FIRST QUARTER FY24
SGH FINANCIAL RESULTS

JANUARY 9, 2024

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This presentation and the oral communications made during the course of this presentation contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements concerning or regarding future events and SGH's future financial and operating performance; statements regarding the extent and timing of and expectations regarding SGH's future revenues and expenses and customer demand; and statements regarding the business and financial outlook for the next fiscal quarter. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "anticipate," "target," "expect," "estimate," "intend," "plan," "goal," "believe," "could," and other words of similar meaning. Forward-looking statements provide SGH's current expectations or forecasts of future events, circumstances, results or aspirations and are subject to a number of significant risks, uncertainties and other factors, many of which are outside of SGH's control, including but not limited to, issues, delays or complications in integrating the operations of Stratus Technologies; global business and economic conditions and growth trends in technology industries, SGH's customer markets and various geographic regions; uncertainties in the geopolitical environment; disruptions in SGH's operations or supply chain; the ability to manage SGH's cost structure, including SGH's success in implementing restructuring or other plans intended to improve SGH's operating efficiency; workforce reductions; uncertainties in the global macro-economic environment; changes in demand for SGH's segments; changes in trade regulations or adverse developments in international trade relations and agreements; changes in currency exchange rates; availability of SGH's cash and cash equivalents; overall information technology spending; appropriations for government spending; the success of SGH's strategic initiatives including additional investments in new products and additional capacity; acquisitions of companies or technologies and the failure to successfully integrate and operate them or customers' negative reactions to them, including any resulting impairment of goodwill or gain (loss) on extinguishment of debt; costs related to the completion of the divestiture of SMART Brazil and the failure to achieve the intended benefits of the sale of SMART Brazil and its business; 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 or in the LED market; changes to applicable tax regimes or rates; reversal of the valuation allowance for a significant portion of SGH's deferred tax assets, including any potential inability to realize these assets in the future; prices for the end products of SGH's customers; strikes or labor disputes; deterioration in or loss of relations with any of SGH's limited number of key vendors; the inability to maintain or expand government business; and the continuing availability of borrowings under term loans and revolving lines of credit and SGH's ability to raise capital through debt or equity financings. These and other risks, uncertainties and factors are described in greater detail under the sections titled "Risk Factors," "Critical Accounting Estimates," "Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk" and "Liquidity and Capital Resources" contained in SGH's Annual Report on Form 10-K for the fiscal year ended August 25, 2023, Quarterly Report on Form 10-Q and SGH's other filings with the U.S. Securities and Exchange Commission. In addition, such risks, uncertainties and factors as outlined above and, in such filings, do not constitute all risks, uncertainties and factors that could cause actual results of our company to be materially different from such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on any forward-looking statements.

Any forward-looking statements that we make in this presentation speak only as of the date of this presentation. Except as required by law, we do not undertake to update the forward-looking statements contained in this presentation.

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, impairment of goodwill, changes in the fair value of contingent consideration, (gains) losses from changes in currency exchange rates, amortization of debt discount and other costs, gain (loss) on extinguishment of debt, other infrequent or unusual items and related tax effects and other tax adjustments. While amortization of acquisition-related intangible assets is excluded, the revenues from acquired companies is reflected in SGH's 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 SGH'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, impairment of goodwill, changes in the fair value of contingent consideration, gain (loss) on extinguishment of debt 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 SGH's 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 for, 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.

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

SMART Brazil Classified as Discontinued Operations

We completed the sale of 81% of our SMART Brazil operations at the end of our fiscal first quarter. As a reminder, our SMART Brazil operations were classified as discontinued operations in our financial statements from the end of our fiscal 2023 and for all periods presented.

The following discussion relates to our continuing operations, which exclude SMART Brazil.

Beginning in Q2 FY24, SMART Brazil will no longer be consolidated with the results of SGH.

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SPEAKERS



Mark Adams
President and CEO
SGH



Ken Rizvi
SVP and CFO
SGH

Q1 FY24 Highlights

Continuing Operations

- Revenue of $274M, with record 25% from services
- Record Non-GAAP gross margin of 33.3%, up 200 bp vs Q1 FY23 reflecting continued shift towards higher value enterprise solutions
- Non-GAAP EPS of $0.24
- Strong Balance Sheet
  - Record cash and investments of $553 million
- Completed divestiture of 81% interest in SMART Brazil business
- Announced $75 million share repurchase authorization



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NOTE: For the definitions of Non-GAAP Gross Margin and Non-GAAP EPS and reconciliations to the most directly comparable financial measures prepared in accordance with GAAP, please see the appendix.

OUR BUSINESS LINES

Mark Adams, President and CEO

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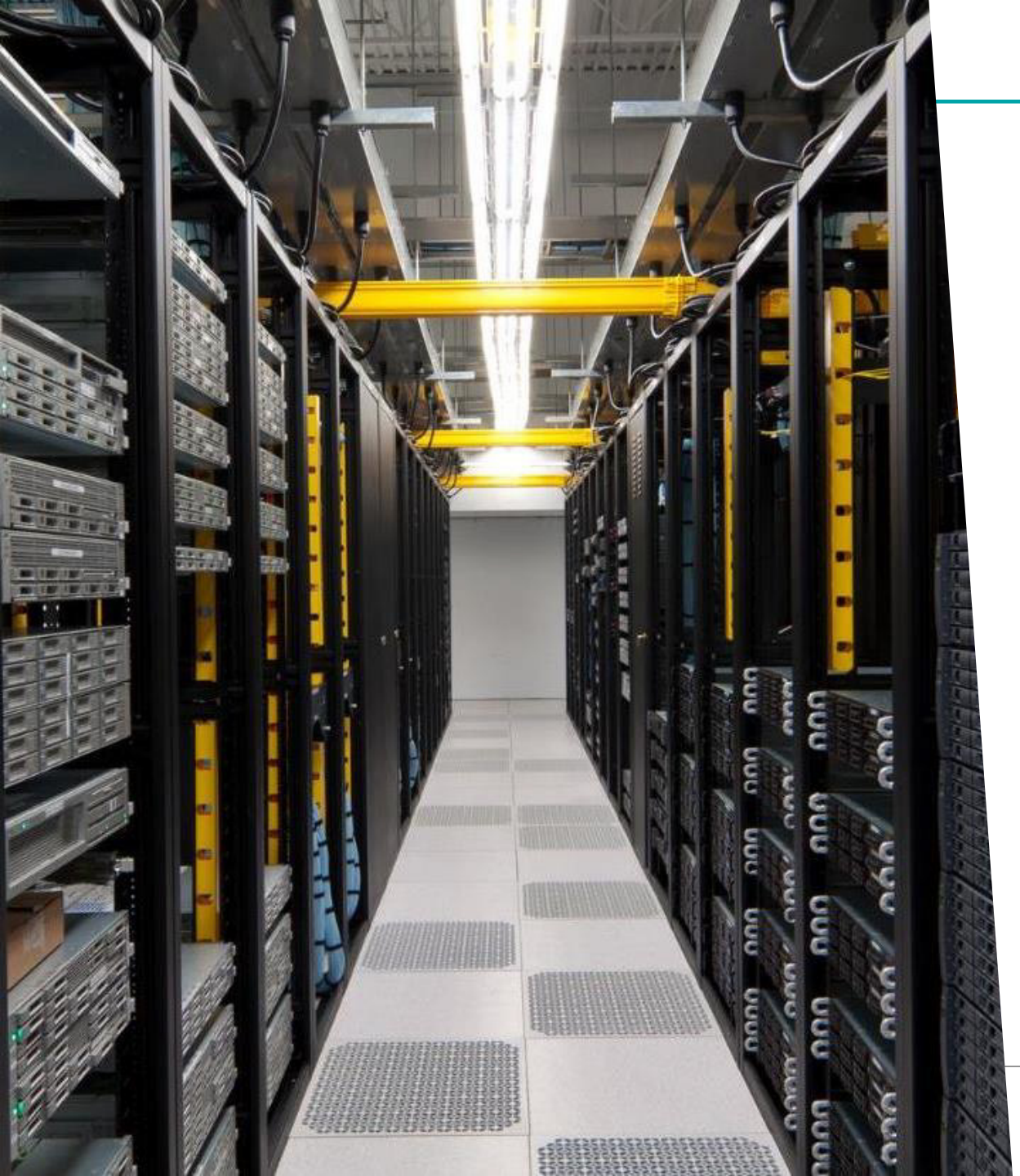

Intelligent Platform Solutions

- Revenue of $119M; 43% of total SGH revenue
  - Services revenue, the majority of which is generated in IPS, was a record 25% of total SGH Q1 FY24 revenue
- Penguin Solutions
  - Immersion cooling technology, pioneered with and deployed by a major oil and gas customer for sustainable data centers, was the first deployment of its kind in North America, and is opening new avenues for growth
- Stratus Technologies
  - Launched Stratus ztC Endurance™ platform, for the data center to the Edge
  - Initial orders secured; pipeline building

Memory Solutions

- Revenue of $86M; 31% of total SGH revenue
  - Excludes Brazil, which is reflected in discontinued operations
- Specialty Memory
  - Pricing stabilizing; customer inventories remain elevated; lead-times low
  - Increasing activity with customers on new product offerings:
    - Compute Express Link
    - Enterprise SSDs with Storage Endurance Tiering
    - Zefr™ ZDIMM Ultra-high reliability memory modules for Cloud Service Providers
  - Despite market headwinds, our value-add business model achieved 8% operating margin





LED Solutions

- Revenue of $70M, 25% of total SGH revenue
  - Up 6% from Q4 FY23
- Third sequential quarter of top-line improvement
  - First quarter of positive operating margins since Q4 FY22
- Cree LED remains a technology and brand leader
  - A robust portfolio of intellectual property

FINANCIAL REVIEW

Ken Rizvi, SVP and CFO

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Brazil Divestiture Recap

- Completed sale of 81% of SMART Brazil operations at end of Q1 FY24
- Received gross proceeds, inclusive of working capital adjustments, less taxes paid, of ~$140 million
- Brazil classified as discontinued operations from the end of our fiscal 2023 and for all periods presented
- Beginning in Q2 FY24, SMART Brazil will no longer be consolidated with the results of SGH

Non-GAAP Q1 FY24 Results

Continuing Operations

Key financial metrics at or above midpoint of guidance range

Q1 FY24 REVENUE

$274M

Guidance: $275M +/- $25M

Q1 FY24 NON-GAAP GROSS MARGIN

33.3%

Guidance: 31.5% +/- 1%

Q1 FY24 NON-GAAP EPS

$0.24

Guidance: $0.15 +/- $0.15

- Guidance provided on Q4 FY23 earnings call which took place on October 12, 2023
- See appendix for GAAP to non-GAAP reconciliations

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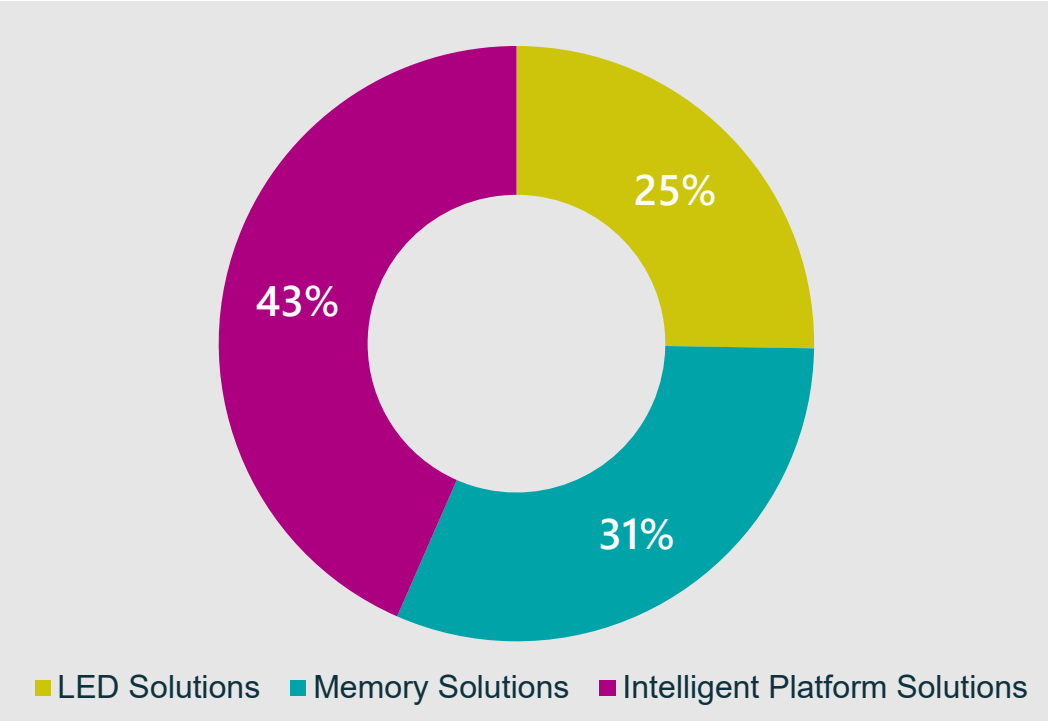
Q1 FY24 Revenue Detail

Revenue Breakdown – Total $274M

Product Revenue
$206M

Service Revenue
$68M

Revenue Mix by Business



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Q1 FY24 Non-GAAP Operating Results

Continuing Operations

($M)	Q1 FY24	Q4 FY23	Q1 FY23
Revenue	**$274.2**	**$316.7**	**$391.9**
Intelligent Platform Solutions	$118.8	$145.4	$211.0
Memory Solutions	$85.7	$105.2	$118.3
LED Solutions	$69.8	$66.0	$62.5
Non-GAAP Gross profit*	**$91.3**	**$100.3**	**$122.8**
Non-GAAP Operating expenses*	**$64.6**	**$70.0**	**$71.4**
Non-GAAP Net income*	**$12.5**	**$18.4**	**$37.4**
Non-GAAP Diluted earnings per share*	**$0.24**	**$0.35**	**$0.75**
Adjusted EBITDA*	**$34.3**	**$37.6**	**$57.8**

- Summations may not compute precisely due to rounding
* For the definitions of non-GAAP Gross profit, Non-GAAP operating expenses, Non-GAAP Net income, Non-GAAP Diluted EPS, and Adjusted EBITDA, and reconciliations to the most directly comparable financial measures prepared in accordance with GAAP, please see the appendix.

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Q1 FY24 Balance Sheet Highlights

Continuing Operations

Working Capital	Q4 FY23	Q1 FY24
Net Accounts Receivable	$219M	$171M
Days Sales Outstanding	48 days	44 days
Inventory	$175M	$208M
Inventory Turns	7.5X	5.8X

Cash Flow	Q4 FY23	Q1 FY24
Cash, Equivalents & ST investments (at period end)	$391M	$553M
CF from Operations	$37.6M	$59.7M
LTM CF from Operations	$63.7M	$208.1M

Capital Expenditures	Q4 FY23	Q1 FY24
CapEx	$7.7M	$4.6M
Depreciation	$7.3M	$7.5M

- Net accounts receivable, days sales outstanding and inventory turns are calculated on a gross sales and gross cost of goods sold basis, which were $418M and $326M, respectively, for Q4 FY23, and $383M and $300M, respectively, for Q1 FY24

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OUR GUIDANCE

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Q2 FY24 Guidance

Continuing Operations

	GAAP Outlook	Adjustments	Non-GAAP Outlook
Net Sales	$285 million +/- $25 million	—	$285 million +/- $25 million
Gross margin	29.5% +/- 1%	3% (A)	32.5% +/- 1%
Operating expenses	$81 million +/- $3 million	$(15) million (B)(C)	$66 million +/- $3 million
Diluted earnings (loss) per share	$(0.15) +/- $0.10	$0.40 (A)(B)(C)(D)	$0.25 +/- $0.10
Diluted shares	52 million	1 million	53 million

Non-GAAP adjustments: (in millions)		
(A) Share-based compensation and amortization of acquisition-related intangibles included in cost of sales	$	8
(B) Share-based compensation and amortization of acquisition-related intangibles included in R&D and SG&A		13
(C) Other adjustments		2
(D) Estimated income tax effects		(2)
	$	**21**

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APPENDIX

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GAAP to Non-GAAP Reconciliations

(dollars in thousands)	Three Months Ended December 1, 2023	August 25, 2023	November 25, 2022
GAAP gross profit	**$ 82,850**	**$ 91,585**	**$ 112,098**
Share-based compensation expense	1,815	1,789	1,642
Amortization of acquisition-related intangibles	5,944	5,876	6,466
Flow-through of inventory step up	—	—	2,599
Cost of sales-related restructure	668	1,050	—
Non-GAAP gross profit	**$ 91,277**	**$ 100,300**	**$ 122,805**
GAAP gross margin	**30.2 %**	**28.9 %**	**28.6 %**
Effect of adjustments	3.1 %	2.8 %	2.7 %
Non-GAAP gross margin	**33.3 %**	**31.7 %**	**31.3 %**
GAAP operating expenses	**$ 81,545**	**$ 93,224**	**$ 97,251**
Share-based compensation expense	(9,155)	(7,785)	(8,339)
Amortization of acquisition-related intangibles	(4,064)	(5,443)	(4,392)
Acquisition and integration expenses	(789)	(2,676)	(6,732)
Impairment of goodwill	—	(1,534)	—
Change in fair value of contingent consideration	—	(4,100)	(3,700)
Restructure charge	(2,939)	(1,681)	(1,771)
Other	—	—	(900)
Non-GAAP operating expenses	**$ 64,598**	**$ 70,005**	**$ 71,417**
GAAP operating income (loss)	**$ 1,305**	**$ (1,639)**	**$ 14,847**
Share-based compensation expense	10,970	9,574	9,981
Amortization of acquisition-related intangibles	10,008	11,319	10,858
Flow-through of inventory step up	—	—	2,599
Cost of sales-related restructure	668	1,050	—
Acquisition and integration expenses	789	2,676	6,732
Impairment of goodwill	—	1,534	—
Change in fair value of contingent consideration	—	4,100	3,700
Restructure charge	2,939	1,681	1,771
Other	—	—	900
Non-GAAP operating income	**$ 26,679**	**$ 30,295**	**$ 51,388**

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GAAP to Non-GAAP Reconciliations

(dollars in thousands, except per share data)	Three Months Ended December 1, 2023	August 25, 2023	November 25, 2022
GAAP net income (loss) attributable to SGH	**$ (11,773)**	**$ 64,841**	**$ (3,939)**
Share-based compensation expense	10,970	9,574	9,981
Amortization of acquisition-related intangibles	10,008	11,319	10,858
Flow-through of inventory step up	—	—	2,599
Cost of sales-related restructure	668	1,050	—
Acquisition and integration expenses	789	2,676	6,732
Impairment of goodwill	—	1,534	—
Change in fair value of contingent consideration	—	4,100	3,700
Restructure charge	2,939	1,681	1,771
Amortization of debt discount and other costs	1,042	1,010	1,069
Loss (gain) on extinguishment of debt	—	—	(767)
Foreign currency (gains) losses	(546)	(276)	(520)
Other	—	—	900
Income tax effects	(1,559)	(79,103)	4,980
Non-GAAP net income attributable to SGH	**$ 12,538**	**$ 18,406**	**$ 37,364**
Weighted-average shares outstanding - Diluted:			
GAAP weighted-average shares outstanding	**52,068**	**55,523**	**48,962**
Adjustment for dilutive securities and capped calls	1,213	(2,233)	829
Non-GAAP weighted-average shares outstanding	**53,281**	**53,290**	**49,791**
Diluted earnings (loss) per share from continuing operations:			
GAAP diluted earnings (loss) per share	**$ (0.23)**	**$ 1.17**	**$ (0.08)**
Effect of adjustments	0.47	(0.82)	0.83
Non-GAAP diluted earnings per share	**$ 0.24**	**$ 0.35**	**$ 0.75**

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GAAP to Non-GAAP Reconciliations

(dollars in thousands)	Three Months Ended December 1, 2023	August 25, 2023	November 25, 2022
Net income (loss) attributable to SGH	**$ (11,773)**	**$ 64,841**	**$ (3,939)**
Interest expense, net	9,559	9,183	8,494
Income tax provision (benefit)	3,534	(75,890)	11,322
Depreciation expense and amortization of intangible assets	17,654	18,830	17,049
Share-based compensation expense	10,970	9,574	9,981
Flow-through of inventory step up	—	—	2,599
Cost of sales-related restructure	668	1,050	—
Acquisition and integration expenses	789	2,676	6,732
Impairment of goodwill	—	1,534	—
Change in fair value of contingent consideration	—	4,100	3,700
Restructure charge	2,939	1,681	1,771
Loss on extinguishment of debt	—	—	(767)
Other	—	—	900
Adjusted EBITDA	**$ 34,340**	**$ 37,579**	**$ 57,842**

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Convertible Dilution

Stock Price	Convertible Share Dilution	Capped Call	Net Share Dilution to SGH
$18	—	—	—
$19	—	—	—
$20	—	—	—
$21	163	(163)	—
$22	627	(627)	—
$23	1,121	(1,121)	—
$24	1,574	(1,574)	—
$25	1,991	(1,991)	—
$26	2,376	(2,376)	—
$27	2,732	(2,732)	—
$28	3,062	(2,899)	163
$29	3,370	(3,043)	327
$30	3,658	(2,974)	684
$31	3,926	(2,878)	1,048
$32	4,178	(2,788)	1,390
$33	4,415	(2,703)	1,712
$34	4,638	(2,624)	2,014
$35	4,848	(2,549)	2,299

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- Note: Dilution in millions of shares