



2020 Southwest IDEAS Investor Conference November 18, 2020

Note: Readers should refer to the audio replays, when available, on our website (www.smtc.com) for clarification and accuracy.

Whitney Howard, Analyst, Three Part Advisors, LLC

Thank you for joining us at the Southwest IDEAS Investor Conference. Next company joining us is SMTC trading under the ticker SMTX. SMTC is a global electronics manufacturing service provider delivering fully-integrated and customized contract manufacturing services. Presenting with us today is Ed Smith, President and CEO. Ed?

Edward Smith, President and Chief Executive Officer, and Director

Thank you. I appreciate that Whitney. Good afternoon. I am the [CEO and President of SMTC](#). We are a contract manufacturer headquartered in Toronto, Canada. I'd like to thank you for your time today. So with that, let me show you the forward-looking statements. So you can read that and know that we're a public company.

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 as of the date of this presentation, unless otherwise noted, 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, our 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.

Let me tell you a little bit about our story and you can hear about our journey. And as you can see from the slide starting in 2017, we've gotten bigger and more profitable quarter-on-quarter as you see. We want to be the best global mid-sized provider of end-to-end EMS services. We service our customers through solutions. We continue to expand our customer base. We continue to reduce our debt to leverage ratio. We made an acquisition [of MC Assembly] in Q4 of 2018 and our debt to leverage ratio at that point was 4.67.

Building a Stronger Company: World Class – Flexible – Customer Focused



Global Mid-size Provider of End-to-end EMS

Proactive Services & Solutions

Expanding Customer Base

Continuing to Reduce Debt-to-Leverage Ratio

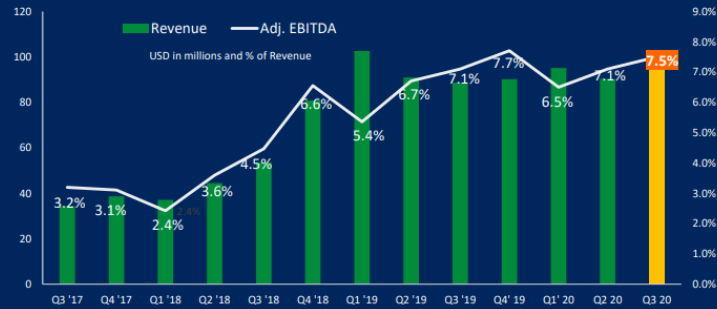
D-L Ratio: Lender debt (excl. Leases)
Q4 '18: 4.67 vs. Q2 '20: 2.66 vs. Q3 '20: 2.55

D-L Ratio: Total Debt (incl. Capital Finance Leases)
Q4 '18: 5.32 vs. Q2 '20: 3.03 vs. Q3 '20: 2.94



GLOBAL ELECTRONICS MANUFACTURING SERVICES
CUSTOMER VALUE LEADERSHIP AWARD

Gains in Efficiencies & Scale Leading to EBITDA Growth



New CEO & COO Announced Q2 2017 Restructuring Plan & Strategic Initiatives
Strengthened Mgt. Team: New CFO, SVPs Supply Chain & Sales/Marketing in 2018
MC Assembly Acquisition Announced Q4 2018
Eliminated Term B debt

As you can see from our latest announcements, our debt to leverage bank ratio was down at 2.55 and with our capital leases is down below 3. This is important to us to continue to get our debt to leverage ratio within leading industry numbers. You can see our growth, our EBITDA growth is really getting to be top of the line. We're now at 7.5% over [adjusted] EBITDA, and we're pretty excited about that. I'll talk to you a little bit later about where that sits in our industry, but I can tell you that's in the top tier of our industry. We're pretty excited about that.

[As we started this journey in 2017, we added myself, a new COO, then a new CFO, a new supply chain leader, new sales and market leader.](#) We then acquired MC Assembly. So you can kind of see how that's had a major effect, not only in ourselves, but also our profitability.

Why would you invest in SMTC? And this slide will show you. We continue to win new business and take market share from our competitors. You can start to see the acceleration of our customers programs. You can see that the higher end of our revenue will be above \$195 million to \$205 million that we announced in the second half guidance. So we're pretty excited about that. And we'll be between \$14 million and \$15 million [adjusted EBITDA] up from \$12.6 million from the first half of 2020. That number is a big number considering the effect that COVID has had on all of us.

We've been able to fight through COVID. And with that, it's really been pretty exciting. All of our workplaces are COVID compliant. And as you know, that is no easy task in particular, in the Manufacturing segment. We've had the spread people out on buses. We've had to take temperatures. We've had to install plastic screens for all our workers. But we've followed the CDC and the World Health Organization on all the guidance. Some of our employees in Mexico, have had to stay home if they have underlying conditions. And that clearly is some of the – what we call, one-time effect of COVID. But things continue to go well, we continue to grow quarter-on-quarter and year-on-year.

HIGHLIGHTS

What's Changing?

Winning significant new business with \$46 million in new awards and bookings during the third quarter

Starting to see an acceleration of customer programs moving through the customer certification process, into new product introduction phase and entering production that will continue to ramp in 2021.

All factories remain open supporting customers as we continue to operate as a COVID-compliant safe workplace

Delivering on best-in-class financial metrics across our Tier III EMS peers to deliver premium shareholder value



Reaffirming the Higher End of Prior Second Half 2020 Guidance*

Revenue \$195M - \$205M, up from \$185M in first half of 2020
Adj. EBITDA \$14.0M - \$15.0M, up from \$12.6M in first half of 2020



Focusing on the most attractive end markets, incl.

Aerospace & Defense, IoT, 5G, Medical & Safety



Gaining market share by deepening existing customer

relationships and adding new customers



Experienced management team managing through

challenging market conditions



Supply chain continuity provides innovative solutions

working through the COVID-19 pandemic challenges



Establishing 2021 Full Year Guidance*

Revenue \$430M - \$450M

Adj. EBITDA \$33M - \$37M, consistent with LT financial model targets

*Guidance made as of November 4, 2020 and subject to change without notice.

As you saw it from our [Q3 earnings announcement](#), we grew double digits, not only quarter-on-quarter, but we also grew double digit. We continue to get more profitable even during this very difficult time. And ultimately what we want to be able to do is deliver best-in-class financial metrics across the Tier 3 EMS peers in our space. We want to build shareholder value and we think we're doing that. We want to focus on the most attractive end markets. And as you can see from [many of our announcements](#), we've been growing the aerospace and defense, where three years ago, we had zero of our business in the aerospace and defense. Then we went up to 5.6%. Today, we're in double digits and we'll continue to expand ourselves in aerospace and defense.

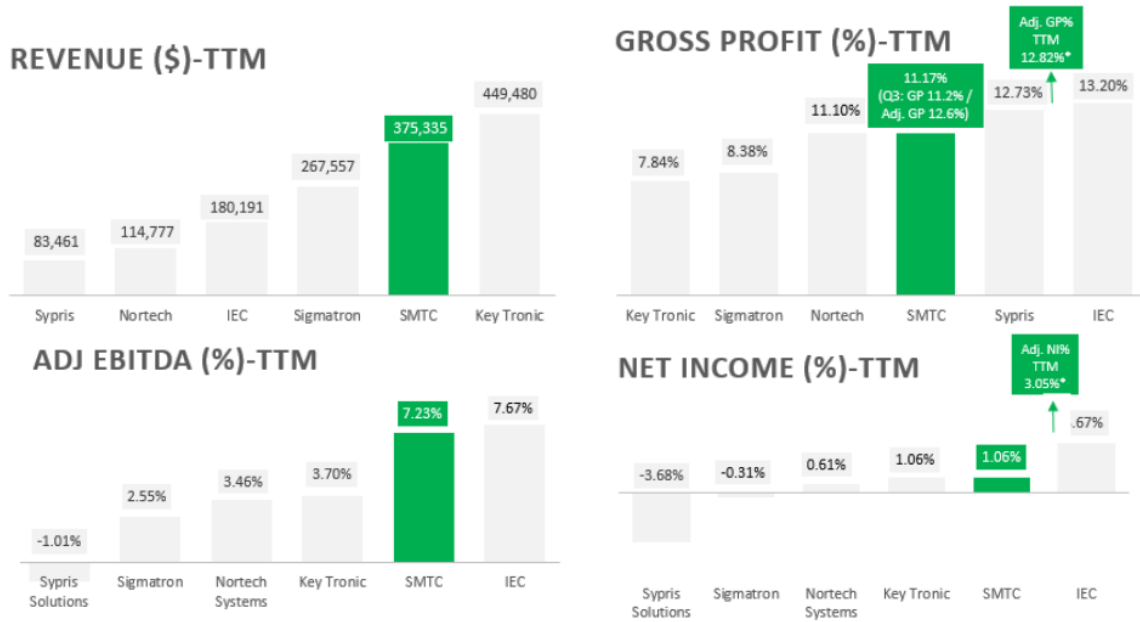
We continue to win in the IoT and the 5G market. We're pretty excited about some of those wins. We'll continue to win in that space as our pipeline looks very strong, and we'll continue to add those customers. We're going to put some focus this year on medical and safety. We just came out with an announcement this week about [building ventilators](#) during this COVID-19, but that won't stop us from continuing to expand in the medical space.

We're gaining market share. And as you can imagine, very few EMS providers are growing double digits, and we're pretty proud to be gaining market share. We have an experienced management team to continue this growth, and we put out some numbers with some 2021 guides that will says, we'll continue to grow in a double-digit space. Our supply chain has continued to operate even in this COVID-19 pandemic, to allow us to grow. There are some gray skies on our horizon, no doubt about it with the COVID-19. We believe we have a robust supply chain, but we continue to moderate the logistics, less planes are flying, more boats are in the water. They're taking longer to unload. Things are happening that we have to continue to take a look at to make sure that we don't miss something.

We've established [revenue] guidance for next year, between \$430 million and \$450 million. That's pretty significant growth over our \$390 million from this year. We'll see double-digit growth next year. We're pretty excited about that. We're looking at adjusted EBITDA between \$33 million and \$37 million. Once again, double-digit growth in both [adjusted] EBITDA and

sales, these are our long-term models. We're now starting to get up into those members of our long-term models and we'll talk about that in a little bit.

TIER 3 PEER METRICS



But let's talk about how we're competing against our competitors. As you can see from this slide, we continue to get bigger and bigger and closing on our biggest competitor. You can see, we're also getting more and more profitable. We're only 400s and 4/10 behind our most profitable competitor on the adjusted EBITDA line. Our gross profit continues to get better and better also, we're now in a number two spot in adjusted gross profit, when we adjust for amortization, after the acquisition. Our net income is also growing and we're in the number two spot there, closing the gap all the time.

So going from worst to first is very important to us. As I say, our customers, our shareholders and others will value us by being the best in our industry and we're on target to get there. The people who do that, you can see in this next slide, we believe our differentiating leadership team. We all have a lot of experience, 20 plus years in the EMS space and the electronics space. Many of them have been CEOs of public companies and are now working on this team division. So it's pretty exciting to see that we'd be able to put people together that have worked many, many years together and get them all working in the right direction.

DIFFERENTIATING LEADERSHIP TEAM with Shared History of EMS Success



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 increased 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



Josh Chien
SVP Global Head of Sales, Marketing & Customer Experience

20+ years EMS sales and operations experience



Phil Wehrli
SVP Global Planning & Supply Chain

35+ supply chain management experience







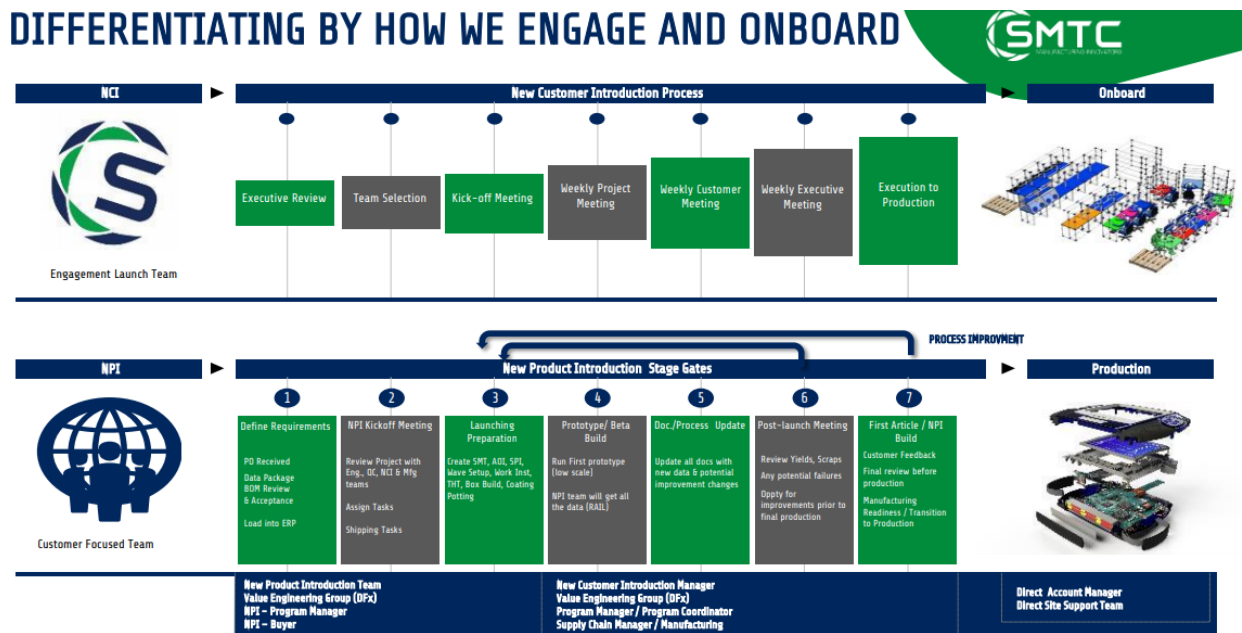









When you look at what do we do, that's differentiates us, how we engage our customers and onboard our customers through our supply chain is pretty incredible. We're able to launch products in record time. We're able to get people to market faster than you can imagine. We're able to set up a supply chain, a robust supply chain that can last through COVID-19 and other things for our customers. Those are the exciting things we do. We're able to use our supply chain as an offensive weapon and be able to help our customers get to market quicker. And we do that all over the world.



We have offices in Mexico. We have Zacatecas and Chihuahua, two different plants. We have an office on the West Coast, in San Jose where we manufacture many different products, our Melbourne facility, which does most of our aerospace and defense, our Boston facility, which does most of our NPI and short runs. We then have a supply chain office in Phoenix, Arizona, which works with our office in Hong Kong and Dongguan to keep our supply chain robust and moving. We do our logistics through El Paso. The reason we go to El Paso is because you can hit any place in the world in a couple of days out of El Paso. You can hit the East Coast, the West Coast on truck, and by airplane, we can move things in and out of Asia or Europe in just a day or so through El Paso. So excites us.



And then last, but not least, we're headquartered in Toronto, Canada. We have people up there that do both supply chain, finance and engineering and IT up there. So, it's really a global company growing, becoming more and more profitable.

So, who are our customers? As you can see from our next slide, we build many different things, in many different markets. We have the medical and safety, where we build everything from blood pressure machines, all the way to the communication devices to breathing machines and others.

You look in the industrial IoT, Power & Clean technology. We do everything from power, smart power, cameras and others in the industrial IoT Power & Clean technology. We're in a telecom and networking communication space, one that we don't spend a lot of time on, but one that has residual effects for us. We're in a semiconductor capital equipment space. We look at both the images for that. We look at big equipment in that space and that space is a good space for us.

We're really good at the payment systems. We have good special security for the payment systems. We can do all kinds of different things in the payment space. And in the Avionics,

Aerospace and Defense, we will do everything for things that go on planes, things that are used for the U.S. military, government and others.



And last but not least one of our biggest spaces, the Test and Measurement. We build high-speed boards in a Test and Measurement space for many of our customers, going all the way from PCBAs, all the way to box build in the Test and Measurement space. When you look at how our business is broken down, you can kind of see the biggest space being industrial IoT, Power & Clean technology. That's really exciting for us, because we think that the industrial IoT will continue to grow faster than the rest of the market. Being technology, we'll continue to grow faster than the market.

So, this was pretty exciting for us to be biggest there, because we believe that we'll continue to grow at an exponential rate. You have semiconductor and semiconductor capital equipment, which once again, we like, because it's very complex and very sticky. Avionics, Aerospace and Defense and as I said, it's grown from nothing for us to 5.9% all the way to double digits and we'll continue to grow.

The Medical and Safety space, we have some work to do. We need to continue to grow faster than the market there, and we have not done that. So, we have some work to do there. Payments systems, COVID has had a dramatic effect on the payment systems, less people were in restaurants, less people were in stores and out spending money. And so I think as COVID comes back, that space will come back with it.

Test and Measurement, once again, that's the space we need to continue to focus on and then grow there. And last but not least, Telecom, Networking & Communications, a space we don't

spend a lot of time on, because we're trying to be true to our core, which should be in a Tier 3 contract manufacturer.

MARKETS WE SERVE



Revenue by Industry Sectors	Q3 2020		Q3 2019		Change	
	Dollars	Percent	Dollars	Percent	Dollars	Percent
\$ millions						
Industrial IoT, Power & Clean Technology*	\$37.0	37.2%	\$36.7	41.4%	\$0.3	0.8%
Semiconductors	\$16.0	16.1%	\$7.3	8.2%	\$8.7	119.2%
Avionics, Aerospace & Defense	\$12.0	12.1%	\$5.2	5.9%	\$6.8	130.8%
Medical and Safety	\$11.3	11.4%	\$10.5	11.8%	\$0.8	7.6%
Retail and Payment Systems	\$10.3	10.4%	\$10.6	12.0%	(\$0.3)	(2.8%)
Test and Measurement	\$8.1	8.1%	\$8.8	9.9%	(\$0.7)	(8.0%)
Telecom, Networking & Communications*	\$4.8	4.8%	\$9.6	10.8%	(\$4.8)	(50.0%)
Total	\$99.5	100.0%	\$88.7	100.0%	\$10.8	12.3%

*Several customers were reclassified between Test & Measurement to Industrial IoT, Power & Clean Technology for all periods

GENERAL CERTIFICATIONS / STANDARDS All sites: ISO 9001:2015 ISO 134885 ISO 14001 FDA Registration	Fremont: AS9100 Rev D 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
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FINANCIAL SUMMARY

SMTc KEY STATISTICS

Stock Price as of 11/3/20	\$3.52
Market Cap as of 11/3/20	\$99.3M
Ticker / Exchange	SMTX / Nasdaq

SMTc CAPITALIZATION

Basic Shares as 9/27/20	28.2M
Diluted Shares as of 9/27/20	29.6M
Net Debt as of 9/27/20 ¹	
Term Loans A and ABL Revolver	\$ 69.1M
Finance and operating lease obligations	\$ 17.0M
	\$ 85.9M ¹

In \$1,000s except EPS	Long Term Target Model	Q3 2020	Q2 2020	Q1 2020	FY 2019	FY 2018
Revenues	15-20% growth ²	\$99.5	\$90.4	\$95.1	\$372.5	\$216.1
Adj. Gross Margin ³	12%-14%	12.6%	13.0%	12.3%	11.9%	10.4%
Gross Margin		11.2%	11.8%	10.1%	9.9%	10.0%
Adj. EBITDA		\$7.5	\$6.4	\$6.2	\$24.8	\$10.2
Adj. EBITDA Margin	7%-9%	7.6%	7.1%	6.5%	6.7%	4.7%
EPS		\$0.04	\$0.03	\$0.03	(\$0.23)	(\$0.02)
Adj. EPS ⁴		\$0.13	\$0.08	\$0.08	\$0.27	\$0.06

¹Net debt excludes \$0.2 million in cash. Effective January 1, 2019, with the adoption of the new lease standard (ASC 842 – Leases), the Company recorded \$17.0 million of finance and operating lease obligations (as of Sept.27.2020) which includes \$3.6 million for extension of the Company's Fremont, CA facility lease effective in Q1 2020.

²Target 50%+ of Incremental Manufacturing Value Add dollars contributes to Gross Profit.

³Adjusted Gross Margin excludes non-cash amortization of intangibles associated with the acquisition of MC Assembly, COVID-19 related expenses and unrealized foreign exchange gain on unsettled forward exchange contracts.

⁴Please see the relevant earnings press releases for determinations of Adjusted EPS at <https://www.smtc.com/investors/news-events/press-releases>.

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Let's talk a little bit about our financials as we go here. Clearly, we have some long-term range goals that now we're starting to hit. We want to grow our revenues 15% to 20% and it looks like

next year, we'll do that. And right now, we're getting close to doing that this year, even during COVID-19.


Our adjusted gross margin of 12% to 14%, we are right in the middle of that range today and we consider that we will stay there through the next year. Our adjusted EBITDA margin, whereas it's a low end of our range, but we were in our range of 7% to 9%. We think we can do better. We think we can move it up for the middle or closer to the top of the range we have some work to do there. Last quarter on adjusted, we made \$0.04 a share, adjusted we made \$0.13 a share.

Now, we're starting to talk about some serious money per share and we're excited about that. We have a debt of about \$85 million with \$69 million of that being bank debt and the rest being operating leases and obligations. The operating leases and obligations are up a little bit as we renewed our lease in San Jose, but our bank debt is down a little bit. So, it's an exciting time to keep deleveraging ourselves.

BALANCE SHEET HIGHLIGHTS

(in thousands)	Sept 27, 2020	June 28, 2020
Current Assets	\$ 175,292	\$ 161,586
Property Plant & Equipment, net	23,397	23,495
Other Long Term	35,388	36,189
Total Assets	\$ 234,077	\$ 221,270
Current Liabilities ¹	\$143,281	\$131,606
Long term Debt	32,513	32,903
Other Long term liabilities ¹	13,738	13,617
Stockholders' equity	44,545	43,144
Liabilities and stockholders' equity	\$ 234,077	\$ 221,270

¹Excludes \$0.2 million in cash. Effective January 1, 2019, with the adoption of the new lease standard (ASC 842 – Leases), the Company recorded \$17.0 million of finance and operating lease obligations (as of Sept. 27, 2020) which includes \$3.6 million of new operating lease for extension of the Company's Fremont, CA facility lease effective Q1 2020.
²Net debt excludes \$0.2 million in cash as of Sept 27, 2020 and \$0.3 million as of June 28, 2020.



KEY STATISTICS: (FOR THE RESPECTIVE QUARTER)

	Sept. 27, 2020	June 28, 2020
Cash-to-Cash Cycle	81 days	82 days
DSO	59 days	64 days
DPO	75 days	73 days
Inventory		
DIO	97 days	91 days
Inv Turns	3.8x	4.0x
Net Debt (at quarter end)		
Term Loans A/B and ABL Revolver	\$69.1M	\$68.7M
Finance & operating lease obligations	\$17.0M ²	16.2M ²
	\$85.9 M	\$84.6 M

A little bit about the balance sheet, our cash, cash conversion cycle is 82 days, and it went down to 81 days in the September quarter. I can tell you, we're going to continue to work on that, but as you can see, our DSOs and DPOs are good. We brought up our days of inventory to help our customers through COVID-19. We think long-term is better to better our customers and carry a little more inventory than not and that is why our cash to cash didn't drop as much as we'd like to do.

I think as time goes on, that will continue to drop into the mid-70s and maybe, even below. And so we're pretty excited about that. As you can see our financial lease obligations here, I've jumped up a little bit. And so obviously, something we've got to continue to keep an eye on.

And so with that, I think we have a stronger balance sheet today than we had three years ago and we couldn't be more excited.

Building a Stronger Company: World Class – Flexible – Customer Focused



Achieving Top-Quartile Operating Metrics Among Peer EMS Companies 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 Customers 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 **Expand Mix** of Lines of Business and **M&A**

Increase TAM with Supply Chain Synergies to **Gain Scale**

So, why don't we do this every day? We do this, because we want to be a strong company. We want to be flexible. We want to be customer focused. We want to continue to achieve double-digit growth, where our existing customers through winning new programs, I call that landing and expanding, where we get into a customer with one or two programs. And once we show them, how good we can do to give us more and more of their business, it is the quickest way for profitability for us.

Then, we want to increase our business with existing customers through the world-class service. So, we want other divisions of them to continue to give us business through our world-class service. We want to become provider of our choice and win new customers to accelerate our growth. So, we want to go from \$0 million to \$10 million to \$20 million with new customers. We want to drive value by expanding the mix of lines of business and M&A. M&A is not our first choice, but if there's a right opportunity; obviously, we'd take a look at all of them.

And then last but not least, we want to increase our TAM with supply chain synergies to green scale. Scale matters in our business, the bigger we are, the more scale we have, the more profitable we'll be; and we're pretty excited about that. We're relentless in our pursuit of profitable growth through customer and employee excellence. We want above market returns for our investors, like taking care of our customers and our employees.

And so with that, I'll talk a little bit about how we're competing in the market. On adjusted trailing 12-month basis, you can kind of see when you compare us to our competitors. We clearly, are driving a big adjusted EBITDA number and that's excites us and no doubt about it. It makes for a very successful company.

So, thank you for your time today. Hope to see you and thanking for investing in SMTC. Have a great day.

Appendix



TTM Adjusted EBITDA

	SMTC	IEC	Key Tronic	Nortech Systems	Sigmatron	Sypris Solutions
Revenue	375,335	180,191	449,480	114,777	267,557	83,461
Net income	3,986	6,620	4,758	701	(819)	(3,069)
Restructuring	(144)	-	-	-	-	432
Other	3,242	-	-	-	-	-
Stock based comp	713	678	266	29	105	414
Adj net income	11,434					
Gross profit	41,938	23,778	35,249	12,736	22,417	10,628
SG&A	28,168	13,869	21,030	10,759	21,525	12,675
Depreciation/Amortization	10,770	3,227	5,621	1,961	5,779	2,523
Unrealized FX (gain)/loss	(720)		3,926	10		(2,037)
Interest	8,234	1,596	2,509	919	1,586	874
Tax	1,039	1,693	(439)	357	182	16
Adj EBITDA	27,120	13,814	16,641	3,977	6,833	(847)

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

Investor Contact:

Peter Seltzberg
 Managing Director, Darrow Associates, Inc.
 516-419-9915
 pseltzberg@darrowir.com

November 17, 2020