

OCTOBER 1, 2020

*Q4 FY2020  
Financial Results Conference Call*



# Disclaimer

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## Non-GAAP Information

Certain non-GAAP financial measures are contained in this presentation or will be discussed on our conference call, including non-GAAP gross profit, non-GAAP operating income, Adjusted EBITDA, non-GAAP net income, and non-GAAP net income per diluted share. We define Adjusted EBITDA as GAAP net income (loss) plus net interest expense, income tax expense, depreciation and amortization expense, share-based compensation expense, loss on extinguishment of debt/revolver, capped call mark to market (MTM) adjustment, restructuring expenses, integration expenses, COVID-19 expenses, acquisition-related expenses and other infrequent or unusual items. Adjusted EBITDA is not a measure of financial performance calculated in accordance with U.S. GAAP and should be viewed as a supplement to, not a substitute for, our results of operations presented on the basis of U.S. GAAP. Adjusted EBITDA also does not purport to represent cash flow provided by, or used in, operating activities in accordance with U.S. GAAP and should not be used as a measure of liquidity.

The non-GAAP financial results presented herein exclude share-based compensation expense, intangible amortization expense, loss on extinguishment of debt/revolver, capped call MTM adjustment, convertible debt original issue discount (OID), restructuring expenses, integration expenses, COVID-19 expenses, acquisition-related expenses and other infrequent or unusual expenses, and with respect to non-GAAP diluted EPS, foreign currency gains (losses). These non-GAAP financial measures are provided to enhance the user's overall understanding of our financial performance. By excluding these charges, as well as any related tax effects, our non-GAAP results provide information to management and investors that is useful in assessing SMART's core operating performance and in evaluating and comparing our results of operations on a consistent basis from period to period. These non-GAAP financial measures are also used by management to evaluate financial results, to plan and forecast future periods, and to assess performance of certain executives for compensation purposes. The presentation of this additional information is not meant to be a substitute for the corresponding financial measures prepared in accordance with U.S. GAAP. In addition, these measures may not be used similarly by other companies and therefore may not be comparable between companies.

Investors are encouraged to review the "Reconciliation of Non-GAAP Financial Measures to GAAP Results" and "Reconciliation of GAAP Net Income (Loss) to Adjusted EBITDA" tables in the appendix for more detail on non-GAAP calculations.

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# Speakers



***Ajay Shah***

*Executive Chairman of the Board  
SMART Global Holdings*



***Mark Adams***

*President and CEO  
SMART Global Holdings*



***Jack Pacheco***

*COO and CFO  
SMART Global Holdings*

***Introduction***

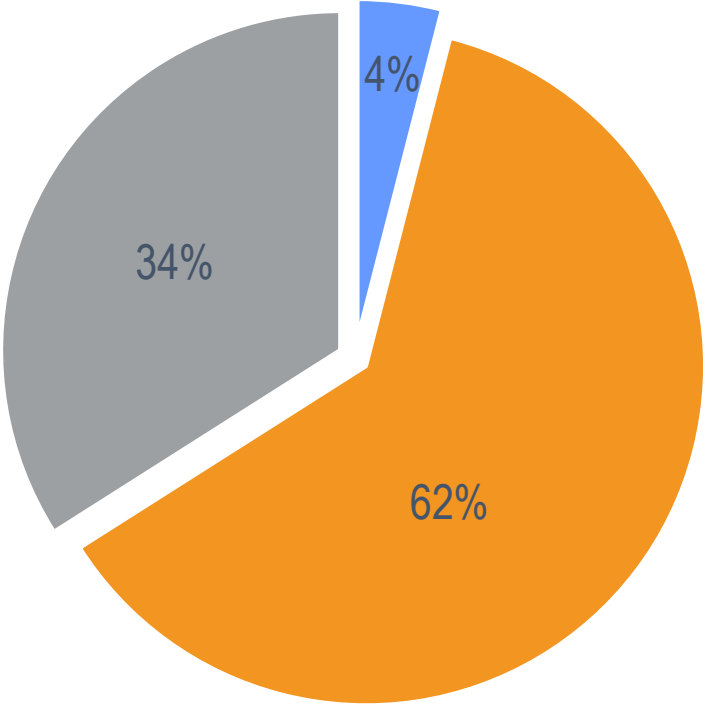
***Business Update***

***Financial Review  
and Guidance***

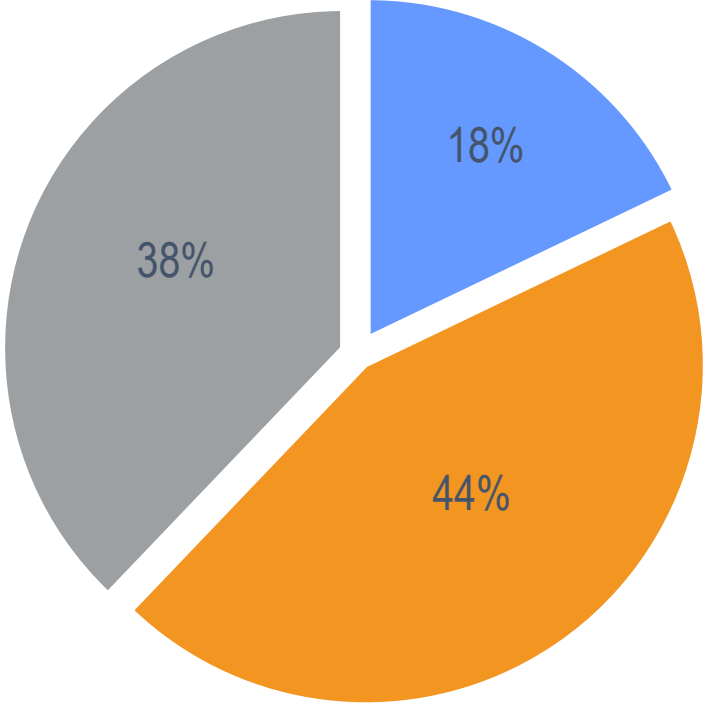
# SMART's Business Update

- ❖ *Strong finish to Fiscal 2020*
  - *Fiscal Q4 2020 net sales and non-GAAP EPS both exceeded expectations*
- ❖ *Executing on Strategy to Grow and Diversify Revenues*
  - *Entering Fiscal 2021 with a more balanced mix of revenue*
- ❖ *Positioned to Capitalize on LT Business Trends*
  - *Increasing need for High-Performance and Edge Computing driven by proliferation of AI, Machine Learning and advanced Data Analytics*
  - *Specialized memory technologies and a growing range of application specific requirements creating new opportunities*

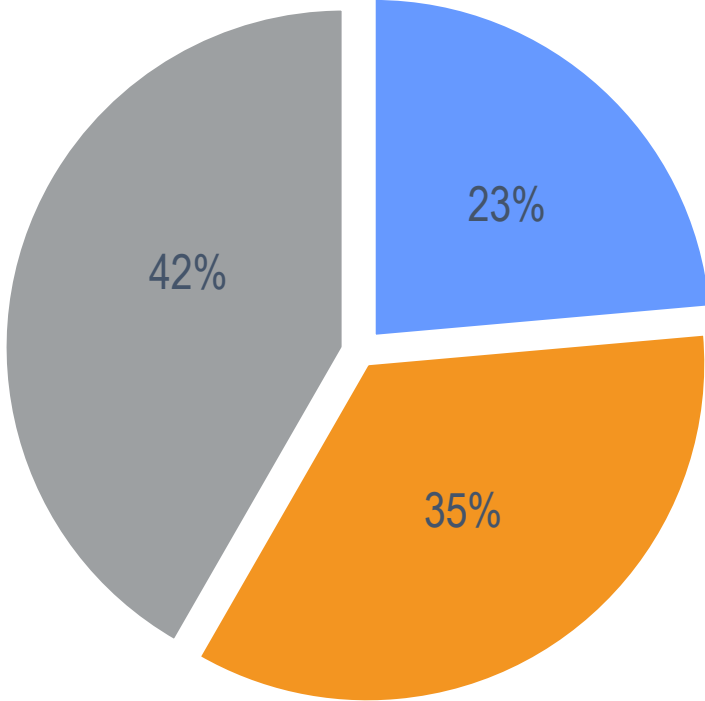
*FY 2020: A More Balanced Mix of Revenue*



FY 2018



FY 2019



FY 2020

■ Brazil    ■ Specialty Memory    ■ Specialty Compute & Storage

# Specialty Compute & Storage

- *Named HPC OEM Preferred Partner of the Year by NVIDIA based on continued growth of large AI system installations*
- *Together with AMD, announced the first petaflop of compute capacity using Penguin Computing's POD clusters and AMD's CPUs to further COVID-19 related research*
- *Recently awarded the largest single order in Penguin history for a HPC-GPU/CPU cluster*

# Specialty Memory

- *Design activity remains strong; New wins in Networking, Telecom and Consumer*
- *Announced new European sales team to broaden geographic reach*
- *Introduced Gen-Z development kit, moving up the stack to create higher-value solutions for our customers*

# Brazil

- *Mobile memory business continues to recover. Both average densities and unit sales increased in the quarter*
- *Qualified advanced new high density eMCP products with 11 high stacking enabling 64GB and 128GB densities*
- *Increasing focus on new growth opportunities such as IoT and SSDs*





# *CFO Financial Review*

*JACK PACHECO*

*COO and CFO*

*SMART Global Holdings*

## Q4 FY2020 Financial Highlights

\$297.0 M

*Net Sales*

*Up 5.6% vs. Q3 FY20*

\$20.4M

*Non-GAAP Net Income*

*Up 19.5% vs. Q3 FY20*

\$0.82

*Non-GAAP EPS*

*Up 17.1% vs. Q3 FY20*

\$150.8M

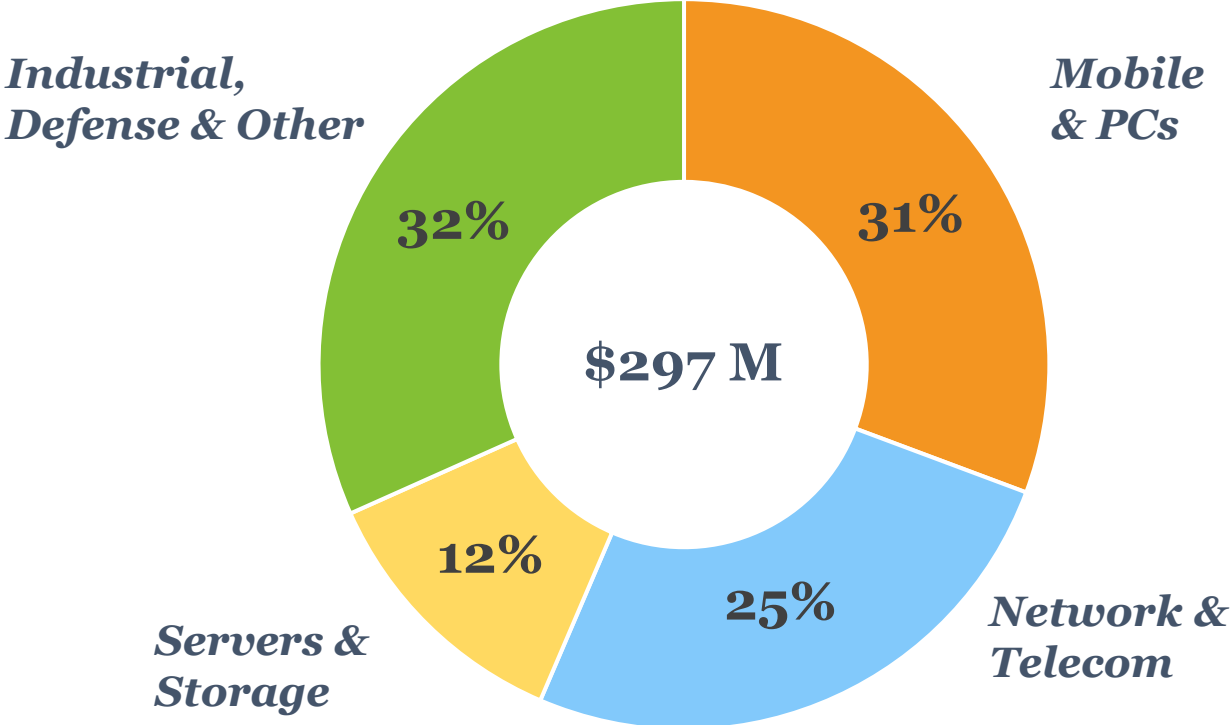
*Cash & Equivalents*

*Up 14% vs. Q3 FY20*

- *Net Sales driven by Specialty Compute & Storage and Brazil*
- *Strong growth in Non-GAAP Net Income and EPS due to financial leverage in business model*
- *Balance sheet remains strong; cash increased by \$20 million in the quarter to \$151 million*

*Positioned well to continue growth and diversification strategy in Fiscal 2021*

# Q4 FY2020 Net Sales by End Market



*Strength in Mobile & PCs, Industrial, Defense, and Networking and Telecom, more than offset weakness in Servers and Storage*

## Q4 FY2020 Income Statement Highlights – Non-GAAP

	Q4 FY19	Q3 FY20	Q4 FY20
Gross profit	\$53.4 M	\$55.9 M	\$57.8 M
<i>Gross margin</i>	19.2%	19.9%	19.5%
<i>Gross Margin - SCSS</i>	23%	24%	28%
<i>Gross Margin - Specialty Memory</i>	21%	16%	16%
<i>Gross Margin - Brazil</i>	14%	21%	19%
Operating expenses	\$35.4 M	\$35.5 M	\$29.4 M
Net income	\$11.9 M	\$17.1 M	\$20.4 M
Earnings per Share	\$0.50	\$0.70	\$0.82
Adjusted EBITDA	\$25.2 M	\$25.4 M	\$33.0 M
<i>Tax Rate</i>	14.6%	11.7%	25.2%

## Q4 FY2020 Balance Sheet Highlights

<b>Working Capital</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>
<i>Net Accounts Receivables</i>	<i>\$223.2 M</i>	<i>\$215.9 M</i>
<i>Day Sales Outstanding</i>	<i>45 days</i>	<i>45 days</i>
<i>Inventory</i>	<i>\$180.6 M</i>	<i>\$163.0 M</i>
<i>Inventory Turns</i>	<i>8.8X</i>	<i>9.4X</i>

<b>Cash Flow</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>
<i>Cash &amp; equivalents</i>	<i>\$131.8 M</i>	<i>\$150.8 M</i>
<i>CF from Operations</i>	<i>\$13.6 M</i>	<i>\$16.2 M</i>
<i>LTM CF from Operations</i>	<i>\$169.7 M</i>	<i>\$78.4 M</i>

<b>CapEx</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>
<i>CapEx</i>	<i>\$7.5 M</i>	<i>\$7.4 M</i>
<i>Depreciation</i>	<i>\$5.4 M</i>	<i>\$5.2 M</i>

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## Q1 FY2021 Guidance

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<i>Net Sales</i>	<i>\$280M to \$300M</i>
<i>Gross margin</i>	<i>18% to 19%</i>
<i>GAAP EPS*</i>	<i>\$0.28 +/- \$0.05</i>
<i>Non-GAAP EPS*</i>	<i>\$0.70 +/- \$0.05</i>
<i>Income tax provision</i>	<i>12% to 16%</i>
<i>Capital expenditures</i>	<i>\$10M to \$15M</i>

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*\*Based upon ~25 million diluted shares*

*Thank you*

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# *Appendix: Non-GAAP Reconciliations*

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	<b>Three Months Ended</b>		
	<b>August 28, 2020</b>	<b>May 29, 2020</b>	<b>August 30, 2019</b>
<b>Reconciliation of gross profit:</b>			
GAAP gross profit	\$ 56,337	\$ 54,233	\$ 52,292
<i>GAAP gross margin</i>	<i>19.0%</i>	<i>19.3%</i>	<i>18.8%</i>
Add: Share-based compensation included in cost of sales	861	699	682
Add: Intangible amortization included in cost of sales	647	647	436
Add: COVID-19 expenses	—	282	—
<b>Non-GAAP gross profit</b>	<b>\$ 57,845</b>	<b>\$ 55,861</b>	<b>\$ 53,410</b>
<i>Non-GAAP gross margin</i>	<i>19.5%</i>	<i>19.9%</i>	<i>19.2%</i>
<b>Reconciliation of operating expenses:</b>			
GAAP operating expenses	\$ 39,107	\$ 44,169	\$ 40,860
Less: Share-based compensation expense included in opex			
Research and development	763	780	687
Selling, general and administrative	1,582	3,428	4,194
Total	2,345	4,208	4,881
Less: Amortization of intangible assets included in opex			
Selling, general and administrative	2,767	2,767	2,165
Total	2,767	2,767	2,165
Less: Legal fees - term loan (payment holiday)	—	—	—
Less: Acquisition-related expenses	—	—	1,068
Less: Integration/Restructuring expenses	4,548	1,432	—
Less: COVID-19 expenses	—	228	—
Less: Contingent consideration fair value adjustment	—	—	(2,700)
<b>Non-GAAP operating expenses</b>	<b>\$ 29,447</b>	<b>\$ 35,534</b>	<b>\$ 35,446</b>

	<b>Three Months Ended</b>		
	<b>August 28, 2020</b>	<b>May 29, 2020</b>	<b>August 30, 2019</b>
<b>Reconciliation of net income (loss) and earnings per share (diluted):</b>			
<b>GAAP net income (loss)</b>	<b>\$ 7,527</b>	<b>\$ 825</b>	<b>\$ 5,625</b>
Adjustments to GAAP net income (loss):			
Share-based compensation	3,206	4,907	5,563
Amortization of intangible assets	3,414	3,414	2,601
Legal fees - term loan (payment holiday)	—	—	—
Acquisition related expenses	—	—	1,068
Integration/Restructuring expenses	4,548	1,432	—
COVID-19 expenses	—	510	—
Extinguishment of term loan/revolver	—	192	—
Capped call MTM adjustment	—	2,924	—
Convertible debt discount OID and fees	2,026	1,960	—
Gain on settlement of indemnity claim	(364)	—	—
Goodwill tax credit	(673)	484	—
Contingent consideration fair value adjustment	—	—	(2,700)
Foreign currency (gains)/losses	822	484	(332)
Tax effect of items excluded from non-GAAP results	(82)	(48)	33
<b>Non-GAAP net income</b>	<b>\$ 20,424</b>	<b>\$ 17,084</b>	<b>\$ 11,858</b>
Shares used in computing earnings per share (diluted)	24,839	24,431	23,825
<b>Non-GAAP earnings per share (diluted)</b>	<b>\$ 0.82</b>	<b>\$ 0.70</b>	<b>\$ 0.50</b>
GAAP earnings per share (diluted)	\$ 0.30	\$ 0.03	\$ 0.24

	<b>Three Months Ended</b>		
	<b>August 28, 2020</b>	<b>May 29, 2020</b>	<b>August 30, 2019</b>
<b>GAAP net income (loss)</b>	<b>\$ 7,527</b>	<b>\$ 825</b>	<b>\$ 5,625</b>
Share-based compensation expense	3,206	4,907	5,563
Amortization of intangible assets	3,414	3,414	2,601
Interest expense, net	3,265	3,094	4,567
Provision for income tax	6,139	2,700	2,059
Depreciation	5,219	5,405	6,452
Legal fees - term loan (payment holiday)	—	—	—
Acquisition-related expenses <sup>(1)</sup>	—	—	1,068
Integration/Restructuring expenses	4,548	1,432	—
COVID-19 expenses	—	510	—
Extinguishment of term loan/revolver	—	192	—
Capped call MTM adjustment	—	2,924	—
Gain on settlement of indemnity claim	(364)	—	—
Contingent consideration fair value adjustment <sup>(1)</sup>	—	—	(2,700)
<b>Adjusted EBITDA</b>	<b>\$ 32,954</b>	<b>\$ 25,403</b>	<b>\$ 25,235</b>

*(1) Amounts related to acquisitions of new businesses, SMART EC & Wireless (July 2019).*