

THIRD QUARTER FY24 SGH FINANCIAL RESULTS

July 9, 2024

SGHTM

Disclaimer

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

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

Statement Regarding Use of Non-GAAP Financial Measures:

SGH management uses non-GAAP measures to supplement SGH's financial results under GAAP. Management uses these measures to analyze its operations and make decisions as to future operational plans and believes that this supplemental non-GAAP information is useful to investors in analyzing and assessing the Company's past and future operating performance. These non-GAAP measures exclude certain items, such as share-based compensation expense, amortization of acquisition-related intangible assets (consisting of amortization of developed technology, customer relationships, trademarks/trade names and backlog acquired in connection with business combinations), acquisition-related inventory adjustments, diligence, acquisition and integration expense, restructure charges, impairment of goodwill, changes in the fair value of contingent consideration, (gains) losses from changes in currency exchange rates, amortization of debt discount and other costs, gain (loss) on extinguishment of debt, other infrequent or unusual items and related tax effects and other tax adjustments. While amortization of acquisition-related intangible assets is excluded, the revenues from acquired companies is reflected in SGH's non-GAAP measures and these intangible assets contribute to revenue generation. Management believes the presentation of operating results that exclude certain items provides useful supplemental information to investors and facilitates the analysis of SGH's core operating results and comparison of operating results across reporting periods. Management also uses adjusted EBITDA, which represents GAAP net income (loss), adjusted for net interest expense, income tax expense, depreciation and amortization expense, share-based compensation expense, acquisition-related inventory adjustments, diligence, acquisition and integration expense, restructure charges, impairment of goodwill, changes in the fair value of contingent consideration, gain (loss) on extinguishment of debt and other infrequent or unusual items.

Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP, as they exclude important information about SGH's financial results, as noted above. The presentation of these adjusted amounts varies from amounts presented in accordance with GAAP and therefore may not be comparable to amounts reported by other companies. In addition, adjusted EBITDA does not purport to represent cash flow provided by, or used for, operating activities in accordance with GAAP and should not be used as a measure of liquidity. Investors are encouraged to review the "Reconciliation of GAAP to Non-GAAP Measures" in the appendix at the end of this presentation.

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

SPEAKERS



Mark Adams

President and CEO
SGH



Jack Pacheco

COO of SGH and President
of Memory Solutions



Nate Olmstead

SVP and CFO
SGH

Q3 FY24 Highlights

Continuing to grow customer engagements, advance software and service offerings, and drive operational efficiency.



Revenue

Revenue of \$301M, up 6% sequentially, with increases across all businesses



Gross Margin

Non-GAAP gross margin of 32.3%, above the mid-point of our guidance range



EPS

Non-GAAP EPS of \$0.37, well above the mid-point of our guidance range



Balance Sheet

Strong balance sheet with cash and short-term investments of \$468 million



OUR BUSINESS LINES

Mark Adams, President and CEO

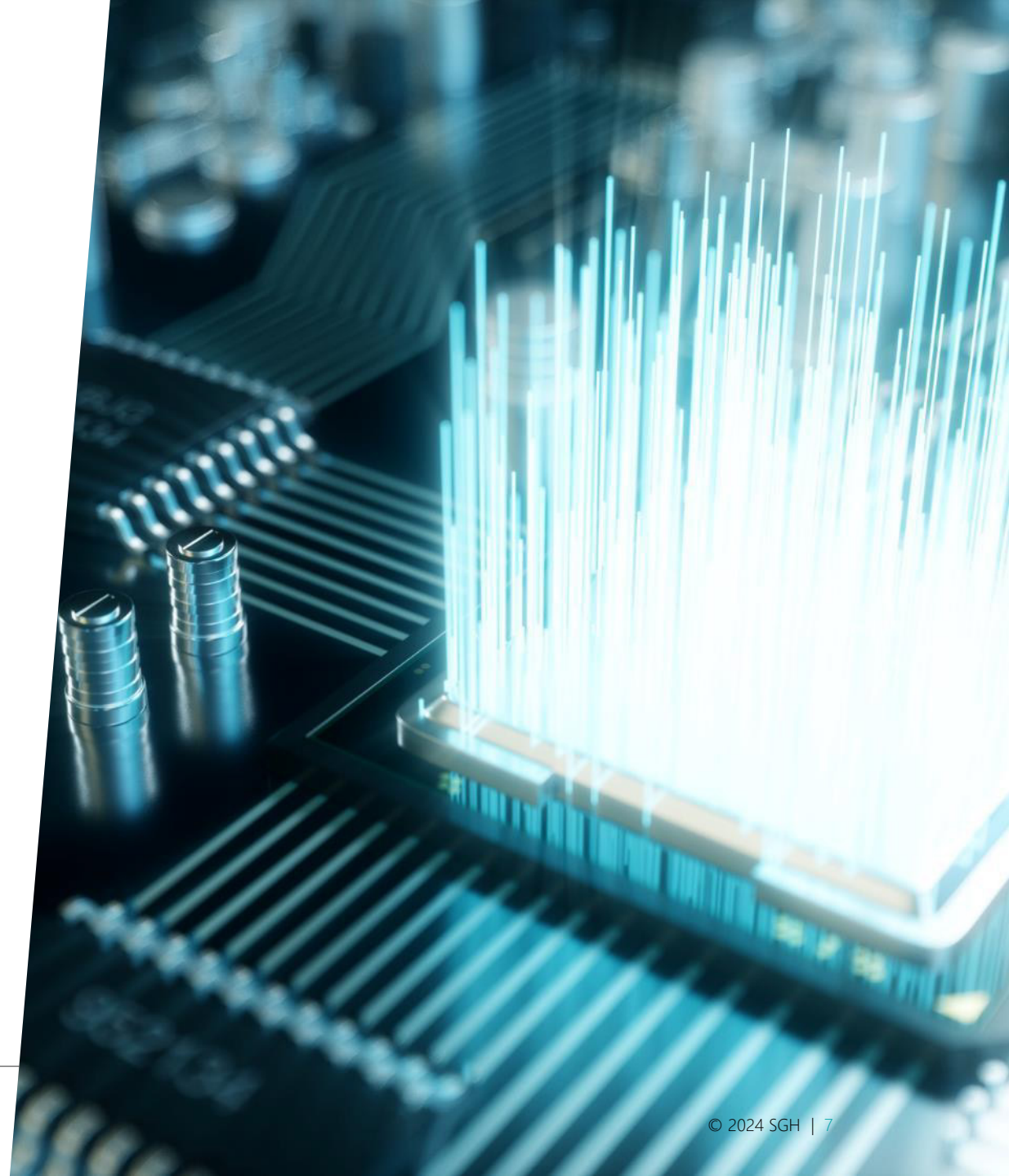


Intelligent Platform Solutions

- Revenue of \$145M
 - 48% of total SGH revenue
 - Revenue up 3% quarter over quarter
 - Services revenue was 22% of total SGH Q3 FY24 revenue versus 17% in the previous quarter
- Key Customer Wins
 - Multi-million dollar software and services engagement
 - Multiple follow-on orders across hyper-scaler, defense and education verticals
 - Largest wins to-date for ztC Edge™ and ztC Endurance™ platforms
- Announced OriginAI® Offering
 - Penguin's AI Factory solution, simplifies and accelerates deployment and management of GPUs at scale

Memory Solutions

- Revenue of \$92M
 - 30% of total SGH revenue
 - Revenue up 10% quarter over quarter
- Achieved key product development and customer engagement milestones
 - 8-DIMM DDR5 CXL add-in card; received our first production sale to an AI compute vendor; strong design-in & customer sampling activity continues
 - 4-DIMM add-in card; first to pass CXL Consortium standards test, a critical requirement for customer adoption
 - E3.S non-volatile CXL device introduced; combines DRAM and NAND, critical to ensure that AI and HPC systems do not lose data, making these systems more reliable and efficient





LED Solutions

- Revenue of \$64M
 - 21% of total SGH revenue
 - Revenue up 6% quarter over quarter
- Backlog and channel visibility are improving
- Cree LED remains a technology and brand leader
 - Announced new XLamp® XFL LED family, designed for peak performance in specialty flashlight and portable lighting applications.
 - IP protection activities ongoing across LED applications to facilitate growth and collaboration opportunities



FINANCIAL REVIEW

Jack Pacheco, EVP and COO

Non-GAAP Q3 FY24 Results

Key financial metrics
within or above midpoint
of guidance range

Q3 FY24 REVENUE

\$301M

Guidance: \$300M +/- \$25M

Q3 FY24 NON-GAAP GROSS MARGIN

32.3%

Guidance: 32% +/- 1.5%

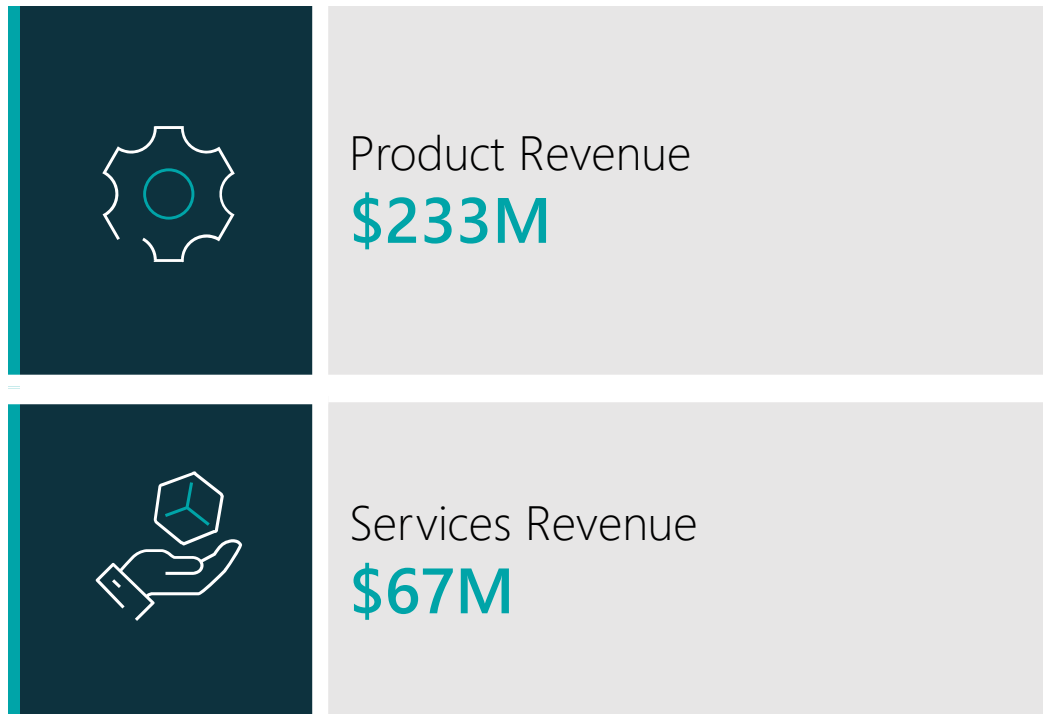
Q3 FY24 NON-GAAP EPS

\$0.37

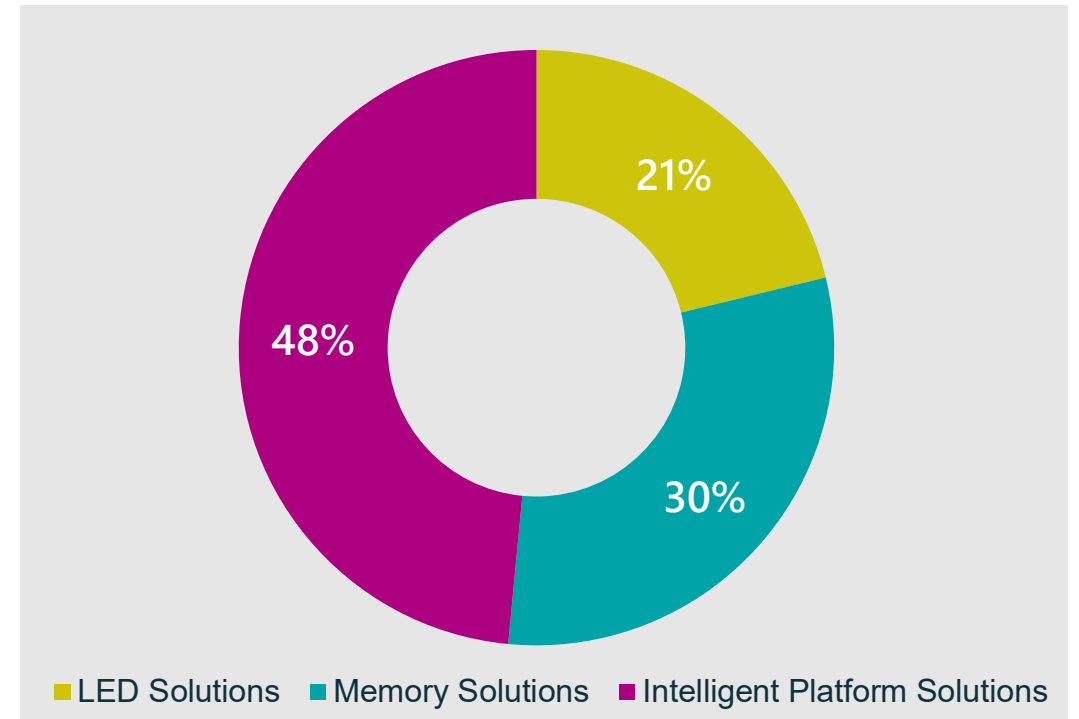
Guidance: \$0.30 +/- \$0.15

Q3 FY24 Revenue Detail

Revenue Breakdown – Total \$301M



Revenue Mix by Business



Q3 FY24 Non-GAAP Operating Results¹

(\$M)	Q3 FY24	Q2 FY24	Q3 FY23
Revenue	\$300.6	\$284.8	\$344.4
Intelligent Platform Solutions	\$145.0	\$141.4	\$170.9
Memory Solutions	\$91.6	\$83.3	\$109.5
LED Solutions	\$64.0	\$60.1	\$64.1
Non-GAAP Gross profit²	\$97.0	\$89.7	\$109.0
Non-GAAP Operating expenses²	\$63.6	\$63.2	\$66.7
Non-GAAP Net income²	\$20.2	\$14.1	\$28.7
Non-GAAP Diluted earnings per share²	\$0.37	\$0.27	\$0.57
Adjusted EBITDA²	\$38.8	\$33.4	\$49.0

Q3 FY24 Balance Sheet Highlights

Continuing Operations

Working Capital	Q2 FY24	Q3 FY24	Cash Flow	Q2 FY24	Q3 FY24	Capital Expenditures	Q2 FY24	Q3 FY24
Net Accounts Receivable	\$170M	\$212M	Cash, Equivalents & ST investments <i>(at period end)</i>	\$466M	\$468M	CapEx	\$5.2M	\$3.8M
Days Sales Outstanding	41 days	42 days	CF from Operations	\$(22)M	\$80M	Depreciation	\$7.2M	\$5.6M
Inventory	\$173M	\$177M	LTM CF from Operations	\$108.4M	\$155.2M			
Inventory Turns	6.8X	8.4X	<i>Note: Q3 FY24 includes retirement of \$75M of term loan facility</i>					



OUR GUIDANCE

Q4 FY24 Guidance

	GAAP Outlook	Adjustments	Non-GAAP Outlook
Net Sales	\$325 million +/- \$25 million	—	\$325 million +/- \$25 million
Gross margin	29.5% +/- 1.5%	2% (A)	31.5% +/- 1.5%
Operating expenses	\$81 million +/- \$2 million	\$(15) million (B)(C)	\$66 million +/- \$2 million
Diluted earnings (loss) per share	\$0.03 +/- \$0.15	\$0.37 (A)(B)(C)(D)	\$0.40 +/- \$0.15
Diluted shares	55.7 million	(1) million	54.7 million

Non-GAAP adjustments: (in millions)

(A) Share-based compensation and amortization of acquisition-related intangibles included in cost of sales	\$	8
(B) Share-based compensation and amortization of acquisition-related intangibles included in R&D and SG&A		12
(C) Other adjustments		3
(D) Estimated income tax effects		(2)
	\$	21

POWERING GROWTH.
EXPANDING POSSIBILITIES.



APPENDIX

GAAP to Non-GAAP Reconciliations

	Three Months Ended			Nine Months Ended	
	May 31, 2024	March 1, 2024	May 26, 2023	May 31, 2024	May 26, 2023
<i>(dollars in thousands)</i>					
GAAP gross profit	\$ 88,906	\$ 81,934	\$ 100,480	\$ 253,690	\$ 323,586
Share-based compensation expense	1,760	1,691	1,595	5,266	4,545
Amortization of acquisition-related intangibles	5,909	5,894	6,704	17,747	19,785
Flow-through of inventory step up	—	—	—	—	2,599
Cost of sales-related restructure	387	216	211	1,271	5,763
Non-GAAP gross profit	\$ 96,962	\$ 89,735	\$ 108,990	\$ 277,974	\$ 356,278
GAAP gross margin	29.6 %	28.8 %	29.2 %	29.5 %	28.8 %
Effect of adjustments	2.7 %	2.7 %	2.4 %	2.8 %	2.9 %
Non-GAAP gross margin	32.3 %	31.5 %	31.6 %	32.3 %	31.7 %
GAAP operating expenses	\$ 77,395	\$ 85,246	\$ 102,866	\$ 244,186	\$ 313,202
Share-based compensation expense	(9,432)	(8,948)	(8,047)	(27,535)	(25,109)
Amortization of acquisition-related intangibles	(3,857)	(3,857)	(4,905)	(11,778)	(13,497)
Diligence, acquisition and integration expense	(4)	(5,885)	(8,637)	(6,678)	(18,193)
Impairment of goodwill	—	—	—	—	(17,558)
Change in fair value of contingent consideration	—	—	(14,800)	—	(24,900)
Restructure charge	(465)	(3,335)	186	(6,739)	(5,366)
Other	—	—	—	—	(1,800)
Non-GAAP operating expenses	\$ 63,637	\$ 63,221	\$ 66,663	\$ 191,456	\$ 206,779
GAAP operating income (loss)	\$ 11,511	\$ (3,312)	\$ (2,386)	\$ 9,504	\$ 10,384
Share-based compensation expense	11,192	10,639	9,642	32,801	29,654
Amortization of acquisition-related intangibles	9,766	9,751	11,609	29,525	33,282
Flow-through of inventory step up	—	—	—	—	2,599
Cost of sales-related restructure	387	216	211	1,271	5,763
Diligence, acquisition and integration expense	4	5,885	8,637	6,678	18,193
Impairment of goodwill	—	—	—	—	17,558
Change in fair value of contingent consideration	—	—	14,800	—	24,900
Restructure charge	465	3,335	(186)	6,739	5,366
Other	—	—	—	—	1,800
Non-GAAP operating income	\$ 33,325	\$ 26,514	\$ 42,327	\$ 86,518	\$ 149,499
GAAP operating margin	3.8 %	(1.2) %	(0.7) %	1.1 %	0.9 %
Effect of adjustments	7.3 %	10.5 %	13.0 %	9.0 %	12.4 %
Non-GAAP operating margin	11.1 %	9.3 %	12.3 %	10.1 %	13.3 %

GAAP to Non-GAAP Reconciliations

	Three Months Ended			Nine Months Ended	
	May 31, 2024	March 1, 2024	May 26, 2023	May 31, 2024	May 26, 2023
<i>(dollars in thousands, except per share data)</i>					
GAAP net income (loss) attributable to SGH	\$ 5,616	\$ (13,620)	\$ (19,648)	\$ (19,777)	\$ (56,983)
Share-based compensation expense	11,192	10,639	9,642	32,801	29,654
Amortization of acquisition-related intangibles	9,766	9,751	11,609	29,525	33,282
Flow-through of inventory step up	—	—	—	—	2,599
Cost of sales-related restructure	387	216	211	1,271	5,763
Diligence, acquisition and integration expense	4	5,885	8,637	6,678	18,193
Impairment of goodwill	—	—	—	—	17,558
Change in fair value of contingent consideration	—	—	14,800	—	24,900
Restructure charge	465	3,335	(186)	6,739	5,366
Amortization of debt discount and other costs	817	968	937	2,827	3,054
Loss (gain) on extinguishment or prepayment of debt	792	325	—	1,117	15,924
Foreign currency (gains) losses	606	182	410	242	55
Other	—	—	—	—	1,800
Income tax effects	(9,424)	(3,540)	2,319	(14,523)	8,110
Non-GAAP net income attributable to SGH	\$ 20,221	\$ 14,141	\$ 28,731	\$ 46,900	\$ 109,275
Weighted-average shares outstanding - Diluted:					
GAAP weighted-average shares outstanding	54,283	52,031	49,380	52,219	49,152
Adjustment for dilutive securities and capped calls	(333)	1,043	754	1,216	770
Non-GAAP weighted-average shares outstanding	<u>53,950</u>	<u>53,074</u>	<u>50,134</u>	<u>53,435</u>	<u>49,922</u>
Diluted earnings (loss) per share from continuing operations:					
GAAP diluted earnings (loss) per share	\$ 0.10	\$ (0.26)	\$ (0.40)	\$ (0.38)	\$ (1.16)
Effect of adjustments	0.27	0.53	0.97	1.26	3.35
Non-GAAP diluted earnings per share	<u>\$ 0.37</u>	<u>\$ 0.27</u>	<u>\$ 0.57</u>	<u>\$ 0.88</u>	<u>\$ 2.19</u>

GAAP to Non-GAAP Reconciliations

<i>(dollars in thousands)</i>	Three Months Ended			Nine Months Ended	
	May 31, 2024	March 1, 2024	May 26, 2023	May 31, 2024	May 26, 2023
Net income (loss) attributable to SGH	\$ 5,616	\$ (13,620)	\$ (19,648)	\$ (19,777)	\$ (56,983)
Interest expense, net	6,167	7,249	9,314	22,975	27,238
Income tax provision (benefit)	(1,323)	2,198	7,216	4,409	26,687
Depreciation expense and amortization of intangible assets	15,525	17,156	18,554	50,335	52,802
Share-based compensation expense	11,192	10,639	9,642	32,801	29,654
Flow-through of inventory step up	—	—	—	—	2,599
Cost of sales-related restructure	387	216	211	1,271	5,763
Diligence, acquisition and integration expense	4	5,885	8,637	6,678	18,193
Impairment of goodwill	—	—	—	—	17,558
Change in fair value of contingent consideration	—	—	14,800	—	24,900
Restructure charge	465	3,335	(186)	6,739	5,366
Loss on extinguishment of debt	792	325	—	1,117	15,924
Other	—	—	—	—	1,800
Adjusted EBITDA	\$ 38,825	\$ 33,383	\$ 48,540	\$ 106,548	\$ 171,501

Convertible Dilution

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