# Results for Q2 Fiscal 2020

Earnings Announcement: October 24, 2019

(Quarter Ended September 27, 2019)

# Risks and Non-GAAP Disclosures

This presentation contains forward-looking statements within the meaning of U.S. securities laws. All statements, other than statements of historical fact, that address activities, events or developments that we expect, believe or anticipate will or may occur in the future, including statements related to future expected revenues and earnings per share are forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause the actual results to differ materially from those anticipated by these forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements. These risks include: that future revenues and earnings may not be achieved as expected; the challenges of effectively managing our operations, including our ability to control costs and manage changes in our operations; litigation and regulatory investigations and proceedings; compliance with legal and regulatory requirements; the possibility that benefits of the Company's restructuring actions may not materialize as expected; that the expected revenue and margins from recently launched programs may not be realized; our dependence on a small number of customers; the impact of component shortages, including their impact on our revenues; geopolitical risk, including the termination and renegotiation of international trade agreements and their policies, including the impact of tariffs and related regulatory action; that recently proposed changes or future changes in tax laws in certain jurisdictions where we operate could materially impact our tax expense; the effects that the current macroeconomic environment could have on our business and demand for our products; and the effects that current credit and market conditions could have on the liquidity and financial condition of our customers and suppliers, including any impact on their ability to meet their contractual obligations. The making of any statement in our presentation does not constitute an admission by Flex or any other person that the events or circumstances described in such statement are material.

Additional information concerning these and other risks is described under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our reports on Forms 10-K and 10-Q that we file with the U.S. Securities and Exchange Commission. The forward-looking statements in our presentation are based on current expectations and Flex assumes no obligation to update these forward-looking statements. Our share repurchase program does not obligate the Company to repurchase a specific number of shares and may be suspended or terminated at any time without prior notice.

Please refer to the appendix section of this presentation for reconciliation of the Non-GAAP financial measures to the most directly comparable GAAP measures.

If this presentation references historical non-GAAP financial measures, these measures are located on the "Investor Relations" section of our website, www.flex.com along with the required reconciliation to the most comparable GAAP financial measures.

The figures presented in this presentation have been rounded. This may lead to individual values not adding up to the totals presented.

The following business group acronyms will be used throughout this presentation:

**HRS** – **High Reliability Solutions**

**Health Solutions:** Consumer Health, Medical Disposables, Drug Delivery, Medical Equipment & Digital Health.

**Automotive:** Autonomous, Connectivity, Electrification, Smart Technologies.

**IEI** – **Industrial & Emerging Industries**

Capital Equipment, Office Solutions, Household Industrial & Lifestyle, Industrial Automation & Kiosks, Energy & Metering, Lighting.

**CEC** – **Communications & Enterprise Compute**

Cloud Data Center, Communications, Networking, Server & Storage.

**CTG** – **Consumer Technologies Group**

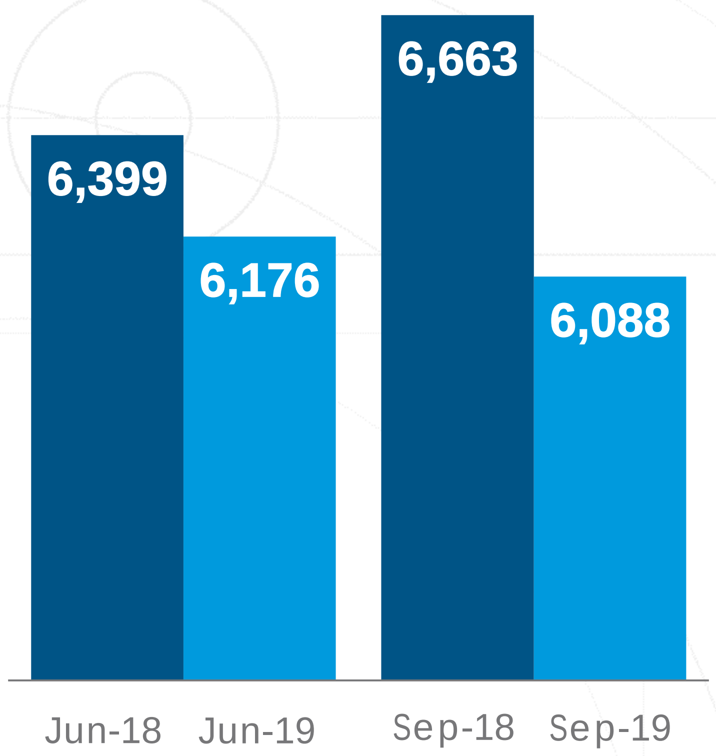
IoT-Enabled Devices, Audio and Consumer Power Electronics, Mobile Devices, Supply Chain Solutions for PCs, Tablets, and Printers.

# Business Update

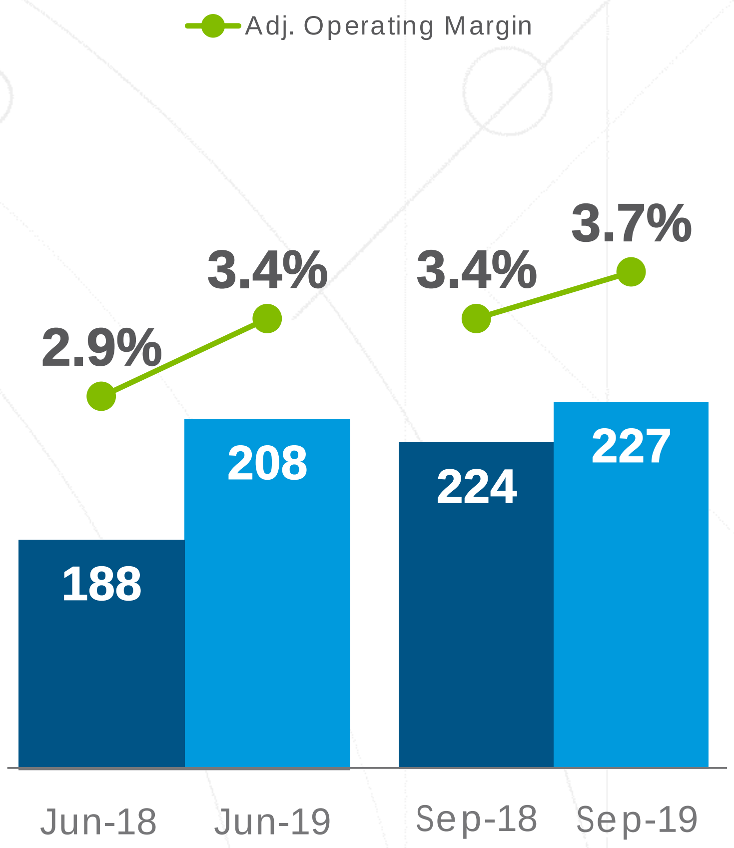
Revathi Advaithi, CEO

# Q2 FY2020 Business Summary

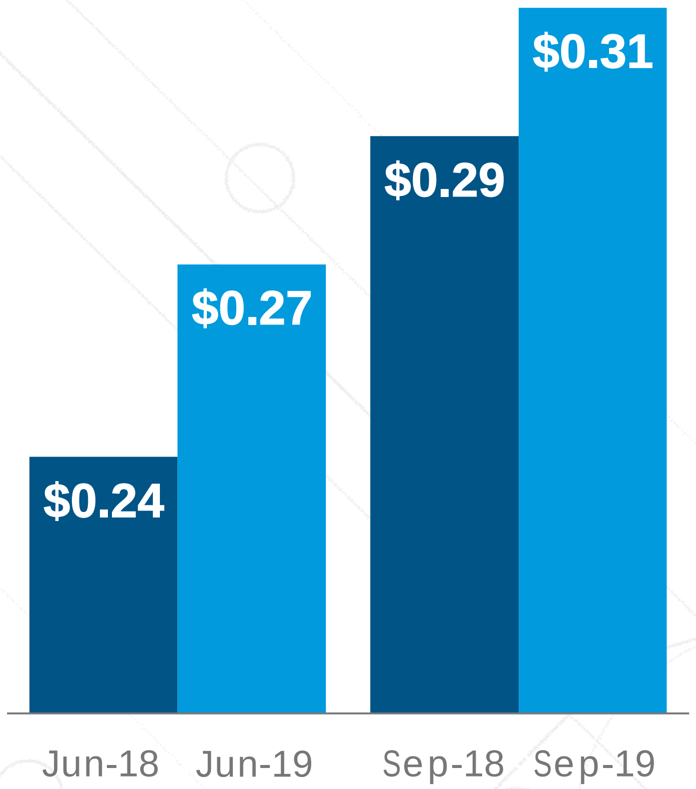
## Revenue ($M)



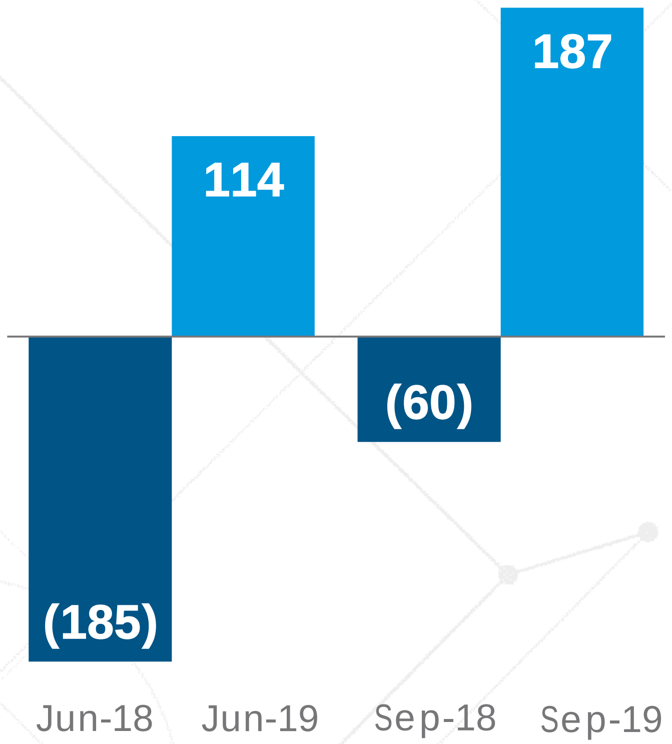

## Adj. Operating Income ($M)




## Adj. Earnings Per Share




## Adj. Free Cash Flow ($M)




**Portfolio management and disciplined execution delivered strong profitability and cash flow**

# Approach to Managing the Business

| Manage | Drive | Pursue | Generate | Grow |
|---|---|---|---|---|
| portfolio to improve mix and profitability | disciplined, sustainable execution | design-led manufacturing for better margins | adjusted free cash flow and have prudent capital allocation | Drive profitable growth and market leadership |

**We delivered on our goals this quarter and are well-positioned for continued progress**



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# Q2 2020 Financial Results

Chris Collier, CFO

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# Q2 FY2020 Income Statement Summary

($M, except per share amounts)

| | Prior Yr<br>September 28, 2018 | Current Qtr<br>September 27, 2019 |
|---|---|---|
| Net sales | $6,663 | $6,088 |
| Adjusted operating income | 224 | 227 |
| Adjusted net income | 153 | 158 |
| Adjusted EPS | $0.29 | $0.31 |
| GAAP income (loss) before income taxes | $109 | ($96) |
| GAAP net income (loss) | 87 | (117) |
| GAAP EPS (loss) | $0.16 | ($0.23) |

## Results vs. Guidance

» Net sales of $ 6.1B is at the low end of the guidance range of $6.1-$6.5B

» Adjusted operating income of $227M is within the guidance range of $220-$250M

» Adjusted EPS of $0.31 is at the mid-point of the guidance range of $0.29-$0.33

**Achieved our targeted adjusted EPS guidance**



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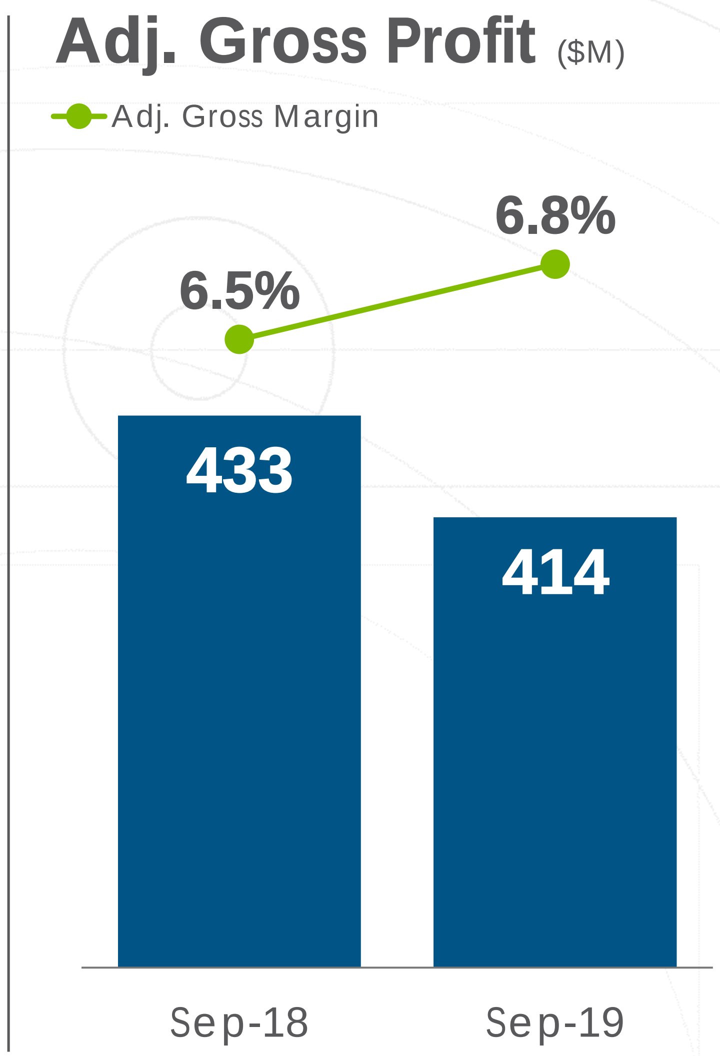
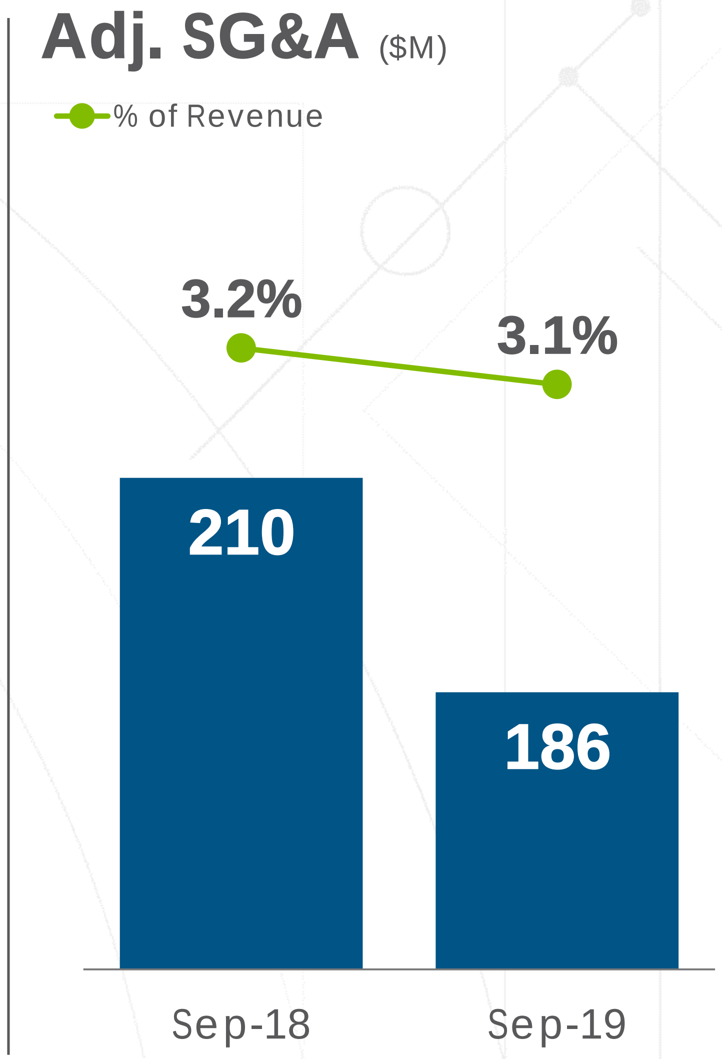
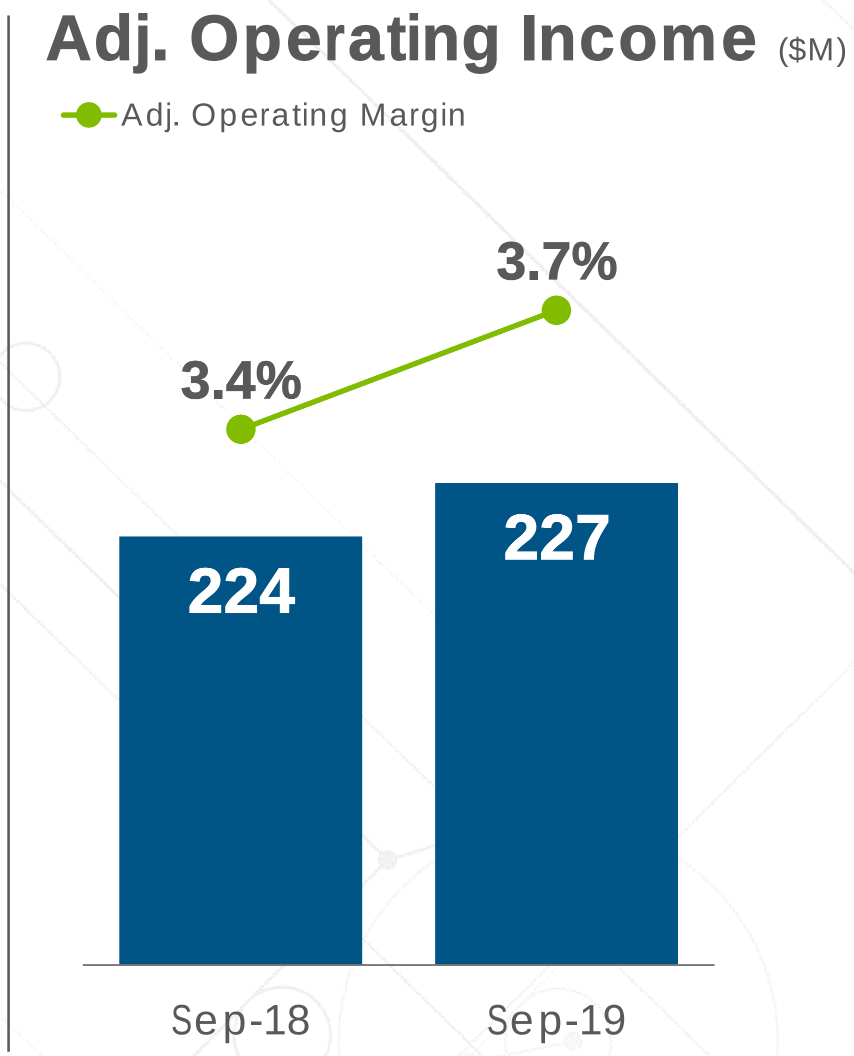
# Quarterly Financial Highlights




**Improving business mix coupled with cost discipline resulted in improved profitability**

# Q2 FY2020 Business Group Performance

| | Revenue | | Adjusted Operating Income & Margin | | |
|---|---|---|---|---|---|
| | ($M) | Y/Y Growth | ($M) | | |
| HRS | **$1,189** | -2% | **$83** | **7.0%** | Accelerated investments into ramping business |
| IEI | **$1,786** | 14% | **$111** | **6.2%** | Robust growth and successfully expanding profitability to record levels |
| CEC | **$1,729** | -19% | **$32** | **1.8%** | Sluggish end market demand pressuring margins |
| CTG | **$1,385** | -21% | **$27** | **1.9%** | Progressing on rationalizing and repositioning portfolio |
| Corporate Services & Other* | -- | | ($26) | | -- |
| **Total** | **$6,088** | **-9%** | **$227** | **3.7%** | |

**Business group performance reflects strategic actions being undertaken**

**Corporate Services and Other: corporate service costs that are not included in the assessment of the performance of each of the identified business groups.*



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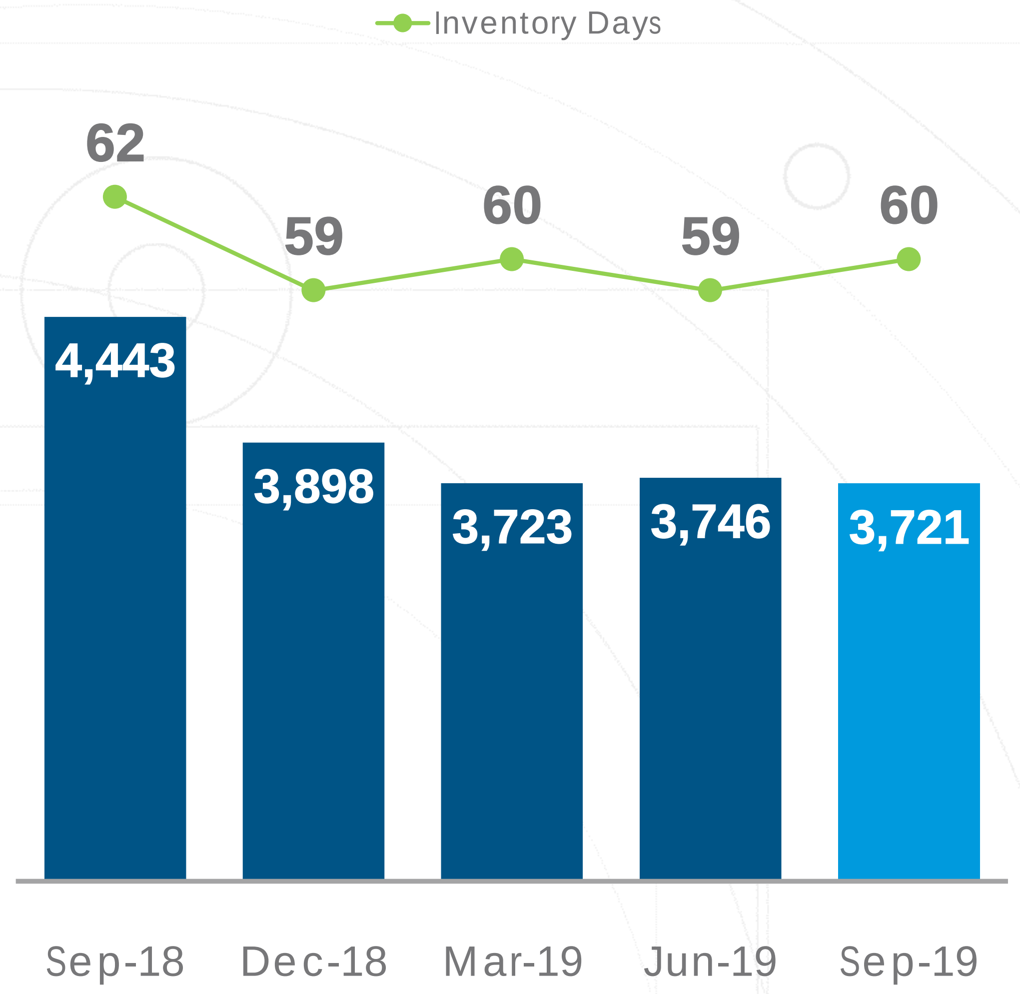
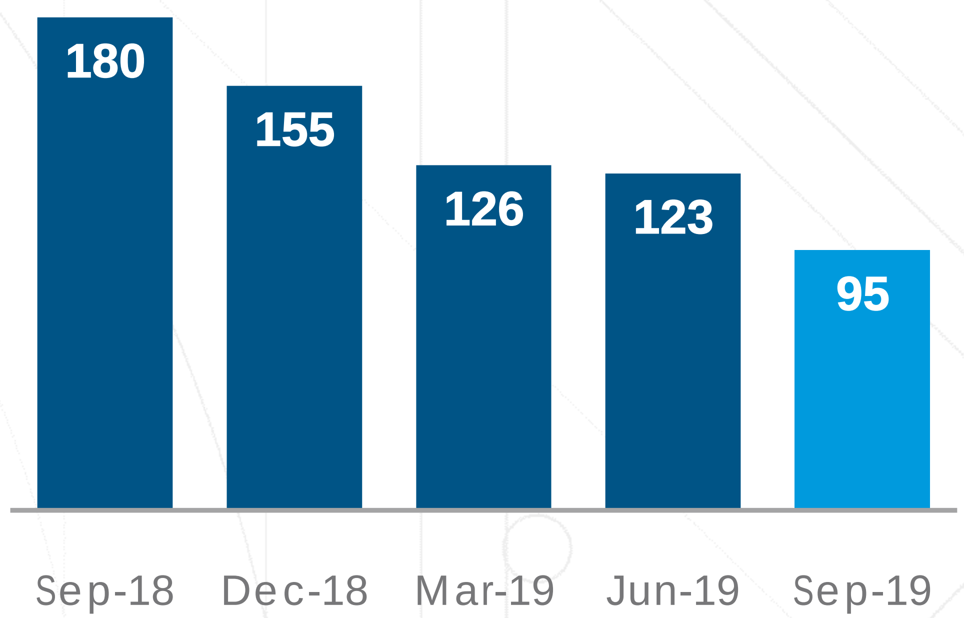
# Cash Flow Generation Highlights

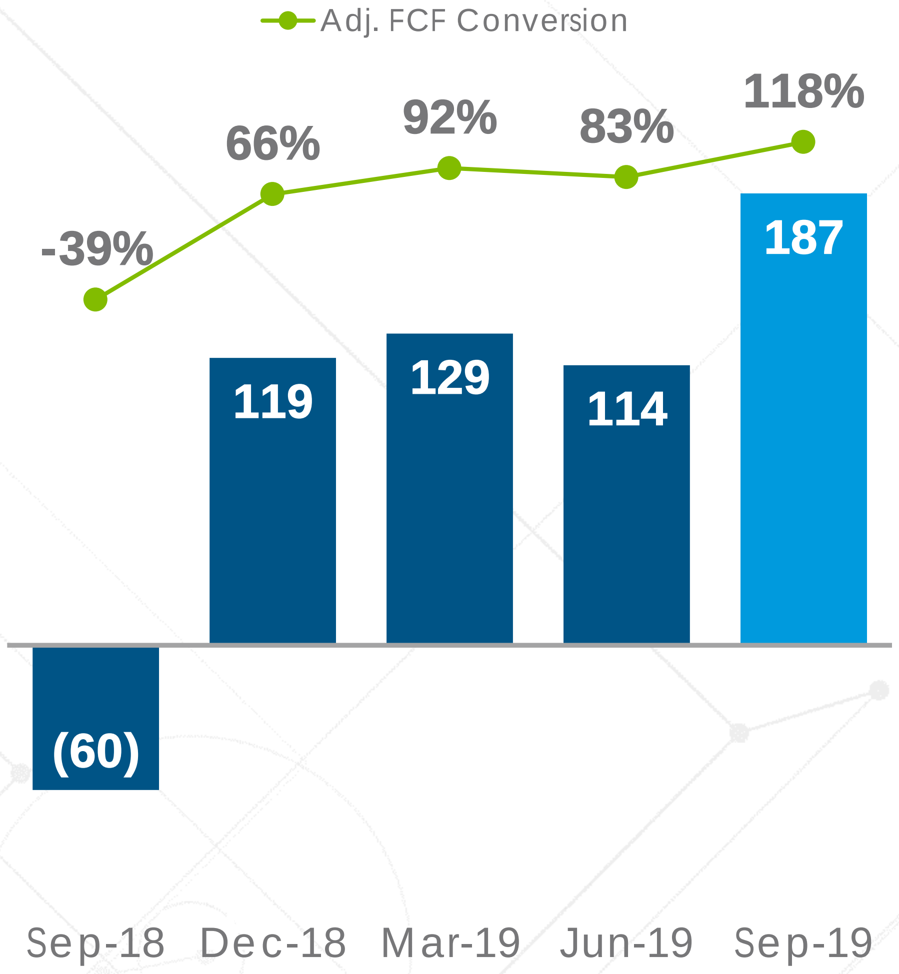
## Inventory and Inventory Days* ($M)




## Net Capital Expenditures** ($M)




## Adjusted Free Cash Flow ($M)




**Disciplined efforts on investments levels delivers improving cash generation**

**Inventory turns are calculated as annualized Non-GAAP cost of sales for the current quarter divided by average inventory for the quarter.*

***Net Capital Expenditures is calculated as purchases of property and equipment minus proceeds from the disposition of property and equipment.*

# Third Quarter Fiscal 2020 Guidance – December 2019

| | Guidance |
|---|---|
| Revenue | $6,000 - $6,300 million |
| Adjusted Operating Income | $230 - $255 million |
| Adjusted Earnings Per Share | $0.32 - $0.36 |
| GAAP Income Before Income Taxes | $125 – $150 million |
| GAAP Earnings Per Share | $0.21 – $0.25 |
| Interest & Other Expense | $45 - $50 million |
| Adjusted Income Tax Rate | Mid range of 10% to 15% |
| WASO | ~512 million shares |

## Business Group Revenue Outlook (Y/Y)

| | |
|---|---|
| HRS | Flat to up 5% |
| IEI | Up 10% to 15% |
| CEC | Down 20% to 25% |
| CTG | Down 25% to 30% |

*Guidance for adjusted operating income excludes approximately $20 million for stock based compensation, $14 million net intangible amortization expense, approximately $45 million to $50 million for interest and other expenses and approximately $25 million restructuring and other charges from GAAP income before income taxes. Guidance for GAAP earnings per share includes approximately $0.03 for intangible amortization, $0.04 for stock-based compensation expense and $0.04 for restructuring and other charges not included in adjusted earnings per share.*



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# Summary

- We have made substantial progress to improve our performance by reducing exposure to high-volatility, low margin businesses
- We met EPS guidance while managing mix
- We displayed strong adjusted operating margin expansion benefitting from our portfolio mix and cost discipline
- We demonstrated solid cash flow generation
- Our four focus areas have helped stabilize our performance, which enables us to expand our efforts around disciplined growth going forward

## For more information, go to investors.flex.com

# Appendix: Reconciliation of GAAP to Non-GAAP Measures

| ($Thousands, except per share amounts) | Quarter-ended September 27, 2019 | Quarter-ended June 28, 2019 | Quarter-ended September 28, 2018 | Quarter-ended June 29, 2018 |
|---|---|---|---|---|
| GAAP income (loss) before income taxes | ($95,693) | $64,109 | $108,794 | $141,637 |
| Intangible amortization | 16,223 | 17,082 | 18,234 | 18,517 |
| Stock-based compensation expense | 18,890 | 15,227 | 19,081 | 20,953 |
| Customer related asset impairments | 90,973 | 483 | - | 17,364 |
| Restructuring charges | 128,315 | 56,192 | 25,773 | 8,817 |
| New revenue standard adoption impact | - | - | - | 9,291 |
| Legal and other | 19,538 | 1,610 | 4,058 | 16,311 |
| Other charges (income), net | 1,147 | 1,463 | 6,530 | (86,924) |
| Interest and other, net | 47,749 | 51,694 | 41,060 | 41,742 |
| Non-GAAP operating income | $227,142 | $207,860 | $223,530 | $187,708 |
| Non-GAAP operating margin* | 3.7% | 3.4% | 3.4% | 2.9% |
| | | | | |
| Diluted earnings (losses) per share: | | | | |
| GAAP** | ($0.23) | $0.09 | $0.16 | $0.22 |
| Non-GAAP | $0.31 | $0.27 | $0.29 | $0.24 |
| | | | | |
| Basic shares used in computing per share amounts | 512,692 | 514,238 | 531,503 | 529,380 |
| Diluted shares used in computing per share amounts | 515,263 | 517,550 | 534,458 | 535,454 |

**We calculate our Non-GAAP operating margin as current quarter Non-GAAP operating income divided by current quarter revenue.*

***Basic shares were used in calculating diluted GAAP EPS for the quarter ended September 27, 2019 due to the net loss recognized for the period.*

For more details on the GAAP to Non-GAAP adjustments for current and historical periods, please refer to the Investor Relations section of our website which includes press releases and summary financials of the respective periods.



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# Appendix: Reconciliation of GAAP to Non-GAAP Measures

| ($Thousands) | Quarter-ended September 27, 2019 | % of revenue | Quarter-ended September 28, 2018 | % of revenue |
|---|---|---|---|---|
| GAAP gross profit | $189,093 | 3.1% | $402,301 | 6.0% |
| Stock-based compensation expense | 4,212 | | 4,767 | |
| Customer related asset impairments | 88,062 | | - | |
| Restructuring charges | 113,958 | | 26,767 | |
| Legal and other | 18,178 | | (346) | |
| Non-GAAP gross profit | $413,503 | 6.8% | $433,489 | 6.5% |
| | | | | |
| GAAP SG&A expenses | $205,310 | 3.4% | $228,677 | 3.4% |
| Stock-based compensation expense | (14,678) | | (14,314) | |
| Customer related asset impairment, legal and other | (4,271) | | (4,404) | |
| Non-GAAP SG&A expenses | $186,361 | 3.1% | $209,959 | 3.2% |

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# Appendix: Reconciliation of GAAP to Non-GAAP Measures

| ($Thousands) | Quarter-ended September 27, 2019 |
|---|---|
| Segment income: | |
| Communication & Enterprise Compute | $31,634 |
| Consumer Technologies Group | 26,992 |
| Industrial & Emerging Industries | 111,354 |
| High Reliability Solutions | 83,400 |
| Corporate and Other* | (26,238) |
| Total segment income: | $227,142 |
| | |
| Operating margin: | |
| Communication & Enterprise Compute | 1.8% |
| Consumer Technologies Group | 1.9% |
| Industrial & Emerging Industries | 6.2% |
| High Reliability Solutions | 7.0% |

| ($Thousands) | Quarter-ended September 27, 2019 |
|---|---|
| **Reconciliation of segment income to loss before income taxes** | |
| Total segment income | $227,142 |
| Intangible amortization | 16,223 |
| Stock-based compensation expense | 18,890 |
| Customer related asset impairments | 90,973 |
| Restructuring charges | 128,315 |
| Legal and other | 19,538 |
| Other charges, net | 1,147 |
| Interest and other, net | 47,749 |
| Loss before income taxes | ($95,693) |

**Corporate and Other: corporate service costs that are not included in the assessment of the performance of each of the identified reporting segments.*

For more details on the GAAP to Non-GAAP adjustments for current and historical periods, please refer to the Investor Relations section of our website which includes press releases and summary financials of the respective periods.



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# Appendix: Reconciliation of GAAP to Non-GAAP Measures

| | Quarter-ended | Quarter-ended | Quarter-ended | Quarter-ended | Quarter-ended |
|---|---|---|---|---|---|
| ($Thousands, except for conversion %) | September 27, 2019 | June 28, 2019 | March 31, 2019 | December 31, 2018 | September 28, 2018 |
| Net cash used in operating activities | ($991,546) | ($656,866) | ($642,419) | ($621,009) | ($764,331) |
| Cash collections of deferred purchase price and other | 1,273,431 | 893,735 | 897,737 | 894,617 | 884,722 |
| Net capital expenditures | (94,997) | (123,214) | (126,019) | (154,968) | (180,489) |
| Adjusted free cash flow | $186,888 | $113,655 | $129,299 | $118,640 | ($60,098) |
| GAAP net income (loss) | ($116,940) | $44,872 | ($64,352) | ($45,169) | $86,885 |
| Intangible amortization | 16,223 | 17,082 | 17,337 | 20,308 | 18,234 |
| Stock-based compensation expense | 18,890 | 15,227 | 14,971 | 21,027 | 19,081 |
| Restructuring charges | 128,315 | 56,192 | 12,880 | 65,843 | 25,773 |
| Customer related asset impairments | 90,973 | 483 | 19,576 | 50,153 | - |
| Legal and other | 19,538 | 1,610 | 10,281 | 4,994 | 4,058 |
| Other charges interest and other, net | 3,511 | 7,091 | 120,293 | 72,903 | 2,905 |
| Adjustments for taxes | (2,549) | (4,872) | 10,247 | (9,461) | (3,612) |
| Non-GAAP net income | $157,961 | $137,685 | $141,233 | $180,598 | $153,324 |
| GAAP cash flow conversion | 848% | -1464% | 998% | 1375% | -880% |
| Non-GAAP adjusted free cash flow conversion | 118% | 83% | 92% | 66% | -39% |

*Adjusted free cash flow conversion is calculated by dividing the Company's current quarter adjusted free cash flow by Non-GAAP net income. We believe adjusted free cash flow conversion is a useful measure in providing investors with information regarding the Company's ability to convert profits into cash and is a widely accepted measure. Adjusted free cash flow is calculated as operating cash flow for the quarter less net capital expenditures adding back cash collections of deferred purchase price and certain receivables sold to certain financial institutions under a customer's supplier financing program in the second quarter of fiscal 2020 (refer to our summary financials published on company website for additional details). In addition, adjusted free cash flow excludes impacts related to certain vendor programs that is required for GAAP. Non-GAAP net income excludes certain amounts that are included in the most directly comparable measures under GAAP including stock-based compensation expense, intangible amortization, restructuring charges, customer related asset impairments, tax adjustments and certain other charges. Adjusted free cash flow conversion is a non-GAAP financial measure and may not be defined and calculated by other companies in the same manner.*

For more details on the GAAP to Non-GAAP adjustments for current and historical periods, please refer to the Investor Relations section of our website which includes press releases and summary financials of the respective periods.



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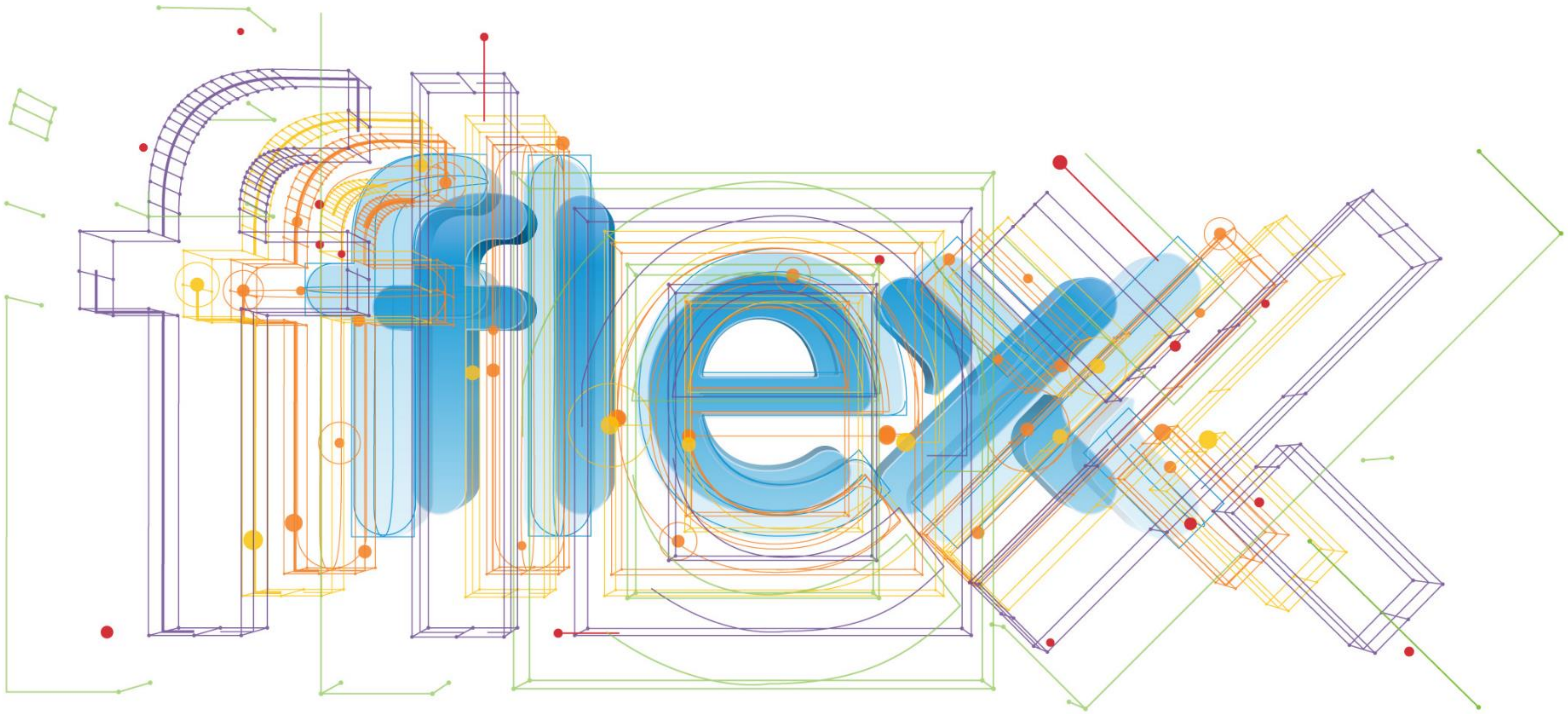
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