



## SMTC Corporation Announces Plan to Exit China; Provides Updated Guidance for Fiscal 2019 and Provides Initial 2020 Guidance

TORONTO, Sept. 19, 2019 (GLOBE NEWSWIRE) -- SMTC Corporation (Nasdaq:[SMTX](#)), a global electronics manufacturing services provider and winner of the Frost & Sullivan's 2019 Best Practices Award for Customer Value Leadership in the Electronics Manufacturing Services Industry, today announced it plans to wind-down its Chinese manufacturing operations when its current Dongguan, China facility lease expires in December 2019.

"Customer concerns about uncertainties relating to the prolonged impact of tariffs and macro-economic factors have caused a number of our customers to begin to re-evaluate demand for some of their products and reconsider where they outsource their manufacturing. Revenues attributable to production from SMTC's manufacturing operations in China, which accounted for 5.3% of SMTC's revenue in the first half of 2019, are projected to decline more than 30% for full year 2019 as compared to full year 2018, with continued contraction in 2020 which would result in negative operating margins from our China site. As a result, after more than a decade in the Chinese market, we will use the end of our lease term later this year as an opportunity to exit manufacturing in China as we continue to augment our strong North American manufacturing footprint," said SMTC Corporation President and CEO Ed Smith.

"Across our sites in North America, we are addressing our customers' needs for a faster time-to-market for new product introductions by adding new capabilities and certifications in our Billerica, Massachusetts location this quarter that provides our customers 'Quick-turn' manufacturing. This expansion follows our investment last quarter when we upgraded and expanded our capacity at our Fresnillo facility in Zacatecas, Mexico enabling a 25% increase in capacity, contributing to continued efficiency and profitability gains. We believe our expanding North American operations provide a strong foundation for continued growth," commented Smith.

### Outlook

SMTC expects to record, related to the closure of its China manufacturing operations, restructuring and other charges of \$5.4 million to \$5.8 million which includes up to \$3.3 million of non-cash accelerated asset write-downs, and other cash-based expenses, including employee-related costs. The majority of these charges are expected to be incurred in the remainder of the third and fourth quarter of 2019 and the net cash required to wind down the Chinese manufacturing operation is not expected to exceed \$1.5 million.

"In addition to the China closure, we are seeing softness in certain end-markets across semiconductor and data center expansions. Accordingly, we are updating full year 2019 revenue to range between \$354 and \$362 million, which excludes \$16 million of revenues in 2019 attributable to SMTC's operations in China, and Adjusted EBITDA to \$25.0 and \$26.0 million," said Smith.

"With our integration of MC Assembly and bank refinancing completed last quarter, our collective focus is on growing our funnel of business, including recent awards of \$15 million of new business and new programs during the current quarter which we anticipate will begin shipping Q1 of next year. We expect our 2020 revenue and Adjusted EBITDA, which will exclude any operations in China, to range between \$390 and \$410 million and \$29.0 to \$31.0 million, respectively. Finally, we expect to generate up to \$14 million of cash flow from operating activities for the full year of 2020 which we anticipate will result in a debt-leverage ratio of 2.5, using outstanding revolving credit facility, term loans outstanding and financial capital lease obligations compared against adjusted EBITDA on a trailing twelve months basis, exiting 2020," added Smith.

### SMTC's current expectations for 2019 and 2020:

Fiscal Period	Revenue*	Adjusted EBITDA Range**
2019	\$354 - \$362 million	\$25.0 - \$26.0 million
2020	\$390 - \$410 million	\$29.0 - \$31.0 million

\*Excludes \$16 million of 2019 Revenues attributable to SMTC's operations in China.

\*\*Adjusted EBITDA is calculated based on net income (loss) adjusted to exclude stock-based compensation and warrant revaluation charges, interest, restructuring charges, unrealized foreign exchange gain (loss) on unsettled forward exchange contracts, income taxes and depreciation of property plant and equipment and amortization of intangible assets, merger and acquisition related expense, gains or losses on contingent consideration and write down charges. SMTC has provided in this release a non-GAAP calculation of Adjusted EBITDA as supplemental information regarding the operational performance of SMTC's core business. A reconciliation of Adjusted EBITDA to net earnings (loss) is shown below in this press release.

All monetary references herein are in U.S. Dollars

## Conference Call

SMTC will host a conference call to discuss today's press release. Interested parties can listen to the company's conference call which will commence at 8:30 a.m. Eastern Time on Friday, September 20, 2019 by accessing the Investor Relations section of SMTC's web site on the [Investor Relations Calendar page](https://www.smtc.com/investors/news-events/ir-calendar) at <https://www.smtc.com/investors/news-events/ir-calendar> or dialing 1-877-317-6789 (for U.S. participants) or 1-412-317-6789 (for participants outside of the U.S ten minutes prior to the start of the call and request to join the SMTC Corporation's Conference Call.

The conference call will be available for rebroadcast from the Investor Relations section of SMTC's web site on the [Investor Relations Calendar page](https://www.smtc.com/investors/news-events/ir-calendar).

## Supplementary Information: Reconciliation of Adjusted EBITDA

	2019	2020
	Forecasted Twelve months ended December 29, 2019	Forecasted Twelve months ended January 3, 2021
Net income (loss)	\$ (6,000 )	\$ 9,000
Add (deduct):		
Depreciation	6,700	7,350
Amortization of Intangible assets	7,200	3,050
Interest	10,100	8,600
Income tax expense	1,200	1,500
<b>EBITDA</b>	<b>\$ 19,200</b>	<b>\$ 29,500</b>
Add (deduct):		
Stock compensation expense	700	500
Stock compensation expense - warrant revaluation	(50 )	-
Contingent consideration reversal	(3,050 )	-
Restructuring charges	5,200	-
Write down charges	3,300	-
Merger and acquisitions related expenses	200	-
<b>Adjusted EBITDA</b>	<b>\$ 25,500</b>	<b>\$ 30,000</b>

Note: The above forecasted results for twelve months ended December 29, 2019 includes revenues of \$16 million from the Dongguan China manufacturing operations in addition to estimated restructuring charges of \$2.3 million and write down charges of up to \$3.3 million.

## Forward-Looking Statements

The statements contained in this release that are not purely historical are forward-looking statements, which involve risk and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. These statements may be identified by their use of forward looking terminology such as "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "should," or "will" or the negative of these terms or other and similar words, and include, but are not limited to, statements regarding the expected closure of our Chinese manufacturing operations, including the timing and extent of associated charges, our continued efficiency, profitability gains and expected growth from expanding North

American operations, the timing of shipments for recent new business and revenue and Adjusted EBITDA outlook for the full year 2019 and 2020 anticipated revenue impact of our expected China operations closure, and expected operating cash flow from operating activities and debt-leverage ratio for 2020. For these statements, we claim the protection of the safe harbor for forward looking statements contained in the Private Securities Litigation Reform Act of 1995. Risks and uncertainties that may cause future results to differ from forward looking statements include the challenges of managing quickly expanding operations and integrating acquired companies, fluctuations in demand for customers' products and changes in customers' product sources, competition in the electronics manufacturing services industry, component shortages, and others risks and uncertainties discussed in SMTC's most recent filings with the Securities and Exchange Commission. The forward-looking statements contained in this release are made as of the date hereof and SMTC assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ materially from those projected in the forward-looking statements.

## **About SMTC**

SMTC Corporation was founded in 1985 and acquired MC Assembly Holdings, Inc. in November 2018. Following this acquisition, SMTC has more than 50 manufacturing and assembly lines in United States, China and Mexico which creates a powerful low-to-medium volume, high-mix, end-to-end global electronics manufacturing services (EMS) provider. With local support and expanded manufacturing capabilities globally, including fully integrated contract manufacturing services with a focus on global original equipment manufacturers and emerging technology companies, including those in the Defense and Aerospace, Industrial, Power and Clean Technology, Medical and Safety, Retail and Payment Systems, Semiconductors and Telecom, Networking and Communications; and Test and Measurement industries. As a mid-size provider of end-to-end EMS, SMTC provides printed circuit boards assemblies production, systems integration and comprehensive testing services, enclosure fabrication, as well as product design, sustaining engineering and supply chain management services. SMTC services extend over the entire electronic product life cycle from the development and introduction of new products through to the growth, maturity and end-of-life phases.

SMTC is a public company incorporated in Delaware with its shares traded on the Nasdaq National Market System under the symbol SMTX and was added to the Russell Microcap® Index in 2018. For further information on SMTC Corporation, please visit our website at [www.smtc.com](http://www.smtc.com).

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