UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended November 26, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-38102

SGH™

SMART GLOBAL HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Cayman Islands (State or Other Jurisdiction of Incorporation or Organization)	98-1013909 (I.R.S. Employer Identification No.)
c/o Maples Corporate Services Limited P.O. Box 309 Grand Cayman, Cayman Islands (Address of Principal Executive Offices)	KY1-1104 (Zip Code)

Registrant's Telephone Number, including Area Code: (510) 623-1231

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary shares, $0.03 par value per share	SGH	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
☒	☐	☐	☐	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of December 28, 2021, the registrant had 24,692,120 ordinary shares outstanding.

Table of Contents

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q ("Quarterly Report") and the documents incorporated herein by reference contain "forward-looking statements" that are not historical in nature, that are predictive or that depend upon or refer to future events or conditions. These statements include, but are not limited to, statements regarding our future financial or operating performance, the extent and timing of future revenues and expenses and customer demand, statements regarding the deployment of our products and services, statements regarding our reliance on third parties, and statements using words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "plan," "potential," "should" and similar words and the negatives thereof constitute forward-looking statements. Forward-looking statements are based on current expectations and preliminary assumptions that are subject to factors, risks and uncertainties that could cause actual results to differ materially from those described in these forward-looking statements. Such factors, risks and uncertainties include, but are not limited to, those identified in "Risk Factors," "Critical Accounting Estimates," "Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk" and "Liquidity and Capital Resources" contained in this Quarterly Report and the risks discussed in our other Securities and Exchange Commission ("SEC") filings.

We urge you to consider these factors, risks and uncertainties carefully in evaluating the forward-looking statements contained in this Quarterly Report. All subsequent written or oral forward-looking statements attributable to our Company or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included in this Quarterly Report are made only as of the date of this Quarterly Report. We do not intend, and undertake 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 Quarterly Report, except as required by law.

About This Quarterly Report

As used herein, "SGH," "Company," "Registrant," "we," "our," "us" or similar terms refer to SMART Global Holdings, Inc. and our consolidated subsidiaries, unless the context indicates otherwise. Our fiscal year is the 52- or 53-week period ending on the last Friday in August. Fiscal 2022 and 2021 each contain 52 weeks. All period references are to our fiscal periods unless otherwise indicated.

SGH, SMART Global Holdings, SMART Modular Technologies, SMART, the SMART logo, Intelligent Platform Solutions, Penguin Computing, the Penguin Computing logo, CreeLED and our other marks appearing in this Quarterly Report are our trademarks or registered trademarks. All other trademarks are the property of their respective holders.

PART I. Financial Information

Item 1. Financial Statements

INDEX TO FINANCIAL STATEMENTS

SMART Global Holdings, Inc.
Consolidated Balance Sheets

(In thousands, except par value amount)
(Unaudited)

As of	November 26, 2021		August 27, 2021	
Assets				
Cash and cash equivalents	$	233,050	$	222,986
Accounts receivable, net [(1)]		344,107		313,393
Inventories		317,851		363,601
Other current assets		48,829		50,838
Total current assets		943,837		950,818
Property and equipment, net		148,897		156,266
Operating lease right-of-use assets		37,723		40,869
Intangible assets, net		95,331		101,073
Goodwill		72,487		74,255
Other noncurrent assets		25,423		21,517
Total assets	$	1,323,698	$	1,344,798
Liabilities and Equity				
Accounts payable and accrued expenses	$	426,883	$	484,107
Current debt		35,802		25,354
Other current liabilities		72,434		74,337
Total current liabilities		535,119		583,798
Long-term debt		341,150		340,484
Acquisition-related contingent consideration		77,700		60,500
Noncurrent operating lease liabilities		29,396		32,419
Other noncurrent liabilities		8,049		8,673
Total liabilities		991,414		1,025,874
Commitments and contingencies				
SMART Global Holdings shareholders' equity:				
Ordinary shares, $0.03 par value. Authorized 200,000 shares; 26,137 issued and 24,684 outstanding as of November 26, 2021; 25,770 issued and 24,368 outstanding as of August 27, 2021		784		773
Additional paid-in-capital		411,608		396,851
Retained earnings		204,814		184,787
Treasury shares, 1,453 and 1,402 shares held as of November 26, 2021 and August 27, 2021, respectively		(53,211)		(50,545)
Accumulated other comprehensive income (loss)		(241,055)		(221,615)
Total SGH shareholders' equity		322,940		310,251
Noncontrolling interest in subsidiary		9,344		8,673
Total equity		332,284		318,924
Total liabilities and equity	$	1,323,698	$	1,344,798

(1) Receivables from related parties were de minimus and $14,057 as of November 26, 2021 and August 27, 2021, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

SMART Global Holdings, Inc.
Consolidated Statements of Operations

(In thousands, except per share amounts)
(Unaudited)

Three months ended		November 26, 2021		November 27, 2020
Net sales (1)	$	469,944	$	291,697
Cost of sales		347,743		239,053
Gross profit		122,201		52,644
Operating expenses:				
Research and development		17,657		6,964
Selling, general and administrative		52,550		38,056
Change in fair value of contingent consideration		17,200		—
Total operating expenses		87,407		45,020
Operating income		34,794		7,624
Non-operating (income) expense:				
Interest expense, net		5,106		3,154
Other non-operating (income) expense		1,235		(832)
Total non-operating (income) expense		6,341		2,322
Income before taxes		28,453		5,302
Income tax provision		7,755		3,275
Net income		20,698		2,027
Net income attributable to noncontrolling interest		671		—
Net income attributable to SGH	$	20,027	$	2,027
Earnings per share:				
Basic	$	0.82	$	0.08
Diluted	$	0.73	$	0.08
Shares used in per share calculations:				
Basic		24,506		24,561
Diluted		27,318		25,103

(1) Sales to related parties were de minimus and $14,975 in the first quarters of 2022 and 2021, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

SMART Global Holdings, Inc.
Consolidated Statements of Comprehensive Income (Loss)

(In thousands)
(Unaudited)

Three months ended	November 26, 2021	November 27, 2020
Net income	$ 20,698	$ 2,027
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(19,440)	(16,523)
Comprehensive income (loss)	1,258	(14,496)
Comprehensive income attributable to noncontrolling interest	671	—
Comprehensive income (loss) attributable to SGH	$ 587	$ (14,496)

The accompanying notes are an integral part of these consolidated financial statements.

SMART Global Holdings, Inc.
Consolidated Statements of Shareholders' Equity

(In thousands)
(Unaudited)

	Shares Issued	Amount	Additional Paid-in-capital	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Total SGH Shareholders' Equity	Non-controlling Interest in Subsidiary	Total Equity
As of August 27, 2021	25,770	$ 773	$ 396,851	$ 184,787	$ (50,545)	$ (221,615)	$ 310,251	$ 8,673	$ 318,924
Net income	—	—	—	20,027	—	—	20,027	671	20,698
Other comprehensive income	—	—	—	—	—	(19,440)	(19,440)	—	(19,440)
Shares issued under equity plans	367	11	5,018	—	—	—	5,029	—	5,029
Repurchase of ordinary shares	—	—	—	—	(2,666)	—	(2,666)	—	(2,666)
Share-based compensation expense	—	—	9,739	—	—	—	9,739	—	9,739
As of November 26, 2021	26,137	$ 784	$ 411,608	$ 204,814	$ (53,211)	$ (241,055)	$ 322,940	$ 9,344	$ 332,284

	Shares Issued	Amount	Additional Paid-in-capital	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Total SGH Shareholders' Equity	Non-controlling Interest in Subsidiary	Total Equity
As of August 28, 2020	24,568	$ 737	$ 348,163	$ 163,477	$ (2,032)	$ (228,241)	$ 282,104	$ —	$ 282,104
Net income	—	—	—	2,027	—	—	2,027	—	2,027
Other comprehensive income	—	—	—	—	—	(16,523)	(16,523)	—	(16,523)
Shares issued under equity plans	478	14	3,091	—	—	—	3,105	—	3,105
Repurchase of ordinary shares	—	—	—	—	(3,483)	—	(3,483)	—	(3,483)
Share-based compensation expense	—	—	11,088	—	—	—	11,088	—	11,088
As of November 27, 2020	25,046	$ 751	$ 362,342	$ 165,504	$ (5,515)	$ (244,764)	$ 278,318	$ -	$ 278,318

The accompanying notes are an integral part of these consolidated financial statements.

SMART Global Holdings, Inc.
Consolidated Statements of Cash Flows

(In thousands)
(Unaudited)

Three months ended	November 26, 2021	November 27, 2020
Cash flows from operating activities:		
Net income	$ 20,698	$ 2,027
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation expense and amortization of intangible assets	15,813	8,367
Amortization of debt discounts and issuance costs	2,332	2,116
Share-based compensation expense	9,775	11,088
Change in fair value of contingent consideration	17,200	—
Amortization of operating lease right-of-use assets	2,548	1,413
Other	(192)	(14)
Changes in operating assets and liabilities:		
Accounts receivable	(36,053)	(1,930)
Inventories	39,640	12,919
Other current assets	(932)	(9,277)
Accounts payable and accrued expenses	(53,751)	10,142
Operating lease liabilities	(2,141)	(1,504)
Deferred income taxes, net	209	222
Net cash provided by operating activities	15,146	35,569
Cash flows from investing activities:		
Capital expenditures and deposits on equipment	(12,766)	(14,644)
Other	(611)	16
Net cash used for investing activities	(13,377)	(14,628)
Cash flows from financing activities:		
Proceeds from borrowing under line of credit	60,000	19,500
Proceeds from issuance of ordinary shares	5,029	3,105
Repayments of borrowings under line of credit	(50,000)	(19,500)
Payments to acquire ordinary shares	(2,666)	(3,483)
Net cash provided by (used for) financing activities	12,363	(378)
Effect of changes in currency exchange rates on cash and cash equivalents	(4,068)	(7,277)
Net increase in cash and cash equivalents	10,064	13,286
Cash and cash equivalents at beginning of period	222,986	150,811
Cash and cash equivalents at end of period	$ 233,050	$ 164,097

The accompanying notes are an integral part of these consolidated financial statements.

Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include SGH and its consolidated subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America consistent in all material respects with those applied in our Annual Report on Form 10-K for the year ended August 27, 2021. In the opinion of our management, the accompanying unaudited consolidated financial statements contain all necessary adjustments, consisting of a normal recurring nature, to fairly state the financial information set forth herein. These consolidated interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended August 27, 2021. Certain reclassifications have been made to prior period amounts to conform to current period presentation.

***Fiscal Year*:** Our fiscal year is the 52 or 53-week period ending on the last Friday in August. Fiscal 2022 and 2021 each contain 52 weeks. All period references are to our fiscal periods unless otherwise indicated. All financial information for our subsidiaries in Brazil is included in our consolidated financial statements on a one-month lag because their fiscal years end on July 31 of each year.

Subsequent Event

Share Dividend

On January 3, 2022, our Board of Directors declared a share dividend of one ordinary share, $0.03 par value per share, for every one ordinary share owned. The share dividend will be payable to shareholders of record as of January 25, 2022, and will be paid on February 1, 2022. Ordinary shares and per share data in the accompanying consolidated financial statements and notes have not been adjusted for the impact of the share dividend.

Recently Adopted Accounting Standards

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12 – *Income Taxes: Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. We adopted ASU 2019-12 in the first quarter of 2022 on a prospective basis. The adoption of this ASU did not have a significant impact on our financial statements.

In June 2016, the FASB issued ASU 2016-13 – *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*, which requires a financial asset (or a group of financial assets) measured on the basis of amortized cost to be presented at the net amount expected to be collected. This ASU requires that the income statement reflect the measurement of credit losses for newly recognized financial assets as well as the increases or decreases of expected credit losses that have taken place during the period. This ASU requires that credit losses of debt securities designated as available-for-sale be recorded through an allowance for credit losses and limits the credit loss to the amount by which fair value is below amortized cost. We adopted ASU 2016-13 in the first quarter of 2021 under the modified retrospective adoption method. The adoption of this ASU did not have a significant impact on our financial statements.

Recently Issued Accounting Standards

In October 2021, the FASB issued ASU 2021-08 – *Business Combinations: Accounting for Contract Asset and Contract Liabilities from Contracts with Customers*, to require that an acquirer recognize and measure contract assets and liabilities acquired in a business combination in accordance with ASC 606, *Revenue from Contracts with Customers*. This ASU is effective for us in the first quarter of 2023 and, if adopted early, requires the retrospective method of transition applied to transactions occurring on or after the beginning of the fiscal year of adoption. We are evaluating the timing and effects of adoption of this ASU on our financial statements.

In August 2020, the FASB issued ASU 2020-06 – *Debt – Debt with Conversion and Other Options and Derivatives and Hedging – Contracts in Entity's Own Equity: Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for convertible debt instruments by reducing the number of accounting models and the number of embedded conversion features that could be recognized separately from the primary contract. This ASU requires a convertible debt instrument to be accounted for as a single liability measured at its amortized cost, as long as no other features require bifurcation and recognition as derivatives. This ASU requires an entity to use the if-converted method in the diluted earnings per share calculation for convertible instruments. This ASU is effective for us in the first quarter of 2023 and permits the use of either the modified retrospective or fully retrospective method of transition. We are evaluating the effects of adoption of this ASU on our financial statements.

Business Acquisition

LED Business

On March 1, 2021, pursuant to the previously announced Asset Purchase Agreement dated October 18, 2020, as amended by the Amendment to Asset Purchase Agreement dated March 1, 2021 (as amended, the "CreeLED Purchase Agreement"), (i) we acquired the LED business of Cree, Inc., a corporation now known as Wolfspeed, Inc. ("Cree"), including (a) certain equipment, inventory, intellectual property rights, contracts and real estate comprising Cree's LED products segment, (b) all of the issued and outstanding equity interests of Cree Huizhou Solid State Lighting Company Limited, a limited liability company organized under the laws of the People's Republic of China and an indirect wholly owned subsidiary of Cree and (c) Cree's 51% ownership interest in Cree Venture LED Company Limited ("Cree Joint Venture"), Cree's joint venture with San'an Optoelectronics Co., Ltd. ("San'an") and (ii) we assumed certain liabilities related to the LED business (collectively, (i) and (ii), the "LED Business"). In connection with the transaction, Cree retained certain assets used in and pre-closing liabilities associated with its LED products segment.

***Purchase Price*:** The purchase price for the LED Business consisted of (i) a payment of $50 million in cash, subject to customary adjustments, (ii) an unsecured promissory note issued to Cree by the Company in the amount of $125 million ("LED Purchase Price Note"), (iii) an earn-out payment of up to $125 million based on the revenue and gross profit performance of the LED Business in Cree's first four full fiscal quarters following the closing ("Earnout Period"), with a minimum payment of $2.5 million, payable in the form of an unsecured promissory note to be issued by us ("Earnout Note") and (iv) the assumption of certain liabilities. The LED Purchase Price Note bears interest at LIBOR plus 3.0% and is due on August 15, 2023. The Earnout Note will begin to bear interest upon completion of the Earnout Period at LIBOR plus 3.0% and is due on March 27, 2025.

***Contingent Consideration*:** The Earnout Note is accounted for as contingent consideration. The fair value of the Earnout Note was estimated as of the date of acquisition to be $28.1 million and was valued using a Monte Carlo simulation analysis in a risk-neutral framework with assumptions for volatility, market price of risk adjustment, risk-free rate and cost of debt. The fair value measurement was based on significant inputs not observable in the market.

The Earnout Note is revalued each quarter and changes in valuation are reflected in results of operations. In the second half of 2021, we recorded charges of $32.4 million to adjust the value of the Earnout Note to its fair value as of August 27, 2021, and in the first quarter of 2022, we recorded an additional charge of $17.2 million to adjust the value of the Earnout Note to its fair value as of November 26, 2021. The changes in fair value reflected new information about the probability and timing of meeting the conditions of the revenue and gross profit targets of the LED Business. As of November 26, 2021, the fair value of the Earnout Note was $77.7 million.

***Unaudited Pro Forma Financial Information*:** The following unaudited pro forma financial information presents our combined results of operations as if the acquisition of the LED Business had occurred on August 31, 2019. The unaudited pro forma financial information is based on various adjustments and assumptions and is not necessarily indicative of what our results of operations actually would have been had the acquisition been completed as of August 31, 2019 or will be for any future periods. Furthermore, the pro forma financial information does not include adjustments to reflect any potential revenue, synergies or dis-synergies or cost savings that may be achievable in connection with the acquisition, or the associated costs that may be necessary to achieve such revenues, synergies or cost savings.

The unaudited pro forma financial information for the first quarter of 2021 combines our results of operations for the quarter ended November 27, 2020 and the results of operations of the LED Business for the quarter ended September 27, 2020.

Three months ended		**November 27, 2020**
Net sales	$	390,733
Net loss attributable to SGH		(128,078)
Earnings (loss) per share:		
Basic	$	(5.21)
Diluted	$	(5.21)

The unaudited pro forma financial information above reflects the following adjustments:

- Incremental cost of sales related to the estimated fair value of inventories.
- Incremental depreciation expense related to the estimated fair value of property and equipment.
- Incremental amortization expense related to the estimated fair value of identifiable intangible assets.
- Incremental interest expense related to the LED Purchase Price Note and the Earnout Note.
- The impacts to income tax expense as a result of the pro forma adjustments.

Inventories

As of		**November 26, 2021**		**August 27, 2021**
Raw materials	$	157,849	$	163,610
Work in process		66,805		92,901
Finished goods		93,197		107,090
	$	317,851	$	363,601

As of November 26, 2021 and August 27, 2021, 10% and 11%, respectively, of total inventories were inventories owned and held under our supply chain services.

Property and Equipment

As of		**November 26, 2021**		**August 27, 2021**
Equipment	$	176,902	$	182,493
Buildings and building improvements		53,035		53,502
Furniture, fixtures and software		33,309		32,114
Land		16,126		16,126
		279,372		284,235
Accumulated depreciation		(130,475)		(127,969)
	$	148,897	$	156,266

Depreciation expense for property and equipment was $9.5 million and $5.0 million in the first quarters of 2022 and 2021, respectively.

Intangible Assets and Goodwill

	As of November 26, 2021		As of August 27, 2021	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Intangible assets:				
Technology	$ 61,925	$ (11,540)	$ 61,307	$ (9,142)
Customer relationships	57,500	(24,854)	57,500	(22,393)
Trademarks/tradenames	19,200	(7,414)	19,200	(6,628)
Order backlog	3,400	(2,886)	3,800	(2,571)
	$ 142,025	$ (46,694)	$ 141,807	$ (40,734)
Goodwill by segment:				
Intelligent Platform Solutions	$ 40,401		$ 40,401	
Memory Solutions	32,086		33,854	
	$ 72,487		$ 74,255	

In the first quarter of 2022, we capitalized $0.6 million for intangible assets with weighted-average useful lives of 8.23 years. Amortization expense for intangible assets was $6.3 million and $3.4 million in the first quarters of 2022 and 2021, respectively. Amortization expense is expected to be $17.6 million for the remainder of 2022, $21.9 million in 2023, $18.2 million in 2024, $15.4 million in 2025, $8.4 million in 2026 and $13.8 million thereafter.

Goodwill of our Memory Solutions segment decreased by $1.8 million in the first quarter of 2022 and increased in all of 2021 by $0.3 million from translation adjustments.

Accounts Payable and Accrued Expenses

As of	November 26, 2021	August 27, 2021
Accounts payable [(1)]	$ 373,460	$ 429,640
Salaries, wages and benefits	30,633	37,795
Income and other taxes	19,296	14,319
Other	3,494	2,353
	$ 426,883	$ 484,107

(1) Includes accounts payable for property and equipment of $3.6 million and $3.1 million as of November 26, 2021 and August 27, 2021, respectively.

Debt

As of	November 26, 2021	August 27, 2021
Convertible Senior Notes	$ 206,202	$ 203,992
LED Purchase Price Note	125,000	125,000
ABL Credit Agreement	35,000	25,000
Other	10,750	11,846
	376,952	365,838
Less current debt	(35,802)	(25,354)
Long-term debt	$ 341,150	$ 340,484

Convertible Senior Notes

In February 2020, we issued $250.0 million in aggregate principal amount of 2.25% convertible senior notes due 2026 (the "2026 Notes"). The 2026 Notes are general unsecured obligations, bear interest at an annual rate of 2.25% per year, payable semi-annually on February 15 and August 15, and mature on February 15, 2026, unless earlier converted, redeemed or repurchased. The 2026 Notes are governed by an indenture (the "Indenture") between us and U.S. Bank National Association, as trustee. The initial conversion rate of the 2026 Notes is 24.6252 ordinary shares per $1,000 principal amount of notes, which represents an initial conversion price of approximately $40.61 per ordinary share. The conversion rate is subject to adjustment upon the occurrence of certain specified events as set forth in the Indenture.

***Conversion Rights*:** Holders of the 2026 Notes may convert them under the following circumstances:

i. during any fiscal quarter commencing after the fiscal quarter ended on May 28, 2020 (and only during such fiscal quarter) if the last reported sale price per ordinary share exceeds 130% of the conversion price for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter;
ii. during the five consecutive business days immediately after any 10 consecutive trading day period (such 10 consecutive trading day period, the "Measurement Period") in which the trading price per $1,000 principal amount of notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price per ordinary share on such trading day and the conversion rate on such trading day;
iii. on or after August 15, 2025 until the close of business on the second scheduled trading day immediately before the maturity date;
iv. upon the occurrence of certain corporate events or distributions on our ordinary shares, as provided in the Indenture; or
v. the 2026 Notes are called for redemption.

Upon conversion, we will pay or deliver, as applicable, cash, ordinary shares or a combination of cash and ordinary shares at our election. Our intent is to settle in cash the principal amount of our convertible notes upon conversion and may, at our option, settle any excess of the conversion value over the principal amount in cash, ordinary shares or any combination thereof.

The closing price of our ordinary shares exceeded 130% of the conversion price for our 2026 Notes for at least 20 trading days in the 30 consecutive trading days ended on November 26, 2021. As a result, the 2026 Notes are convertible by holders through February 25, 2022.

If we receive a notice of conversion for our 2026 Notes, and we elect to settle in cash any portion of the conversion obligation, the cash settlement obligation becomes a derivative debt liability subject to mark-to-market accounting treatment based on the volume-weighted-average price of our ordinary shares over a period of 40 consecutive trading days, beginning two business days after the holder gives notice to convert. Accordingly, as of the date of our election to settle any part of a conversion in cash, we would reclassify all or a portion of the fair value of the equity component of the converted 2026 Notes from additional capital to derivative debt liability within current debt in our consolidated balance sheet.

***Other*:** Interest expense for the 2026 Notes consisted of 2.25% contractual stated interest of $1.4 million and $1.4 million in the first quarters of 2022 and 2021, respectively, and amortization of discount and issuance costs of $2.2 million and $2.1 million in the first quarters of 2022 and 2021, respectively, resulting in an effective interest rate of 7.06%.

As of both November 26, 2021 and August 27, 2021, the carrying amount of the equity components of the 2026 Notes, which are included in additional paid-in-capital, was $50.8 million.

Leases

As of November 26, 2021 and August 27, 2021, we had operating leases through which we utilize facilities, offices and equipment in our manufacturing operations, research and development activities and selling, general and administrative functions. Sublease income was not significant in the first quarters of 2022 or 2021. The components of operating lease expense were as follows:

Three months ended	November 26, 2021	November 27, 2020
Fixed lease cost	$ 3,303	$ 1,539
Variable lease cost	368	272
Short-term lease cost	76	58
	$ 3,747	$ 1,869

Cash flows used for operating activities in the first quarters of 2022 and 2021 included payments for operating leases of $2.9 million and $1.6 million, respectively. Noncash acquisitions of right-of-use assets were not significant in the first quarters of 2022 and 2021.

As of November 26, 2021 and August 27, 2021, the weighted-average remaining lease term for our operating leases was 6.0 years and 6.1 years, respectively. Certain of our operating leases include one or more options to extend the lease term for periods from two to five years. In determining the present value of our operating lease liabilities, we have assumed we will not extend any lease terms. As of November 26, 2021 and August 27, 2021, the weighted-average discount rate for our operating leases was 6.8% and 6.7%, respectively.

Minimum payments of lease liabilities as of November 26, 2021 were as follows:

Remainder of 2022	$ 9,679
2023	10,560
2024	7,249
2025	4,665
2026	3,584
2027 and thereafter	15,671
	51,408
Less imputed interest	(11,473)
Present value of total lease liabilities	$ 39,935

The table above excludes lease liabilities for leases that have been executed but not yet commenced. As of November 26, 2021, we had such lease commitments relating to operating lease payment obligations of $51.8 million for a building lease with a term of 16 years. We will recognize a right-of-use asset and an associated lease liability at the time such asset becomes available for our use. Such lease is currently expected to commence in the second half of calendar 2022.

Commitments and Contingencies

Contingencies

From time to time, we are involved in legal matters that arise in the normal course of business. Litigation in general, and intellectual property, employment and shareholder litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. Additionally, from time to time, we are a party in the normal course of business to a variety of agreements pursuant to which we may be obligated to indemnify another party. It is not possible to predict the maximum potential amount of future payments under these types of agreements due to the conditional nature of our obligations and the unique facts and circumstances involved in each particular agreement. Historically, our payments under these types of agreements have not had a material adverse effect on our business, results of operations or financial condition. We regularly review contingencies to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or range of loss can be made.

Equity

SGH Shareholders’ Equity

Ordinary Share Repurchases

Ordinary shares withheld as payment of withholding taxes and exercise prices in connection with the vesting or exercise of equity awards are treated as ordinary share repurchases. An aggregate of 51 thousand and 139 thousand shares were acquired for $2.7 million and $3.5 million in the first quarters of 2022 and 2021, respectively.

Noncontrolling Interest in Subsidiary

In connection with our acquisition of the LED Business, we have a 51% ownership interest in the Cree Joint Venture. The remaining 49% ownership interest is held by San’an. The Cree Joint Venture has a five-member board of directors, three of which are designated by us and two of which are designated by San’an. As a result of our majority voting interest, we consolidate the operations of the Cree Joint Venture and report its results of operations within our LED Solutions segment.

The Cree Joint Venture has a manufacturing agreement pursuant to which San’an supplies it with mid-power LED products and we and the Cree Joint Venture have a sales agent agreement pursuant to which we are the independent sales representative of the Cree Joint Venture. The Cree Joint Venture produces and delivers to market high performing, mid-power lighting class LEDs in an exclusive arrangement serving the expanding markets of North and South America, Europe and Japan, and serves China markets and the rest of the world on a non-exclusive basis.

The 49% ownership interest held by San’an is classified as noncontrolling interest. Noncontrolling interest increased by $0.7 million in the first quarter of 2022 for San’an’s share of net income from the Cree Joint Venture. Cash and other assets of the Cree Joint Venture are generally not available for use by us in our other operations.

Government Incentives

Brazil Financial Credits

Through our Brazil subsidiaries, we participate in two programs (“Brazil Incentive Programs”), pursuant to which the Brazilian government incentivizes the manufacture and sale of certain information technology and consumer electronics products within Brazil. The programs include 1) Lei da Informática – Processo Produtivo Básico Program (aka Informatics Law – Basic Productive Process Program) (“PPB/IT”) and 2) Programa de Apoio ao Desenvolvimento Tecnológico da Indústria de Semicondutores (aka Program of Support of the Development of the Semiconductor Industry) (“PADIS”). The financial credits available through PADIS are currently set to expire in January 2022.

The Brazil Incentive Programs provide for reduced import and other transaction-related taxes for certain procurement, manufacturing and sales activities. In exchange, we must invest in certain research and development activities related to semiconductors and displays in aggregate amounts that exceed a specified percentage of our gross revenues recognized in connection with sales in Brazil. Accordingly, financial credits earned in connection with the Brazil Incentive Programs are reflected as a reduction of research and development expense. Financial credits available under the Brazil Incentive Programs are subject to limitations, which range from approximately 11% to 14% of gross revenues recognized for sales in Brazil.

Pursuant to the Brazil Incentive Programs, we recognized aggregate financial credits, reflected as a reduction of research and development expense, of $5.9 million and $7.9 million in the first quarters of 2022 and 2021, respectively. Financial credits earned under the Brazil Incentive Programs may be refunded in cash or used to offset liabilities for Brazil federal taxes. As of November 26, 2021 and August 27, 2021, earned but unused financial credits of $16.9 million and $19.8 million, respectively, were included in other current assets. Financial credits earned but unused as of November 26, 2021 can be utilized through November 2026.

Fair Value Measurements

Cash and cash equivalents as of November 26, 2021 and August 27, 2021 included money market funds of $2.8 million and $2.7 million, respectively, which were valued based on Level 1 measurements using quoted prices in active markets for identical assets.

Fair value measurements of other assets and liabilities were as follows:

	As of November 26, 2021		As of August 27, 2021	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Assets:				
Derivative financial instrument assets	$ 1,528	$ 1,528	$ 883	$ 883
Liabilities:				
Derivative financial instrument liabilities	$ —	$ —	$ 50	$ 50
Convertible Senior Notes	401,283	206,202	335,668	203,992
LED Purchase Price Note	125,000	125,000	125,000	125,000
ABL Credit Agreement	35,000	35,000	25,000	25,000
Debt – other	9,782	10,751	10,702	11,846
Acquisition-related contingent consideration	77,700	77,700	60,500	60,500

The fair values of our derivative financial instruments, as measured on a recurring basis, were based on Level 2 measurements, including market-based observable inputs of currency exchange spot and forward rates, interest rates and credit-risk spreads.

The fair value of our Convertible Senior Notes (excluding the value of the equity component of our convertible notes), as measured on a non-recurring basis, was determined based on Level 2 measurements, including the trading price of the convertible notes. The fair values of our LED Purchase Price Note, ABL Credit Agreement and other debt, as measured on a non-recurring basis, were estimated based on Level 2 measurements, including discounted cash flows and interest rates based on similar debt issued by parties with credit ratings similar to ours.

Acquisition-related contingent consideration relates to our acquisition of the LED Business and is included in other noncurrent liabilities. The fair value, as measured on a recurring basis, was based on Level 3 measurements, which includes significant inputs not observable in the market. The fair value was estimated using a Monte Carlo simulation analysis in a risk-neutral framework with assumptions for volatility, market price of risk adjustment, risk-free rate and cost of debt. Assumptions used in the determination of fair value also included estimates of future revenue and gross profit of the LED Business in Cree’s first four full fiscal quarters following the closing of the acquisition. Generally, changes in the assumptions for projected future revenue, gross profit and volatility would be accompanied by a directionally similar change in the fair value measurement. Conversely, changes in the discount rate would be accompanied by a directionally opposite change in the related fair value measurement. However, due to the contingent consideration having a maximum payout amount, changes in these assumptions would not affect the fair value of the contingent consideration if they increase (decrease) beyond certain amounts. Subsequent to the acquisition date, at each reporting date, the contingent consideration liability is remeasured to fair value with changes recorded in our results of operations. See “Business Acquisition – LED Business.”

Derivative Instruments

We use currency forward contracts to mitigate our exposure of certain monetary assets and liabilities from changes in currency exchange rates. Realized and unrealized gains and losses on derivative instruments without hedge accounting designation as well as the changes in the underlying monetary assets and liabilities from changes in currency exchange rates are included in other non-operating (income) expense. For derivative instruments without hedge accounting designation, in the first quarter of 2022, we recognized net realized gains of $3.9 million and net unrealized gains on the change in the fair value of the non-designated forward contracts of $0.8 million. In the first quarter of 2021, we recognized net realized gains of $2.4 million and net unrealized gains on the change in the fair value of the non-designated forward contracts of $2.9 million.

Equity Plans

As of November 26, 2021, 4.3 million shares of our ordinary shares were available for future awards under our equity plans.

Restricted Share Awards and Restricted Share Units Awards (“Restricted Awards”)

Aggregate Restricted Award activity was as follows:

Three months ended		**November 26, 2021**		**November 27, 2020**
Awards granted		266		548
Weighted average grant-date fair value per share	$	56.04	$	20.81
Aggregate vesting-date fair value of shares vested	$	11,956	$	8,370

Restricted Awards include grants with service, performance and/or market conditions with restrictions that generally lapse after a three to four-year service period. Awards with market conditions are based on either the Company’s share price or the Company’s total shareholder return (“TSR”) relative to companies included in a market index. For awards with market conditions, the number of shares that will vest will vary between 0% and 200% of target amounts, depending upon the Company’s achievement level over the specified performance period. The fair value of awards with market conditions were fixed at the grant date using a Monte Carlo simulation analysis and were based on significant inputs not observable in the market.

In May 2020, we granted a performance-based restricted share award that had both service and performance conditions. As of August 28, 2020, we deemed it was probable that the service condition would be met and the attainment of the performance condition for this award was probable. On October 20, 2020, we modified this award, as well as another time-based award, each for our former CEO, to accelerate the remaining service-based vesting requirements such that they became fully vested as of the acceleration date. These modifications resulted in additional share-based compensation expense in the first quarter of 2021 of $5.8 million.

As of November 26, 2021, total unrecognized compensation costs for unvested Restricted Awards was $93.1 million, which was expected to be recognized over a weighted average period of 2.95 years.

Share Options

Share option activity and assumptions were as follows:

Three months ended		**November 27, 2020**
Share options granted		250
Weighted average grant-date fair value per share	$	13.30
Average expected term in years		6.25
Weighted-average expected volatility		52.07%
Weighted-average risk-free interest rate		0.49%
Expected dividend yield		—

As of November 26, 2021, total unrecognized compensation costs for unvested options was $5.3 million, which was expected to be recognized over a weighted average period of 1.96 years.

Employee Share Purchase Plan

Under our employee share purchase plan (“ESPP”), employees purchased 67 thousand ordinary shares for $3.0 million in the first quarter of 2022 and 87 thousand shares for $1.8 million in the first quarter of 2021.

Share-Based Compensation Expense

Three months ended		November 26, 2021		November 27, 2020
Share-based compensation expense by caption:				
Cost of sales	$	1,731	$	838
Research and development		1,540		778
Selling, general and administrative		6,504		9,472
	$	9,775	$	11,088

Income tax benefits related to the tax deductions for share-based awards are recognized only upon the settlement of the related share-based awards. Consistent with our treatment of income or loss from our U.S. operations, our income tax provision in the first quarters of 2022 and 2021 reflects de minimis income tax benefits for share-based compensation expense.

Revenue and Customer Contract Balances

We disaggregate revenue by segment and geography and by product and service revenue. See "Segment and Other Information."

Net Sales and Gross Billings

Net sales by products and services and gross amounts billed for services, including those services in which we act as an agent for our customers, were as follows:

Three months ended		November 26, 2021		November 27, 2020
Net sales:				
Products	$	456,425	$	285,202
Services		13,519		6,495
	$	469,944	$	291,697
Gross billings in connection with services:				
Services	$	13,519	$	6,495
Cost of materials (1)		336,275		131,524
	$	349,794	$	138,019

(1) Included in gross billings in connection with services are amounts billed to customers for the cost of materials procured in an agent capacity in connection with our procurement, logistics, inventory management, temporary warehousing, kitting and packaging services. While we take title to inventory under such arrangements, control of such inventory does not transfer to us as we do not, at any point, have the ability to direct the use, and thereby obtain the benefits of, the inventory.

Customer Contract Balances

As of		November 26, 2021		August 27, 2021
Contract assets (1)	$	154	$	4,247
Contract liabilities: (2)				
Deferred revenue	$	14,888	$	19,271
Customer advances		15,952		15,835
	$	30,840	$	35,106

(1) Contract assets are included in other current assets.
(2) Contract liabilities are included in other current liabilities and noncurrent liabilities based on the timing of when our customer is expected to take control of the asset or receive the benefit of the service.

Deferred revenue related to amounts received from customers in advance of satisfying performance obligations. As of November 26, 2021, we expect to recognize revenue of $10.5 million of the balance of $14.9 million in the next 12 months and the remaining amount thereafter. In the first quarter of 2022, we recognized revenue of $5.8 million from satisfying performance obligations related to amounts included in deferred revenue as of August 27, 2021. Customer advances represent amounts received from customers for advance payments to secure product and services within the next 12 months. In the first quarter of 2022, we recognized revenue of $1.3 million from satisfying performance obligations related to amounts included in customer advances as of August 27, 2021.

As of November 26, 2021 and August 27, 2021, other current liabilities included $25.1 million and $24.9 million, respectively, for estimates of consideration payable to customers, including estimates for pricing adjustments and returns.

Other Non-operating (Income) Expense

Three months ended	November 26, 2021	November 27, 2020
Foreign currency (gains) losses	$ 1,467	$ (642)
Other	(232)	(190)
	$ 1,235	$ (832)

Foreign currency (gains) and losses relate primarily to our Brazil operating subsidiaries.

Income Taxes

Three months ended	November 26, 2021	November 27, 2020
Income before income taxes	$ 28,453	$ 5,302
Income tax provision	$ 7,755	$ 3,275
Effective tax rate	27.3%	61.8%

Income tax expense includes a provision for federal, state and foreign taxes based on the annual estimated effective tax rate applicable to us and our subsidiaries, adjusted for certain discrete items which are fully recognized in the period they occur. Accordingly, the interim effective tax rate may not be reflective of the annual estimated effective tax rate.

Provision for income taxes for the three months ended November 26, 2021 increased by $4.5 million, as compared to the same period in the prior year, primarily due to an increase in the amount of earnings subject to non-U.S. tax.

As of November 26, 2021 and August 27, 2021, we had a full valuation allowance for net deferred tax assets associated with our U.S. operations. The amount of the deferred tax asset considered realizable could be adjusted if significant positive evidence increases.

Determining the consolidated provision for income tax expense, income tax liabilities and deferred tax assets and liabilities involves judgment. The Company calculates and provides for income taxes in each of the tax jurisdictions in which it operates, which involves estimating current tax exposures, as well as making judgments regarding the recoverability of deferred tax assets in each jurisdiction. The estimates used could differ from actual results, which may have a significant impact on operating results in future periods.

Earnings Per Share

Three months ended	November 26, 2021	November 27, 2020
Net income attributable to SGH – Basic and Diluted	$ 20,027	$ 2,027
Weighted-average shares outstanding – Basic	24,506	24,561
Dilutive effect of equity plans and convertible notes	2,812	542
Weighted-average shares outstanding – Diluted	27,318	25,103
Earnings per share:		
Basic	$ 0.82	$ 0.08
Diluted	$ 0.73	$ 0.08

Below are potentially dilutive shares that were not included in the computation of diluted earnings per share because to do so would have been antidilutive:

Three months ended	November 26, 2021	November 27, 2020
Equity plans	143	1,497

We have the option to pay cash, issue shares or any combination thereof for the aggregate amount due upon any conversion of our 2026 Notes. It is our intent to settle the principal amount of the 2026 Notes in cash upon any conversion. As a result, only the amounts payable in excess of the principal amounts upon conversion of the 2026 Notes are considered in diluted earnings per share under the treasury stock method. As a result, the 2026 Notes would be dilutive when the average share price of the Company's ordinary shares for a reporting period exceeds the conversion price of the 2026 Notes of $40.61 per share. See "Debt – Convertible Senior Notes."

Segment and Other Information

Segment information presented below is consistent with how our chief operating decision maker evaluates operating results to make decisions about allocating resources and assessing performance.

In the fourth quarter of 2021, we reorganized SGH into three business units: Memory Solutions, Intelligent Platforms Solutions and LED Solutions. Two of our previous segments, specialty memory products and Brazil products, have been combined to become Memory Solutions. Intelligent Platform Solutions was formerly referred to as specialty compute and storage solutions. All prior period information in the tables below has been revised to reflect the change to our three reportable segments.

- ***Memory Solutions*****:** Our Memory Solutions group provides high performance and reliable memory solutions through the design, development and advanced packaging of leading-edge to extended lifecycle products. These specialty products are tailored to meet customer-specific requirements across networking and communications, enterprise storage, computing, including desktop, notebook and server applications, smartphones and other vertical markets. These products are marketed to OEMs and to commercial and government customers. The Memory Solutions group also offers SMART Supply Chain Services, which provides customized, integrated supply chain services to enable our customers to better manage supply chain planning and execution, reduce costs and increase productivity.
- ***Intelligent Platform Solutions ("IPS")*****:** Our IPS group consists of Penguin Computing and Penguin Edge. Penguin Computing offers specialized platform solutions for high-performance computing, artificial intelligence, machine learning and advanced modeling for technology research. We provide these leading-edge solutions to customers in the government, hyper-scale, energy, financial services and education markets. Penguin Edge encompasses the operations of SMART EC and SMART Wireless and offers solutions for embedded and wireless applications, specializing in high-reliability products for a wide range of customers in government, telecommunications, health care, smart city, network edge and industrial applications.
- ***LED Solutions*****:** Our LED Solutions group offers a broad portfolio of application-optimized LEDs focused on improving on lumen density, intensity, efficacy, optical control and reliability. Backed by expert design assistance and superior sales support, our LED products enable our customers to develop and market LED-based products for lighting, video screens and specialty lighting applications. Our LED Solutions is comprised of the LED Business we acquired from Cree, Inc. on March 1, 2021.

Segments are determined based on sources of revenue, types of customers and operating performance. There are no differences between the accounting policies for our segment reporting and our consolidated results of operations. Operating expenses directly associated with the activities of a specific segment are charged to that segment. Certain other indirect operating income and expenses are generally allocated to segments based on their respective percentage of net sales. We do not allocate interest, other non-operating (income) expense or taxes to segments.

Three months ended	**November 26, 2021**	**November 27, 2020**
Net sales:		
Memory Solutions	$ 239,401	$ 225,823
Intelligent Platform Solutions	118,654	65,874
LED Solutions	111,889	—
Total net sales	$ 469,944	$ 291,697
Segment operating income:		
Memory Solutions	$ 36,670	$ 20,861
Intelligent Platform Solutions	14,180	2,881
LED Solutions	18,300	—
Total segment operating income	69,150	23,742
Unallocated:		
Share-based compensation expense	(9,775)	(11,088)
Amortization of acquisition-related intangibles	(6,343)	(3,413)
Change in fair value of contingent consideration	(17,200)	—
Other	(1,038)	(1,617)
Total unallocated	(34,356)	(16,118)
Consolidated operating income	$ 34,794	$ 7,624

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended August 27, 2021. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed below and elsewhere in this report. See also "Cautionary Note Regarding Forward-Looking Statements."

Our fiscal year is the 52 or 53-week period ending on the last Friday in August. Fiscal 2022 and 2021 each contain 52 weeks. All period references are to our fiscal periods unless otherwise indicated. All financial information for our subsidiaries in Brazil is included in our consolidated financial statements on a one-month lag because their fiscal years end on July 31 of each year. All tabular dollar amounts are in millions, except per share amounts.

Overview

Since our inception over 30 years ago, SGH has grown into a diversified group of businesses focused on the design and manufacture of specialty solutions for the computing, memory and LED markets. Our success is based on a customer-focused approach characterized by a commitment to quality, advanced technical expertise, quick time-to-market, build-to-order flexibility and excellence in customer service.

At SGH, we strive to achieve long-term growth by investing in our people, innovation, processes and new opportunities. Since the beginning of fiscal 2018, we have accelerated our growth through the completion of five acquisitions. With our most recent acquisition of the LED Business in 2021, we have organized the Company into three lines of business: Memory Solutions, Intelligent Platform Solutions ("IPS") and LED Solutions.

In addition to driving growth organically and through acquisitions, we use the SGH operating system to support and drive operational efficiency and performance.

Our employees have always played a key role in our success. Today, SGH employs a diverse workforce of approximately 3,900 employees around the world who are focused on innovation and customer satisfaction.

Acquisition of LED Business

In March 2021, we completed the acquisition of the LED business ("LED Business") of Cree, Inc., a corporation now known as Wolfspeed, Inc. ("Cree"). The acquisition of the LED Business, a leader in LED lighting technology, further enhances our growth and diversification strategy and fits well with our other specialty businesses in computing and memory. The purchase price for the LED Business consisted of cash payments of $72.4 million, the issuance of an unsecured promissory note issued in the amount of $125 million and the potential for Cree to receive an earn-out payment of up to $125 million based on the revenue and gross profit performance of the LED Business in the twelve-month period ended in March 2022.

COVID-19

The outbreak of coronavirus disease 2019 ("COVID-19") has resulted in substantial loss of life, economic disruption and government intervention worldwide. While we have not yet experienced significant disruptions of our operations as a result of the COVID-19 pandemic, the pandemic resulted in reduced sales volumes of certain product lines since early calendar 2020. COVID-19 also disrupted our product development, marketing and corporate development activities, and has more recently affected our supply chain. Our recently acquired LED Business experienced similar impacts from the pandemic from early in calendar 2020. If these conditions continue, or if we have an outbreak in any of our facilities, sales volumes may be negatively impacted and we may, among other issues, experience, in any or all product lines, delays in product development, a decreased ability to support our customers, disruptions in sales and manufacturing activities and overall reduced productivity each of which could have a negative impact on our ability to meet customer commitments and on our revenue and profitability. The reduction of investment in new capacity due to the pandemic, coupled with strong demand to expand delivery and logistics, internet and cloud services as well as a rebound in economic conditions and general demand at a pace faster than expected, has resulted in significant supply shortages that may impact our ability to manufacture products for our customers and may result in rising prices of the materials we need to manufacture our products. We may not be able to pass on these rising costs to our customers which could result in a negative impact to our gross margins. Furthermore, if there is a significant outbreak or if travel restrictions or stay-at-home or work remote or from home conditions or other governmental or voluntary restrictions relating to the COVID-19 pandemic significantly impact our suppliers' ability to manufacture or deliver raw materials or provide key components or services, we could experience more delays or reductions in our ability to manufacture and ship products to our customers. While certain segments of our customer base are experiencing strong demand, the pandemic may negatively impact the demand for other segments for our customer base or those customers' ability to manufacture their products, which could reduce their demand for our products or services.

Factors Affecting Our Operating Performance

Our operating expenses have grown in recent periods as we drive innovation, expand our products and services portfolio and invest in greater operational capabilities to support our growth. Our total operating expenses grew in 2021, primarily as a result of the addition of the LED Solutions business. We expect to continue to see increased operating expenses in 2022 as we record a full year of operating expenses for the LED Solutions business, continue to increase our investment in new products and services for the IPS business and potentially experience the phase-out of certain Brazil financial tax credits, which would result in an increase in operating expense in Memory Solutions.

Macro-economic Demand Factors. Our business segments each have their own unique set of demand factors. Demand in our Memory Solutions group is driven by end-market demand from OEMs for customer-specific solutions in vertical markets such as industrial, government, networking, high-performance compute and enterprise storage, as well as from OEMs for memory modules used in desktop and notebook computers, smartphones, IoT and SSD products in Brazil. In addition, macro-economic factors specific to the Brazil economy affect this segment, given our sales and operations in that market. Our IPS business is driven by demand for high compute solutions across AI and machine learning initiatives, as well as traditional workload optimization and efficiency applications. Finally, demand for our LED products is derived from targeted end-market applications, such as general high-power and mid-power lighting and specialty lighting, such as video and horticulture applications. We believe our diversified business segments may provide a natural hedge against downturns in any particular industry although broader macro-economic trends, such as the COVID-19 pandemic, can adversely affect all three segments concurrently.

Shifts in the Mix of Our Revenue. Shifts in the mix of revenue from our operating segments, which can vary significantly from period to period, can impact our business and operating results, including gross and operating margins. For example, our Memory Solutions group, while not party to long-term fixed purchasing commitments, has nonetheless historically seen relatively stable demand and margins. By contrast, our IPS group has shown solid growth, but is subject to greater variability in its sales and margin profile from period to period, as recognition of revenue is tied to customer decisions as to the completion of delivery and system go-live events, and margin is driven by the extent to which higher margin software and managed services comprise IPS sales. In addition, while we have experienced favorable demand and overall margin uplift compared to the rest of our businesses from our LED Solutions group to date, this group is the newest segment of our business, and we may be subject to unforeseen changes in its business and operating results. Our resource commitments and planning for each segment are relatively fixed in the short term and, as such, variability in expected revenue mix will have direct implications for our operating income and margins.

Our Ability to Identify, Complete and Successfully Integrate Acquisitions. A substantial portion of our growth over the last several years has been driven by acquisitions, and we intend to continue to use corporate development as an engine for growth. Within our existing segments, we plan to pursue acquisitions to expand features and functionality, expand into adjacent businesses and grow our customer base and geographic footprint. From time to time, we may seek to expand our addressable market by entering new business segments where, as we did with our LED Business, we identify a business opportunity at scale with a path to being accretive to our overall operations in the near term. If we are unable to identify and complete attractive acquisitions, we may not be successful in growing our revenue and/or expanding our margins. Any acquisitions we do complete may require us to raise debt or equity financing or may subject us to unforeseen liabilities or operational challenges that in turn impede our ability to realize the expected returns on our investment.

Disruptions in Our Supply Chain May Adversely Affect Our Businesses. We depend on third-party suppliers for key components of our products, such as commodity DRAM components from offshore foundries that we use in our specialty memory products and third-party wafers that we use in our memory and LED businesses. We have adopted this "fab-lite" business model to reduce our capital expenditures and operating expenses, while affording greater flexibility in adapting to shifts in demand and other market trends. In recent periods, our fab-lite business model has contributed significantly to margin expansion in our overall business. However, our reliance on third-party manufacturers exposes us to risk of supply chain disruption and lost business. For example, the current global semiconductor shortage has adversely affected our operating results. If such disruptions worsen or are prolonged, or if there is meaningful disruption in our supply arrangement with any of our third-party suppliers, our operating results and financial condition could be adversely affected.

Results of Operations

Three months ended		November 26, 2021	% of net sales (1)		November 27, 2020	% of net sales (1)
Net sales:						
Memory Solutions	$	239,401	50.9%	$	225,823	77.4%
Intelligent Platform Solutions		118,654	25.2%		65,874	22.6%
LED Solutions		111,889	23.8%		—	—
Total net sales		469,944	100.0%		291,697	100.0%
Cost of sales		347,743	74.0%		239,053	82.0%
Gross profit		122,201	26.0%		52,644	18.0%
Operating expenses:						
Research and development		17,657	3.8%		6,964	2.4%
Selling, general and administrative		52,550	11.2%		38,056	13.0%
Change in fair value of contingent consideration		17,200	3.7%		—	—
Total operating expenses		87,407	18.6%		45,020	15.4%
Operating income		34,794	7.4%		7,624	2.6%
Non-operating (income) expense:						
Interest expense, net		5,106	1.1%		3,154	1.1%
Other non-operating (income) expense		1,235	0.3%		(832)	(0.3)%
Total non-operating (income) expense		6,341	1.3%		2,322	0.8%
Income before taxes		28,453	6.1%		5,302	1.8%
Income tax provision		7,755	1.7%		3,275	1.1%
Net income		20,698	4.4%		2,027	0.7%
Net income attributable to noncontrolling interest		671	0.1%		—	—
Net income attributable to SGH	$	20,027	4.3%	$	2,027	0.7%

(1) Summations of percentages may not compute precisely due to rounding.

Net Sales, Cost of Sales and Gross Profit

Net sales increased by $178.2 million, or 61.1 %, in the first quarter of 2022 compared to same period in the prior year, primarily due to $111.9 million of revenue in the first quarter of 2022 from our recent acquisition of the LED Business and to strong performance in our IPS and Memory Solutions businesses. IPS net sales increased by $52.8 million, or 80.1%, primarily due to higher volumes of sales in our Penguin Computing business. Memory Solutions sales increased by $13.6 million, or 6.0%, primarily due to a 13.5% higher volume of DRAM products and a 34.0% increase in average selling prices for Brazil DRAM products.

Cost of sales increased by $108.7 million, or 45.5%, in the first quarter of 2022 compared to the same period in the prior year, primarily due to our acquisition of the LED Business and from higher cost of materials and production costs due to a higher level of sales for our IPS and Memory Solutions segments.

Gross profit margin increased to 26.0% in the first quarter of 2022 compared to 18.0% in the first quarter of 2021 primarily due to inclusion of higher margin LED Solutions products in 2022 as well as process and efficiency improvement in the Memory Solutions and IPS segments compared to the prior year.

Segment Operating Income

Three months ended	November 26, 2021			November 27, 2020		
Segment operating income: (1)						
Memory Solutions	$	36,670	15.3%	$	20,861	9.2%
Intelligent Platform Solutions		14,180	12.0%		2,881	4.4%
LED Solutions		18,300	16.4%		—	—
Total segment operating income		69,150	14.7%		23,742	8.1%
Unallocated:						
Share-based compensation expense		(9,775)			(11,088)	
Amortization of acquisition-related intangibles		(6,343)			(3,413)	
Change in fair value of contingent consideration		(17,200)			—	
Other		(1,038)			(1,617)	
Total unallocated		(34,356)			(16,118)	
Consolidated operating income	$	34,794		$	7,624	

(1) Percentages represent segment operating income as a percentage of segment net sales.

In the fourth quarter of 2021, we reorganized SGH into three business units: Memory Solutions, Intelligent Platforms Solutions and LED Solutions. Two of our previous segments, specialty memory products and Brazil products, have been combined to become Memory Solutions. Intelligent Platform Solutions was formerly referred to as specialty compute and storage solutions. All prior year information in the table above has been revised to reflect the change to our three reportable segments.

Memory Solutions operating income increased by $15.8 million, or 75.8%, in the first quarter of 2022 compared to the same period in the prior year, primarily due to higher sales and gross profit, partially offset by higher operating expenses mainly driven by higher research and development expense due to less Brazil financial credits.

IPS operating income increased by $11.3 million, or 392.2%, in the first quarter of 2022 compared to same period in the prior year, primarily due to higher sales and gross profit, partially offset by higher operating expenses mainly driven by personnel-related expenses due to increased headcount to support the revenue growth.

LED Solutions operating income of $18.3 million in the first quarter of 2022 was due to our acquisition of the LED Business in March 2021.

Operating and Non-operating (Income) Expense

Research and Development

Research and development expense increased by $10.7 million, or 153.5%, in the first quarter of 2022 compared to the same period in the prior year, primarily due to additional costs from the acquisition of the LED Business as well as lower Brazil financial credits. We expect research and development expense to increase in absolute dollars in 2022 as compared to 2021 primarily because we will include the full year of operations for our LED Solutions segment and may include the effects of the termination of certain Brazil financial credits, currently scheduled to occur in January 2022.

Selling, General and Administrative

Selling, general and administrative expense increased by $14.5 million, or 38.1%, in the first quarter of 2022 compared to the same period in the prior year, primarily due to additional costs from the acquisition of the LED Business as well as higher personnel-related expenses due to increased headcount, professional services and acquisition expenses associated with the acquisition. We expect selling, general and administrative expense to increase in absolute dollars in 2022 as we include the full year of operations for our LED Solutions segment.

Change in Fair Value of Contingent Consideration

Our acquisition of the LED Business included contingent consideration, which we estimated the fair value as of the date of acquisition to be $28.1 million. During the first quarter of 2022, we recorded a charge of $17.2 million to adjust the amount of contingent consideration to its fair value as of November 26, 2021. See "PART I. Financial Information – Item 1. Financial Statements – Notes to Consolidated Financial Statements – Business Acquisition – LED Business."

Other Non-operating (Income) Expense

Other non-operating (income) expense in the first quarters of 2022 and 2021 primarily reflected foreign currency (gains) and losses relate primarily to our Brazil operating subsidiaries, as well as higher interest expense mainly due to the seller note from the LED acquisition.

Income Tax Provision

Our provision for income taxes increased by $4.5 million in the first quarter of 2022 compared to the same period in the prior year, primarily due to higher income in non-U.S. jurisdictions subject to tax.

Liquidity and Capital Resources

At November 26, 2021, we had cash and cash equivalents of $233.1 million, of which $181.3 million was held outside of the United States. Our principal uses of cash and capital resources have been acquisitions, debt service requirements as described below, capital expenditures, research and development expenditures and working capital requirements. We expect that future capital expenditures will focus on expanding capacity of our operations, expanding our research and development activities, manufacturing equipment upgrades, acquisitions and IT infrastructure and software upgrades. Cash and cash equivalents consist of funds held in demand deposit accounts and money market funds. We do not enter into investments for trading or speculative purposes.

We expect that our existing cash and cash equivalents, borrowings available under our credit facilities and cash generated by operating activities will be sufficient to fund our operations for at least the next twelve months. We may from time to time seek additional equity or debt financing. Any future equity financing may be dilutive to our existing investors, and any future debt financing may include debt service requirements and financial and other restrictive covenants that may constrain our operations and growth strategies. In the event that we seek additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued product innovation, we may not be able to compete successfully, which would harm our business, operations and financial condition.

In February 2020, we issued $250.0 million in aggregate principal amount of 2.25% convertible senior notes due 2026 (the "2026 Notes"). The initial conversion rate of the 2026 Notes is 24.6252 ordinary shares per $1,000 principal amount of notes, which represents an initial conversion price of approximately $40.61 per ordinary share. The closing price of our ordinary shares exceeded 130% of the conversion price for our 2026 Notes for at least 20 trading days in the 30 consecutive trading days ended on November 26, 2021. As a result, the 2026 Notes are convertible by holders through February 25, 2022.

For information regarding our debt obligations, see "PART I. Financial Information – Item 1. Financial Statements – Notes to Consolidated Financial Statements – Debt." For our operating lease obligations, see "PART I. Financial Information – Item 1. Financial Statements – Notes to Consolidated Financial Statements – Leases." For our purchase obligations, see "PART I. Financial Information – Item 1. Financial Statements – Notes to Consolidated Financial Statements – Commitments and Contingencies."

Cash Flows

Three months ended		November 26, 2021		November 27, 2020
Net cash provided by operating activities	$	15,146	$	35,569
Net cash used for investing activities		(13,377)		(14,628)
Net cash provided by (used for) financing activities		12,363		(378)
Effect of changes in currency exchange rates		(4,068)		(7,277)
Net increase in cash and cash equivalents	$	10,064	$	13,286

Operating Activities**:** Cash flows from operating activities reflects net income adjusted for certain non-cash items, including depreciation and amortization expense, share-based compensation, adjustments for changes in the fair value of contingent consideration, gains and losses from investing or financing activities and from the effects of changes in operating assets and liabilities.

Net cash provided by operating activities in the three months ended November 26, 2021 was $15.1 million, comprised primarily of net income of $20.7 million, adjusted for non-cash items of $47.5 million. Operating cash flows were also affected by a $53.1 million decrease in our net operating assets and liabilities, consisting primarily of an increase of $36.1 million in accounts receivable and a decrease of $53.8 million in accounts payable and accrued expenses, offset by a decrease of $39.6 million in inventories. The decrease in both inventories and accounts payable and accrued expenses was primarily due to lower inventory primarily in our Memory Solutions and IPS segments, and the increase in accounts receivable was primarily due to higher gross sales in the same segments.

Net cash provided by operating activities in the three months ended November 27, 2020 was $35.6 million, comprised primarily of net income of $2.0 million, adjusted for non-cash items of $23.3 million. Operating cash flows were also affected by a $10.3 million increase in our net operating assets and liabilities, consisting primarily of a decrease of $12.9 million in inventories and an increase of $10.1 million in accounts payable and accrued expenses, partially offset by an increase of $9.3 million in other current assets.

Investing Activities**:** Net cash used in investing activities in the first quarter of 2022 was $13.4 million, consisting primarily of purchases of property and equipment. Net cash used in investing activities during the three months ended November 27, 2020 was $14.6 million consisting primarily of purchases of property and equipment and deposits.

Financing Activities**:** Net cash provided by financing activities in the first quarter of 2022 was $12.4 million, consisting primarily of $10.0 million in net proceeds from borrowing under our line of credit, $5.0 million in proceeds from issuance of ordinary shares from our equity plans, partially offset by $2.7 million for the repurchase of ordinary shares. Net cash used for financing activities in the first quarter of 2021 was $0.4 million, consisting primarily of $3.5 million for the repurchase of ordinary shares, partially offset by $3.1 million in proceeds from issuance of ordinary shares from our equity plans.

Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Estimates and judgments are based on historical experience, forecasted events and various other assumptions that we believe to be reasonable under the circumstances. We evaluate our estimates and judgments on an ongoing basis. Our management believes the accounting policies below are critical in the portrayal of our financial condition and results of operations and require management's most difficult, subjective or complex judgments.

There have been no material changes to our critical accounting estimates from those described in "PART II. Other Information – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates" in our Annual Report on Form 10-K for the year ended August 27, 2021.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Foreign Exchange Rate Risk

We are subject to inherent risks attributed to operating in a global economy. Our international sales and our operations in foreign countries subject us to risks associated with fluctuating currency values and exchange rates. Because a significant portion of our sales are denominated in U.S. dollars, increases in the value of the U.S. dollar could increase the price of our products so that they become relatively more expensive to customers in a particular country, possibly leading to a reduction in sales and profitability in that country. In addition, we have certain costs that are denominated in foreign currencies, and decreases in the value of the U.S. dollar could result in increases in such costs, which could have a material adverse effect on our results of operations.

As a result of our international operations, we generate a portion of our net sales and incur a portion of our expenses in currencies other than the U.S. dollar, particularly the Brazilian real. We present our consolidated financial statements in U.S. dollars, and we translate the assets, liabilities, net sales and expenses of a substantial portion of our foreign operations into U.S. dollars at applicable exchange rates. Consequently, increases or decreases in the value of the U.S. dollar may affect the value of these items with respect to our non-U.S. dollar businesses in our consolidated financial statements, even if their value has not changed in their local currency. Our customer pricing and material cost of sales are generally based on U.S. dollars. Accordingly, the impact of currency fluctuations to our consolidated statements of operations is primarily to our other costs of sales (i.e., non-material components) and our operating expenses as those items are typically denominated in local currency. Our consolidated statements of operations are also impacted by foreign currency gains and losses arising from transactions denominated in a currency other than the functional currency of the respective subsidiary. These translations could significantly affect the comparability of our results between financial periods or result in significant changes to the carrying value of our assets, liabilities and equity. As a result, changes in foreign currency exchange rates impact our reported results.

Approximately 24% and 36% of our net sales in the first quarters of 2022 and 2021, respectively, originated in Brazilian real. We utilize foreign exchange forward contracts to mitigate foreign currency exchange rate risk associated with foreign currency-denominated assets and liabilities in Brazil. We do not use foreign currency contracts for speculative or trading purposes.

Based on our monetary assets and liabilities denominated in foreign currencies as of November 26, 2021 and August 27, 2021, we estimate that a 10% adverse change in exchange rates versus the U.S. dollar would result in losses recorded in non-operating expense of $6.7 million and $7.7 million, respectively, to revalue these assets and liabilities.

Interest Rate Risk

We are subject to interest rate risk in connection with our variable-rate debt under the ABL Credit Agreement and the Amended Credit Agreement. As of November 26, 2021, we had a revolving balance outstanding of $35 million; however, the ABL Credit Agreement and Amended Credit Agreement provide for borrowings of up to an aggregate of $150 million. Assuming that we would satisfy the financial covenants required to borrow and that the amounts available under the ABL Credit Agreement and Amended Credit Agreement were fully drawn, a 1.0% increase in interest rates would result in an increase in annual interest expense and a decrease in our cash flows of $1.5 million per year.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective to ensure the information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Changes in Internal Control Over Financial Reporting

During the first quarter of 2022, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

For a discussion of legal proceedings, see “PART I. Financial Information – Item 1. Financial Statements – Notes to Consolidated Financial Statements – Commitments and Contingencies” and “PART II. Other Information – Item 1A. Risk Factors.”

Item 1A. Risk Factors

There have been no material changes to the risks described in “PART I – Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended August 27, 2021. You should carefully consider the risks and uncertainties and the other information in this Quarterly Report, including “PART I. Financial Information – Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes. Our business, financial condition or results of operations could be materially and adversely affected if any of these risks occurs and, as a result, the market price of our ordinary shares could decline and you could lose all or part of your investment.

This Quarterly Report also contains forward-looking statements that involve risks and uncertainties. See “Cautionary Note Regarding Forward-Looking Statements” for additional information. Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including the risks facing our Company described in this Quarterly Report.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

INDEX TO EXHIBITS

Exhibit No.	Description	Filed Herewith	Incorporated by Reference			
			Form	File No.	Exhibit	Filing Date
3.1	Second Amended and Restated Memorandum and Articles of Association of SMART Global Holdings, Inc.		8-K	001-38102	3.1	03/31/2020
4.1	Description of Securities Registered Under Section 12 of the Exchange Act		10-K	001-38102	4.1	10/25/2021
10.1*	Consulting Agreement dated December 9, 2021 by and between SMART Global Holdings, Inc. and Ajay Shah	X				
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002	X				
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002	X				
32.1	Certification of Principal Executive Officer pursuant 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
32.2	Certification of Principal Financial Officer pursuant 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document	X				
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X				
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)	X				

* Constitutes a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	SMART Global Holdings, Inc.
Date: January 4, 2022	By: /s/ Mark Adams
	Mark Adams
	President and Chief Executive Officer
Date: January 4, 2022	By: /s/ Ken Rizvi
	Ken Rizvi
	Senior Vice President and Chief Financial Officer

EXHIBIT 10.1

Consulting Agreement

This Consulting Agreement (the "**Agreement**") is entered into as of December 9, 2021, by and between Ajay Shah ("**Advisor**") and SMART Global Holdings, Inc. (the "**Company**").

WHEREAS, Advisor serves as Chairman of the Board of Directors for the Company (the "**Board**");

WHEREAS, Advisor previously served as President and Chief Executive Officer for the Company;

WHEREAS, on August 13, 2020, Advisor stepped down from his role as President and Chief Executive Officer following his assistance in selecting and recruiting Mark Adams as successor;

WHEREAS, Advisor now intends to retire from his services as Chairman of the Board, effective as of the date of the consummation of the Company's annual meeting of shareholders held in 2022 (the "**Effective Date**"); and

WHEREAS, the Company desires to provide an orderly transition of Advisor's duties and responsibilities and Advisor desires to assist the Company in realizing an orderly transition and retain Advisor.

NOW, THEREFORE, in furtherance of the foregoing, Advisor and the Company agree as follows:

1. Retirement. Advisor will retire from his service as the Chairman of the Board, and will no longer serve on the Board, effective as of the Effective Date.

2. Services. Following the Effective Date, Advisor shall provide the following services (the "**Services**") to the Company: (i) advice to the Chief Executive Officer of the Company, as reasonably requested by the Chief Executive Officer or the Chairman of the Board from time to time; (ii) such other services as reasonably requested by the Chief Executive Officer or the Chairman of the Board from time to time. Advisor shall not perform any services or act in any other capacity for the Company other than the provision of the Services. The Services are not expected to be performed for more than 10 hours per quarter. During the Term (as defined below), Advisor will continue to have access to his Company email address and business laptop, and will remain on the Company's public website as an advisor to the Company.

3. Term and Termination.

(a) The term of the Services to be provided pursuant to this Agreement shall commence on the Effective Date and continue until the date of the Company's annual meeting of shareholders occurring in 2023 (the "Term"); provided, that (i) Advisor may terminate the Term early for any reason with 30 days' written notice and (ii) the Company may terminate the Term early upon written notice to Advisor of a termination for "Cause" in accordance with Section 3(b).

(b) For purposes of this Agreement, "Cause" shall mean the Advisor's: (A) material breach of this Agreement or any other material written agreement with the Company, (B) conviction of, or plea of nolo contendere to, a felony (excluding traffic offenses) which has or is reasonably expected to have a material detrimental effect on the reputation or business of the Company or its affiliates; (C) gross misconduct or other intentional conduct that has or is reasonably expected to have a material detrimental effect on the reputation or business of the Company or its affiliates; (D) willful and improper disclosure of confidential information; or (E) willful failure to reasonably cooperate with the Company in any investigation or formal proceeding; provided that no such determination may be made until Advisor has been given written notice detailing the specific Cause event and a period of thirty (30) days following receipt of such notice to cure such event (if the event is curable), or, if such event is not so cured (or is not curable), an opportunity on at least five (5) days advance written notice to appear (with legal counsel) before the full Board to discuss the specific circumstances alleged to constitute a Cause event.

4. Compensation. As of the date hereof, Advisor holds certain equity-based awards granted under the SMART Global Holdings, Inc. Amended and Restated 2017 Share Incentive Plan (the "**Plan**"). These equity-based awards include (i) options to purchase Company's ordinary shares (the "**Options**") and (ii) restricted stock units ("**RSUs**"). In consideration for the Services, and subject to Advisor's compliance with this Agreement, for purposes of the Options and RSUs, Advisor's retirement pursuant to Section 1 will not be considered a "termination of employment or service" as defined in the Plan, but rather, during the Term, the Options and RSUs will continue to vest in accordance with the vesting schedule provided in the applicable award agreements setting forth such Options and RSUs. For the avoidance of doubt, the final day of the Term will be deemed a "termination of employment or service" for purposes of the Options and RSUs, and any Options and RSUs that would be forfeited pursuant to their terms upon a termination of employment or service will be forfeited. The post-termination exercise period of Advisor's Options will be extended to the earlier of (i) 180 days from the last day of the Term or (ii) the original expiration date for such Options. The terms provided by the Plan and the underlying award agreements shall continue to apply during the Term. Except as set forth in this Section 4, Advisor will not be eligible to participate in or receive any other compensation or benefits in connection with the provision of the Services.

5. Release.

(a) In consideration for the benefits outlined in the Agreement, to which Advisor is not otherwise entitled, Advisor hereby releases the Company as follows (the "Release"): Advisor generally and completely releases the Company and its affiliated entities (collectively "Company Entities") and their directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (together with the Company Entities, the "Released Parties") from any and all claims, liabilities and obligations, both known and unknown (collectively, "Claims"), arising (i) out of Advisor's employment, Board membership or other relationship with the Company Entities, and the termination of such service or relationship or (ii) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date hereof, in each case that Advisor ever had, now has or may hereinafter have against any of the Release Parties. This Release does not apply to (w) any rights Advisor may have as a member or holder of equity or other securities of the Company, (x) any claims which cannot be released as a matter of law, (y) any rights Advisor may have under Section 4 or any other benefits to which Advisor is entitled under the Agreement, or (z) any claim relating to directors' and officers' liability insurance coverage or any right of indemnification and similar matters in accordance with applicable laws, the articles, the charter and bylaws of the Company or other organizational documents and any indemnification agreement Advisor has with the Company.

(b) Advisor acknowledges that Advisor is knowingly and voluntarily waiving and releasing any rights Advisor has under the Federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder ("ADEA") and that the consideration given for the waiver and release is in addition to anything of value to which Advisor was already entitled. Advisor further acknowledges that Advisor has been advised by this writing, as required by the ADEA, that: (i) Advisor's waiver and release specified in this paragraph do not apply to any rights or claims that arise after the date Advisor signs this Release; (ii) Advisor has the right to consult with an attorney prior to signing this Release; (iii) Advisor has up to 21 days to consider this Agreement (although Advisor may choose voluntarily to sign this Release earlier); (iv) Advisor has seven days after Advisor signs this Agreement to revoke the Release; and (v) this Agreement will not be effective until the date on which the revocation period has expired, which will be the eighth day after Advisor signs this Release, assuming Advisor has returned it to the Company by such date.

(c) Waiver of Unknown Claims. In granting the general release herein, Advisor acknowledges that Advisor has read and understand California Civil Code section 1542, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Advisor expressly waives and relinquishes all rights and benefits under that section and any law of any jurisdiction of similar effect.

(d) In addition, Advisor agrees that during the Term and at all times thereafter, he shall not make any written or oral statements about any of the Released Parties that are negative or disparaging, implied or express, or that are intended to damage the Company's business reputation or goodwill, and he shall not engage in discussions or correspondence about the Company with the media, the Company's shareholders or the Company's employees, directors or officers, except in connection with providing the Services. Notwithstanding the foregoing, nothing in this Agreement or otherwise shall preclude Advisor from (a) communicating or testifying truthfully to the extent required by law to any federal, state, provincial or local governmental agency or in response to a subpoena to testify issued by a court of competent jurisdiction, or otherwise pursuant to legal process or (b) responding publicly to incorrect, disparaging or derogatory public statements by the Company to the extent reasonably necessary to correct or refute such public statements.

6. Independent Contractor Status. Advisor shall act solely as an independent contractor with respect to the Company, and as such, shall not be authorized to and shall not seek or attempt to bind, represent or speak on behalf of the Company to third parties without the prior written consent of the Company. Advisor hereby acknowledges and agrees that all amounts payable pursuant to this Agreement shall represent fees for services as an independent contractor, and shall therefore be paid without any deductions or withholdings taken therefrom for taxes or for any other purpose. Advisor shall be solely responsible for the payment of any federal, state, or local income or self-employment taxes imposed on him with respect to any amounts paid to Advisor with respect to or as a result of this Agreement. With respect to the Services provided hereunder, Advisor shall not be eligible to participate in the benefit plans of the Company, including without limitation, any retirement, pension, profit sharing, group insurance, health insurance or similar plans, if any, that have been or may be instituted by the Company for the benefit of its employees; provided that Advisor may participate in the benefit plans of the Company in his status as a former employee of the Company where applicable.

7. Section 409A. This Agreement and the payments to be made hereunder are intended to comply with, or be exempt from, Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and construed in compliance therewith.

8. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission and electronic mail ("e-mail") transmission, so long as a receipt of such e-mail is requested and received) and shall be given:

If to the Company: SMART Global Holdings, Inc.
c/o Chief Executive Officer
890 Tasman Drive
Milpitas, California 95035

If to Advisor: Ajay Shah
****
****

9. Indemnification and D&O coverage. Nothing in this Agreement will adversely affect Advisor's rights with respect to Company provided indemnification and directors and officers ("**D&O**") insurance coverage relating to Advisor's services with the Company. In addition, Advisor will continue to have full rights to Company provided indemnification and D&O insurance coverage with respect to the Services provided by Advisor hereunder.

10. Miscellaneous. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both oral and written, between the parties with respect to such subject matter. The provisions and obligations of this Agreement which are intended to survive upon termination of this Agreement shall survive. This Agreement and the rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of California without regard to its principles of conflict of laws. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. No amendment, modification, termination or waiver of any provisions of this Agreement and no consent to any departure by any party therefrom shall in any event be effective unless the same shall be in writing and signed by the parties hereto, and then such waiver or consent shall be effective only in the given instance and for the specific purpose for which given.

11. Assignment. Neither this Agreement nor any right or interest hereunder shall be assignable by Advisor, his beneficiaries or legal representatives without the Company's prior written consent. The Company may assign this Agreement to any successor or assign (whether directly or indirectly, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company. This Agreement shall inure to the benefit of the Company and its permitted successors and assigns.

[REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

SMART GLOBAL HOLDINGS, INC.

By: /s/ Mark Adams
Name: Mark Adams
Title: Chief Executive Officer

ADVISOR

/s/ Ajay Shah
Ajay Shah

EXHIBIT 31.1

RULE 13a-14(a) CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Mark Adams, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SMART Global Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 4, 2022

By: /s/ Mark Adams
Mark Adams
President and Chief Executive Officer

EXHIBIT 31.2

RULE 13a-14(a) CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Ken Rizvi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SMART Global Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 4, 2022

By: /s/ Ken Rizvi
Ken Rizvi
Senior Vice President and Chief Financial Officer

SGH™

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. 1350

In connection with the Quarterly Report of SMART Global Holdings, Inc. (the "Company") on Form 10-Q for the period ending November 26, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Adams, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: January 4, 2022

By: /s/ Mark Adams
Mark Adams
President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. 1350

In connection with the Quarterly Report of SMART Global Holdings, Inc. (the "Company") on Form 10-Q for the period ending November 26, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ken Rizvi, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: January 4, 2022

By: /s/ Ken Rizvi
Ken Rizvi
Senior Vice President and Chief Financial Officer

SGH