SMART GLOBAL HOLDINGS

Q3 FY2021 Financial Results Conference Call

July 6, 2021

Disclaimer

This presentation and oral communications made during the course of this presentation contain "forward-looking statements" including among other things, statements regarding future events and the future financial performance of SMART Global Holdings, Inc. (“SGH”), including the business outlook for the next fiscal quarter, and statements regarding growth drivers in SGH’S industries and markets. These forward-looking statements are based on current expectations and preliminary assumptions that are subject to factors and uncertainties that could cause actual results to differ materially from those described in these forward-looking statement. These forward-looking statements are subject to a number of risks, uncertainties and other factors, many of which are outside SGH’s control, including, among others: business and economic conditions and growth trends in technology and lighting industries, our customer markets and various geographic regions; global economic conditions and uncertainties in the geopolitical environment; disruptions in our operations, our supply chain or in global markets as a result of the outbreak of COVID-19 or otherwise; changes in trade regulations or adverse developments in international trade relations and agreements; changes in currency exchange rates; overall information technology spending; appropriations for government spending; the success of our strategic initiatives including additional investments in new products, additional capacity and acquisitions; the acquisition of other companies or technologies, the failure to successfully integrate and operate them, or customers’ negative reactions to them, including Cree LED, Inc.; limitations on or changes in the availability of supply of materials and components; fluctuations in material costs; temporary or volatile nature of pricing trends in memory or elsewhere; deterioration in customer relationships; production or manufacturing difficulties; competitive factors; technological changes; difficulties with or delays in the introduction of new products; slowing or contraction of growth in the memory market in Brazil; reduction in or termination of incentives for local manufacturing in Brazil; changes to applicable tax regimes or rates; prices for the end products of our customers; strikes or labor disputes; deterioration in or loss of relations with any of our limited number of key vendors; the inability to maintain or expand government business; and other factors and risks detailed in SGH’s filings with the U.S. Securities and Exchange Commission, which include SGH’s most recent reports on Form 10-K and Form 10-Q, including SGH’s future filings. Such factors and risks as outlined above and in such filings may not constitute all factors and risks that could cause actual results of SGH to be materially different from the historical results and/or from any future results or outcomes expressed or implied by such forward-looking statements. SGH and its subsidiaries operate in a continually changing business environment and new factors emerge from time to time. SGH cannot predict such factors, nor can it assess the impact, if any, from such factors on SGH or its subsidiaries’ results. Accordingly, investors are cautioned not to place undue reliance on any forward-looking statements. Forward-looking statements should not be relied upon as a prediction of actual results. These forward-looking statements are made as of today, and SGH does not intend, and has no obligation, to update or revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this press release, except as required by law.

Non-GAAP Financial Measures

Non-GAAP financial measures should not be considered as a substitute for or superior to measures of financial performance prepared in accordance with generally accepted accounting principles, or GAAP.

SGH management uses non-GAAP measures to supplement SGH’s financial results under GAAP, which include share-based compensation expense, amortization of intangible assets, contingent consideration fair value adjustment, acquisition-related inventory adjustment, advisory fees and other expense items that are nonrecurring. Management believes the presentation of operating results that exclude these items provides useful supplemental information to investors and facilitates the analysis of the Company’s core operating results and comparison of operating results across reporting periods. Management also believes that this supplemental non-GAAP information is therefore useful to investors in analyzing and assessing the Company’s past and future operating performance.

Adjusted EBITDA is calculated as GAAP net income (loss) plus net interest expense, income tax expense, depreciation and amortization expense, share-based compensation expense, contingent consideration fair value adjustment, acquisition-related inventory adjustment, out-of-period adjustments related to import taxes, loss on extinguishment of debt/revolver, capped call mark to market (MTM) adjustment, restructuring expenses, integration expenses, COVID-19 expenses, acquisition-related expenses, gain on settlements and other infrequent or unusual items. Adjusted EBITDA does not purport to represent cash flow provided by, or used in, operating activities in accordance with GAAP and should not be used as a measure of liquidity.

Investors are encouraged to review the “Reconciliation of Non-GAAP Financial Measures to GAAP Results” and “Reconciliation of GAAP Net Income to Adjusted EBITDA” tables below for more detail on non-GAAP calculations.

Fiscal year ends in August.

Speakers



Mark Adams

President and CEO
SMART Global Holdings



Ken Rizvi

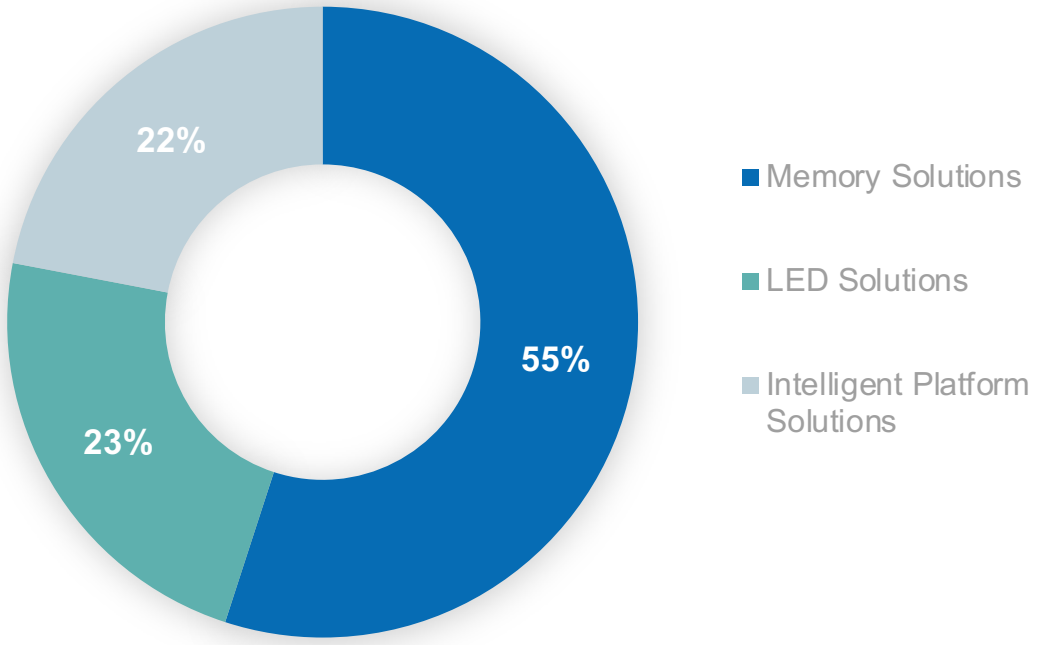
SVP and CFO
SMART Global Holdings

Executing Across All Fronts; Record Quarterly Revenue

Growth

	Reported	Guidance*
Net Sales	$437.7M	$400-$430M
Non-GAAP Gross Margin	21.9%	19-21%
Non-GAAP EPS	$1.39	$1.00-$1.20

Diversification



*Guidance provided on Q2 FY21 Earnings Call on April 6, 2021

Intelligent Platform Solutions

Positioned to Execute

Performance

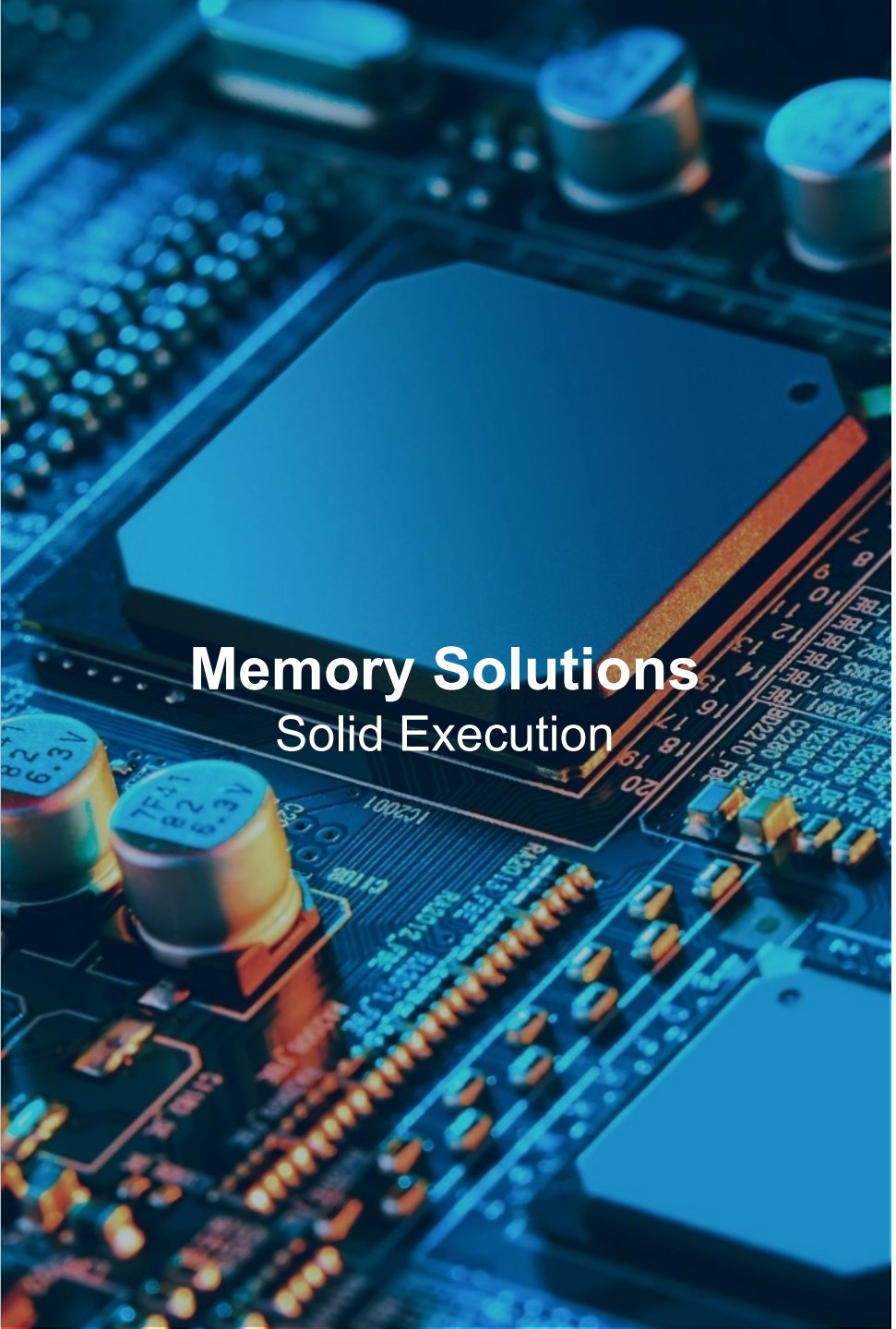
- Revenue of ~$96M
  - Up 12% sequentially
  - Up 57% year-over-year

Product Roadmap

- New platforms and solutions for Core/Data Center/Cloud
  - Penguin Computing's OriginAI
  - Penguin Edge's high-performance server card

Growth

- New wins with U.S. Department of Defense
- Strong demand for Cloud Solutions



Memory Solutions

Solid Execution

Performance	• Revenue of ~$240M; up 10% Q/Q • Non-GAAP gross margin of 18.1%; up 240bp Q/Q
Growth	• Strong controller-based product demand; FLASH backlog building • Production orders begin in; cyber security, personal security and transportation
Brazil	• Strong PC/server demand drove the quarter • SSD initiative development schedule on track

Note: Memory Solutions includes the Specialty Memory and Brazil businesses



LED Solutions

Exceeding Expectations

Performance	• Revenue of $102M • Non-GAAP gross margin of 29.6%
Manufacturing Transformation	• Silicon carbide to sapphire • Migration to fab-lite model
Differentiated Markets	• Specialty lighting • Video screens • Horticultural

Financial Review

Ken Rizvi | SVP and CFO

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Q3 FY2021 Financial Highlights

Record performance exceeding Q3 guidance on all fronts

- 44% sequential revenue growth drove record quarterly revenue
- Strong sequential gross margin improvement
- Non-GAAP EPS up 60% sequentially

	Net Sales	Non-GAAP Gross Margin	Non-GAAP EPS
Actuals	$437.7M	21.9%	$1.39
Q3 Guide*	$400-$430M	19-21%	$1.00-$1.20

* Guidance provided on Q2 FY21 Earnings Call on April 6, 2021

Q3 FY2021 Non-GAAP Income Statement Highlights

	Q3 FY20	Q2 FY21	Q3 FY21
Net sales	$281.3M	$304.0M	$437.7M
Gross profit	$55.9	$59.3	$95.7
Gross margin	19.9%	19.5%	21.9%
Gross Margin – Intelligent Platform Solutions	24.5%	29.3%	23.1%
Gross Margin – Memory Solutions	18.5%	15.7%	18.1%
Gross Margin – LED Solutions	n/a	n/a	29.6%
Operating expenses	$35.5M	$32.1M	$52.4M
Net income	$17.1M	$21.9M	$35.5M
Earnings per share	$0.70	$0.87	$1.39
Adjusted EBITDA	$25.4M	$31.0M	$51.4M
Effective Tax Rate	11.7%	12.1%	11.7%

See appendix for GAAP to non-GAAP reconciliation.

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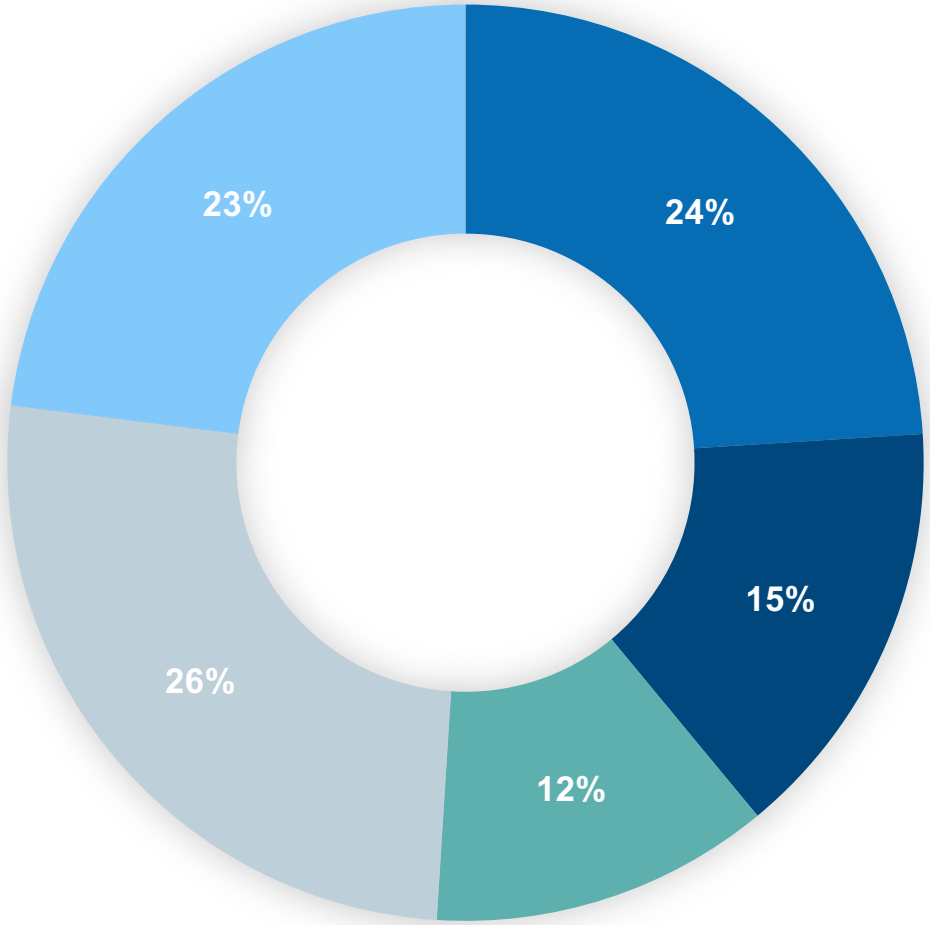
Q3 FY2021 Net Sales by End Market



- Mobile & PCs
- Network & Telecom
- Servers & Storage
- Industrial, Defense & Other
- Advanced Lighting

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Q3 FY2021 Balance Sheet Highlights

Working Capital	Q2 FY21	Q3 FY21
Net Accounts Receivable	$203.4M	$274.9M
Days Sales Outstanding	41 days	39 days
Inventory	$189.3M	$289.0M
Inventory Turns	8.3X	7.7X

Cash Flow	Q2 FY21	Q3 FY21
Cash & Equivalents	$139.8M*	$189.0M
CF from Operations	$20.4M	$49.3M
LTM CF from Operations	$94.6M	$130.3M

** Includes $44M stock buyback*

CapEx	Q2 FY21	Q3 FY21
CapEx	$20.0 M	$5.2 M
Depreciation	$5.4 M	$9.1 M

Note: Accounts receivable, days sales outstanding and inventory turns are calculated on a gross sales and gross cost of goods sold basis, which were $448.1M and $394.7M respectively for Q2 FY21, and $643.3M and $558.8M respectively for Q3 FY21.

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Q4 FY2021 Guidance

	Q4 FY21 Guidance
Net Sales	$440 to $480M
Gross Margin	22% to 24%
Diluted EPS - GAAP	$0.95 ± $0.15
Shares-based compensation per share	$0.33
Intangible amortization per share	$0.24
Convertible debt discount OID and fees per share	$0.08
Diluted EPS – Non-GAAP	$1.60 ± $0.15
Expected diluted share count -GAAP	27M
Capped call anti-dilution related to convertible	(1M)
Expected diluted share count – Non-GAAP	26M

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

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Closing Remarks



Environment Social & Governance

Making progress on our 2020 ESG disclosures



COVID -19 Safety Measures

All SGH sites continue to operate while maintaining a safe and healthy environment



Positioned for Growth

Growth and diversification strategy delivering shareholder value

Thank you

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Appendix:

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	Three Months Ended		
	May 28, 2021	February 26, 2021	May 29, 2020
Reconciliation of gross profit:			
GAAP gross profit	$ 84,487	$ 53,456	$ 54,233
GAAP gross margin	*19.3%*	*17.6%*	*19.3%*
Add: Share-based compensation included in cost of sales	1,166	804	699
Add: Intangible amortization included in cost of sales	2,937	647	647
Add: LED - Inventory adjustment	7,090	—	—
Add: Import taxes - Out of period adjustment	—	4,345	—
Add: COVID-19 expenses	—	—	282
Non-GAAP gross profit	**$ 95,680**	**$ 59,252**	**$ 55,861**
Non-GAAP gross margin	*21.9%*	*19.5%*	*19.9%*
Reconciliation of operating expenses:			
GAAP operating expenses	$ 81,593	$ 40,516	$ 44,169
Less: Share-based compensation expense included in opex			
Research and development	1,468	810	780
Selling, general and administrative	5,747	3,784	3,428
Total	7,215	4,594	4,208
Less: Amortization of intangible assets included in opex			
Selling, general and administrative	3,247	2,766	2,767
Total	3,247	2,766	2,767
Less: Acquisition-related expenses	2,355	1,064	—
Less: Integration/restructuring expenses	—	—	1,432
Less: COVID-19 expenses	—	—	228
Less: Contingent consideration fair value adjustment	16,400	—	—
Non-GAAP operating expenses	**$ 52,376**	**$ 32,092**	**$ 35,534**

	Three Months Ended		
	May 28, 2021	February 26, 2021	May 29, 2020
Reconciliation of net income (loss) and earnings per share (diluted):			
GAAP net income (loss)	**$ (7,211)**	**$ 5,844**	**$ 825**
Adjustments to GAAP net income (loss):			
Share-based compensation	8,381	5,398	4,907
Amortization of intangible assets	6,184	3,413	3,414
Acquisition related expenses	2,355	1,064	—
LED - Inventory adjustment	7,090	—	—
Integration/restructuring expenses	—	—	1,432
COVID-19 expenses	—	—	510
Extinguishment of term loan	—	—	192
Capped call MTM adjustment	—	—	2,924
Import taxes - Out of period adjustment	—	3,358	—
Convertible debt discount OID and fees	2,088	2,098	1,960
Goodwill tax credit	—	—	484
Contingent consideration fair value adjustment	16,400	—	—
Foreign currency (gains)/losses	994	843	484
Tax effect of items excluded from non-GAAP results	(767)	(84)	(48)
Non-GAAP net income	**$ 35,514**	**$ 21,934**	**$ 17,084**
Diluted shares outstanding reconciliation:			
GAAP weighted average outstanding shares - diluted*	26,444 #	25,203 #	24,431
Dilution offset from convertible note hedge transactions	(928)	—	—
Non-GAAP diluted weighted average shares outstanding	**25,516**	**25,203**	**24,431**
Non-GAAP earnings per share (diluted)	**$ 1.39**	**$ 0.87**	**$ 0.70**
GAAP earnings per share (diluted)	$ (0.30)	$ 0.23	$ 0.03

**Q3'21: represents what GAAP diluted shares would have been had there been GAAP income.*

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	Three Months Ended		
	May 28, 2021	February 26, 2021	May 29, 2020
GAAP net income (loss)	**$ (7,211)**	**$ 5,844**	**$ 825**
Share-based compensation expense	8,381	5,398	4,907
Amortization of intangible assets	6,184	3,413	3,414
Interest expense, net	5,049	4,365	3,094
Provision for income tax	4,010	1,200	2,700
Depreciation	9,124	5,378	5,405
Acquisition-related expenses[(1)]	2,355	1,064	—
LED - Inventory adjustment[(2)]	7,090	—	—
Contingent consideration fair value adjustment[(1)]	16,400	—	—
Integration/restructuring expenses	—	—	1,432
COVID-19 expenses	—	—	510
Import taxes - Out of period adjustment	—	4,345	—
Extinguishment of term loan	—	—	192
Capped call MTM adjustment	—	—	2,924
Gain on settlement of indemnity claim	—	—	—
Adjusted EBITDA	**$ 51,382**	**$ 31,007**	**$ 25,403**

(1) Amounts related to acquisitions of LED (March 2021) and SMART EC & Wireless (July 2019).

(2) Amounts related to flow through of inventory fair value step up, net of the inventoried impact of other non-GAAP adjustments.

Dilution Table	Convertible Share Dilution	Capped Call	Net Share Dilution to SGH
Stock Price			
$40.00	0.00	0.00	0.00
$42.50	0.27	0.27	0.00
$45.00	0.60	0.60	0.00
$47.50	0.89	0.89	0.00
$50.00	1.16	1.16	0.00
$52.50	1.39	1.39	0.00
$55.00	1.61	1.52	0.10
$57.50	1.81	1.45	0.36
$60.00	1.99	1.39	0.60
$62.50	2.16	1.33	0.82
$65.00	2.31	1.28	1.03
$67.50	2.45	1.23	1.22
$70.00	2.58	1.19	1.39
$72.50	2.71	1.15	1.56
$75.00	2.82	1.11	1.71
$77.50	2.93	1.08	1.86
$80.00	3.03	1.04	1.99