

SECOND QUARTER FY24 SGH FINANCIAL RESULTS

April 9, 2024

SGHTM

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, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements concerning or regarding future events and SGH's future financial and operating performance; statements regarding the extent and timing of and expectations regarding SGH's future revenues and expenses and customer demand; and statements regarding the business and financial outlook for the next fiscal quarter. 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, global business and economic conditions and growth trends in technology industries, SGH's customer markets and various geographic regions; uncertainties in the geopolitical environment; disruptions in SGH's operations or supply chain; the ability to manage SGH's cost structure, including SGH's success in implementing restructuring or other plans intended to improve SGH's operating efficiency; workforce reductions; uncertainties in the global macro-economic environment; changes in demand for SGH's segments; changes in trade regulations or adverse developments in international trade relations and agreements; changes in currency exchange rates; availability of SGH's cash and cash equivalents; overall information technology spending or the timing of customer 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 and the failure to successfully integrate and operate them or customers' negative reactions to them, including any resulting impairment of goodwill or gain (loss) on extinguishment of debt; issues, delays or complications in integrating the operations of Stratus Technologies; the failure to achieve the intended benefits of the sale of SMART Brazil and its business; 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 or in the LED market; changes to applicable tax regimes or rates; reversal of the valuation allowance for a significant portion of SGH's deferred tax assets, including any potential inability to realize these assets in the future; 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; the inability to maintain or expand government business; and the continuing availability of borrowings under term loans and revolving lines of credit and SGH's ability to raise capital through debt or equity financings. These and other risks, uncertainties and factors are described in greater detail under the sections titled "Risk Factors," "Critical Accounting Estimates," "Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk" and "Liquidity and Capital Resources" contained in SGH's Annual Report on Form 10-K for the fiscal year ended August 25, 2023, Quarterly Report on Form 10-Q and SGH's other filings with the U.S. Securities and Exchange Commission. In addition, the risks, uncertainties and factors as outlined above, and in such SEC filings, do not constitute all risks, uncertainties and factors that could cause actual results of our company to be materially different from such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on any forward-looking statements.

Any forward-looking statements that we make in this presentation speak only as of the date of this presentation. Except as required by law, we do not undertake to update the forward-looking statements contained in this presentation.

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, diligence, acquisition and integration expense, restructure charges, impairment of goodwill, changes in the fair value of contingent consideration, (gains) losses from changes in currency exchange rates, amortization of debt discount and other costs, gain (loss) on extinguishment of debt, 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 SGH'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, diligence, acquisition and integration expense, restructure charges, impairment of goodwill, changes in the fair value of contingent consideration, gain (loss) on extinguishment of debt 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 for, 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.

SGH's 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

Q2 FY24 Highlights

Uniquely positioned to help companies manage the complexity of AI implementation at scale.



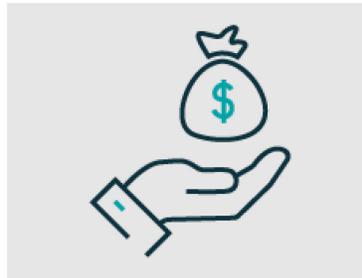
Revenue

Revenue of \$285M, led by 19% sequential increase in IPS revenue



Gross Margin

Non-GAAP gross margin of 31.5% within our guidance



EPS

Non-GAAP EPS of \$0.27 driven by improved operating expense controls



Balance Sheet

Strong balance sheet with cash and short-term investments of \$466 million



OUR BUSINESS LINES

Mark Adams, President and CEO

Intelligent Platform Solutions



Revenue of \$141M; 50% of total SGH revenue

- IPS revenue up 19% q/q
- Services revenue was 17% of total SGH Q2 FY24 revenue versus 14% in the year-ago quarter



Increasing customer engagement for AI infrastructure and HPC solutions

- Across cloud service providers (CSPs), oil and gas, defense and digital-media customers



Growing pipeline for ztC Endurance™ platform

- Enables applications to run with less than 1 minute of planned downtime per year –critical for enabling AI inferencing at the Edge

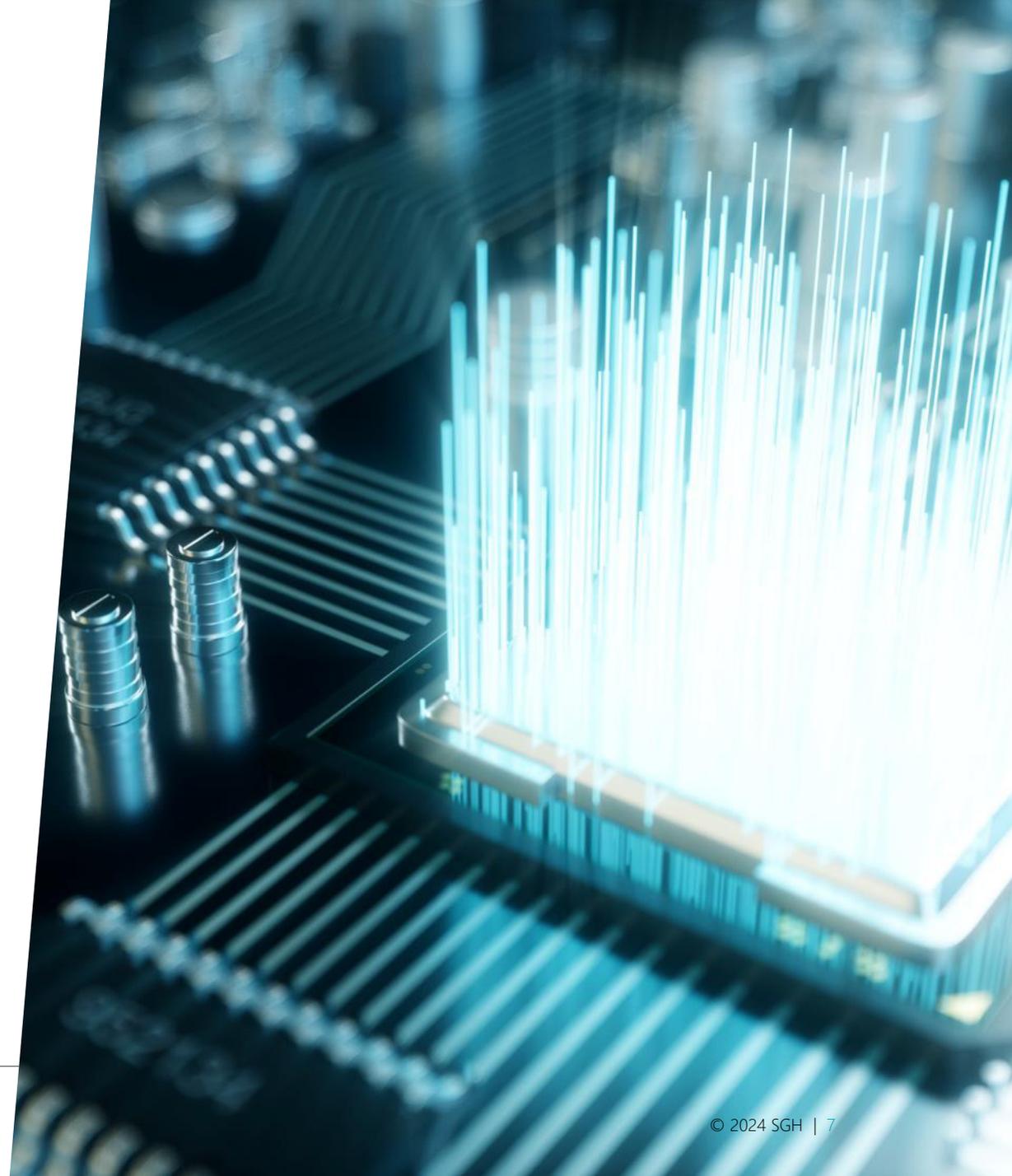


New Leadership

- Pete Manca joined as President of Intelligent Platform Solutions

Memory Solutions

- Revenue of \$83M; 29% of total SGH revenue
- Memory cycle showing signs of turning upwards
 - Pricing continuing to stabilize
 - Certain traditional enterprise customer inventories remain elevated
- Product portfolio evolving to meet customer needs
 - Actively engaged with customers leveraging CXL
 - Introduced Zefr™ ZDIMM Memory Modules with ultra-high reliability for demanding compute applications
 - Momentum increasing for DDR5 SODIMM products, bolstered by I-Temp and Zefr testing offerings





LED Solutions

- Revenue of \$60M, 21% of total SGH revenue
- Second fiscal quarter impacted by seasonality, as expected
- Cree LED remains a technology and brand leader
 - Robust portfolio of intellectual property
 - Launched the XLamp® XP-G4 High Intensity LEDs, which are optimized for indoor directional, aftermarket auto and portable applications
 - Introduced an extension to the XLamp® S product line, targeting the horticulture sector with products tailored for environments like greenhouses, where precision lighting can transform growth and yield



FINANCIAL REVIEW

Ken Rizvi, SVP and CFO

Non-GAAP Q2 FY24 Results

Key financial metrics
within or above midpoint
of guidance range

Q2 FY24 REVENUE

\$285M

Guidance: \$285M +/- \$25M

Q2 FY24 NON-GAAP GROSS MARGIN

31.5%

Guidance: 32.5% +/- 1%

Q2 FY24 NON-GAAP EPS

\$0.27

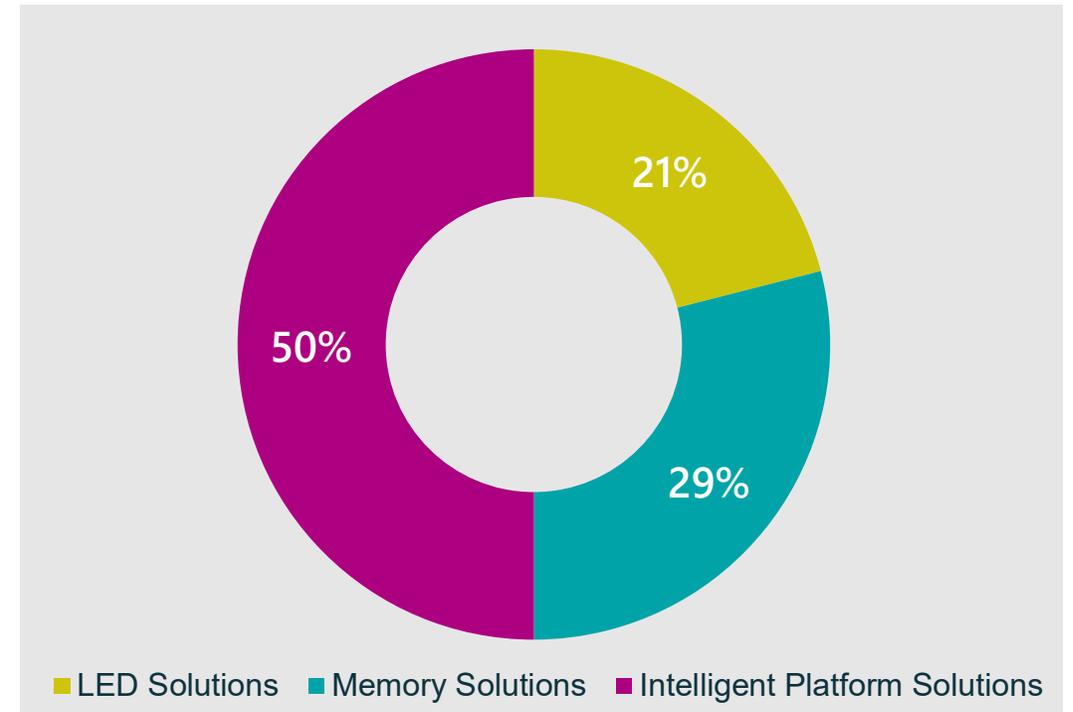
Guidance: \$0.25 +/- \$0.10

Q2 FY24 Revenue Detail

Revenue Breakdown – Total \$285M



Revenue Mix by Business



Q2 FY24 Non-GAAP Operating Results

(\$M)	Q2 FY24	Q1 FY24	Q2 FY23
Revenue	\$284.8	\$274.2	\$388.4
Intelligent Platform Solutions	\$141.4	\$118.8	\$222.5
Memory Solutions	\$83.3	\$85.7	\$110.3
LED Solutions	\$60.1	\$69.8	\$55.6
Non-GAAP Gross profit*	\$89.7	\$91.3	\$124.5
Non-GAAP Operating expenses*	\$63.2	\$64.6	\$68.7
Non-GAAP Net income*	\$14.1	\$12.5	\$43.2
Non-GAAP Diluted earnings per share*	\$0.27	\$0.24	\$0.87
Adjusted EBITDA*	\$33.4	\$34.3	\$65.1

Q2 FY24 Balance Sheet Highlights

Continuing Operations

Working Capital	Q1 FY24	Q2 FY24
Net Accounts Receivable	\$171M	\$170M
Days Sales Outstanding	44 days	41 days
Inventory	\$208M	\$173M
Inventory Turns	5.8X	6.8X

Cash Flow	Q1 FY24	Q2 FY24
Cash, Equivalents & ST investments (at period end)	\$553M	\$466M
CF from Operations	\$60M	\$(22)M
LTM CF from Operations	\$208.1M	\$108.4M
<i>Note: Q2 FY24 reflects the Stratus earn-out payment of \$50M and debt paydown of \$37M</i>		

Capital Expenditures	Q1 FY24	Q2 FY24
CapEx	\$4.6M	\$5.2M
Depreciation	\$7.5M	\$7.2M



OUR GUIDANCE

Q3 FY24 Guidance

	GAAP Outlook	Adjustments	Non-GAAP Outlook
Net Sales	\$300 million +/- \$25 million	—	\$300 million +/- \$25 million
Gross margin	29% +/- 1.5%	3% (A)	32% +/- 1.5%
Operating expenses	\$80 million +/- \$2 million	\$(14) million (B)(C)	\$66 million +/- \$2 million
Diluted earnings (loss) per share	\$(0.07) +/- \$0.15	\$0.37 (A)(B)(C)(D)	\$0.30 +/- \$0.15
Diluted shares	52.6 million	1.8 million	54.4 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) Other adjustments		1
(D) Estimated income tax effects		(2)
	\$	20

POWERING GROWTH.
EXPANDING POSSIBILITIES.



APPENDIX

GAAP to Non-GAAP Reconciliations

	Three Months Ended			Six Months Ended	
	March 1, 2024	December 1, 2023	February 24, 2023	March 1, 2024	February 24, 2023
<i>(dollars in thousands)</i>					
GAAP gross profit	\$ 81,934	\$ 82,850	\$ 111,008	\$ 164,784	\$ 223,106
Share-based compensation expense	1,691	1,815	1,308	3,506	2,950
Amortization of acquisition-related intangibles	5,894	5,944	6,615	11,838	13,081
Flow-through of inventory step up	—	—	—	—	2,599
Cost of sales-related restructure	216	668	5,552	884	5,552
Non-GAAP gross profit	<u>\$ 89,735</u>	<u>\$ 91,277</u>	<u>\$ 124,483</u>	<u>\$ 181,012</u>	<u>\$ 247,288</u>
GAAP gross margin	28.8 %	30.2 %	28.6 %	29.5 %	28.6 %
Effect of adjustments	2.7 %	3.1 %	3.5 %	2.9 %	3.1 %
Non-GAAP gross margin	<u>31.5 %</u>	<u>33.3 %</u>	<u>32.1 %</u>	<u>32.4 %</u>	<u>31.7 %</u>
GAAP operating expenses	\$ 85,246	\$ 81,545	\$ 113,085	\$ 166,791	\$ 210,336
Share-based compensation expense	(8,948)	(9,155)	(8,723)	(18,103)	(17,062)
Amortization of acquisition-related intangibles	(3,857)	(4,064)	(4,200)	(7,921)	(8,592)
Diligence, acquisition and integration expense	(5,885)	(789)	(2,824)	(6,674)	(9,556)
Impairment of goodwill	—	—	(17,558)	—	(17,558)
Change in fair value of contingent consideration	—	—	(6,400)	—	(10,100)
Restructure charge	(3,335)	(2,939)	(3,781)	(6,274)	(5,552)
Other	—	—	(900)	—	(1,800)
Non-GAAP operating expenses	<u>\$ 63,221</u>	<u>\$ 64,598</u>	<u>\$ 68,699</u>	<u>\$ 127,819</u>	<u>\$ 140,116</u>
GAAP operating income (loss)	\$ (3,312)	\$ 1,305	\$ (2,077)	\$ (2,007)	\$ 12,770
Share-based compensation expense	10,639	10,970	10,031	21,609	20,012
Amortization of acquisition-related intangibles	9,751	10,008	10,815	19,759	21,673
Flow-through of inventory step up	—	—	—	—	2,599
Cost of sales-related restructure	216	668	5,552	884	5,552
Diligence, acquisition and integration expense	5,885	789	2,824	6,674	9,556
Impairment of goodwill	—	—	17,558	—	17,558
Change in fair value of contingent consideration	—	—	6,400	—	10,100
Restructure charge	3,335	2,939	3,781	6,274	5,552
Other	—	—	900	—	1,800
Non-GAAP operating income	<u>\$ 26,514</u>	<u>\$ 26,679</u>	<u>\$ 55,784</u>	<u>\$ 53,193</u>	<u>\$ 107,172</u>
GAAP operating margin	(1.2)%	0.5 %	(0.5)%	(0.4)%	1.6 %
Effect of adjustments	10.5 %	9.2 %	14.9 %	9.9 %	12.1 %
Non-GAAP operating margin	<u>9.3 %</u>	<u>9.7 %</u>	<u>14.4 %</u>	<u>9.5 %</u>	<u>13.7 %</u>

GAAP to Non-GAAP Reconciliations

	Three Months Ended			Six Months Ended	
	March 1, 2024	December 1, 2023	February 24, 2023	March 1, 2024	February 24, 2023
<i>(dollars in thousands, except per share data)</i>					
GAAP net income (loss) attributable to SGH	\$ (13,620)	\$ (11,773)	\$ (33,396)	\$ (25,393)	\$ (37,335)
Share-based compensation expense	10,639	10,970	10,031	21,609	20,012
Amortization of acquisition-related intangibles	9,751	10,008	10,815	19,759	21,673
Flow-through of inventory step up	—	—	—	—	2,599
Cost of sales-related restructure	216	668	5,552	884	5,552
Diligence, acquisition and integration expense	5,885	789	2,824	6,674	9,556
Impairment of goodwill	—	—	17,558	—	17,558
Change in fair value of contingent consideration	—	—	6,400	—	10,100
Restructure charge	3,335	2,939	3,781	6,274	5,552
Amortization of debt discount and other costs	968	1,042	1,048	2,010	2,117
Loss (gain) on extinguishment or prepayment of debt	325	—	16,691	325	15,924
Foreign currency (gains) losses	182	(546)	165	(364)	(355)
Other	—	—	900	—	1,800
Income tax effects	(3,540)	(1,559)	811	(5,099)	5,791
Non-GAAP net income attributable to SGH	\$ 14,141	\$ 12,538	\$ 43,180	\$ 26,679	\$ 80,544
Weighted-average shares outstanding - Diluted:					
GAAP weighted-average shares outstanding	52,031	52,068	49,116	52,050	49,039
Adjustment for dilutive securities and capped calls	1,043	1,213	726	1,128	777
Non-GAAP weighted-average shares outstanding	53,074	53,281	49,842	53,178	49,816
Diluted earnings (loss) per share from continuing operations:					
GAAP diluted earnings (loss) per share	\$ (0.26)	\$ (0.23)	\$ (0.68)	\$ (0.49)	\$ (0.76)
Effect of adjustments	0.53	0.47	1.55	0.99	2.38
Non-GAAP diluted earnings per share	\$ 0.27	\$ 0.24	\$ 0.87	\$ 0.50	\$ 1.62

GAAP to Non-GAAP Reconciliations

	Three Months Ended			Six Months Ended	
	March 1, 2024	December 1, 2023	February 24, 2023	March 1, 2024	February 24, 2023
<i>(dollars in thousands)</i>					
Net income (loss) attributable to SGH	\$ (13,620)	\$ (11,773)	\$ (33,396)	\$ (25,393)	\$ (37,335)
Interest expense, net	7,249	9,559	9,430	16,808	17,924
Income tax provision (benefit)	2,198	3,534	8,149	5,732	19,471
Depreciation expense and amortization of intangible assets	17,156	17,654	17,199	34,810	34,248
Share-based compensation expense	10,639	10,970	10,031	21,609	20,012
Flow-through of inventory step up	—	—	—	—	2,599
Cost of sales-related restructure	216	668	5,552	884	5,552
Diligence, acquisition and integration expense	5,885	789	2,824	6,674	9,556
Impairment of goodwill	—	—	17,558	—	17,558
Change in fair value of contingent consideration	—	—	6,400	—	10,100
Restructure charge	3,335	2,939	3,781	6,274	5,552
Loss on extinguishment of debt	325	—	16,691	325	15,924
Other	—	—	900	—	1,800
Adjusted EBITDA	\$ 33,383	\$ 34,340	\$ 65,119	\$ 67,723	\$ 122,961

Convertible Dilution

Stock Price	Convertible Share Dilution	Capped Call	Net Share Dilution to SGH
\$18	—	—	—
\$19	—	—	—
\$20	—	—	—
\$21	163	(163)	—
\$22	627	(627)	—
\$23	1,121	(1,121)	—
\$24	1,574	(1,574)	—
\$25	1,991	(1,991)	—
\$26	2,376	(2,376)	—
\$27	2,732	(2,732)	—
\$28	3,062	(2,899)	163
\$29	3,370	(3,043)	327
\$30	3,658	(2,974)	684
\$31	3,926	(2,878)	1,048
\$32	4,178	(2,788)	1,390
\$33	4,415	(2,703)	1,712
\$34	4,638	(2,624)	2,014
\$35	4,848	(2,549)	2,299