SMTC
MANUFACTURING INNOVATORS

# Corporate Overview

Corporate Presentation
NASDAQ:SMTX

May 29, 2019

# FORWARD-LOOKING STATEMENT

This presentation contains forward-looking statements within the meaning of U.S. federal securities laws. These forward-looking statements include, but are not limited to, statements regarding our expectations, hopes, beliefs, intentions, plans, prospects or strategies regarding the future. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The forward-looking statements contained in this presentation are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. 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. 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.

# OVERVIEW

### Global mid-size provider of end-to-end EMS

- PCBA production
- Systems integration
- Comprehensive testing services
- Product design
- Vertical integration
- Enclosure fabrication
- Sustaining engineering
- Supply chain management services

### Leadership team making an impact

**Q1 2019 revenue up 177% Y/Y**
**Q1 Proforma revenue up 45.2% Y/Y[1]**

### Industry quality recognition

Global EMS Award for Product Quality[2]

North American EMS Growth Leadership Award[3]

Customer Value Leadership Award[4]

### Servicing product lifecycle

Support and maintenance from product development to end-of-life transitioning

# SMTC ACQUIRES MC ASSEMBLY ON NOV. 9, 2018 IN A TRANSFORMATIVE TRANSACTION

[1]Proforma assumes MC Assembly had been part of SMTC in Q1 2018 [2]Frost & Sullivan 2012 [3] Frost & Sullivan 2013 [4] Frost & Sullivan 2019 & 2016

# INVESTMENT HIGHLIGHTS

## What is Changing?

**2019 – priority of focus on acquisition synergies & operating efficiencies** expected to yield significant Adj. EBITDA gains vs. 2018

**Targeting to lower debt cost and enhance capital structure flexibility** through proposed equity offerings up to $15M as filed on 8-K in May, with Use-of-Proceeds to repay and refinance the Company's outstanding debt

**Leadership Team with Demonstrated Track Record** focused on delivering above peer market comps and premium shareholder value

- Expanding Customer Base with No Significant Concentration
- Focusing on the Most Attractive End Markets
- Strategically Placed Global Footprint Offers Best-of-Class Options to Customers
- Favorable Industry Trends Provide Backdrop for Strong Performance
- Free Cash Flow Generation with Attractive Deleveraging Profile
- Accretive and transformational MC Assembly acquisition

## 2019 Guidance*

**Revenue: $393 to $408M, up from Proforma** $345M in 2018**

**Adjusted EBITDA: $27M to $29M, up from Proforma** $18M in 2018**

*Guidance issued as of May 8, 2019 and subject to change without notice. **See slide 15.

# SMTC & MC Assembly Compelling Strategic Rationale

## Combination of Two Industry Leaders – Scale Matters!

- Combining SMTC and MC Assembly creates a powerful, diversified Low-to-Medium Volume, High Mix EMS provider with enhanced scale and new growth opportunities

## Enhanced End Market Diversification

- The combined company will benefit from an expanded presence in the growing and underpenetrated end-markets (including Aerospace & Defense, Industrial, and Medical)
- The acquisition will also strengthen the combined company's presence in the growing Industrial IoT market

## Stronger Customer Base with No Significant Customer Overlap or Customer Concentration

- The combined customer list is populated with a diversified breadth of industry-leading, top tier original equipment manufacturers (OEMs) across desirable end-markets

## Combination of Relative Strength

- With strong customer relationships and best-in-market supply chain capabilities, the current SMTC management team has demonstrated the ability to expand its customer base and increase revenue with Q1 2019 proforma year-over-year revenue up 45.2%. The company expects full-year revenue in 2019 to range from $393 to $408 million, up 14% to 18% from a proforma combined revenue recorded in 2018 by SMTC and MC Assembly

## Complementary Manufacturing Footprint

- Macro-economic trends and Trade/Tariff environment are driving meaningful growth to North American-oriented EMS providers
- The combined company provides customers with more than 50 manufacturing and assembly lines at strategically located facilities in the US and Mexico and existing capacity to support higher levels of revenue

## Cost Synergies

- Over $5 million of annualized synergies from purchasing and operational redundancies have been implemented in Q1 2019. The company is focused on identifying and implementing additional operational efficiencies in its pursuit of achieving best-in-class operating and financial metrics among its EMS peers

# SMTC & MC ASSEMBLY ONE PHILOSOPHY

## SMTC

**Founded in 1985**

**5** sites approx. **500,000 sq. ft.**

**1,100+** employees

**Global mid-size provider of end-to-end EMS**

MARKETS SERVED

Power
Telecom
Energy
Industrial
Aerospace
Networking
Retail
Medical
Defense
Communications
Clean Technology
Test & Measurement

BUSINESS PHILOSOPHY

## MC ASSEMBLY

**Founded in 1984**

**3** sites **277,000 sq. ft.**

**1,100+** employees

**World-class PCBA and box build manufacturing and test capabilities**

1. **Focus on strategic customer fit in our targeted markets & on customer requirements**
2. **Focus on quality, superior customer service, and customer flexibility**
3. **Focus on "smart" investments, lean manufacturing, capital equipment and systems that lowers our customers "Cost Of Quality" and provides operational excellence in manufacturing and supply chain management**

**World-class EMS – <u>Tier 1</u> supply chain, manufacturing, and test capabilities, but with <u>Tier 3</u> level flexibility and customer service / touch**

# SMTC PILLARS OF SUCCESS

## One Vision, One Mission, One SMTC.

**Achieving Top-Quartile Operating Metrics Among Peer EMS Companies**
**Acquisition of MC Assembly Creates Powerful Low-to-Medium Volume, High Mix EMS Provider**

**Relentless** Pursuit of **Profitable Growth** through **Customer** and **Employee** Excellence

**Above Market Returns for our Investors**

**Achieve Double Digit** Growth With Existing Through **New Programs**

**Increase Business** with Existing Customers Through **World Class Service**

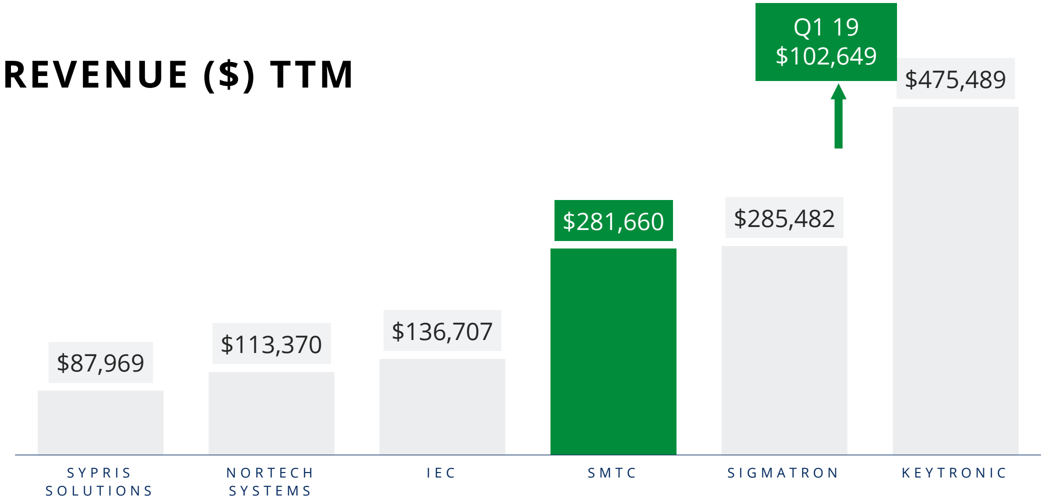
**Become Provider of Choice** And Win New Customers to **Accelerate Growth**

**Drive Value** via **M&A, Expand Mix** of Lines of Business and **Increase TAM** with Supply Chain Synergies to **Gain Scale**

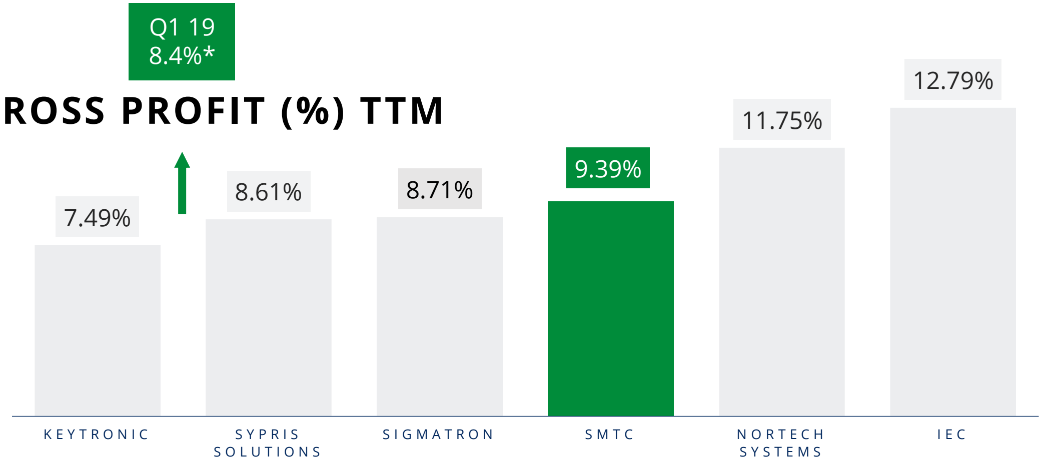
# PROGRESSION TO BE BEST-IN-CLASS

## PEER METRICS: SMTC TTM includes MC since acquisition on Nov. 9, 2018

### REVENUE ($) TTM

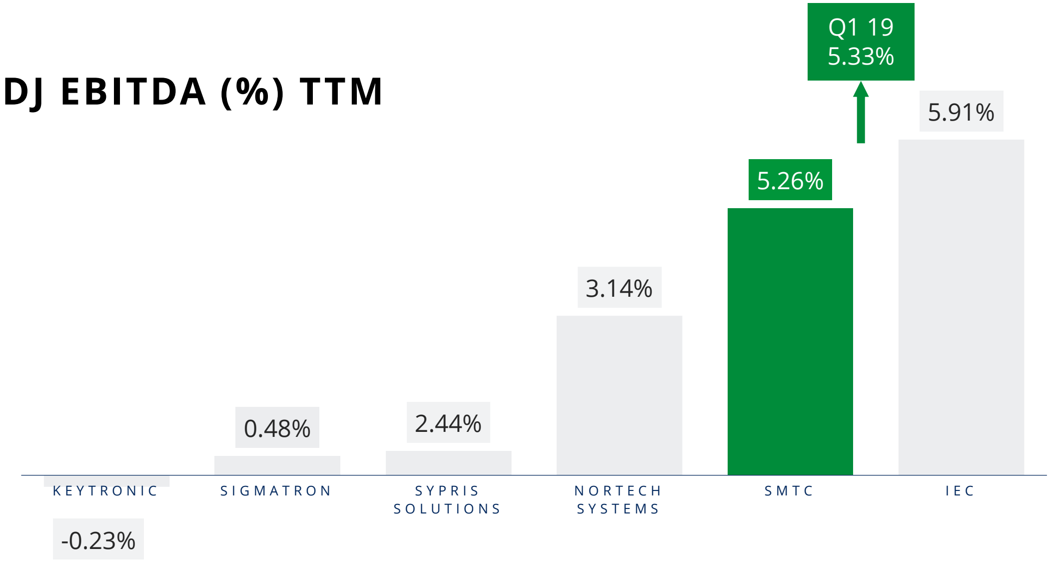



### GROSS PROFIT (%) TTM

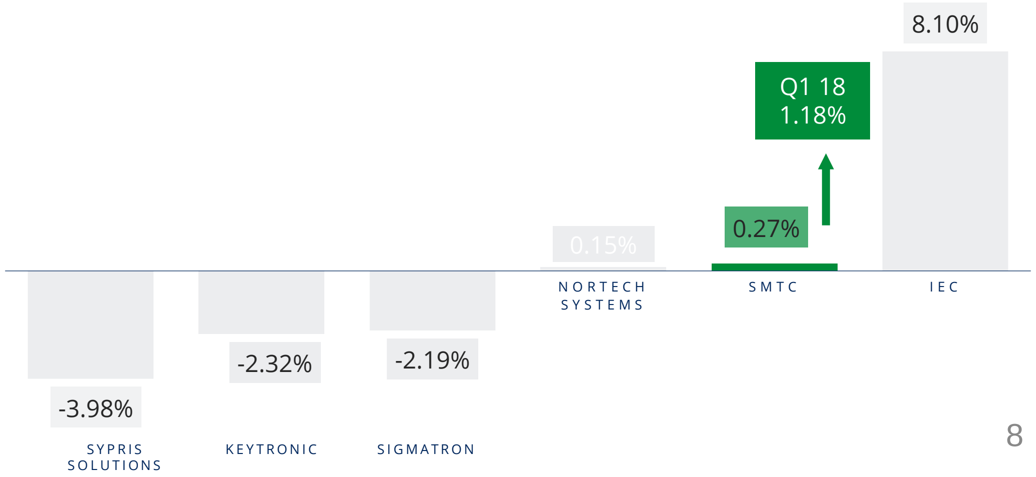



*Q1 2019 SMTC Gross Profit % excluding intangible amortization was 10.2% of revenues

### ADJ EBITDA (%) TTM




### NET INCOME (%) TTM



# DIFFERENTIATING LEADERSHIP TEAM

## Ed Smith

**President & CEO**

25+ years EMS, electronic components distribution industry experience

SMTEK increased from $0.35 to $15.23 at takeout under his stewardship

At AVNET led Americas component operations growing from $ 1.2 to $4.0B Started a global embedded business and grew to $2.2B in 7 years

## Rich Fitzgerald

**COO**

18+ years: electronics industry experience

## Steve Waszak

**CFO & SVP M&A**

20+ years finance, strategic M&A development experience

## Terry Wegman

**SVP Sales & Marketing**

30+ years sales and marketing experience

## Phil Wehrli

**SVP Global Planning & Supply Chain**

35+ supply chain management experience

# GLOBAL FOOTPRINT

## Common Copy, Exact Solutions

**Toronto, Canada**
**SMTC Corp.® Facility**
**Design & Engineering Center**
Technical Services Group (TSG)

**El Paso, USA**
**SMTC Corp.® Facility**
**Logistics Center**

**Fremont, USA HQ**
**SMTC Corp.® Facility**
**NPI Tech Center**
Connected to global production sites for quick-turn prototyping and new production launches

**Melbourne, FL USA**
**MC Assembly® Facility**
4 SMT Lines, Selective soldering & PTH auto insert, Sub-Assemblies, Box Build-BTO/CTO, Fulfillment and FRU Services, ICT, FCT, F. Probe, ESS, AOI, X-Ray, RoHS – lead free &Leaded Lines, RF assembly / test, PCBA through systems level test, Class II & III solder, Conformal Coating, ISO 9001:2008, ISO 13485:2016, AS9100C

**Billerica, MA USA**
**MC Assembly® Facility**
3 SMT Lines, Selective soldering & PTH auto insert, Sub-Assemblies, Box Build –BTO/CTO, Fulfillment and FRU Services, ICT, FCT, F. Probe AOI, X-Ray, ESS, RoHS – Lead-free & Leaded Lines, RF assembly / test, BGA Rework Services, Class II & III solder, Conformal coat & potting, ISO 9001:2008, ISO 13485:2003, AS9100C

**Hong Kong**
**Global Procurement**

**Phoenix, AZ USA**
**Supply Chain Center**
**& Executive Offices**

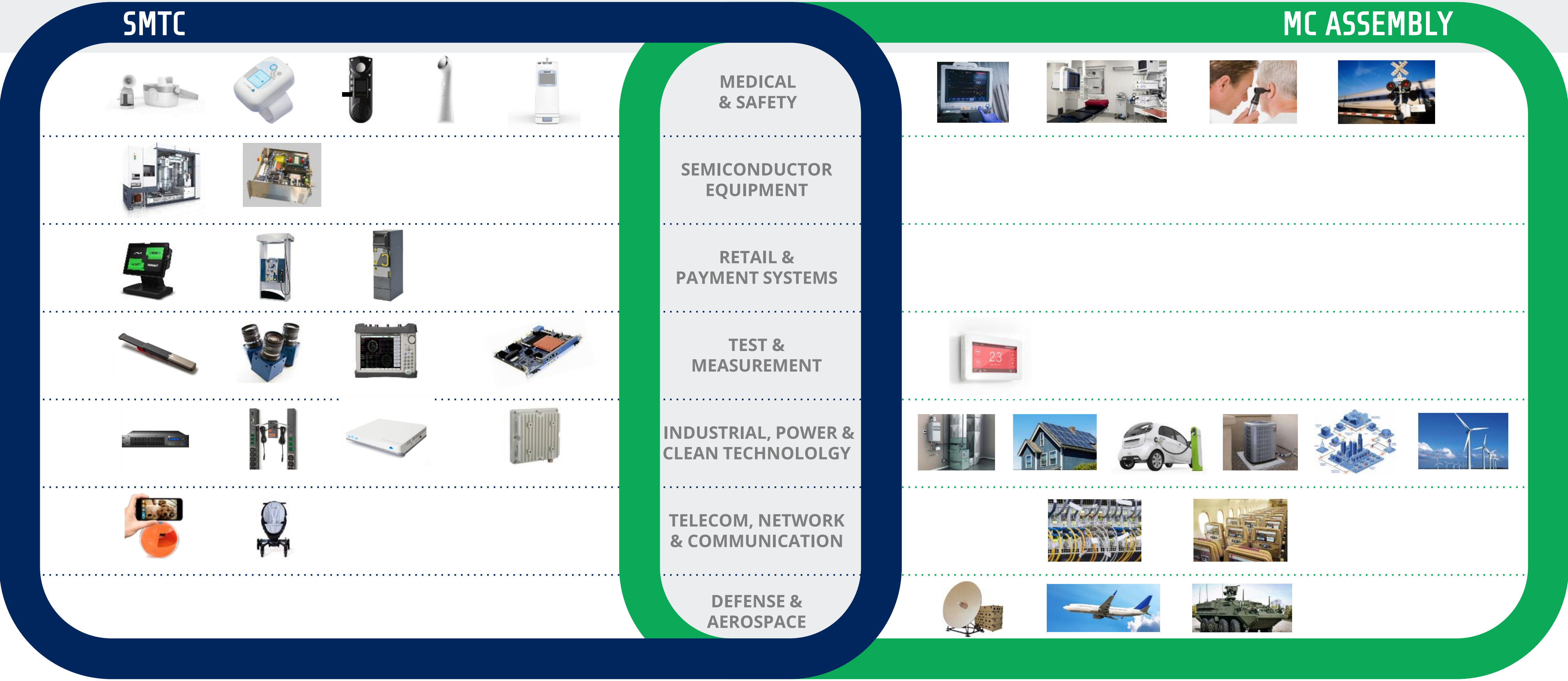
**Chihuahua, Mexico**
**SMTC Corp.® Facility**
**Manufacturing & Repair Facilities**
7.5 acre campus, in-house metal fabrication, cable & harness assembly for high quality services in an efficient, cost effective site

**Zacatecas, Mexico**
**MC Assembly® Facility**
6 SMT Lines, Selective soldering & PTH auto insert, Sub-Assemblies, Box Build-BTO/CTO, Fulfillment and FRU Services, ICT, FCT, AOI, X-Ray, RoHS – lead free & Leaded Lines, RF assembly / test, PCBA through systems level test, Class II & III solder, Conformal Coating, NAFTA Compliant – LCR Labor Center, ISO 9001:2015, ISO 13485:2003, IATF 16949

**Dongguan, China**
**SMTC Corp.® Facility**
**Manufacturing & Repair Facilities**
4 story facility, providing world class engineering, printed circuit board assembly and integration for finished devices globally

**More than 50 manufacturing and assembly lines at strategically located facilities providing local support and expanded manufacturing capabilities globally for best-in-class cost opportunities**

# MARKETS WE SERVE



# MARKETS WE SERVE

| *Industry Sectors* | *Q1 2019* | | *2018* | | *2017* | |
|---|---|---|---|---|---|---|
| $ in millions | Dollars | Percent | Dollars | Percent | Dollars | Percent |
| Medical & Safety | $12.5 | 12.2% | $31.4 | 14.5% | $18.8 | 13.5% |
| Semiconductor Equipment | $7.3 | 7.1% | $26.5 | 12.3% | $21.5 | 15.4% |
| Retail & Payment Systems | $12.9 | 12.6% | $41.6 | 19.3% | $33.7 | 24.2% |
| Test & Measurement | $32.5 | 31.7% | $45.8 | 21.2% | $26.3 | 18.9% |
| Industrial, Power & Clean Technology | $19.6 | 19.1% | $28.3 | 13.1% | $13.7 | 9.9% |
| Telecom, Network & Communications | $10.8 | 10.5% | $37.4 | 17.3% | $25.2 | 18.1% |
| Aerospace & Defense | $7.0 | 6.8% | $5.1 | 2.3% | NM | NM |
| Total | $102.6 | 100.0% | $216.1 | 100.0% | $139.2 | 100.0% |

# SHARED MANUFACTURING DISCIPLINE

## Both Companies Committed to Operational Excellence

ITAR Registered

FDA REGISTERED

REGISTERED ISO 13485

AS9100

ISO 9001:2015 CERTIFIED

STANDARD APPROACH TO ZERO DEFECTS

Custom Made Materials / Raw Materials / Automated/Visual / Manufacturing/QA / Quality Auditors

Qualification Audits

Pre-Production Inspection

In-Process Inspection

**EARLY DETECTION**

Supplier Quality Management

In-Process Verification

Final Outgoing Inspection

**VERIFICATION**

**Frost & Sullivan Awards Winners** Product Quality, Growth Leadership & Customer Value Leadership Awards

### GENERAL CERTIFICATIONS / STANDARDS

All sites:
ISO 9001:2015
ISO 134885

ISO 14001
FDA Registration

Fremont:
AS9100
ITAR Registration

ISO 9001
ISO 13485
AS9100

IATF 16949 (MX Facility Q1 2018)
FAA: PMA Certified
cGMP Compliant
IPC 610 Class 2 & 3 soldering
ITAR Registration

FDA Registration
TRAC: 4144-7785-7736
Cage Code: 4X3Y1
Apple ® Authorized
Mfi Manufacturing License 6.0

# FINANCIAL SUMMARY

## SMTC KEY STATISTICS

| | |
|---|---|
| Stock Price as of 5/6/19 | $3.81 |
| Market Cap as of 3/31/19 | $93.2 M |
| Ticker / Exchange | SMTX / Nasdaq |

## SMTC CAPITALIZATION

| | |
|---|---|
| Basic Shares as of 3/31/19 | 23.2 M |
| Diluted Shares as of 3/31/19 | 24.5 M |
| Net Debt as of 3/31/19[1] | |
| Term Loans A/B and ABL Revolver | $ 79.4 M |
| Finance and operating lease obligations | $16.5 M |
| | $95.9 M |

| In $1,000s except EPS | Long Term Target Model | Q1 2019 | As Reported Q1 2018 | Proforma[2] Q1 2018 | FY 2018 | FY 2017 |
|---|---|---|---|---|---|---|
| Revenues | 15-20% growth[3] | 102.6 | 37.2 | 70.7 | 216.1 | 139.2 |
| Gross Margin | *12%-14%* | 8.4% | 10.3% | 10.9% | 10.0% | 7.8% |
| Adj EBITDA | | 5.5 | 0.9 | 2.5 | 10.3 | (1.5) |
| Adj EBITDA Margin | 5%-10% | 5.3% | 2.4% | 3.6% | 4.7% | NM |
| EPS | | 0.05 | 0.00 | 0.14 | (0.02) | (0.48) |

[1]Net of $1.6 M of cash
[2]Proforma assuming MC Assembly had been part of SMTC in the first quarter of 2018
[3]Target 50%+ of incremental Manufacturing Value Add dollars contributes to Gross Profit

# INCOME STATEMENT (unaudited)

| Expressed in thousands of USD, except number of shares and per share (amounts) | Three Months Ended March 31, 2019 | Three Months Ended April 1, 2018 | Three Months Ended Dec. 30, 2018 |
|---|---|---|---|
| Revenue | $102,649 | $37,120 | $ 80,855 |
| Cost of Sales | 94,025 | 33,270 | 72,564 |
| Gross Profit | 8,624 | 3,850 | 8,291 |
| Selling, general and administrative expenses | 6,698 | 3,509 | 7,335[1] |
| Gain on Contingent Consideration | (3,050) | - | |
| (Gain) loss on sale of property, plant and equipment | | | (33) |
| Restructuring charges | 624 | - | 18 |
| Operating earnings (loss) | 4,352 | 341 | 971 |
| Interest expense | 2,870 | 307 | 1,922 |
| Earnings (loss) before income taxes | 1.482 | 34 | (951) |
| Income tax expense (recovery) | | | |
| Current | 279 | 110 | 156 |
| Deferred | (8) | (84) | 116 |
| | 271 | 26 | 272 |
| **Net income (loss) and comprehensive income (loss)** | 1,211 | 8 | $ (1,223) |
| Basic earnings (loss) per share | 0.05 | 0.00 | (0.05) |
| Diluted earnings (loss) per share | 0.05 | 0.00 | (0.05) |
| Weighted average number of shares outstanding | | | |
| Basic | 23,248,918 | 17,041,504 | 23,105,597 |
| Diluted | 24,465,435 | 17,523,890 | 23,105,597 |

[1]$7,335 includes $1,676 of Merger & Acquisition costs.

# Proforma 2018 vs. 2019 Guidance
# INCOME STATEMENT

## Unaudited historical financial information
## ($s in thousands)

| | 12 months ended December 30, 2018 MC Assembly | 12 months ended December 30, 2018 SMTC | 12 months ended December 30, 2018 | Midpoint of Guidance* 12 months ended December 29, 2019 |
|---|---|---|---|---|
| Revenue | $ 150,227 | $ 194,967 | $ 345,194 | $ 400,500 |
| Net income (loss) | $ (2,856) | $ (8,188) | $ (11,044) | $ 317 |
| Add (deduct): | | | | |
| Depreciation of property, plant and equipment | 3,879 | 3,305 | 7,184 | 7,344 |
| Amortization of Intangible assets | - | 7,375 | 7,375 | 7,376 |
| Interest | 7,164 | 2,994 | 10,158 | 10,597 |
| Income tax expense | 312 | 619 | 931 | 1,179 |
| EBITDA | 8,499 | 6,105 | $ 14,604 | $ 26,813 |
| Add (deduct): | | | | |
| Stock compensation expense | - | 407 | 407 | 500 |
| Stock compensation expense - warrant revaluation | - | 111 | 111 | - |
| Restructuring charges | 253 | 172 | 425 | 624 |
| Impairment charges | - | - | 0 | - |
| Management fees other professional services | 1,258 | - | 1,258 | - |
| Merger and acquisitions related expenses | - | 1,676 | 1,676 | 91 |
| Unrealized foreign exchange loss (gain) on unsettled forward exchange contracts | - 38 | (353) | (391) | - |
| Adjusted EBITDA | 9,972 | 8,118 | 18,090 | 28,028 |

*Midpoint of guidance issued as of May 8, 2019 and subject to change without notice.

NOTE: Information to the left relating to SMTC and MC Assembly Holdings, Inc. has been extracted without material adjustment from the underlying schedules used in preparing SMTC's and MC Assembly Holdings, Inc.'s financial statements, excluding the impact, if any, of any purchase price accounting adjustments, for the twelve months ended December 30, 2018.

EBITDA is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP; accordingly, EBITDA may not be comparable to similar measures presented by other companies. 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. EBITDA is not a completely representative measure of either the historical performance or, necessarily, the future potential of the combined entities. These 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. Additionally, the company's non-GAAP financial information may not be comparable to similarly titled measures reported by other companies.

# BALANCE SHEET HIGHLIGHTS

| (in thousands) | March 31, 2019 | Dec. 30, 2018 |
|---|---|---|
| Current Assets | $ 155,432 | $153,918 |
| Property Plant & Equipment, net | 27,213 | 28,160 |
| Other Long Term | 42,182 | 39,148 |
| Total Assets | $ $224,827 | $221,226 |
| | | |
| Current Liabilities[1] | $ 122,334 | $122,939 |
| Long term Debt | 55,963 | 56,039 |
| Other Long term liabilities[1] | 132,930 | 9,947 |
| Stockholders' equity | 33,600 | 32,301 |
| Liabilities and stockholders' equity | $ $224,827 | $221,226 |

[1]Effective January 1, 2019, with the adoption of the new lease standard (ASC 842 – Leases), the Company recorded $5.4 million of operating lease obligations of which $2.1 million is included in current liabilities and $3.3 million is included in other long-term liabilities as at March 31, 2019.

**KEY STATISTICS:**

| | Mar. 31, 2019 | Dec. 30, 2018 |
|---|---|---|
| Cash-to-Cash Cycle | 66 days | 67 days |
| DSO | 58 days | 65 days |
| DPO | 73 days | 79 days |
| Inv Turns | 4.5x | 4.4x |
| Net Debt | | |
| Term Loans A/B and ABL Revolver | $79.4 M | $80.8 M |
| Finance & operating lease obligations | $16.5 M | $11.5 M |
| | $95.9M | $92.3M |

# CREATING A STRONGER COMPANY

## SMTC x MC Assembly® – World Class – Flexible – Customer Focused

**Two customer-driven, full-service, leading turnkey EMS companies**

Together MC Assembly and SMTC can provide greater scales, flexibility, and additional cost-effective capacity for customers in an industry where that matters

**Both firms dedicated to operational and supply chain excellence**

Multiple complementary facilities and a global reach that will stay in operation with existing capacity to support higher levels of customer demand

**Shared vision forms one strong customer-driven management team**

Two experienced electronics leadership teams leading an innovative and lean manufacturing culture that is dedicated to operational excellence

# Thank you

**Investor Contact**

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