



World Class – Flexible – Customer Focused

**Fiscal Second Quarter 2020 financial
results
NASDAQ:SMTX**

August 6, 2020

FORWARD-LOOKING STATEMENT

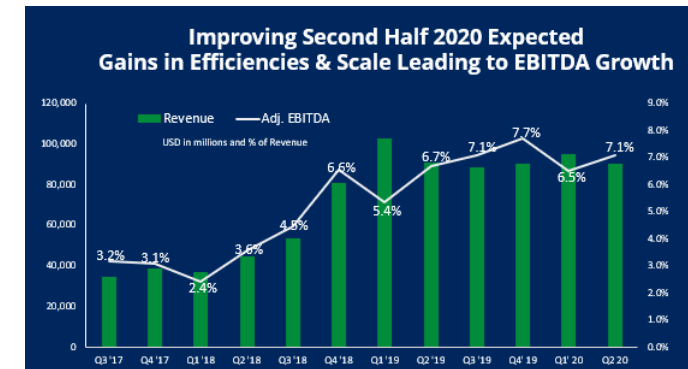
This presentation will include statements about expected future events and financial results that are forward-looking in nature and subject to risks and uncertainties. These forward-looking statements involve a number of risks, uncertainties or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. Discussion of the various factors that may affect future results is contained in the Company's annual report on Form 10-K, quarterly reports on form 10-Q, and subsequent reports on Form 8-K and other filings with the Securities and Exchange Commission. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

This presentation includes certain non-GAAP measures, including adjusted gross profit, adjusted net income, EBITDA and adjusted EBITDA. Please refer to the press release we issued yesterday for reconciliations between GAAP and adjusted results. Management believes that these Non-GAAP Financial Measures, when used in conjunction with GAAP financial measures, provide useful information to investors about operating results, enhance the overall understanding of past financial performance and future prospects, and allow for greater transparency with respect to the key metrics SMTC uses in its financial and operational decision making. The Company's management believes that adjusting for the additional temporary costs attributable to the COVID-19 pandemic allows for a better comparison of the Company's performance to prior periods, which is consistent with the Company's recent amendments to the financial covenants in its financing agreements. These Non-GAAP Financial Measures are used by management to manage and monitor SMTC's performance, and also frequently used by analysts, investors and other interested parties to evaluate companies in SMTC's industry. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, and should not be construed as an inference that SMTC's future results will be unaffected by any items adjusted for in these Non-GAAP Financial Measures.

CEO Introductory Remarks



Ed Smith
President & CEO



“Revenue for the second quarter was \$90.4 million, from \$90.9 million in the same quarter a year ago, and down 5% from the prior quarter and below our second quarter guidance of \$96 to \$99 million.”

“As we look ahead, we expect to again stay on track, as we did in Q2, for achieving our long-term model with gross margins ranging between 12% to 14% and our adjusted EBITDA in the range of 7% to 9% of revenues.”

“Our supply chain did an outstanding job working around availability and the logistics issues resulting from the COVID-19 pandemic to ensure we could meet our customers’ changing requirements.”

“By maintaining a strong and diverse customer base and carefully managing our expenses and business operations, we were able to generate improved bottom line...”

CEO Introductory Remarks



Ed Smith
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In \$1,000s except EPS	Long Term Target Model
Revenues	15-20% growth
Adj. Gross Margin Gross Margin	12%-14%
Adj. EBITDA	
Adj. EBITDA Margin	7%-9%
EPS	

“Barring any significant new impacts of the continuing COVID-19 pandemic on our business, we believe we are positioned for an improving financial performance in the second half of the year...”

“I am especially proud that SMTC and our employees continue to demonstrate a commitment to our local communities through donations and support, including much needed PPE equipment.”

“...the health and safety of our employees remains a top priority for SMTC as we continue to meet our customers’ requirements and ensure continuity of our supply chain with all of our facilities currently remaining open and operating in accordance with all applicable health and safety regulations.”

“...continue to expand SMTC’s market share and expand our sales funnel. Over the last three quarters, we saw strong traction securing in excess of \$130 million of new business, including \$26 million in the second quarter, primarily from new and existing customers in the Aerospace, Defense and Industrial IoT markets...”

CFO Review of Q2 2020



Steve Waszak
CFO & SVP M&A

KEY STATISTICS: (FOR THE RESPECTIVE QUARTER)

	June 28, 2020	Mar. 29, 2020
Cash-to-Cash Cycle	82 days	73 days
DSO	64 days	60 days
DPO	73 days	68 days
Inventory ²		
DIO	91 days	80 days
Inv Turns	4.0x	4.5x
Net Debt (at quarter end)		
Term Loans A/B and ABL Revolver	\$68.7 M	\$68.3 M
Finance & operating lease obligations	\$16.2M ¹	\$16.7M ¹
	\$84.6 M	\$83.6 M

\$s millions (except EPS)	Q2 2020	Q1 2020	Change	Q2 2019	Change
Revenue	\$90.4	\$95.1	(5.0%)	\$90.9	(0.6%)
GAAP					
Gross Profit	\$10.7	\$9.6	10.9%	\$9.0	18.8%
Gross Profit Percentage	11.8%	10.1%		9.9%	
Net Income (Loss)	\$1.0	\$0.8	23.2%	(\$2.5)	138.7%
EPS	\$0.03	\$0.03	0.0%	(\$0.10)	130.9%
Non-GAAP					
Adjusted Gross Profit	\$11.7	\$11.7	0.7%	\$10.8	8.3%
Adjusted Gross Profit Percentage	13.0%	12.3%		11.9%	
Adjusted Net Income	\$2.4	\$2.2	9.6%	\$1.1	115.9%
Adjusted EPS	\$0.08	\$0.08	3.6%	\$0.05	72.5%
Adjusted EBITDA	\$6.4	\$6.2	3.2%	\$6.1	5.5%
Adjusted EBITDA Percentage	7.1%	6.5%		6.7%	
Net Debt	\$84.6	\$83.6	1.2%	95.9	

¹Effective January 1, 2019, with the adoption of the new lease standard (ASC 842 – Leases), the Company recorded \$16.2 million of finance and operating lease obligations (as of June 28, 2020) which includes \$3.6 million for extension of the Company's Fremont, CA facility lease in Q1 2020.

²Increase in DIO-Inv Turns in Q2 2020 was attributable to shifting customer forecasts within the quarter that resulted in higher than anticipated inventory levels exiting Q2 2020.

Note: Adjusted Gross Profit, Adjusted Gross Profit Percentage, Adjusted Net Income, Adjusted Earnings Per Common Share (Adjusted EPS), EBITDA, Adjusted EBITDA, Adjusted EBITDA Percentage, and Net Debt (each as defined below) are non-GAAP measures. Please refer to the section below labeled "Non-GAAP Information" and the various reconciliations to the applicable most directly comparable GAAP measures shown below in the Company's press release dated Aug. 5, 2020.

CFO Review of Q2 2020



Steve Waszak
CFO & SVP M&A

“...we expect revenue to range between \$190 million to \$205 million and adjusted EBITDA to range between \$13.7 million and \$15.0 million for the second half of 2020.”

Guidance as of Aug. 5, 2020 and subject to change without notice.

“our financial priorities...are squarely centered on tight control over expenses, carefully managing our working capital and maintaining strong relationships with our partners to ensure financial...”

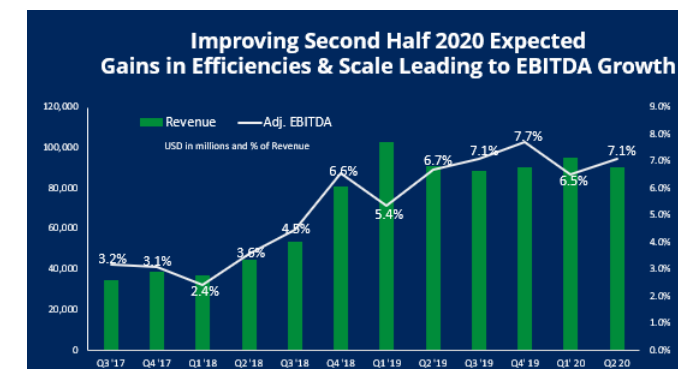
“Subject to our debt covenants, at the end of the quarter, we had \$30.9 million available under our asset-based lending credit facility. To provide increased covenant flexibility as we continue to navigate through the continuing COVID-19 pandemic, we have also amended our credit facilities.”

“...commencing in Q3 we implemented additional cost-cutting measures ...[and] remain focused on continuing to reduce our debt-to-EBITDA ratio.”

CEO Concluding Remarks before Q&A



Ed Smith
President & CEO



“...continuing to invest in these and other health and safety initiatives. In fact, we invested approximately \$1.2 million in Q2, and plan to incur a similar level of costs in the second half of 2020 to support those initiatives.”

“... the installation of equipment we shipped back from our factory in China...will enable us to support additional production at our North America facilities without the significant capital expenditures ...”

“...we added more than \$26 million in new...orders in Q2 from 4 new customers and 8 existing customers – bringing the total...to us over \$130 million over the past 3 quarters. I am gratified by the confidence & loyalty our customers have placed in us & pleased that our backlog remains strong as we enter the 2nd half of 2020.”

“...we instituted virtual onboarding for new customer programs...To keep the flow of new products...[we] successfully launched eight new product introductions, or NPI programs, in the second quarter.”

CFO Concluding Remarks before Q&A



Ed Smith
President & CEO

“...continue to grow our market share in key markets that play to our strengths, including Industrial IoT, the highly complex, regulated medical markets, and markets of customers supporting the defense and aerospace industry. These markets provide a stable and solid base to profitably grow our business in the second half of 2020 and beyond.”

<i>Revenue by Industry Sectors</i>	<i>Q2 2020</i>		<i>Q2 2019</i>		<i>Change</i>	
\$ millions	Dollars	Percent	Dollars	Percent	Dollars	Percent
Industrial IoT, Power & Clean Technology	\$38.3	42.4%	\$36.9	40.6%	\$1.4	3.8%
Test & Measurement	\$13.9	15.4%	\$12.1	13.3%	\$1.8	14.9%
Medical & Safety	\$10.2	11.3%	\$11.2	12.3%	(\$1.0)	(8.9%)
Avionics, Aerospace & Defense	\$9.2	10.2%	\$4.8	5.3%	\$4.4	91.7%
Semiconductors	\$7.1	7.9%	\$5.8	6.4%	\$1.3	22.4%
Retail & Payment Systems	\$6.7	7.4%	\$12.1	13.3%	(\$5.4)	(44.6%)
Telecom, Networking & Communications	\$5.0	5.5%	\$8.0	8.8%	(\$3.0)	(37.5%)
Total	\$90.4	100.0%	\$90.9	100.0%	(\$0.5)	(0.6%)

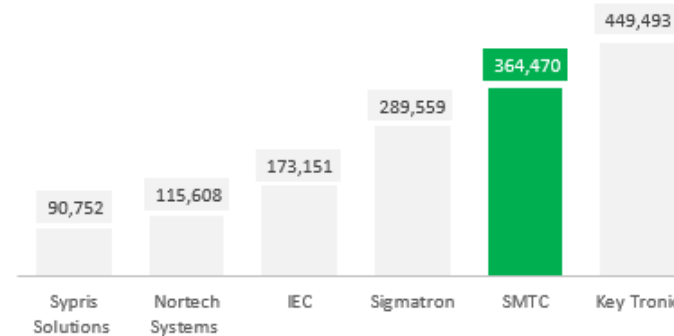
CFO Concluding Remarks before Q&A



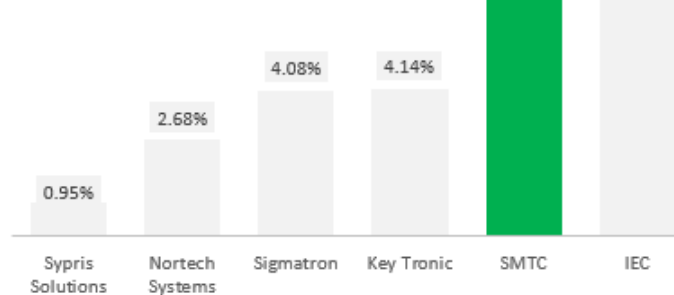
Ed Smith
President & CEO

“...to achieve and maintain our leadership position in terms of operational performance among our Tier III EMS peers, including revenue, gross margin, EBITDA margin and net margin percentage...[and] remain very customer-focused by providing superior service that will, together with operational excellence, ultimately reward our stockholders with enhanced shareholder value.”

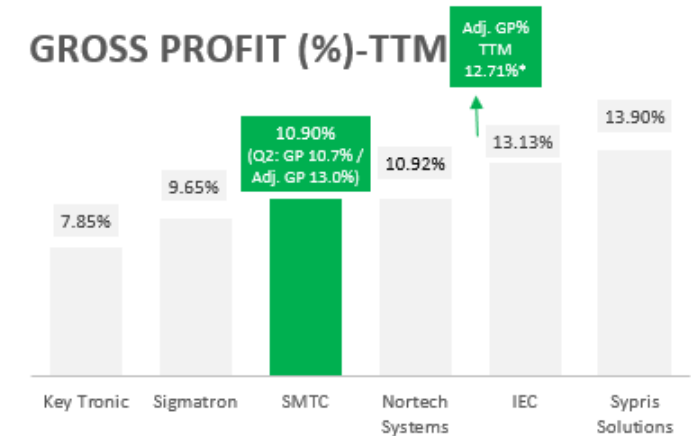
REVENUE (\$)-TTM



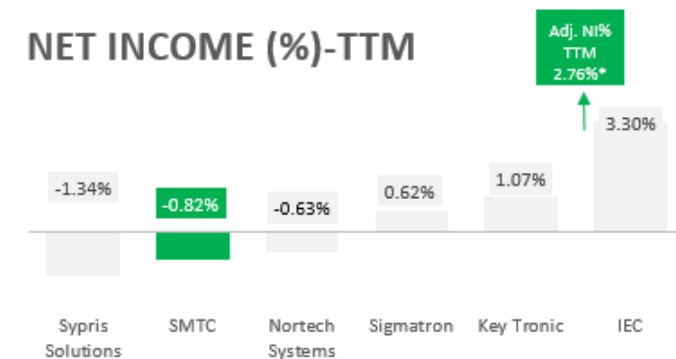
ADJ EBITDA (%) -TTM



GROSS PROFIT (%) -TTM



NET INCOME (%) -TTM



Appendix

TTM Adjusted EBITDA

	SMTC	IEC	Key Tronic	Nortech Systems	Sigmatron	Sypris Solutions
Revenue	364,470	173,151	449,493	115,608	289,559	90,752
Net income	(2,991)	5,717	4,803	(728)	1,787	(1,218)
Restructuring Disoperations	5,439	-	-	-	-	502
Other	971	-	-	-	-	-
Stock based comp	908	606	282	24	90	452
Adj net income	10,061					
Gross profit	39,742	22,741	35,266	12,620	27,942	12,614
SG&A	28,007	13,912	21,085	11,901	22,970	13,449
Depreciation/Amortization	12,364	3,129	5,774	2,218	6,581	2,600
Unrealized FX (gain)/loss	(459)		4,629	141		(2,375)
Int	8,972	1,748	2,665	1,022	2,086	913
Tax	651	1,364	442	425	1,268	(8)
Adj EBITDA	25,855	12,564	18,595	3,102	11,812	866

Adjusted EBITDA is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. SMTC believes that the presentation of non-GAAP measures when shown in conjunction with the corresponding GAAP measures, can provide useful information to investors and management regarding financial and business trends relating to its financial condition and its historical and projected results of operations. The comparison here is done on a consistent basis across these companies and is used by SMTC.

Adjusted EBITDA should be considered in addition to, and not as a substitute for, or superior to, operating income, cash flows, revenue, or other measures of financial performance prepared in accordance with GAAP. Adjusted EBITDA is not a completely representative measure of either the historical performance or, necessarily, the future potential of the combined entities. Non-GAAP financial measures should not be considered in isolation and should be viewed in addition to, and not as an alternative for, the company's reported results prepared in accordance with GAAP.



Thank you

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