



NEWS RELEASE

SGH Reports First Quarter Fiscal 2022 Financial Results

1/4/2022

Announces Two-for-One Share Split

7th Consecutive Quarter of Year-over-Year Revenue Growth

MILPITAS, Calif.--(BUSINESS WIRE)-- SMART Global Holdings, Inc. ("SGH" or the "Company") (NASDAQ: SGH) today reported financial results for the first quarter of fiscal 2022.

First Quarter Fiscal 2022 Highlights

- Net sales of \$470 million, up 61% versus the year ago quarter
- GAAP gross margin of 26.0%, up approximately 800 basis points versus the year ago quarter
- Non-GAAP gross margin of 27.0%, up approximately 850 basis points versus the year ago quarter
- GAAP EPS of \$0.73, up 813% versus the year ago quarter
- Non-GAAP EPS of \$2.16, up 177% versus the year ago quarter

"We continued our strong momentum into the first quarter of fiscal 2022, achieving record revenue and non-GAAP gross margins, while delivering non-GAAP earnings per share at the upper end of our EPS guidance range," said CEO Mark Adams.

The Company also announced a two-for-one share split in the form of a share dividend of one ordinary share for every one ordinary share owned. The share dividend will be paid on February 1, 2022, and the shares will begin trading on a post-split basis on February 2, 2022. Ordinary shares and per share data in this press release have not been adjusted for the impact of the share dividend.

"The two-for-one share split, which was approved by our board of directors, is a significant milestone for our Company and is intended to further improve our liquidity and broaden our shareholder base," noted Adams.

Quarterly Financial Results

| (in millions, except per share amounts) | GAAP (1) | | | Non-GAAP (2) | | |
|---|----------|----------|----------|--------------|----------|----------|
| | Q1 FY22 | Q4 FY21 | Q1 FY21 | Q1 FY22 | Q4 FY21 | Q1 FY21 |
| Net sales | \$ 469.9 | \$ 467.7 | \$ 291.7 | \$ 469.9 | \$ 467.7 | \$ 291.7 |
| Gross profit | 122.2 | 117.8 | 52.6 | 127.0 | 123.6 | 54.1 |
| Operating income | 34.8 | 31.7 | 7.6 | 69.2 | 66.6 | 23.7 |
| Net income attributable to SGH | 20.0 | 20.7 | 2.0 | 56.3 | 55.1 | 19.6 |
| Diluted earnings per share (3) | \$ 0.73 | \$ 0.78 | \$ 0.08 | \$ 2.16 | \$ 2.16 | \$ 0.78 |

(1) GAAP represents U.S. Generally Accepted Accounting Principles.

(2) Non-GAAP represents GAAP excluding the impact of certain activities. Further information regarding our use of non-GAAP measures and reconciliations between GAAP and non-GAAP measures is included within this press release.

(3) Diluted earnings per share amounts have not been adjusted for the impact of the share dividend.

Business Outlook

As of January 4, 2022, SGH is providing the following financial outlook for its second quarter of fiscal 2022:

| | GAAP Outlook | Adjustments | Non-GAAP Outlook |
|---|------------------------|------------------|------------------------|
| Net sales | \$415 to \$455 million | — | \$415 to \$455 million |
| Gross margin | 23% to 25% | 1% (A) | 24% to 26% |
| Diluted earnings per share (1) | \$0.70 ± \$0.15 | \$0.75 (A)(B)(C) | \$1.45 ± \$0.15 |
| Diluted shares (1) | 29 million | (1) million | 28 million |
| (1) Diluted earnings per share and diluted share amounts have not been adjusted for the impact of the share dividend. | | | |
| Non-GAAP adjustments: (in millions) | | | |
| (A) Share-based compensation and amortization of acquisition-related intangibles included in cost of sales | | | \$ 5 |
| (B) Share-based compensation and amortization of acquisition-related intangibles included in R&D and SG&A | | | 11 |
| (C) Amortization of convertible debt discount and other costs | | | 4 |
| | | | <u>\$ 20</u> |

First Quarter Fiscal 2022 Earnings Conference Call and Webcast Details

SGH will hold a conference call and webcast to discuss the Q1 fiscal 2022 results and related matters at 1:30 p.m. Pacific Time (4:30 p.m. Eastern Time) on Tuesday, January 4, 2022. Interested parties may access the call by dialing +1-888-550-5584 in the U.S. or +1-646-960-0157 from international locations using access code 2316162. The webcast link is located on the SGH Investor Relations section of our website at <https://sghcorp.com>. We will also post the presentation to our website prior to the call.

Shortly after the conclusion of the conference call, a replay of the audio webcast will be available on the SGH Investor Relations website for approximately seven days.

Use of Forward-Looking Statements

This press release contains, and statements made during the above-referenced conference call will contain, "forward-looking statements," including, among other things, statements regarding future events and the future financial performance of SGH (including the business outlook for the next fiscal quarter) and statements regarding growth drivers in SGH's industries and markets. These forward-looking statements are based on current expectations and preliminary assumptions that are subject to factors and uncertainties that could cause actual results to differ materially from those described in these forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and other factors, many of which are outside SGH's control, including, among others: global business and economic conditions and growth trends in technology and lighting industries, our customer markets and various geographic regions; uncertainties in the geopolitical environment; disruptions in our operations or our 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 our 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; reduction in or termination of incentives for local manufacturing in Brazil; changes to applicable tax regimes or rates; prices for the end products of our customers; strikes or labor disputes; deterioration in or loss of relations with any of our limited number of key vendors; the inability to maintain or expand government business; and other factors and risks detailed in SGH's filings with the U.S. Securities and Exchange Commission, which include SGH's most recent reports on Form 10-K and Form 10-Q, including SGH's future filings.

Such factors and risks as outlined above and in such filings do not constitute all factors and risks that could cause actual results of SGH to be materially different from our forward-looking statements. Accordingly, investors are cautioned not to place undue reliance on any forward-looking statements. These forward-looking statements are made as of today, and SGH does not intend, and has no obligation, to update or revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this press release, except as required by law.

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, 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, COVID-19 expenses, amortization of convertible debt discount and other costs and other infrequent or unusual items. 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, COVID-19 expenses 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 our financial results, as noted above. 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 Financial Measures" tables below.

About SMART Global Holdings – SGH

At SGH, our companies are united by a drive to raise the bar, execute with discipline and focus on what's next for the technologies that support and advance the world. Across computing, memory and LED lighting solutions, we build long-term strategic partnerships with our customers.

Backed by a proven leadership team, we operate with excellence around the globe while unlocking new avenues of growth for our business and industry.

Learn more about us at [SGHcorp.com](https://www.sghcorp.com).

SMART Global Holdings, Inc.
Consolidated Statements of Operations
(In thousands, except per share amounts)

| | Three months ended | | |
|--|-------------------------|--------------------|-------------------------|
| | November 26, 2021 | August 27, 2021 | November 27, 2020 |
| Net sales: | | | |
| Memory Solutions | \$ 239,401 | \$ 247,281 | \$ 225,823 |
| Intelligent Platform Solutions | 118,654 | 97,616 | 65,874 |
| LED Solutions | 111,889 | 122,812 | — |
| Total net sales | 469,944 | 467,709 | 291,697 |
| Cost of sales | 347,743 | 349,915 | 239,053 |
| Gross profit | 122,201 | 117,794 | 52,644 |
| Operating expenses: | | | |
| Research and development | 17,657 | 16,740 | 6,964 |
| Selling, general and administrative | 52,550 | 51,261 | 38,056 |
| Change in fair value of contingent consideration | 17,200 | 16,000 | — |
| Other operating (income) expense | — | 2,054 | — |
| Total operating expenses | 87,407 | 86,055 | 45,020 |
| Operating income | 34,794 | 31,739 | 7,624 |
| Non-operating (income) expense: | | | |
| Interest expense, net | 5,106 | 5,031 | 3,154 |
| Other non-operating (income) expense | 1,235 | (1,563) | (832) |
| Total non-operating (income) expense | 6,341 | 3,468 | 2,322 |
| Income before taxes | 28,453 | 28,271 | 5,302 |
| Income tax provision | 7,755 | 6,981 | 3,275 |
| Net income | 20,698 | 21,290 | 2,027 |
| Net income attributable to noncontrolling interest | 671 | 638 | — |
| Net income attributable to SGH | \$ 20,027 | \$ 20,652 | \$ 2,027 |
| Earnings per share: (1) | | | |
| Basic | \$ 0.82 | \$ 0.85 | \$ 0.08 |
| Diluted | \$ 0.73 | \$ 0.78 | \$ 0.08 |
| Shares used in per share calculations: (1) | | | |
| Basic | 24,506 | 24,302 | 24,561 |
| Diluted | 27,318 | 26,417 | 25,103 |

(1) Earnings per share and shares used in per share calculations have not been adjusted for the impact of the share dividend.

SMART Global Holdings, Inc.
Reconciliation of GAAP to Non-GAAP Measures
(In thousands, except per share amounts)

| | Three months ended | | |
|--|-------------------------|--------------------|-------------------------|
| | November 26, 2021 | August 27, 2021 | November 27, 2020 |
| GAAP gross profit | \$ 122,201 | \$ 117,794 | \$ 52,644 |
| Share-based compensation expense | 1,731 | 1,785 | 838 |
| Amortization of acquisition-related intangibles | 3,096 | 3,997 | 647 |
| Non-GAAP gross profit | \$ 127,028 | \$ 123,576 | \$ 54,129 |
| GAAP operating expenses | \$ 87,407 | \$ 86,055 | \$ 45,020 |
| Share-based compensation expense | (8,044) | (7,225) | (10,250) |
| Amortization of acquisition-related intangibles | (3,247) | (3,247) | (2,766) |
| Change in fair value of contingent consideration | (17,200) | (16,000) | — |
| Restructure charges | — | (2,054) | — |
| Other | (1,038) | (542) | (1,617) |
| Non-GAAP operating expenses | \$ 57,878 | \$ 56,987 | \$ 30,387 |
| GAAP operating income | \$ 34,794 | \$ 31,739 | \$ 7,624 |
| Share-based compensation expense | 9,775 | 9,010 | 11,088 |

| | | | |
|---|------------------|------------------|------------------|
| Amortization of acquisition-related intangibles | 6,343 | 7,244 | 3,413 |
| Change in fair value of contingent consideration | 17,200 | 16,000 | — |
| Restructure charges | — | 2,054 | — |
| Other | 1,038 | 542 | 1,617 |
| Non-GAAP operating income | \$ 69,150 | \$ 66,589 | \$ 23,742 |
| GAAP net income attributable to SGH | \$ 20,027 | \$ 20,652 | \$ 2,027 |
| Share-based compensation expense | 9,775 | 9,010 | 11,088 |
| Amortization of acquisition-related intangibles | 6,343 | 7,244 | 3,413 |
| Change in fair value of contingent consideration | 17,200 | 16,000 | — |
| Restructure charges | — | 2,054 | — |
| Amortization of convertible debt discount and other costs | 2,210 | 2,172 | 2,062 |
| Foreign currency (gains) losses | 1,467 | (477) | (642) |
| Other | 1,038 | (460) | 1,617 |
| Tax effects of non-GAAP adjustments | (1,752) | (1,057) | 64 |
| Non-GAAP net income attributable to SGH | \$ 56,308 | \$ 55,138 | \$ 19,629 |
| Weighted-average shares outstanding - Diluted: (1) | | | |
| GAAP weighted-average shares outstanding - Diluted | 27,318 | 26,417 | 25,103 |
| Adjustment for capped calls | (1,292) | (867) | — |
| Non-GAAP weighted-average shares outstanding - Diluted | 26,026 | 25,550 | 25,103 |
| Diluted earnings per share: (1) | | | |
| GAAP diluted earnings per share | \$ 0.73 | \$ 0.78 | \$ 0.08 |
| Effect of above adjustments | 1.43 | 1.38 | 0.70 |
| Non-GAAP diluted earnings per share | \$ 2.16 | \$ 2.16 | \$ 0.78 |

(1) Share data and diluted earnings per share have not been adjusted for the impact of the share dividend.

SMART Global Holdings, Inc.
Reconciliation of GAAP to Non-GAAP Measures
(In thousands)

| | Three months ended | | |
|--|--------------------|------------------|-------------------|
| | November 26, 2021 | August 27, 2021 | November 27, 2020 |
| Net income attributable to SGH | \$ 20,027 | \$ 20,652 | \$ 2,027 |
| Interest expense, net | 5,106 | 5,031 | 3,154 |
| Income tax provision | 7,755 | 6,981 | 3,275 |
| Depreciation expense and amortization of intangible assets | 15,813 | 16,642 | 8,367 |
| Share-based compensation expense | 9,775 | 9,010 | 11,088 |
| Change in fair value of contingent consideration | 17,200 | 16,000 | — |
| Restructure charges | — | 2,054 | — |
| Other | 1,038 | (460) | 1,617 |
| Adjusted EBITDA | \$ 76,714 | \$ 75,910 | \$ 29,528 |

SMART Global Holdings, Inc.
Consolidated Balance Sheets
(In thousands)

| As of | November 26, 2021 | August 27, 2021 |
|-------------------------------------|-------------------|-----------------|
| Assets | | |
| Cash and cash equivalents | \$ 233,050 | \$ 222,986 |
| Accounts receivable, net | 344,107 | 313,393 |
| Inventories | 317,851 | 363,601 |
| Other current assets | 48,829 | 50,838 |
| Total current assets | 943,837 | 950,818 |
| Property and equipment, net | 148,897 | 156,266 |
| Operating lease right-of-use assets | 37,723 | 40,869 |
| Intangible assets, net | 95,331 | 101,073 |

| | | | | |
|--|----|---------------------|----|---------------------|
| Goodwill | | 72,487 | | 74,255 |
| Other noncurrent assets | | 25,423 | | 21,517 |
| Total assets | | <u>\$ 1,323,698</u> | | <u>\$ 1,344,798</u> |
| Liabilities and Equity | | | | |
| Accounts payable and accrued expenses | \$ | 426,883 | \$ | 484,107 |
| Current debt | | 35,802 | | 25,354 |
| Other current liabilities | | 72,434 | | 74,337 |
| Total current liabilities | | 535,119 | | 583,798 |
| Long-term debt | | 341,150 | | 340,484 |
| Acquisition-related contingent consideration | | 77,700 | | 60,500 |
| Noncurrent operating lease liabilities | | 29,396 | | 32,419 |
| Other noncurrent liabilities | | 8,049 | | 8,673 |
| Total liabilities | | <u>991,414</u> | | <u>1,025,874</u> |
| Commitments and contingencies | | | | |
| SMART Global Holdings shareholders' equity: | | | | |
| Ordinary shares | | 784 | | 773 |
| Additional paid-in-capital | | 411,608 | | 396,851 |
| Retained earnings | | 204,814 | | 184,787 |
| Treasury shares | | (53,211) | | (50,545) |
| Accumulated other comprehensive income (loss) | | (241,055) | | (221,615) |
| Total SGH shareholders' equity | | 322,940 | | 310,251 |
| Noncontrolling interest in subsidiary | | 9,344 | | 8,673 |
| Total equity | | <u>332,284</u> | | <u>318,924</u> |
| Total liabilities and equity | \$ | <u>1,323,698</u> | \$ | <u>1,344,798</u> |

SMART Global Holdings, Inc.
Consolidated Statements of Cash Flows
(In thousands)

| | Three months ended | | |
|---|-------------------------|--------------------|-------------------------|
| | November 26, 2021 | August 27, 2021 | November 27, 2020 |
| Cash flows from operating activities: | | | |
| Net income | \$ 20,698 | \$ 21,290 | \$ 2,027 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation expense and amortization of intangible assets | 15,813 | 16,642 | 8,367 |
| Amortization of debt discounts and issuance costs | 2,332 | 2,295 | 2,116 |
| Share-based compensation expense | 9,775 | 9,010 | 11,088 |
| Change in fair value of contingent consideration | 17,200 | 16,000 | — |
| Amortization of operating lease right-of-use assets | 2,548 | 2,593 | 1,413 |
| Other | (192) | 342 | (14) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (36,053) | (35,985) | (1,930) |
| Inventories | 39,640 | (71,396) | 12,919 |
| Other current assets | (932) | (3,317) | (9,277) |
| Accounts payable and accrued expenses | (53,751) | 92,865 | 10,142 |
| Operating lease liabilities | (2,141) | (2,391) | (1,504) |
| Deferred income taxes, net | 209 | 76 | 222 |
| Net cash provided by operating activities | <u>15,146</u> | <u>48,024</u> | <u>35,569</u> |
| Cash flows from investing activities: | | | |
| Capital expenditures and deposits on equipment | (12,766) | (7,563) | (14,644) |
| Acquisition of business, net of cash acquired | — | (7,064) | — |
| Other | (611) | (1,143) | 16 |
| Net cash used for investing activities | <u>(13,377)</u> | <u>(15,770)</u> | <u>(14,628)</u> |
| Cash flows from financing activities: | | | |
| Proceeds from borrowing under line of credit | 60,000 | 50,000 | 19,500 |
| Proceeds from issuance of ordinary shares | 5,029 | 1,765 | 3,105 |
| Repayments of borrowings under line of credit | (50,000) | (50,000) | (19,500) |
| Payments to acquire ordinary shares | (2,666) | (212) | (3,483) |
| Net cash provided by (used for) financing activities | <u>12,363</u> | <u>1,553</u> | <u>(378)</u> |
| Effect of changes in currency exchange rates on cash and cash equivalents | (4,068) | 187 | (7,277) |
| Net increase in cash and cash equivalents | 10,064 | 33,994 | 13,286 |
| Cash and cash equivalents at beginning of period | 222,986 | 188,992 | 150,811 |
| Cash and cash equivalents at end of period | <u>\$ 233,050</u> | <u>\$ 222,986</u> | <u>\$ 164,097</u> |

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