

Benchmark Electronics, Inc.

Q2 2018 Earnings

July 24, 2018

Forward-Looking Statements

This document 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,” “predict” and similar expressions, and the negatives thereof, often identify forward-looking statements, which are not limited to historical facts. Forward-looking statements include, among other things: guidance for 2018 results; projected annual revenues resulting from new program bookings; statements, express or implied, concerning future operating results or margins, the ability to generate sales and income or cash flow; and Benchmark’s business and growth strategies and expected growth and performance. Although Benchmark believes these statements are based upon reasonable assumptions, they involve risks and uncertainties relating to operations, markets and the business environment generally. If one or more of these risks or uncertainties materializes, or underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. Readers are advised to consult further disclosures on these risks and uncertainties, particularly in Item 1A, “Risk Factors”, of the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 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 Information

This document includes certain financial measures that exclude items and therefore are not in accordance with U.S. generally accepted accounting principles (“GAAP”). A detailed reconciliation between GAAP results and results excluding special items (“non-GAAP”) is included in the Appendix of this document. Management discloses non-GAAP information to provide investors with additional information to analyze the Company’s performance and underlying trends. Management uses non-GAAP measures that exclude certain items in order to better assess operating performance and help investors compare results with our previous guidance. This document also references “free cash flow”, which the Company defines as cash flow from operations less additions to property, plant and equipment and purchased software. The Company’s non-GAAP information is not necessarily comparable to the non-GAAP information used by other companies. Non-GAAP information should not be viewed as a substitute for, or superior to, net income or other data prepared in accordance with GAAP as a measure of the Company’s profitability or liquidity. Readers should consider the types of events and transactions for which adjustments have been made.

Implementation of ASC 606 – Revenue from Contracts with Customers

Effective January 1, 2018, the Company implemented ASC 606 the accounting standard governing “Revenue from Contracts with Customers” using the full retrospective transition method. Under ASC 606, revenue is recognized as or when the customer obtains control of the goods or services promised in a contract. Given the nature of the terms and conditions in substantially all of the Company’s customer contracts, the Company now recognizes revenue over time (beginning at work-in-process (“WIP”)) for the majority of its contracts. All historical financial information represented in this presentation has been adjusted to reflect the retrospective implementation of ASC 606.

As part of ASC 606, we are also required to reclassify finished goods and WIP meeting “the over time criteria” from inventory to a new line item called contract assets on the face of the balance sheet. Contract assets are defined as the Company’s right to consideration for work completed but not billed.

CEO Update

Second Quarter 2018 Summary

Operational performance

- ▶ Revenue exceeded the high end of Q2 guidance
- ▶ Year-over-year revenue growth of 7%
- ▶ Non-GAAP gross margins declined for the quarter to 8.2%
- ▶ Delivered \$0.30 non-GAAP EPS for the quarter

Working capital

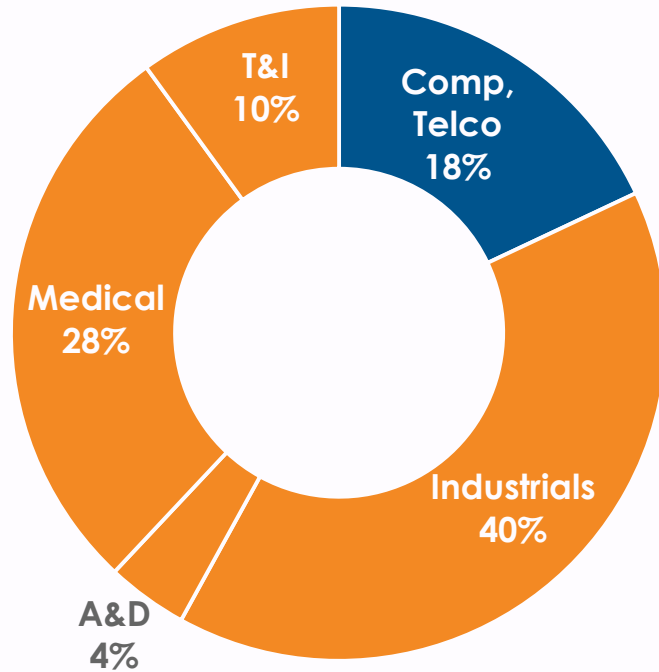
- ▶ Cash conversion cycle of 69 days ending Q2
- ▶ At the low end of the target range of 73 to 68 days

Cash flow and improving ROIC

- ▶ Operating cash flow of (\$41) million in the quarter
- ▶ ROIC of 10.5%, up 90 bps year-over-year; down 70 bps sequentially

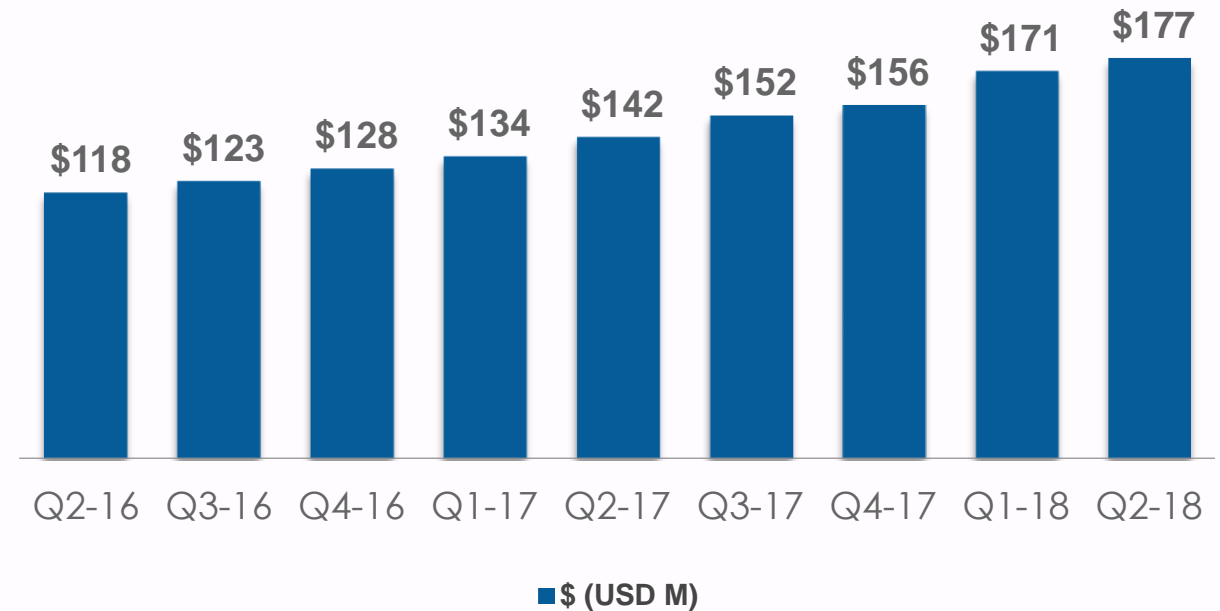
New Business Wins with Focus on Market Sector Sales

Q2 2018 New Business Wins by Segment



■ Traditional Markets ■ Higher-Value Markets

Estimated Annual Revenue from New Business Wins



Q2 New Business Wins Highlights:

- ▶ 25 manufacturing and 25 engineering project awards
- ▶ Estimated annual revenue run rate between \$148 – 205 million
- ▶ Estimated time to ramp between 12 to 24 months; medical up to 36 months

2018 Investment Updates

Extend value proposition for customers

- ▶ High-speed circuits capacity in Tempe by Q4
- ▶ Microelectronics capacity expansion (US and Asia) complete in Q3
- ▶ RF component expansion

Expand engineering and technology investments

- ▶ Defense solutions: ruggedization and miniaturization for upgrade programs
- ▶ RF modules – two initial design wins
- ▶ IoT front-end architecture

Elevate operational execution

- ▶ Lean and Six Sigma
- ▶ Standard processes, equipment, and tools
- ▶ Supply chain management in a constrained market

Q3 Guidance

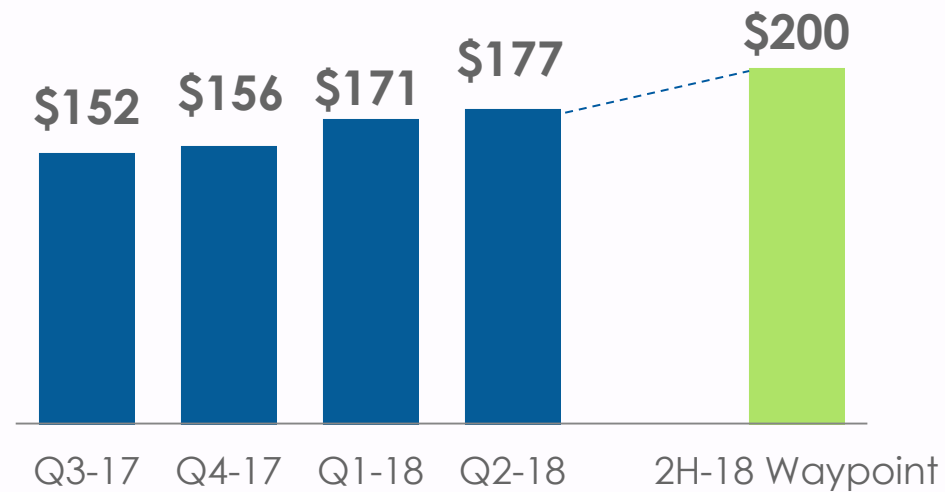
- ▶ Demand softness and mix shifts primarily in semi-cap, which impact our Precision Technology division
- ▶ Continued planned investments in engineering and solutions
- ▶ Improving operational performance and medical transition execution

	Guidance
Net Sales (in millions)	\$610– \$650
Diluted EPS – non-GAAP*	\$0.28 – \$0.36

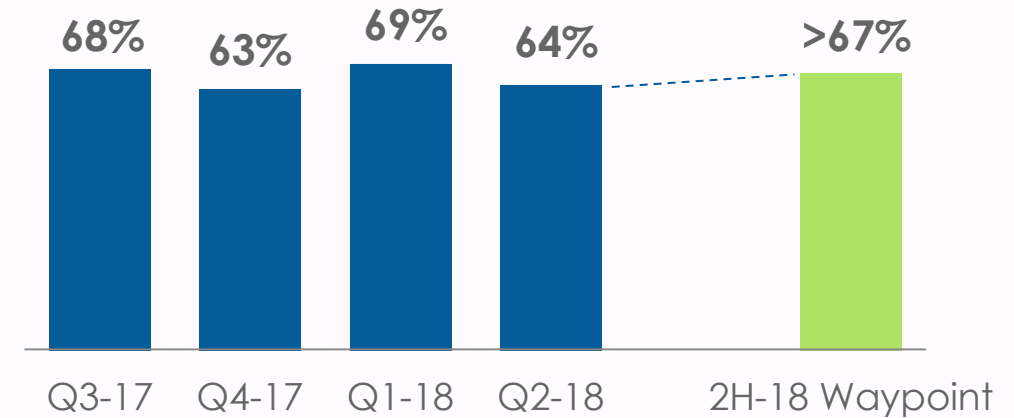
* The above guidance excludes the impact of amortization of intangible assets, estimated restructuring charges and other costs, in addition to the write-off of existing deferred financing charges due to the debt refinancing

Progress Milestones 2H-18

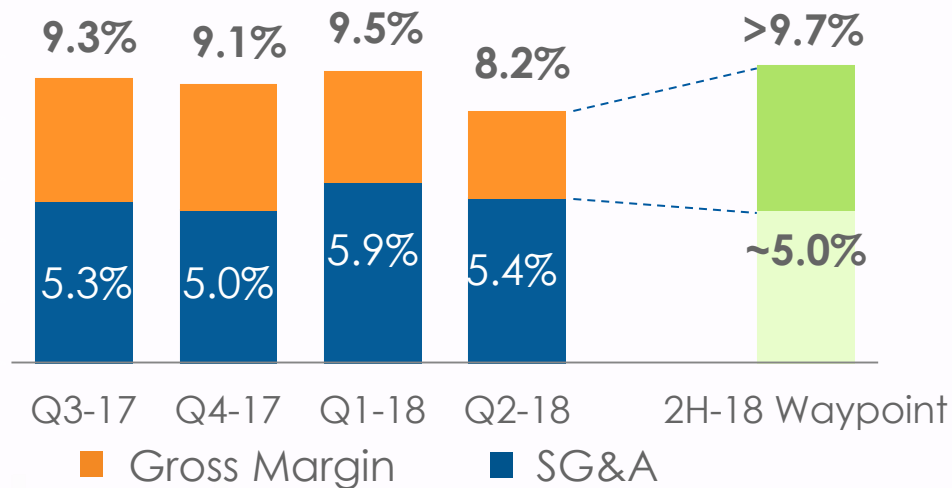
Bookings (\$M)



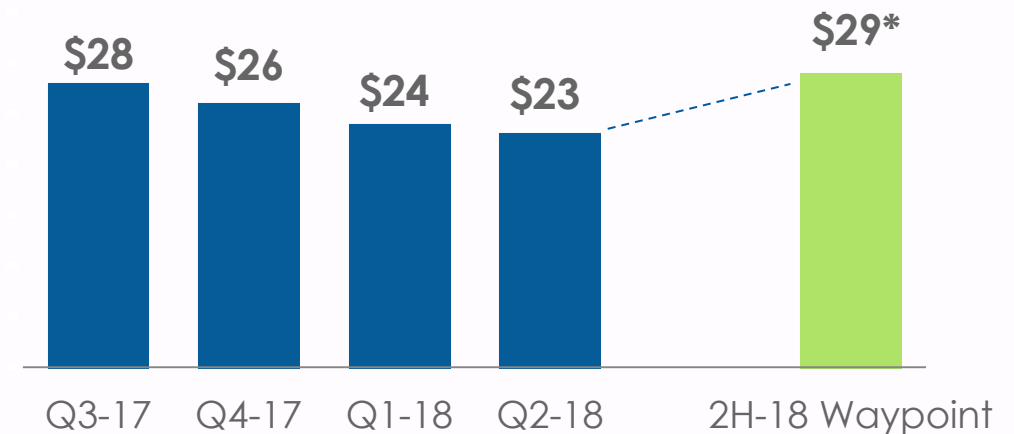
Higher-Value Market Revenue Mix



Gross Margin & SG&A (%)



LTM Profit per Square Foot (\$)



*Waypoint represents LTM target based on non-GAAP Operating Income

Q2 2018

Financial Highlights

Second Quarter 2018 Financial Summary

For the Three Months Ended

(In millions, except EPS)

	Jun. 30, 2018	Mar. 31, 2018	Q/Q	Jun. 30, 2017	Y/Y
Net Sales	\$661	\$608	9%	\$620	7%
GAAP Operating Margin	2.2%	3.0%	(80 bps)	3.7%	(150 bps)
GAAP Diluted EPS	\$0.23	(\$0.49)	147%	\$0.36	(36%)
Non-GAAP Operating Margin	2.7%	3.7%	(100 bps)	4.3%	(160 bps)
Non-GAAP Diluted EPS	\$0.30	\$0.41	(26%)	\$0.40	(25%)
GAAP ROIC	8.2%	9.1%	(90 bps)	8.2%	--
Non-GAAP ROIC	10.5%	11.2%	(70 bps)	9.6%	90 bps

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

Our Guidance for the Second Quarter:

- ▶ Revenue (in millions) \$590 – \$630
- ▶ Diluted EPS – non-GAAP \$0.26 – \$0.34

Revenue by Market Sector

For the Three Months Ended

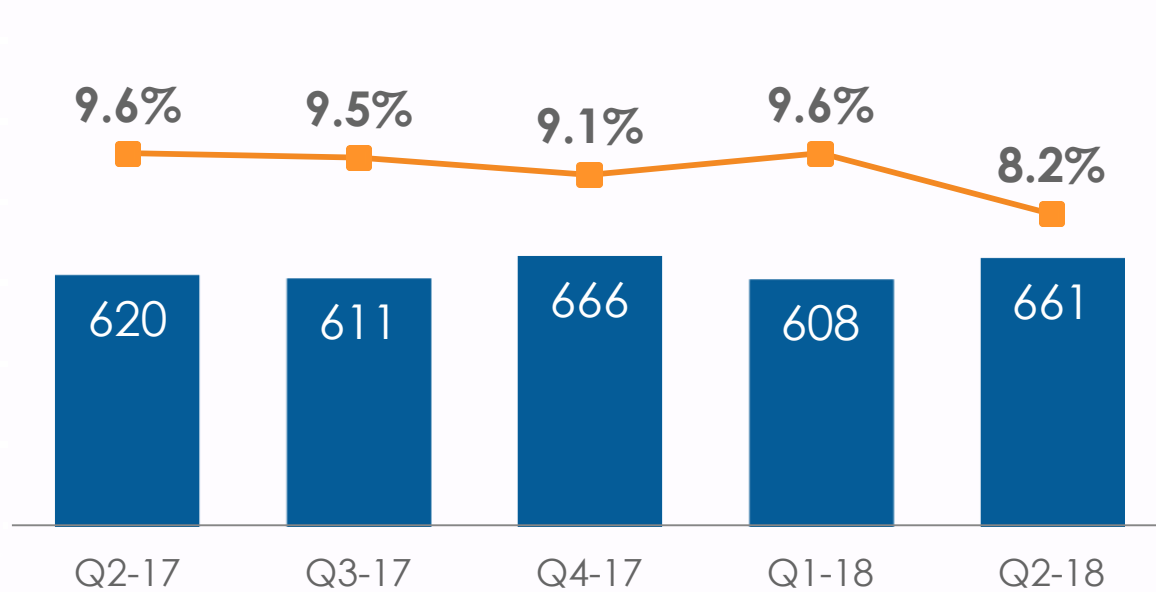
Higher-Value Markets	Jun. 30, 2018 ⁽¹⁾		Mar. 31, 2018 ⁽¹⁾		Q/Q	Jun. 30, 2017 ⁽¹⁾		Y/Y
Industrials	18%	\$118	20%	\$125	(5%)	20%	\$125	(6%)
Aerospace & Defense	15%	\$103	16%	\$98	5%	16%	\$100	2%
Medical	15%	\$97	16%	\$97	--	14%	\$87	12%
Test & Instrument.	16%	\$106	17%	\$102	4%	15%	\$89	19%
Total Revenue		\$424		\$422	--		\$401	6%

Traditional Markets	Jun. 30, 2018 ⁽¹⁾		Mar. 31, 2018 ⁽¹⁾		Q/Q	Mar. 31, 2017 ⁽¹⁾		Y/Y
Computing	24%	\$160	17%	\$103	55%	23%	\$142	13%
Telecommunications	12%	\$77	14%	\$83	(7%)	12%	\$77	--
Total Revenue		\$237		\$186	27%		\$219	8%

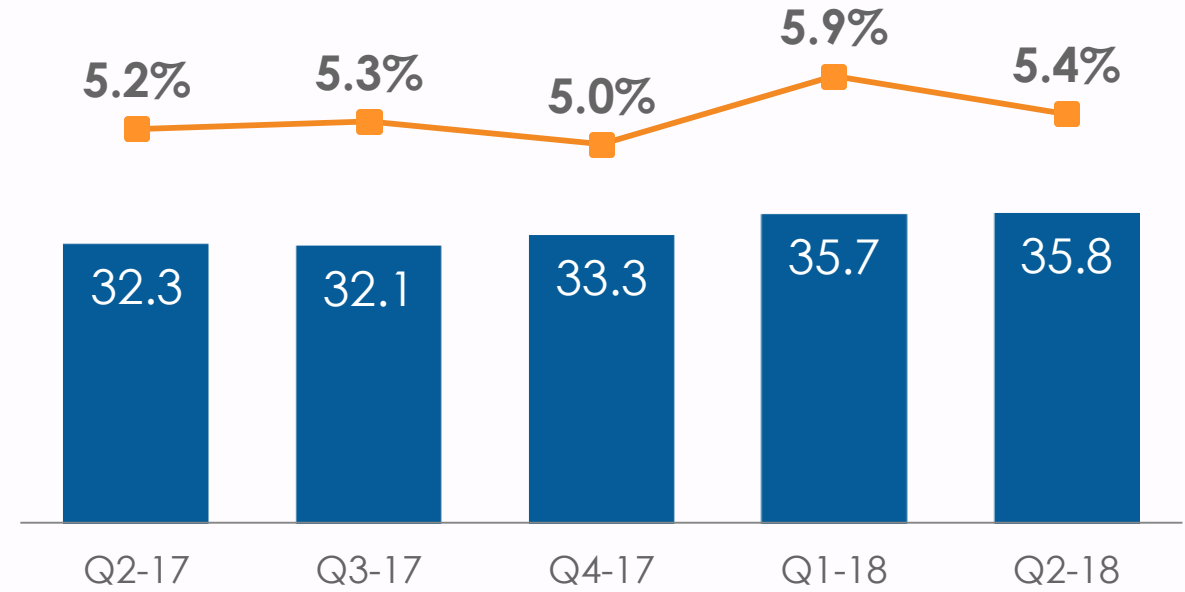
(1) In millions

GAAP Key Business Trends

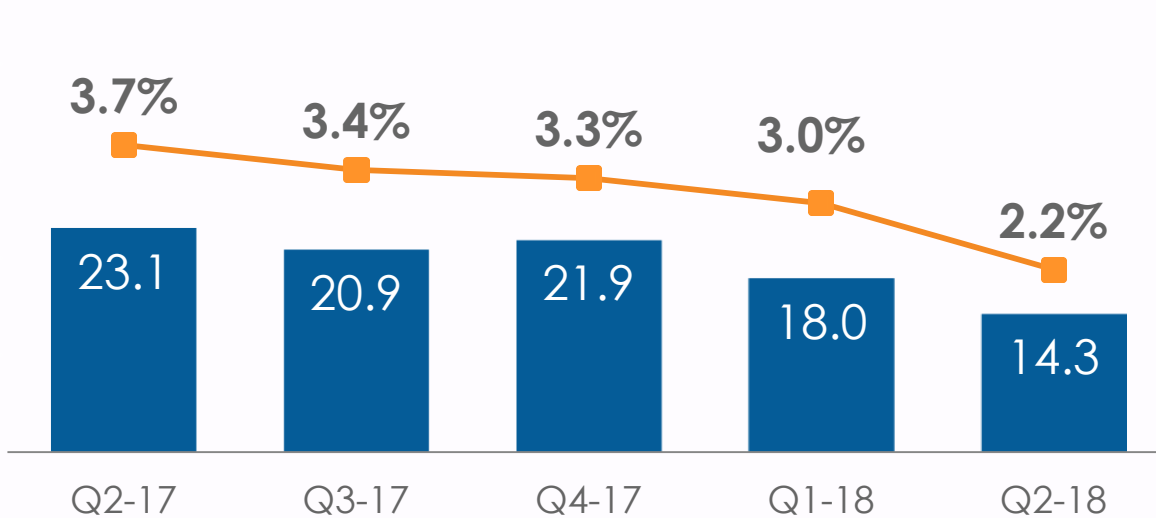
Revenue & Gross Margin (\$M)



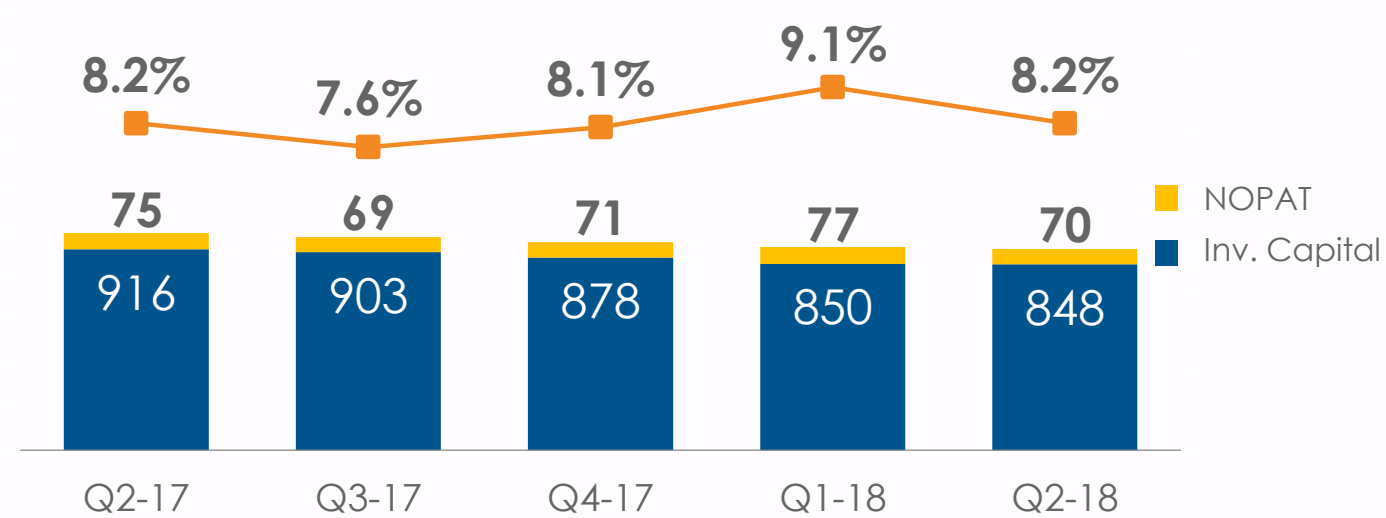
SG&A (\$M)



Operating Margin (\$M)



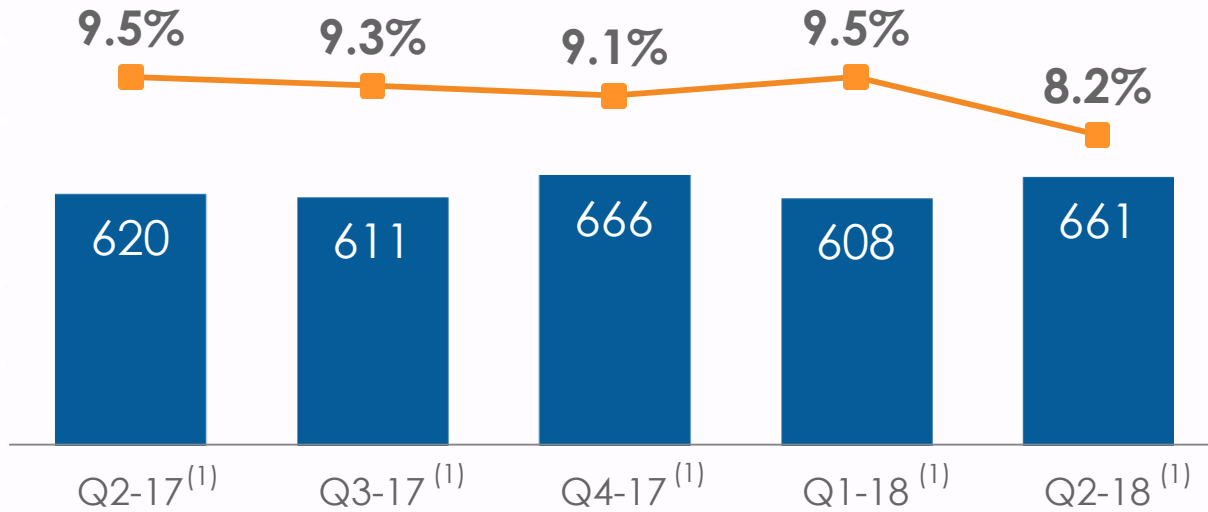
Return on Invested Capital (LTM)



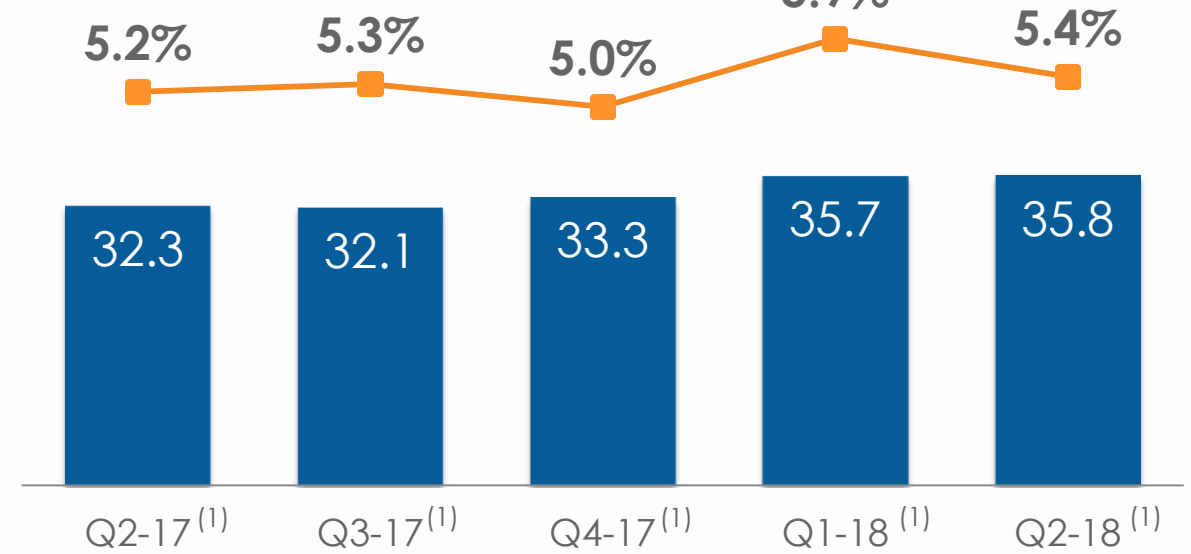
GAAP ROIC = (GAAP income from operations – GAAP Tax Impact) ÷ (Average Invested Capital for last 5 quarters)

Non-GAAP Key Business Trends

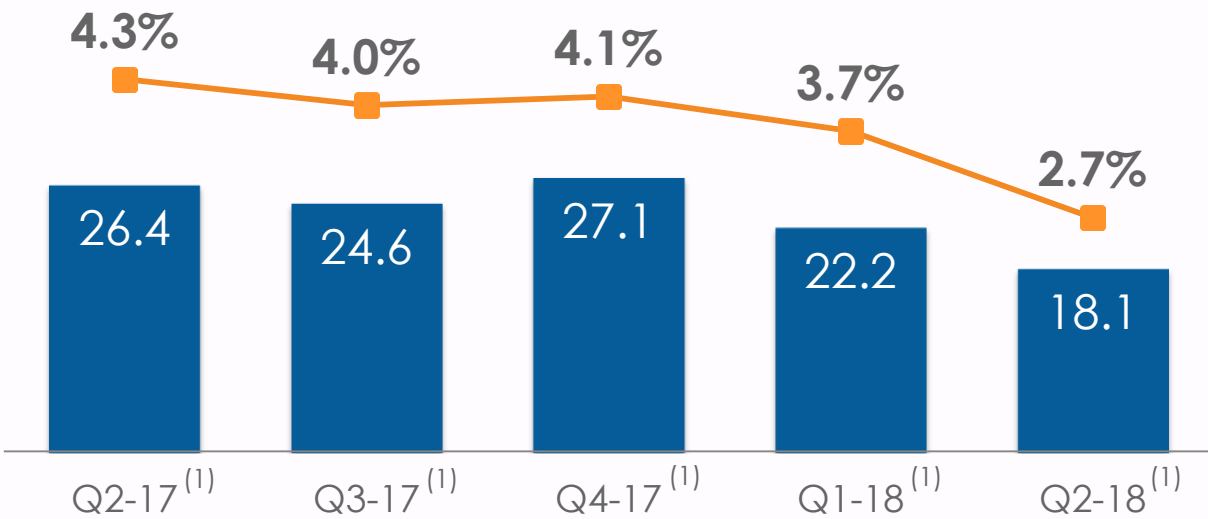
Revenue & Gross Margin (\$M)



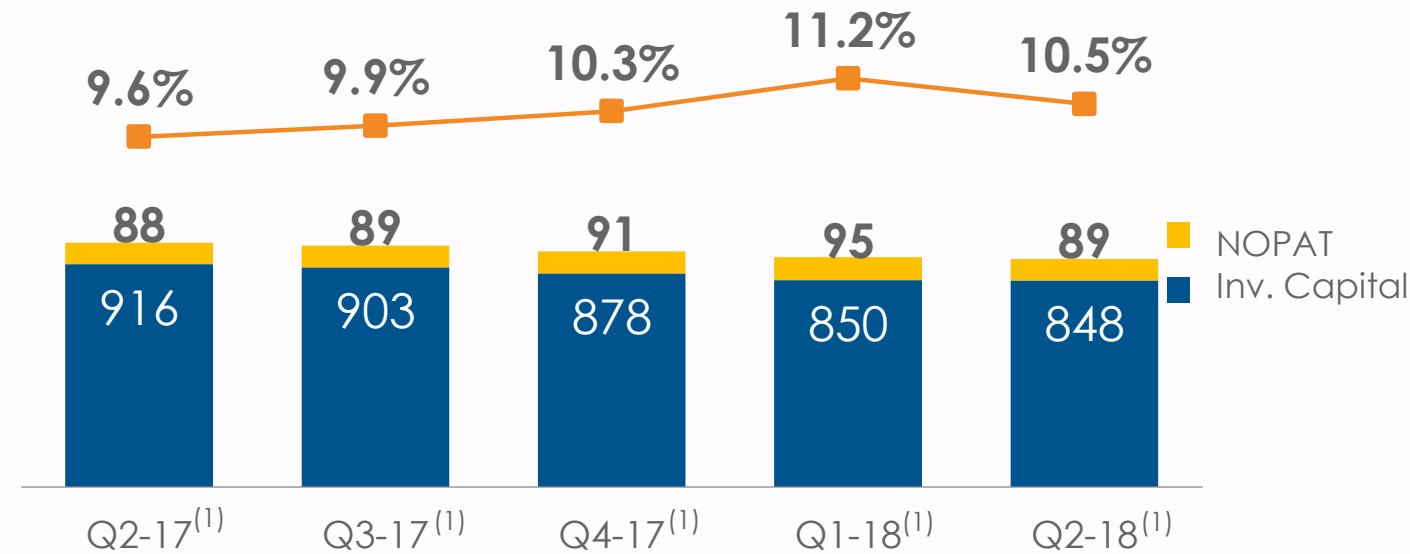
SG&A (\$M)



Operating Margin (\$M)



Return on Invested Capital (LTM)



(1) Excludes the impact of customer insolvency.

Non-GAAP ROIC = (Non-GAAP income from operations - Non-GAAP Tax Impact) ÷ [Average Invested Capital for last 5 quarters]

Cash Flow / Working Capital Highlights

For the Three Months Ended

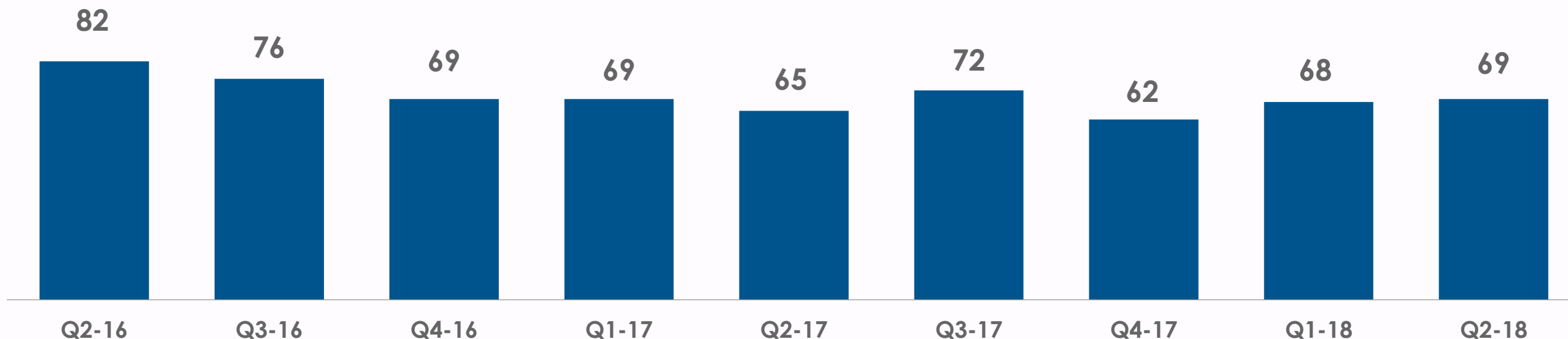
(In millions)

	Jun. 30, 2018	Mar. 31, 2018	Jun. 30, 2017
Cash Flows from (used in) Operations	(\$41)	\$25	\$15
FCF ¹	(\$58)	\$4	(\$4)
Cash	\$596	\$676	\$749
International	\$177	\$438	\$623
US	\$419	\$238	\$126
Inventory	\$319	\$306	\$282
Accounts Receivable	\$445	\$404	\$392
Contract Assets	\$148	\$148	\$153
Accounts Payable	\$384	\$369	\$343

(1) Free cash flow (FCF) defined as net cash provided by operations (GAAP) less capex

Used \$41 million of Cash from Operations in Q2

Working Capital Update



	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18
Accounts Receivable Days	66	64	63	62	57	61	59	59	61
Contract Asset Days	21	22	23	24	22	24	20	22	20
Inventory Days	44	45	39	48	45	46	40	50	47
Deposits	2	3	4	4	4	4	3	3	2
Accounts Payable Days	47	52	52	61	55	55	54	60	57
Cash Conversion Cycle	82	76	69	69	65	72	62	68	69

Ongoing Cash Conversion Cycle Days will Range between 73 and 68 Days

Capital Allocation Update

Stock repurchase authorization in Q1-18

- ▶ Board approved stock repurchase of up to an additional \$250 million of common stock

Accelerated Stock Repurchase (ASR)	\$50 million ASR Completed	Completed \$78 million year-to-date of \$100 million target for 2018
Open Market Repurchase (OMR)	\$28 million OMR year-to-date	

Recurring dividend initiated Q1-18

- ▶ Announced first quarterly cash dividend of \$0.15 per share to shareholders of record as of March 29, 2018; dividends were paid on April 11, 2018 and July 12, 2018

Credit Facilities Refinanced and Expanded

- ▶ Refinanced and expanded our existing credit facilities in July 2018
- ▶ New facilities totaling \$650 million consist of
 - \$150 million Term Loan A
 - \$500 million revolver
- ▶ Used cash balances to pay down the existing term loan to \$150 million
- ▶ Extended maturity date to July 2023
- ▶ Refinancing will be accretive to earnings on an annual basis

Third Quarter 2018 Guidance

	Guidance
Net Sales (in millions)	\$610 – \$650
Diluted EPS – non-GAAP*	\$0.28 – \$0.36

* The above guidance excludes the impact of amortization of intangible assets, estimated restructuring charges and other costs, in addition to the write-off of existing deferred financing charges due to the debt refinancing

Sequential Modeling Information

Higher-Value Markets	Q3-18 Outlook (%)
Industrials	Up High Singles
Aerospace & Defense	Up High Teens
Medical	Down Mid-Singles
Test & Instrumentation	Down >20%

Traditional Markets	Q3-18 Outlook (%)
Computing	Down >20%
Telecommunications	Up High Singles

	Q3-18 Guidance
Operating Margin - non-GAAP*	2.5% – 3.0%
Interest Expense (in millions)	\$1.8
Effective Tax Rate	18%
Weighted Average Shares (m)	46.9

* The above guidance excludes the impact of amortization of intangible assets and estimated restructuring charges and other costs

Appendix

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

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

	Three Months Ended			Six Months Ended	
	Jun 30, 2018	Mar 31, 2018	Jun 30, 2017 (as adjusted)	Jun 30, 2018	Jun 30, 2017 (as adjusted)
Income from operations (GAAP)	\$ 14,349	\$ 17,967	\$ 23,124	\$ 32,316	\$ 34,013
Restructuring charges and other costs	1,758	2,235	1,544	3,993	3,055
Customer insolvency (recovery)	(330)	(341)	(710)	(671)	4,410
Amortization of intangible assets	2,367	2,366	2,481	4,733	4,962
Non-GAAP income from operations	<u>\$ 18,144</u>	<u>\$ 22,227</u>	<u>\$ 26,439</u>	<u>\$ 40,371</u>	<u>\$ 46,440</u>
Net income (loss) (GAAP)	\$ 10,943	\$ (23,641)	\$ 18,074	\$ (12,698)	\$ 26,629
Restructuring charges and other costs	1,758	2,235	1,544	3,993	3,055
Customer insolvency (recovery)	(330)	(341)	(710)	(671)	4,410
Amortization of intangible assets	2,367	2,366	2,481	4,733	4,962
Income tax adjustments ⁽¹⁾	(811)	(818)	(1,265)	(1,629)	(2,845)
Tax Cuts and Jobs Act ⁽²⁾	423	40,114	-	40,537	-
Discrete tax benefits	-	-	-	-	-
Non-GAAP net income	<u>\$ 14,350</u>	<u>\$ 19,915</u>	<u>\$ 20,124</u>	<u>\$ 34,265</u>	<u>\$ 36,211</u>
Diluted Earnings (loss) per share:					
Diluted (GAAP)	\$ 0.23	\$ (0.49)	\$ 0.36	\$ (0.26)	\$ 0.53
Diluted (Non-GAAP)	\$ 0.30	\$ 0.41	\$ 0.40	\$ 0.71	\$ 0.72

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

⁽²⁾ This amount represents the impact of repatriating foreign earnings from our foreign jurisdictions to the U.S. For the three months ended June 30 and March 31, 2018, this includes estimated foreign withholding taxes applicable to historical earnings prior to December 31, 2017 and for the applicable state tax impact of foreign cash distributions into the U.S.

APPENDIX 2 - Reconciliation of GAAP to non-GAAP Financial Measures

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

	Three Months Ended	
	Jun 30, 2018	Jun 30, 2017
GAAP gross profit	\$ 54,299	\$ 59,484
Customer Insolvency (recovery)	(330)	(710)
Non-GAAP gross profit	<u>\$ 53,969</u>	<u>\$ 58,774</u>