FOURTH QUARTER AND FULL YEAR FY22 SGH FINANCIAL RESULTS

October 4, 2022

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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: issues, delays or complications in integrating the operations of Stratus Technologies; global business and economic conditions and growth trends in technology industries, our customer markets and various geographic regions; uncertainties in the geopolitical environment; uncertainties in the global macroeconomic 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; the 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 or in the LED market; 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 8-K, 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 presentation, 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. These non-GAAP measures exclude certain items, such as share-based compensation expense, amortization of acquisition-related intangible assets (consisting of amortization of developed technology, customer relationships, trademarks/trade names and backlog acquired in connection with business combinations), acquisition-related inventory adjustments, acquisition-related expenses, restructure charges and integration expenses, changes in the fair value of contingent consideration, (gains) losses from changes in currency exchange rates, COVID-19 expenses, amortization of debt discount and other costs and other infrequent or unusual items. While amortization of acquisition-related intangible assets is excluded, the revenues from acquired companies is reflected in our non-GAAP measures and these intangible assets contribute to revenue generation. Management believes the presentation of operating results that exclude certain 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 represents GAAP net income (loss), adjusted for net interest expense, income tax expense, depreciation and amortization expense, share-based compensation expense, acquisition-related inventory adjustments, acquisition-related expenses, restructure charges and integration expenses, changes in the fair value of contingent consideration, COVID-19 expenses 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. The presentation of these adjusted amounts varies from amounts presented in accordance with GAAP and therefore may not be comparable to amounts reported by other companies. 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 to Non-GAAP Measures" in the appendix at the end of this presentation.

Our fiscal year is the 52 or 53-week period ending on the last Friday in August.

SPEAKERS



Mark Adams
President and CEO
SGH



Ken Rizvi
SVP and CFO
SGH



FY22 Highlights

- Record Revenue
  - FY22 revenue totaled $1.8 billion, up 21% vs FY21
- Record Gross Margin
  - GAAP gross margin of 24.9%, up 440 bp vs FY21
  - Non-GAAP gross margin of 25.9%, up 370 bp YoY vs FY21
- Record Adjusted EBITDA
  - FY22 adjusted EBITDA of $263 million, up 40% vs FY21
- Record Non-GAAP EPS
  - GAAP EPS of $1.22 vs $0.41 in FY21
  - Non-GAAP EPS of $3.62 vs $2.61 in FY21

- All per share measures reflect the February 2022 two-for-one share split
- See appendix for GAAP to non-GAAP reconciliation

Q4 FY22 Highlights



Q4 FY22 Revenue of
$438 Million



Q4 FY22 Non-GAAP
Gross Margin of 24.6%



Q4 FY22 Non-GAAP
EPS of $0.80

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OUR BUSINESS LINES

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Intelligent Platform Solutions

- Performance review
  - Q4 FY22 record revenue of $145 million, up 52% sequentially; up 48% vs year ago
  - FY22 services revenue of $97 million, up 59% vs FY21
- Industry recognition
  - Scientific Computing World highlighted Penguin Computing's Cloud technology practice
- Stratus Technologies*
  - High-availability, fault-tolerant capabilities to expand IPS offerings to more comprehensively address our combined customers' needs

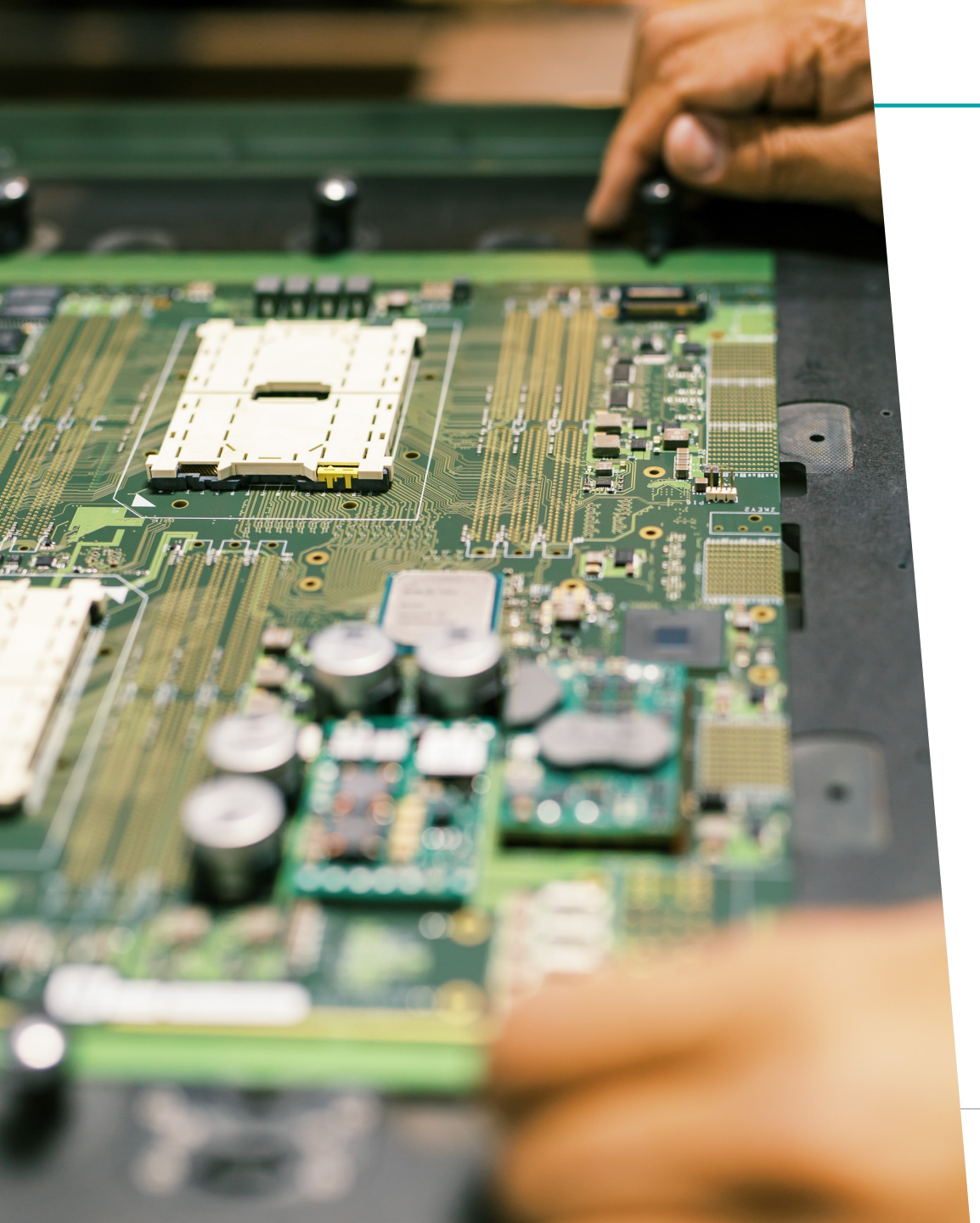
* Stratus Technologies acquisition closed on August 29, 2022

LED Solutions

- Performance review
  - Q4 FY22 revenue of $83 million
  - Results affected by headwinds in China as COVID-related policies contributed to supply chain constraints and impacted demand
- Key target markets
  - Specialty: high-value applications such as entertainment and horticulture
  - Video: premium video applications such as fine-pitch outdoor lighting
  - General Lighting: high performance general lighting applications such as architectural and street lighting
- Longer term
  - Once macro headwinds subside, we remain confident in the long-term operating performance of the LED business



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Memory Solutions

- Performance review
  - Q4 FY22 revenue of $210 million
  - Sales driven by core DDR3, DDR4, and Flash products for the networking, telecom, and storage end markets
- Product Highlights
  - SATA SSD design-ins are increasing
  - Growing interest in DDR5 specialty form factors
  - Launched first CXL memory module which boosts server and data center performance
- Secular growth trends remain favorable
  - Longer term secular memory market trends remain favorable with data center proliferation, the migration to DDR5, and the increasing SSD attach rate in Brazil

FINANCIAL REVIEW

Ken Rizvi, SVP and CFO

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FY22 Revenue by Business Line

Record annual revenues of $1.82 billion



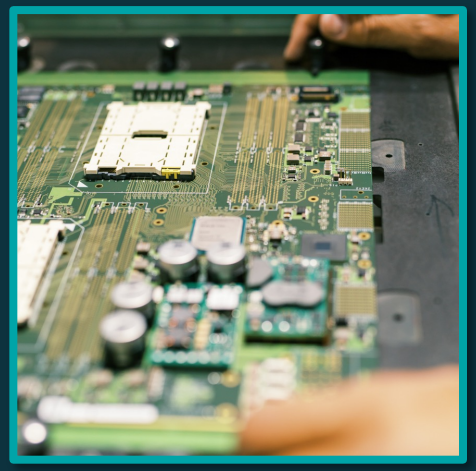
Intelligent Platform Solutions

Up 28% YoY to a record
$441 million



LED Solutions

First full year with Cree LED
$403 million



Memory Solutions

Up 5% YoY to
$975 million

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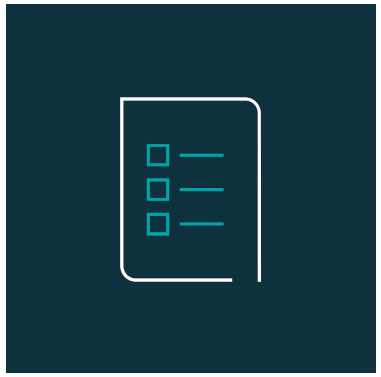
Non-GAAP FY22 Results



Record non-GAAP gross margin of 25.9%, up 370 bp vs FY21



Record non-GAAP EPS of $3.62



Record adjusted EBITDA of $263M

- All per share measures reflect the February 2022 two-for-one share split
- See appendix for GAAP to non-GAAP reconciliation

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Non-GAAP Quarterly Results

Key financial metrics at or above midpoint of guidance

	Revenue	Non-GAAP Gross Margin	Non-GAAP EPS
Q4 FY22 Results	$438M	24.6%	$0.80
Q4 Guidance	$420-$460M	23.5-25.5%	$0.65 +/- $0.10

- Guidance provided on Q3 FY22 earnings call which took place on June 29, 2022
- Note: all per share measures reflect the February 2022 two-for-one share split
- See appendix for GAAP to non-GAAP reconciliation

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Q4 FY22 Non-GAAP Operating Results

($M)	Q4 FY22	Q3 FY22	Q4 FY21
Revenue	$437.7	$462.5	$467.7
Intelligent Platform Solutions	$144.7	$95.3	$97.6
Memory Solutions	$209.8	$265.9	$247.3
LED Solutions	$83.1	$101.3	$122.8
Gross profit	$107.8	$118.9	$123.6
Operating expenses	$61.1	$64.6	$57.0
Net income	$40.4	$45.9	$55.1
Diluted earnings per share	$0.80	$0.87	$1.08
Adjusted EBITDA	$55.9	$64.0	$75.9

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- See appendix for GAAP to non-GAAP reconciliation
- All per share measures reflect the February 2022 two-for-one share split
- Summations may not compute precisely due to rounding

Q4 FY22 Balance Sheet Highlights

Working Capital	Q3 FY22	Q4 FY22
Net Accounts Receivable	$357M	$410M
Days Sales Outstanding	31 days	47 days
Inventory	$365M	$323M
Inventory Turns	10.1X	8.5X

Cash Flow	Q3 FY22	Q4 FY22
Cash & Equivalents (at period end)	$387M	$363M
CF from Operations	$36.7M	$20.9M
LTM CF from Operations	$132.0M	$104.9M

Capital Expenditures	Q3 FY22	Q4 FY22
CapEx	$9.2M	$8.9M
Depreciation	$10.6M	$10.8M

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- Accounts receivable, days sales outstanding and inventory turns are calculated on a gross sales and gross cost of goods sold basis, which were $1,037M and $922M, respectively, for Q3 FY22, and $789M and $685M, respectively, for Q4 FY22

OUR GUIDANCE

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Q1 FY 2023 Guidance

	GAAP Outlook	Adjustments	Non-GAAP Outlook
Net Sales	$425 to $475 million	–	$425 to $475 million
Gross Margin	24.5% to 26.5%	1% (A)	25.5% to 27.5%
Diluted EPS	$0.14 ± $0.15	$0.46 (A,B,C)	$0.60 ± $0.15
Diluted Shares	51 million	–	51 million

Non-GAAP adjustments (in millions):

(A) Share-based compensation and amortization of acquisition-related intangibles included in cost of sales	$	4
(B) Share-based compensation and amortization of acquisition-related intangibles included in R&D and SG&A		11
(C) Amortization of debt discount and other costs		8
	$	23

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APPENDIX

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GAAP to Non-GAAP Reconciliations

(dollars in thousands)	Three Months Ended August 26, 2022	Three Months Ended May 27, 2022	Three Months Ended August 27, 2021	Fiscal Year Ended August 26, 2022	Fiscal Year Ended August 27, 2021
GAAP gross profit	$ 103,843	$ 114,463	$ 117,793	$ 453,220	$ 308,380
Share-based compensation expense	1,637	1,724	1,786	6,740	4,593
Amortization of acquisition-related intangibles	2,367	2,696	3,997	10,741	8,228
Flow-through of inventory step up	—	—	—	—	7,090
Out of period import tax expense	—	—	—	—	4,345
Non-GAAP gross profit	$ 107,847	$ 118,883	$ 123,576	$ 470,701	$ 332,636
GAAP operating expenses	$ 76,242	$ 79,154	$ 86,054	$ 338,711	$ 253,183
Share-based compensation expense	(8,187)	(8,823)	(7,224)	(33,379)	(29,284)
Amortization of acquisition-related intangibles	(3,247)	(3,247)	(3,248)	(12,988)	(12,027)
Acquisition and integration expenses	(3,620)	(2,181)	(543)	(7,090)	(5,314)
Change in fair value of contingent consideration	—	(124)	(16,000)	(41,324)	(32,400)
Other	(115)	(168)	(2,052)	(858)	(2,316)
Non-GAAP operating expenses	$ 61,073	$ 64,611	$ 56,987	$ 243,072	$ 171,842
GAAP operating income	$ 27,601	$ 35,309	$ 31,739	$ 114,509	$ 55,197
Share-based compensation expense	9,824	10,547	9,010	40,119	33,877
Amortization of acquisition-related intangibles	5,614	5,943	7,245	23,729	20,255
Flow-through of inventory step up	—	—	—	—	7,090
Out of period import tax expense	—	—	—	—	4,345
Acquisition and integration expenses	3,620	2,181	543	7,090	5,314
Change in fair value of contingent consideration	—	124	16,000	41,324	32,400
Other	115	168	2,052	858	2,316
Non-GAAP operating income	$ 46,774	$ 54,272	$ 66,589	$ 227,629	$ 160,794

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GAAP to Non-GAAP Reconciliations

(dollars in thousands, except per share data)	Three Months Ended August 26, 2022	Three Months Ended May 27, 2022	Three Months Ended August 27, 2021	Fiscal Year Ended August 26, 2022	Fiscal Year Ended August 27, 2021
GAAP net income attributable to SGH	$ 19,959	$ 24,113	$ 20,650	$ 66,557	$ 21,310
Share-based compensation expense	9,824	10,547	9,010	40,119	33,877
Amortization of acquisition-related intangibles	5,614	5,943	7,245	23,729	20,255
Flow-through of inventory step up	—	—	—	—	7,090
Out of period import tax expense	—	—	—	—	4,345
Acquisition and integration expenses	3,620	2,181	543	7,090	5,314
Change in fair value of contingent consideration	—	124	16,000	41,324	32,400
Amortization of debt discount and other costs	2,788	2,705	2,172	9,999	8,419
Loss on extinguishment of debt	—	—	—	653	—
Foreign currency (gains) losses	1,212	641	(476)	4,728	719
Other	114	168	1,051	859	2,054
Estimated tax effects of above and other tax adjustments	(2,696)	(513)	(1,057)	(4,835)	(3,572)
Non-GAAP net income attributable to SGH	$ 40,435	$ 45,909	$ 55,138	$ 190,223	$ 132,211
GAAP weighted-average shares outstanding – Diluted	50,504	54,998	52,835	54,443	51,584
Adjustment for capped calls	—	(2,063)	(1,734)	(1,851)	(897)
Non-GAAP weighted-average shares outstanding – Diluted	50,504	52,935	51,101	52,592	50,687
GAAP diluted earnings per share	$ 0.40	$ 0.44	$ 0.39	$ 1.22	$ 0.41
Effect of above adjustments	0.40	0.43	0.69	2.40	2.20
Non-GAAP diluted earnings per share	$ 0.80	$ 0.87	$ 1.08	$ 3.62	$ 2.61

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GAAP to Non-GAAP Reconciliations

(dollars in thousands)	Three Months Ended August 26, 2022	Three Months Ended May 27, 2022	Three Months Ended August 27, 2021	Fiscal Year Ended August 26, 2022	Fiscal Year Ended August 27, 2021
Net income attributable to SGH	$ 19,959	$ 24,113	$ 20,650	$ 66,557	$ 21,310
Interest expense, net	6,491	5,110	5,032	21,169	17,600
Income tax provision	(584)	5,154	6,981	19,911	15,466
Depreciation expense and amortization of intangible assets	16,446	16,571	16,643	64,907	49,111
Share-based compensation expense	9,824	10,547	9,010	40,119	33,877
Flow-through of inventory step up	—	—	—	—	7,090
Out of period import tax expense	—	—	—	—	4,345
Acquisition and integration expenses	3,620	2,181	543	7,090	5,314
Change in fair value of contingent consideration	—	124	16,000	41,324	32,400
Other	114	168	1,051	1,512	1,314
Adjusted EBITDA	$ 55,870	$ 63,968	$ 75,910	$ 262,589	$ 187,827

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Convertible Dilution

Stock Price	Convertible Share Dilution	Capped Call	Net Share Dilution to SGH
$16	—	—	—
$17	—	—	—
$18	—	—	—
$19	—	—	—
$20	—	—	—
$21	0.41	(0.41)	—
$22	0.95	(0.95)	—
$23	1.44	(1.44)	—
$24	1.90	(1.90)	—
$25	2.31	(2.31)	—

Note: Dilution in millions of shares

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