

SANMINA CORP
Form 10-Q
July 30, 2013

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 June 29, 2013

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
(State or other jurisdiction of
incorporation or organization)

77-0228183
(I.R.S. Employer
Identification Number)

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

95134
(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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

As of July 22, 2013, there were 83,630,995 shares outstanding of the issuer's common stock, \$0.01 par value per share.

SANMINA CORPORATION

INDEX

	Page
	PART I. FINANCIAL INFORMATION
Item 1.	Interim Financial Statements (Unaudited) <u>3</u>
	Condensed Consolidated Balance Sheets <u>3</u>
	Condensed Consolidated Statements of Income <u>4</u>
	Condensed Consolidated Statements of Comprehensive Income <u>5</u>
	Condensed Consolidated Statements of Cash Flows <u>6</u>
	Notes to Condensed Consolidated Financial Statements <u>7</u>
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations <u>18</u>
Item 3.	Quantitative and Qualitative Disclosures About Market Risk <u>26</u>
Item 4.	Controls and Procedures <u>27</u>
	PART II. OTHER INFORMATION
Item 1.	Legal Proceedings <u>28</u>
Item 1A.	Risk Factors <u>29</u>
Item 6.	Exhibits <u>43</u>
Signatures	<u>44</u>

SANMINA CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

	As of June 29, 2013 (Unaudited) (In thousands)	September 29, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$416,394	\$409,618
Accounts receivable, net of allowances of \$12,032 for both periods	898,625	1,001,543
Inventories	796,759	826,539
Prepaid expenses and other current assets	76,880	88,599
Total current assets	2,188,658	2,326,299
Property, plant and equipment, net	543,884	569,365
Other	246,504	272,122
Total assets	\$2,979,046	\$3,167,786
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$899,256	\$937,737
Accrued liabilities	120,180	104,741
Accrued payroll and related benefits	117,269	117,074
Short-term debt	113,865	59,995
Total current liabilities	1,250,570	1,219,547
Long-term liabilities:		
Long-term debt	561,155	837,364
Other	128,141	147,094
Total long-term liabilities	689,296	984,458
Commitments and contingencies (Note 6)		
Stockholders' equity	1,039,180	963,781
Total liabilities and stockholders' equity	\$2,979,046	\$3,167,786

See accompanying notes.

SANMINA CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Nine Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(Unaudited)			
	(In thousands, except per share data)			
Net sales	\$1,489,214	\$1,549,302	\$4,411,801	\$4,514,750
Cost of sales	1,374,963	1,444,050	4,100,318	4,194,125
Gross profit	114,251	105,252	311,483	320,625
Operating expenses:				
Selling, general and administrative	62,120	60,965	180,942	183,046
Research and development	6,761	5,587	18,176	15,643
Restructuring and integration costs	9,391	3,932	20,263	13,472
Amortization of intangible assets	474	672	1,422	2,395
Asset impairments	—	—	1,100	2,077
Gain on sales of long-lived assets	(176)	(1,298)	(23,361)	(1,298)
Total operating expenses	78,570	69,858	198,542	215,335
Operating income	35,681	35,394	112,941	105,290
Interest income	391	369	835	1,095
Interest expense	(8,944)	(16,131)	(32,444)	(58,361)
Other expense, net	(38)	(6,835)	(16,437)	(13,194)
Interest and other, net	(8,591)	(22,597)	(48,046)	(70,460)
Income before income taxes	27,090	12,797	64,895	34,830
Provision for income taxes	8,352	3,849	24,345	18,746
Net income	\$18,738	\$8,948	\$40,550	\$16,084
Net income per share:				
Basic	\$0.23	\$0.11	\$0.49	\$0.20
Diluted	\$0.22	\$0.11	\$0.48	\$0.19
Weighted average shares used in computing per share amounts:				
Basic	83,082	81,519	82,515	81,213
Diluted	85,602	83,566	84,819	83,469

See accompanying notes.

SANMINA CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended		Nine Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(Unaudited)			
	(In thousands)			
Net income	\$ 18,738	\$ 8,948	\$ 40,550	\$ 16,084
Other comprehensive income (loss):				
Foreign currency translation adjustments	(3,545)	(3,317)	(3,883)	(3,499)
Net unrealized gain on derivative financial instruments, net of tax	500	2,793	20,617	7,785
Changes in unrecognized net actuarial loss and unrecognized transition cost, net of tax	(101)	(196)	(424)	(251)
Comprehensive income	\$ 15,592	\$ 8,228	\$ 56,860	\$ 20,119

See accompanying notes.

SANMINA CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
	June 29, 2013 (Unaudited) (In thousands)	June 30, 2012
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net income	\$40,550	\$16,084
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	72,593	75,074
Stock-based compensation expense	13,376	13,120
Benefit from (provision for) doubtful accounts, product returns and other sales adjustments	3	(1,303)
Deferred income taxes	(530)	1,945
Loss from extinguishments of debt	1,401	10,697
Gain on sales of assets, net	(23,278)	(1,744)
Asset impairments	2,082	2,899
Loss from dedesignation of interest rate swap	14,903	—
Other, net	173	(152)
Changes in operating assets and liabilities:		
Accounts receivable	101,035	(3,342)
Inventories	28,882	62,035
Prepaid expenses and other assets	13,577	(15,524)
Accounts payable	(37,719)	(81,156)
Accrued liabilities and other long-term liabilities	794	15,709
Cash provided by operating activities	227,842	94,342
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(53,545)	(56,076)
Proceeds from sales of property, plant and equipment	28,974	4,713
Cash paid in connection with previous business combinations	—	(5,719)
Cash used in investing activities	(24,571)	(57,082)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Change in restricted cash	3,270	4,380
Repayments of long-term debt	(257,410)	(256,770)
Debt issuance costs	—	(2,685)
Proceeds from short-term borrowings	185,284	44,000
Repayments of short-term borrowings	(166,415)	(74,200)
Proceeds from revolving credit facility borrowings	1,016,520	178,000
Repayments of revolving credit facility borrowings	(981,520)	(178,000)
Net proceeds from stock issuances	6,689	1,995
Payments to acquire treasury stock	(1,525)	—
Cash used in financing activities	(195,107)	(283,280)
Effect of exchange rate changes	(1,388)	594

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Increase (decrease) in cash and cash equivalents	6,776	(245,426)
Cash and cash equivalents at beginning of period	409,618	640,288
Cash and cash equivalents at end of period	\$416,394	\$394,862
Cash paid during the period for:		
Interest, net of capitalized interest	\$32,009	\$51,563
Income taxes, net of refunds	\$13,553	\$10,376

See accompanying notes.

SANMINA CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Basis of Presentation

The accompanying 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 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 normal recurring and non-recurring adjustments that are, in the opinion of management, necessary for a fair presentation. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended September 29, 2012, included in the Company's 2012 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 condensed consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

Results of operations for the nine months ended June 29, 2013 are not necessarily indicative of the results that may be expected for the full fiscal year.

The Company operates on a 52 or 53 week year ending on the Saturday nearest September 30. Fiscal 2013 and 2012 are each 52-week years. All references to years relate to fiscal years unless otherwise noted.

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") No. 2013-2, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income". ASU No. 2013-2 requires disclosure of amounts reclassified out of accumulated other comprehensive income by component. The adoption of ASU 2013-2 will not materially impact the Company's financial statements and will be effective beginning in 2014.

Note 2. Inventories

Components of inventories were as follows:

	As of June 29, 2013 (In thousands)	September 29, 2012
Raw materials	\$528,090	\$584,821
Work-in-process	105,012	96,757
Finished goods	163,657	144,961
Total	\$796,759	\$826,539

Note 3. Fair Value

Fair Value Option for Long-term Debt

The Company has elected not to record its long-term debt instruments at fair value, but has measured them at fair value for disclosure purposes. As of June 29, 2013, the carrying amount and estimated fair value of the Company's long-term debt instruments were \$540.0 million and \$555.0 million, respectively. Fair value was estimated based on quoted prices (Level 2 inputs).

Assets/Liabilities Measured at Fair Value on a Recurring Basis

The Company's primary financial assets and financial liabilities are as follows:

7

- ☒ Money market funds
- ☒ Time deposits
- ☒ Foreign currency forward contracts
- ☒ Interest rate swaps

Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures, defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and also considers assumptions that market participants would use when pricing an asset or liability.

Inputs to valuation techniques used to measure fair value are prioritized into three broad levels (fair value hierarchy), as follows:

Level 1: Observable inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs that reflect quoted prices, other than quoted prices included in Level 1, that are observable for the assets or liabilities, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in less active markets; or inputs that are derived principally from or corroborated by observable market data by correlation.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the measurement of the fair value of assets or liabilities.

There were no transfers between levels in the fair value hierarchy during any period presented herein. The following table presents information as of June 29, 2013 with respect to assets and liabilities measured at fair value on a recurring basis:

	Money market funds	Time deposits	Derivatives designated as hedging instruments under ASC 815: Foreign Currency Forward Contracts and Interest Rate Swaps	Derivatives not designated as hedging instruments under ASC 815: Foreign Currency Forward Contracts and Interest Rate Swaps	Total
	Level 1 (In thousands)	Level 1	Level 2	Level 2	
Balance Sheet Classification:					
Cash and cash equivalents	\$436	\$18,539	\$—	\$—	\$18,975
Prepaid expenses and other current assets	\$—	\$—	\$6	\$1,917	\$1,923
Other assets	\$—	\$—	\$21,155	\$—	\$21,155
Accrued liabilities (1)	\$—	\$—	\$(242)	\$(16,076)	\$(16,318)

(1) Liabilities, or credit balances, are presented as negative amounts.

The following table presents information as of September 29, 2012 with respect to assets and liabilities measured at fair value on a recurring basis:

	Money market funds	Time deposits	Derivatives designated as hedging instruments under ASC 815: Foreign Currency Forward Contracts and Interest Rate Swaps Level 2	Derivatives not designated as hedging instruments under ASC 815: Foreign Currency Forward Contracts Level 2	Total
	Level 1 (In thousands)	Level 1			
Balance Sheet Classification:					
Cash and cash equivalents	\$435	\$3,384	\$—	\$—	\$3,819
Prepaid expenses and other current assets	\$—	\$—	\$77	\$1,770	\$1,847
Other assets	\$—	\$—	\$39,954	\$—	\$39,954
Accrued liabilities (1)	\$—	\$—	\$(175)	\$(2,913)	\$(3,088)
Other long-term liabilities (1)	\$—	\$—	\$(23,126)	\$—	\$(23,126)

(1) Liabilities, or credit balances, are presented as negative amounts.

The Company sponsors deferred compensation plans for eligible employees and non-employee members of its Board of Directors that allow participants to defer payment of part or all of their compensation. The Company's results of operations are not significantly affected by these plans since changes in the fair value of the assets substantially offset changes in the fair value of the liabilities. As such, assets and liabilities associated with these plans have not been included in the above tables. As of June 29, 2013 and September 29, 2012, assets and liabilities associated with these plans were approximately \$11.0 million and \$10.0 million, respectively, and are recorded as other non-current assets and other long-term liabilities on the condensed consolidated balance sheets.

The Company values derivatives using observable Level 2 market inputs at the measurement date and standard valuation techniques to convert future amounts to a single present value amount assuming that participants are motivated, but not compelled, to transact. The Company seeks high quality counterparties for all financing arrangements. For interest rate swaps, Level 2 inputs include short-term LIBOR rates, futures contracts on LIBOR between two and four years, longer term swap rates at commonly quoted intervals, and credit default swap rates for the Company and relevant counterparties. For currency contracts, Level 2 inputs include foreign currency spot and forward rates and interest rates at commonly quoted intervals. Mid-market pricing is used as a practical expedient for fair value measurements. ASC Topic 820 requires the fair value measurement of an asset or liability to reflect the nonperformance risk of the entity and the counterparty. Therefore, the counterparty's creditworthiness when in an asset position and the Company's creditworthiness when in a liability position have been considered in the fair value measurement of derivative instruments. The effect of nonperformance risk on the fair value of derivative instruments was not material as of June 29, 2013 or September 29, 2012.

Non-Financial Assets Measured at Fair Value on a Nonrecurring Basis

Assets held-for-sale, consisting of land and buildings, are measured at fair value on a nonrecurring basis since these assets are subject to fair value adjustments only when the carrying amount of such assets exceeds the fair value of such assets or such assets have been previously impaired and the fair value exceeds the carrying amount by less than the amount of the impairment that has been previously recognized. Level 2 inputs consist of independent third party valuations based on market comparables. The carrying value of the Company's assets held-for-sale was \$9.1 million and \$10.2 million as of June 29, 2013 and September 29, 2012, respectively, and is included in prepaid expenses and other current assets on the condensed consolidated balance sheets. The Company recorded an impairment charge of \$1.1 million during the nine months ended June 29, 2013 related to assets held-for-sale.

Note 4. Derivative Financial Instruments

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

Interest Rate Risk

Interest rate swaps are used to manage interest rate risk associated with borrowings under the Company's long-term debt arrangements.

Interest Rate Swaps Not Designated As Hedging Instruments

The Company has interest rate swaps with an aggregate notional amount of \$257 million that were entered into in 2007 to hedge LIBOR-based variable rate interest payments expected to occur through June 15, 2014. During the first quarter of 2013, the Company determined, based on its intention of redeeming \$257.4 million of its senior floating rates notes due in 2014 ("2014 Notes"), that it was no longer probable that LIBOR-based, variable rate interest payments would occur on \$257 million of debt through June 15, 2014. Accordingly, the Company dedesignated its interest rate swaps in their entirety in the first quarter of 2013 and recorded a charge of \$14.9 million to other expense, net, representing the portion of the value of the interest rate swaps previously recorded in accumulated other comprehensive income (AOCI) for which it was no longer probable that LIBOR-based variable rate interest payments would occur. During the second quarter of 2013, the Company redeemed its 2014 Notes in full using a combination of cash on hand and borrowings under the Company's revolving credit facility (LIBOR-based, variable rate facility). Therefore, LIBOR-based variable rate payments are only expected to occur on forecasted borrowings under the Company's revolving credit facility and only during the period of time these borrowings are expected to be outstanding. The AOCI balance as of June 29, 2013 was \$0.9 million and is expected to be amortized to interest expense over the next 6 months.

Under the terms of the swap agreements, the Company pays the independent swap counterparties a fixed rate of approximately 5.6% and the swap counterparties pay the Company an interest rate equal to three-month LIBOR. As of June 29, 2013, the fair value of the interest rate swaps was \$13.1 million and is included in accrued liabilities on the condensed consolidated balance sheet. The Company does not intend to liquidate the swap agreements and will therefore continue to make and receive payments under the swaps through June 15, 2014. Beginning on the date the interest rate swaps were dedesignated, changes in the fair value of the interest rate swaps will be recorded to other expense, net, in the condensed consolidated statement of income. Such amounts were not material for the three and nine months ended June 29, 2013.

Fair Value Hedge

The Company has \$500 million of fixed-rate senior notes (the "2019 Notes") outstanding as of June 29, 2013 and has an interest rate swap with a single counterparty to hedge its exposure to changes in the fair value of the notes resulting from fluctuations in interest rates. The swap agreement, with a notional amount of \$500 million and an expiration date of May 15, 2019, effectively converts these notes from fixed-rate debt to variable-rate debt. Pursuant to the interest rate swap, the Company pays the swap counterparty a variable rate equal to the three-month LIBOR plus a spread and receives a fixed rate of 7.0% from the swap counterparty. Consistent with the Company's ability to call the 2019 Notes beginning in May 2014, the swap counterparty has the unilateral right to terminate the swap beginning in May 2014 and pay the Company a market termination fee. In accordance with ASC Topic 815, the interest rate swap is accounted for as a fair value hedge and is exempt from periodic assessment of hedge effectiveness. Therefore, the change in the fair value of the 2019 Notes resulting from changes in interest rates is assumed to be equal and opposite to the change in the fair value of the interest rate swap. As of June 29, 2013, the fair value of the interest rate swap was \$21.2 million and is included in other non-current assets and long-term debt on the condensed consolidated balance sheet.

Foreign Exchange Rate 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 foreign currencies. The Company's primary foreign currency cash flows are in certain Asian and European countries, Israel, Brazil and Mexico.

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

10

	As of June 29, 2013	September 29, 2012
Derivatives Designated as Accounting Hedges:		
Notional amount (in thousands)	\$ 101,909	\$ 123,050
Number of contracts	43	49
Derivatives Not Designated as Accounting Hedges:		
Notional amount (in thousands)	\$ 181,746	\$ 292,469
Number of contracts	41	33

The Company enters into short-term foreign currency forward contracts to hedge currency exposures associated with certain monetary assets and liabilities denominated in foreign currencies. These contracts have maturities of up to two months and are not designated as accounting hedges under ASC Topic 815. Accordingly, these contracts are marked-to-market at the end of each period with unrealized gains and losses recorded in other expense, net, in the condensed consolidated statements of income. For the three and nine months ended June 29, 2013, the Company recorded losses of \$2.3 million and \$4.1 million, respectively, associated with these forward contracts. For the three and nine months ended June 30, 2012, the Company recorded gains of \$3.3 million and \$7.9 million, respectively, associated with these forward contracts. 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.

The Company also 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 sales denominated in currencies other than those used to pay for materials and labor and 2) 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 accounted for as cash flow hedges under ASC Topic 815.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive income (AOCI), an equity account, and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on derivative instruments representing hedge ineffectiveness are recognized in current earnings. Other than ineffectiveness of \$14.9 million recognized in the first quarter of 2013 in connection with a dedesignation of interest rate swaps, the amount of ineffectiveness on a quarterly basis has been immaterial. As of June 29, 2013, AOCI related to foreign currency forward contracts was not material.

The following table presents the effect of cash flow hedging relationships on the Company's condensed consolidated statements of income:

Derivative Type and Income Statement Location	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)				Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)				Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Ineffective Portion)	
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended		Nine Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012

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(In thousands)

Interest rate swaps -	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$(14,903)	\$—
Other expense, net										
Interest rate swaps -	\$—	\$(521)	\$96	\$(2,014)	\$(1,013)	\$(3,224)	\$(5,971)	(9,737)	—	—
Interest expense										
Foreign currency										
forward contracts -	5	1,752	267	344	518	1,662	620	282	—	—
Cost of sales										
Total	\$5	\$1,231	\$363	\$(1,670)	\$(495)	\$(1,562)	\$(5,351)	\$(9,455)	\$(14,903)	\$—

Note 5. Debt

Long-term debt consisted of the following:

11

	As of	
	June 29, 2013	September 29, 2012
	(In thousands)	
Senior Floating Rate Notes due 2014 ("2014 Notes")	\$—	\$257,410
Secured Debt due 2015	40,000	40,000
Senior Notes due 2019	500,000	500,000
Fair value adjustment (1)	21,155	39,954
Total	\$561,155	\$837,364

(1) Represents fair value hedge accounting balance related to interest rate swaps. See Note 4 for discussion.

During the second quarter of 2013, the Company redeemed all \$257.4 million of its outstanding 2014 Notes at par plus accrued interest and incurred a loss of \$1.4 million, consisting primarily of the write-off of unamortized debt issuance costs.

Other than the Company's secured debt due in 2015, the Company's debt agreements do not contain financial covenants currently applicable to the Company, but do 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. The Company's secured debt due in 2015 requires the Company to maintain a minimum fixed charge coverage ratio during its term. The Company was in compliance with these covenants as of June 29, 2013.

Short-term debt

The Company has a \$300 million secured asset-backed revolving credit facility. Borrowings under this facility bear interest, at the Company's option, at a rate equal to LIBOR or a base rate equal to Bank of America, N.A.'s announced prime rate, in each case plus a spread. The facility expires on March 16, 2017. As of June 29, 2013, \$35 million of borrowings and \$23.6 million of letters of credit were outstanding.

During the second quarter of 2013, one of the Company's subsidiaries in China entered into a \$100 million unsecured working capital loan facility to replace a \$50 million facility. As of June 29, 2013, the Company had a total of \$184 million of short-term borrowing facilities under its foreign subsidiaries, under which \$60.0 million was outstanding. Borrowings under these facilities bear interest at a rate equal to LIBOR plus a spread. These facilities expire at various dates through the second quarter of 2015.

Note 6. Commitments and Contingencies

Litigation and other 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 June 29, 2013 and September 29, 2012, the Company had reserves of \$23.0 million and \$18.5 million, respectively, for environmental matters, litigation and other contingencies, excluding reserves for uncertain tax positions, which the Company believes is adequate. Such reserves are included in accrued liabilities and other long-term liabilities on the consolidated balance sheet.

As of June 29, 2013, the Company had \$7.8 million of exposure, consisting of accounts receivable and inventory, with a certain customer that is experiencing financial difficulties. The customer has filed for bankruptcy in the U.S. The

vast majority of the Company's exposure is with certain of the customer's foreign subsidiaries which are not part of the bankruptcy filing. The Company has reserved \$5.9 million of this exposure, \$5.1 million of which was provided in the first quarter of 2013, and continues to monitor this situation closely.

The Company is subject to various federal, state, local and foreign laws and regulations concerning environmental protection, including those addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites, the materials used in products, and the recycling, treatment and disposal of materials. As of June 29, 2013, the Company is a party to a regulatory agency order with respect to a former site and has recorded a liability for this matter, representing the Company's current estimate of the costs required to assess and

remediate the site. The Company believes it is reasonably possible that it will incur additional costs related to this matter, but cannot reasonably estimate such amount at this time.

Warranty Reserve. The following table presents information with respect to warranty reserves, which are included in accrued liabilities on the condensed consolidated balance sheets:

	As of June 29, 2013	June 30, 2012
	(In thousands)	
Beginning balance — end of prior year	\$ 14,649	\$ 15,672
Additions to accrual	5,447	6,544
Utilization of accrual	(6,434) (6,785
Ending balance — current quarter	\$ 13,662	\$ 15,431

Note 7. Restructuring

Restructuring Plans — 2012

In 2012, the Company initiated restructuring plans related to plant closures and business reorganizations. Costs associated with these plans are expected to be \$30.4 million and to include employee severance, costs related to facilities, asset impairment charges and other exit costs. In connection with actions taken to date under these plans, the Company recorded employee termination benefits of \$13.7 million for 2,150 employees, of which \$0.3 million was recorded during the third quarter of 2013, \$7.8 million of costs related to facilities (including environmental remediation), of which \$4.6 million was recorded during the third quarter of 2013, and \$4.5 million of asset impairment charges, none of which was recorded during the third quarter of 2013. These plans are expected to be completed in 2013. As of June 29, 2013, \$2.0 million of severance remains payable and is expected to be paid by early 2014.

Restructuring Plans — Prior to 2012

Due to completion of all actions under restructuring plans initiated prior to 2012 and immateriality of the remaining accrual balance related to such plans, these plans have been combined for disclosure purposes. In connection with these plans, the Company expects to incur restructuring costs in future periods associated primarily with vacant facilities until such time as those facilities have been sold or leased to third parties. The Company recorded \$4.3 million of costs related to facilities during the third quarter of 2013 in connection with these plans.

Costs incurred with respect to facilities consist primarily of (1) costs to maintain vacant facilities that are owned until such facilities can be sold and (2) the portion of the Company's lease payments that have not been recovered due to the absence of sublease income for vacant leased properties.

Below is a summary of restructuring costs associated with facility closures and other consolidation efforts for the above plans:

	2012 Restructuring Plan (In thousands)	Prior to 2012 Restructuring Plan	Total
Accrual balance at September 29, 2012	\$ 10,301	\$ 4,691	\$ 14,992
Employee severance and benefits	2,130	335	2,465
Leases and facilities shutdown costs	6,030	8,333	14,363
Non-cash charges	2,261	1,174	3,435
Total restructuring charges	10,421	9,842	20,263
Cash paid for employee terminations	(10,421)	(586)	(11,007)
Cash paid for leases and facilities shutdown costs	(6,034)	(6,253)	(12,287)
Non-cash charges	(2,261)	(1,174)	(3,435)
Total charges utilized / payments	(18,716)	(8,013)	(26,729)
Accrual balance at June 29, 2013	\$ 2,006	\$ 6,520	\$ 8,526

The Company's IMS segment incurred restructuring costs under all restructuring plans of \$6.7 million and \$10.9 million for the three and nine months ended June 29, 2013, respectively. For the three and nine months ended June 30, 2012, restructuring costs incurred by the Company's IMS segment were \$3.1 million and \$10.2 million, respectively.

Note 8. Stockholder's Equity

Accumulated other comprehensive income

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

	As of June 29, 2013 (In thousands)	September 29, 2012
Foreign currency translation adjustments	\$ 103,837	\$ 107,720
Unrealized holding losses on derivative financial instruments (1)	(4,893)	(25,510)
Unrecognized net actuarial loss and transition cost	(19,155)	(18,731)
Total	\$ 79,789	\$ 63,479

(1) The net unrealized loss on derivative financial instruments is primarily related to interest rate swap agreements associated with certain debt. See Note 4 for discussion of change in balance from September 29, 2012. Additionally, amount includes a residual tax effect of \$3.3 million in both periods.

Stock repurchase program

During the second quarter of 2013, the Company's Board of Directors authorized the Company to repurchase up to \$100 million of the Company's common stock in the open market or in negotiated transactions off the market. The common stock repurchase program has no expiration date and no purchases were made during the three or nine months ended June 29, 2013.

Note 9. 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 information for the following periods:

	Three Months Ended		Nine Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(In thousands)			
Gross sales:				
IMS	\$1,202,749	\$1,270,849	\$3,565,389	\$3,689,889
CPS	324,773	311,658	961,854	930,067
Intersegment revenue	(38,308)	(33,205)	(115,442)	(105,206)
Net sales	\$1,489,214	\$1,549,302	\$4,411,801	\$4,514,750
Gross profit:				
IMS	\$79,888	\$81,796	\$219,172	\$244,148
CPS	35,834	24,162	99,754	79,502
Total	115,722	105,958	318,926	323,650
Unallocated items (1)	(1,471)	(706)	(7,443)	(3,025)
Total	\$114,251	\$105,252	\$311,483	\$320,625

(1) Represents amounts associated with items that management excludes from its measure of gross profit. These items include stock-based compensation expense, amortization of intangible assets, charges or credits resulting from distressed customers and similar items that either occur infrequently or are of a non-operational nature.

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

	Three Months Ended		Nine Months Ended		
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012	
	(In thousands)				
Net sales					
Domestic	\$275,893	\$280,144	\$796,458	\$843,656	
Mexico	372,060	331,470	1,059,473	940,603	
China	364,703	404,659	1,130,916	1,246,462	
Other international	476,558	533,029	1,424,954	1,484,029	
Total	\$1,489,214	\$1,549,302	\$4,411,801	\$4,514,750	
Percentage of net sales represented by ten largest customers	51.4	% 50.8	% 50.1	% 49.1	%
Number of customers representing 10% or more of net sales	1	2	1	1	

Note 10. Earnings Per Share

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

15

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	Three Months Ended		Nine Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(In thousands, except per share data)			
Numerator:				
Net income	\$18,738	\$8,948	\$40,550	\$16,084
Denominator:				
Weighted average shares used in computing per share amount:				
—Basic	83,082	81,519	82,515	81,213
—Diluted	85,602	83,566	84,819	83,469
Net income per share:				
—Basic	\$0.23	\$0.11	\$0.49	\$0.20
—Diluted	\$0.22	\$0.11	\$0.48	\$0.19

The following table presents weighted-average dilutive securities that were excluded from the above calculation because their inclusion would have had an anti-dilutive effect under ASC Topic 260, Earnings per Share, due to application of the treasury stock method:

	Three Months Ended		Nine Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(In thousands)			
Potentially Dilutive Securities:				
Employee stock options	5,895	8,253	7,368	7,806
Restricted stock units	3	958	3	413
Total	5,898	9,211	7,371	8,219

Note 11. Stock-Based Compensation

Stock compensation expense was attributable to:

	Three Months Ended		Nine Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(In thousands)			
Stock options	\$2,665	\$2,452	\$8,039	\$7,454
Restricted stock units	1,703	2,075	5,337	5,666
Total	\$4,368	\$4,527	\$13,376	\$13,120

Stock compensation expense was recognized as follows:

	Three Months Ended		Nine Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(In thousands)			
Cost of sales	\$1,471	\$706	\$4,102	\$2,596
Selling, general and administrative	2,876	3,793	9,175	10,442
Research and development	21	28	99	82
Total	\$4,368	\$4,527	\$13,376	\$13,120

During the second quarter of 2013, the Company's stockholders approved the reservation of an additional 1.7 million shares of common stock for future issuance under the Company's 2009 Incentive Plan. As of June 29, 2013, an aggregate of

16

15.5 million shares were authorized for future issuance under the Company's stock plans, of which 12.2 million of such shares were issuable upon exercise of outstanding options and delivery of shares upon vesting of restricted stock units and 3.3 million shares of common stock were available for future grant.

Stock Options

Stock option activity was as follows:

Number of Shares	Weighted- Average Exercise Price (\$)	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value of In-The-Money Options (\$)
(In thousands)			