) systems and lean manufacturing principles to manage procurement and manufacturing processes in an efficient and cost-effective manner so that, where possible, components arrive on a just-in-time, as-and-when-needed basis. Because we are a significant purchaser of electronic components and other raw materials, we are able to capitalize on the economies of scale associated with our relationships with suppliers to negotiate price discounts, obtain components and other raw materials that are in short supply, and return excess components. Our agility and expertise in supply chain management and our relationships with suppliers across the supply chain enable us to help reduce our customers' cost of goods sold and inventory exposure.

We recognize revenue as the customer takes control of the manufactured products built to customer specifications. We also generate revenue from our design, development and engineering services, in addition to the sale of other inventory.

Revenue is measured based on the consideration specified in a contract with a customer. Under the majority of our manufacturing contracts with customers, the customer controls all the work-in-progress as products are being built. Revenues under these contracts are recognized over time based on the cost-to-cost method. Under other manufacturing contracts, the customer does not take control of the product until it is completed. Under these contracts, we recognize revenue upon transfer of control of product to the customer, which is generally when the goods are shipped. Revenue from engineering services that include design and development elements also continues to be recognized over time as the services are performed. We assume no significant obligations after shipment as we typically warrant workmanship only. Therefore, the warranty provisions are generally not significant.

COVID-19 Pandemic Update

In late 2019, there was an outbreak of a new strain of coronavirus (COVID-19) first identified in Wuhan, Hubei Province, China, which has since spread globally. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Further, the COVID-19 outbreak has resulted in government authorities around the world implementing numerous measures to try to reduce the spread of COVID-19, such as travel bans and restrictions, quarantines, "shelter-in-place," "stay-at-home," total lock-down orders, business limitations or shutdowns and similar orders. As a result, the COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and workforce participation, and created significant volatility and disruption of financial markets. In an effort to first and foremost protect the health and safety of our employees, we also took proactive action to adopt social distancing policies at our locations globally, including working from home for certain employees, limiting the number of employees attending meetings, reducing the number of people in our locations at any one time, and suspending employee travel.

Benchmark provides critical infrastructure products and essential services in each of our locations. However, as a result of the COVID-19 pandemic, including the related responses from government authorities, the Company's operations were impacted worldwide starting in the first quarter of 2020. These impacts began with a shut-down of the Company's manufacturing facilities in Suzhou, China early in the first quarter of 2020 (which ramped back to full capacity by mid-March). However, the disruptive impacts caused by the COVID-19 pandemic have since affected our operations in all other regions. For example, starting in mid-March, our Penang, Malaysia operation, which includes our largest precision machining facility, was significantly disrupted. As a result, our Penang, Malaysia operation had been operating at approximately 30% of capacity through the end of the first quarter of 2020, at approximately 50% of capacity through April of 2020 and subsequently ramped to full production capacity within a couple of weeks thereafter. Our California operations experienced significant disruptions through April 2020 due to "shelter-in-place" and "stay-at-home" orders and ordinances. Also, our operations in Tijuana and Guadalajara, Mexico have experienced significant disruptions due to similar "shelter-in-place" and “stay-at-home” orders and ordinances. We resumed operations in Tijuana and Guadalajara during the middle of May of 2020 and returned to full production in phases.

As a result of the COVID-19 pandemic, our revenue for the first nine months of 2020 was negatively impacted primarily as a result of operational inefficiencies relating to reduced productivity levels throughout our facilities and supply chain constraints, which affected our ability to support customer demand. Additionally, the COVID-19 pandemic negatively impacted our first, second and third quarter results due to increased direct costs associated with labor expenses and personal protective equipment for our employees, as well as under absorption of fixed costs.

While our manufacturing and engineering services operations have essentially returned to pre-COVID-19 productivity levels, the COVID-19 pandemic continues to affect the Company’s operations into the fourth quarter of 2020. As a result, we expect our revenue will be in line with third quarter of 2020 levels and we do not expect a seasonal up trend in fourth quarter of 2020 revenues this year as customers are more cautious on increasing their demand signals given the economic and geopolitical environment. As we enter the fall and winter months, we may experience worsening impacts of the COVID-19 pandemic in many regions in the United States and worldwide which could further impact customer demand fluctuation.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in the United States in response to the COVID-19 pandemic. The CARES Act among other things, permits NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021, and contains modifications on the limitation of business interest for tax years beginning in 2019 and 2020. The Company has evaluated the impact of these provisions and has determined these provisions did not have any impact on the nine months ended September 30, 2020. In addition, the CARES Act allows for employee retention tax credits to be taken in U.S. payroll tax filings and allows for the deferral of the employer portion of social security taxes with 50% to be paid at the end of calendar years 2021 and 2022, respectively. Accordingly, the Company has deferred the payment of the employer portion of social security taxes for the nine months ended September 30, 2020 until the end of 2021 and 2022, respectively. The Company has also determined it is entitled to employee retention credits and has filed for the credits in the second quarter payroll tax reports pursuant to the guidance provided by the Internal Revenue Service. The amount of credits has been recorded in operating expenses for the nine months ended September 30, 2020.

International authorities in various jurisdictions have also allowed for cash grants, delay of tax filings, and delay of tax payments for future quarters. We have taken advantage of these benefits by delaying our tax filings and respective tax payments in various jurisdictions.

In response to uncertainties related to the impact of the COVID-19 virus, we have taken a series of actions to lower our cost structure and reduce capital expenditures. On April 29, 2020, the Company announced a temporary 10% salary reduction for all executive officers (including our named executive officers) effective April 27, 2020 through December 31, 2020 and the Company Board of Directors approved a temporary 10% reduction in their quarterly cash compensation effective April 27, 2020 through December 31, 2020. Other senior leaders in the Company took a 7% salary reduction through September 29, 2020. Additional cost reduction actions in our U.S. factories consisted of employees taking rotating time off depending on the factory loading levels. Cost reduction actions in our non-U.S. locations depend on local law requirements. Additionally, we have reduced other discretionary expenses, such as travel. We have also implemented actions to conserve our cash and cash equivalents such as reducing planned capital expenditures, deferring certain planned investments, suspending our share repurchase activity, and deferring payroll and income tax payments in accordance with the CARES Act. Finally, we have implemented certain other procedures to manage potential risks related to working capital such as closely monitoring the financial stability, payment terms and credit limits of our customers.

We continue to monitor the rapidly evolving situation and guidance from international and domestic authorities, including federal, state and local public health authorities, and may take additional actions based on their recommendations. In these circumstances, there may be developments outside our control requiring us to adjust our operating plan. As such, the exact extent of the impact of the COVID-19 pandemic on our business, financial condition and results of operations, is currently unknown and will depend on future developments, which are highly uncertain, continuously evolving and cannot be predicted. This includes, but is not limited to, the duration and spread of the COVID-19 pandemic, its severity, the actions to contain the virus or treat its impact and how quickly and to what extent normal economic and operating conditions can resume.

Accordingly, our current results and financial condition discussed herein may not be indicative of future operating results and trends. See “Risk Factors” in Part II, Item 1A of this Report for additional risks we face due to the COVID-19 pandemic.

Third Quarter 2020 Highlights

Sales for the three months ended September 30, 2020 decreased 5% to $526.0 million compared to $555.2 million during the comparable 2019 period. During the third quarter of 2020, sales to customers in our various industry sectors fluctuated from the comparable 2019 period as follows:

Higher-Value Markets

- Industrials decreased by 25%,
- A&D decreased by 9%,
- Medical increased by 5%, and
- Semi-Cap increased by 45%.

Traditional Markets

- Computing decreased by 26%, and
- Telecommunications decreased by 17%.

Overall, higher-value market revenues during the third quarter were flat year-over-year. Demand strength in Medical supporting COVID-19 solutions and new product ramps and the continued Semi-Cap recovery were offset by weakness in commercial Aerospace within A&D and certain Industrials markets. Traditional market revenues were down 21% year-over-year primarily from our exit of the legacy Computing contract as discussed below.

Our sales depend on the success of our customers, some of which operate in businesses associated with rapid technological change and consequent product obsolescence. Developments adverse to our major customers or their products, or the failure of a major customer to pay for components or services, including in each case as a result of the COVID-19 pandemic, can adversely affect us. A substantial percentage of our sales are made to a small number of customers, and the loss of a major customer, if not replaced, would adversely affect us. Sales to our ten largest customers represented 42% and 41% of our sales in the nine months ended September 30, 2020 and 2019, respectively.

During 2018, as part of our ongoing process to review contracts that are marginal and dilutive to our gross margin, we made the decision not to renew a legacy contract with a large Computing customer that was to expire at the end of 2019. During the second quarter of 2019, we completed the final build out of this legacy contract and in the third quarter of 2019 had an immaterial amount of revenue from this contract as the transition was completed.

We experience fluctuations in gross profit from period to period. Different programs contribute different gross margins depending on the type of services involved, location of production, size of the program, complexity of the product and level of material costs associated with the various products. Moreover, new programs can contribute relatively less to our gross profit in their early stages when manufacturing volumes are usually lower, resulting in inefficiencies and unabsorbed manufacturing overhead costs. In addition, several of our new and higher-volume programs remain subject to competitive constraints that can exert downward pressure on our margins. During periods of low production volume and slow new program ramps, we generally have idle capacity and reduced gross margin. Gross profit can also be impacted by other situations, such as the current COVID-19 global pandemic discussed above and the ransomware incident experienced in 2019.

We have undertaken initiatives to restructure our business operations with the intention of improving utilization and reducing costs. During the first nine months of 2020, we recognized $8.7 million of restructuring charges and other costs due in part to expenses associated with various site closures and restructuring activities. In addition, during the first nine months of 2020, we incurred $5.7 million and $1.0 million in costs related to asset impairments in the Americas and Asia, respectively.

RESULTS OF OPERATIONS

The following table presents the percentage relationship that certain items in our Condensed Consolidated Statements of Income bear to sales for the periods indicated. The financial information and the discussion below should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto in Part I, Item 1 of this Report.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	91.2	91.2	91.9	91.6
Gross profit	8.8	8.8	8.1	8.4
Selling, general and administrative expenses	5.7	5.6	5.9	5.3
Amortization of intangible assets	0.5	0.4	0.5	0.4
Restructuring charges and other costs	1.4	1.1	1.0	0.6
Ransomware incident related costs (recovery), net	(0.3)	-	(0.1)	-
Income from operations	1.6	1.8	0.9	2.1
Other income (expenses), net	(0.3)	(0.2)	(0.3)	-
Income before income taxes	1.4	1.6	0.5	2.2
Income tax expense	0.2	0.3	0.1	0.4
Net income	1.1 %	1.3 %	0.4 %	1.7 %

Sales

Sales for the third quarter of 2020 were $526.0 million, a 5% decrease from sales of $555.2 million for the same quarter in 2019. Sales for the first nine months of 2020 were $1.5 billion, a 13% decrease from sales of $1.8 billion for the same period in 2019. Sales by industry sector were as follows:

(in thousands)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Higher-Value Markets				
Industrials	$ 86,184	$ 114,973	$ 276,140	$ 346,010
A&D	104,899	115,354	312,623	326,208
Medical	134,142	127,773	386,869	345,438
Semi-Cap	98,721	68,051	268,292	196,522
	423,946	426,151	1,243,924	1,214,178
Traditional Markets				
Computing	44,339	59,522	124,793	316,522
Telecommunications	57,666	69,556	163,164	228,951
	102,005	129,078	287,957	545,473
Total	$ 525,951	$ 555,229	$ 1,531,881	$ 1,759,651

Industrials. Third quarter sales decreased 25% to $86.2 million from $115.0 million in 2019. Sales during the first nine months of 2020 decreased 20% to $276.1 million from $346.0 million in the same period of 2019. The decreases were primarily from softer demand from customers in the oil and gas industry and in both industrial commercial building and transportation markets.

Aerospace and Defense. Third quarter sales decreased 9% to $104.9 million from $115.3 million in 2019. Sales during the first nine months of 2020 were $312.6 million compared to $326.2 million in the same period of 2019. The decreases were due primarily to the general weakness in the commercial Aerospace market.

Medical. Third quarter sales increased 5% to $134.2 million from $127.8 million in 2019. Sales increased 12% to $386.9 million during the first nine months of 2020 from $345.5 million in the same period of 2019. These increases were primarily due to new program ramps and strength throughout our medical customers and increasing demand for critical devices supporting COVID-19 solution.

Semiconductor Capital Equipment. Third quarter sales increased 45% to $98.7 million from $68.0 million in 2019. Sales during the first nine months of 2020 increased 37% to $268.3 million from $196.5 million in the same period of 2019. These increases were due to continued Semi-Cap market recovery.

Computing. Third quarter sales decreased 26% to $44.3 million from $59.5 million in 2019 and decreased 61% to $124.8 million during the first nine months of 2020 from $316.5 million in the same period of 2019. These decreases were primarily related to our exit from a legacy contract as discussed above.

Telecommunications. Third quarter sales decreased 17% to $57.7 million from $69.6 million in 2019 and decreased 29% to $163.2 million during the first nine months of 2020 from $229.0 million in the same period of 2019. The decreases were primarily due to softer demand from broadband products and commercial satellite applications.

Our international operations are subject to the risks of doing business abroad. See Part I, Item 1A of our 2019 10-K for factors pertaining to our international sales and fluctuations in the exchange rates of foreign currency and for further discussion of potential adverse effects in operating results associated with the risks of doing business abroad. During the first nine months of 2020 and 2019, 51% and 46%, respectively of our sales were from our international operations.

Gross Profit

Gross profit decreased 5% to $46.4 million for the three months ended September 30, 2020 from $49.0 million in the same quarter of 2019 and decreased 16% to $124.4 million for the nine months ended September 30, 2020 from $148.2 million in the same period of 2019. For the three and nine months ended September 30, 2020, gross profit included a $0.8 million and a $1.1 million recovery, respectively, associated with customer insolvencies in 2020. For the nine months ended September 30, 2019, gross profit included a $1.0 million recovery associated with customer insolvencies in 2019. In addition, gross profit for the three and nine months ended September 30, 2019 included a $0.8 million settlement accrual with a customer. Gross margin including these charges and recoveries was 8.8% and 8.1%, respectively, for the three and nine months ended September 30, 2020 and 8.8% and 8.4%, respectively, for the three and nine months ended September 30, 2019. Excluding these items, gross margin was 8.7% and 8.0%, respectively, for the three and nine months ended September 30, 2020 compared to 8.8% and 8.4%, respectively, in the same periods of 2019. The deterioration in gross margin when comparing the periods is primarily attributable to lower revenues and the disruptive impacts caused by the COVID-19 driven by reduced productivity levels throughout our facilities, increased direct costs associated with labor expenses and personal protective equipment for our employees and under absorption of fixed costs.

Selling, General and Administrative Expenses

SG&A decreased by 4% to $29.7 million in the third quarter of 2020 compared to $30.9 million in 2019 and decreased by 3% to $89.8 million in the first nine months of 2020 compared to $92.5 million in 2019. During the nine months ended September 30, 2019, we had a $1.7 million recovery of a provision for accounts receivable associated with the insolvency of a customer. Including this adjustment to the provision to accounts receivable, SG&A increased to 5.7% of sales for the third quarter of 2020 from 5.6% in 2019, and increased to 5.9% of sales for the first nine months of 2020 from 5.3% in 2019. Excluding this adjustment to the provision to accounts receivable, SG&A increased to 5.7% of sales for the third quarter of 2020 from 5.6% in 2019 and increased to 5.9% of sales for the first nine months of 2020 from 5.4% in 2019. The increases were primarily due to lower sales and a $2.2 million provision for bad debts recorded in 2020.

Amortization of Intangible Assets

Amortization of intangible assets was $7.1 million in the first nine months of 2020 and 2019.

Restructuring Charges and Other Costs

During the first nine months of 2020, we recognized $8.7 million of restructuring charges, primarily related to site closures and restructuring activities in certain facilities in the Americas and Asia. In addition, during the first nine months of 2020, we incurred $5.7 million and $1.0 million in costs related to asset impairments in the Americas and Asia, respectively. In the first nine months of 2019, we recognized $7.4 million of restructuring charges, primarily related to reductions in workforce in certain facilities in the Americas and Asia. In addition, during the first nine months of 2019, we incurred $3.4 million in costs primarily related to fees and costs incurred in reaching the cooperation agreement with Engaged Capital and other proxy related activities as well as our CEO transition. See Note 13 to the Condensed Consolidated Financial Statements in Part I, Item 1 of this Report.

Ransomware Incident Related Costs (Recovery), Net

During the fourth quarter ended December 31, 2019, ransomware incident related costs incurred totaled $7.7 million, net of estimated insurance recoveries of $5.0 million. These costs were primarily comprised of certain employee related expenses and various third-party consulting services including forensic experts, legal counsel and other IT professional expenses. During the nine months ended September 30, 2020, the Company collected $6.6 million of insurance recoveries. Further insurance recoveries will be recorded when considered probable.

Interest Expense

Interest expense increased to $6.2 million during the first nine months of 2020 from $5.0 million during the comparable 2019 period due to the outstanding amounts on the Revolving Credit facility in 2020 and increased interest rates based on our higher debt leverage ratio.

Interest Income

Interest income decreased to $1.0 million during the first nine months of 2020 from $3.1 million during the comparable 2019 period due primarily to lower invested cash equivalents and the lower interest rate environment.

Income Tax Expense

Income tax expense of $1.6 million represented an effective tax rate of 19.9% for the first nine months of 2020, compared with $7.8 million for the comparable 2019 period, which represented an effective tax rate of 20.5%. The decrease in the effective tax rate was primarily due to the mix of profits and losses in our worldwide operations.

We have been granted certain tax incentives, including tax holidays, for our subsidiaries in Malaysia and Thailand that will expire at various dates, unless extended or otherwise renegotiated, through 2021 in Malaysia and 2028 in Thailand. See Note 9 to the Condensed Consolidated Financial Statements in Part I, Item 1 of this Report.

Net Income

We reported net income of $6.4 million, or $0.17 per diluted share, for the first nine months of 2020, compared with a net income of $30.4 million, or $0.77 per diluted share, for the same period in 2019. The net decrease of $24.0 million from 2019 was primarily the result of lower gross profit as well as higher restructuring charges and other costs in 2020.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed our organic growth and operations through funds generated from operations and occasional borrowings under our revolving credit facility. Cash and cash equivalents and restricted cash totaled $334.8 million at September 30, 2020 and $364.0 million at December 31, 2019, of which $174.1 million and $197.8 million, respectively, were held outside the U.S. in various foreign subsidiaries.

Cash provided by operating activities during the first nine months of 2020 was $25.6 million and consisted primarily of $6.4 million of net income adjusted for $36.9 million of depreciation and amortization, a $16.4 million decrease in accounts receivable, and a $21.1 million increase in customer deposits, partially offset by a $37.1 million increase in inventories and a $18.3 million decrease in accounts payable and a $13.5 million decrease in accrued liabilities. The decrease in accounts receivable was attributable to lower sales. The increase in customer deposits was primarily a result of deposits received from customers to cover higher inventory balances. The increase in inventories is primarily related to mix changes from customers and inventory to support long productions cycles for products in our Semi-Cap and Medical sectors. The decrease in accounts payable and accrued liabilities was primarily a result of the timing of payments. Working capital was $0.7 billion at September 30, 2020 and at December 31, 2019.

We purchase components only after customer orders or forecasts are received, which mitigates, but does not eliminate, the risk of loss on inventories. Supplies of electronic components and other materials used in operations are subject to industry-wide shortages. In certain instances, suppliers may allocate available quantities to us. If shortages of these components and other material supplies used in operations occur, vendors may not ship the quantities we need for production, and we may be forced to delay shipments, which can increase backorders and impact cash flows. We have also experienced, and continue to experience, labor constraints due to the COVID-19 virus.

Cash used in investing activities during the first nine months was $26.5 million for 2020, primarily due to purchases of additional property, plant and equipment totaling $26.1 million. The purchases of property, plant and equipment were primarily for machinery and equipment in the Americas and Asia.

Cash used in financing activities during the first nine months of 2020 was $29.7 million. Share repurchases totaled $19.3 million, net borrowing activities on long-term debt totaled $8.4 million, dividends totaled $17.2 million, and we received $0.4 million from the exercise of stock options.

Under the terms of our $650.0 million Credit Agreement, in addition to the Term Loan facility, we have a $500.0 million five-year revolving credit facility to be used for general corporate purposes (subject to compliance with financial covenants as to interest coverage and debt leverage, in addition to other debt covenant restrictions), both with a maturity date of July 20, 2023. The Credit Agreement includes an accordion feature pursuant to which total commitments under the facility may be increased by an additional $275.0 million, subject to satisfaction of certain conditions. As of September 30, 2020, we had $138.8 million in borrowings outstanding under the Term Loan Facility and $15.0 million in borrowings and $3.7 million in letters of credit outstanding under the Revolving Credit Facility, respectively. See Note 6 to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Report for more information regarding the terms of the Credit Agreement.

The Credit Agreement contains certain financial covenants as to interest coverage and debt leverage, and certain customary affirmative and negative covenants, including restrictions on our ability to incur additional debt and liens, pay dividends, repurchase shares, sell assets and merge or consolidate with other persons. Amounts due under the Credit Agreement could be accelerated upon specified events of default, including a failure to pay amounts due, breach of a covenant, material inaccuracy of a representation, or occurrence of bankruptcy or insolvency, subject, in some cases, to cure periods. As of September 30, 2020, we were in compliance with all these covenants and restrictions.

Our operations, and the operations of businesses we acquire, are subject to certain foreign, federal, state and local regulatory requirements relating to environmental, waste management, health and safety matters. We believe we operate in substantial compliance with all applicable requirements and we seek to ensure that newly acquired businesses comply or will comply substantially with applicable requirements. To date, the costs of compliance and workplace and environmental remediation have not been material to us. However, material costs and liabilities may arise from these requirements or from new, modified or more stringent requirements in the future. In addition, our past, current and future operations, and the operations of businesses we have or may acquire, may give rise to claims of exposure by employees or the public, or to other claims or liabilities relating to environmental, waste management or health and safety concerns.

As of September 30, 2020, we had cash and cash equivalents and restricted cash totaling $334.8 million and $481.3 million available for borrowings under the Revolving Credit Facility, subject to compliance with financial covenants as to interest coverage and debt leverage, in addition to other debt covenant restrictions as described above. During the next 12 months, we believe our capital expenditures will approximate $45 million to $50 million, principally for machinery and equipment to support our ongoing business around the globe, in addition to expenditures for information technology infrastructure items and software.

On October 26, 2018, our Board of Directors approved an expanded stock repurchase program granting us the authority to repurchase up to $100 million in common stock in addition to the $250 million approved on March 6, 2018. On February 19, 2020, the Board of Directors authorized the repurchase of an additional $150 million of the Company’s common stock. During the nine months ended September 30, 2020, the

Company repurchased a total of 0.7 million common shares for an aggregate of $19.3 million at an average price of $26.69 per share. As of September 30, 2020, we had $210.1 million remaining under the share repurchase authorization to purchase additional shares. We are under no commitment or obligation to repurchase any amount of common stock.

Management believes that our existing cash balances and funds generated from operations will be enough to permit us to meet our liquidity requirements over the next 12 months. Management further believes that our ongoing cash flows from operations and any borrowings we may incur under our Revolving Credit Facility will enable us to meet operating cash requirements in future years. If we consummated significant acquisitions in the future, our capital needs would increase and could possibly result in our need to increase available borrowings under our Credit Agreement or access public or private debt and equity markets. There can be no assurance, however, that we would be successful in raising additional debt or equity on acceptable terms.

CONTRACTUAL OBLIGATIONS

We have certain contractual obligations for operating and capital leases that were summarized in a table of Contractual Obligations in our 2019 10-K. There have been no material changes to our contractual obligations, outside of the ordinary course of our business, since December 31, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

As of September 30, 2020, we did not have any significant off-balance sheet arrangements. See Note 16 to the Condensed Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES AND RECENTLY ENACTED ACCOUNTING PRINCIPLES

Management's discussion and analysis is based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. See Note 2 to the Condensed Consolidated Financial Statements in Part 1, Item 1 of this Report for a discussion of recently enacted accounting principles. Also, our significant accounting policies are summarized in Note 1 to the Consolidated Financial Statements included in our 2019 10-K.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

Our international sales comprise a significant portion of our net sales. We are exposed to risks associated with operating internationally, including:

- Foreign currency exchange risk;
- Import and export duties, taxes and regulatory changes;
- Inflationary economies or currencies; and
- Economic and political instability.

Additionally, some of our operations are in developing countries. Certain events, including natural disasters, can impact the infrastructure of a developing country more severely than they would impact the infrastructure of a developed country. A developing country can also take longer to recover from such events, which could lead to delays in our ability to resume full operations.

We transact business in various foreign countries and are subject to foreign currency fluctuation risks. We use natural hedging and forward contracts to economically hedge transactional exposure primarily associated with trade accounts receivable, other receivables and trade accounts payable that are denominated in a currency other than the functional currency of the respective operating entity. We do not use derivative financial instruments for speculative purposes. The forward contract in place as of September 30, 2020 has not been designated as an accounting hedge and, therefore, changes in fair value are recorded within our Condensed Consolidated Statements of Income.

Our sales are substantially denominated in U.S. dollars. Our foreign currency cash flows are generated in certain European and Asian countries and Mexico.

We are also exposed to market risk for changes in interest rates on our financial instruments, a portion of which relates to our invested cash balances. We do not use derivative financial instruments in our investing activities. We place cash and cash equivalents and investments with various major financial institutions. We protect our invested principal funds by limiting default risk, market risk and reinvestment risk. We mitigate default risk by generally investing in investment-grade securities.

We are also exposed to interest rate risk on borrowings under our Credit Agreement. As of September 30, 2020, we had $15.0 million outstanding on the floating rate revolving credit facility. In addition, we had $138.8 million outstanding on the floating rate term loan facility, and we have an interest rate swap agreement with a notional amount of $138.8 million. Under this swap agreement, we receive variable rate interest rate payments and pay fixed rate interest payments. The effect of this swap is to convert a portion our floating rate interest expense to fixed interest rate expense. The interest rate swap is designated as a cash flow hedge. For additional information, see Note 16 to the Condensed Consolidated Financial Statements in Item 1 of this Report.

Item 4 – Controls and Procedures

As of the end of the period covered by this Report, the Company's management (with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO)) conducted an evaluation pursuant to Rule 13a-15 under the Exchange Act, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act). Based on this evaluation, the CEO and CFO concluded that as of the end of the period covered by this Report such disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Additionally, the controls and procedures were designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting (as defined in Rule13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the last fiscal quarter covered by this Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by individuals' acts, by collusion of two or more people, or by management overriding the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various legal actions arising in the ordinary course of business. There have been no material changes to the legal proceedings previously reported under Part I, Item 3 of our 2019 10-K, and, in the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position or results of operations.

Item 1A. Risk Factors

Except as set forth below, there have been no material changes to the risk factors previously disclosed in Part I, Item 1A of our 2019 10-K.

Our business, financial condition and results of operations have been and are expected to continue to be adversely affected by the recent novel coronavirus (COVID-19) pandemic, the extent of which is uncertain and difficult to predict.

In late 2019, there was an outbreak of a new strain of coronavirus (COVID-19) first identified in Wuhan, Hubei Province, China, which has since spread globally. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Further, the COVID-19 outbreak has resulted in government authorities around the world implementing numerous measures to try to reduce the spread of COVID-19, such as travel bans and restrictions, quarantines, “shelter-in-place,” “stay-at-home,” total lock-down orders, business limitations or shutdowns and similar orders. As a result, the COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and workforce participation, and created significant volatility and disruption of financial markets.

Benchmark provides critical infrastructure products and essential services in each of our locations. However, as a result of the COVID-19 pandemic, including the related responses from government authorities, the Company’s operations were impacted worldwide starting in the first quarter of 2020. For example, several of the Company’s facilities worldwide have been affected by government enacted plant shut-downs, stay-at-home or shelter-in-place or similar restrictions, which have resulted in reduced productivity levels throughout our facilities. Additionally, the Company experienced a challenging supply chain environment and labor constraints, as well as increased direct costs and under absorption of fixed costs, due to the COVID-19 pandemic. For additional information see “—COVID-19 Pandemic Update” in Part I, Item 2 of this Report.

Additionally, our business, financial condition and results of operations have been and may be further impacted in several ways, including, but not limited to, the following:

- further disruptions to our operations, including due to additional facility closures, restrictions on our operations and sales, marketing and distribution efforts and/or interruptions to our engineering and design processes and other important business activities;
- reduced demand for our products and services, particularly due to disruptions to the businesses and operations of our customers;
- interruptions, availability or delays in global shipping to transport our products;
- further slowdown or stoppage in the supply chain for our products, in addition to higher costs;
- limitations on employee resources and availability, including due to sickness, government restrictions, the desire of employees to avoid contact with large groups of people or mass transit disruptions;
- greater difficulty in collecting customer receivables;

- a fluctuation in foreign currency exchange rates or interest rates could result from market uncertainties;
- an increase in the cost or the difficulty to obtain debt or equity financing could affect our financial condition or our ability to fund operations or future investment opportunities;
- any breach of financial covenants contained in the Credit Agreement;
- current or near future trends may cause certain inventory to be slow-moving and trigger the need to review for excess and obsolete inventory or the valuation of inventory;
- changes to the carrying value of our goodwill and intangible assets; and
- an increase in regulatory restrictions or continued market volatility could hinder our ability to execute strategic business activities, as well as negatively impact our stock price.

The spread of COVID-19 has caused us to modify our business practices (including employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences), and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers, partners, and suppliers. There is no certainty that such measures will be enough to mitigate the risks posed by the virus, and our ability to perform critical functions could be harmed.

Additionally, COVID-19 could impact our internal controls over financial reporting as a portion of our workforce is required to work from home and therefore new processes, procedures, and controls could be required to respond to changes in our business environment. Further, should any key employees become ill from COVID-19 and unable to work, the attention of the management team could be diverted.

Any of the foregoing could adversely affect our business, financial condition and results of operations. The potential effects of COVID-19 may also impact many of our other risk factors discussed in “Risk Factors” in Part I, Item 1A in our 2019 10-K. The exact extent of the impact of the COVID-19 pandemic on our business, financial condition and results of operations will depend on future developments, which are highly uncertain, continuously evolving and cannot be predicted, including, but not limited to, the duration and spread of the COVID-19 outbreak, its severity, the actions to contain the virus or treat its impact and how quickly and to what extent normal economic and operating conditions can resume.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) The following table provides information for the quarter ended September 30, 2020 about the Company's repurchases of its equity securities registered pursuant to Section 12 of the Exchange Act:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased[1]	(b) Average Price Paid per Share (or Unit)[2]	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs[3]
July 1 to 31, 2020	—	—	—	$210.1 million
August 1 to 31, 2020	—	—	—	$210.1 million
September 1 to 30, 2020	—	—	—	$210.1 million
Total	—	—	—	

(1) All stock repurchases were made on the open market.

(2) Average price paid per share is calculated on a settlement basis and excludes commission.

(3) On October 30, 2018, the Company announced that the Board of Directors authorized the repurchase of $100 million of the Company's common stock in addition to the $250 million previously announced on March 7, 2018. On February 24, 2020, the Company announced that the Board of Directors authorized the repurchase of an additional $150 million of the Company's common stock. Net of shares repurchased to date, the total remaining authorization outstanding as of September 30, 2020 is $210.1 million. Stock purchases may be made in the open market, in privately negotiated transactions or block transactions, at the discretion of the Company's management and as market conditions warrant. Purchases are funded from available cash and may be commenced, suspended or discontinued at any time without prior notice. Shares of stock repurchased under the program are retired.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
3.1	Restated Certificate of Formation dated May 17, 2016 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 17, 2016) (the 8-K) (Commission file number 1-10560)
3.2	Amended and Restated Bylaws of the Company dated May 11, 2016 (incorporated by reference to Exhibit 3.2 to the 8-K)
4.1	Specimen form of certificate evidencing the Common Shares (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014) (Commission file number 1-10560)
31.1 (1)	Section 302 Certification of Chief Executive Officer
31.2 (1)	Section 302 Certification of Chief Financial Officer
32.1 (2)	Section 1350 Certification of Chief Executive Officer
32.2 (2)	Section 1350 Certification of Chief Financial Officer
101.INS (1)	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH (1)	Inline XBRL Taxonomy Extension Schema Document
101.CAL (1)	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF (1)	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB (1)	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE (1)	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104 (1)	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

(1) Filed herewith.

(2) Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on November 5, 2020.

BENCHMARK ELECTRONICS, INC.
(Registrant)

By: /s/ Jeffrey W. Benck
Jeffrey W. Benck
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Roop K. Lakkaraju
Roop K. Lakkaraju
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

Section 302 Certification of Chief Executive Officer

I, Jeffrey W. Benck, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Benchmark Electronics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2020

By: /s/ Jeffrey W. Benck
Jeffrey W. Benck
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

Section 302 Certification of Chief Financial Officer

I, Roop K. Lakkaraju, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Benchmark Electronics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2020	By: /s/ Roop K. Lakkaraju
	Roop K. Lakkaraju Chief Financial Officer (principal financial and accounting officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report of Benchmark Electronics, Inc. (the Company) on Form 10-Q for the period ending September 30, 2020 (the Report), I certify to the best of my knowledge that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2020

By: /s/ Jeffrey W. Benck
Jeffrey W. Benck
President and Chief Executive Officer
(principal executive officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report of Benchmark Electronics, Inc. (the Company) on Form 10-Q for the period ending September 30, 2020 (the Report), I certify to the best of my knowledge that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2020

By: /s/ Roop K. Lakkaraju
Roop K. Lakkaraju
Chief Financial Officer
(principal financial and accounting officer)