

FIRST QUARTER FY23 SGH FINANCIAL RESULTS

JANUARY 3, 2023



Disclaimer

This presentation and the oral communications made during the course of this presentation contain 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, including but not limited to, statements concerning or regarding future events and the future financial performance of SGH (including the business and financial outlook for the next fiscal quarter), expectations regarding demand for and interest in SGH's products and the financial performance of SGH's different business lines, including in Brazil, SGH's investment in its business and its plans for its products, the status of the integration of Status Technologies and the identification of potential new business opportunities and revenue synergies, the anticipated benefit of the acquisition of Status Technologies and Colorado Code Craft, SGH's goal with respect to its recurring services business, the expected benefit from the financial credits in Brazil, expectations regarding inventory, anticipated total cash net interest expense and cash capital expenditures and growth drivers in SGH's industries and markets. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "anticipate," "target," "expect," "estimate," "intend," "plan," "goal," "believe," "could," and other words of similar meaning. Forward-looking statements provide SGH's current expectations or forecasts of future events, circumstances, results, or aspirations and are subject to a number of significant risks, uncertainties and other factors, many of which are outside of SGH's control, including but not limited to, issues, delays or complications in integrating the operations of Stratus Technologies; global business and economic conditions and growth trends in technology industries, SGH's customer markets and various geographic regions; uncertainties in the geopolitical environment; uncertainties in the global macroeconomic environment; disruptions in SGH's operations or its supply chain as a result of COVID-19 pandemic or otherwise; changes in trade regulations or adverse developments in international trade relations and agreements; changes in currency exchange rates; overall information technology spending; appropriations for government spending; the success of SGH's strategic initiatives including additional investments in new products and additional capacity; acquisitions of companies or technologies, the failure to successfully integrate and operate them or customers' negative reactions to them; limitations on, or changes in the availability of, supply of materials and components; fluctuations in material costs; the temporary or volatile nature of pricing trends in memory or elsewhere; deterioration in customer relationships; production or manufacturing difficulties; competitive factors; technological changes; difficulties with, or delays in, the introduction of new products; slowing or contraction of growth in the memory market in Brazil or in the LED market; reduction in, or termination of, incentives for local manufacturing in Brazil; changes to applicable tax regimes or rates; prices for the end products of SGH's customers; strikes or labor disputes; deterioration in or loss of relations with any of SGH's limited number of key vendors; and the inability to maintain or expand government business. These risks, uncertainties and factors could cause SGH's actual results to differ materially from those set forth in such forward-looking statements. These and other risks, uncertainties and factors are described in greater detail under the section titled "Risk Factors" contained in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q and the Company's other filings with the U.S. Securities and Exchange Commission. In addition, such risks, uncertainties and factors as outlined above and in such filings do not constitute all risks, uncertainties and factors that could cause actual results of SGH to be materially different from such forward-looking statements. Accordingly, investors are cautioned not to place undue reliance on any forward-looking statements. Any forward-looking statements that

the Company makes in this presentation and the oral communications made during the course of this presentation are made pursuant to the Private Securities Litigation Reform Act of 1995, as amended, and speak only as of the date of this presentation. Except as required by law, SGH does not undertake to update the forward-looking statements contained in this presentation and the oral communications made during the course of this presentation to reflect the impact of circumstances or events that may arise after the date that the forward-looking statements were made.

Statement Regarding Use of Non-GAAP Financial Measures:

SGH management uses non-GAAP measures to supplement SGH's financial results under GAAP. Management uses these measures to analyze its operations and make decisions as to future operational plans and believes that this supplemental non-GAAP information is useful to investors in analyzing and assessing the Company's past and future operating performance. These non-GAAP measures exclude certain items, such as share-based compensation expense, amortization of acquisition-related intangible assets (consisting of amortization of developed technology, customer relationships, trademarks/trade names and backlog acquired in connection with business combinations), acquisition-related inventory adjustments, acquisition-related expenses, restructure charges and integration expenses, changes in the fair value of contingent consideration, (gains) losses from changes in currency exchange rates, amortization of debt discount and other costs, other infrequent or unusual items and related tax effects and other tax adjustments. While amortization of acquisition-related intangible assets is excluded, the revenues from acquired companies is reflected in SGH's non-GAAP measures and these intangible assets contribute to revenue generation. Management believes the presentation of operating results that exclude certain items provides useful supplemental information to investors and facilitates the analysis of the Company's core operating results and comparison of operating results across reporting periods. Management also uses adjusted EBITDA, which represents GAAP net income (loss), adjusted for net interest expense, income tax expense, depreciation and amortization expense, share-based compensation expense, acquisition-related inventory adjustments, acquisition-related expenses, restructure charges and integration expenses, changes in the fair value of contingent consideration and other infrequent or unusual items.

Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP, as they exclude important information about SGH's financial results, as noted above. The presentation of these adjusted amounts varies from amounts presented in accordance with GAAP and therefore may not be comparable to amounts reported by other companies. In addition, adjusted EBITDA does not purport to represent cash flow provided by, or used in, operating activities in accordance with GAAP and should not be used as a measure of liquidity. Investors are encouraged to review the "Reconciliation of GAAP to Non-GAAP Measures" in the appendix at the end of this presentation.

Our fiscal year is the 52 or 53-week period ending on the last Friday in August.

SPEAKERS



Mark Adams

President and CEO
SGH



Ken Rizvi

SVP and CFO
SGH

Q1 FY23 Highlights

- Revenue of \$465 million
 - Above midpoint of guidance range and up 6% vs Q4 FY22
 - Services ~16% of total SGH revenue, reflects consolidation of Stratus Technologies
- Record Non-GAAP Gross Margin of 27.8%*
 - GAAP gross margin of 25.4%, up 170 bp vs Q4 FY22
 - Non-GAAP gross margin of 27.8%, up 320 bp vs Q4 FY22
- Non-GAAP EPS of \$0.79*
 - Above high-end of guidance range
- Closed acquisition of Stratus Technologies
 - On August 29, 2022 (beginning of Q1 FY23)



* For the definitions of non-GAAP Gross Margin and non-GAAP EPS and reconciliations to the most directly comparable financial measures prepared in accordance with GAAP, please see appendix.





OUR BUSINESS LINES



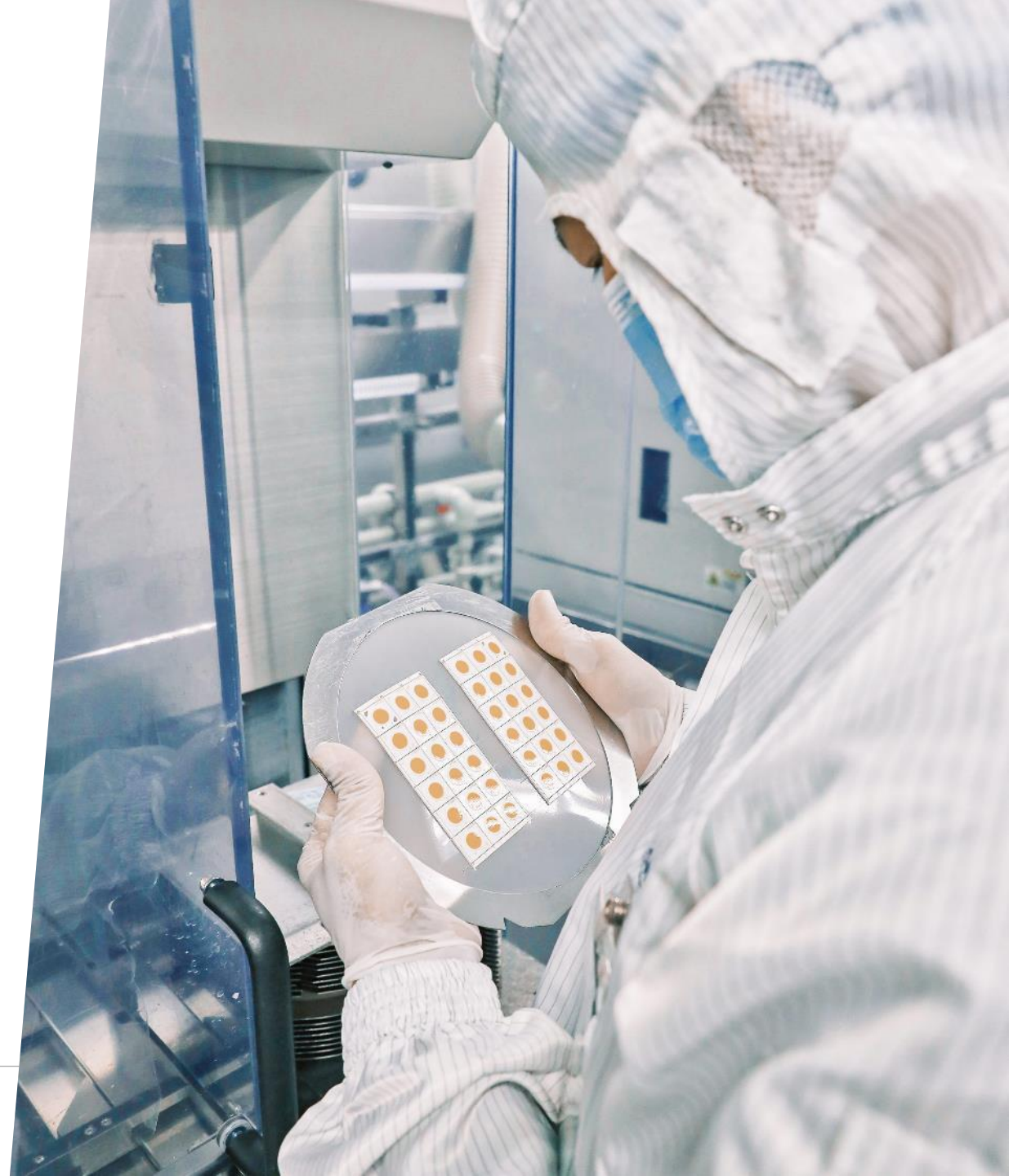
Intelligent Platform Solutions

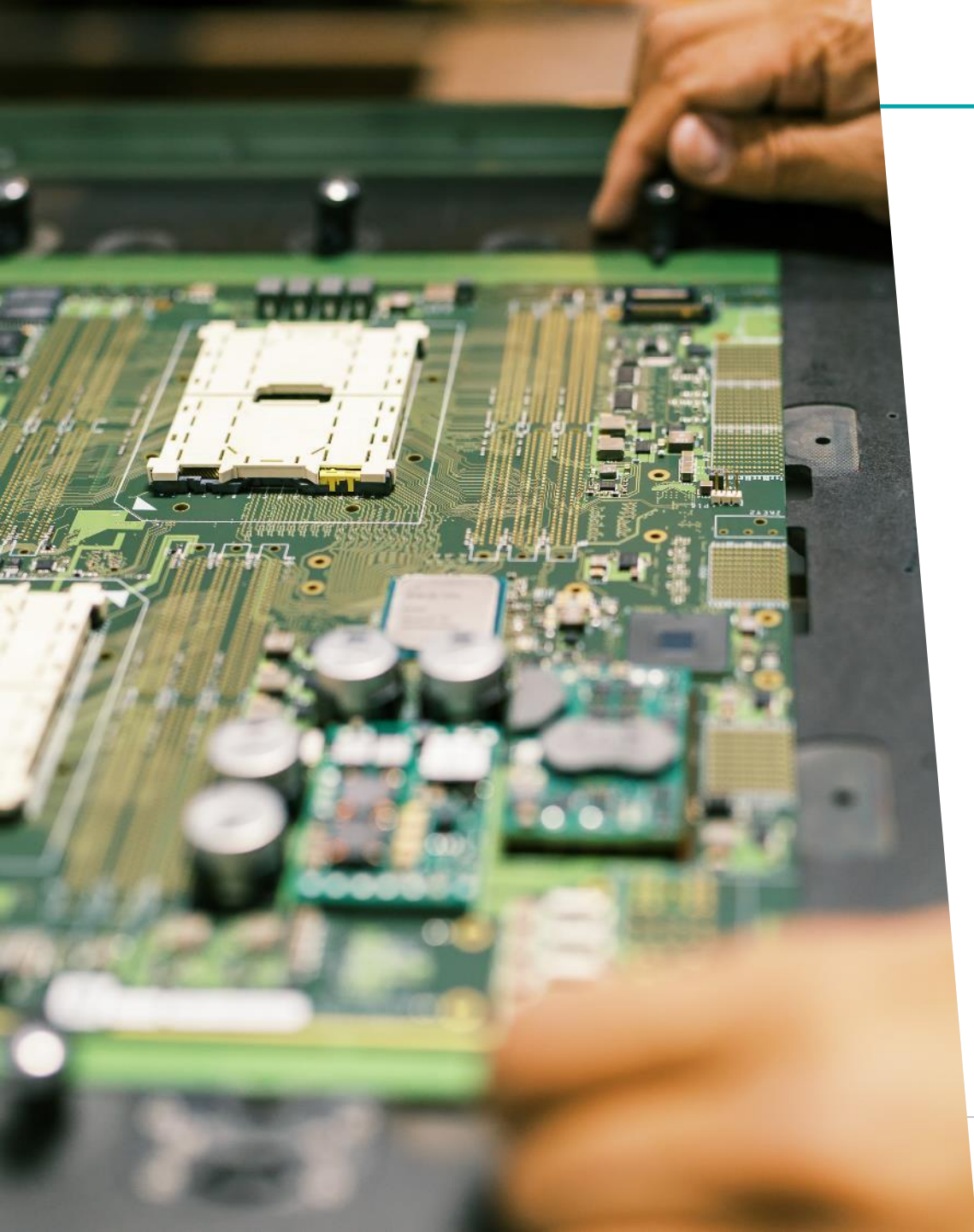
- Revenue of \$211 million
 - Record revenue performance up 46% sequentially; up 78% vs year ago
 - Record services revenue; 32% of IPS Q1 revenue
- New Technologies and Partnerships
 - Launched a new cloud control plane for on-premises and cloud-based HPC/AI clusters
 - Partnership with Google Cloud that gives Penguin customers more choice for cluster deployments
 - Acquired Colorado Code Craft, to enhance Penguin's Virtual Desktop Infrastructure (VDI) capabilities and expand its IP portfolio
- Stratus Technologies*
 - Integration on track; also identifying new business opportunities and revenue synergies

* Stratus Technologies acquisition closed on August 29, 2022

LED Solutions

- Revenue of \$63 million
 - Headwinds from China's COVID-related policies impacting supply chain and industry-wide demand
 - Expect near-term challenging demand and further channel inventory reductions
 - Proactively containing costs and adjusting ongoing operating expenses
- New Technologies and Innovation
 - Launched spectrum-optimized Photophyll LEDs across high and mid-power platforms for horticulture applications
 - Introduced new XLamp CMB product family with higher power, higher performing Chip On Board (COB) devices
 - Cree LED remains a brand leader with strong IP





Memory Solutions

- Revenue of \$192 million
 - Core Specialty Memory business remains stable
 - Brazil business impacted by global weakness in consumer electronics
- New Technologies
 - Continued growing interest in SMART Modular's new family of DuraFlash PCIe NVMe and SATA products
 - Expanded DDR5 module lineup for blade storage and compute applications
 - Introduced new family of data center SSDs for hyperscaler, hyper-converged, enterprise and edge computing applications
 - Customer activity remains robust around CXL memory module for data center and Cloud Service Provider applications
 - Initial shipments begun of memory for 5G mobile phones in Brazil market



FINANCIAL REVIEW

Ken Rizvi, SVP and CFO

Strong Non-GAAP Quarterly Results

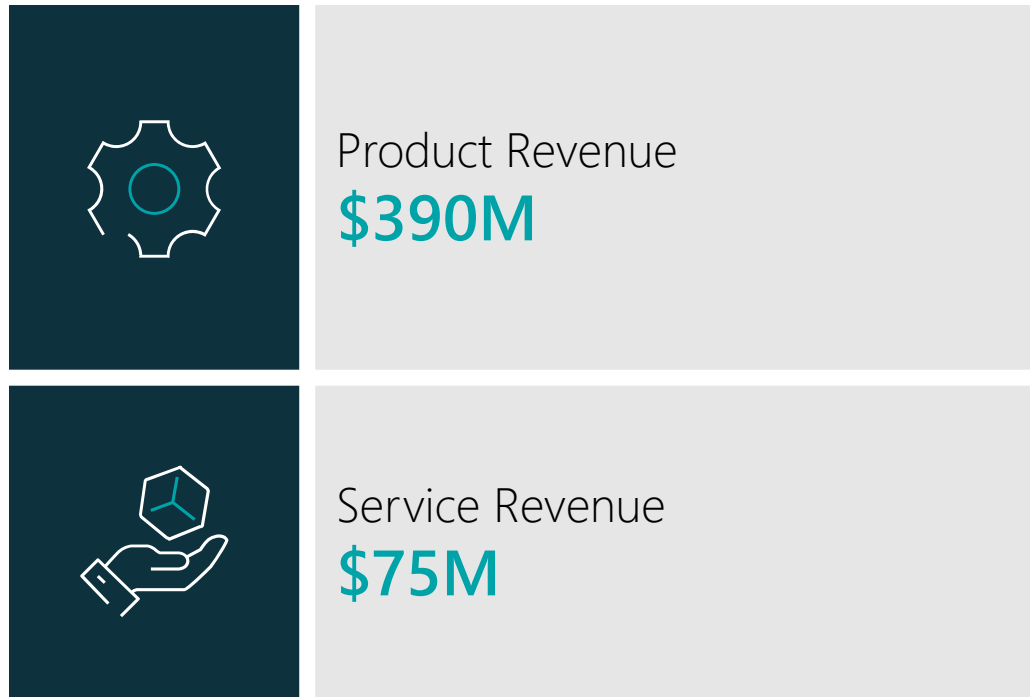
Key financial metrics
above midpoint
of guidance range

Q1 FY23
Results

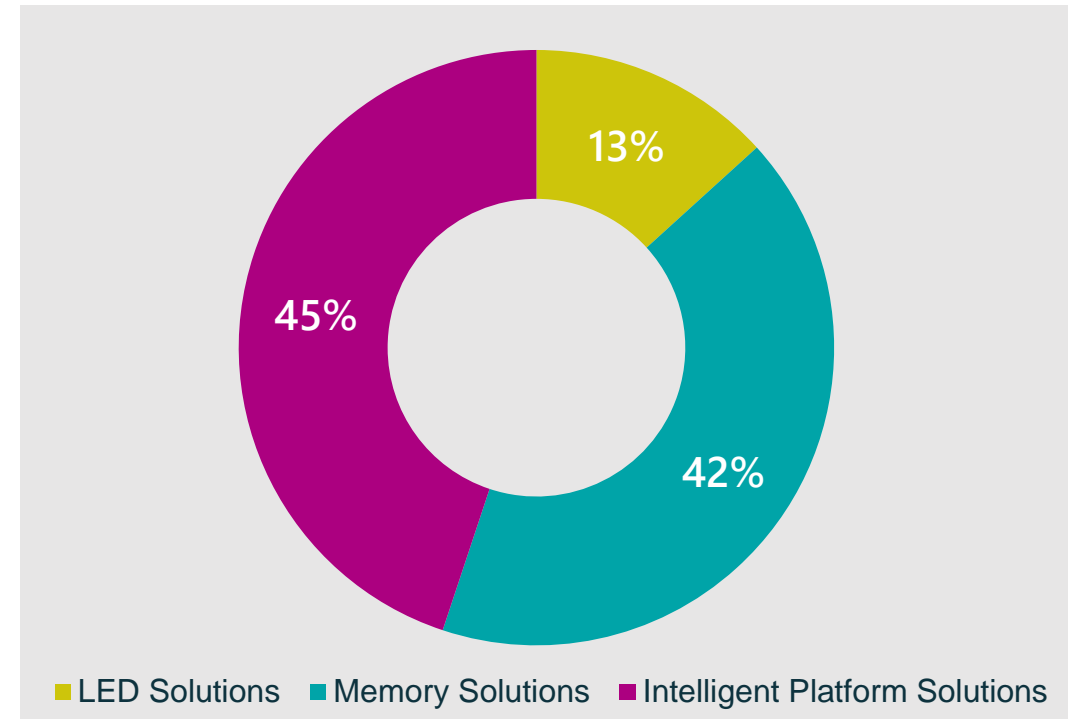
Revenue	Non-GAAP Gross Margin	Non-GAAP EPS
\$465M	27.8%	\$0.79
Q1 FY23 Guidance		
\$425-\$475M	25.5-27.5%	\$0.60 +/- \$0.15

Q1 FY23 Revenue Detail

Revenue Breakdown – Total \$465M



Revenue Mix by Business



Q1 FY23 Non-GAAP Operating Results

(\$M)	Q1 FY23	Q4 FY22	Q1 FY22
Revenue	\$465.5	\$437.7	\$469.9
Intelligent Platform Solutions	\$211.0	\$144.7	\$118.7
Memory Solutions	\$192.0	\$209.8	\$239.4
LED Solutions	\$62.5	\$83.1	\$111.9
Non-GAAP Gross profit*	\$129.2	\$107.8	\$127.0
Non-GAAP Operating expenses*	\$74.4	\$61.1	\$57.9
Non-GAAP Net income*	\$39.5	\$40.4	\$56.3
Non-GAAP Diluted earnings per share*	\$0.79	\$0.80	\$1.08
Adjusted EBITDA*	\$63.3	\$55.9	\$76.7

Q1 FY23 Balance Sheet Highlights

Working Capital	Q4 FY22	Q1 FY23
Net Accounts Receivable	\$410M	\$306M
Days Sales Outstanding	47 days	33 days
Inventory	\$323M	\$416M
Inventory Turns	8.5X	7.0X

Cash Flow	Q4 FY22	Q1 FY23
Cash & Equivalents (at period end)	\$363M	\$325M
CF from Operations	\$20.9M	(\$74.0)M
LTM CF from Operations	\$104.9M	\$15.8M

Note: Q1 FY23 cash flow used in operations totaled \$74.0 million, due in part to the classification of a portion of the prepayment of the LED Earnout Note related to the Cree LED acquisition. In addition, in Q1 FY23, we increased overall inventories to support expected demand for IPS in Q2 FY23.

Capital Expenditures	Q4 FY22	Q1 FY23
CapEx	\$8.9M	\$11.6M
Depreciation	\$10.8M	\$8.9M



OUR GUIDANCE

Q2 FY 2023 Guidance

	GAAP Outlook	Adjustments	Non-GAAP Outlook
Net Sales	\$410 to \$460 million	–	\$410 to \$460 million
Gross Margin	25.0% to 27.0%	1% ^(A)	26.0% to 28.0%
Diluted EPS	\$0.13 +/- \$0.15	\$0.47 ^(A,B,C,D)	\$0.60 +/- \$0.15
Diluted Shares	50 million	–	50 million

Non-GAAP adjustments (in millions):

(A) Share-based compensation and amortization of acquisition-related intangibles included in cost of sales	\$	8
(B) Share-based compensation and amortization of acquisition-related intangibles included in R&D and SG&A		13
(C) Amortization of debt discount and other costs		7
(D) Estimated tax effects		(4)
	\$	<u>24</u>

The background features a dark teal color with several thin, light-colored lines. These lines originate from various points and extend across the frame, creating a sense of depth and movement. A prominent line runs diagonally from the top left towards the center. Another line runs horizontally across the middle, intersecting with a vertical line on the right side. These lines form a series of overlapping geometric shapes, including triangles and rectangles, which contribute to the overall abstract design.

POWERING GROWTH.
EXPANDING POSSIBILITIES.



APPENDIX

GAAP to Non-GAAP Reconciliations

(dollars in thousands)	Three Months Ended		
	November 25, 2022	August 26, 2022	November 26, 2021
GAAP gross profit	\$ 118,410	\$ 103,843	\$ 122,201
Share-based compensation expense	1,708	1,637	1,731
Amortization of acquisition-related intangibles	6,466	2,367	3,096
Flow-through of inventory step up	2,599	—	—
Non-GAAP gross profit	<u>\$ 129,183</u>	<u>\$ 107,847</u>	<u>\$ 127,028</u>
GAAP gross margin	25.4 %	23.7 %	26.0 %
Effect of adjustments	2.4 %	0.9 %	1.0 %
Non-GAAP gross margin	<u>27.8 %</u>	<u>24.6 %</u>	<u>27.0 %</u>
GAAP operating expenses	\$ 100,819	\$ 76,242	\$ 87,407
Share-based compensation expense	(8,704)	(8,187)	(8,044)
Amortization of acquisition-related intangibles	(4,392)	(3,247)	(3,247)
Acquisition and integration expenses	(6,732)	(3,620)	(1,038)
Change in fair value of contingent consideration	(3,700)	—	(17,200)
Restructure charge	(2,041)	15	—
Other	(900)	(130)	—
Non-GAAP operating expenses	<u>\$ 74,350</u>	<u>\$ 61,073</u>	<u>\$ 57,878</u>
GAAP operating income	\$ 17,591	\$ 27,601	\$ 34,794
Share-based compensation expense	10,412	9,824	9,775
Amortization of acquisition-related intangibles	10,858	5,614	6,343
Flow-through of inventory step up	2,599	—	—
Out of period import tax expense	—	—	—
Acquisition and integration expenses	6,732	3,620	1,038
Change in fair value of contingent consideration	3,700	—	17,200
Restructure charge	2,041	(15)	—
Other	900	130	—
Non-GAAP operating income	<u>\$ 54,833</u>	<u>\$ 46,774</u>	<u>\$ 69,150</u>

GAAP to Non-GAAP Reconciliations

	Three Months Ended		
	November 25, 2022	August 26, 2022	November 26, 2021
<i>(dollars in thousands, except per share data)</i>			
GAAP net income attributable to SGH	\$ 4,992	\$ 19,959	\$ 20,027
Share-based compensation expense	10,412	9,824	9,775
Amortization of acquisition-related intangibles	10,858	5,614	6,343
Flow-through of inventory step up	2,599	—	—
Acquisition and integration expenses	6,732	3,620	1,038
Change in fair value of contingent consideration	3,700	—	17,200
Restructure charge	2,041	(15)	—
Amortization of debt discount and other costs	1,069	2,788	2,210
Foreign currency (gains) losses	242	1,212	1,467
Other	133	129	—
Tax effects of above, other tax adjustments and the tax effect of capitalization of R&D expense	(3,300)	(2,696)	(1,752)
Non-GAAP net income attributable to SGH	<u>\$ 39,478</u>	<u>\$ 40,435</u>	<u>\$ 56,308</u>
GAAP weighted-average shares outstanding – Diluted	49,791	50,504	54,635
Adjustment for capped calls	—	—	(2,583)
Non-GAAP weighted-average shares outstanding – Diluted	<u>49,791</u>	<u>50,504</u>	<u>52,052</u>
GAAP diluted earnings per share	\$ 0.10	\$ 0.40	\$ 0.37
Effect of above adjustments	0.69	0.40	0.71
Non-GAAP diluted earnings per share	<u>\$ 0.79</u>	<u>\$ 0.80</u>	<u>\$ 1.08</u>

GAAP to Non-GAAP Reconciliations

<i>(dollars in thousands)</i>	Three Months Ended		
	November 25, 2022	August 26, 2022	November 26, 2021
Net income attributable to SGH	\$ 4,992	\$ 19,959	\$ 20,027
Interest expense, net	8,037	6,491	5,106
Income tax provision (benefit)	4,890	(584)	7,755
Depreciation expense and amortization of intangible assets	19,789	16,446	15,813
Share-based compensation expense	10,412	9,824	9,775
Flow-through of inventory step up	2,599	—	—
Acquisition and integration expenses	6,732	3,620	1,038
Change in fair value of contingent consideration	3,700	—	17,200
Restructure charge	2,041	(15)	—
Other	133	129	—
Adjusted EBITDA	<u>\$ 63,325</u>	<u>\$ 55,870</u>	<u>\$ 76,714</u>

Convertible Dilution

Stock Price	Convertible Share Dilution	Capped Call	Net Share Dilution to SGH
\$16	—	—	—
\$17	—	—	—
\$18	—	—	—
\$19	—	—	—
\$20	—	—	—
\$21	0.41	(0.41)	—
\$22	0.95	(0.95)	—
\$23	1.44	(1.44)	—
\$24	1.90	(1.90)	—
\$25	2.31	(2.31)	—