



News Release

# BENCHMARK REPORTS THIRD QUARTER 2020 RESULTS

10/28/2020

TEMPE, Ariz., Oct. 28, 2020 /PRNewswire/ -- Benchmark Electronics, Inc. (NYSE: BHE) today announced financial results for the third quarter ended September 30, 2020.

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	Three Months Ended		
	Sep 30, 2020	Jun 30, 2020	Sep 30, 2019
<u>In millions, except EPS</u>			
Sales	\$526	\$491	\$555
Net income (loss) <sup>(2)</sup>	\$6	\$(3)	\$7
Net income – non-GAAP <sup>(1)(2)</sup>	\$12	\$3	\$14
Diluted earnings (loss) per share <sup>(2)</sup>	\$0.16	\$(0.09)	\$0.19
Diluted EPS – non-GAAP <sup>(1)(2)</sup>	\$0.32	\$0.07	\$0.36
Operating margin <sup>(2)</sup>	1.6%	(0.4)%	1.8%
Operating margin – non-GAAP <sup>(1)(2)</sup>	3.0%	1.2%	3.2%

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<sup>(1)</sup> A reconciliation of GAAP and non-GAAP results is included below.

<sup>(2)</sup> Results for the third quarter ended September 30, 2020 and second quarter ended June 30, 2020 include the impact of approximately \$1.3 million and \$3.4 million of COVID-19 related costs, respectively.

"We delivered sequential revenue and earnings growth in the third quarter as our business started to recover from second quarter disruptions, enabling earnings to come in above our guidance for the quarter," said CEO and President Jeff Benck. "The results were driven by a 45% year-over-year improvement in Semi-cap and an 18% sequential improvement in the Aerospace and Defense sector, where demand for defense related products remains strong. In addition, third quarter non-GAAP gross and operating margins improved significantly from the second quarter, reaching 8.7% and 3.0% respectively, as our global network returned to normal operating capacity."

"Entering the fourth quarter, we expect stronger demand and new programs in Defense, Industrials, and Telecommunications to offset declines in Medical as we are completing some of the incremental upside builds for COVID-19 related therapeutic equipment. We continue to make progress on improving gross margins as we expect to achieve our 9% target in the fourth quarter, which will enable us to also improve earnings sequentially."

#### Cash Conversion Cycle

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	Sep 30,	Jun 30,	Sep 30,
	2020	2020	2019
Accounts receivable days	52	55	56
Contract asset days	28	28	26
Inventory days	66	72	56
Accounts payable days	(54)	(61)	(52)
Customer deposits	(11)	(10)	(7)
Cash Conversion Cycle days	81	84	79

#### Third Quarter 2020 Industry Sector Update

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

	Sep 30,			Jun 30,			Sep 30,		
	2020			2020			2019		
<u>Higher-Value Markets</u>									
Medical	\$ 134	26	%	\$ 135	27	%	\$ 128	23	%
Semi-Cap	99	19		87	18		68	12	
A&D	105	20		88	18		115	21	
Industrials	86	16		87	18		115	21	
	\$ 424	81	%	\$ 397	81	%	\$ 426	77	%
	Sep 30,			Jun 30,			Sep 30,		
	2020			2020			2019		
<u>Traditional Markets</u>									
Computing	\$ 44	8	%	\$ 44	9	%	\$ 59	11	%
Telecommunications	58	11		50	10		70	12	
	\$ 102	19	%	\$ 94	19	%	\$ 129	23	%
Total	\$ 526	100	%	\$ 491	100	%	\$ 555	100	%

Overall, higher-value market revenues during the third quarter were up 7% quarter-over-quarter and down 1% year-over-year. Traditional market revenues were up 9% quarter-over-quarter due to stronger demand for high performance computing and telecommunications products and down 21% year-over-year primarily from the Company's exit of a legacy Computing contract in 2019, which it decided not to renew.

#### Fourth Quarter 2020 Outlook

- Revenue between \$500 - \$540 million
- Diluted GAAP earnings per share between \$0.20 - \$0.24
- Diluted non-GAAP earnings per share between \$0.32 - \$0.36 (excluding restructuring charges and other costs and amortization of intangibles)
- Our guidance includes known constraints due to COVID-19 and assumes no further significant interruptions occur to our supply base, operations, or customers. Guidance also assumes no material changes to market conditions due to COVID-19.

Restructuring charges are expected to range between \$2.8 million to \$3.2 million in the fourth quarter and the amortization of intangibles is expected to be \$2.4 million in the fourth quarter.

### Third Quarter 2020 Earnings Conference Call

The Company will host a conference call to discuss the results today at 5:00 p.m. Eastern Time. The live webcast of the call and accompanying reference materials will be accessible by logging on to the Company's website at [www.bench.com](http://www.bench.com). A replay of the broadcast will also be available until Wednesday, November 4, 2020 on the Company's website.

### About Benchmark Electronics, Inc.

Benchmark provides comprehensive solutions across the entire product life cycle by leading through its innovative technology and engineering design services, leveraging its optimized global supply chain and delivering world-class manufacturing services in the following industries: commercial aerospace, defense, advanced computing, next generation telecommunications, complex industrials, medical, and semiconductor capital equipment. Benchmark's global operations include facilities in seven countries and its common shares trade on the New York Stock Exchange under the symbol BHE.

### Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words "expect," "estimate," "anticipate," "could", "predict" and similar expressions, and the negatives thereof, often identify forward-looking statements, which are not limited to historical facts. Forward-looking statements include, among other things, the estimated financial impact of the COVID-19 pandemic, our outlook and guidance for fourth quarter 2020 results, the company's anticipated plans and responses to the COVID-19 pandemic, statements (express or implied) concerning future operating results or margins, the ability to generate sales and income or cash flow, and expected revenue mix, and Benchmark's business and growth strategies. Although the company believes these statements are based on and derived from reasonable assumptions, they involve risks and uncertainties relating to operations, markets and the business environment generally. These statements also depend on the duration and severity of the COVID-19 pandemic and related risks, including government and other third-party responses to the crisis and the consequences for the global economy, our business and the businesses of our suppliers and customers. Events relating to or resulting from the COVID-19 pandemic, including the possibility of customer demand fluctuations, supply chain constraints, or the ability to utilize our manufacturing facilities at sufficient levels to cover our fixed operating costs, may have resulting impacts on the company's business, financial condition, results of operations, and the company's ability (or inability) to execute on its plans to respond to the COVID-19 pandemic. If one or more of these risks or uncertainties materializes, or underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. Readers are advised to consult further disclosures on these risks and uncertainties, particularly in Part 1, Item 1A, "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2019 and in its subsequent filings with the Securities and Exchange Commission. All forward-looking statements included in this document are based upon information available to the company as of the date

of this document, and it assumes no obligation to update them.

### Non-GAAP Financial Measures

Management discloses non-GAAP information to provide investors with additional information to analyze the Company's performance and underlying trends. A detailed reconciliation between GAAP results and results excluding special items ("non-GAAP") is included in the following tables attached to this document. In situations where a non-GAAP reconciliation has not been provided, the Company was unable to provide such a reconciliation without unreasonable effort due to the uncertainty and inherent difficulty predicting the occurrence, the financial impact and the periods in which the non-GAAP adjustments may be recognized. Management uses non-GAAP measures that exclude certain items in order to better assess operating performance and help investors compare results with our previous guidance. This document also references "free cash flow", which the Company defines as cash flow from operations less additions to property, plant and equipment and purchased software. The Company's non-GAAP information is not necessarily comparable to the non-GAAP information used by other companies. Non-GAAP information should not be viewed as a substitute for, or superior to, net income or other data prepared in accordance with GAAP as a measure of the Company's profitability or liquidity. Readers should consider the types of events and transactions for which adjustments have been made.

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### Benchmark Electronics, Inc. and Subsidiaries

#### Condensed Consolidated Statements of Income

(Amounts in Thousands, Except Per Share Data)

(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	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), net	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 used in calculating earnings per share:				
Basic	36,467	37,419	36,565	38,813
Diluted	36,544	37,645	36,821	39,184

For comparative purposes, certain prior year amounts have been reclassified to conform to the current year presentation.

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Benchmark Electronics, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(UNAUDITED)

(in thousands)

September 30,

December 31,

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 334,810	\$ 363,956
Accounts receivable, net	306,242	324,424
Contract assets	161,396	161,061
Inventories	352,851	314,956
Other current assets	29,928	30,685
Total current assets	1,185,227	1,195,082
Property, plant and equipment, net	190,610	205,819
Operating lease right-of-use assets	82,849	76,859
Goodwill and other, net	275,821	282,114
Total assets	\$ 1,734,507	\$ 1,759,874
Liabilities and Shareholders' Equity		
Current liabilities:		
Current installments of long-term debt and finance lease obligations	\$ 8,956	\$ 8,825
Accounts payable	282,591	302,994
Accrued liabilities	157,938	147,426
Total current liabilities	449,485	459,245
Long-term debt and finance lease obligations, less current installments	147,522	138,912
Operating lease liabilities	74,407	67,898
Other long-term liabilities	72,766	78,987
Shareholders' equity	990,327	1,014,832
Total liabilities and shareholders' equity	\$ 1,734,507	\$ 1,759,874

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Benchmark Electronics, Inc. and Subsidiaries

Condensed Consolidated Statement of Cash Flows

(in thousands)

(UNAUDITED)

	Nine Months Ended	
	September 30,	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 6,360	\$ 30,356
Depreciation and amortization	36,939	36,389
Stock-based compensation expense	9,464	8,461
Accounts receivable, net	16,410	121,171
Contract assets	(335)	(20,986)
Inventories	(37,131)	(6,557)
Accounts payable	(18,260)	(122,156)
Other changes in working capital and other, net	12,168	10,636
Net cash provided by operations	25,615	57,314
Cash flows from investing activities:		
Additions to property, plant and equipment and software	(29,102)	(25,942)
Other investing activities, net	2,586	252
Net cash used in investing activities	(26,516)	(25,690)
Cash flows from financing activities:		
Share repurchases	(19,329)	(118,350)
Net debt activity	8,395	(4,614)
Other financing activities, net	(18,747)	(17,699)

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	(29,146)	(110,060)
Cash and cash equivalents at beginning of year	363,956	458,102
Cash and cash equivalents at end of period	\$ 334,810	\$ 348,042

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Benchmark Electronics, Inc. and Subsidiaries

Reconciliation of GAAP to Non-GAAP Financial Results

(Amounts in Thousands, Except Per Share Data)

(UNAUDITED)

	Three Months Ended			Nine Months Ended	
	Sep 30,	Jun 30,	Sep 30,	Sep 30,	
	2020	2020	2019	2020	2019
Income (loss) from operations (GAAP)	\$ 8,659	\$(1,872)	\$9,798	\$13,277	\$37,826
Restructuring charges and other costs	1,425	5,574	5,843	8,737	10,833
Ransomware incident related costs (recovery), net	(1,558)	83	—	(1,305)	—
Settlement	—	—	—	—	773
Impairment	5,736	—	—	6,743	—
Customer insolvency (recovery)	(796)	(353)	—	(1,149)	(2,758)
Amortization of intangible assets	2,368	2,371	2,367	7,120	7,095
Non-GAAP income from operations	\$ 15,834	\$5,803	\$18,008	\$33,423	\$53,769
Gross Profit (GAAP)	\$ 46,354	\$34,672	\$48,955	\$124,387	\$148,215

Settlement	—	—	—	—	773
Customer insolvency (recovery)	(796)	(353)	—	(1,149)	(1,040)
Non-GAAP gross profit	\$ 45,558	\$34,319	\$48,955	\$123,238	\$ 147,948
Net income (loss) (GAAP)	\$ 5,915	\$(3,407)	\$7,136	\$6,360	\$ 30,356
Restructuring charges and other costs	1,425	5,574	6,168	8,737	11,158
Ransomware incident related costs (recovery), net	(1,558)	83	—	(1,305)	—
Customer insolvency (recovery)	(796)	(353)	—	(1,149)	(2,758)
Amortization of intangible assets	2,368	2,371	2,367	7,120	7,095
Settlements	—	—	(83)	—	(2,248)
Impairment	5,736	—	—	6,743	—
Income tax adjustments <sup>(1)</sup>	(1,458)	(1,584)	(1,879)	(4,123)	(2,711)
Non-GAAP net income	\$ 11,632	\$2,684	\$13,709	\$22,383	\$ 40,892
Diluted earnings (loss) per share:					
Diluted (GAAP)	\$ 0.16	\$(0.09)	\$0.19	\$0.17	\$0.77
Diluted (Non-GAAP)	\$ 0.32	\$0.07	\$0.36	\$0.61	\$1.04
Weighted-average number of shares used in calculating diluted earnings (loss) per share:					
Diluted (GAAP)	36,544	36,439	37,645	36,821	39,184
Diluted (Non-GAAP)	36,544	36,689	37,645	36,821	39,184

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

SOURCE Benchmark Electronics, Inc.

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