



# Corporate Overview

Corporate Presentation  
NASDAQ:SMTX

December 4, 2018

# 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



## New leadership team making an impact

**Year over Year Revenue**  
**Q3 2018 Up 56% & YTD Up 34.5**  
**Before Acquisition on MC Assembly**



## Industry quality recognition

Global EMS Award for Product Quality<sup>1</sup>  
 North American EMS Growth Leadership Award<sup>2</sup>  
 Customer Value Leadership Award<sup>3</sup>



## Servicing product lifecycle

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



# SMTc ACQUIRES MC ASSEMBLY IN A TRANSFORMATIVE TRANSACTION

<sup>1</sup> Frost & Sullivan 2012 <sup>2</sup> Frost & Sullivan 2013 <sup>3</sup> Frost & Sullivan 2016

# 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**

# 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 year-over-year revenue up 56% in the most recently completed third quarter and up 34.5% for the first nine-months of 2018

## 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

- Management teams of both companies have worked collaboratively to identify \$6 million+ of annual cost reduction opportunities from purchasing and operational advantages and corporate and shared services redundancies that the combined company expects to implement during 2019 at a non-recurring cost of approximately \$3 million

# SMTC & MC ASSEMBLY ONE PHILOSOPHY

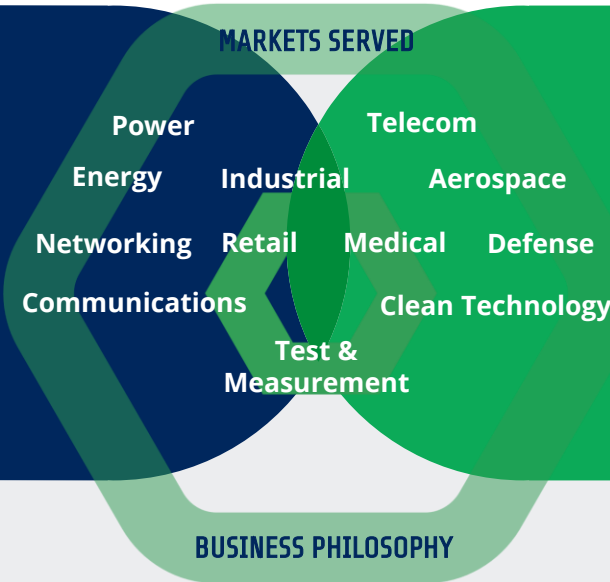
## SMTC

Founded in 1985

5 sites approx. 500,000 sq. ft.

1,100+ employees

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



## 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

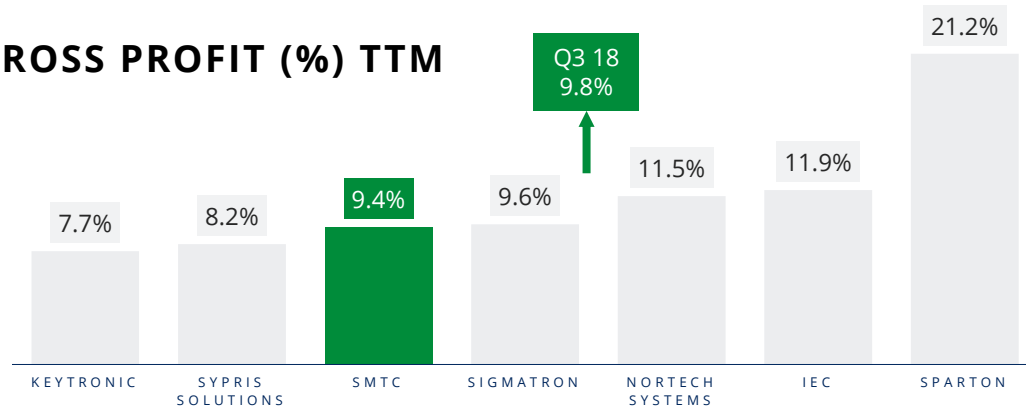
**3** Focus on “smart” investments, lean manufacturing, capital equipment and systems that lowers our customers “Cost Of Quality” and provides operational excellence in manufacturing and supply chain management

**World-class EMS – Tier 1 manufacturing, test and supply chain capabilities**

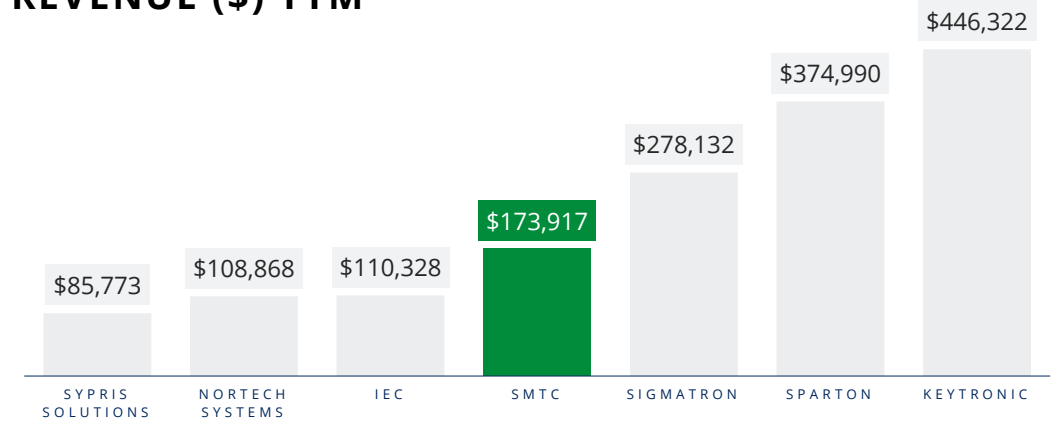
# PROGRESSION TO BE BEST-IN-CLASS

## PEER METRICS Before Accretive MC Assembly Acquisition

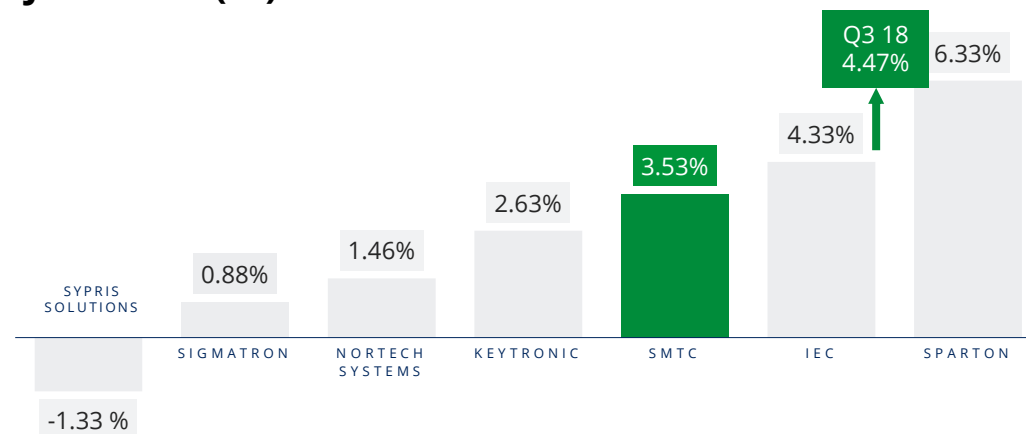
### GROSS PROFIT (%) TTM



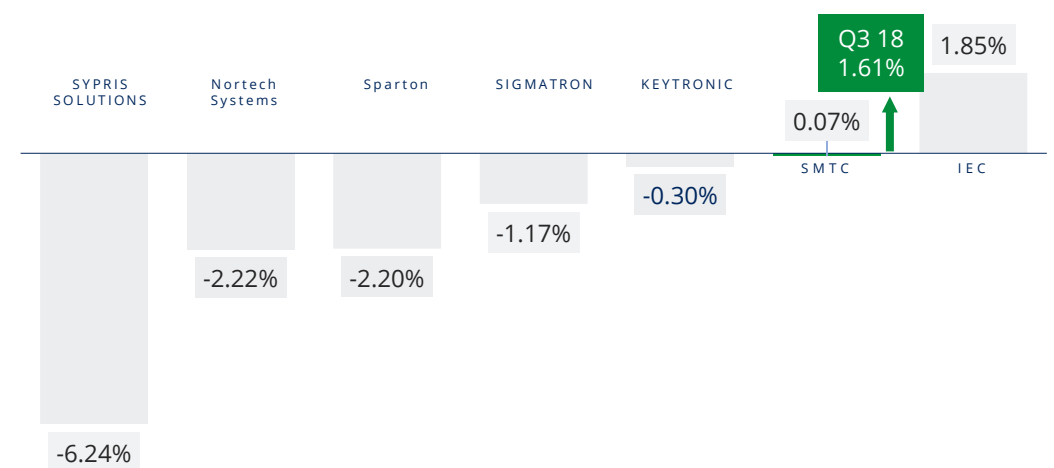
### REVENUE (\$) TTM



### 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



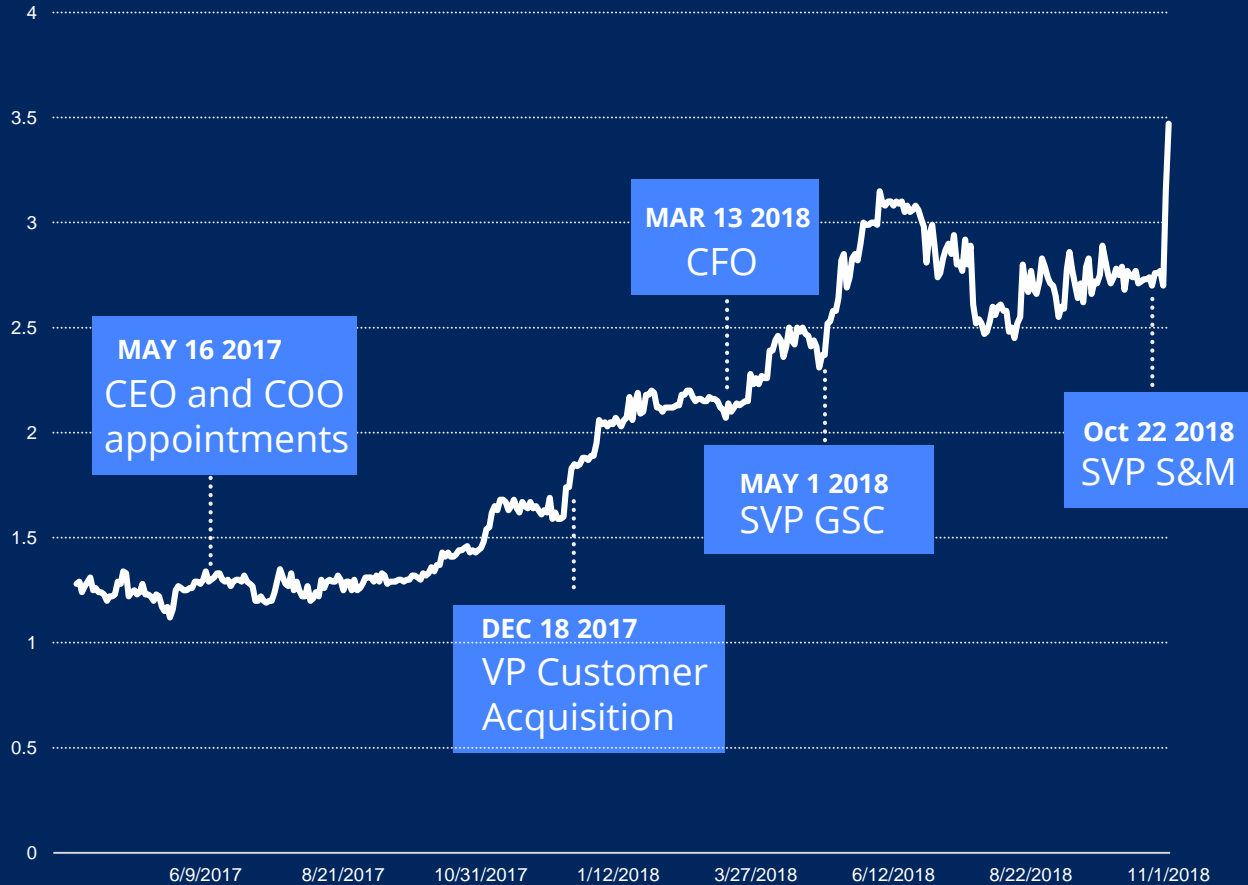
**Terry Wegman**  
**SVP Sales & Marketing**

30+ years sales and marketing experience





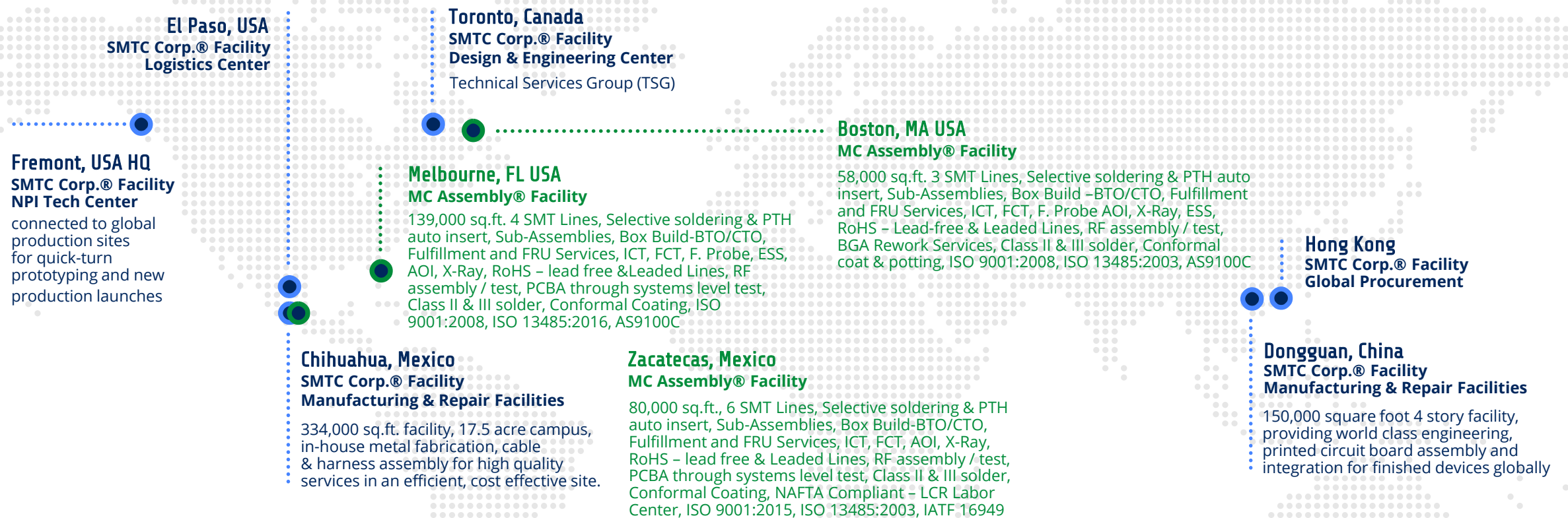
# NEW LEADERSHIP TEAM MAKING AN IMPACT IMPROVING STOCK PERFORMANCE



- ✓ **Q2 2017 – Initiated a restructuring plan to address customer needs, financial sustainability and operational excellence**
- ✓ **Stabilized long-term customer-base**
- ✓ **Expanded addressable market**
- ✓ **Strengthened organization with key executives to focus on customer-focus, supply-chain and growth**
- ✓ **Year over year revenue: Q3 2018 Up 56% & YTD Up 34.5%**
- ✓ **Accretive acquisition of MC Assembly accelerates growth trajectory**

# GLOBAL FOOTPRINT

## Common Copy, Exact Solutions



**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

## SMTC



MEDICAL & SAFETY

SEMICONDUCTOR EQUIPMENT

RETAIL & PAYMENT SYSTEMS

TEST & MEASUREMENT

INDUSTRIAL, POWER & CLEAN TECHNOLOGY

TELECOM, NETWORK & COMMUNICATION

DEFENSE & AEROSPACE

## MC ASSEMBLY

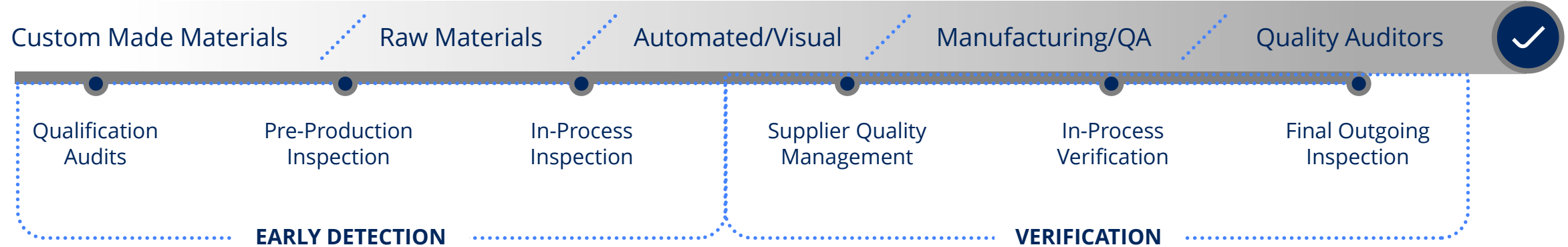


# SHARED MANUFACTURING DISCIPLINE

## Both Companies Committed to Operational Excellence



### STANDARD APPROACH TO ZERO DEFECTS



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

#### GENERAL CERTIFICATIONS / STANDARDS

All sites:  
 ISO 9001:2015    ISO 14001  
 ISO 134885    FDA Registration

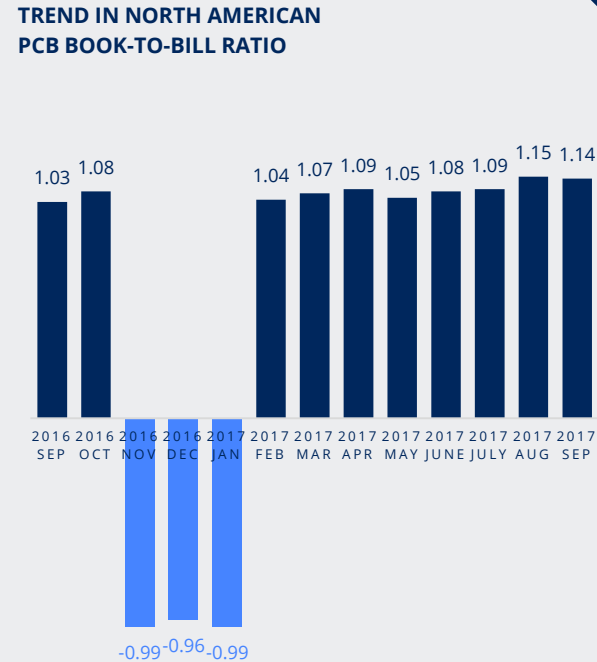
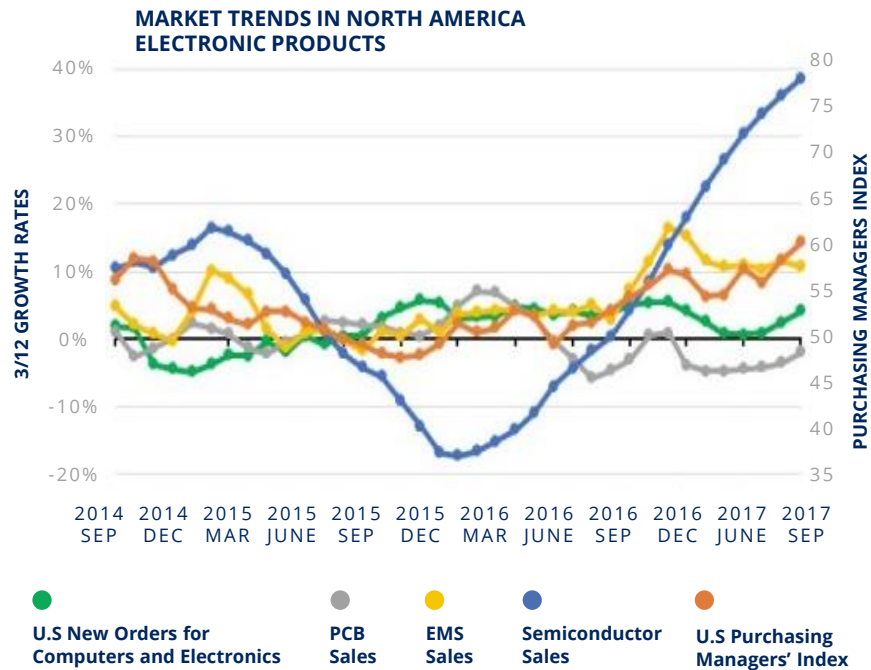
Fremont:  
 AS9100  
 ITAR Registration

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

# FAVORABLE INDUSTRY TRENDS



- North American PMI, SEMI, PCB Indices all show growth through 2018
- Manufacturing and PCB showing projected growth of 5.8% in 2018
- SEMI Book to Bill Ratio currently at 1.06
- PCB Book to Bill Ratio currently at 1.14

# FINANCIAL SUMMARY

## SMTC KEY STATISTICS

Stock Price (11/2/18)	\$3.27 / share
Market Cap (11/2/18)	\$75.7 M
Total Ent. Value (11/2/18) <sup>2</sup>	\$ 87.5 M
Ticker / Exchange	SMTX / Nasdaq

## SMTC CAPITALIZATION<sup>1</sup>

Basic Shares (9/30/18)	19.3 M
Diluted Shares (9/30/18)	20.0 M

In \$1,000s except EPS	Long Term Target Model	Q3 2018 <sup>3</sup>	Q3 2017	FY 2017	FY 2016	FY 2015
Revenues	20% growth <sup>4</sup>	53.7	34.4	139.2	167.9	220.6
Gross Margin	12%-14%	9.8%	8.6%	7.8%	9.0%	8.0%
Adj EBITDA		2.4	1.1	(1.5)	4.7	5.7
Adj EBITDA Margin	6%-10%	4.5%	3.2%	NM	2.8%	2.6%
EPS		0.04	(0.03)	(0.47)	(0.01)	(0.00)

<sup>1</sup>Basic and diluted share counts reflect the weighted average outstanding post the Rights Offering as of Sept. 30, 2018

<sup>2</sup>Reflects full amount of 5.8 million shares issued in conjunction with rights offering as filed with SEC, August 29, 2018

<sup>3</sup>Adopted Revenue Standard ASC 606 beginning in January 1, 2018

<sup>4</sup>50%+ of incremental Manufacturing Value Add dollars contributes to Gross Profit

# INCOME STATEMENT

as reported by SMTC on Nov. 7, 2018

(Unaudited)

THREE MONTHS ENDED

Expressed in thousands of USD, except number of shares and per share (amounts)	Sept. 30, 2018	Sept. 30, 2017
Revenue	\$ 53,677	\$ 34,417
Cost of Sales	48,440	31,443
Gross Profit	5,237	2,974
Selling, general and administrative expenses	3,682	2,952
Operating earnings (loss)	1,494	(244)
Interest expense	485	229
Earnings (loss) before income taxes	1,009	(473)
Income tax expense (recovery)		
Current	290	173
Deferred	(145)	(95)
	145	78
<b>Net income (loss) and comprehensive income (loss)</b>	<b>\$ 864</b>	<b>\$ (551)</b>
Basic earnings (loss) per share	0.04	(0.03)
Diluted earnings (loss) per share	0.04	(0.03)
Weighted average number of shares outstanding		
Basic	19,335,253	16,824,538
Diluted	19,986,756	16,824,538

# BALANCE SHEET HIGHLIGHTS

as reported by SMTC on Nov. 7, 2018

(in thousands)	Sept. 30, 2018	Dec. 31, 2017
Current Assets	\$95,914	\$59,188
Property Plant & Equipment	12,351	10,269
Other Long Term	604	399
<b>Total Assets</b>	<b>\$108,869</b>	<b>\$69,856</b>
Current Liabilities	\$68,902	\$44,693
Long term Debt	4,500	6,000
Other Long term liabilities	396	89
Stockholders' equity	33,395	19,074
<b>Liabilities and stockholders' equity</b>	<b>\$108,869</b>	<b>\$69,856</b>

## KEY STATISTICS:

Sept. 30,  
2018

Cash-to-Cash Cycle	63 days
DSO	62 days
DPO	73 days
Inv Turns	4.9 x
Net Debt	\$11.8M



# CREATING A STRONGER COMPANY

## SMTC x MC Assembly<sup>®</sup> – 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

# CONSOLIDATED INCOME STATEMENT

LAST TWELVE MONTHS FOR SMTC AND MC ASSEMBLY

Unaudited historical financial information

\$s in thousands

	Twelve Months Ended		
	September 30, 2018		
	MC Assembly	SMTC	Combined
Revenue	\$ 149,200	\$ 173,919	\$ 323,119
Net Loss	(4,100)	(123)	(4,223)
Amortization	3,360	3,224	6,584
Amortization of loan	3,930	-	3,930
Taxes	210	740	950
Interest	7,100	1,469	8,569
EBITDA	10,500	5,310	15,810
Restructuring/severance	140	323	463
Stock based compensation	-	437	437
Unrealized foreign exchange loss on unsettled forward contracts	-	181	181
Impairment charges	-	165	165
Management fees other professional services	630	-	630
Adjusted EBITDA	\$ 11,270	\$ 6,416	\$ 17,686

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 September 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.

# INVESTMENT HIGHLIGHTS

## What is Changing?

**New Leadership Team with Demonstrated Track Record**

**Pursuing operational excellence** and focused at SMTC on achieving top-quartile operating metrics among peer EMS companies

**Expanding Customer Base and Top-Line Growth**

Working Together as a Team to **Deliver Premium Shareholder Value**



Diversified 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



Accelerating Year-over-Year Revenue Growth

**MC ASSMBLY IS ACCRETIVE & TRANSFORMATIONAL**  
**Creates Powerful Low-to-Medium Volume, High Mix EMS Provider**



# Thank you

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**December 4, 2018**