

SANMINA CORP
Form 10-Q
May 02, 2019

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

Form 10-Q
(Mark one)

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

For the quarterly period ended March 30, 2019

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 0-21272

Sanmina Corporation

(Exact name of registrant as specified in its charter)

Delaware 77-0228183
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

2700 N. First St., San Jose, CA 95134
(Address of principal executive offices) (Zip Code)

(408) 964-3500
(Registrant's telephone number, including area code)

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 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 Exchange Act). Yes No

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

Title of each class Trading symbol(s) Name of each exchange on which registered

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Common Stock SANM The Nasdaq Global Select Market

As of April 26, 2019, there were 69,004,604 shares outstanding of the issuer's common stock, \$0.01 par value per share.

SANMINA CORPORATION

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SANMINA CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

	As of	
	March 30, 2019 (Unaudited)	September 29, 2018
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$405,494	\$ 419,528
Accounts receivable, net of allowances of \$13,213 and \$12,211 as of March 30, 2019 and September 29, 2018, respectively	1,312,887	1,177,219
Contract assets	401,705	—
Inventories	1,006,548	1,374,004
Prepaid expenses and other current assets	48,454	43,676
Total current assets	3,175,088	3,014,427
Property, plant and equipment, net	639,901	642,913
Deferred tax assets	312,081	344,124
Other	79,617	83,669
Total assets	\$4,206,687	\$ 4,085,133
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$1,439,397	\$ 1,547,399
Accrued liabilities	208,839	136,427
Accrued payroll and related benefits	126,932	124,748
Short-term debt, including current portion of long-term debt	643,360	593,321
Total current liabilities	2,418,528	2,401,895
Long-term liabilities:		
Long-term debt	—	14,346
Other	207,440	196,048
Total long-term liabilities	207,440	210,394
Contingencies (Note 7)		
Stockholders' equity	1,580,719	1,472,844
Total liabilities and stockholders' equity	\$4,206,687	\$ 4,085,133

See accompanying notes to condensed consolidated financial statements.

SANMINA CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
	(Unaudited)			
	(In thousands, except per share data)			
Net sales	\$2,126,639	\$1,675,629	\$4,314,657	\$3,420,429
Cost of sales	1,973,537	1,560,931	4,012,218	3,196,265
Gross profit	153,102	114,698	302,439	224,164
Operating expenses:				
Selling, general and administrative	64,186	65,384	127,214	128,987
Research and development	7,599	8,221	14,036	15,836
Restructuring and other	3,202	(7,681)	5,531	16,779
Total operating expenses	74,987	65,924	146,781	161,602
Operating income	78,115	48,774	155,658	62,562
Interest income	364	287	558	572
Interest expense	(8,472)	(6,826)	(16,743)	(13,040)
Other income (expense), net	(891)	(483)	(6,885)	2,747
Interest and other, net	(8,999)	(7,022)	(23,070)	(9,721)
Income before income taxes	69,116	41,752	132,588	52,841
Provision for income taxes	28,231	17,120	53,751	183,119
Net income (loss)	\$40,885	\$24,632	\$78,837	\$(130,278)
Net income (loss) per share:				
Basic	\$0.59	\$0.35	\$1.15	\$(1.83)
Diluted	\$0.57	\$0.33	\$1.11	\$(1.83)
Weighted average shares used in computing per share amounts:				
Basic	68,821	70,441	68,556	71,096
Diluted	71,446	73,582	71,162	71,096

See accompanying notes to condensed consolidated financial statements.

SANMINA CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
	(Unaudited)			
	(In thousands)			
Net income (loss)	\$40,885	\$24,632	\$78,837	\$(130,278)
Other comprehensive income (loss), net of tax:				
Change in foreign currency translation adjustments	(235)	908	(487)	554
Derivative financial instruments:				
Change in net unrealized amount	(2,478)	2,860	(8,975)	1,453
Amount reclassified into net income	(2,645)	(2,867)	(235)	(1,342)
Defined benefit plans:				
Changes in unrecognized net actuarial losses and unrecognized transition costs	109	(433)	399	(693)
Amortization of actuarial losses and transition costs	237	178	435	499
Total other comprehensive income (loss)	(5,012)	646	(8,863)	471
Comprehensive income (loss)	\$35,873	\$25,278	\$69,974	\$(129,807)

See accompanying notes to condensed consolidated financial statements.

SANMINA CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Three Months Ended		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
	(Unaudited)			
	(In thousands)			
Common Stock and Additional Paid-in Capital				
Balance, beginning of period	\$6,232,372	\$6,196,293	\$6,222,988	\$6,185,088
Issuances under stock plans	5,771	913	9,339	3,439
Stock-based compensation expense	6,626	10,265	12,442	18,944
Repurchases of treasury stock	138	—	138	—
Balance, end of period	6,244,907	6,207,471	6,244,907	6,207,471
Treasury Stock				
Balance, beginning of period	(803,208)	(679,225)	(791,366)	(633,740)
Repurchases of treasury stock	(306)	(75,054)	(12,148)	(120,539)
Balance, end of period	(803,514)	(754,279)	(803,514)	(754,279)
Accumulated Other Comprehensive Income				
Balance, beginning of period	70,093	76,619	73,944	76,794
Other comprehensive income (loss)	(5,012)	646	(8,863)	471
Balance, end of period	65,081	77,265	65,081	77,265
Accumulated Deficit				
Balance, beginning of period	(3,966,640)	(4,092,099)	(4,032,722)	(3,980,458)
Cumulative effect of new accounting pronouncement	—	—	28,130	(1)43,269 (2)
Net income (loss)	40,885	24,632	78,837	(130,278)
Balance, end of period	(3,925,755)	(4,067,467)	(3,925,755)	(4,067,467)
Total stockholders' equity	\$1,580,719	\$1,462,990	\$1,580,719	\$1,462,990
Common Stock Shares Outstanding				
Number of shares, beginning of period	104,156	102,565	103,128	101,672
Issuances under stock plans	640	135	1,668	1,028
Number of shares, end of period	104,796	102,700	104,796	102,700
Treasury Shares				
Number of shares, beginning of period	(35,800)	(31,331)	(35,351)	(30,008)
Repurchases of treasury stock	(6)	(2,784)	(455)	(4,107)
Number of shares, end of period	(35,806)	(34,115)	(35,806)	(34,115)

(1) Due to the adoption of ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)" using the modified retrospective approach.

(2) Due to the adoption of ASU 2016-09 "Improvements to Employee Share-Based Payment Accounting (Topic 718)".

See accompanying notes to condensed consolidated financial statements.

SANMINA CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	March 30,	March 31,
	2019	2018
	(Unaudited)	
	(In thousands)	
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net income (loss)	\$78,837	\$(130,278)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	58,880	59,502
Stock-based compensation expense	12,442	18,937
Deferred income taxes	23,410	165,098
Other, net	587	(674)
Changes in operating assets and liabilities:		
Accounts receivable	(129,741)	22,967
Contract assets	(26,219)	—
Inventories	16,559	(70,171)
Prepaid expenses and other assets	436	(7,487)
Accounts payable	(85,037)	(34,467)
Accrued liabilities	77,148	10,696
Cash provided by operating activities	27,302	34,123
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(72,962)	(71,031)
Purchases of long-term investments	—	(2,019)
Proceeds from sales of property, plant and equipment	1,139	158
Cash used in investing activities	(71,823)	(72,892)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Proceeds from revolving credit facility borrowings	2,242,225	2,025,300
Repayments of revolving credit facility borrowings	(2,207,225)	(1,869,300)
Debt issuance costs	(2,003)	(1,701)
Net proceeds from stock issuances	9,339	3,439
Repurchases of common stock	(12,010)	(120,539)
Cash provided by financing activities	30,326	37,199
Effect of exchange rate changes	161	186
Decrease in cash and cash equivalents	(14,034)	(1,384)
Cash and cash equivalents at beginning of period	419,528	406,661
Cash and cash equivalents at end of period	\$405,494	\$405,277
Cash paid during the period for:		
Interest, net of capitalized interest	\$13,589	\$13,780
Income taxes, net of refunds	\$13,237	\$15,369
Unpaid purchases of property, plant and equipment at the end of period	\$31,780	\$28,139

See accompanying notes to condensed consolidated financial statements.

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SANMINA CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Sanmina Corporation (the "Company") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been omitted pursuant to those rules or regulations. The interim condensed consolidated financial statements are unaudited, but reflect all adjustments, consisting primarily of normal recurring adjustments, that are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended September 29, 2018, included in the Company's 2018 Annual Report on Form 10-K.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

Results of operations for the second quarter of 2019 are not necessarily indicative of the results that may be expected for other interim periods or for the full fiscal year.

The Company operates on a 52 or 53 week year ending on the Saturday nearest September 30. Fiscal 2019 and 2018 are each 52-week years. All references to years relate to fiscal years unless otherwise noted.

Recent Accounting Pronouncements Adopted

In March 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefits (Topic 715)". This ASU requires the service costs component of net periodic pension costs to be presented in the same line item as other compensation costs and all other components of net periodic pension costs to be presented in the income statement as non-operating expenses. This ASU was effective for the Company at the beginning of fiscal 2019. The impact of adoption was insignificant.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805)". This ASU provides guidance to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This new standard was effective for the Company at the beginning of fiscal 2019. There was no impact upon adoption of this new standard.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230)". This ASU requires that the statement of cash flows explains the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Companies will also be required to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. This ASU was effective for the Company at the beginning of fiscal 2019, including interim periods within that annual period. There was no impact upon adoption of this new standard.

In October 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory (Topic 740)". This ASU simplifies the accounting for income tax consequences of intra-entity transfers of assets other than

inventory by requiring recognition of current and deferred income tax consequences when such transfers occur. The new standard was effective for the Company at the beginning of fiscal 2019. There was no impact upon adoption of this new standard.

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)" (commonly referred to as ASC 606) which requires an entity to recognize revenue when (or as) goods are transferred or services are provided to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.

The Company adopted ASC 606 as of the beginning of its first quarter of 2019 using the modified retrospective approach, whereby the cumulative effect of initially applying the guidance was recognized as an adjustment to beginning retained earnings at the date of adoption. This adjustment resulted in an increase to beginning retained earnings of \$28 million.

The adoption of ASC 606 resulted in a change to the manner in which the Company recognizes revenue for the majority of its revenue streams, including integrated manufacturing solutions, components, repair services and defense and aerospace programs.

Prior to the adoption of ASC 606, the Company generally recognized revenue from its integrated manufacturing solutions, the Company's largest revenue stream, upon shipment or delivery of a product to a customer. Under ASC 606, because the Company has no alternative use for the end products generated by its vertically integrated manufacturing services and has an enforceable right to payment for work-in-progress upon a customer's cancellation of a contract for convenience, the Company recognizes revenue from the sale of these products on an over time basis as the products are manufactured. Accordingly, the Company will recognize revenue under these contracts earlier than under the previous accounting rules.

Additionally, prior to the adoption of ASC 606, revenue from repair services was generally recognized upon completion of the services. Under ASC 606, revenue for these services will be recognized as the services are performed since the Company's customers simultaneously receive and consume the benefits provided by these services.

Lastly, prior to the adoption of ASC 606, revenue from defense and aerospace programs was recognized on a percentage-of-completion basis by applying the units-of-delivery method. Under ASC 606, revenue for the majority of these programs will be recognized on an over time basis using the cost-to-cost method since the Company has no alternative use for the end products manufactured under these programs and has an enforceable right to payment for work-in-progress upon a customer's cancellation of a contract for convenience. Revenue for certain other programs will be recognized upon shipment or delivery of a product, which is when control of a product transfers to a customer.

The timing of recognition of revenue did not change for some of the Company's revenue streams as a result of the adoption of ASC 606. These revenue streams include logistics services, for which revenue will continue to be recognized as the services are performed, Company proprietary products, for which revenue will continue to be recognized upon shipment or delivery of the product, and design, development and engineering services for which revenue will continue to be recognized as the services are performed.

For revenue streams for which revenue is being recognized on an over time basis under ASC 606, work-in-progress and finished goods inventory were reduced to zero upon the adoption of ASC 606 and an associated contract asset was recorded to reflect amounts that would have been recognized as revenue prior to the adoption of ASC 606. This adjustment resulted in recognition of a contract asset of \$376 million and a decrease in inventory of \$350 million as of the beginning of the first fiscal quarter of 2019. No other balance sheet line items, with the exception of beginning retained earnings as mentioned previously, were materially impacted upon the adoption of ASC 606.

Refer to Note 3 for additional information and disclosures related to the adoption of ASC 606.

Recent Accounting Pronouncements Not Yet Adopted

In June 2018, the FASB issued ASU 2018-07 "Improvements to Non-employee Share-Based Payment Accounting (Topic 718)". The ASU expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees. The standard aligns measurement and classification guidance for share-based payments to non-employees with the guidance applicable to employees. This ASU is effective for the Company at the beginning of fiscal 2020, including interim periods within that reporting period, although early adoption is permitted. The Company does not expect the impact of adoption to be significant.

In February 2018, the FASB issued ASU 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income", which allows companies to reclassify stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act (H.R. 1) from accumulated other comprehensive income to retained earnings. The guidance also requires certain new disclosures regardless of the election. This ASU is effective for the Company at the beginning of fiscal 2020, although early adoption is permitted. The Company does not expect the impact of adoption to be significant.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements for Accounting For Hedging Activities", simplifying hedge accounting guidance and improving the financial reporting of hedging relationships by allowing an entity to better align its risk management activities and financial reporting for hedging relationships through changes to both designation and measurement for qualifying hedging relationships and the presentation of hedge results. This standard eliminates the requirement to separately measure and report hedge ineffectiveness, resulting in full recognition of the change in fair value that impacts earnings in the same income statement line item that is used to present the

earnings effect of the hedged item. In addition, the guidance allows more flexibility in the requirements to qualify for and maintain hedge accounting. This ASU is effective for the Company at the beginning of fiscal 2020, although early adoption is permitted. The Company is currently evaluating the potential impact of this ASU.

In February 2016, the FASB issued ASU 2016-02, "Leases: Amendments to the FASB Accounting Standards Codification (Topic 842)". This ASU requires the Company to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms of more than twelve months. This ASU also requires disclosures enabling the users of financial statements to understand the amount, timing and uncertainty of cash flows arising from leases. The new standard is effective for the Company at the beginning of fiscal 2020, including interim periods within that reporting period. In addition, the FASB provided a practical expedient transition method that allows entities to initially apply the requirements by recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, as opposed to applying the requirements retrospectively and providing comparative prior period financial statements. The Company has decided to apply the above practical expedient transition method. The Company expects the impact of adopting this new accounting standard to be material to its consolidated balance sheet, but is still evaluating the impact to its consolidated statement of income.

Note 2. Inventories

Components of inventories were as follows:

	As of	
	March 30,	September 29,
	2019	2018
	(In thousands)	
Raw materials	\$999,956	\$ 1,139,585
Work-in-process	4,067	132,803
Finished goods	2,525	101,616
Total	\$ 1,006,548	\$ 1,374,004

The significant decrease in work-in-process and finished goods was due to the adoption of ASC 606 in the first quarter of 2019, as further discussed in Notes 1 and 3.

Note 3. Revenue Recognition

The Company is a leading global provider of integrated manufacturing solutions, components, products and repair, logistics and after-market services. For purposes of determining when to recognize revenue, and in what amount, the Company applies a 5-step model: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the Company satisfies a performance obligation. Each of these steps involves the use of significant judgments, as discussed below.

Step 1 - Identify the contract with a customer

A contract is defined as an agreement between two parties that creates enforceable rights and obligations. The Company generally enters into a master supply agreement ("MSA") with its customers that provides the framework under which business will be conducted, and pursuant to which a customer will issue purchase orders or other binding documents to specify the quantity, price and delivery requirements for products or services the customer wishes to purchase. The Company generally considers its contract with a customer to be a firm commitment, consisting of the combination of an MSA and a purchase order or any other similar binding document.

Step 2 - Identify the performance obligations in the contract

A performance obligation is a promised good or service that is material in the context of the contract and is both capable of being distinct (customer can benefit from the good or service on its own or together with other readily available resources) and distinct within the context of the contract (separately identifiable from other promises). The

Company reviews its contracts to identify promised goods or services and then evaluates such items to determine which of those items are performance obligations. The majority of the Company's contracts have a single performance obligation since the promise to transfer an individual good or service is not separately identifiable from other promises in the contract. The Company's performance obligations generally have an expected duration of one year or less.

Step 3 - Determine the transaction price

The Company's contracts with its customers may include certain forms of variable consideration such as early payment discounts, volume discounts and shared cost savings. The Company includes an estimate of variable consideration when determining the transaction price and the appropriate amount of revenue to be recognized. This estimate is limited to an amount which will not result in a significant reversal of revenue in a future period. Factors considered in the Company's estimate of variable consideration are the potential amount subject to these contract provisions, historical experience and other relevant facts and circumstances.

Step 4 - Allocate the transaction price to the performance obligations in the contract

A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. In the event that more than one performance obligation is identified in a contract, the Company is required to allocate a portion of the transaction price to each performance obligation. This allocation would generally be based on the relative standalone price of each performance obligation, which most often would represent the price at which the Company would sell similar goods or services separately.

Step 5 - Recognize revenue when (or as) a performance obligation is satisfied

The Company is required to assess whether control of a product or services promised under a contract is transferred to the customer at a point-in-time or over time as the product is being manufactured or the services are being provided. If the criteria in ASC 606 for recognizing revenue on an over time basis are not met, revenue must be recognized at the point-in-time determined by the Company at which its customer obtains control of a product or service.

The Company has determined that revenue for the majority of its contracts is required to be recognized on an over time basis. This determination is based on the fact that 1) the Company does not have an alternative use for the end products it manufactures for its customers and has an enforceable right to payment, including a reasonable profit, for work-in-progress upon a customer's cancellation of a contract for convenience or 2) the Company's customer simultaneously receives and consumes the benefits provided by the Company's services. For these contracts, revenue is recognized on an over time basis using the cost-to-cost method (ratio of costs incurred to date to total estimated costs at completion) which the Company believes best depicts the transfer of control to the customer. For contracts for which revenue is required to be recognized at a point-in-time, the Company recognizes revenue when it has transferred control of the related goods, which generally occurs upon shipment or delivery of the goods to the customer.

Contract Assets

A contract asset is recognized when the Company has recognized revenue, but has not issued an invoice to its customer for payment. Contract assets are classified separately on the condensed consolidated balance sheets and transferred to accounts receivable when rights to payment become unconditional. Because of the Company's short manufacturing cycle times, the transfer from contract assets to accounts receivable generally occurs within the next fiscal quarter.

Other

Other than the impact upon adoption of ASC 606 at the beginning of the first quarter of 2019 (as discussed in Note 1), the application of ASC 606 during the first half of 2019 did not materially impact any financial statement line item.

The Company has elected to apply the following practical expedients or policy elections under ASC 606:

Upon adoption, the Company elected to apply the requirements of ASC 606 only to open contracts as of the adoption date and to not perform an assessment of the impact of contract modifications prior to the period of adoption.

The promised amount of consideration under a contract will not be adjusted for the effects of a significant financing component because, at inception of a contract, the Company expects the period between when a good or service is transferred to a customer and when the customer pays for that good or service will generally be one year or less.

The Company has elected to not disclose information about remaining performance obligations that have original expected durations of one year or less, which is substantially all of the Company's remaining performance obligations. Incremental costs of obtaining a contract will not be capitalized if the period over which such costs would be amortized to expense is less than one year.

Taxes assessed by governmental authorities that are both imposed on and concurrent with a specific revenue-producing transaction, and are collected by the Company from a customer, are excluded from revenue. Shipping and handling costs associated with outbound freight after control of a product has transferred to a customer are accounted for as fulfillment costs and are included in cost of sales.

Disaggregation of revenue

In the following table, revenue is disaggregated by segment, market sector and geography.

	Three Months Ended		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
	(In thousands)			
Segments:				
IMS	\$1,778,076	\$1,368,036	\$3,558,960	\$2,790,079
CPS	348,563	307,593	755,697	630,350
Total	\$2,126,639	\$1,675,629	\$4,314,657	\$3,420,429
End Markets:				
Communications Networks	\$771,970	\$642,335	\$1,551,691	\$1,321,181
Industrial, Medical, Automotive and Defense	1,150,077	860,691	2,332,561	1,746,386
Cloud Solutions	204,592	172,603	430,405	352,862
Total	\$2,126,639	\$1,675,629	\$4,314,657	\$3,420,429
Geography:				
United States	\$400,888	\$321,337	\$855,659	\$636,145
Mexico	661,010	494,760	1,323,158	983,994
China	413,304	265,913	846,726	581,005
Malaysia	87,588	150,638	210,493	336,350
Other international	563,849	442,981	1,078,621	882,935
Total	\$2,126,639	\$1,675,629	\$4,314,657	\$3,420,429
Timing of Revenue Recognition:				
Goods/services transferred at a point in time	\$45,639	\$1,655,429	\$133,657	\$3,378,429
Goods/services transferred over time	2,081,000	20,200	4,181,000	42,000
Total	\$2,126,639	\$1,675,629	\$4,314,657	\$3,420,429

Note 4. Financial Instruments

Fair Value Measurements

Fair Value of Financial Instruments

The fair values of cash equivalents (generally 10% or less of cash and cash equivalents), accounts receivable, accounts payable and short-term debt approximate carrying value due to the short-term duration of these instruments.

Fair Value Option for Long-term Debt

As of March 30, 2019, the fair value of the Company's long-term debt, as estimated based primarily on quoted prices (Level 2 input), approximate its carrying amount. The Company has elected not to record its long-term debt

instruments at fair value.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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The Company's primary financial assets and financial liabilities measured at fair value on a recurring basis are deferred compensation plan assets and defined benefit plan assets, which are both measured using Level 1 inputs. Defined benefit plan assets are measured at fair value only in the fourth quarter of each year. Other financial assets and financial liabilities measured at fair value on a recurring basis include foreign exchange contracts, interest rate swaps and contingent consideration, none of which were material as of March 30, 2019 or September 29, 2018.

Offsetting Derivative Assets and Liabilities

The Company has entered into master netting arrangements with each of its derivative counterparties that allows net settlement of derivative assets and liabilities under certain conditions, such as multiple transactions with the same currency maturing on the same date. The Company presents its derivative assets and derivative liabilities on a gross basis on the unaudited condensed consolidated balance sheets. The amount that the Company had the right to offset under these netting arrangements was not material as of March 30, 2019 or September 29, 2018.

Other non-financial assets, such as intangible assets, goodwill and other long-lived assets, are measured at fair value as of the date such assets are acquired or in the period an impairment is recorded.

Derivative Instruments

Foreign Exchange Rate Risk

The Company is exposed to certain risks related to its ongoing business operations. The primary risk managed by using derivative instruments is foreign currency exchange risk.

Forward contracts on various foreign currencies are used to manage foreign currency risk associated with forecasted foreign currency transactions and certain monetary assets and liabilities denominated in non-functional currencies. The Company's primary foreign currency cash flows are in certain Asian and European countries, Brazil, Israel and Mexico.

The Company had the following outstanding foreign currency forward contracts that were entered into to hedge foreign currency exposures:

	As of	
	March 30, 2019	September 29, 2018
Derivatives Designated as Accounting Hedges:		
Notional amount (in thousands)	\$ 108,690	\$ 116,992
Number of contracts	49	54
Derivatives Not Designated as Accounting Hedges:		
Notional amount (in thousands)	\$ 327,153	\$ 356,076
Number of contracts	43	56

The Company utilizes foreign currency forward contracts to hedge certain operational ("cash flow") exposures resulting from changes in foreign currency exchange rates. Such exposures generally result from (1) forecasted non-functional currency sales (2) forecasted non-functional currency materials, labor, overhead and other expenses and (3) anticipated capital expenditures denominated in a currency other than the functional currency of the entity making the expenditures. These contracts are designated as cash flow hedges for accounting purposes and are generally one-to-two months in duration but, by policy, may be up to twelve months in duration.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is recorded in Accumulated Other Comprehensive Income ("AOCI"), a component of equity, and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The amount of gain (loss) recognized in Other Comprehensive Income ("OCI") on derivative instruments (effective portion), the amount of gain (loss) reclassified from AOCI into income (effective portion) and the amount of ineffectiveness were not material for any period presented herein.

The Company enters into short-term foreign currency forward contracts to hedge currency exposures associated with certain monetary assets and liabilities denominated in non-functional currencies. These contracts have maturities of up to two months and are not designated as accounting hedges. Accordingly, these contracts are marked-to-market at the end of each

period with unrealized gains and losses recorded in other income (expense), net, in the unaudited condensed consolidated statements of operations. The amount of gains (losses) associated with these forward contracts was not material for any period presented herein. From an economic perspective, the objective of the Company's hedging program is for gains and losses on forward contracts to substantially offset gains and losses on the underlying hedged items. In addition to the contracts disclosed in the table above, the Company has numerous contracts that have been closed from an economic and financial accounting perspective and will settle early in the first month of the following quarter. Since these offsetting contracts do not expose the Company to risk of fluctuations in exchange rates, these contracts have been excluded from the above table.

In addition to the short-term contracts discussed above, the Company has a foreign currency forward contract that matures in 2020 and was entered into as a hedge of foreign currency exposure associated with a long-term promissory note issued in connection with a previous business combination.

Interest Rate Risk

The Company enters into forward interest rate swap agreements with independent counterparties to partially hedge the variability in cash flows due to changes in the benchmark interest rate (LIBOR) associated with anticipated variable rate borrowings. These interest rate swaps have a maturity date of December 1, 2023 and effectively convert the Company's variable interest rate obligations to fixed interest rate obligations. These swaps are accounted for as cash flow hedges under ASC Topic 815, Derivatives and Hedging. As of March 30, 2019 and September 29, 2018, interest rate swaps with an aggregate notional amount of \$350 million and \$50 million, respectively, were outstanding. The aggregate effective interest rate of these swaps as of March 30, 2019 was approximately 4.3%.

Note 5. Debt

Long-term debt consisted of the following:

	As of	
	March 30, 2019	September 29, 2018
	(In thousands)	
Senior secured notes due 2019	\$375,000	\$ 375,000
Non-interest bearing promissory notes	18,360	17,667
Total long-term debt	393,360	392,667
Less: Current portion of non-interest bearing promissory notes	18,360	3,321
Current portion of long-term debt	375,000	375,000
Long-term debt	\$—	\$ 14,346

Short-term debt

On November 30, 2018, the Company entered into a Fourth Amended and Restated Credit Agreement (the "Amended Cash Flow Revolver") that provides for a committed \$375 million secured delayed draw term loan. The delayed draw term loan is available to be drawn through June 30, 2019. Proceeds from the delayed drawn term loan can only be used to repay the Company's senior secured notes due June 2019.

On April 5, 2019, the Company entered into an amendment to the Amended Cash Flow Revolver that increased the amount available under the facility from \$500 million to \$700 million upon satisfaction of certain conditions, including repayment in full of the Company's senior secured notes due June 2019. The revolving commitments under the Amended Cash Flow Revolver expire on November 30, 2023. Subject to satisfaction of certain conditions, including obtaining additional commitments from existing and/or new lenders, the Company may increase the

revolver commitments under the Amended Cash Flow Revolver by up to an additional \$200 million.

Loans under the Amended Cash Flow Revolver bear interest, at the Company's option, at either the LIBOR or a base rate, in each case plus a spread determined based on the Company's credit rating. Interest on the loans is payable quarterly in arrears with respect to base rate loans and at the end of an interest period in the case of LIBOR loans. Once borrowed, a portion of the principal amount of the delayed draw term loan is required to be repaid in quarterly installments. The outstanding principal amount of all loans under the Amended Cash Flow Revolver, including, if drawn, the delay draw term loan, together with accrued and unpaid interest, is due on the maturity date.

Certain of the Company's domestic subsidiaries are required to be guarantors in respect of the Amended Cash Flow Revolver. The Company and the subsidiary guarantors' obligations under the Amended Cash Flow Revolver are secured by property of the Company and such guarantors, including, but not limited to cash, accounts receivables, inventory and the shares of the Company's subsidiaries, subject to limited exceptions.

The Amended Cash Flow Revolver requires the Company to comply with a minimum consolidated interest coverage ratio, measured at the end of each fiscal quarter, and at all times a maximum consolidated leverage ratio. The Amended Cash Flow Revolver contains customary affirmative covenants, including covenants regarding the payment of taxes and other obligations, maintenance of insurance, reporting requirements and compliance with applicable laws and regulations.

As of March 30, 2019, there were \$250 million of borrowings and \$8 million of letters of credit outstanding under the Amended Cash Flow Revolver.

As of March 30, 2019, certain foreign subsidiaries of the Company had a total of \$72 million of short-term borrowing facilities, under which no borrowings were outstanding.

Debt covenants

The Company's Amended Cash Flow Revolver requires the Company to comply with certain financial covenants. In addition, the Company's debt agreements contain a number of restrictive covenants, including restrictions on incurring additional debt, making investments and other restricted payments, selling assets, paying dividends and redeeming or repurchasing capital stock and debt, subject to certain exceptions. The Company was in compliance with these covenants as of March 30, 2019.

Note 6. Accounts Receivable Sale Program

During 2018, the Company entered into a Receivable Purchase Agreement (the "RPA") with certain third-party banking institutions for the sale of trade receivables generated from sales to certain customers. A maximum of \$555 million of sold receivables can be outstanding at any point in time under this program, subject to limitations under the Company's Amended Cash Flow Revolver. On January 16, 2019, the Company entered into an amendment to its Amended Cash Flow Revolver which increased the percentage of its total accounts receivable that can be sold and outstanding at any time from 30% to 40%. Trade receivables sold pursuant to the RPA are serviced by the Company.

In addition to the RPA, the Company has the option to participate in trade receivables sales programs that have been implemented by certain of the Company's customers, as in effect from time to time. The Company does not service trade receivables sold under these other programs.

Under each of the programs noted above, the Company sells its entire interest in a trade receivable for 100% of face value, less a discount. During the first half of 2019 and 2018, the Company sold \$1,394 million and \$337 million, respectively, of accounts receivable under these programs. Upon sale, these receivables are removed from the condensed consolidated balance sheets and cash received is presented as cash provided by operating activities in the condensed consolidated statements of cash flows. Discounts on sold receivables were not material for any period presented. As of March 30, 2019 and September 29, 2018, \$201 million and \$189 million, respectively, of accounts receivable sold under the RPA and subject to servicing by the Company remained outstanding and had not yet been collected. The Company's sole risk with respect to receivables it services is with respect to commercial disputes regarding such receivables. Commercial disputes include billing errors, returns and similar matters. To date, the Company has not been required to repurchase any receivable it has sold due to a commercial dispute. Additionally, the Company is required to remit amounts collected as servicer under the RPA on a weekly basis to the financial

institution that purchased the receivable. As of March 30, 2019 and September 29, 2018, \$83 million and \$23 million, respectively, had been collected but not yet remitted. This amount is classified in accrued liabilities on the condensed consolidated balance sheets.

Note 7. Contingencies

From time to time, the Company is a party to litigation, claims and other contingencies, including environmental and employee matters and examinations and investigations by governmental agencies, which arise in the ordinary course of business. The Company records a contingent liability when it is probable that a loss has been incurred and the amount of loss is reasonably estimable in accordance with ASC Topic 450, Contingencies, or other applicable accounting standards. As of March 30, 2019 and September 29, 2018, the Company had reserves of \$37 million and \$35 million, respectively, for environmental matters, warranty, litigation and other contingencies (excluding reserves for uncertain tax positions) which the Company believes are adequate. However, there can be no assurance that the Company's reserves will be sufficient to settle these contingencies. Such reserves are included in accrued liabilities and other long-term liabilities on the unaudited condensed consolidated balance sheets.

Legal Proceedings

Environmental Matters

The Company is subject to various federal, state, local and foreign laws and regulations and administrative orders concerning environmental protection, including those addressing the discharge of pollutants into the environment, the management and disposal of hazardous substances, the cleanup of contaminated sites, the materials used in products, and the recycling, treatment and disposal of hazardous waste. As of March 30, 2019, the Company had been named in a lawsuit and several administrative orders alleging certain of its current and former sites contributed to groundwater contamination. One such order requires the Company's Canadian subsidiary to remediate certain environmental contamination at a site owned by the subsidiary between 1999 and 2006. As of March 30, 2019, the Company believes it has reserved a sufficient amount to satisfy currently anticipated future investigation and remediation costs at this site. Another such order demands that the Company and other alleged defendants remediate groundwater contamination at two landfills located in Northern California to which the Company may have sent wastewater in the past. The Company continues to investigate the allegations contained in this order and has reserved its estimated exposure for this matter as of March 30, 2019. However, there can be no assurance that the Company's reserve will ultimately be sufficient.

In June 2008, the Company was named by the Orange County Water District in a suit alleging that its actions contributed to polluted groundwater managed by the plaintiff. The complaint seeks recovery of compensatory and other damages, as well as declaratory relief, for the payment of costs necessary to investigate, monitor, remediate, abate and contain contamination of groundwater within the plaintiff's control. In April 2013, all claims against the Company were dismissed. The plaintiff appealed this dismissal and the appeals court reversed the judgment in August 2017. In November 2017, the California Supreme Court denied the Company's petition to review this decision and in December 2017, the Court of Appeal remanded the case back to the Superior Court for further proceedings. A trial date has been set for September 2020. The Company intends to contest the plaintiff's claims vigorously.

Other Matters

Two of the Company's subsidiaries in Brazil are parties to a number of administrative and judicial proceedings for claims alleging that these subsidiaries failed to comply with certain bookkeeping and tax rules for certain periods between 2001 and 2011. These claims seek payment of social fund contributions and income and excise taxes allegedly owed by the subsidiaries, as well as fines. The subsidiaries believe they have meritorious positions in these matters and intend to continue to contest the claims.

In October 2018, an individual who was employed by the Company from November 2015 to March 2016 filed a lawsuit against the Company in the Santa Clara County Superior Court on behalf of himself and all other similarly

situated Company employees in California, alleging violations of California labor code provisions governing overtime, meal and rest periods, wages, wage statements and reimbursement of business expenses. The complaint seeks certification of a class of all non-exempt employees employed from four years before filing of the complaint to time of trial, whether employed directly by the Company or through a temporary staffing agency. Although the Company is investigating the allegations and cannot, at the current time, determine the outcome of this matter and has not provided a reserve for this matter as of March 30, 2019, the Company intends to defend against this matter vigorously.

Other Contingencies

One of the Company's most significant risks is the ultimate realization of accounts receivable and customer inventory exposures. This risk is partially mitigated by ongoing credit evaluations of, and frequent contact with, the Company's

customers, especially its most significant customers, thus enabling the Company to monitor changes in business operations and respond accordingly. Customer bankruptcies also entail the risk of potential recovery by the bankruptcy estate of amounts previously paid to the Company that are deemed a preference under bankruptcy laws.

Note 8. Restructuring

In the first quarter of 2018, the Company adopted a consolidated restructuring plan to address the closure and/or relocation of three of its manufacturing facilities. In addition, the Company is still in the process of completing restructuring actions under other plans.

The following table is a summary of restructuring costs associated with these plans:

	Restructuring Expense			
	Three Months		Six Months	
	Ended		Ended	
	March	March	March	March
	30,	30,	30,	30,
	2019	31, 2018	2019	31, 2018
Severance costs (approximately 2,900 employees)	\$359	\$1,191	\$752	\$24,492
Other exit costs	768	274	3,872	274
Total	1,127	1,465	4,624	24,766
Severance reimbursement	—	(10,000)	—	(10,000)
Total - Q1 FY18 plan	1,127	(8,535)	4,624	14,766
Costs incurred for other plans	1,885	(56)	527	185
Total - all plans	\$3,012	\$(8,591)	\$5,151	\$14,951

Q1 FY18 Plan

Actions under the Q1 FY18 plan began in the first quarter of 2018 and are expected to occur through calendar 2019. Cash payments of severance and other costs began in the second quarter of 2018 and are expected to occur through the end of calendar 2019. In connection with this plan, the Company entered into a contractual agreement with a third party pursuant to which up to \$10 million of severance and retention costs incurred by the Company will be reimbursed. The Company recorded this amount as a reduction of restructuring costs in the second quarter of 2018 and, as of March 30, 2019, \$7 million was included in accounts receivable on the condensed consolidated balance sheets. Costs incurred for other exit costs consist primarily of costs to maintain vacant facilities that are owned and contract termination costs.

All Plans

The Company's IMS segment incurred a benefit under all restructuring plans of \$4 million in the first half of 2019, primarily as a result of recovery from a third party of certain environmental remediation costs. This compares to costs incurred of \$10 million for the first half of 2018. The Company's CPS segment incurred costs under all restructuring plans of \$9 million and \$5 million for the first half of 2019 and 2018, respectively. As of March 30, 2019 and September 29, 2018, the Company had accrued liabilities of \$16 million and \$24 million, respectively, for restructuring costs (exclusive of environmental remediation liabilities).

In addition to costs expected to be incurred under the Q1 FY18 plan, the Company expects to incur restructuring costs in future periods primarily for vacant facilities and former sites for which the Company is or may be responsible for environmental remediation.

Note 9. Income Tax

The Company estimates its annual effective income tax rate at the end of each quarterly period. The estimate takes into account the geographic mix of expected pre-tax income (loss), expected total annual pre-tax income (loss), enacted changes in tax laws, implementation of tax planning strategies and possible outcomes of audits and other uncertain tax positions. To the extent there are fluctuations in any of these variables during a period, the provision for income taxes may vary.

The U.S. Tax Cuts and Jobs Act (“the Tax Act”) provision for Global Intangible Low-Taxed Income (“GILTI”), imposes taxes on foreign income in excess of a deemed return on tangible assets of foreign corporations and is effective for the

Company in fiscal year 2019. This income will be offset by federal net operating losses and, as a result, the Company will not pay cash taxes due to GILTI. The Company has determined that the GILTI provision will be accounted for under U.S. generally accepted accounting principles as a component of income tax expense in the period in which the Company is subject to the rules (the “period cost method”).

The Tax Act also imposes an additional minimum tax “base erosion and anti-abuse tax” (“BEAT”) on certain deductible payments made to a foreign subsidiary applicable to tax years beginning in 2018. The BEAT applies to the extent that a tentative BEAT on modified taxable income exceeds the regular tax liability. The Company does not expect there to be a material impact to the Company’s income taxes.

The Company's provision for income taxes for the three months ended March 30, 2019 and March 31, 2018 was \$28 million (41% of income before taxes) and \$17 million (41% of income before taxes), respectively, and \$54 million (41% of income before taxes) and \$183 million (347% of income before taxes) for the six months ended March 30, 2019 and March 31, 2018, respectively. Income tax expense for the first half of 2019 included the imposition of GILTI (as discussed above). Income tax expense for the first half of 2018 attributable to the estimated impact of the Tax Act was \$162 million.

Note 10. Stockholder's Equity

Accumulated Other Comprehensive Income

Accumulated other comprehensive income, net of tax as applicable, consisted of the following:

	As of March 30, 2019 (In thousands)	September 29, 2018
Foreign currency translation adjustments	\$ 87,402	\$ 87,889
Unrealized holding losses on derivative financial instruments	(9,545)	(335)
Unrecognized net actuarial losses and transition costs for benefit plans	(12,776)	(13,610)
Total	\$ 65,081	\$ 73,944

Unrealized holding losses on derivative financial instruments includes losses (effective portion) from interest rate swap agreements with independent counterparties to partially hedge the variability in cash flows due to changes in the benchmark interest rate (LIBOR) associated with anticipated variable rate borrowings. These swaps are accounted for as cash flow hedges under ASC Topic 815, Derivatives and Hedging. As of March 30, 2019 and September 29, 2018, interest rate swaps with an aggregate notional amount of \$350 million and \$50 million, respectively, were outstanding. The aggregate effective interest rate of these swaps as of March 30, 2019 was approximately 4.3%.

Stock Repurchase Program

During the six months ended March 30, 2019 and March 31, 2018, the Company repurchased 0.3 million and 3.8 million shares of its common stock for \$7 million and \$109 million, respectively. The Company did not repurchase any shares under its repurchase programs during the three months ended March 30, 2019. As of March 30, 2019, subject to limitations on stock repurchases contained in certain of the Company's credit and debt agreements, an aggregate of \$101 million remains available under repurchase programs authorized by the Board of Directors.

In addition to the repurchases discussed above, the Company repurchased 182,000 and 304,000 shares of its common stock during the six months ended March 30, 2019 and March 31, 2018, respectively, in settlement of employee tax withholding obligations due upon the vesting of restricted stock units. The Company paid \$5 million and \$11 million, respectively, in connection with these repurchases.

Note 11. Business Segment, Geographic and Customer Information

ASC Topic 280, Segment Reporting, establishes standards for reporting information about operating segments, products and services, geographic areas of operations and major customers. Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the chief operating decision maker or decision making group in deciding how to allocate resources and in assessing performance.

The Company's operations are managed as two businesses: Integrated Manufacturing Solutions (IMS) and Components, Products and Services (CPS). The Company's CPS business consists of multiple operating segments which do not meet the quantitative threshold for being presented as reportable segments. Therefore, financial information for these operating segments is presented in a single category entitled "CPS" and the Company has only one reportable segment - IMS.

The following table presents revenue and a measure of segment gross profit used by management to allocate resources and assess performance of operating segments:

	Three Months Ended		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
	(In thousands)			
Gross sales:				
IMS	\$ 1,793,119	\$ 1,374,581	\$ 3,586,301	\$ 2,803,428
CPS	394,985	345,732	850,788	702,461
Intersegment revenue	(61,465)	(44,684)	(122,432)	(85,460)
Net sales	\$ 2,126,639	\$ 1,675,629	\$ 4,314,657	\$ 3,420,429
Gross profit:				
IMS	\$ 114,837	\$ 85,916	\$ 225,493	\$ 168,533
CPS	40,292	31,372	80,811	61,238
Total	155,129	117,288	306,304	229,771
Unallocated items (1)	(2,027)	(2,590)	(3,865)	(5,607)
Total	\$ 153,102	\$ 114,698	\$ 302,439	\$ 224,164

For purposes of evaluating segment performance, management excludes certain items from its measure of gross (1) profit. These items consist of stock-based compensation expense, amortization of intangible assets and charges or credits resulting from distressed customers.

Net sales by geographic segment, determined based on the country in which a product is manufactured, were as follows:

	Three Months Ended		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
	(In thousands)			
Net sales				
United States	\$ 400,888	\$ 321,337	\$ 855,659	\$ 636,145
Mexico	661,010	494,760	1,323,158	983,994
China	413,304	265,913	846,726	581,005
Malaysia	87,588	150,638	210,493	336,350
Other international	563,849	442,981	1,078,621	882,935
Total	\$ 2,126,639	\$ 1,675,629	\$ 4,314,657	\$ 3,420,429
Percentage of net sales represented by ten largest customers	55%	53%	54%	54%
Number of customers representing 10% or more of net sales	1	1	1	2

Note 12. Earnings Per Share

Basic and diluted per share amounts are calculated by dividing net income by the weighted average number of shares of common stock outstanding during the period, as follows:

	Three Months Ended		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
	(In thousands, except per share data)			
Numerator:				
Net income (loss)	\$40,885	\$ 24,632	\$78,837	\$(130,278)
Denominator:				
Weighted average common shares outstanding	68,821	70,441	68,556	71,096
Effect of dilutive stock options and restricted stock units	2,625	3,141	2,606	—
Denominator for diluted earnings per share	71,446	73,582	71,162	71,096
Net income (loss) per share:				
Basic	\$0.59	\$ 0.35	\$1.15	\$(1.83)
Diluted	\$0.57	\$ 0.33	\$1.11	\$(1.83)

Had the Company reported net income in the first half of 2018 instead of a net loss, 4 million of potentially dilutive securities would have been included in the calculation of diluted earnings per share.

Note 13. Stock-Based Compensation

Stock-based compensation expense was attributable to:

	Three Months Ended		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
	(In thousands)			
Stock options	\$6	\$ 2,566	\$99	\$ 3,743
Restricted stock units, including performance based awards	6,620	7,729	12,343	15,194
Total	\$6,626	\$ 10,295	\$12,442	\$ 18,937

Stock-based compensation expense was recognized as follows:

	Three Months Ended		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
	(In thousands)			
Cost of sales	\$2,582	\$ 1,851	\$4,317	\$ 4,299
Selling, general and administrative	3,939	8,388	7,929	14,552
Research and development	105	56	196	86
Total	\$6,626	\$ 10,295	\$12,442	\$ 18,937

The Company's 2009 Stock Plan ("2009 Plan") expired as to future grants on January 26, 2019. Although the 2009 Plan was terminated, it will continue to govern all awards granted under it prior to its termination date. On March 11,

2019, the Company's stockholders approved the Company's 2019 Equity Incentive Plan ("2019 Plan") and the reservation of 4.0 million shares of common stock for issuance thereunder, plus any shares subject to stock options or similar awards granted under the 2009 Plan that expire or otherwise terminate without having been exercised in full and shares issued pursuant to awards granted that are forfeited to or repurchased by the Company.

As of March 30, 2019, an aggregate of 10.3 million shares were authorized for future issuance under the Company's stock plans, of which 5.8 million of such shares were issuable upon exercise of outstanding options and delivery of shares upon vesting of restricted stock units and 4.5 million shares of common stock were available for future grant.

Restricted Stock Units

Activity with respect to the Company's restricted stock units was as follows:

	Number of Shares (In thousands)	Weighted- Average Grant Date Fair Value (\$)	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (\$) (In thousands)
Outstanding as of September 29, 2018	3,303	30.33	1.21	97,913
Granted	1,677	24.58		
Vested/Forfeited/Cancelled	(1,697)	30.03		
Outstanding as of March 30, 2019	3,283	27.55	1.62	100,282
Expected to vest as of March 30, 2019	2,598	27.70	1.42	79,376

As of March 30, 2019, unrecognized compensation expense of \$45 million is expected to be recognized over a weighted average period of 1.5 years. Additionally, as of March 30, 2019, unrecognized compensation expense related to performance-based restricted stock units for which achievement of the performance criteria is not currently considered probable was \$11 million.

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

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to our expectations for future events and time periods. All statements other than statements of historical fact are statements that could be deemed to be forward-looking statements, including any statements regarding trends in future revenue or results of operations, gross margin, operating margin, expenses, earnings or losses from operations, cash flow, synergies or other financial items; any statements of the plans, strategies and objectives of management for future operations and the anticipated benefits of such plans, strategies and objectives; any statements regarding future economic conditions or performance; any statements regarding pending investigations, claims or disputes; any statements regarding the financial impact of customer bankruptcies; any statements regarding the timing of closing of, future cash outlays for, and benefits of completed, pending or anticipated acquisitions; any statements regarding expected restructuring costs; any statements concerning the adequacy of our current liquidity and the availability of additional sources of liquidity; any statements regarding the amount of future potential tariffs we may become subject to; our expectations for and timing of remediation of the material weakness identified in the fourth quarter of fiscal 2018; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Generally, the words “anticipate,” “believe,” “plan,” “expect,” “future,” “intend,” “may,” “will,” “should,” “estimate,” “predict,” “continue” and similar expressions identify forward-looking statements. Our forward-looking statements are based on current expectations, forecasts and assumptions and are subject to risks and uncertainties, including those contained in Part II, Item 1A of this report. As a result, actual results could vary materially from those suggested by the forward-looking statements. We undertake no obligation to publicly disclose any revisions to these forward-looking statements to reflect events or circumstances occurring subsequent to filing this report with the Securities and Exchange Commission.

Overview

We are a leading global provider of integrated manufacturing solutions, components, products and repair, logistics and after-market services. Our revenue is generated from sales of our products and services primarily to original equipment manufacturers (OEMs) that serve the industrial, medical, defense and aerospace, automotive, communications networks and cloud solutions industries.

Our operations are managed as two businesses:

1. Integrated Manufacturing Solutions (IMS). Our IMS segment consists of printed circuit board assembly and test, final system assembly and test and direct-order-fulfillment.

2. Components, Products and Services (CPS). Components include interconnect systems (printed circuit board fabrication, backplane and cable assemblies and plastic injection molding) and mechanical systems (enclosures and precision machining). Products include memory, RF, optical and microelectronic and enterprise, computing and data storage solutions from our Viking Technology division, defense and aerospace products from SCI Technology and cloud-based manufacturing execution solutions from our 42Q division. Services include design, engineering, logistics and repair services.

Our only reportable segment is IMS, which represented approximately 80% of our total revenue in the second quarter of 2019 and second quarter of 2018. Our CPS business consists of multiple operating segments which do not meet the quantitative thresholds for being presented as reportable segments under the accounting rules for segment reporting. Therefore, financial information for these operating segments is presented in a single category entitled “Components, Products and Services”.

All references to years in this section refer to our fiscal years ending on the last Saturday of each year closest to September 30. Fiscal 2019 and 2018 are each 52 weeks.

Our strategy is to leverage our comprehensive product and service offerings, advanced technologies and global capabilities to further penetrate diverse end markets that offer significant growth opportunities and that have complex products that require higher value-added services. We believe this strategy differentiates us from our competitors and will help drive more sustainable revenue growth and provide the potential for us to ultimately achieve operating margins that exceed industry standards.

There are many challenges to successfully executing our strategy. For example, we compete with a number of companies in each of our key end markets. This includes companies that are much larger than we are and smaller companies

that focus on a particular niche. Although we believe we are well-positioned in each of our key end markets and seek to differentiate ourselves from our competitors, competition remains intense and profitably growing our revenues has been challenging. For example, gross margins of 6.3% and 9.5% in the first half of 2019 for our IMS and CPS businesses, respectively, are below our expectations at current revenue levels due to inefficiencies and other factors. We continue to address these challenges on both a short-term and long-term basis.

A small number of customers have historically generated a significant portion of our net sales. Sales to our ten largest customers have typically represented approximately 50% of our net sales. One customer represented 10% or more of our net sales for the three months ended March 30, 2019 and March 31, 2018 and six months ended March 30, 2019, respectively. Two customers each represented 10% or more of our net sales for the six months ended March 31, 2018.

We typically generate about 80% of our net sales from products manufactured in our foreign operations. The concentration of foreign operations has resulted primarily from a desire on the part of many of our customers to manufacture in lower cost regions such as Asia, Latin America and Eastern Europe.

Historically, we have had substantial recurring sales to existing customers. We typically enter into supply agreements with our major OEM customers. These agreements generally have terms ranging from three to five years and can cover the manufacture of a range of products. Under these agreements, a customer typically purchases its requirements for specific products in particular geographic areas from us. However, these agreements generally do not obligate the customer to purchase minimum quantities of products, which can have the effect of reducing revenue and profitability. In addition, some customer contracts contain cost reduction objectives, which can also have the effect of reducing revenue from such customers.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations are based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. We review the accounting policies used in reporting our financial results on a regular basis. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, net sales and expenses and related disclosure of contingent liabilities. On an ongoing basis, we evaluate the process used to develop estimates related to product returns, accounts receivable, inventories, intangible assets, income taxes, warranty obligations, environmental matters, litigation and other contingencies. We base our estimates on historical experience and on various other assumptions that we believe are reasonable for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Our actual results may differ materially from these estimates.

For a complete description of our critical accounting policies and estimates, refer to our 2018 Annual Report on Form 10-K filed with the Securities and Exchange Commission on November 15, 2018.

Results of Operations

Key Operating Results

	Three Months Ended		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
	(In thousands)			
Net sales	\$2,126,639	\$1,675,629	\$4,314,657	\$3,420,429
Gross profit	\$153,102	\$114,698	\$302,439	\$224,164
Operating income	\$78,115	\$48,774	\$155,658	\$62,562

Net income (loss) (1) \$40,885 \$24,632 \$78,837 \$(130,278)

(1) Results of operations for the six months ended March 31, 2018 include a \$162 million non-cash tax charge due to the enactment of the U.S. Tax Cuts and Jobs Act.

Net Sales

Sales by end market were as follows (dollars in thousands):

	Three Months Ended			Six Months Ended		
	March 30, 2019	March 31, 2018	Increase/(Decrease)	March 30, 2019	March 31, 2018	Increase/(Decrease)
Communications Networks	\$771,970	\$642,335	\$ 129,635 20.2 %	\$1,551,691	\$1,321,181	\$ 230,510 17.4 %
Industrial, Medical, Defense and Automotive	1,150,077	860,691	289,386 33.6 %	2,332,561	1,746,386	586,175 33.6 %
Cloud Solutions	204,592	172,603	31,989 18.5 %	430,405	352,862	77,543 22.0 %
Total	\$2,126,639	\$1,675,629	\$ 451,010 26.9 %	\$4,314,657	\$3,420,429	\$ 894,228 26.1 %

Net sales increased from \$1.68 billion in the second quarter of 2018 to \$2.13 billion in the second quarter of 2019, an increase of 26.9%. Net sales increased from \$3.4 billion in the first six months ended March 31, 2018 to \$4.3 billion in the six months ended March 30, 2019, an increase of 26.1%. In general, these increases were driven primarily by stronger demand in each of our end markets and stabilizing lead times of supply-constrained parts which allowed us to catch up to customer demand.

Additionally, sales to customers in our industrial, medical, defense and automotive market increased in both periods primarily as a result of continued program ramps. Sales to customers in our communications networks end market increased in both periods as a result of new program wins for routing and optical products. Sales to customers in our cloud solutions market increased in both periods primarily due to the ramp of a new program in the first half of 2019 with a Tier One cloud service provider.

Gross Margin

Gross margin increased to 7.2% for the second quarter of 2019 from 6.8% for the second quarter of 2018. IMS gross margin increased to 6.4% for the second quarter of 2019, from 6.3% for the second quarter of 2018, due primarily to increased revenue. CPS gross margin increased to 10.2% for the second quarter of 2019, from 9.1% for the second quarter of 2018, primarily due to improved operational efficiency in our Components group as a result of the closure of one of our U.S. plants in the second half of 2018.

Gross margin increased to 7.0% for the six months ended March 30, 2019 from 6.6% for the six months ended March 31, 2018. IMS gross margin increased to 6.3% for the six months ended March 30, 2019, from 6.0% for the six months ended March 31, 2018, due primarily to increased revenue. CPS gross margin increased to 9.5% for the six months ended March 30, 2019, from 8.7% for the six months ended March 31, 2018, primarily due to improved operational efficiency in our Components group.

We expect our gross margins to continue to fluctuate based on overall production and shipment volumes and changes in the mix of products required by our major customers. Fluctuations in our gross margins may also be caused by a number of other factors, some of which are outside of our control, including:

- Changes in customer demand and sales volumes for our vertically integrated system components and subassemblies;
- Changes in the overall volume of our business, which affect the level of capacity utilization;
- Changes in the mix of high and low margin products demanded by our customers;
- Parts shortages and extended parts lead times caused by high demand or natural disasters, and related operational disruption and inefficiencies;
- Greater competition in the EMS industry and pricing pressures from OEMs due to greater focus on cost reduction;
- Provisions for excess and obsolete inventory, including provisions associated with distressed customers;

• Levels of operational efficiency and production yields;

• Wage inflation and rising materials costs;

• Our ability to transition the location of and ramp manufacturing and assembly operations when requested by a customer in a timely and cost-effective manner.

Selling, General and Administrative

Selling, General and Administrative expenses decreased \$1.2 million, from \$65.4 million, or 3.9% of net sales, in the second quarter of 2018 to \$64.2 million, or 3.0% of net sales, in the second quarter of 2019. Selling, General and Administrative expenses decreased \$1.8 million, from \$129.0 million, or 3.8% of net sales, for the six months ended March 31, 2018 to \$127.2 million, or 2.9% of net sales, in the six months ended March 30, 2019.

Research and Development

Research and Development expenses decreased \$0.6 million, from \$8.2 million, or 0.5% of net sales, in the second quarter of 2018 to \$7.6 million, or 0.4% of net sales, in the second quarter of 2019. Research and Development expenses decreased \$1.8 million, from \$15.8 million, or 0.5% of net sales, for the six months ended March 31, 2018 to \$14.0 million, or 0.3% of net sales, for the six months ended March 30, 2019. This decrease resulted primarily from an increase in billable customer engineering projects in the first quarter of 2019 that required our engineering resources.

Restructuring

In the first quarter of 2018, we adopted a consolidated restructuring plan to address the closure and/or relocation of three of our manufacturing facilities. In addition, we are still in the process of completing restructuring actions under other plans.

The following table is a summary of restructuring costs associated with this plan:

	Restructuring Expense			
	Three Months Ended		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
Severance costs (approximately 2,900 employees)	\$359	\$1,191	\$752	\$24,492
Other exit costs	768	274	3,872	274
Total	1,127	1,465	4,624	24,766
Severance reimbursement	—	(10,000)	—	(10,000)
Total - Q1 FY18 plan	1,127	(8,535)	4,624	14,766
Costs incurred for other plans	1,885	(56)	527	185
Total - all plans	\$3,012	\$(8,591)	\$5,151	\$14,951
Q1 FY18 Plan				

Actions under the Q1 FY18 plan began in the first quarter of 2018 and are expected to occur through calendar 2019. Cash payments of severance and other costs began in the second quarter of 2018 and are expected to occur through the end of calendar 2019. In connection with this plan, we entered into a contractual agreement with a third party pursuant to which up to \$10 million of severance and retention costs incurred by us will be reimbursed. We recorded this amount as a reduction of restructuring costs in the second quarter of 2018 and, as of March 30, 2019, \$7 million was included in accounts receivable on the condensed consolidated balance sheets. Costs incurred for other exit costs consist primarily of costs to maintain vacant facilities that are owned and contract termination costs.

All Plans

Our IMS segment incurred a benefit under all restructuring plans of \$4 million in the first half of 2019, primarily as a result of recovery from a third party of certain environmental remediation costs. This compares to costs incurred of

\$10 million for the first half of 2018. Our CPS segment incurred costs under all restructuring plans of \$9 million and \$5 million for the first half of 2019 and 2018, respectively. As of March 30, 2019 and September 29, 2018, we had accrued liabilities of \$16 million and \$24 million, respectively, for restructuring costs (exclusive of environmental remediation liabilities).

In addition to costs expected to be incurred under the Q1 FY18 plan, we expect to incur restructuring costs in future periods primarily for vacant facilities and former sites for which we are or may be responsible for environmental remediation.

Provision for Income Taxes

The U.S. Tax Cuts and Jobs Act (“the Tax Act”) provision for Global Intangible Low-Taxed Income (“GILTI”), imposes taxes on foreign income in excess of a deemed return on tangible assets of foreign corporations and is effective for us in fiscal year 2019. This income will be offset by federal net operating losses and, as a result, we will not pay cash taxes due to GILTI. We have determined that the GILTI provision will be accounted for under U.S. generally accepted accounting principles as a component of income tax expense in the period in which we are subject to the rules (the “period cost method”).

The Tax Act also imposes an additional minimum tax “base erosion and anti-abuse tax” (“BEAT”) on certain deductible payments made to a foreign subsidiary applicable to tax years beginning in 2018. The BEAT applies to the extent that a tentative BEAT on modified taxable income exceeds the regular tax liability. We do not expect there to be a material impact to our income taxes.

Our provision for income taxes for the three months ended March 30, 2019 and March 31, 2018 was \$28 million (41% of income before taxes) and \$17 million (41% of income before taxes), respectively, and \$54 million (41% of income before taxes) and \$183 million (347% of income before taxes) for the six months ended March 30, 2019 and March 31, 2018, respectively. Income tax expense for the first half of 2019 included the imposition of GILTI (as discussed above). Income tax expense for the first half of 2018 attributable to the estimated impact of the Tax Act was \$162 million.

Liquidity and Capital Resources

	Six Months Ended	
	March 30, 2019	March 31, 2018
	(In thousands)	
Net cash provided by (used in):		
Operating activities	\$27,302	\$34,123
Investing activities	(71,823)	(72,892)
Financing activities	30,326	37,199
Effect of exchange rate changes on cash and cash equivalents	161	186
Increase (decrease) in cash and cash equivalents	\$(14,034)	\$(1,384)

Key Working Capital Management Measures

	As of	
	March 30, 2019	September 29, 2018
Days sales outstanding (1)	56	56
Contract asset days (2)	17.4	—
Inventory turns (3)	7.7	5.5
Days inventory on hand (4)	48	67
Accounts payable days (5)	69	75
Cash cycle days (6)	53	48

(1) Days sales outstanding (a measure of how quickly we collect our accounts receivable), or "DSO", is calculated as the ratio of average accounts receivable, net, to average daily net sales for the quarter.

(2) Contract asset days are calculated as the ratio of average contract assets to average daily net sales for the quarter. This is a new measure in the first quarter of 2019 due to our adoption of the new revenue accounting standard.

(3) Inventory turns (annualized) are calculated as the ratio of four times our cost of sales for the quarter to average inventory. This measure was impacted as a result of our adoption of the new revenue standard in the first quarter of 2019, for which prior periods have not been restated and therefore may not be comparable.

(4) Days inventory on hand is calculated as the ratio of average inventory for the quarter to average daily cost of sales for the quarter. This measure was impacted as a result of our adoption of the new revenue standard in the first quarter of 2019, for which prior periods have not been restated and therefore may not be comparable.

(5) Accounts payable days (a measure of how quickly we pay our suppliers), or "DPO", is calculated as the ratio of 365 days divided by accounts payable turns, in which accounts payable turns is calculated as the ratio of four times our cost of sales for the quarter to average accounts payable.

(6) Cash cycle days is calculated as days inventory on hand plus days sales outstanding and contract assets day minus accounts payable days.

Cash and cash equivalents were \$405 million at March 30, 2019 and \$420 million at September 29, 2018. Our cash levels vary during any given quarter depending on the timing of collections from customers and payments to suppliers, borrowings under credit facilities, sales of accounts receivable under numerous programs we utilize, repurchases of capital stock and other factors. Our working capital was \$0.8 billion and \$0.6 billion as of March 30,

2019 and September 29, 2018, respectively.

Net cash provided by operating activities was \$27 million and \$34 million for the six months ended March 30, 2019 and March 31, 2018, respectively. Cash flows from operating activities consist of: (1) net income adjusted to exclude non-cash items such as depreciation and amortization, deferred income taxes and stock-based compensation expense and (2) changes in net operating assets, which are comprised of accounts receivable, contract assets, inventories, prepaid expenses and other assets, accounts payable, accrued liabilities and other long-term liabilities. Our working capital metrics tend to fluctuate from

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quarter-to-quarter based on factors such as the linearity of our shipments to customers and purchases from suppliers, customer and supplier mix, the extent to which we factor customer receivables and the negotiation of payment terms with customers and suppliers. These fluctuations can significantly affect our cash flows from operating activities.

During the six months ended March 30, 2019, we generated \$174 million of cash primarily from earnings, excluding non-cash items, and consumed \$147 million of cash due to an increase in our net operating assets caused primarily by a net increase in accounts receivable and contract assets and a decrease in accounts payable, partially offset by a decrease in inventory and an increase in accrued liabilities. The increase in accounts receivable is primarily due to an increase in business volume. Accrued liabilities increased primarily due to a higher level of sales of accounts receivable for which we, as a servicer, collected on behalf of the financial institution to which the receivables were sold, but had not yet remitted the collected funds to such financial institution. Inventory decreased primarily due to improved availability of supply-constrained parts and inventory reduction initiatives. Accounts payable decreased primarily due to an unfavorable supplier payment terms mix and an unfavorable shift in the linearity of material receipts.

Net cash used in investing activities was \$72 million and \$73 million for the six months ended March 30, 2019 and March 31, 2018, respectively. During the six months ended March 30, 2019, we used \$73 million of cash for capital expenditures. During the six months ended March 31, 2018, we used \$71 million of cash for capital expenditures.

Net cash provided by financing activities was \$30 million and \$37 million for six months ended March 30, 2019 and March 31, 2018, respectively. During the six months ended March 30, 2019, we used \$12 million of cash to repurchase common stock (including \$5 million related to employee tax withholdings on vested restricted stock units), borrowed \$35 million of cash under the Amended Cash Flow Revolver (as defined below), received \$9 million of net proceeds from issuances of common stock pursuant to stock option exercises and incurred \$2 million of debt issuance costs in connection with our revolving credit amendment. During the six months ended March 31, 2018, we used \$121 million of cash to repurchase common stock (including \$11 million related to employee tax withholdings on vested restricted stock units), borrowed \$156 million of cash under the Cash Flow Revolver and received \$3 million of net proceeds from issuances of common stock pursuant to stock option exercises.

Other Liquidity Matters

Our Board of Directors has authorized us to repurchase shares of our common stock, subject to a dollar limitation. The timing of repurchases will depend upon capital needs to support the growth of our business, market conditions and other factors. Although stock repurchases are intended to increase stockholder value, purchases of shares will reduce our liquidity. We repurchased 0.3 million and 3.8 million shares of our common stock for \$7 million and \$109 million during the six months ended March 30, 2019 and March 31, 2018, respectively. As of March 30, 2019, subject to limitations on stock repurchases contained in our debt agreements, an aggregate of \$101 million remained available under our stock repurchase programs authorized by the Board of Directors, none of which is subject to an expiration date.

We have a \$500 million secured revolving facility (the “Amended Cash Flow Revolver”), including an additional committed \$375 million secured delayed draw term loan with an expiration date of November 30, 2023. The delayed draw term loan is available to be drawn through June 30, 2019. Proceeds from the delayed draw term loan can only be used to repay our Senior secured notes due 2019. Subject to satisfaction of certain conditions, including obtaining additional commitments from existing and/or new lenders and potentially seeking a waiver under the indenture for our Secured Notes due 2019, we may increase the revolver commitments under the Amended Cash Flow Revolver by up to an additional \$200 million.

On April 5, 2019, we entered into an amendment to the Amended Cash Flow Revolver that increased the amount available under the facility from \$500 million to \$700 million upon satisfaction of certain conditions, including repayment in full of our senior secured notes due June 2019. The revolving commitments under the Amended Cash Flow Revolver expire on November 30, 2023. Subject to satisfaction of certain conditions, including obtaining additional commitments from existing and/or new lenders, we may increase the revolver commitments under the Amended Cash Flow Revolver by up to an additional \$200 million.

We enter into forward interest rate swap agreements with independent counterparties to partially hedge the variability in cash flows due to changes in the benchmark interest rate (LIBOR) associated with anticipated variable rate borrowings. These interest rate swaps have a maturity date of December 1, 2023, and effectively converts our variable interest rate obligations to fixed interest rate obligations. These swaps are accounted for as cash flow hedges under ASC Topic 815, Derivatives and Hedging. As of March 30, 2019 and September 29, 2018, interest rate swaps with an aggregate notional amount of \$350 million and \$50 million, respectively, were outstanding. The aggregate effective interest rate under these swaps as of March 30, 2019 was approximately 4.3%.

The Amended Cash Flow Revolver requires us to comply with a minimum consolidated interest coverage ratio, measured at the end of each fiscal quarter, and at all times a maximum consolidated leverage ratio. The Amended Cash Flow Revolver contains customary affirmative covenants, including covenants regarding the payment of taxes and other obligations, maintenance of insurance, reporting requirements and compliance with applicable laws and regulations. Further, the Amended Cash Flow Revolver and the indenture governing our senior secured notes due June 2019 contain customary negative covenants limiting the ability of the Sanmina and its subsidiaries, among other things, to incur debt, grant liens, make investments, make acquisitions, make certain restricted payments, repurchase its shares and sell assets, subject to certain exceptions. As of March 30, 2019, we were in compliance with these covenants.

During 2018, we entered into a Receivable Purchase Agreement (the "RPA") with certain third-party banking institutions for the sale of trade receivables generated from sales to certain customers. A maximum of \$555 million of sold receivables can be outstanding at any point in time under this program, subject to limitations under our Amended Cash Flow Revolver. Additionally, the amount available under the RPA is uncommitted and, as such, is available at the discretion of our third-party banking institutions. On January 16, 2019, we entered into an amendment to our Amended Cash Flow Revolver which increased the percentage of our total accounts receivable that can be sold and outstanding at any time from 30% to 40%. Trade receivables sold pursuant to the RPA are serviced by us.

In addition to the RPA, we have the option to participate in trade receivables sales programs that have been implemented by certain of our customers, as in effect from time to time. We do not service trade receivables sold under these other programs.

The sale of receivables under all of these programs is subject to the approval of the banks or customers involved and there can be no assurance that we will be able to sell the maximum amount of receivables permitted by these programs when desired.

Under each of the programs noted above, we sell our entire interest in a trade receivable for 100% of face value, less a discount. During the first half of 2019 and 2018, we sold accounts receivable of \$1,394 million and \$337 million, respectively, under these programs. Upon sale, these receivables are removed from the condensed consolidated balance sheets and cash received is presented as cash provided by operating activities in the condensed consolidated statements of cash flows. Discounts on sold receivables were not material for any period presented. As of March 30, 2019 and September 29, 2018, \$201 million and \$189 million, respectively, of accounts receivable sold under the RPA and subject to servicing by us remained outstanding and had not yet been collected. Our sole risk with respect to receivables we service is with respect to commercial disputes regarding such receivables. Commercial disputes include billing errors, returns and similar matters. To date, we have not been required to repurchase any receivable we have sold due to a commercial dispute. Additionally, we are required to remit amounts collected as servicer on a weekly basis to the financial institution that purchased the receivable. As of March 30, 2019 and September 29, 2018, \$83 million and \$23 million, respectively, had been collected but not yet remitted. This amount is classified in accrued liabilities on the condensed consolidated balance sheets.

In the ordinary course of business, we are or may become party to legal proceedings, claims and other contingencies, including environmental, warranty and employee matters and examinations by government agencies. As of March 30, 2019, we had reserves of \$37 million related to such matters. We cannot accurately predict the outcome of these matters or the amount or timing of cash flows that may be required to defend ourselves or to settle such matters or that these reserves will be sufficient to fully satisfy our contingent liabilities.

As of March 30, 2019, we had a liability of \$100 million for uncertain tax positions. Our estimate of liabilities for uncertain tax positions is based on a number of subjective assessments, including the likelihood of a tax obligation being assessed, the amount of taxes (including interest and penalties) that would ultimately be payable, and our ability to settle any such obligations on favorable terms. Therefore, the amount of future cash flows associated with uncertain tax positions may be significantly higher or lower than our recorded liability and we are unable to reliably estimate when cash settlement may occur.

Our liquidity needs are largely dependent on changes in our working capital, including sales of accounts receivable under our receivables sales programs and the extension of trade credit by our suppliers, investments in manufacturing inventory, facilities and equipment, repayments of obligations under outstanding indebtedness and repurchases of common stock. Our primary sources of liquidity as of March 30, 2019 consisted of (1) cash and cash equivalents of \$405 million; (2) our Amended Cash Flow Revolver, under which \$242 million, net of outstanding borrowings and letters of credit, was available; (3) foreign short-term borrowing facilities of \$72 million, all of which was available; (4) proceeds from the sale of accounts receivable under our receivables sales programs and (5) cash generated from operations.

We believe our existing cash resources and other sources of liquidity, together with cash generated from operations, will be sufficient to meet our working capital requirements for at least the next 12 months. Should demand for our services change significantly over the next 12 months or should we experience increases in delinquent or uncollectible accounts receivable, our cash provided by operations could be adversely impacted.

As of March 30, 2019, 60% of our cash balance was held in the United States. Should we choose or need to remit cash to the United States from our foreign locations, we may incur tax obligations which would reduce the amount of cash ultimately available to the United States. We believe that cash held in the United States, together with liquidity available under our Amended Cash Flow Revolver and cash from foreign subsidiaries that could be remitted to the United States without tax consequences, will be sufficient to meet our United States liquidity needs for at least the next twelve months.

Off-Balance Sheet Arrangements

As of March 30, 2019, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC, that have or are reasonably likely to have a current or future effect on our financial condition, changes in our financial condition, revenues, or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our primary exposure to market risk for changes in interest rates relates to our revolving credit facility as the interest rate we pay for borrowings is determined at the time of borrowing based on a floating index. Therefore, although we can elect to fix the interest rate at the time of borrowing, the facility does expose us to market risk for changes in interest rates. An immediate 10 percent change in interest rates would not have a significant impact on our results of operations.

Foreign Currency Exchange Risk

We transact business in foreign currencies. Our foreign exchange policy requires that we take certain steps to limit our foreign exchange exposures resulting from certain assets and liabilities and forecasted cash flows. However, our policy does not require us to hedge all foreign exchange exposures. Furthermore, our foreign currency hedges are based on forecasted transactions and estimated balances, the amount of which may differ from that actually incurred. As a result, we can experience foreign exchange gains and losses in our results of operations.

Our primary foreign currency cash flows are in certain Asian and European countries, Israel, Brazil and Mexico. We enter into short-term foreign currency forward contracts to hedge currency exposures associated with certain monetary assets and liabilities denominated in non-functional currencies. These contracts generally have maturities of up to two months, although we currently have a four-year contract that hedges a non-functional currency denominated note payable due in 2020. These forward contracts are not designated as part of a hedging relationship for accounting purposes. All outstanding foreign currency forward contracts are marked-to-market at the end of the period with unrealized gains and losses included in other income (expense), net, in the consolidated statements of operations. As of March 30, 2019, we had outstanding foreign currency forward contracts to exchange various foreign currencies for U.S. dollars in the aggregate notional amount of \$327 million.

We also utilize foreign currency forward contracts to hedge certain operational (“cash flow”) exposures resulting from changes in foreign currency exchange rates. Such exposures result from (1) forecasted non-functional currency sales, (2) forecasted non-functional currency materials, labor, overhead and other expenses and (3) anticipated capital expenditures denominated in a currency other than the functional currency of the entity making the expenditures. These contracts may be up to twelve months in duration and are designated as cash flow hedges for accounting purposes. The effective portion of changes in the fair value of the contracts is recorded in stockholders' equity as a separate component of accumulated other comprehensive income and recognized in earnings when the hedged item affects earnings. We had forward contracts related to cash flow hedges in various foreign currencies in the aggregate notional amount of \$109 million as of March 30, 2019.

The net impact of an immediate 10 percent change in exchange rates would not be material to our unaudited condensed consolidated financial statements, provided we accurately forecast and estimate our foreign currency exposure. If such forecasts are materially inaccurate, we could incur significant gains or losses.

Item 4. Controls and Procedures

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) that occurred during the quarter ended March 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent all errors and all fraud. Disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that their objectives are met. Further, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and the benefits of disclosure controls and procedures must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of disclosure controls and procedures can provide absolute assurance that all disclosure control issues and instances of fraud, if any, have been detected.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the second quarter of 2019 was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. This evaluation was performed to determine if our disclosure controls and procedures, including internal control over financial reporting, were effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, was accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and were effective to provide reasonable assurance that such information was recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

Based on management's evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 30, 2019 due to the material weakness in internal control over financial reporting described in Part II, "Item 9A, Controls and Procedures", in our Annual Report on Form 10-K for the year ended September 29, 2018.

Remediation Efforts to Address Material Weakness

We believe the remedial measures described in Part II, "Item 9A, Controls and Procedures" in our Annual Report on Form 10-K for the year ended September 29, 2018, and others that may be implemented, will remediate this material weakness. However, this material weakness will not be considered formally remediated until the control has operated effectively for a sufficient period of time and management has concluded, through testing, that the control is operating effectively. We expect this to occur by the end of fiscal 2019.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to the legal proceedings disclosed in Part I, Item 3 of Sanmina's Annual Report on Form 10-K for the year ended September 29, 2018 and Part II, Item 1 of Sanmina's Quarterly Report on Form 10-Q for the quarter ended December 29, 2018.

In addition, from time to time, we may become involved in routine legal proceedings, as well as demands, claims and threatened litigation, that arise in the normal course of our business. The ultimate outcome of any litigation is uncertain and unfavorable outcomes could have a negative impact on our results of operations and financial condition. Regardless of outcome, litigation can have an adverse impact on us as a result of incurrence of defense costs, diversion of management resources and other factors. We record liabilities for legal proceedings when a loss becomes probable and the amount of loss can be reasonably estimated.

Refer to Note 7 of Notes to Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

Adverse changes in the key end markets we target could harm our business by reducing our sales.

We provide products and services to companies that serve the industrial, medical, defense and aerospace, automotive, communications networks and cloud solutions industries. Adverse changes in any of these end markets could reduce demand for our customers' products or make these customers more sensitive to the cost of our products and services, either of which could reduce our sales, gross margins and net income. A number of factors could affect any of these industries in general, or our customers in particular, and lead to reductions in net sales, thus harming our business.

These factors include:

- intense competition among our customers and their competitors, leading to reductions in prices for their products and pricing pressures on us;
- failure of our customers' products to gain widespread commercial acceptance which could decrease the volume of orders customers place with us;
- changes in regulatory requirements affecting the products we build for our customers, leading to product obsolescence and potentially causing us to lose business; and
- recessionary periods in our customers' markets, which decrease orders from affected customers, such as the currently depressed conditions in the oil and gas industry, which decrease orders from affected customers.

We realize a substantial portion of our revenues from communications equipment customers. This market is highly competitive, particularly in the area of price. Should any of our larger customers in this market fail to effectively compete with their competitors, they could reduce their orders to us or experience liquidity difficulties, either of which could have the effect of substantially reducing our revenue and net income. There can be no assurance that we will not experience declines in demand in this or in other end markets in the future.

Our operating results and cash generated from operations are subject to significant uncertainties, which can cause our future sales and net income to be variable.

Our operating results can vary due to a number of significant uncertainties, including:

- our ability to replace declining sales from end-of-life programs and customer disengagements with new business wins;
- conditions in the economy as a whole and in the industries we serve;
- fluctuations in component prices, component shortages and extended component lead times caused by high demand, natural disaster or otherwise;
- timing of new product development and ramps by our customers, which creates demand for our services, but which can also require us to incur start-up costs relating to new tooling and processes;
- levels of demand in the end markets served by our customers;
- timing of orders from customers and the accuracy of their forecasts;
- inventory levels of customers, which if high relative to their normal sales volume, could cause them to reduce their orders to us;
- customer payment terms and the extent to which we factor customer receivables during the quarter;
- increasing labor costs in the regions in which we operate;
- mix of products ordered by and shipped to major customers, as high volume and low complexity manufacturing services typically have lower gross margins than more complex and lower volume services;
- degree to which we are able to utilize our available manufacturing capacity;

- customer insolvencies resulting in bad debt or inventory exposures that are in excess of our reserves;
- our ability to efficiently move manufacturing activities to lower cost regions;
- changes in our tax provision due to changes in our estimates of pre-tax income in the jurisdictions in which we operate, uncertain tax positions, and our ability to utilize our deferred tax assets; and
- political and economic developments in countries in which we have operations which could restrict our operations or increase our costs.

Variability in our operating results may also lead to variability in cash generated by operations, which can adversely affect our ability to make capital expenditures, engage in strategic transactions and repurchase stock.

We rely on a relatively small number of customers for a substantial portion of our sales, and declines in sales to these customers could reduce our net sales and net income.

Sales to our ten largest customers have historically represented approximately half of our net sales. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our sales for the foreseeable future. The loss of, or a significant reduction in sales or pricing to our largest customers, could substantially reduce our revenue and margins.

We are subject to risks arising from our international operations.

The substantial majority of our net sales are generated through our non-U.S. operations. As a result, we are affected by economic, political and other conditions in the foreign countries in which we do business, including:

changes in trade and tax laws that may result in us or our customers being subjected to increased taxes, duties and tariffs and thus increase our costs and/or reduce our customers' willingness to use our services in countries in which we are currently manufacturing their products;

compliance with laws concerning the export of U.S. technology, including the International Traffic in Arms Regulations ("ITAR") and the Export Administration Regulations ("EAR"), sanctions administered by the Office of Foreign Asset Controls ("OFAC") and the Foreign Corrupt Practices Act;

rising labor costs;

- compliance with foreign labor laws, which generally provide for increased notice, severance and consultation requirements compared to U.S. laws;

labor unrest, including strikes;

difficulties in staffing due to immigration or travel restrictions imposed by national governments, including the U.S.;

security concerns;

political instability and/or regional military tension or hostilities;

fluctuations in currency exchange rates, which may either increase or decrease our operating costs and for which we have significant exposure;

the imposition of currency controls;

exposure to heightened corruption risks;

- aggressive, selective or lax enforcement of laws and regulations by national governmental authorities; and

potentially increased risk of misappropriation of intellectual property.

We operate in countries that have experienced labor unrest, political instability or conflict and strife, including Brazil, China, India, Israel, Malaysia and Thailand and we have experienced work stoppages and similar disruptions in these foreign jurisdictions. To the extent such developments prevent us from adequately staffing our plants and manufacturing and shipping products in those jurisdictions, our margins and net income could be reduced and our reputation as a reliable supplier could be negatively impacted.

Certain of our foreign manufacturing facilities are leased from third parties. To the extent we are unable to renew the leases covering such facilities as they expire on reasonable terms, or are forced to move our operations at those facilities to other locations as a result of a failure to agree upon renewal terms, production for our customers may be interrupted, we may breach our customer agreements, we could incur significant start-up costs at new facilities and our lease expense may increase, potentially significantly.

We are subject to intense competition in the EMS industry which could cause us to lose sales and therefore harm our financial performance.

The electronic manufacturing services (EMS) industry is highly competitive and the industry has experienced a surplus of manufacturing capacity. Our competitors include major global EMS providers, including Benchmark Electronics, Inc., Celestica, Inc., Flex Ltd., Hon Hai Precision Industry Co., Ltd. (Foxconn), Jabil Circuit, Inc. and Plexus Corp., as well as other companies that have a regional, product, service or industry-specific focus. We also face competition from current and potential OEM customers who may elect to manufacture their own products internally rather than outsourcing to EMS providers.

Competition is based on a number of factors, including end markets served, price and quality. We may not be able to offer prices as low as some of our competitors for any number of reasons, including the willingness of competitors to provide EMS services at prices we are unable or unwilling to offer. There can be no assurance that we will win new business or not

lose existing business due to competitive factors, which could decrease our sales and net income. In addition, due to the extremely price sensitive nature of our industry, business that we do win or maintain may have lower margins than our historical or target margins. As a result, competition may cause our gross and operating margins to fall.

Our supply chain is subject to a number of economic, regulatory and environmental risks that could increase our costs or cause us to delay shipments to customers, reducing our revenue and margins and increasing our inventory.

Our supply chain is subject to a number of risks and uncertainties. For example, we are dependent on certain suppliers, including limited and sole source suppliers, to provide key components we incorporate into our products. We are currently experiencing, and may continue to experience in the future, delays in delivery and shortages of components, particularly certain types of capacitors, resistors and discrete semiconductors used in many of the products we manufacture. These conditions have resulted and could continue to result in increased component prices and delays in product shipments to customers, both of which have decreased our revenue and margins, as well as increases of inventory of other components, which have reduced our operating cash flow.

Our components are manufactured using a number of commodities, including petroleum, gold, copper and other metals that are subject to frequent and unpredictable changes in price due to worldwide demand, investor interest and economic conditions. We do not hedge against the risk of these fluctuations, but rather attempt to adjust our product pricing to reflect such changes. Should significant increases in commodities prices occur and should we not be able to increase our product prices enough to offset these increased costs, our gross margins and profitability could decrease, perhaps significantly. In addition, we, along with our suppliers and customers, rely on various energy sources in our manufacturing and transportation activities. There has been significant volatility in the prices of energy during the recent past and such volatility is likely to continue in the future.

Concern over climate change has led to state, federal and international legislative and regulatory initiatives aimed at reducing carbon dioxide and other greenhouse gas emissions. Such initiatives could lead to an increase in the price of energy over time. A sustained increase in energy prices for any reason could increase our raw material, components, operations and transportation costs. In addition, government regulations, such as the Dodd-Frank Act disclosure requirements relating to conflict minerals, and customer interest in responsible sourcing could decrease the availability and increase the prices of components used in our customers' products. We may not be able to increase our product prices enough to offset these increased costs, in which case our profitability would be reduced.

We rely on a variety of common carriers to transport our raw materials and components from our suppliers to us, and to transport our products to our customers. The use of common carriers is subject to a number of risks, including increased costs due to rising energy prices and labor, vehicle and insurance costs, and hijacking and theft resulting in losses of shipments, delivery delays resulting from labor disturbances and strikes and other factors beyond our control. Although we attempt to mitigate our liability for any losses resulting from these risks through contracts with our customers, suppliers and insurance carriers, any costs or losses that cannot be mitigated could reduce our profitability, require us to manufacture replacement product or damage our relationships with our customers.

Changes in U.S. trade policy could increase the cost of using both our onshore and offshore manufacturing services for our U.S customers, leading them to reduce their orders to us.

Although we maintain significant manufacturing capacity in the United States, the substantial majority of our manufacturing operations are located outside the United States. This manufacturing footprint has allowed us to provide cost-effective volume manufacturing for our customers. However, the willingness of our U.S customers to have us manufacture their products in our offshore facilities for import into the U.S. could be reduced should the U.S. government (1) exit or renegotiate trade agreements and frameworks to which it is currently bound or to which it adheres, including the North American Free Trade Act and the rules of the World Trade Organization; or (2) impose

any import tariff covering any such products. Both the U.S. and China have recently imposed tariffs impacting certain products imported into such countries. These tariffs apply to both components imported into the U.S. for use in the manufacture of products at our U.S. plants and to certain of our customers' products that we manufacture offshore and that are imported into the U.S. Any decision by a large number of our customers to cease using either our domestic or our offshore manufacturing services due to these tariffs would materially reduce our revenue and net income, an effect that would be compounded if the amount of these tariffs increase or should they be applied to additional categories of components. In addition, our gross margins would be reduced in the event we are for any reason unable to pass on any tariffs that we incur to our customers. Although our customers are generally liable for tariffs we pay on their behalf on importation of components used in the manufacture of their products, our gross margins would be reduced in the event we are for any reason unable to recover such tariffs from our customers. Further,

although we are required to pay tariffs upon importation of the components, we may not recover these amounts from customers until some time later, which adversely impacts our operating cash flow in a given period.

Unanticipated changes in our tax rates or exposure to additional tax liabilities could increase our taxes and decrease our net income; our projections of future taxable income that drove the release of our valuation allowance in prior years could prove to be incorrect, which could cause a charge to earnings; recent corporate tax reform measures have reduced the value of our deferred tax assets and could result in taxation of untaxed foreign earnings.

We are or may become subject to income, sales, value-added, goods and services, withholding and other taxes in the United States and various foreign jurisdictions. Significant judgment is required in determining our worldwide provision for taxes and, in the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. Our effective tax rates and liability for other taxes could increase as a result of changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in enacted tax laws, our cash management strategies, our ability to negotiate advance pricing agreements with foreign tax authorities, compliance with local trade laws and other factors. Recent international initiatives will require multinational enterprises, like ours, to report profitability on a country-by-country basis, which could increase scrutiny by foreign tax authorities. In addition, our tax determinations are regularly subject to audit by tax authorities. For example, we are currently undergoing audits of our tax returns for certain recent tax years in a number of jurisdictions, including the United States. Developments in these or future audits could adversely affect our tax provisions, including through the disallowance or reduction of deferred tax assets or the assessment of back taxes, interest and penalties, any of which could result in an increase to income tax expense and therefore a decrease in our net income. In addition, the recently enacted U.S. Tax Cuts and Jobs Act provides for a substantial reduction in the U.S. corporate income tax rate and for a one-time mandatory deemed repatriation tax on previously untaxed foreign earnings. The impact of the Tax Act was approximately \$161 million for the reduction in the value of our deferred tax assets as a result of the corporate tax rate reduction and conversion to a territorial system, although we do not anticipate any impact for the mandatory deemed repatriation tax. Another provision of the Tax Act, the Global Intangible Low-Taxed Income (GILTI) provisions, is expected to significantly increase our GAAP tax rate and to potentially accelerate our use of our net operating losses.

Our strategy to pursue higher margin business depends in part on the success of our Components, Products and Services (CPS) business, which, if not successful, could cause our future gross margins and operating results to be lower.

A key part of our strategy is to grow our CPS business, which includes printed circuit boards, backplane and cable assemblies and plastic injection molding, mechanical systems, memory, RF, optical and microelectronic solutions, defense and aerospace products and data storage solutions and design, engineering, logistics and repair services. A decrease in orders for these components, products and services can have a disproportionately adverse impact on our profitability since these components, products and services generally carry higher than average contribution margins than our core IMS business. In addition, in order to grow this portion of our business profitably, we must continue to make substantial investments in the development of our product development capabilities, research and development activities, test and tooling equipment and skilled personnel, all of which reduce our operating results in the short term. The success of our CPS business also depends on our ability to increase sales of our proprietary products, convince our customers to agree to purchase our components for use in the manufacture of their products, rather than directing us to buy them from third parties, and expand the number of our customers who contract for our design, engineering, logistics and repair services. We may face challenges in achieving commercially viable yields and difficulties in manufacturing components in the quantities and to the specifications and quality standards required by our customers, as well as in qualifying our components for use in our customers' designs. Our proprietary products and design, engineering, logistics and repair services must compete with products and services offered by established vendors which focus solely on development of similar technologies or the provision of similar services. Any of these factors

could cause our CPS revenue and margins to be less than expected, which would have an overall adverse and potentially disproportionate effect on our revenues and profitability.

Cancellations, reductions in production quantities, delays in production by our customers and changes in customer requirements could reduce our sales and net income.

We generally do not obtain firm, long-term purchase commitments from our customers and our bookings may generally be canceled prior to the scheduled shipment date. Although a customer is generally liable for raw materials we procure on their behalf, finished goods and work-in-process at the time of cancellation, the customer may fail to honor this commitment or we may be unable or, for other business reasons, choose not to enforce our contractual rights. Cancellations, reductions or delays of orders by customers could increase our inventory levels, lead to write-offs of inventory that we are not able to resell to the customer, reduce our sales and net income, delay or eliminate recovery of our expenditures for inventory purchased in preparation for customer orders and lower our asset utilization, all of which could result in lower gross margins and lower net income.

Our customers could experience credit problems, which could reduce our future revenues and net income.

Some companies in the industries for which we provide products have previously experienced significant financial difficulty, with a few filing for bankruptcy in the past. Such financial difficulty, if experienced by one or more of our customers, may negatively affect our business due to the decreased demand from these financially distressed customers, the lengthening of customer payment terms, the potential inability of these companies to make full payment on amounts owed to us or to purchase inventory we acquired to support their businesses. Customer bankruptcies also entail the risk of potential recovery by the bankruptcy estate of amounts previously paid to us that are deemed a preference under bankruptcy laws.

Consolidation in the electronics industry may adversely affect our business by increasing customer buying power and increasing prices we pay for components.

Consolidation in the electronics industry among our customers, our suppliers and/or our competitors may increase, which could result in a small number of very large electronics companies offering products in multiple sectors of the electronics industry. In addition, if one of our customers is acquired by another company that does not rely on us to provide EMS services, we may lose that customer's business. Similarly, consolidation among our suppliers could result in a sole or limited source for certain components used in our customers' products. Any such consolidation could cause us to be required to pay increased prices for such components, which could reduce our gross margin and profitability.

Cyberattacks and other disruptions of our IT network and systems could interrupt our operations, lead to loss of our customer data and subject us to damages.

We rely on internal and cloud-based networks and systems furnished by third parties for worldwide financial reporting, inventory management, procurement, invoicing and email communications, among other functions. In addition, our 42Q manufacturing execution solutions software used by us and certain of our customers operates in the cloud. Despite our business continuity planning, including redundant data sites and network availability, both our internal and cloud-based infrastructure may be susceptible to outages due to fire, floods, power loss, telecommunications failures, terrorist attacks and similar events. In addition, despite the implementation of network security measures that we believe to be reasonable, both our internal and our cloud-based infrastructure may also be vulnerable to hacking, computer viruses, the installation of malware and similar disruptions either by third parties or employees with access to key IT infrastructure. Cybersecurity attacks can come in many forms, including distributed denial of service attacks, advanced persistent threat, phishing and business email compromise efforts. Hacking, malware and other cybersecurity attacks, if not prevented, could lead to the collection and disclosure of sensitive personal or confidential information relating to our customers, employees or others, exposing us to legal liability and causing us to suffer reputational damage. In addition, our SCI defense division is subject to U.S. government

regulations requiring the safeguarding of certain unclassified government information and to report to the U.S. government certain cyber incidents that affect such information. The increasing sophistication of cyberattacks requires us to continually evaluate new technologies and processes intended to detect and prevent these attacks. Our insurance for cyber-attacks is limited. There can be no assurance that the security measures we choose to implement will be sufficient to protect the data we manage. If we and our cloud infrastructure vendors are not successful in preventing such outages and cyberattacks, our operations could be disrupted, we could incur losses, including losses relating to claims by our customers or employees relating to loss of their information, the willingness of customers to do business with us may be damaged and, in the case of our defense business, we could be debarred from future participation in U.S. government programs.

Customer requirements to transfer business may increase our costs.

Our customers sometimes require that we transfer the manufacturing of their products from one Sanmina facility to another to achieve cost reductions and other objectives. These transfers have resulted in increased costs to us due to facility

downtime, less than optimal utilization of our manufacturing capacity and delays and complications related to the transition of manufacturing programs to new locations. These transfers, and any decision by a significant customer to terminate manufacturing services in a particular facility, could require us to close or reduce operations at certain facilities and, as a result, we may incur in the future significant costs for the closure of facilities, employee severance and related matters. We may be required to relocate additional manufacturing operations in the future and, accordingly, we may incur additional costs that decrease our net income. Any of these factors could reduce our revenues, increase our expenses and reduce our net income.

Recruiting and retaining our key personnel is critical to the continued growth of our business.

Our success depends upon the continued service of our key personnel, particularly our highly skilled sales and operations executives, managers and engineers with many years of experience in electronics and contracts manufacturing. Such individuals can be difficult to identify, recruit and retain and are heavily recruited by our competitors. Should any of our key employees choose to retire or terminate their employment with us, we will be required to replace them with new employees with the required experience. For example, we were required to recruit a new Chief Executive Officer in 2018 and our Chief Financial Officer has notified us of his intention to retire in March 2020. Should we be unable to recruit new employees to fill key positions with us, our operations, financial controls and growth prospects could be negatively impacted.

If we are unable to protect our intellectual property or if we infringe, or are alleged to infringe, upon the intellectual property of others, we could be required to pay significant amounts in costs or damages.

We rely on a combination of copyright, patent, trademark and trade secret laws and contractual restrictions to protect our intellectual property rights. However, a number of our patents covering certain aspects of our manufacturing processes or products have expired and will continue to expire in the future. Such expirations reduce our ability to assert claims against competitors or others who use or sell similar technology. Any failure to protect our intellectual property rights could diminish or eliminate the competitive advantages that we derive from our proprietary technology.

We are also subject to the risk that current or former employees violate the terms of their proprietary information agreements with us. Should a key current or former employee use or disclose any of our or our customers' proprietary information, we could become subject to legal action by our customers or others, our key technologies could become compromised and our ability to compete could be adversely impacted.

In addition, we may become involved in administrative proceedings, lawsuits or other proceedings if others allege that the products we manufacture for our customers or our own manufacturing processes and products infringe on their intellectual property rights. If successful, such claims could force our customers and us to stop importing or producing products or components of products that use the challenged intellectual property, to pay up to treble damages and to obtain a license to the relevant technology or redesign those products or services so as not to use the infringed technology. The costs of defense and potential damages and/or impact on production of patent litigation could be significant and have a materially adverse impact on our financial results. In addition, although our customers typically indemnify us against claims that the products we manufacture for them infringe others' intellectual property rights, there is no guaranty that these customers will have the financial wherewithal to stand behind such indemnities should the need arise, nor is there any guaranty that any such indemnity could be fully enforced. We sometimes design products on a contract basis or jointly with our customers. In these situations, we may become subject to claims that products we design infringe third party intellectual property rights and may also be required to indemnify our customer against liability caused by such claims.

Any of these risks could cause a reduction in our revenue, an increase in our costs and a reduction in our net income and could damage our reputation with our customers.

We can experience losses due to foreign exchange rate fluctuations and currency controls, which could reduce our net income and impact our ability to repatriate funds.

Because we manufacture and sell the majority of our products abroad, our operating results can be negatively impacted due to fluctuations in foreign currency exchange rates, particularly in volatile currencies to which we are exposed, such as the Euro, Mexican peso, Malaysian ringgit, Chinese renminbi and Brazilian real. We use financial instruments, primarily short-term foreign currency forward contracts, to hedge our exposure to exchange rate fluctuations. However, the success of our foreign currency hedging activities in preventing foreign exchange losses depends largely upon the accuracy of our forecasts of future sales, expenses, capital expenditures and monetary assets and liabilities. As such, our foreign currency hedging program may not fully cover our exposure to exchange rate fluctuations. If our hedging activities are not successful, we may experience a reduction of our net income. In addition, certain countries in which we operate have adopted

currency controls requiring that local transactions be settled only in local currency rather than in our functional currency which is generally different than the local currency. Such controls could require us to hedge larger amounts of local currency than we otherwise would and/or prevent us from repatriating cash generated by our operations in such countries.

Allegations of failures to comply with domestic or international employment and related laws could result in the payment of significant damages, which would reduce our net income.

We are subject to a variety of domestic and foreign employment laws, including those related to safety, wages and overtime, discrimination, organizing, whistle-blowing, classification of employees, privacy and severance payments. Enforcement activity relating to these laws can increase as a result of increased governmental scrutiny, media attention due to violations by other companies, changes in law, political and other factors. For example, in October 2018, an individual who was employed by the Company from November 2015 to March 2016 filed a lawsuit against the Company in the Santa Clara County Superior Court on behalf of himself and all other similarly situated Company employees in California, alleging violations of California labor code provisions governing overtime, meal and rest periods, wages, wage statements and reimbursement of business expenses. Allegations that we have violated such laws could lead to fines from or settlements with federal, state or foreign regulatory authorities or damages payable to employees, which fines could be substantial and which would reduce our net income.

We are subject to a number of U.S. governmental procurement rules and regulations and failure to comply with such rules and regulations could result in damages or reduction of future revenue.

We are subject to a number of laws and regulations relating to the award, administration and performance of U.S. government contracts and subcontracts, including Federal Acquisition Regulations and the Defense Federal Acquisition Regulations. Such laws and regulations govern, among other things, price negotiations, cost accounting standards, procurement practices, equal opportunity and affirmative action in employment and other aspects of performance under government contracts. These rules are complex, our performance under them is subject to audit by the Defense Contract Audit Agency, the Office of Federal Contract Compliance Programs and other government regulators, and in most cases must be complied with by our suppliers. If an audit or investigation reveals a failure to comply with regulations, we could become subject to civil or criminal penalties and administrative sanctions by either the government or the prime customer, including government pre-approval of our government contracting activities, termination of the contract, payment of fines and suspension or debarment from doing further business with the U.S. government. Any of these actions could increase our expenses, reduce our revenue and damage our reputation as a reliable government supplier.

We may not have sufficient insurance coverage for potential claims and losses, which could leave us responsible for certain costs and damages.

We carry various forms of business and liability insurance in types and amounts we believe are reasonable and customary for similarly situated companies in our industry. However, our insurance program does not generally cover failure to comply with typical customer warranties for workmanship, product and medical device liability, intellectual property infringement, product recall claims, certain natural disasters, such as earthquake, and environmental contamination. In addition, our policies generally have deductibles and/or limits or may be limited to certain lines or business or customer engagements that reduce the amount of our potential recoveries from insurance. As a result, not all of our potential business losses are covered under our insurance policies. Should we sustain a significant uncovered loss, our net income will be reduced. Additionally, if one or more counterparties to our insurance coverage were to fail, we would bear the entire amount of an otherwise insured loss.

Any failure to comply with applicable environmental laws could adversely affect our business by causing us to pay significant amounts for cleanup of hazardous materials or for damages or fines.

We are subject to various federal, state, local and foreign environmental laws and regulations, including those governing the use, generation, storage, discharge and disposal of hazardous substances and waste in the ordinary course of our manufacturing operations. If we violate environmental laws or if we own or operate, or owned or operated in the past a site at which we or a predecessor company caused contamination, we may be held liable for damages and the costs of remedial actions. Although we estimate and regularly reassess our potential liability with respect to violations or alleged violations and accrue for such liability, our accruals may not be sufficient. Any increase in existing reserves or establishment of new reserves for environmental liability would reduce our net income. Our failure or inability to comply with applicable environmental laws and regulations could also limit our ability to expand facilities or could require us to acquire costly equipment or to incur other significant expenses to comply with these laws and regulations.

Partly as a result of certain of our acquisitions, we have incurred liabilities associated with environmental contamination. These liabilities include ongoing investigation and remediation activities at a number of current and former sites. The time required to perform environmental remediation can be lengthy and there can be no assurance that the scope, and therefore cost, of these activities will not increase as a result of the discovery of new contamination or contamination on adjoining landowner's properties or the adoption of more stringent regulatory standards covering sites at which we are currently performing remediation activities.

We cannot assure that past disposal activities will not result in liability that will materially affect us in the future, nor can we provide assurance that we do not have environmental exposures of which we are unaware and which could adversely affect our future operating results.

Over the years, environmental laws have become, and in the future may continue to become, more stringent, imposing greater compliance costs and increasing risks and penalties associated with violations. We operate in several environmentally sensitive locations and are subject to potentially conflicting and changing regulatory agendas of government authorities, business and environmental groups. Changes in or restrictions on discharge limits, emissions levels, permitting requirements and material storage or handling could require a higher than anticipated level of remediation activities, operating expenses and capital investment or, depending on the severity of the impact of the foregoing factors, costly plant relocation, any of which would reduce our net income.

We may not be successful in implementing and integrating strategic transactions or in divesting assets or businesses, which could harm our operating results; we could become required to book a charge to earnings should we determine that goodwill and other acquired assets are impaired.

From time to time, we may undertake strategic transactions that give us the opportunity to access new customers and new end markets, increase our proprietary product offerings, obtain new manufacturing and service capabilities and technologies, enter new geographic manufacturing locations, lower our manufacturing costs and increase our margins, and to further develop existing customer relationships. Strategic transactions involve a number of risks, uncertainties and costs, including integrating acquired operations, businesses and products, resolving quality issues involving acquired products, incurring severance and other restructuring costs, diverting management attention, maintaining customer, supplier or other favorable business relationships of acquired operations and terminating unfavorable commercial arrangements, losing key employees, integrating the systems of acquired operations into our management information systems and satisfying the liabilities of acquired businesses, including liability for past violations of law and material environmental liabilities. Any of these risks could cause our strategic transactions not to be ultimately profitable.

In addition, we have in the past recorded, and may be required to record in the future, goodwill and other intangible assets in connection with our acquisitions. We evaluate, at least on an annual basis, whether events or circumstances have occurred that indicate all, or a portion, of the carrying amount of our goodwill and other intangible assets may no longer be recoverable. Should we determine in the future that our goodwill or other intangible assets have become impaired, an impairment charge to earnings would become necessary, which could be significant.

We may be unable to generate sufficient liquidity to expand our operations, which may reduce the business our customers and vendors are able to do with us; we could experience losses if one or more financial institutions holding our cash or other financial counterparties were to fail; repatriation of foreign cash could increase our taxes.

Our liquidity is dependent on a number of factors, including profitability, business volume, inventory requirements, the extension of trade credit by our suppliers, the degree of alignment of payment terms from our suppliers with payment terms granted to our customers, investments in facilities and equipment, acquisitions, repayments of our outstanding indebtedness, stock repurchase activity, the amount available under our accounts receivable sales

programs and availability under our revolving credit facility. In the event we need or desire additional liquidity to expand our business, make acquisitions or repurchase stock, there can be no assurance that such additional liquidity will be available on acceptable terms or at all. A failure to maintain adequate liquidity could cause our stock price to fall and reduce our customers' and vendors' willingness to do business with us.

A principal source of our liquidity is our cash and cash equivalents, which are held with various financial institutions. Although we distribute such funds among a number of financial institutions that we believe to be of high quality, there can be no assurance that one or more of such institutions will not become insolvent in the future, in which case all or a portion of our uninsured funds on deposit with such institutions could be lost. Similarly, if one or more counterparties to our foreign currency hedging instruments were to fail, we could suffer losses and our hedging of risk could become less effective.

Additionally, a majority of our worldwide cash reserves are generated by, and therefore held in, foreign jurisdictions. Some of these jurisdictions restrict the amount of cash that can be transferred to the U.S. or impose taxes and penalties on such transfers of cash. To the extent we have excess cash in foreign locations that could be used in, or is needed by, our U.S. operations, we may incur significant foreign taxes to repatriate these funds which would reduce the net amount ultimately available for such purposes.

Our credit agreements contain covenants which may adversely impact our business; the failure to comply with such covenants could cause us to be unable to borrow additional funds and cause our outstanding debt to become immediately payable.

Our revolving credit facility contains financial covenants with which we must continue to comply. In addition, our debt agreements include a number of restrictive covenants, including restrictions on incurring additional debt, making investments and other restricted payments, selling assets, paying dividends and redeeming or repurchasing capital stock and debt, subject to certain exceptions. Collectively, these covenants could constrain our ability to grow our business through acquisition or engage in other transactions. In addition, such agreements include covenants requiring, among other things, that we file quarterly and annual financial statements with the SEC, comply with all laws, pay all taxes and maintain casualty insurance. If we are not able to comply with these covenants, for any reason, some or all of our outstanding debt could become immediately due and payable and the incurrence of additional debt under our revolving credit facility would not be allowed, any of which would have a material adverse effect on our liquidity and ability to continue to conduct our business.

If we are unable to maintain our technological and manufacturing process expertise, our business could be adversely affected.

Regular improvements to and refinements of our manufacturing processes are necessary to remain competitive in the marketplace. As a result, we are continually evaluating the cost-effectiveness and feasibility of new manufacturing processes. In some cases, we must make capital expenditures and incur engineering expense in order to qualify and validate any such new process in advance of booking new business that could utilize such processes. Such investments utilize cash and reduce our margins and net income. Any failure to adequately invest in manufacturing technology could reduce our competitiveness and, potentially, our future revenue and net income.

If we manufacture or design defective products, or if our manufacturing processes do not comply with applicable statutory and regulatory requirements and standards, we could be subject to claims, damages and fines and lose customers.

We manufacture products to our customers' specifications, and in some cases our manufacturing processes and facilities need to comply with various statutory and regulatory requirements and standards. For example, many of the medical products that we manufacture, as well as the facilities and manufacturing processes that we use to produce them must comply with standards established by the U.S. Food and Drug Administration and products we manufacture for the automotive end market are generally subject to the ISO/TS 16949:2009 standard. In addition, our customers' products and the manufacturing processes that we use to produce them often are highly complex. As a result, products that we design or manufacture may at times contain design or manufacturing defects, and our manufacturing processes may be subject to errors or may not be in compliance with applicable statutory and regulatory requirements and standards. Defects in the products we design or manufacture may result in product recalls, warranty claims by customers, including liability for repair costs, delayed shipments to customers or reduced or canceled customer orders. The failure of the products that we design or manufacture or of our manufacturing processes and facilities to comply with applicable statutory and regulatory requirements and standards may subject us to legal fines or penalties, cause us to lose business and, in some cases, require us to shut down or incur considerable expense to correct a manufacturing program or facility. In addition, these defects may result in product liability claims

against us. The magnitude of such claims may increase as we continue to expand our medical, automotive, defense and aerospace and oil and gas manufacturing services because defects in these types of products can result in death or significant injury to end users of these products or environmental harm. Even when our customers are contractually responsible for defects in the design of a product, we could nonetheless be named in a product liability suit over such defects and could be required to expend significant resources to defend ourselves. Additionally, insolvency of our customers may result in us being held ultimately liable for our customers' design defects, which could significantly reduce our net income.

We are subject to risks associated with natural disasters and global events.

We conduct a significant portion of our activities, including manufacturing, administration and information technology management in areas that have experienced natural disasters, such as major earthquakes, hurricanes, floods and tsunamis. Our insurance coverage with respect to damages to our facilities or our customers' products caused by natural disasters is limited and is subject to deductibles and coverage limits and, as a result, may not be sufficient to cover all of our

losses. For example, our policies have very limited coverage for damages due to earthquake. In addition, such coverage may not continue to be available at commercially reasonable rates and terms. In the event of a major earthquake or other disaster affecting one or more of our facilities, our operations and management information systems, which control our worldwide procurement, inventory management, shipping and billing activities, could be significantly disrupted. Such events could delay or prevent product manufacturing for an extended period of time. Any extended inability to continue our operations at affected facilities following such an event could reduce our revenue.

Changes in financial accounting standards or policies have affected, and in the future may affect, our reported financial condition or results of operations; there are inherent limitations to our system of internal controls; changes in securities laws and regulations have increased, and are likely to continue to increase, our operating costs.

We prepare our consolidated financial statements in conformity with U.S. GAAP. Our preparation of financial statements in accordance with U.S. GAAP requires that we make estimates and assumptions that affect the recorded amounts of assets, liabilities and net income during the reporting period. A change in the facts and circumstances surrounding those estimates could result in a change to our estimates and could impact our future operating results.

These principles are subject to interpretation by the Financial Accounting Standards Board (FASB), the SEC and various bodies formed to interpret and create accounting policies. A change in those policies can have a significant effect on our reported results and may affect our reporting of transactions which are completed before a change is announced. For example, significant changes to the lease accounting rules have been enacted and will be effective for us in fiscal 2020. We could incur significant costs to implement these new rules, including costs to modify our IT systems or implement new IT solutions. In the first quarter of fiscal 2019, we implemented the new revenue recognition standard, which is complex and requires significant management judgment. Although we believe the judgments we applied in implementation of the new standard are appropriate, there can be no assurance that we will not be required to change our judgments relating to implementation of the standard in the future, whether as a result of new guidance or otherwise. A significant change in our judgments could have a significant impact on our reported revenue, gross profits or balance sheets. In general, changes to accounting rules or challenges to our interpretation or application of the rules by regulators may have a material adverse effect on our reported financial results or on the way we conduct business.

Our system of internal and disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives. However, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been or will be detected. As a result, there can be no assurance that our system of internal and disclosure controls and procedures will be successful in preventing all errors, theft and fraud, or in informing management of all material information in a timely manner. For example, we identified a material weakness in our internal control over financial reporting in each of the past two fiscal years. Both material weaknesses related to the failed operation of a management review control, but neither resulted in a restatement of previously-issued financial statements.

Finally, corporate governance, public disclosure and compliance practices continue to evolve based upon continuing legislative action, SEC rulemaking and stockholder activism. As a result, the number of rules and regulations applicable to us may increase, which could also increase our legal and financial compliance costs and the amount of time management must devote to compliance activities. Increasing regulatory burdens could also make it more difficult for us to attract and retain qualified members of our Board of Directors, particularly to serve on our Audit Committee, and qualified executive officers in light of an increase in actual or perceived workload and liability for serving in such positions.

The market price of our common stock is volatile and is impacted by factors other than our financial performance.

The stock market in recent years has experienced significant price and volume fluctuations that have affected our stock price. These fluctuations have often been unrelated to our operating performance. Factors that can cause such fluctuations include announcements by our customers, competitors or other events affecting companies in the electronics industry, currency fluctuations, general market fluctuations and macroeconomic conditions, any of which may cause the market price of our common stock to fluctuate.

Item 6. Exhibits

Exhibit Number	Description
10.28	<u>Amendment No. 1 dated January 16, 2019 to Fourth Amended and Restated Credit Agreement, dated as of November 30, 2018, by and among Sanmina Corporation, the lenders from time to time party thereto and Bank of America, N.A., as Administrative Agent.</u>
10.29*	<u>2019 Equity Incentive Plan</u>
10.30*	<u>Form of Restricted Stock Unit Award Agreement for use under 2019 Equity Incentive Plan</u>
10.31*	<u>Form of Stock Option Award Agreement for use under 2019 Equity Incentive Plan</u>
31.1	<u>Certification of the Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</u>
31.2	<u>Certification of the Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</u>
32.1 (1)	<u>Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</u>
32.2 (1)	<u>Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Compensatory plan in which an executive officer or director participates.

(1) This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

SIGNATURES

Pursuant to the Requirements 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.

SANMINA CORPORATION
(Registrant)

By: /s/ MICHAEL J. CLARKE
Michael J. Clarke
Chief Executive Officer (Principal Executive Officer)

Date: May 2, 2019

By: /s/ DAVID R. ANDERSON
David R. Anderson
Executive Vice President and
Chief Financial Officer (Principal Financial Officer)

Date: May 2, 2019