

# ▶ Benchmark

## **Benchmark Electronics**

## **Second Quarter 2024 Financial Results**

July 30, 2024

## Forward-Looking 2024 Statements

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts and may include words such as “anticipate,” “believe,” “intend,” “plan,” “project,” “forecast,” “strategy,” “position,” “continue,” “estimate,” “expect,” “may,” “will,” “could,” “predict,” and similar expressions of the negative or other variations thereof. In particular, statements, express or implied, concerning the Company’s outlook and guidance for third quarter and fiscal year 2024 results, future operating results or margins, the ability to generate sales and income or cash flow, expected revenue mix, the Company’s business strategy and strategic initiatives, the Company’s repurchases of shares of its common stock, the Company’s expectations regarding restructuring charges, stock-based compensation expense and amortization of intangibles, and the Company’s intentions concerning the payment of dividends, among others, are forward-looking statements. Although the Company believes these statements are based on and derived from reasonable assumptions, they involve risks, uncertainties and assumptions that are beyond the Company’s ability to control or predict, relating to operations, markets and the business environment generally, including those discussed under Part I, Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, and in any of the Company’s subsequent reports filed with the Securities and Exchange Commission. Events relating to the possibility of customer demand fluctuations, supply chain constraints, continuing inflationary pressures, the effects of foreign currency fluctuations and high interest rates, geopolitical uncertainties including continuing hostilities and tensions, trade restrictions and sanctions, or the ability to utilize the Company’s manufacturing facilities at sufficient levels to cover its fixed operating costs, may have resulting impacts on the Company’s business, financial condition, results of operations, and the Company’s ability (or inability) to execute on its plans. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes, including the future results of the Company’s operations, may vary materially from those indicated. Undue reliance should not be placed on any forward-looking statements. Forward-looking statements are not guarantees of performance. All forward-looking statements included in this document are based upon information available to the Company as of the date of this document, and the Company assumes no obligation to update.

## Non-GAAP Financial Information

Management discloses certain non-GAAP information to provide investors with additional information to analyze the Company’s performance and underlying trends. These non-GAAP financial measures exclude restructuring charges, stock-based compensation expense, amortization of intangible assets acquired in business combinations, certain legal and other settlement losses (gains), customer insolvency losses (recoveries), asset impairments, other significant non-recurring costs and the related tax impacts of all of the above. A detailed reconciliation between GAAP results and results excluding certain items (“non-GAAP”) is included in the following tables attached to this document. In situations where a non-GAAP reconciliation has not been provided, the Company was unable to provide such a reconciliation without unreasonable effort due to the uncertainty and inherent difficulty predicting the occurrence, the financial impact and the periods in which the non-GAAP adjustments may be recognized. Management uses non-GAAP measures that exclude certain items in order to better assess operating performance and help investors compare results with our previous guidance. This document also references “free cash flow”, a non-GAAP measure, which the Company defines as cash flow from operations less additions to property, plant and equipment and purchased software. The Company’s non-GAAP information is not necessarily comparable to the non-GAAP information used by other companies. Non-GAAP information should not be viewed as a substitute for, or superior to, net income or other data prepared in accordance with GAAP as a measure of the Company’s profitability or liquidity. Readers should consider the types of events and transactions for which adjustments have been made.

# Second Quarter 2024 Results

- Revenue of \$666M was above guidance; roughly flat sequentially and down 9% year-over-year
  - Year-over-year strength in Semi-Cap and A&D
  - Offset by anticipated softness in Medical, AC&C and Industrials
- GAAP EPS of \$0.43 and non-GAAP\* EPS of \$0.57, above the high end of guidance
- GAAP and non-GAAP gross margin of 10.2%, each up 100 bps or more year-over-year
- GAAP operating margin of 4.1% with non-GAAP of 5.1%
- Generated positive Free Cash Flow of \$47 million, totaling greater than \$230M over the last 4 quarters

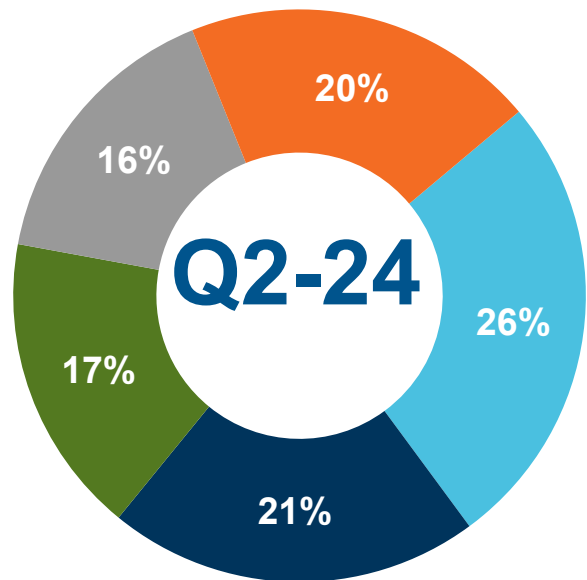
\* See APPENDIX 1 for a reconciliation of GAAP to non-GAAP Financial Results

# Arvind Kamal

Interim Chief Financial Officer



# Second Quarter 2024 Revenue by Market Sector



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

(Dollars in Millions)

Sector	Jun 30, 2024		Mar 31, 2024			Jun 30, 2023		
	Mix %	Revenue	Mix %	Revenue	Q/Q	Mix %	Revenue	Y/Y
Semi-Cap	26%	\$172	25%	\$166	4%	22%	\$164	5%
Complex Industrials	21%	\$142	21%	\$141	-%	23%	\$167	(15%)
Medical	17%	\$111	17%	\$115	(3%)	20%	\$145	(23%)
A&D	16%	\$109	16%	\$106	3%	11%	\$80	36%
AC&C	20%	\$132	21%	\$148	(11%)	24%	\$177	(26%)
<b>Total Revenue</b>	<b>100%</b>	<b>\$666</b>	<b>100%</b>	<b>\$676</b>	<b>(1%)</b>	<b>100%</b>	<b>\$733</b>	<b>(9%)</b>

# Second Quarter 2024 Financial Summary

(Dollars in Millions, except EPS)	Jun 30, 2024	Mar 31, 2024	Q/Q	Jun 30, 2023	Y/Y
Net Sales	\$666	\$676	(1%)	\$733	(9%)
GAAP Gross Margin	10.2%	10.0%	20 bps	9.1%	110 bps
GAAP SG&A	\$38.0	\$37.3	2%	\$37.7	1%
GAAP Operating Margin	4.1%	3.8%	30 bps	3.3%	80 bps
GAAP Diluted EPS	\$0.43	\$0.38	13%	\$0.39	10%
GAAP ROIC	7.7%	8.6%	(90) bps	7.1%	60 bps
Non-GAAP Gross Margin	10.2%	10.0%	20 bps	9.2%	100 bps
Non-GAAP SG&A	\$33.8	\$34.7	(3%)	\$34.2	(1%)
Non-GAAP Operating Margin	5.1%	4.9%	20 bps	4.5%	60 bps
Non-GAAP Diluted EPS	\$0.57	\$0.55	4%	\$0.56	1%
Non-GAAP ROIC	9.9%	9.6%	30 bps	9.5%	40 bps

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

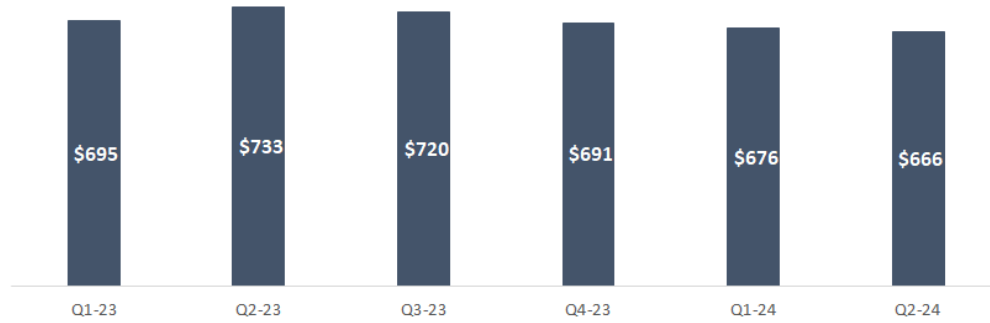
GAAP ROIC = (GAAP TTM income from operations – GAAP Tax Impact) / (Average Invested Capital for last 5 quarters)  
 Non-GAAP ROIC = (non-GAAP TTM income from operations + Stock-based compensation – non-GAAP Tax Impact) ÷ [Average Invested Capital for last 5 quarters]



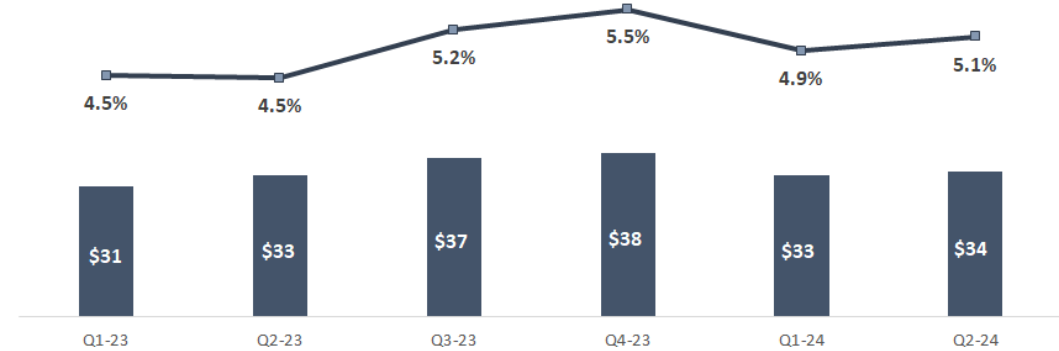
# Trended Non-GAAP\* Results

(Dollars in Millions, except EPS)

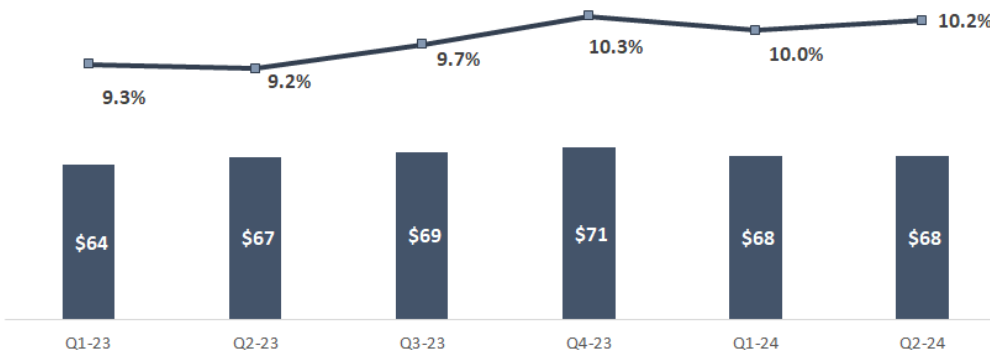
### Sales



### Operating Income and Margin



### Gross Profit and Margin



### Net Income and Diluted EPS



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

# Cash Conversion Cycle Update

	Q2-24	Q1-24	Q4-23	Q3-23	Q2-23
Accounts Receivable Days	51	56	59	60	59
Contract Asset Days	25	24	23	24	23
Inventory Days	90	94	99	100	102
Accounts Payable Days	(52)	(52)	(53)	(53)	(56)
Advance Payments from Customers Days	(24)	(28)	(30)	(26)	(25)
<b>Cash Conversion Cycle Days</b>	<b>90</b>	<b>94</b>	<b>98</b>	<b>105</b>	<b>103</b>



# Liquidity Update

(In Millions)	For the Three Months Ended		
	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023
<b>Cash Flows from Operations</b>	\$56	\$48	\$25
<b>FCF (1)</b>	\$47	\$43	\$16
<b>Cash</b>	\$310	\$296	\$245
International	\$291	\$271	\$236
US	\$19	\$25	\$9

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

Debt Structure (In Millions)	Jun 30, 2024
Senior Secured Term Loan	\$126
Revolving Credit Facility Drawn Amount	\$165

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

- Achieved positive net cash in the quarter as we continue to pay down the revolver
- Continued inventory reductions supporting free cash flow
- Strong balance sheet and leverage ratio

# Capital Allocation Update

## Dividends

- Quarterly dividend of \$0.165 per share totaling \$5.9 million paid in April 2024
- Recurring quarterly dividend of \$0.165 per share paid to shareholders as of June 28, 2024 on July 12, 2024
- Board authorized dividend increase to \$0.17 per share, effective immediately

## Share Repurchases

- No share repurchases in Q2 2024
- Share repurchase program remaining authorization of \$155 million as of June 30, 2024

# Third Quarter 2024 Guidance

	Q3 2024
Net Sales	\$630 - \$670 million
Gross Margin – non-GAAP	~10%
Operating Margin – non-GAAP	4.8% – 5.0%
Other Expenses, Net	~\$6 million
Restructuring Charges	\$1.0 million
Amortization of Intangibles	\$1.2 million
Stock-Based Compensation Expense	\$4.5 million
Effective Tax Rate	22% – 24%
Diluted EPS – GAAP	\$0.36 – \$0.42
Diluted EPS – non-GAAP	\$0.52 – \$0.58
Diluted Weighted-Average Shares	36.5 million











This guidance takes into consideration all known constraints for the quarter and assumes no further significant interruptions to our supply base, operations or customers.



# Business Trends

Jeff Benck - CEO

# Sector Outlook

	Q3-24 Q/Q	FY2024 Y/Y	Sector Commentary
<b>Semi-Cap</b>			<ul style="list-style-type: none"> <li>• Expect high single to low double-digit growth in 2024</li> <li>• Memory market strength expected to be joined by logic in 2025</li> <li>• Grand Opening of new Penang site in September</li> </ul>
<b>Complex Industrials</b>			<ul style="list-style-type: none"> <li>• Demand reduction coupled with inventory rebalancing weighing on growth; expect gradual improvement in 2H:24</li> <li>• Strong pipeline of new deals as we invest given the market opportunity</li> </ul>
<b>Medical</b>			<ul style="list-style-type: none"> <li>• Seeing continued softness, specifically within medical devices as customers drive down inventories</li> <li>• Continuing to see steady progress within bio-tech</li> </ul>
<b>A&amp;D</b>			<ul style="list-style-type: none"> <li>• Defense sector strength expected throughout the year</li> <li>• Significant expansion business with existing customer in aerospace</li> <li>• Added new business in the Space subsector</li> </ul>
<b>AC&amp;C</b>			<ul style="list-style-type: none"> <li>• HPC business down as several large projects are complete</li> <li>• AC&amp;C sector demand expected to remain challenged throughout 2024</li> <li>• Working on new product introductions (NPI) for several next-gen systems</li> <li>• New significant win in wireless infrastructure ramping in 2025</li> </ul>

# Summary

## Progress Toward 2025 Objectives

1. Manage volatility while continuing to progress to our target model profitability
  - Delivered year-on-year expansion of non-GAAP Gross and Operating Margins in each quarter since we introduced our 2025 target model in Q4 2022
2. Continue to work down inventory, driving positive Free Cash Flow
  - Reduced inventory by \$38M sequentially and \$157M year-over-year to \$600M
  - Positively revised 2024 Free Cash Flow expectations to greater than \$120M
3. Return capital to investors
  - Increased our dividend by 3% to \$0.17 per share



# Appendix



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

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

	Three Months Ended						Six Months Ended	
	June 30,	March 31,	December 31,	September 30,	June 30,	March 31,	June 30,	June 30,
	2024	2024	2023	2023	2023	2023	2024	2023
Income from operations (GAAP)	\$ 27,253	\$ 25,529	\$ 32,100	\$ 30,341	\$ 24,481	\$ 22,742	\$ 52,782	\$ 47,223
Restructuring charges and other costs	1,471	3,343	2,054	1,437	2,364	1,426	4,814	3,790
Stock-based compensation expense	4,185	2,176	2,955	3,674	3,867	4,790	6,361	8,657
Amortization of intangible assets	1,204	1,204	1,204	1,592	1,591	1,592	2,408	3,183
Asset impairment	—	—	—	198	923	—	—	923
Legal and other settlement loss (gain)	317	855	—	—	—	—	1,172	—
Customer insolvency (recovery)	(316)	—	—	—	—	—	(316)	—
Non-GAAP income from operations	\$ 34,114	\$ 33,107	\$ 38,313	\$ 37,242	\$ 33,226	\$ 30,550	\$ 67,221	\$ 63,776
GAAP operating margin	4.1%	3.8%	4.6%	4.2%	3.3%	3.3%	3.9%	3.3%
Non-GAAP operating margin	5.1%	4.9%	5.5%	5.2%	4.5%	4.4%	5.0%	4.5%
Gross profit (GAAP)	\$ 67,950	\$ 67,408	\$ 71,004	\$ 69,077	\$ 67,031	\$ 63,958	\$ 135,358	\$ 130,989
Stock-based compensation expense	326	426	416	420	423	396	752	819
Customer insolvency (recovery)	(316)	—	—	—	—	—	(316)	—
Non-GAAP gross profit	\$ 67,960	\$ 67,834	\$ 71,420	\$ 69,497	\$ 67,454	\$ 64,354	\$ 135,794	\$ 131,808
GAAP gross margin	10.2%	10.0%	10.3%	9.6%	9.1%	9.2%	10.1%	9.2%
Non-GAAP gross margin	10.2%	10.0%	10.3%	9.7%	9.2%	9.3%	10.1%	9.2%
Selling, general and administrative expenses	\$ 38,022	\$ 37,332	\$ 35,646	\$ 35,509	\$ 37,672	\$ 38,198	\$ 75,354	\$ 75,870
Stock-based compensation expense	(3,858)	(1,750)	(2,539)	(3,254)	(3,444)	(4,394)	(5,608)	(7,838)
Legal and other settlement (loss) gain	(317)	(855)	—	—	—	—	(1,172)	—
Non-GAAP selling, general and administrative expenses	\$ 33,847	\$ 34,727	\$ 33,107	\$ 32,255	\$ 34,228	\$ 33,804	\$ 68,574	\$ 68,032
Net income (GAAP)	\$ 15,528	\$ 14,002	\$ 17,552	\$ 20,412	\$ 13,991	\$ 12,360	\$ 29,530	\$ 26,351
Restructuring charges and other costs	1,471	3,343	2,899	1,437	2,364	1,426	4,814	3,790
Stock-based compensation expense	4,185	2,176	2,955	3,674	3,867	4,790	6,361	8,657
Amortization of intangible assets	1,204	1,204	1,204	1,592	1,591	1,592	2,408	3,183
Asset impairment	—	—	—	198	923	—	—	923
Legal and other settlement loss (gain)	317	855	(37)	(3,375)	(1,155)	—	1,172	(1,155)
Customer insolvency (recovery)	(316)	—	—	—	—	—	(316)	—
Income tax adjustments <sup>(1)</sup>	(1,437)	(1,393)	(1,280)	(529)	(1,484)	(1,523)	(2,830)	(3,007)
Non-GAAP net income	\$ 20,952	\$ 20,187	\$ 23,293	\$ 23,409	\$ 20,097	\$ 18,645	\$ 41,139	\$ 38,742
Diluted earnings per share:								
Diluted (GAAP)	\$ 0.43	\$ 0.38	\$ 0.49	\$ 0.57	\$ 0.39	\$ 0.35	\$ 0.81	\$ 0.74
Diluted (Non-GAAP)	\$ 0.57	\$ 0.55	\$ 0.65	\$ 0.65	\$ 0.56	\$ 0.51	\$ 1.13	\$ 1.08
Weighted-average number of shares used in calculating diluted earnings per share:								
Diluted (GAAP)	36,497	36,401	35,956	35,876	35,676	35,592	36,388	35,730
Diluted (Non-GAAP)	36,497	36,401	35,956	35,876	35,676	35,592	36,388	35,730
Net cash provided by (used in) operations	\$ 55,816	\$ 48,457	\$ 137,079	\$ 37,583	\$ 24,538	\$ (24,906)	\$ 104,274	\$ (368)
Additions to property, plant and equipment and software	(8,504)	(5,903)	(11,026)	(19,664)	(8,318)	(38,731)	(14,407)	(47,049)
Free cash flow (used)	\$ 47,312	\$ 42,554	\$ 126,053	\$ 17,919	\$ 16,220	\$ (63,637)	\$ 89,867	\$ (47,417)

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