Q4 FY2021
SGH FINANCIAL RESULTS

OCTOBER 12, 2021

SGH

Disclaimer

This presentation and oral communications made during the course of this presentation will contain "forward-looking statements," including, among other things, statements regarding future events and the future financial performance of 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 statements. 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: global business and economic conditions and growth trends in technology and lighting industries, our customer markets and various geographic regions; uncertainties in the geopolitical environment; disruptions in our operations or our supply chain as a result of COVID-19 pandemic 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 and additional capacity; acquisitions of companies or technologies, the failure to successfully integrate and operate them, or customers' negative reactions to them; 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 do not constitute all factors and risks that could cause actual results of SGH to be materially different from our forward-looking statements.

Accordingly, investors are cautioned not to place undue reliance on any forward-looking statements. 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.

Statement Regarding Use of Non-GAAP Financial Measures:

SGH management uses non-GAAP measures to supplement SGH's financial results under GAAP. Management uses these measures to analyze its operations and make decisions as to future operational plans and believes that this supplemental non-GAAP information is useful to investors in analyzing and assessing the Company's past and future operating performance. The non-GAAP measures management uses include non-GAAP gross profit, operating income, net income/(loss) and earnings/(loss) per share. These non-GAAP measures exclude share-based compensation expense, amortization of intangible assets, contingent consideration fair value adjustment, acquisition-related inventory adjustment, integration and restructuring expenses, acquisition-related expenses, foreign currency gains/(losses), COVID-19 expenses, convertible debt OID and fees, transaction tax refunds and other expenses 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 uses Adjusted EBITDA, which 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.

Non-GAAP financial measures should not be considered as a substitute for or superior to measures of financial performance prepared in accordance with GAAP, as they exclude important information about our financial results, as noted above. In addition, 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 GAAP Results to Non-GAAP Financial Measures" 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

SGH Business Lines

Common operating model

- Deliver custom solutions
- Serve specialty markets
- Leverage core capabilities in engineering, manufacturing, managed services, and quality

Intelligent Platform Solutions



Memory Solutions



LED Solutions

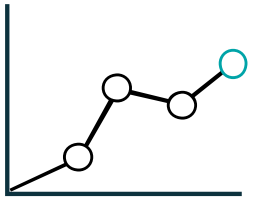


FY 2021: A Transformational Year



Expanded addressable markets with complementary LED solutions acquisition

- Specialty market focus; consistent with overall SGH strategy
- Unlocking value; higher sales, greater profitability



Achieved record results with a more diversified business mix

- FY21 Revenues up 34% to $1.5 Billion
- FY21 GAAP Gross Margin up 120bps to 20.5%
- FY21 Non-GAAP Gross Margin up 240bps to 22.2% (1)
- Q4 FY21 Memory ~53% of total revenue, compared with 77% in prior year



Improved governance and disclosures

- Improved Board independence and diversity
- Strengthened and diversified executive leadership team
- Published inaugural ESG report

(1) See appendix for GAAP to non-GAAP reconciliation.



Intelligent Platform Solutions

PERFORMANCE HIGHLIGHTS

Q4 FY21 revenue of $98M

- Up 46% vs. Q4 FY20
- Q4 FY21 software and managed services revenue up 40% vs. Q4 FY20

PRODUCT HIGHLIGHTS

Released major software updates for performance scaling and security

- SCYLD ClusterWare
- SCYLD CloudManager
- SCYLD CloudWorkstation

CUSTOMER HIGHLIGHTS

Navy & Air Force super compute design wins

- Penguin's TrueHPC platform + managed services
- Represents among the most powerful supercomputers in the Department of Defense

Memory Solutions



PERFORMANCE HIGHLIGHTS

Q4 FY21 revenue of $247M

- Up 7% year-over-year
- Up 23% year-over-year adjusting for one-time customer realignment from gross to net [1]

PRODUCT HIGHLIGHTS

New products; new vertical markets

- Delivered first samples of memory modules based on new CCIX standard for AI/ML
- Brazil SSDs tracking to plan
- Launched high density 5G smartphone uMCP solution

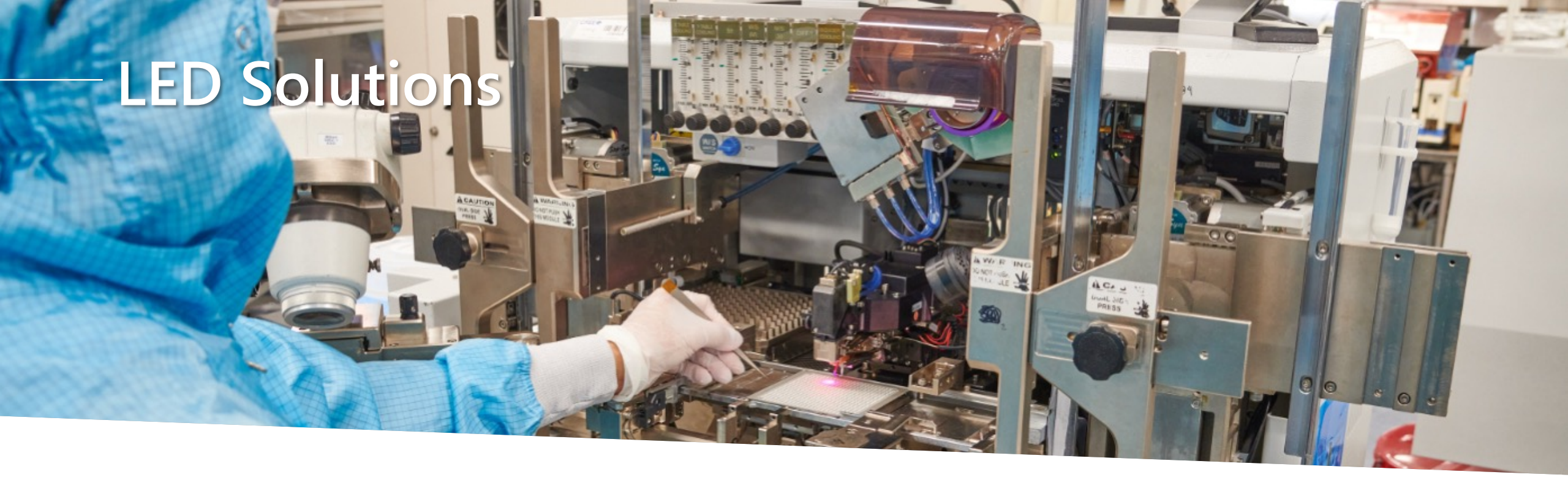
CUSTOMER HIGHLIGHTS

Expanding engagements with key customers

- Providing specialized accelerator cards to hyper-scale data center customer with expanded memory

(1) Adjusted comparison achieved by accounting for sales to affected customer in Q4 FY21 on a gross sales basis.

LED Solutions



PERFORMANCE HIGHLIGHTS

Q4 FY21 revenue of $123M

- Up 21% vs. Q3 FY21
- Strong top line and margin expansion

MANUFACTURING TRANSFORMATION

Transition to Sapphire + fab-lite model

- Expected completion by end of calendar 2022

PRODUCT HIGHLIGHTS

Delivery of application-optimized solutions

- Launched 3rd Gen Extreme High-Power LED
- Introduced XPG3 White S line products
- Expanded J-Series for horticulture and architecture

FINANCIAL REVIEW

KEN RIZVI, SVP AND CFO

A Strong Year of Performance

Record Non-GAAP quarterly results

	NET SALES	NON-GAAP GROSS MARGIN	NON-GAAP EPS
FY2021 Change vs. FY20	$1.5 B up 34%	22.2% up 240 bp	$5.22 up 102%
Q4 FY21 Change vs. Q4 FY20	$468 M up 57%	26.4% up 690 bp	$2.16 up 163%
Q4 Guide*	$440-$480 M	22-24%	$1.45-$1.75

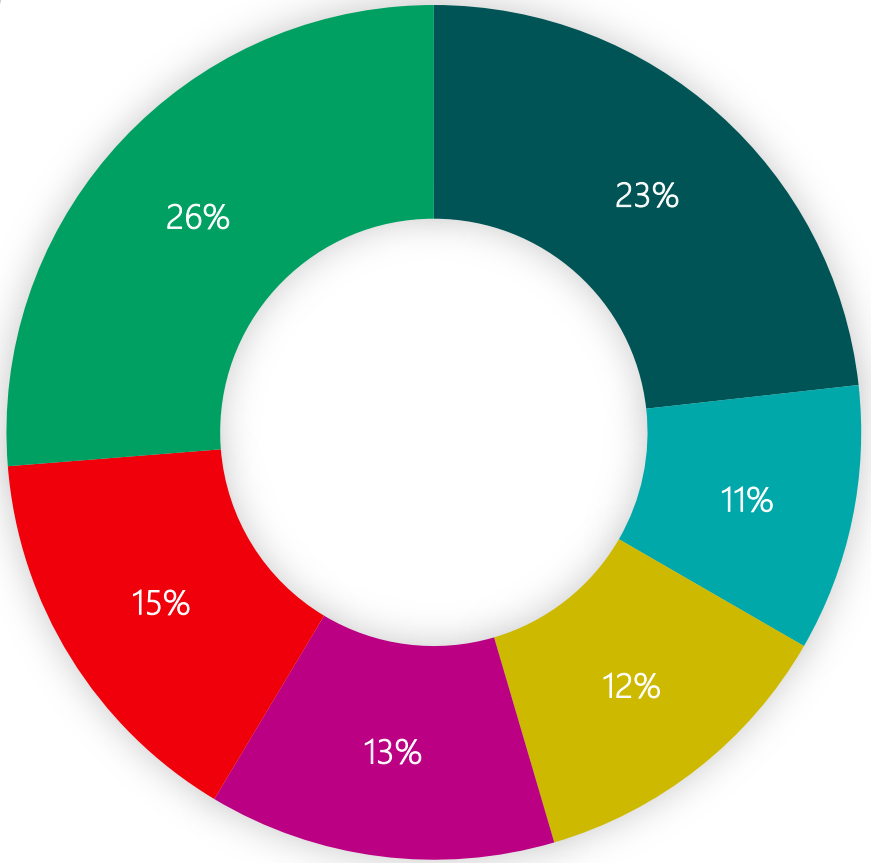
* Guidance provided on Q3 FY21 earnings call which took place on July 6, 2021.
See appendix for GAAP to non-GAAP reconciliation

Q4 FY2021 Non-GAAP Operating Results

($ M)	Q4 FY20	Q3 FY21	Q4 FY21
Net sales	$297.0	$437.7	$467.7
Intelligent Platform Solutions	$66.9	$95.9	$97.6
Memory Solutions	$230.2	$240.1	$247.3
LED Solutions*	-	$101.8	$122.8
Gross profit	$57.8	$95.7	$123.6
Operating expenses	$29.4	$52.4	$57.0
Net income	$20.4	$35.5	$55.1
Diluted earnings per share	$0.82	$1.39	$2.16
Adjusted EBITDA	$33.0	$51.4	$75.9

*Cree LED acquisition completed in March 2021
See appendix for GAAP to non-GAAP reconciliation

Q4 FY2021 Net Sales by End Market



Q4 FY2021 Balance Sheet Highlights

Working Capital	Q3 FY21	Q4 FY21
Net Accounts Receivable	$274.9M	$313.4M
Days Sales Outstanding	39 days	39 days
Inventory	$289.0M	$363.6M
Inventory Turns	7.7X	6.8X

Cash Flow	Q3 FY21	Q4 FY21
Cash & Equivalents (at period end)	$189.0M	$223.0M
CF from Operations	$49.3M	$48.0M
LTM CF from Operations	$130.3M	$153.4M

CapEx	Q3 FY21	Q4 FY21
CapEx	$5.2 M	$7.6 M
Depreciation	$9.1 M	$9.4 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 $643.3M and $558.8M respectively for Q3 FY21, and $738.5M and $620.7M respectively for Q4 FY21.

Q1 FY 2022 Guidance

	GAAP OUTLOOK	ADJUSTMENTS	NON-GAAP OUTLOOK
Net Sales	$440 to $480 million	–	$440 to $480 million
Gross Margin	24% to 26%	1% (A)	25% to 27%
Diluted EPS	$1.20 ± $0.20	$0.80 (A,B,C)	$2.00 ± $0.20
Diluted Shares	27 million	(1) million	26 million

Non-GAAP adjustments (in millions):

A	Share-based compensation and amortization of intangible assets– cost of sales	$	6
B	Share-based compensation and amortization of intangible assets– R&D and SG&A	$	11
C	Convertible debt discount OID and fees, integration costs and other adjustments	$	3
		$	20

THANK YOU

APPENDIX

GAAP to Non-GAAP Reconciliation

	Three Months Ended			Fiscal Year Ended	
	August 27, 2021	May 28, 2021	August 28, 2020	August 27, 2021	August 28, 2020
Reconciliation of gross profit:					
GAAP gross profit	$ 117,794	$ 84,487	$ 56,337	$ 308,380	$ 216,396
GAAP gross margin	*25.2%*	*19.3%*	*19.0%*	*20.5%*	*19.3%*
Add: Share-based compensation included in cost of sales	1,785	1,166	861	4,593	3,022
Add: Intangible amortization included in cost of sales	3,997	2,937	647	8,228	2,588
Add: LED - Inventory adjustment	—	7,090	—	7,090	—
Add: Import taxes - Out of period adjustment	—	—	—	4,345	—
Add: COVID-19 expenses	—	—	—	—	282
Non-GAAP gross profit	$ 123,576	$ 95,680	$ 57,845	$ 332,636	$ 222,288
Non-GAAP gross margin	*26.4%*	*21.9%*	*19.5%*	*22.2%*	*19.8%*
Reconciliation of operating expenses:					
GAAP operating expenses	$ 86,055	$ 81,593	$ 39,107	253,183	175,066
Less: Share-based compensation expense included in opex					
Research and development	1,373	1,468	763	4,429	3,069
Selling, general and administrative	5,852	5,747	1,582	24,855	12,625
Total	7,225	7,215	2,345	29,284	15,694
Less: Amortization of intangible assets included in opex					
Selling, general and administrative	3,247	3,247	2,767	12,027	11,066
Total	3,247	3,247	2,767	12,027	11,066
Less: Acquisition-related expenses	542	2,355	—	5,578	946
Less: Integration/restructuring expenses	2,054	—	4,548	2,054	9,072
Less: Change in fair value of contingent consideration	16,000	16,400	—	32,400	—
Less: COVID-19 expenses	—	—	—	—	228
Non-GAAP operating expenses	$ 56,987	$ 52,376	$ 29,447	$ 171,841	$ 138,060

GAAP to Non-GAAP Reconciliation

	Three Months Ended			Fiscal Year Ended	
	August 27, 2021	May 28, 2021	August 28, 2020	August 27, 2021	August 28, 2020
Reconciliation of net income (loss) and earnings per share (diluted):					
GAAP net income (loss)	$ 20,652	$ (7,211)	$ 7,527	$ 21,310	$ (1,143)
Adjustments to GAAP net income (loss):					
Share-based compensation	9,010	8,381	3,206	33,877	18,716
Amortization of intangible assets	7,244	6,184	3,414	20,255	13,654
Acquisition related expenses	542	2,355	—	5,578	946
LED - Inventory adjustment	—	7,090	—	7,090	—
Integration/restructuring expenses	2,054	—	4,548	2,054	9,072
Import taxes - Out of period adjustment	—	—	—	3,358	—
Convertible debt discount OID and fees	2,172	2,088	2,026	8,420	4,385
Change in fair value of contingent consideration	16,000	16,400	—	32,400	—
Foreign currency (gains)/losses	(477)	994	822	718	3,408
Tax effect of items excluded from non-GAAP results	(1,057)	(767)	(82)	(1,844)	(340)
Transaction tax refund	(1,002)	—	—	(1,002)	—
COVID-19 expenses	—	—	—	—	510
Extinguishment of term loan	—	—	—	—	6,822
Capped call MTM adjustment	—	—	—	—	7,719
Gain on settlement of indemnity claim	—	—	(364)	—	(364)
Goodwill tax credit	—	—	(673)	—	295
Non-GAAP net income	$ 55,138	$ 35,513	$ 20,424	$ 132,214	$ 63,680
Diluted shares outstanding reconciliation:					
GAAP weighted average outstanding shares - diluted*	26,417	26,444	24,839	25,792	24,566
Dilution offset from convertible note hedge transactions	(867)	(928)	—	(449)	—
Non-GAAP diluted weighted average shares outstanding	25,551	25,516	24,839	25,343	24,566
GAAP earnings per share (diluted)	$ 0.78	$ (0.30)	$ 0.30	$ 0.83	$ (0.05)
Non-GAAP earnings per share (diluted)	$ 2.16	$ 1.39	$ 0.82	$ 5.22	$ 2.59

**Q3'21 & FY'20: represents what GAAP diluted shares would have been had there been GAAP income.*

GAAP to Non-GAAP Reconciliation

	Three Months Ended			Fiscal Year Ended	
	August 27, 2021	May 28, 2021	August 28, 2020	August 27, 2021	August 28, 2020
GAAP net income (loss)	**$ 20,652**	**$ (7,211)**	**$ 7,527**	**$ 21,310**	**$ (1,143)**
Share-based compensation expense	9,010	8,381	3,206	33,877	18,716
Amortization of intangible assets	7,244	6,184	3,414	20,255	13,654
Interest expense, net	5,031	5,049	3,265	17,600	15,000
Provision for income tax	6,981	4,010	6,139	15,466	10,503
Depreciation	9,399	9,124	5,219	28,856	22,776
Change in fair value of contingent consideration[(1)]	16,000	16,400	—	32,400	—
Integration/restructuring expenses	2,054	—	4,548	2,054	9,072
Acquisition-related expenses[(1)]	542	2,355	—	5,578	946
Transaction tax refund	(1,002)	—	—	(1,002)	—
LED - Inventory adjustment[(2)]	—	7,090	—	7,090	—
Import taxes - Out of period adjustment	—	—	—	4,345	—
Capped call MTM adjustment	—	—	—	—	7,719
Extinguishment of term loan	—	—	—	—	6,822
COVID-19 expenses	—	—	—	—	510
Gain on settlement of indemnity claim	—	—	(364)	—	(364)
Adjusted EBITDA	**$ 75,910**	**$ 51,382**	**$ 32,954**	**$ 187,828**	**$ 104,211**

(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.

Convertible Dilution

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