

Q1 FY2021
Financial Results Conference Call

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Non-GAAP Information

Certain non-GAAP financial measures are contained in this presentation or will be discussed on our conference call, including non-GAAP gross profit, non-GAAP operating income, Adjusted EBITDA, non-GAAP net income, and non-GAAP net income per diluted share. We define Adjusted EBITDA as GAAP net income (loss) plus net interest expense, income tax expense, depreciation and amortization expense, share-based compensation expense, loss on extinguishment of debt/revolver, capped call mark to market (MTM) adjustment, convertible debt original issue discount (OID), restructuring expenses, integration expenses, COVID-19 expenses, acquisition-related expenses and other infrequent or unusual items. Adjusted EBITDA is not a measure of financial performance calculated in accordance with U.S. GAAP and should be viewed as a supplement to, not a substitute for, our results of operations presented on the basis of U.S. GAAP. Adjusted EBITDA also does not purport to represent cash flow provided by, or used in, operating activities in accordance with U.S. GAAP and should not be used as a measure of liquidity.

The non-GAAP financial results presented herein exclude share-based compensation expense, intangible amortization expense, loss on extinguishment of debt/revolver, capped call MTM adjustment, convertible debt original issue discount (OID), restructuring expenses, integration expenses, COVID-19 expenses, acquisition-related expenses and other infrequent or unusual expenses, and with respect to non-GAAP diluted EPS, foreign currency gains (losses). These non-GAAP financial measures are provided to enhance the user's overall understanding of our financial performance. By excluding these charges, as well as any related tax effects, our non-GAAP results provide information to management and investors that is useful in assessing SGH’s core operating performance and in evaluating and comparing our results of operations on a consistent basis from period to period. These non-GAAP financial measures are also used by management to evaluate financial results, to plan and forecast future periods, and to assess performance of certain executives for compensation purposes. The presentation of this additional information is not meant to be a substitute for the corresponding financial measures prepared in accordance with U.S. GAAP. In addition, these measures may not be used similarly by other companies and therefore may not be comparable between companies.

Investors are encouraged to review the “Reconciliation of Non-GAAP Financial Measures to GAAP Results” and “Reconciliation of GAAP Net Income (Loss) to Adjusted EBITDA” tables in the appendix and in our earnings release for more detail on non-GAAP calculations.

Speakers



Mark Adams

President and CEO
SMART Global Holdings

Business Update



Jack Pacheco

COO and CFO
SMART Global Holdings

President
SMART Memory Solutions Business

Financial Review and Guidance

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FY2021 Off to a Solid Start

Financial Performance

- Revenue, non-GAAP Gross Margin above mid-point of guidance
- Exceeded high-end of guidance range for Non-GAAP EPS
- Continued to strengthen balance sheet

Focused on Specialty Solutions for Growth Markets

- SCSS ~ HPC, Cloud, Edge Computing, IoT
- Specialty Memory & Brazil ~ Advanced packaged memory, low density storage, in-memory computing
- All businesses driving to increased profitability

Acquisition of Cree LED on Track

- All key pre-close activities tracking to plan

Specialty Compute & Storage

- *Launched 4 Solutions Practices to enable customer adoption of AI, HPC, Cloud & Data Analytics capabilities*
- *Released new ATCA memory blade targeted at industrial and military applications*
- *Industry recognition:*
  - *HPCWire for best HPC Solution in Financial Services*
  - *Intel's Executive Summit Award for Outstanding Innovation*
  - *WekaIO's 2020 Partner of the Year for Software Defined Storage*

Specialty Memory

- *Strong demand for DDR3 products and NVDIMM (persistent memory) for storage applications*
- *New customers sampling SSD products using SMART's proprietary controller*
- *Expanding into new vertical markets with customer wins in surveillance and transportation*
- *Introduced new line of PCIe NVMe SSD Flash products for industrial embedded applications*

Brazil

- *Achieved higher sales in notebook due to work-from-home trend*
- *Benefited from increased densities in Mobile memory in the quarter*
- *Qualified multiple high-density products for Mobile applications, including 64G and 128G eMCP*
- *Initiated manufacturing strategy for in-country SSDs*

Cree LED

- *All key elements of transaction remain on track*
  - *Remain bullish about Cree LED's leadership position in Specialty LED*
  - *Post-close integration plan on track*
  - *Close expected in February/March timeframe*

- *Why we remain excited about Cree LED*
  - *Aligns with SGH focus on specialty solutions, emphasizing growth, margin enhancement, and diversification*
  - *Potential for synergies by leveraging our operating disciplines*
  - *Accretive to margins and earnings*
  - *Corporate culture*



CFO Financial Review

JACK PACHECO

COO and CFO
SMART Global Holdings

President
SMART Memory Solutions Business

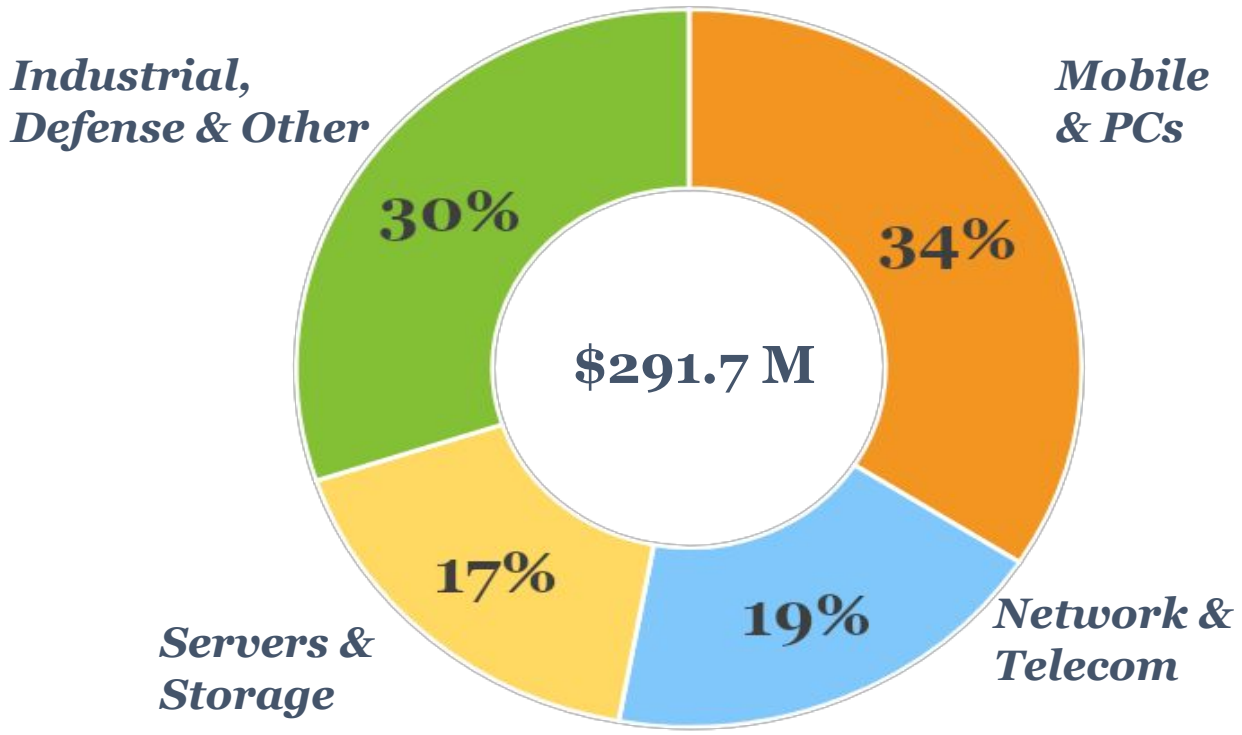
Q1 FY2021 Financial Highlights: Met or Exceeded Expectations

	Net Sales	*Non-GAAP Gross Margin*	*Non-GAAP EPS*
Actuals	$291.7 M	18.6%	$0.78
Guidance on Q4 FY2020 Earnings Call	$290.0 M	18.5%	$0.70

- *Strong memory sales in the quarter*
- *Strong bottom line performance driven by focus on operational excellence*
- *Balance sheet continues to strengthen; cash grew $13 M in the quarter to $164 M*

- Note: Guidance metrics calculated based on midpoint of ranges provided.

Q1 FY2021 Net Sales by End Market



Q1 FY2021 Income Statement Highlights – Non-GAAP

	Q1 FY21	Q4 FY20	Q1 FY20
Gross profit	$54.1 M	$57.8 M	$55.7 M
Gross margin	18.6%	19.5%	20.5%
Gross Margin - SCSS	27%	28%	27%
Gross Margin - Specialty Memory	15%	16%	19%
Gross Margin - Brazil	17%	19%	18%
Operating expenses	$30.4 M	$29.4 M	$37.4M
Net income	$19.6 M	$20.4 M	$13.4 M
Earnings per share	$0.78	$0.82	$0.55
Adjusted EBITDA	$29.5M	$33.0 M	$23.5 M
Effective Tax Rate	14.1%	25.2%	3.0%

Q1 FY2021 Balance Sheet Highlights

Working Capital	Q4 FY20	Q1 FY21
Net accounts receivable	$215.9 M	$212.9 M
Days sales outstanding	45 days	46 days
Inventory	$163.0 M	$147.2 M
Inventory turns	9.4X	10.1X

Cash Flow	Q4 FY20	Q1 FY21
Cash & equivalents	$150.8 M	$164.1 M
CF from operations	$16.2 M	$35.6M
LTM CF from operations	$78.4 M	$88.7 M

CapEx	Q4 FY20	Q1 FY21
CapEx	$15.6 M	$14.6 M
Depreciation	$5.2 M	$5.0 M

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Note: Accounts receivable, days sales outstanding and inventory turns are calculated on a gross sales and gross cost of goods sold basis, which were $423.2M and $370.6M respectively, for the first quarter of fiscal 2021.

Q2 FY2021 Guidance

Net sales	*$285M to $305M*
Gross margin	*18% to 20%*
*GAAP EPS**	*$0.38 +/- $0.05*
*Non-GAAP EPS**	*$0.80 +/- $0.05*
Income tax provision	*10% to 14%*
Capital expenditures	*$10M to $15M*

**Based upon ~25.6 million diluted shares*

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Note: Guidance does not include any view on the foreign exchange gains or losses.

Thank you

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Appendix:
Non-GAAP Reconciliations

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	Three Months Ended		
	November 27, 2020	August 28, 2020	November 29, 2019
Reconciliation of gross profit:			
GAAP gross profit	$ 52,644	$ 56,337	$ 54,320
GAAP gross margin	*18.0%*	*19.0%*	*20.0%*
Add: Share-based compensation included in cost of sales	838	861	730
Add: Intangible amortization included in cost of sales	647	647	647
Non-GAAP gross profit	**$ 54,129**	**$ 57,845**	**$ 55,697**
Non-GAAP gross margin	*18.6%*	*19.5%*	*20.5%*
Reconciliation of operating expenses:			
GAAP operating expenses	$ 45,020	$ 39,107	$ 48,439
Less: Share-based compensation expense included in opex			
Research and development	778	763	744
Selling, general and administrative	9,472	1,582	4,482
Total	10,250	2,345	5,226
Less: Amortization of intangible assets included in opex			
Selling, general and administrative	2,766	2,767	2,766
Total	2,766	2,767	2,766
Less: Acquisition-related expenses	1,617	1,061	946
Less: Integration/restructuring expenses	—	3,487	2,052
Non-GAAP operating expenses	**$ 30,388**	**$ 29,447**	**$ 37,449**

	Three Months Ended		
	November 27, 2020	August 28, 2020	November 29, 2019
Reconciliation of net income and earnings per share (diluted):			
GAAP net income	**$ 2,027**	**$ 7,527**	**$ 224**
Adjustments to GAAP net income:			
Share-based compensation	11,088	3,206	5,956
Amortization of intangible assets	3,413	3,414	3,413
Acquisition related expenses	1,617	1,061	946
Integration/restructuring expenses	—	3,487	2,052
Convertible debt discount OID and fees	2,062	2,026	—
Gain on settlement of indemnity claim	—	(364)	—
Goodwill tax credit	—	(673)	—
Foreign currency (gains)/losses	(642)	822	911
Tax effect of items excluded from non-GAAP results	64	(82)	(91)
Non-GAAP net income	**$ 19,628**	**$ 20,424**	**$ 13,411**
Shares used in computing earnings per share (diluted)	25,103	24,839	24,286
Non-GAAP earnings per share (diluted)	**$ 0.78**	**$ 0.82**	**$ 0.55**
GAAP earnings per share (diluted)	$ 0.08	$ 0.30	$ 0.01

	Three Months Ended		
	November 27, 2020	August 28, 2020	November 29, 2019
GAAP net income	**$ 2,027**	**$ 7,527**	**$ 224**
Share-based compensation expense	11,088	3,206	5,956
Amortization of intangible assets	3,413	3,414	3,413
Interest expense, net	3,154	3,265	4,492
Provision for income tax	3,275	6,139	325
Depreciation	4,954	5,219	6,131
Acquisition-related expenses[(1)]	1,617	1,061	946
Integration/restructuring expenses	—	3,487	2,052
Gain on settlement of indemnity claim	—	(364)	—
Adjusted EBITDA	**$ 29,527**	**$ 32,954**	**$ 23,539**

(1) Amounts related to acquisitions of Cree (pending) and SMART EC & Wireless (July 2019).