

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 1, 2024

OR

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

For the transition period from to

Commission File Number 001-38102



SMART GLOBAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Cayman Islands

98-1013909

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

c/o Walkers Corporate Limited

190 Elgin Avenue

George Town, Grand Cayman

Cayman Islands

KY1-9008

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code: (510) 623-1231

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

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

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

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

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

Large Accelerated Filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

☒

☐

☐

☐

☐

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

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

As of April 1, 2024, the registrant had 52,297,047 ordinary shares outstanding.

Table of Contents

	Page
PART I. Financial Information	
Item 1 Financial Statements	4
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3 Quantitative and Qualitative Disclosures About Market Risk	34
Item 4 Controls and Procedures	35
PART II. Other Information	
Item 1 Legal Proceedings	36
Item 1A Risk Factors	36
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	36
Item 3 Defaults Upon Senior Securities	36
Item 4 Mine Safety Disclosures	36
Item 5 Other Information	37
Item 6 Exhibits	37
Signatures	38

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q ("Quarterly Report") contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995 that are not historical in nature, that are predictive or that depend upon or refer to future events or conditions. These statements include, but are not limited to, statements regarding our future financial or operating performance, the extent and timing of future revenues and expenses and customer demand; statements regarding the deployment of our products and services; statements regarding our reliance on third parties; and statements using words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "plan," "potential," "should" and similar words and the negatives thereof. These forward-looking statements are based on our current expectations or forecasts of future events, circumstances, results or aspirations and are subject to a number of significant risks, uncertainties and other factors, many of which are outside of our control, including but not limited to, global business and economic conditions and growth trends in technology industries, our customer markets and various geographic regions; uncertainties in the geopolitical environment; the ability to manage our cost structure; disruptions in our operations or supply chain; changes in trade regulations or adverse developments in international trade relations and agreements; changes in currency exchange rates; overall information technology spending; appropriations for government spending; the success of our strategic initiatives including additional investments in new products and additional capacity; acquisitions of companies or technologies and the failure to successfully integrate and operate them or customers' negative reactions to them; incurring unanticipated costs following the completion of the sale of our SMART Brazil business; issues, delays or complications in integrating the operations of Stratus Technologies; limitations on or changes in the availability of supply of materials and components; fluctuations in material costs; the temporary or volatile nature of pricing trends in memory or elsewhere; deterioration in customer relationships; our dependence on a select number of customers and the timing and volume of customer orders; production or manufacturing difficulties; competitive factors; technological changes; difficulties with, or delays in, the introduction of new products; slowing or contraction of growth in the LED market; changes to applicable tax regimes or rates; prices for the end products of our customers; strikes or labor disputes; deterioration in or loss of relations with any of our limited number of key vendors; the inability to maintain or expand government business; and the continuing availability of borrowings under term loans and revolving lines of credit and our ability to raise capital through debt or equity financings. These and other risks, uncertainties and factors are described in greater detail under the sections titled "Risk Factors," "Critical Accounting Estimates," "Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk" and "Liquidity and Capital Resources" contained in our Annual Report on Form 10-K for the fiscal year ended August 25, 2023, this Quarterly Report and the risks discussed in our other Securities and Exchange Commission ("SEC") filings. The risks, uncertainties and factors outlined above, and in such SEC filings, do not constitute all risks, uncertainties and factors that could cause actual results of our Company to be materially different from such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on any forward-looking statements.

The forward-looking statements included in this Quarterly Report are made only as of the date of this Quarterly Report. We do not intend, and have no obligation, to update or revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this Quarterly Report, except as required by law.

About This Quarterly Report

As used herein, "SGH," "Company," "Registrant," "we," "our," "us" or similar terms refer to SMART Global Holdings, Inc. and its consolidated subsidiaries, unless the context indicates otherwise. Our fiscal year is the 52- or 53-week period ending on the last Friday in August. Fiscal years 2024 and 2023 contain 53 weeks and 52 weeks, respectively. All period references are to our fiscal periods unless otherwise indicated.

SGH, SMART Global Holdings, SMART Modular Technologies, SMART, the SMART logo, Intelligent Platform Solutions, Penguin Computing, Penguin Edge, Penguin Solutions, the Penguin Computing logo, CreeLED, J Series, XLamp, Stratus, Stratus Technologies, the Stratus Logo and our other trademarks or service marks appearing in this Quarterly Report are our trademarks or registered trademarks. Trade names, trademarks and service marks of other companies appearing in this Quarterly Report are the property of their respective holders.

PART I. Financial Information

Item 1. Financial Statements

INDEX TO FINANCIAL STATEMENTS

	Page
Consolidated Balance Sheets	5
Consolidated Statements of Operations	6
Consolidated Statements of Comprehensive Income (Loss)	7
Consolidated Statements of Shareholders' Equity	8
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	11

SMART Global Holdings, Inc.

Consolidated Balance Sheets

(In thousands, except par value amount)

(Unaudited)

As of	March 1, 2024	August 25, 2023
Assets		
Cash and cash equivalents	\$ 442,329	\$ 365,563
Short-term investments	23,439	25,251
Accounts receivable, net	169,718	219,247
Inventories	172,763	174,977
Other current assets	76,481	51,790
Current assets of discontinued operations	—	70,574
Total current assets	884,730	907,402
Property and equipment, net	109,516	118,734
Operating lease right-of-use assets	62,529	68,444
Intangible assets, net	140,923	160,185
Goodwill	161,958	161,958
Deferred tax assets	73,914	74,085
Other noncurrent assets	83,884	15,150
Total assets	<u>\$ 1,517,454</u>	<u>\$ 1,505,958</u>
Liabilities and Equity		
Accounts payable and accrued expenses	\$ 182,021	\$ 182,035
Current debt	—	35,618
Deferred revenue	37,228	48,096
Acquisition-related contingent consideration	—	50,000
Other current liabilities	48,710	32,731
Current liabilities of discontinued operations	—	77,770
Total current liabilities	267,959	426,250
Long-term debt	740,663	754,820
Noncurrent operating lease liabilities	62,585	66,407
Other noncurrent liabilities	34,743	29,248
Total liabilities	<u>1,105,950</u>	<u>1,276,725</u>
Commitments and contingencies		
SMART Global Holdings shareholders' equity:		
Ordinary shares, \$ 0.03 par value; authorized 200,000 shares; 58,972 shares issued and 52,287 outstanding as of March 1, 2024; 57,542 shares issued and 51,901 outstanding as of August 25, 2023	1,769	1,726
Additional paid-in capital	502,560	476,703
Retained earnings	48,916	82,457
Treasury shares, 6,685 and 5,641 shares held as of March 1, 2024 and August 25, 2023, respectively	(148,309)	(132,447)
Accumulated other comprehensive income (loss)	106	(205,964)
Total SGH shareholders' equity	405,042	222,475
Noncontrolling interest in subsidiary	6,462	6,758
Total equity	<u>411,504</u>	<u>229,233</u>
Total liabilities and equity	<u>\$ 1,517,454</u>	<u>\$ 1,505,958</u>

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

SMART Global Holdings, Inc.

Consolidated Statements of Operations

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	March 1, 2024	February 24, 2023	March 1, 2024	February 24, 2023
Net sales:				
Products	\$ 235,457	\$ 333,052	\$ 441,887	\$ 649,560
Services	49,364	55,325	117,181	130,614
Total net sales	284,821	388,377	559,068	780,174
Cost of sales:				
Products	179,889	255,710	343,302	507,001
Services	22,998	21,659	50,982	50,067
Total cost of sales	202,887	277,369	394,284	557,068
Gross profit	81,934	111,008	164,784	223,106
Operating expenses:				
Research and development	20,526	25,272	41,915	49,344
Selling, general and administrative	61,385	60,074	118,602	127,782
Impairment of goodwill	—	17,558	—	17,558
Change in fair value of contingent consideration	—	6,400	—	10,100
Other operating (income) expense	3,335	3,781	6,274	5,552
Total operating expenses	85,246	113,085	166,791	210,336
Operating income (loss)	(3,312)	(2,077)	(2,007)	12,770
Non-operating (income) expense:				
Interest expense, net	7,249	9,430	16,808	17,924
Other non-operating (income) expense	248	13,307	(328)	11,945
Total non-operating (income) expense	7,497	22,737	16,480	29,869
Income (loss) before taxes	(10,809)	(24,814)	(18,487)	(17,099)
Income tax provision (benefit)	2,198	8,149	5,732	19,471
Net income (loss) from continuing operations	(13,007)	(32,963)	(24,219)	(36,570)
Net income (loss) from discontinued operations	—	6,177	(8,148)	15,108
Net income (loss)	(13,007)	(26,786)	(32,367)	(21,462)
Net income attributable to noncontrolling interest	613	433	1,174	765
Net income (loss) attributable to SGH	\$ (13,620)	\$ (27,219)	\$ (33,541)	\$ (22,227)
Basic earnings (loss) per share:				
Continuing operations	\$ (0.26)	\$ (0.68)	\$ (0.49)	\$ (0.76)
Discontinued operations	—	0.13	(0.15)	0.31
	\$ (0.26)	\$ (0.55)	\$ (0.64)	\$ (0.45)
Diluted earnings (loss) per share:				
Continuing operations	\$ (0.26)	\$ (0.68)	\$ (0.49)	\$ (0.76)
Discontinued operations	—	0.13	(0.15)	0.31
	\$ (0.26)	\$ (0.55)	\$ (0.64)	\$ (0.45)
Shares used in per share calculations:				
Basic	52,031	49,116	52,050	49,039
Diluted	52,031	49,116	52,050	49,039

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

SMART Global Holdings, Inc.

Consolidated Statements of Comprehensive Income (Loss)

(In thousands)

(Unaudited)

	Three Months Ended		Six Months Ended	
	March 1, 2024	February 24, 2023	March 1, 2024	February 24, 2023
Net income (loss)	\$ (13,007)	\$ (26,786)	\$ (32,367)	\$ (21,462)
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustment	(210)	6,121	(6,352)	4,113
Cumulative translation adjustment reclassified to net income (loss)	—	—	212,397	—
Gains (losses) on derivative instruments	—	(24)	—	(4)
Gains (losses) on investments	13	(4)	25	(11)
Comprehensive income (loss)	(13,204)	(20,693)	173,703	(17,364)
Comprehensive income attributable to noncontrolling interest	613	433	1,174	765
Comprehensive income (loss) attributable to SGH	\$ (13,817)	\$ (21,126)	\$ 172,529	\$ (18,129)

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

SMART Global Holdings, Inc.

Consolidated Statements of Shareholders' Equity

(In thousands)

(Unaudited)

	Shares Issued	Amount	Additional Paid-in Capital	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Total SGH Shareholders' Equity	Non- controlling Interest in Subsidiary	Total Equity
As of August 25, 2023	57,542	\$ 1,726	\$ 476,703	\$ 82,457	\$ (132,447)	\$ (205,964)	\$ 222,475	\$ 6,758	\$ 229,233
Net income (loss)	—	—	—	(19,921)	—	—	(19,921)	561	(19,360)
Other comprehensive income (loss)	—	—	—	—	—	206,267	206,267	—	206,267
Shares issued under equity plans	905	27	3,428	—	—	—	3,455	—	3,455
Repurchase of ordinary shares	—	—	—	—	(13,130)	—	(13,130)	—	(13,130)
Share-based compensation expense	—	—	11,014	—	—	—	11,014	—	11,014
Distribution to noncontrolling interest	—	—	—	—	—	—	—	(1,470)	(1,470)
As of December 1, 2023	58,447	1,753	491,145	62,536	(145,577)	303	410,160	5,849	416,009
Net income (loss)	—	—	—	(13,620)	—	—	(13,620)	613	(13,007)
Other comprehensive income (loss)	—	—	—	—	—	(197)	(197)	—	(197)
Shares issued under equity plans	525	16	776	—	—	—	792	—	792
Repurchase of ordinary shares	—	—	—	—	(2,732)	—	(2,732)	—	(2,732)
Share-based compensation expense	—	—	10,639	—	—	—	10,639	—	10,639
As of March 1, 2024	<u>58,972</u>	<u>\$ 1,769</u>	<u>\$ 502,560</u>	<u>\$ 48,916</u>	<u>\$ (148,309)</u>	<u>\$ 106</u>	<u>\$ 405,042</u>	<u>\$ 6,462</u>	<u>\$ 411,504</u>

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

SMART Global Holdings, Inc.

Consolidated Statements of Shareholders' Equity

(In thousands)

(Unaudited)

	Shares Issued	Amount	Additional Paid-in Capital	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Total SGH Shareholders' Equity	Non- controlling Interest in Subsidiary	Total Equity
As of August 26, 2022	52,880	\$ 1,586	\$ 448,112	\$ 251,344	\$ (107,776)	\$ (221,655)	\$ 371,611	\$ 6,935	\$ 378,546
Net income	—	—	—	4,992	—	—	4,992	332	5,324
Other comprehensive income (loss)	—	—	—	—	—	(1,995)	(1,995)	—	(1,995)
Shares issued under equity plans	1,060	32	3,910	—	—	—	3,942	—	3,942
Repurchase of ordinary shares	—	—	—	—	(4,659)	—	(4,659)	—	(4,659)
Share-based compensation expense	—	—	10,412	—	—	—	10,412	—	10,412
Adoption of ASU 2020-06	—	—	(50,822)	18,639	—	—	(32,183)	—	(32,183)
As of November 25, 2022	53,940	1,618	411,612	274,975	(112,435)	(223,650)	352,120	7,267	359,387
Net income (loss)	—	—	—	(27,219)	—	—	(27,219)	433	(26,786)
Other comprehensive income (loss)	—	—	—	—	—	6,093	6,093	—	6,093
Shares issued under equity plans	443	13	295	—	—	—	308	—	308
Repurchase of ordinary shares	—	—	—	—	(11,564)	—	(11,564)	—	(11,564)
Purchase of Capped Calls	—	—	(15,090)	—	—	—	(15,090)	—	(15,090)
Settlement of Capped Calls	—	—	10,786	—	—	—	10,786	—	10,786
Share-based compensation expense	—	—	10,395	—	—	—	10,395	—	10,395
Distribution to noncontrolling interest	—	—	—	—	—	—	—	(2,009)	(2,009)
As of February 24, 2023	54,383	\$ 1,631	\$ 417,998	\$ 247,756	\$ (123,999)	\$ (217,557)	\$ 325,829	\$ 5,691	\$ 331,520

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

SMART Global Holdings, Inc.

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

Six Months Ended	March 1, 2024	February 24, 2023
Cash flows from operating activities		
Net income (loss)	\$ (32,367)	\$ (21,462)
Net income (loss) from discontinued operations	(8,148)	15,108
Net loss from continuing operations	(24,219)	(36,570)
Adjustments to reconcile net loss from continuing operations to net cash provided by (used for) operating activities:		
Depreciation expense and amortization of intangible assets	34,810	34,248
Amortization of debt discount and issuance costs	2,010	2,117
Share-based compensation expense	21,609	20,012
Impairment of goodwill	—	17,558
Change in fair value of contingent consideration	—	10,100
(Gain) loss on extinguishment or prepayment of debt	325	15,924
Deferred income taxes, net	194	1,630
Other	456	4,116
Changes in operating assets and liabilities:		
Accounts receivable	49,530	172,033
Inventories	2,214	10,240
Other assets	(21,127)	(9,893)
Accounts payable and accrued expenses and other liabilities	994	(174,745)
Payment of acquisition-related contingent consideration	(29,000)	(73,724)
Net cash provided by (used for) operating activities from continuing operations	37,796	(6,954)
Net cash provided by (used for) operating activities from discontinued operations	(28,235)	33,504
Net cash provided by (used for) operating activities	9,561	26,550
Cash flows from investing activities		
Capital expenditures and deposits on equipment	(9,852)	(19,690)
Proceeds from maturities of investment securities	21,955	—
Purchases of held-to-maturity investment securities	(19,503)	—
Acquisition of business, net of cash acquired	—	(213,073)
Other	(746)	239
Net cash used for investing activities from continuing operations	(8,146)	(232,524)
Net cash provided by (used for) investing activities from discontinued operations	118,938	(4,472)
Net cash provided by (used for) investing activities	110,792	(236,996)
Cash flows from financing activities		
Proceeds from debt	—	295,287
Proceeds from issuance of ordinary shares	4,247	4,250
Payment of acquisition-related contingent consideration	(21,000)	(28,100)
Payments to acquire ordinary shares	(15,862)	(16,223)
Repayments of debt	(51,634)	(7,211)
Payment of premium in connection with convertible note exchange	—	(14,141)
Net cash paid for settlement and purchase of Capped Calls	—	(4,304)
Distribution to noncontrolling interest	(1,470)	(2,009)
Other	(583)	(5,077)
Net cash provided by (used for) financing activities from continuing operations	(86,302)	222,472
Net cash used for financing activities from discontinued operations	(606)	(124)
Net cash provided by (used for) financing activities	(86,908)	222,348
Effect of changes in currency exchange rates	(1,180)	1,917

Net increase (decrease) in cash and cash equivalents	32,265	13,819
Cash and cash equivalents at beginning of period	410,064	363,065
Cash and cash equivalents at end of period	<u>\$ 442,329</u>	<u>\$ 376,884</u>
Cash and cash equivalents at end of period:		
Continuing operations	\$ 442,329	\$ 310,377
Discontinued operations	—	66,507
	<u>\$ 442,329</u>	<u>\$ 376,884</u>

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

SMART Global Holdings, Inc.

Notes to Consolidated Financial Statements

(Tabular amounts in thousands, except per share amounts)
(Unaudited)

Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of SMART Global Holdings, Inc. and its consolidated subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") consistent in all material respects with those applied in our Annual Report on Form 10-K for the fiscal year ended August 25, 2023 and the applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial information. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of our management, the accompanying unaudited consolidated financial statements contain all necessary adjustments, consisting of a normal recurring nature, to fairly state the financial information set forth herein. These consolidated interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the fiscal year ended August 25, 2023.

Presentation of SMART Brazil as Discontinued Operations: On June 13, 2023, we entered into an agreement to divest of an 81 % interest in SMART Modular Technologies do Brasil – Indústria e Comercio de Componentes Ltda. ("SMART Brazil"). We concluded that, as of August 25, 2023, (i) the net assets of SMART Brazil met the criteria for classification as held for sale and (ii) the proposed sale represented a strategic shift that was expected to have a major effect on our operations and financial results. On November 29, 2023, we completed the divestiture. The balance sheets, results of operations and cash flows of SMART Brazil have been presented as discontinued operations for all periods presented. SMART Brazil was previously included within our Memory Solutions segment. See "Divestiture of SMART Brazil."

Unless otherwise noted, amounts and discussion within these notes to the consolidated financial statements relate to our continuing operations. Prior period comparative information has been conformed to current period presentation for continuing operations.

Reclassifications: Certain reclassifications have been made to prior period amounts to conform to current period presentation.

Fiscal Year: Our fiscal year is the 52- or 53-week period ending on the last Friday in August. Fiscal years 2024 and 2023 contain 53 weeks and 52 weeks, respectively. All period references are to our fiscal periods unless otherwise indicated.

Financial information for our subsidiaries in Brazil was included in our consolidated financial statements on a one-month lag because their fiscal years ended on July 31 of each year. In connection with the completion of the divestiture of an 81 % interest in SMART Brazil, we ceased consolidating the operations of SMART Brazil in our financial statements as of the November 29, 2023 disposal date. As a result, financial information for the first quarter of 2024 includes the four-month period for our SMART Brazil operations from August 1, 2023 to November 29, 2023.

Divestiture of SMART Brazil

Overview of Transaction

On November 29, 2023, we completed the previously announced divestiture of SMART Brazil pursuant to the terms of that certain Stock Purchase Agreement (the "Brazil Purchase Agreement"), by and among SMART Modular Technologies (LX) S.à r.l., a société à responsabilité limitée governed by the laws of Grand Duchy of Luxembourg and a wholly owned subsidiary of SGH (the "Brazil Seller"), Lexar Europe B.V., a company organized under the laws of The Netherlands (the "Brazil Purchaser"), Shenzhen Longsys Electronics Co., Ltd., a company limited by shares governed by the laws of the People's Republic of China ("Longsys"), solely with respect to certain provisions therein, Shanghai Intelligent Memory Semiconductor Co., Ltd., a limited liability company governed by the laws of the People's Republic of China and, solely with respect to certain provisions therein, SGH.

Pursuant to the Brazil Purchase Agreement, Brazil Seller sold to Brazil Purchaser, and Brazil Purchaser purchased from Brazil Seller, 81 % of Brazil Seller's right, title and interest in and to the outstanding quotas of SMART Brazil, with Brazil Seller retaining a 19 % interest in SMART Brazil (the "Retained Interest") (the "Brazil Divestiture").

At the closing of the Brazil Divestiture, Brazil Purchaser paid to Brazil Seller (based on a total enterprise value of \$ 205 million for SMART Brazil) an upfront cash purchase price, subject to certain customary adjustments as set forth in the Brazil Purchase Agreement. In addition, pursuant to the Brazil Purchase Agreement, we have a right to receive, and Brazil Purchaser is obligated to pay, (i) a deferred payment due eighteen months following the closing and (ii) subject to and at the time of exercise of the Put/Call Option (as defined below), an additional deferred cash adjustment equal to 19 % of the amount of SMART Brazil's net cash as of the closing (as calculated pursuant to the Brazil Purchase Agreement).

Put/Call Option: Pursuant to the Brazil Purchase Agreement, at the closing, SMART Brazil, Brazil Seller, Brazil Purchaser and Longsys entered into a Quotaholders Agreement, which provides Brazil Seller with a put option to sell the Retained Interest in SMART Brazil to Brazil Purchaser (the "Put Option") during three exercise windows following its fiscal years ending December 31, 2026, December 31, 2027 or December 31, 2028 (the "Exercise Windows"), with such Exercise Windows beginning on June 15, 2027 and ending on July 15, 2027, beginning on June 15, 2028 and ending on July 15, 2028 and beginning on June 15, 2029 and ending on July 15, 2029, respectively. A call option has also been granted to Brazil Purchaser to require Brazil Seller to sell the Retained Interest to Brazil Purchaser during the Exercise Windows (together with the Put Option, the "Put/Call Option"). The price for the Put/Call Option is based on a 100 % enterprise value of 7.5 x net income for SMART Brazil for the preceding fiscal year at the time of exercise.

Consideration: The following is a summary of total consideration in exchange for the sale of an 81 % interest in SMART Brazil:

Cash received at closing ⁽¹⁾	\$	164,487
Post-closing adjustment for net cash and net working capital ⁽²⁾		451
Deferred payment ⁽³⁾		25,433
Deferred cash adjustment ⁽⁴⁾		3,721
Total consideration	\$	194,092

- (1) Includes \$ 26.8 million of cash received at closing for an estimated amount of net cash and an estimated net working capital amount (in excess of a minimum target amount) as of the closing.
- (2) Represents the post-closing adjustment for net cash and net working capital, which was received subsequent to the second quarter of 2024 upon completion of the review of the final net cash and final working capital amounts. The post closing adjustment is included in other current assets as of March 1, 2024 in the accompanying consolidated balance sheet.
- (3) Represents the fair value of the deferred payment, comprised of a notional amount of \$ 28.4 million, discounted at 7.5 % and due May 2025. The deferred payment is included in other noncurrent assets in the accompanying consolidated balance sheet.
- (4) Represents the fair value of the deferred cash adjustment, comprised of a notional amount of \$ 4.8 million, discounted at 7.5 %, equal to 19 % of the amount of SMART Brazil's net cash as of the closing (as calculated pursuant to the Brazil Purchase Agreement). The deferred cash adjustment, which is accounted for as a derivative financial instrument, is due at the time of exercise of the Put/Call Option and is included in other noncurrent assets in the accompanying consolidated balance sheet.

Presentation of SMART Brazil Operations

As of August 25, 2023, we concluded that the net assets of SMART Brazil met the criteria for classification as held for sale. In addition, the divestiture of SMART Brazil is expected to have a major effect on our operations and financial results. As a result, we have presented the results of operations, cash flows and financial position of SMART Brazil as discontinued operations in the accompanying consolidated financial statements and notes for all periods presented.

A disposal group classified as held for sale is measured at the lower of its carrying amount or fair value less costs to sell. Accordingly, we evaluated the carrying value of the net assets of SMART Brazil (including \$ 206.3 million recognized within shareholders' equity related to the cumulative translation adjustment from SMART Brazil), estimated costs to sell and expected proceeds and concluded the net assets were impaired as of August 25, 2023. As a result, we recognized an impairment charge of \$ 153.0 million in the fourth quarter of 2023 to write down the carrying value of the net assets of SMART Brazil. In addition, we concluded that the outside basis of SMART Brazil inclusive of any withholding taxes should be recognized upon the classification as held for sale as of August 25, 2023. Accordingly, we recognized withholding taxes on the expected capital gain and deferred tax liabilities of \$ 28.6 million in 2023.

Assets and liabilities of SMART Brazil as of the November 29, 2023 disposal date and as of August 25, 2023 were as follows:

As of	November 29, 2023	August 25, 2023
Cash and cash equivalents	\$ 40,927	\$ 44,501
Accounts receivable, net	16,482	17,055
Inventories	26,103	25,877
Other current assets	17,800	17,732
Total current assets	101,312	105,165
Property and equipment, net	66,870	58,321
Operating lease right-of-use assets	6,912	5,213
Goodwill	19,856	20,668
Other noncurrent assets	27,490	34,243
Total assets	222,440	223,610
Impairment of SMART Brazil assets	(153,036)	(153,036)
Total assets, net of impairment	\$ 69,404	\$ 70,574
Accounts payable and accrued expenses	\$ 20,576	\$ 25,867
Current debt	3,872	4,006
Other current liabilities	1,023	1,030
Total current liabilities	25,471	30,903
Long-term debt	11,938	13,689
Noncurrent operating lease liabilities	5,686	4,614
Noncurrent deferred tax liabilities	28,564	28,564
Other noncurrent liabilities	93	\$ —
Total liabilities	\$ 71,752	\$ 77,770
Net assets of discontinued operations	\$ (2,348)	\$ (7,196)
Reported as:		
Current assets of discontinued operations		\$ 70,574
Current liabilities of discontinued operations		77,770
Net assets of discontinued operations		\$ (7,196)

The following table presents the results of operations for SMART Brazil:

	Three Months Ended	Six Months Ended	
	February 24, 2023	March 1, 2024	February 24, 2023
Net sales	\$ 40,797	\$ 55,159	\$ 114,478
Cost of sales	41,424	50,560	108,793
Gross profit	(627)	4,599	5,685
Operating expenses:			
Research and development	1,393	157	1,377
Selling, general and administrative	2,697	5,421	6,011
Other operating (income) expense	373	64	643
Total operating expenses	4,463	5,642	8,031
Operating income (loss)	(5,090)	(1,043)	(2,346)
Non-operating (income) expense:			
Loss from divestiture of 81% interest in SMART Brazil	—	10,888	—
Interest (income) expense, net	(1,424)	(1,262)	(1,881)
Other non-operating (income) expense	22	138	724
Total non-operating (income) expense	(1,402)	9,764	(1,157)
Income (loss) before taxes	(3,688)	(10,807)	(1,189)
Income tax provision (benefit)	(9,865)	(2,659)	(16,297)
Net income (loss) from discontinued operations	\$ 6,177	\$ (8,148)	\$ 15,108

Loss from Divestiture of SMART Brazil

The following table presents the calculation of the loss from the divestiture of an 81 % interest in SMART Brazil:

Proceeds, less costs to sell and other expenses:	
Consideration	\$ 194,092
Costs to sell and other expenses	(4,150)
	189,942
Basis in 81% interest in SMART Brazil:	
Net assets of SMART Brazil	145,194
Cumulative translation adjustment ⁽¹⁾	212,397
	357,591
Gain on revalue of 19% Retained Interest in SMART Brazil ⁽²⁾	3,725
Pre-tax loss on divestiture of 81% interest in SMART Brazil	163,924
Income tax provision	26,580
Loss on divestiture of 81% interest in SMART Brazil	\$ 190,504

- (1) The sale of an 81 % interest in SMART Brazil resulted in the de-consolidation of SMART Brazil and, accordingly, the release of the related cumulative translation adjustment. Included in the basis calculation above is the balance of cumulative translation adjustment for SMART Brazil as of the closing. The release of the cumulative translation adjustment is included in net income (loss) from discontinued operations in the accompanying consolidated statement of operations.
- (2) In connection with the transaction, we revalued our 19 % Retained Interest in SMART Brazil based on the implied value for 100 % of SMART Brazil, adjusted for lack of control premium. As of March 1, 2024, the carrying value of our remaining 19 % interest in SMART Brazil was \$ 37.8 million and is included in other noncurrent assets in the accompanying consolidated balance sheet as a non-marketable equity investment.

Recognition Periods: The loss from the divestiture of an 81 % interest in SMART Brazil was recognized as follows:

	Three Months Ended		Total
	December 1, 2023	August 25, 2023	
Pre-tax loss on divestiture of 81% interest in SMART Brazil	\$ 10,888	\$ 153,036	\$ 163,924
Income tax provision (benefit)	(1,984)	28,564	26,580
Loss on divestiture of 81% interest in SMART Brazil	<u>\$ 8,904</u>	<u>\$ 181,600</u>	<u>\$ 190,504</u>

Recently Issued Accounting Standards

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in this ASU are intended to increase transparency through improvements to annual disclosures primarily related to income tax rate reconciliation and income taxes paid. The amendments in this ASU are effective for us in 2026 for annual reporting, with early adoption permitted. The ASU may be applied on a prospective basis, although retrospective application is permitted. We are evaluating the timing and effects of this ASU on our income tax disclosures.

In November 2023, the FASB issued ASU 2023-07 – *Segment Reporting (Topic 280): Improvements to Segment Reporting Disclosures*, which will require an entity to provide more detailed information about its reportable segment expenses that are included within management's measurement of profit and loss and will require certain annual disclosures to be provided on an interim basis. The amendments in this ASU are effective for us in 2025 for annual reporting and in 2026 for interim reporting, with early adoption permitted beginning in 2024, and is required to be applied using the full retrospective method of transition. We are evaluating the timing and effects of adoption of this ASU on our segment disclosures.

Business Acquisition

Stratus Technologies

On August 29, 2022 (the "Stratus Acquisition Date"), we completed the acquisition of Storm Private Holdings I Ltd., a Cayman Islands exempted company ("Stratus Holding Company" and together with its subsidiaries, "Stratus Technologies"), pursuant to the terms of that certain Share Purchase Agreement (the "Stratus Purchase Agreement"), dated as of June 28, 2022, by and among SGH, Stratus Holding Company and Storm Private Investments LP, a Cayman Islands exempted limited partnership (the "Stratus Seller"). Pursuant to the Stratus Purchase Agreement, among other matters, the Stratus Seller sold to SGH, and SGH purchased from the Stratus Seller, all of the Stratus Seller's right, title and interest in and to the outstanding equity securities of Stratus Holding Company.

Purchase Price: At the closing of the transaction, we paid the Stratus Seller a cash purchase price of \$ 225 million, subject to certain adjustments. In addition, the Stratus Seller had the right to receive, and we were obligated to pay, contingent consideration of up to \$ 50.0 million (the "Stratus Earnout") based on the gross profit performance of Stratus Technologies during the first full 12 fiscal months following the closing of the acquisition. In the second quarter of 2024, we paid in full \$ 50.0 million related to the Stratus Earnout.

Cash and Investments

As of March 1, 2024 and August 25, 2023, all of our debt securities, the fair values of which approximated their carrying values, were classified as held to maturity. Cash, cash equivalents and short-term investments were as follows:

	As of March 1, 2024		As of August 25, 2023	
	Cash and Cash Equivalents	Short-term Investments	Cash and Cash Equivalents	Short-term Investments
Cash and cash equivalents	\$ 415,962	\$ —	\$ 321,937	\$ —
Level 1:				
Money market funds	16,167	—	43,626	—
U.S. Treasury securities	—	23,439	—	25,251
Level 2:				
Time deposits	10,200	—	—	—
	<u>\$ 442,329</u>	<u>\$ 23,439</u>	<u>\$ 365,563</u>	<u>\$ 25,251</u>

Non-marketable Equity Investments

As of March 1, 2024 and August 25, 2023, other noncurrent assets included \$ 41.9 million and \$ 4.2 million, respectively, of non-marketable equity investments, which are accounted for under the measurement alternative at cost less impairment, if any. In the event an observable price change occurs in an orderly transaction for an identical or a similar investment, the carrying value of investments would be remeasured to fair value as of the date that the observable transaction occurred, with any resulting gains or losses recorded in earnings.

Accounts Receivable

In the third quarter of 2023, we entered into a trade accounts receivable sale program with a third-party financial institution to sell certain of our trade accounts receivable on a non-recourse basis pursuant to a factoring arrangement. This program allows us to sell certain of our trade accounts receivables up to \$ 60 million. As of March 1, 2024, there have been no trade accounts receivable sold under this program.

Inventories

As of	March 1, 2024	August 25, 2023
Raw materials	\$ 85,131	\$ 90,085
Work in process	32,426	24,485
Finished goods	55,206	60,407
	<u>\$ 172,763</u>	<u>\$ 174,977</u>

As of March 1, 2024 and August 25, 2023, 13 % and 8 %, respectively, of total inventories were owned and held under our logistics services program.

Property and Equipment

As of	March 1, 2024	August 25, 2023
Equipment	\$ 90,730	\$ 86,429
Buildings and building improvements	67,832	69,325
Furniture, fixtures and software	43,696	44,121
Land	16,126	16,126
	<u>218,384</u>	<u>216,001</u>
Accumulated depreciation	(108,868)	(97,267)
	<u>\$ 109,516</u>	<u>\$ 118,734</u>

Depreciation expense for property and equipment was \$ 7.2 million and \$ 14.7 million in the second quarter and first six months of 2024, respectively, and \$ 6.2 million and \$ 12.4 million in the second quarter and first six months of 2023, respectively.

Intangible Assets and Goodwill

	As of March 1, 2024		As of August 25, 2023	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Intangible assets:				
Technology	\$ 142,054	\$ (46,766)	\$ 141,201	\$ (34,569)
Customer relationships	72,500	(39,849)	72,500	(33,990)
Trademarks/trade names	28,300	(15,316)	28,300	(13,257)
	<u>\$ 242,854</u>	<u>\$ (101,931)</u>	<u>\$ 242,001</u>	<u>\$ (81,816)</u>
Goodwill by segment:				
Intelligent Platform Solutions	\$ 147,238		\$ 147,238	
Memory Solutions	14,720		14,720	
	<u>\$ 161,958</u>		<u>\$ 161,958</u>	

In the first six months of 2024 and 2023, we capitalized \$ 0.9 million and \$ 127.0 million, respectively, for intangible assets with weighted-average useful lives of 19.0 years and 6.1 years, respectively. Amortization expense for intangible assets was \$ 9.9 million and \$ 20.1 million in the second quarter and first six months of 2024, respectively, and \$ 11.0 million and \$ 21.9 million in the second quarter and first six months of 2023, respectively. Amortization expense is expected to be \$ 19.9 million for the remainder of 2024, \$ 35.7 million for 2025, \$ 30.3 million for 2026, \$ 29.6 million for 2027, \$ 9.9 million for 2028 and \$ 15.6 million for 2029 and thereafter.

In connection with our acquisition of Stratus Technologies in the first quarter of 2023, we capitalized \$ 3.9 million of in-process research and development ("IPR&D") related to next generation fault tolerant architecture. Amortization of this technology commenced in the second quarter of 2024.

During the second quarter of 2023, we initiated a plan within our IPS segment pursuant to which we intend to wind down manufacturing and discontinue the sale of legacy products offered through our Penguin Edge business by approximately the end of calendar 2024. As a result, we recorded aggregate charges of \$ 19.1 million in 2023 to impair the carrying value of Penguin Edge goodwill. At each reporting date through the end of the wind-down period, we will reassess the estimated remaining cash flows of the Penguin Edge business. We currently anticipate that the remaining goodwill of the Penguin Edge reporting unit of \$ 16.1 million as of the end of the second quarter of 2024 may become further impaired in future periods.

Accounts Payable and Accrued Expenses

As of	March 1, 2024	August 25, 2023
Accounts payable ⁽¹⁾	\$ 148,008	\$ 134,980
Salaries, wages and benefits	19,801	27,665
Income and other taxes	10,139	13,370
Other	4,073	6,020
	<u>\$ 182,021</u>	<u>\$ 182,035</u>

(1) Included accounts payable for property and equipment of \$ 0.9 million and \$ 5.2 million as of March 1, 2024 and August 25, 2023, respectively.

Debt

As of	March 1, 2024	August 25, 2023
Amended 2027 TLA	\$ 494,607	\$ 544,943
2029 Notes	147,165	146,886
2026 Notes	98,891	98,609
	740,663	790,438
Less current debt	—	(35,618)
Long-term debt	<u>\$ 740,663</u>	<u>\$ 754,820</u>

Credit Facility

On February 7, 2022, SGH and SMART Modular Technologies, Inc. (collectively, the “Borrowers”) entered into a credit agreement (the “Original Credit Agreement”) with a syndicate of banks and Citizens Bank, N.A., as administrative agent (the “Administrative Agent”) that provided for (i) a term loan credit facility in an aggregate principal amount of \$ 275.0 million (the “2027 TLA”) and (ii) a revolving credit facility in an aggregate principal amount of \$ 250.0 million (the “2027 Revolver”), in each case, maturing on February 7, 2027 (subject to certain earlier “springing maturity” dates upon certain conditions specified in the Original Credit Agreement). On August 29, 2022, the Borrowers entered into the First Amendment (the “Incremental Amendment”; the Original Credit Agreement as amended by the Incremental Amendment, the “Amended Credit Agreement”) with and among the lenders party thereto and the Administrative Agent. The Incremental Amendment amended the Original Credit Agreement and (i) provides for incremental term loans under the Amended Credit Agreement in an aggregate amount of \$ 300.0 million (the “Incremental Term Loans” and together with the 2027 TLA, the “Amended 2027 TLA”) which Incremental Term Loans are on the same terms as the term loans incurred under the Original Credit Agreement, (ii) increases the maximum First Lien Leverage Ratio (as defined in the Amended Credit Agreement) financial covenant from 3.00 :1.00 to 3.25 :1.00 and (iii) increases the aggregate amount of unrestricted cash and permitted investments netted from the definitions of Consolidated First Lien Debt and Consolidated Net Debt under the Amended Credit Agreement from \$ 100 million to \$ 125 million.

As of March 1, 2024, there was \$ 500.0 million of principal amount outstanding under the Amended 2027 TLA, unamortized issuance costs were \$ 5.4 million and the effective interest rate was 8.47 %. As of March 1, 2024, there were no amounts outstanding under the 2027 Revolver and unamortized issuance costs were \$ 2.7 million.

Amended 2027 TLA

On February 29, 2024, we prepaid \$ 30.0 million outstanding under the Amended 2027 TLA. In connection therewith, we wrote off \$ 0.3 million of unamortized issuance costs. On March 29, 2024, subsequent to the end of our second quarter ended March 1, 2024, we prepaid \$ 75.0 million outstanding under the Amended 2027 TLA. In connection therewith, we wrote off \$ 0.8 million of unamortized issuance costs.

Convertible Senior Notes

Convertible Senior Notes Exchange

In the second quarter of 2023, we exchanged \$ 150.0 million principal amount of 2.25 % Convertible Senior Notes due 2026 (the “2026 Notes”) for \$ 150.0 million in aggregate principal amount of 2.00 % Convertible Senior Notes due 2029 (the “2029 Notes”), together with an aggregate of \$ 15.6 million in cash, with such cash payment representing \$ 14.1 million of premium paid for the 2026 Notes in excess of par value and \$ 1.5 million of accrued and unpaid interest on the 2026 Notes. The exchange was accounted for as an extinguishment of the 2026 Notes and the issuance of the 2029 Notes. In connection therewith, we recognized an extinguishment loss in the second quarter of 2023, included in other non-operating expense, of \$ 16.7 million, consisting of \$ 14.1 million of premium paid to extinguish the 2026 Notes and \$ 2.5 million for the write-off of unamortized issuance costs.

Convertible Senior Notes Interest

Unamortized debt discount and issuance costs are amortized over the terms of our 2026 Notes and 2029 Notes using the effective interest method. As of March 1, 2024 and August 25, 2023, the effective interest rate for our 2026 Notes was 2.83 %. As of March 1, 2024 and August 25, 2023, the effective interest rate for our 2029 Notes was 2.40 %. Aggregate

interest expense for our convertible notes consisted of contractual stated interest and amortization of discount and issuance costs and included the following:

	Three Months Ended		Six Months Ended	
	March 1, 2024	February 24, 2023	March 1, 2024	February 24, 2023
Contractual stated interest	\$ 1,312	\$ 1,366	\$ 2,712	\$ 2,757
Amortization of discount and issuance costs	264	317	561	654
	<u>\$ 1,576</u>	<u>\$ 1,683</u>	<u>\$ 3,273</u>	<u>\$ 3,411</u>

As of August 26, 2022, the carrying amount of the equity components of the 2026 Notes, which was included in additional paid-in capital, was \$ 50.8 million. As of the beginning of 2023, we adopted ASU 2020-06. In connection therewith, we reclassified \$ 32.2 million from additional paid-in-capital to long-term debt and \$ 18.6 million from additional paid-in-capital to retained earnings.

Maturities of Debt

As of March 1, 2024, maturities of debt were as follows:

Remainder of 2024	\$ —
2025	13,267
2026	128,844
2027	457,904
2028	—
2029 and thereafter	150,000
Less unamortized discount and issuance costs	(9,352)
	<u>\$ 740,663</u>

Leases

We have operating leases through which we utilize facilities, offices and equipment in our manufacturing operations, research and development activities and selling, general and administrative functions. Sublease income was not significant in any period presented. The components of operating lease expense were as follows:

	Three Months Ended		Six Months Ended	
	March 1, 2024	February 24, 2023	March 1, 2024	February 24, 2023
Fixed lease cost	\$ 3,181	\$ 4,724	\$ 6,686	\$ 9,335
Variable lease cost	399	299	848	683
Short-term lease cost	563	558	1,202	1,057
	<u>\$ 4,143</u>	<u>\$ 5,581</u>	<u>\$ 8,736</u>	<u>\$ 11,075</u>

Cash flows used for operating activities in the first six months of 2024 and 2023 included payments for operating leases of \$ 4.5 million and \$ 4.8 million, respectively. Acquisitions of right-of-use assets were \$ 0.3 million in the first six months of 2024 and \$ 10.5 million in the first six months of 2023.

As of March 1, 2024 and August 25, 2023, the weighted-average remaining lease term for our operating leases was 10.5 years and the weighted-average discount rate was 6.0 %. Certain of our operating leases include one or more options to extend the lease term for periods from two to five years. In determining the present value of our operating lease liabilities, we have assumed we will not extend any lease terms.

As of March 1, 2024, minimum payments of lease liabilities were as follows:

Remainder of 2024	\$	6,503
2025		10,969
2026		9,663
2027		7,723
2028		7,939
2029 and thereafter		54,412
		97,209
Less imputed interest		(26,163)
Present value of total lease liabilities	\$	71,046

Commitments and Contingencies

Product Warranty and Indemnities

We generally provide a limited warranty that our products are in compliance with applicable specifications existing at the time of delivery. Under our standard terms and conditions of sale, liability for certain failures of product during a stated warranty period is usually limited to repair or replacement of defective items or return of amounts paid for such items. Our warranty obligations are not material.

We are party to a number of agreements in which we have agreed to defend, indemnify and hold harmless our customers and suppliers from damages and costs, which may arise from product defects as well as from any alleged infringement by our products of third-party patents, trademarks or other proprietary rights. We believe our internal development processes and other policies and practices limit our exposure related to such indemnities. Maximum potential future payments cannot be estimated because many of these agreements do not have a maximum stated liability. However, to date, we have not had to reimburse any of our customers or suppliers for any significant losses related to these indemnities. We have not recorded any liability for such indemnities.

Contingencies

From time to time, we may be involved in legal matters that arise in the normal course of business. Litigation in general, and intellectual property, employment and shareholder litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. We regularly review contingencies to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or range of loss can be made.

Equity

SGH Shareholders' Equity

Share Repurchase Authorization

On April 4, 2022, our Board of Directors approved a \$ 75.0 million share repurchase authorization, under which we may repurchase our outstanding ordinary shares from time to time through open market purchases, privately-negotiated transactions or otherwise. The share repurchase authorization has no expiration date but may be suspended or terminated by the Board of Directors at any time. On January 8, 2024, the Audit Committee of the Board of Directors approved an additional \$ 75.0 million share repurchase authorization. In the first six months of 2024 and 2023, we repurchased 931 thousand and 533 thousand shares for \$ 13.9 million and \$ 8.4 million, respectively, under the initial authorization. As of March 1, 2024, an aggregate of \$ 77.7 million of these authorizations remained available for the repurchase of our ordinary shares.

Other Share Repurchases

Ordinary shares withheld as payment of withholding taxes and exercise prices in connection with the vesting or exercise of equity awards are treated as ordinary share repurchases. In the first six months of 2024 and 2023, we repurchased 113 thousand and 176 thousand ordinary shares as payment of withholding taxes for \$ 1.9 million and \$ 2.4 million, respectively.

In connection with the exchange transactions in the second quarter of 2023, we repurchased 326 thousand ordinary shares for \$ 5.4 million.

Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component for the first six months of 2024 were as follows:

	Cumulative Translation Adjustment	Gains (Losses) on Investments	Total
As of August 25, 2023	\$ (205,969)	\$ 5	\$ (205,964)
Other comprehensive income (loss) before reclassifications	(6,352)	25	(6,327)
Reclassifications out of accumulated other comprehensive income	212,397	—	212,397
Other comprehensive income (loss)	206,045	25	206,070
As of March 1, 2024	<u>\$ 76</u>	<u>\$ 30</u>	<u>\$ 106</u>

In connection with our divestiture of an 81 % interest in SMART Brazil, we reclassified \$ 212.4 million of cumulative translation adjustment related to SMART Brazil from other accumulated comprehensive income to results of operations in the first quarter of 2024. See “Divestiture of SMART Brazil.”

Fair Value Measurements

	As of March 1, 2024		As of August 25, 2023	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Assets:				
Derivative financial instrument	\$ 3,790	\$ 3,790	\$ —	\$ —
Liabilities:				
Amended 2027 TLA	\$ 500,015	\$ 494,607	\$ 551,648	\$ 544,943
2029 Notes	184,455	147,165	195,426	146,886
2026 Notes	125,987	98,891	131,864	98,609

The deferred cash adjustment resulting from the divestiture of an 81 % interest in SMART Brazil is accounted for as a derivative financial instrument and is revalued at the end of each reporting period. The fair value as of March 1, 2024, as measured on a recurring basis, was based on Level 2 measurements, including market-based observable inputs of interest rates and credit-risk spreads.

The fair value of the Amended 2027 TLA, as measured on a non-recurring basis, was estimated based on Level 2 measurements, including discounted cash flows and interest rates based on similar debt issued by parties with credit ratings similar to ours. The fair values of the 2029 Notes and the 2026 Notes, as measured on a non-recurring basis, was determined based on Level 2 measurements, including the trading prices of the 2029 Notes and the 2026 Notes .

Equity Plans

As of March 1, 2024, 7.3 million of our ordinary shares were available for future awards under our equity plans.

The disclosures related to our restricted awards, share options and employee share purchase plan include both our continuing and discontinued operations.

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

Aggregate Restricted Award activity was as follows:

	Three Months Ended		Six Months Ended	
	March 1, 2024	February 24, 2023	March 1, 2024	February 24, 2023
Awards granted	205	82	624	1,222
Weighted-average grant date fair value per share	\$ 21.15	\$ 17.15	\$ 22.75	\$ 19.05
Aggregate vesting date fair value of shares vested	\$ 10,222	\$ 6,665	\$ 18,955	\$ 15,614

As of March 1, 2024, total unrecognized compensation costs for unvested Restricted Awards was \$ 70.0 million, which was expected to be recognized over a weighted-average period of 2.1 years.

Share Options

As of March 1, 2024, total aggregate unrecognized compensation costs for unvested options was \$ 0.5 million, which was expected to be recognized over a weighted-average period of 0.5 years.

Employee Share Purchase Plan (“ESPP”)

Under our ESPP, employees purchased 298 thousand ordinary shares for \$ 3.3 million in the first six months of 2024 and 265 thousand shares for \$ 2.9 million in the first six months of 2023.

Share-Based Compensation Expense

Share-based compensation expense for our continuing operations was as follows:

	Three Months Ended		Six Months Ended	
	March 1, 2024	February 24, 2023	March 1, 2024	February 24, 2023
Share-based compensation expense by caption:				
Cost of sales	\$ 1,691	\$ 1,308	\$ 3,541	\$ 2,950
Research and development	1,781	1,385	3,414	2,941
Selling, general and administrative	7,167	7,338	14,907	14,121
	<u>\$ 10,639</u>	<u>\$ 10,031</u>	<u>\$ 21,862</u>	<u>\$ 20,012</u>

Income tax benefits for share-based awards were \$ 1.7 million and \$ 3.5 million in the second quarter and first six months of 2024, respectively, and \$ 1.6 million and \$ 3.4 million in the second quarter and first six months of 2023, respectively.

Revenue and Customer Contract Balances

Net Sales and Gross Billings

We provide certain logistics services on an agent basis, whereby we procure materials and services on behalf of our customers and then resell such materials and services to our customers. Our materials logistics business includes procurement, logistics, inventory management, temporary warehousing, kitting and/or packaging services. While we take title to inventory under such arrangements, control of such inventory does not transfer to us as we do not, at any point, have the ability to direct the use, and thereby obtain the benefits of, the inventory.

Gross amounts invoiced to customers in connection with these agent services include amounts related to the services performed by us in addition to the cost of the materials and services procured. However, only the amount related to the agent component is recognized as revenue in our results of operations. We generally recognize revenue for these procurement, logistics and inventory management services upon the completion of such services, which generally occurs at

the time of shipment of product to the customer. The cost of materials and services invoiced to our customers under these arrangements, but not recognized as revenue or cost of sales in our results of operations, were as follows:

	Three Months Ended		Six Months Ended	
	March 1, 2024	February 24, 2023	March 1, 2024	February 24, 2023
Cost of materials and services invoiced in connection with logistics services \$	90,670	\$ 143,984	\$ 199,639	\$ 521,735

Customer Contract Balances

As of	March 1, 2024	August 25, 2023
Contract assets ⁽¹⁾	\$ 1,189	\$ —
Contract liabilities: ⁽²⁾		
Deferred revenue	\$ 58,776	\$ 69,326
Customer advances	24,050	5,565
	<u>\$ 82,826</u>	<u>\$ 74,891</u>

(1) Contract assets are included in other current and noncurrent assets.

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

Contract assets represent amounts recognized as revenue for which we do not have the unconditional right to consideration.

Deferred revenue represents amounts received from customers in advance of satisfying performance obligations. As of March 1, 2024, we expect to recognize revenue of \$ 37.2 million of the \$ 58.8 million balance in the next 12 months and the remaining amount thereafter. In the first six months of 2024, we recognized revenue of \$ 38.6 million from satisfying performance obligations related to amounts included in deferred revenue as of August 25, 2023. Deferred revenue includes \$ 7.9 million and \$ 10.9 million as of March 1, 2024 and August 25, 2023, respectively, related to contracts that contain termination rights.

Customer advances represent amounts received from customers for advance payments to secure product. In the first six months of 2024, we recognized revenue of \$ 1.2 million from satisfying performance obligations related to amounts included in customer advances as of August 25, 2023.

As of March 1, 2024 and August 25, 2023, other current liabilities included \$ 13.0 million and \$ 12.5 million, respectively, for estimates of consideration payable to customers, including estimates for pricing adjustments and returns.

Other Operating (Income) Expense

In 2024 and 2023, we initiated plans that included workforce reductions and the elimination of certain projects across our businesses. In connection therewith, we recorded restructure charges of \$ 6.3 million and \$ 5.6 million in the first six months of 2024 and 2023, respectively, primarily for employee severance costs and other benefits. We anticipate that these activities will continue into future quarters and anticipate recording additional restructure charges. As of March 1, 2024, \$ 3.0 million remained unpaid, which is expected to be paid in 2024.

Other Non-operating (Income) Expense

	Three Months Ended		Six Months Ended	
	March 1, 2024	February 24, 2023	March 1, 2024	February 24, 2023
Loss (gain) on extinguishment or prepayment of debt	\$ 325	\$ 16,691	\$ 325	\$ 15,924
Loss (gain) from changes in foreign currency exchange rates	182	165	(364)	(355)
Loss (gain) on disposition of assets	41	(2,984)	86	(3,025)
Other	(300)	(565)	(375)	(599)
	<u>\$ 248</u>	<u>\$ 13,307</u>	<u>\$ (328)</u>	<u>\$ 11,945</u>

Income Taxes

	Three Months Ended		Six Months Ended	
	March 1, 2024	February 24, 2023	March 1, 2024	February 24, 2023
Income (loss) before taxes	\$ (10,809)	\$ (24,814)	\$ (18,487)	\$ (17,099)
Income tax provision (benefit)	2,198	8,149	5,732	19,471

Income tax provision (benefit) for federal, state and foreign taxes is based on the annual estimated effective tax rate applicable to us and our subsidiaries, adjusted for certain discrete items, which are fully recognized in the period they occur. We have historically determined our interim income tax provision (benefit) by applying the annual estimated effective income tax rate expected to be applicable for the full fiscal year to the income (loss) before taxes for jurisdictions which are subject to income tax. In determining the full year estimate, we do not include the impact of unusual and/or infrequent items, which may cause significant variations in the customary relationship between income tax provision (benefit) and income (loss) before taxes. Accordingly, the interim effective tax rate may not be reflective of the annual estimated effective tax rate. Additionally, our income tax provision (benefit) is subject to volatility and could be impacted by changes in our geographic earnings, non-deductible share-based compensation and certain tax credits.

Determining the consolidated income tax provision (benefit), income tax liabilities and deferred tax assets and liabilities involves judgment. We calculate and provide for income taxes in each of the tax jurisdictions in which we operate, which involves estimating current tax exposures as well as making judgments regarding the recoverability of deferred tax assets in each jurisdiction. The estimates used could differ from actual results, which may have a significant impact on operating results in future periods.

Earnings Per Share

	Three Months Ended		Six Months Ended	
	March 1, 2024	February 24, 2023	March 1, 2024	February 24, 2023
Net income (loss) from continuing operations	\$ (13,620)	\$ (33,396)	\$ (25,393)	\$ (37,335)
Net income (loss) from discontinued operations	—	6,177	(8,148)	15,108
Net income (loss) attributable to SGH – Basic and Diluted	<u>\$ (13,620)</u>	<u>\$ (27,219)</u>	<u>\$ (33,541)</u>	<u>\$ (22,227)</u>
Weighted-average shares outstanding – Basic	52,031	49,116	52,050	49,039
Dilutive effect of equity plans and convertible notes	—	—	—	—
Weighted-average shares outstanding – Diluted	<u>52,031</u>	<u>49,116</u>	<u>52,050</u>	<u>49,039</u>
Basic earnings (loss) per share:				
Continuing operations	\$ (0.26)	\$ (0.68)	\$ (0.49)	\$ (0.76)
Discontinued operations	—	0.13	(0.15)	0.31
	<u>\$ (0.26)</u>	<u>\$ (0.55)</u>	<u>\$ (0.64)</u>	<u>\$ (0.45)</u>
Diluted earnings (loss) per share:				
Continuing operations	\$ (0.26)	\$ (0.68)	\$ (0.49)	\$ (0.76)
Discontinued operations	—	0.13	(0.15)	0.31
	<u>\$ (0.26)</u>	<u>\$ (0.55)</u>	<u>\$ (0.64)</u>	<u>\$ (0.45)</u>

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

	Three Months Ended		Six Months Ended	
	March 1, 2024	February 24, 2023	March 1, 2024	February 24, 2023
Equity plans	5,396	7,861	5,396	7,861
Stratus Technologies contingently issuable shares	—	1,787	—	1,787
	<u>5,396</u>	<u>9,648</u>	<u>5,396</u>	<u>9,648</u>

Segment and Other Information

Segment information presented below is consistent with how our chief operating decision maker evaluates operating results to make decisions about allocating resources and assessing performance. We have the following three business units, which are our reportable segments:

- **Memory Solutions:** Our Memory Solutions group, under our SMART Modular brand, provides high performance and reliable memory solutions through the design, development and advanced packaging of leading-edge to extended lifecycle products. These specialty products are tailored to meet customer-specific requirements across networking and communications, enterprise storage and computing, including server applications and other vertical markets. These products are marketed to original equipment manufacturers and to commercial and government customers. The Memory Solutions group also offers SMART Supply Chain Services, which provides customized, integrated supply chain services to enable our customers to better manage supply chain planning and execution, reduce costs and increase productivity.
- **Intelligent Platform Solutions:** Our IPS group, under our Penguin Solutions and Stratus Technologies brands, offers specialized platform solutions and services for high-performance computing, artificial intelligence, machine learning, advanced modeling and the internet of things that span the continuum of edge, core and cloud. Our solutions are designed specifically for customers across multiple markets, including hyperscale, financial services, energy, government, education, healthcare and others.
- **LED Solutions:** Our LED Solutions group, under our CreeLED brand, offers a broad portfolio of application-optimized LEDs focused on improving lumen density, intensity, efficacy, optical control and/or reliability. Backed by

expert design assistance and superior sales support, our LED products enable our customers to develop and market LED-based products for general lighting, video screens and specialty lighting applications.

Segments are determined based on sources of revenue, types of customers and operating performance. There are no differences between the accounting policies for our segment reporting and our consolidated results of operations. Operating expenses directly associated with the activities of a specific segment are charged to that segment. Certain other indirect operating income and expenses are generally allocated to segments based on their respective percentage of net sales. We do not identify (other than goodwill) or report internally our assets nor allocate certain expenses and amortization, interest, other non-operating (income) expense or taxes to segments.

	Three Months Ended		Six Months Ended	
	March 1, 2024	February 24, 2023	March 1, 2024	February 24, 2023
Net sales:				
Memory Solutions	\$ 83,297	\$ 110,339	\$ 168,965	\$ 228,625
Intelligent Platform Solutions	141,405	222,451	260,229	433,422
LED Solutions	60,119	55,587	129,874	118,127
Total net sales	<u>\$ 284,821</u>	<u>\$ 388,377</u>	<u>\$ 559,068</u>	<u>\$ 780,174</u>
Segment operating income:				
Memory Solutions	\$ 6,016	\$ 20,366	\$ 13,211	\$ 39,405
Intelligent Platform Solutions	22,291	36,645	40,192	69,630
LED Solutions	(1,793)	(1,227)	(210)	(1,863)
Total segment operating income	<u>26,514</u>	<u>55,784</u>	<u>53,193</u>	<u>107,172</u>
Unallocated:				
Share-based compensation expense	(10,639)	(10,031)	(21,609)	(20,012)
Amortization of acquisition-related intangibles	(9,751)	(10,815)	(19,759)	(21,673)
Flow through of inventory step up	—	—	—	(2,599)
Cost of sales-related restructure	(216)	(5,552)	(884)	(5,552)
Diligence, acquisition and integration expense	(5,885)	(2,824)	(6,674)	(9,556)
Impairment of goodwill	—	(17,558)	—	(17,558)
Change in fair value of contingent consideration	—	(6,400)	—	(10,100)
Restructure charge	(3,335)	(3,781)	(6,274)	(5,552)
Other	—	(900)	—	(1,800)
Total unallocated	<u>(29,826)</u>	<u>(57,861)</u>	<u>(55,200)</u>	<u>(94,402)</u>
Consolidated operating income (loss)	<u>\$ (3,312)</u>	<u>\$ (2,077)</u>	<u>\$ (2,007)</u>	<u>\$ 12,770</u>

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report and in our Annual Report on Form 10-K for the fiscal year ended August 25, 2023. This discussion contains forward looking statements that involve risks, uncertainties and other factors. Our actual results could differ materially from those contained in these forward-looking statements due to a number of risks, uncertainties and other factors, including those discussed below and elsewhere in this Quarterly Report and in our Annual Report on Form 10-K for the fiscal year ended August 25, 2023. See also "Cautionary Note Regarding Forward-Looking Statements."

Our fiscal year is the 52- or 53-week period ending on the last Friday in August. Fiscal years 2024 and 2023 contain 53 weeks and 52 weeks, respectively. All period references are to our fiscal periods unless otherwise indicated. All tabular amounts are in thousands. Financial information for our subsidiaries in Brazil was included in our consolidated financial statements on a one-month lag because their fiscal years ended on July 31 of each year. In connection with the completion of the divestiture of an 81% interest in SMART Brazil, we ceased consolidating the operations of SMART Brazil in our financial statements as of the November 29, 2023 disposal date. As a result, financial information for the first quarter of 2024 includes the four-month period for our SMART Brazil operations from August 1, 2023 to November 29, 2023.

Overview

For an overview of our business, see "PART I – Item 1. Business" of our Annual Report on Form 10-K for the fiscal year ended August 25, 2023.

Divestiture of SMART Brazil

On November 29, 2023, we completed our previously announced divestiture of SMART Modular Technologies Brasil – Indústria e Comércio de Componentes Ltda. ("SMART Brazil") to Lexar Europe B.V., an affiliate of Shenzhen Longsys Electronics Co. Ltd.

SMART Brazil operates as a stand-alone business which assembles and tests modules for electronics manufacturers that sell devices to Brazilian consumers. In line with our strategic priorities, the majority divestiture of our standards-based, commodity module business in Brazil will enable us to focus on our strategy of delivering high-performance, high availability solutions to our enterprise customers. This transaction also strengthens our financial position, enabling us to increase our strategic investments into domestic research and development and U.S.-based production of advanced technologies.

Presentation of SMART Brazil as Discontinued Operations: On June 13, 2023, we entered into an agreement to divest of an 81 % interest in SMART Brazil. We concluded that, as of August 25, 2023, (i) the net assets of SMART Brazil met the criteria for classification as held for sale and (ii) the proposed sale represented a strategic shift that was expected to have a major effect on our operations and financial results. On November 29, 2023, we completed the divestiture. The balance sheets, results of operations and cash flows of SMART Brazil have been presented as discontinued operations for all periods presented. SMART Brazil was previously included within our Memory Solutions segment.

See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Divestiture of SMART Brazil."

Acquisition of Stratus Technologies

On August 29, 2022, we completed the acquisition of Storm Private Holdings I Ltd., a Cayman Islands exempted company (together with its subsidiaries, "Stratus Technologies"). At the closing, SGH paid a cash purchase price of \$225 million, subject to certain adjustments. In addition, the seller had the right to receive, and SGH was obligated to pay, contingent consideration of up to \$50 million (the "Stratus Earnout") based on the gross profit performance of the Stratus Technologies business during the first full 12 fiscal months of Stratus Technologies following the closing of the acquisition. Throughout 2023, we adjusted the fair value of the Stratus Earnout by an aggregate of \$29.0 million and, as of August 25, 2023, current liabilities included \$50.0 million for the amount payable in connection with the Stratus Earnout. In the second quarter of 2024, we paid in full \$50.0 million related to the Stratus Earnout.

See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Business Acquisition – Stratus Technologies."

Factors Affecting Our Operating Performance

Macro-Economic Demand Factors. Our business segments each have their own unique set of demand factors. Demand in our Memory Solutions group is driven by end-market demand from OEMs for customer-specific solutions in vertical markets such as industrial, government, networking, high-performance compute and enterprise storage, as well as emerging demand for higher density and greater bandwidth solutions for AI deployments. Our IPS business is driven by demand for high compute solutions across AI and machine learning initiatives, as well as traditional workload optimization and efficiency applications. Finally, demand for our LED products is derived from targeted end-market applications, such as general high-power and mid-power lighting and specialty lighting, including video and horticulture applications. We believe our diversified business segments may provide a natural hedge against downturns in any particular industry although broader macro-economic trends, such as the COVID-19 pandemic, can adversely affect all three segments concurrently.

Shifts in the Mix of Our Revenue. Shifts in the mix of revenue from our operating segments, which can vary significantly from period to period, can impact our business and operating results, including gross and operating margins. For example, our IPS group has shown solid growth, but is subject to variability in its sales and margin profile from period to period, as recognition of revenue is tied to customer decisions as to the completion of delivery and system go-live events and margin is driven by the extent to which higher margin software and managed services comprise IPS sales. Our resource commitments and planning for each segment are relatively fixed in the short term, and as such, variability in expected revenue mix will have direct implications for our operating income and margins.

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

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

Results of Operations

	Three Months Ended				Six Months Ended							
	March 1, 2024		February 24, 2023		March 1, 2024		February 24, 2023					
Net sales:												
Memory Solutions	\$	83,297	29.2 %	\$	110,339	28.4 %	\$	168,965	30.2 %	\$	228,625	29.3 %
Intelligent Platform Solutions		141,405	49.6 %		222,451	57.3 %		260,229	46.5 %		433,422	55.6 %
LED Solutions		60,119	21.1 %		55,587	14.3 %		129,874	23.2 %		118,127	15.1 %
Total net sales		284,821	100.0 %		388,377	100.0 %		559,068	100.0 %		780,174	100.0 %
Cost of sales		202,887	71.2 %		277,369	71.4 %		394,284	70.5 %		557,068	71.4 %
Gross profit		81,934	28.8 %		111,008	28.6 %		164,784	29.5 %		223,106	28.6 %
Operating expenses:												
Research and development		20,526	7.2 %		25,272	6.5 %		41,915	7.5 %		49,344	6.3 %
Selling, general and administrative		61,385	21.6 %		60,074	15.5 %		118,602	21.2 %		127,782	16.4 %
Impairment of goodwill		—	— %		17,558	4.5 %		—	— %		17,558	2.3 %
Change in fair value of contingent consideration		—	— %		6,400	1.6 %		—	— %		10,100	1.3 %
Other operating (income) expense		3,335	1.2 %		3,781	1.0 %		6,274	1.1 %		5,552	0.7 %
Total operating expenses		85,246	29.9 %		113,085	29.1 %		166,791	29.8 %		210,336	27.0 %
Operating income (loss)		(3,312)	(1.2)%		(2,077)	(0.5)%		(2,007)	(0.4)%		12,770	1.6 %
Non-operating (income) expense:												
Interest expense, net		7,249	2.5 %		9,430	2.4 %		16,808	3.0 %		17,924	2.3 %
Other non-operating (income) expense		248	0.1 %		13,307	3.4 %		(328)	(0.1)%		11,945	1.5 %
Total non-operating (income) expense		7,497	2.6 %		22,737	5.9 %		16,480	2.9 %		29,869	3.8 %
Income (loss) before taxes		(10,809)	(3.8)%		(24,814)	(6.4)%		(18,487)	(3.3)%		(17,099)	(2.2)%
Income tax provision (benefit)		2,198	0.8 %		8,149	2.1 %		5,732	1.0 %		19,471	2.5 %
Net income (loss) from continuing operations		(13,007)	(4.6)%		(32,963)	(8.5)%		(24,219)	(4.3)%		(36,570)	(4.7)%
Net income (loss) from discontinued operations		—	— %		6,177	1.6 %		(8,148)	(1.5)%		15,108	1.9 %
Net income (loss)		(13,007)	(4.6)%		(26,786)	(6.9)%		(32,367)	(5.8)%		(21,462)	(2.8)%
Net income attributable to noncontrolling interest		613	0.2 %		433	0.1 %		1,174	0.2 %		765	0.1 %
Net income (loss) attributable to SGH	\$	(13,620)	(4.8)%	\$	(27,219)	(7.0)%	\$	(33,541)	(6.0)%	\$	(22,227)	(2.9)%

Percentages represent percentage of total net sales. Summations of percentages may not compute precisely due to rounding.

Net Sales, Cost of Sales and Gross Profit

Net sales decreased by \$103.6 million, or 26.7%, in the second quarter of 2024 compared to the same period in the prior year, and by \$221.1 million, or 28.3%, for the first six months of 2024 compared to the same period in the prior year. These decreases were primarily due to lower sales in both our IPS and Memory Solutions businesses, partially offset by higher LED Solutions sales. IPS net sales decreased by \$81.0 million, or 36.4%, and by \$173.2 million, or 40.0%, in the second quarter and first six months of 2024 compared to the same periods in the prior year, respectively, primarily due to lower hardware sales. Memory Solutions sales decreased by \$27.0 million, or 24.5%, and by \$59.7 million, or 26.1%, in the second quarter and first six months of 2024 compared to the same periods in the prior year, respectively, primarily due to lower sales volumes of Flash products. LED Solutions sales increased by \$4.5 million, or 8.2%, and by \$11.7 million, or 9.9%, in the second quarter and first six months of 2024 compared to the same periods in the prior year, respectively, primarily due to higher channel demand.

Cost of sales decreased by \$74.5 million, or 26.9%, in the second quarter of 2024, compared to the same period in the prior year, and by \$162.8 million, or 29.2%, for the first six months of 2024 compared to the same period in the prior year. IPS and Memory Solutions segments had lower material cost from lower sales and lower other costs from initiatives that resulted in additional savings.

Gross margin increased to 28.8% in the second quarter of 2024 compared to 28.6% in the same period in 2023, and to 29.5% for the first six months of 2024 compared to 28.6% in the same period in 2023, primarily due to favorable mix from higher service revenue in our IPS business.

Non-GAAP Measure of Segment Operating Income

Below is a table of our operating income, measured on a non-GAAP basis, which SGH management uses to supplement SGH's financial results under GAAP to analyze its operations and make decisions as to future operational plans and believes that this supplemental non-GAAP information is useful to investors in analyzing and assessing the Company's past and future operating performance. These non-GAAP measures exclude certain items, such as share-based compensation expense; amortization of acquisition-related intangible assets (consisting of amortization of developed technology, customer relationships, trademarks/trade names and backlog acquired in connection with business combinations); acquisition-related inventory adjustments; diligence, acquisition and integration expense; restructure charges; changes in the fair value of contingent consideration and other infrequent or unusual items. While amortization of acquisition-related intangible assets is excluded, the revenue from acquired companies is reflected in our non-GAAP measures and these intangible assets contribute to revenue generation. See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Segment and Other Information."

Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP, as they exclude important information about our financial results, as noted above. The presentation of these adjusted amounts varies from amounts presented in accordance with GAAP and therefore may not be comparable to amounts reported by other companies.

	Three Months Ended		Six Months Ended	
	March 1, 2024	February 24, 2023	March 1, 2024	February 24, 2023
GAAP operating income (loss)	\$ (3,312)	\$ (2,077)	\$ (2,007)	\$ 12,770
Share-based compensation expense	10,639	10,031	21,609	20,012
Amortization of acquisition-related intangibles	9,751	10,815	19,759	21,673
Flow-through of inventory step up	—	—	—	2,599
Cost of sales-related restructure	216	5,552	884	5,552
Diligence, acquisition and integration expense	5,885	2,824	6,674	9,556
Impairment of goodwill	—	17,558	—	17,558
Change in fair value of contingent consideration	—	6,400	—	10,100
Restructure charge	3,335	3,781	6,274	5,552
Other	—	900	—	1,800
Non-GAAP operating income	<u>\$ 26,514</u>	<u>\$ 55,784</u>	<u>\$ 53,193</u>	<u>\$ 107,172</u>
Non-GAAP operating income (loss) by segment:				
Memory Solutions	\$ 6,016	\$ 20,366	\$ 13,211	\$ 39,405
Intelligent Platform Solutions	22,291	36,645	40,192	69,630
LED Solutions	(1,793)	(1,227)	(210)	(1,863)
Total non-GAAP operating income (loss) by segment	<u>\$ 26,514</u>	<u>\$ 55,784</u>	<u>\$ 53,193</u>	<u>\$ 107,172</u>

Memory Solutions operating income decreased by \$14.4 million, or 70.5%, in the second quarter of 2024 compared to same period in the prior year, and by \$26.2 million, or 66.5%, in the first six months of 2024 compared to the same period in the prior year, primarily due to lower sales and gross profit due to lower sales volumes of Flash products.

IPS operating income decreased by \$14.4 million, or 39.2%, in the second quarter of 2024 compared to same period in the prior year, and by \$29.4 million, or 42.3%, in the first six months of 2024 compared to the same period in the prior year, primarily due to lower sales from our Penguin Solutions business, partially offset by lower operating expenses mainly driven by personnel-related expenses due to lower headcount.

LED Solutions operating loss increased by \$0.6 million, or 46.1%, in the second quarter of 2024 compared to the same period in the prior year, and decreased by \$1.7 million, or 88.7% in the first six months of 2024 compared to the same period in the prior year, primarily due to changes in sales and gross profit resulting from channel demand.

Operating and Non-operating (Income) Expense

Research and Development

Research and development expense decreased by \$4.7 million, or 18.8%, in the second quarter of 2024 compared to the same period in the prior year, and by \$7.4 million, or 15.1%, for the first six months of 2024 compared to the same period in the prior year, primarily due to lower subcontract services mainly driven by Penguin Solutions.

Selling, General and Administrative

Selling, general and administrative expense increased by \$1.3 million, or 2.2%, in the second quarter of 2024 compared to the same period in the prior year, primarily due to higher diligence expenses, partially offset by lower personnel-related expenses mainly driven by headcount reductions. Selling, general and administrative expenses decreased by \$9.2 million, or 7.2%, for the first six months of 2024 compared to the same period in the prior year, primarily due to lower personnel-related expenses, mainly driven by headcount reductions, as well as lower acquisition and integration expenses.

Selling, general and administrative expense in the first six months of 2024 and 2023 included costs of \$6.7 million and \$9.6 million, respectively, associated with the diligence, acquisition and integration of executed and potential business combinations. We anticipate that these activities will continue into future quarters.

Impairment of Goodwill

During the second quarter of 2023, we initiated a plan pursuant to which we intend to wind down manufacturing and discontinue the sale of certain legacy products offered through our Penguin Edge business by approximately the end of calendar 2024. We recorded impairment charges of \$17.6 million and \$1.5 million in the second and fourth quarters of 2023, respectively, to impair the carrying value of Penguin Edge goodwill. We currently anticipate that the remaining goodwill of the Penguin Edge reporting unit of \$16.1 million as of the end of the second quarter of 2024 may become further impaired in future periods.

Change in Fair Value of Contingent Consideration

Our acquisition of Stratus Technologies in the first quarter of 2023 included contingent consideration. We estimated the fair value of the contingent consideration as of the date of acquisition and subsequently recognized changes in the fair value in results of operations. In the second quarter and first six months of 2023, we recorded charges of \$6.4 million and \$10.1 million, respectively, to adjust the fair value of the contingent consideration. As of August 25, 2023, current liabilities included \$50.0 million for the amount payable for the Stratus Earnout, which we paid in full in the second quarter of 2024. See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Business Acquisition – Stratus Technologies."

Other Operating (Income) Expense

Other operating expense in the first six months of 2024 and 2023 included restructure charges of \$6.3 million and \$5.6 million, respectively, primarily for employee severance costs and other benefits resulting from workforce reductions, the elimination of certain projects across our businesses and other costs associated with the wind down of our Penguin Edge business. We anticipate that these activities will continue into future quarters and anticipate recording additional restructure charges.

Interest Expense, Net

Net interest expense decreased by \$1.1 million in the first six months of 2024 compared to the same period in the prior year, primarily due to higher interest income resulting from higher cash balances, partially offset by higher interest expense from the Amended 2027 TLA.

Other Non-operating (Income) Expense

Other non-operating (income) expense in the second quarter and first six months of 2023 consisted primarily of a \$15.9 million loss on the extinguishment of debt, partially offset, in the first six months of 2023, by \$3.0 million gain on disposition of assets. See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Other Non-operating (Income) Expense" and "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Debt – Convertible Senior Notes – Convertible Senior Notes Exchange."

Income Tax Provision (Benefit)

Income tax provision in the second quarter and in the first six months of 2024 decreased by \$6.0 million and by \$13.7 million, respectively, as compared to the same periods in the prior year, primarily due to a decrease in profit before tax in jurisdictions subject to income tax.

Our effective tax rate was (20.3)% and (31.0)% in the second quarter and first six months of 2024, respectively, and differed from the U.S. statutory rate primarily due to losses generated in a jurisdiction where no tax benefit can be recognized and to withholding taxes and state income taxes. Our effective tax rate was (32.8)% and (113.9)% in the second quarter and first six months of 2023, respectively and differed from the U.S. statutory rate primarily due to losses generated in a jurisdiction where no tax benefit can be recognized.

See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Income Taxes."

Net Income (Loss) From Discontinued Operations

As discussed above, we have presented the results of SMART Brazil as discontinued operations in our consolidated statements of operations for all periods presented. As of August 25, 2023, SMART Brazil was classified as held for sale. Accordingly, in 2023 we evaluated the carrying value of the net assets of SMART Brazil (including \$206.3 million recognized within shareholders' equity related to the cumulative translation adjustment from SMART Brazil), estimated costs to sell and expected proceeds and concluded the net assets were impaired. As a result, we recognized an impairment charge of \$153.0 million in 2023 to write down the carrying value of the net assets of SMART Brazil. In addition, we concluded that the outside basis of SMART Brazil inclusive of any withholding taxes should be recognized upon the classification as held for sale as of August 25, 2023. Accordingly, we recognized withholding taxes on the expected capital gain and deferred tax liabilities of \$28.6 million in 2023. In the first quarter of 2024, we completed the divestiture, and in connection therewith, recognized an additional loss of \$8.9 million.

See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Divestiture of SMART Brazil."

Liquidity and Capital Resources

As of March 1, 2024, we had cash, cash equivalents and short-term investments of \$465.8 million, of which \$348.6 million was held by subsidiaries outside of the United States. Our principal uses of cash and capital resources have been acquisitions, debt service requirements, capital expenditures, research and development expenditures and working capital requirements. We expect that future capital expenditures will focus on expanding our research and development activities, manufacturing equipment upgrades, acquisitions and IT infrastructure and software upgrades. Cash and cash equivalents generally consist of funds held in demand deposit accounts, money market funds and time deposits. We do not acquire investments for trading or speculative purposes.

We may from time to time seek additional equity or debt financing. Any future equity financing may be dilutive to our existing investors, and any future debt financing may include debt service requirements and financial and other restrictive covenants that may constrain our operations and growth strategies. In the event that we seek additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued product innovation, we may not be able to compete successfully, which would harm our business, operations and financial condition.

We expect that our existing cash and cash equivalents, short-term investments, borrowings available under our credit facilities and cash generated by operating activities will be sufficient to fund our operations for at least the next twelve months.

Divestiture of SMART Brazil: On November 29, 2023, we completed the previously announced divestiture of SMART Brazil. In connection with the divestiture, we sold an 81% interest and retained a 19% interest in SMART Brazil. At the closing of the transaction, we received \$143.0 million in cash from the sale (which includes gross proceeds of \$164.5 million less withholding taxes of \$21.5 million). In addition, we have the right to receive a deferred payment of \$28.4 million eighteen months following the closing. See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Divestiture of SMART Brazil."

Stratus Technologies Earnout: On August 29, 2022, we completed the acquisition of Stratus Technologies. At the closing of the transaction (including in connection with the completion of the review of the working capital assets acquired and liabilities assumed), we paid the Stratus Seller a cash purchase price of \$242.2 million. In addition, the Stratus Seller had the

right to receive contingent consideration of up to \$50.0 million, based on the gross profit performance of Stratus Technologies during the first full 12 fiscal months following the closing. In the second quarter of 2024, we paid in full \$50.0 million related to the Stratus Earnout.

Cash Flows

	Six Months Ended	
	March 1, 2024	February 24, 2023
Net cash provided by (used for) operating activities from continuing operations	\$ 37,796	\$ (6,954)
Net cash used for investing activities from continuing operations	(8,146)	(232,524)
Net cash provided by (used for) financing activities from continuing operations	(86,302)	222,472
Net increase (decrease) in cash and cash equivalents from discontinued operations	90,097	28,908
Effect of changes in currency exchange rates	(1,180)	1,917
Net increase (decrease) in cash and cash equivalents	<u>\$ 32,265</u>	<u>\$ 13,819</u>

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

Net cash provided by operating activities from continuing operations in the first six months of 2024 resulted primarily from net loss of \$24.2 million, adjusted for non-cash items of \$59.4 million. Operating cash flows were favorably affected by a \$2.6 million net change in our operating assets and liabilities primarily from the effects of a decrease of \$49.5 million in accounts receivable, partially offset by the payment of \$29.0 million of contingent consideration related to our 2023 acquisition of Stratus Technologies and an increase of \$21.1 million in other current assets. The decrease in accounts receivable was primarily due to lower gross sales in our IPS and Memory Solutions segments.

Net cash used for operating activities from continuing operations in the first six months of 2023 resulted primarily from net loss of \$36.6 million, adjusted for non-cash items of \$105.7 million. Operating cash flows were adversely affected by a \$76.1 million net change in our operating assets and liabilities primarily from the effects of decreases of \$174.7 million in accounts payable and accrued expenses and other liabilities and the payment of \$73.7 million of contingent consideration related to our 2021 acquisition of the LED business, partially offset by the effect of a decrease of \$172.0 million in accounts receivable. The decreases in accounts payable and accrued expenses and other liabilities and in accounts receivable were primarily due to timing of payments and receipts.

Investing Activities: Net cash used for investing activities from continuing operations in the first six months of 2024 consisted primarily of \$9.9 million for capital expenditures and deposits on equipment.

Net cash used for investing activities from continuing operations in the first six months of 2023 consisted primarily of \$213.1 million for the acquisition of Stratus Technologies and \$19.7 million for capital expenditures and deposits on equipment.

Financing Activities: Net cash used for financing activities from continuing operations in the first six months of 2024 consisted primarily of \$51.6 million in repayments of debt, \$21.0 million for payment of contingent consideration related to our 2023 acquisition of Stratus Technologies and \$15.9 million of payments to acquire our ordinary shares (including \$13.9 million under our share repurchase program), partially offset by \$4.2 million in proceeds from the issuance of ordinary shares from our equity plans.

Net cash provided by financing activities from continuing operations in the first six months of 2023 consisted primarily of \$295.3 million in net proceeds from the issuance of a term loan and \$4.3 million in proceeds from the issuance of ordinary shares, partially offset by \$28.1 million for payment of contingent consideration related to our 2021 acquisition of the LED business, \$16.2 million of payments to acquire our ordinary shares (including \$13.8 million under our share repurchase program and convertible note exchange), \$14.1 million for payment of premium in connection with our convertible note exchange, \$7.2 million in principal repayment of the LED Purchase Price Note and \$4.3 million net cash paid for settlement and purchase of privately-negotiated capped call transactions ("Capped Calls").

Critical Accounting Estimates

The preparation of these financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Estimates and judgments are based on historical experience, forecasted events and various other assumptions that we believe to be reasonable under the circumstances. We evaluate our estimates and judgments on an ongoing basis; however, actual results could differ from those estimates. Our management believes our critical accounting estimates require management's most difficult, subjective or complex judgments and are critical in the portrayal of our financial condition and results of operations. Our discussion of critical accounting estimates is intended to supplement our summary of significant accounting policies so that readers will have greater insight into the uncertainties involved in applying our critical accounting policies and estimates.

For a summary of our critical accounting estimates, see "PART II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates" of our Annual Report on Form 10-K for the fiscal year ended August 25, 2023. There have been no material changes to our critical accounting estimates from those described in our Annual Report on Form 10-K for the fiscal year ended August 25, 2023.

For a summary of our significant accounting policies, see "PART I. Financial Information – Item 1. Financial Statements – Notes to Consolidated Financial Statements – Significant Accounting Policies" of this Quarterly Report and "PART II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Significant Accounting Policies" of our Annual Report on Form 10-K for the fiscal year ended August 25, 2023. There have been no material changes to our significant accounting policies from those described in our Annual Report on Form 10-K for the fiscal year ended August 25, 2023.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Foreign Exchange Risk

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

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

Based on our monetary assets and liabilities denominated in foreign currencies as of March 1, 2024 and August 25, 2023, we estimate that a 10% adverse change in exchange rates versus the U.S. dollar would result in losses recorded in non-operating expense of \$3.1 million and \$1.6 million, respectively, to revalue these assets and liabilities.

Interest Rate Risk

We are subject to interest rate risk in connection with our variable-rate debt. As of March 1, 2024, we had \$500.0 million outstanding under the Amended 2027 TLA. In addition, our Amended Credit Agreement provides for borrowings of up to \$250.0 million under the 2027 Revolver. Assuming that we would satisfy the financial covenants required to borrow and

that the amounts available under the 2027 Revolver were fully drawn, a 1.0% increase in interest rates would result in an increase in annual interest expense, and a decrease in our cash flows, of \$7.5 million per year.

We had cash, cash equivalents and short-term investments of \$465.8 million as of March 1, 2024. We maintain our cash and cash equivalents in deposit accounts, money market funds with various financial institutions and in short-duration fixed income securities. Due to the short-term nature of these instruments, we believe that we do not have any material exposure to changes in the fair value of these investments as a result of changes in interest rates. Increases or decreases in interest rates would be expected to augment or reduce future interest income by an insignificant amount.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based upon that evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective as of March 1, 2024 to provide reasonable assurance that the information required to be disclosed by us in the reports that we file or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

During the second quarter of fiscal 2024, there were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes to the risks described in “PART I – Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended August 25, 2023. You should carefully consider the risks and uncertainties and the other information in our Annual Report and in this Quarterly Report, including “PART I. Financial Information – Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes. Our business, financial condition or results of operations could be materially and adversely affected if any of these risks occurs and, as a result, the market price of our ordinary shares could decline and you could lose all or part of your investment.

This Quarterly Report also contains forward-looking statements that involve risks and uncertainties. See “Cautionary Note Regarding Forward-Looking Statements” for additional information. Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including the risks facing our Company described in our Annual Report on Form 10-K for the fiscal year ended August 25, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

On April 5, 2022, we announced that our Board of Directors approved a \$75 million share repurchase authorization, under which we may repurchase our outstanding ordinary shares from time to time through open market purchases, privately-negotiated transactions or otherwise. The share repurchase authorization has no expiration date but may be suspended or terminated by our Board of Directors at any time. On January 8, 2024, the Audit Committee of the Board of Directors approved an additional \$75 million share repurchase authorization. As of March 1, 2024, the remaining aggregate dollar value of shares that may be repurchased under these authorizations was \$77.7 million.

The following table sets forth information relating to repurchases of our equity securities during the three months ended March 1, 2024:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs
December 2, 2023 – December 29, 2023	80,718	\$ 17.36	80,718	\$ 3,148,000
December 30, 2023 – January 26, 2024	25,280	\$ 17.80	25,280	\$ 77,698,000
January 27, 2024 – March 1, 2024	—	\$ —	—	\$ 77,698,000
	<u>105,998</u>	<u>\$ 17.47</u>	<u>105,998</u>	

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the fiscal quarter ended March 1, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” (in each case, as defined in Item 408 of Regulation S-K).

Item 6. Exhibits

INDEX TO EXHIBITS

Exhibit No.	Description	Filed Herewith	Incorporated by Reference			Filing Date
			Form	File No.	Exhibit	
3.1	Second Amended and Restated Memorandum and Articles of Association of SMART Global Holdings, Inc.		10-Q	001-38102	3.1	04/07/2020
4.1	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Exchange Act of 1934		10-K	001-38102	4.1	10/25/2021
10.1*	Offer Letter by and between SMART Global Holdings, Inc. and Joseph Clark, dated September 6, 2022	X				
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.1**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
32.2**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document	X				
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	X				

* Constitutes a management contract or compensatory plan or arrangement.

** The certifications attached as Exhibit 32.1 and Exhibit 32.2 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report, irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

Date: April 9, 2024

SMART Global Holdings, Inc.

By: /s/ Mark Adams

Mark Adams

President and Chief Executive Officer

(Principal Executive Officer)

Date: April 9, 2024

By: /s/ Ken Rizvi

Ken Rizvi

Senior Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

August 30, 2022

Dear Joseph,

By this offer letter (this “**Offer Letter**”), SMART Global Holdings, Inc. (“**SGH**” and, together with its subsidiaries and affiliates, the “**Company**”) is delighted to offer you the exempt position of President, LED Solutions, SGH, reporting to me.

1. **Term.** Your start date will be as mutually agreed by the parties hereto but in any event, no later than September 2, 2022 (your “**Start Date**”). Your employment hereunder will commence on the Start Date and continue until terminated pursuant to Section 6 below (the “**Term**”). You will have duties and responsibilities consistent with your position. During the Term, you will devote your full business time and attention to the performance of your duties for the Company, and you will not engage in any other business, profession or occupation for compensation or otherwise without the prior written consent of the General Counsel or Chief Executive Officer of the Company; *provided* that you may participate in civic or charitable activities as long as such activities do not interfere with the performance of your responsibilities hereunder.
2. **Base Salary.** During the Term, you will receive an annualized base salary of \$375,000 per year (the “**Base Salary**”), payable in accordance with the normal payroll policies of the Company and subject to the usual withholdings and deductions. You agree to serve, without additional compensation, if requested by the Company, as an officer and/or director of any other member of the Company Group (as defined in Exhibit A).
3. **Performance Bonus.** Subject to the achievement of the applicable performance goals and methodologies determined by the Board of Directors of SGH (the “**Board**”) in its sole discretion, you will be entitled to participate in the Company’s annual bonus program pursuant to which you will be eligible to earn an annual bonus (the “**Annual Bonus**”) with a target amount equal to 75% of the Base Salary. The actual bonus payable is contingent upon achievement of pre-defined goals for the Company and is subject to Board and management approval. The Annual Bonus, if any, earned for a fiscal year will be paid no later than two and one-half (2½) months following the end of the fiscal year to which the Annual Bonus relates. Your Annual Bonus is expected to be determined on an annual basis. The Company and/or the Board will have the right, but not the obligation, at its sole discretion, to amend, modify or terminate any bonus program,

including changes to (i) the performance period of the Annual Bonus, (ii) the performance goals and methodologies of calculating bonus achievement, and/or (iii) the Company's fiscal year. Your individual payout is adjusted by your management's rating of your individual performance. Bonuses are not considered as earned until bonus payment and are only earned if you are employed continually through the date of bonus payment. For fiscal 2022, your actual earned bonus, if any, will be prorated based on the number of days you were employed and working (not on any form of leave), in your performance period.

4. **Equity Awards.** As an inducement to your agreeing to the employment contained herein and as soon as reasonably practical after you commence employment as President, LED Solutions with the Company, you will be eligible to receive the equity awards described in **Exhibit B** subject to the terms of the applicable SGH award agreements and the SGH equity award plan (as amended from time to time, the "**Stock Plan**"). Starting in the fiscal year after your Start Date, you will also be eligible to participate in SGH's equity compensation program in a manner generally consistent with other similarly-situated executives, as determined by the Board, or the Compensation Committee of the Board, from time to time.
5. **Benefits.** During the Term, you will be eligible to participate in employee benefit plans and programs that are available to similarly-situated senior executive officers of SGH from time to time; *provided* that the Company may terminate or modify any benefit plan or program at any time in its discretion. Any requested details about the Company's employee benefit plans and programs, including but not limited to the Company's 401(k) plan, will be provided to you as soon as reasonably practicable after the Start Date.
6. **Termination of Employment.** Your employment may be terminated by you or the Company for any reason (including, without limitation, with or without Cause (as defined in **Exhibit A**)), at any time. Neither you nor your estate, as applicable, will accrue any additional compensation (including, without limitation, any Base Salary or Annual Bonus) or other benefits following any termination of your employment other than as set forth in this Offer Letter.
 - (a) If your employment is terminated due to your death or Disability (as defined in **Exhibit A**), then you will only be entitled to receive (i) your Base Salary through the date of termination (the "**Accrued Salary**"), which will be paid within 15 days following the date of termination or such earlier date as may be required by law, (ii) any other accrued and vested employee benefits that are required to be paid to you under the Company's employee benefit plans and in accordance with the Company's policies, excluding for the avoidance of doubt, any severance plans, policies or programs (the "**Accrued Benefits**"), and (iii) any earned (without regard to any requirement of continued employment through the payment date) but unpaid annual bonus for any fiscal year preceding the fiscal year in which the date of termination occurs (the "**Accrued Bonus**" and, collectively with the Accrued Salary and the Accrued Benefits, the "**Accrued Amounts**"), which will be paid at the same time as bonuses are paid to other senior executive officers, generally.
 - (b) If your employment is terminated by the Company without Cause (and other than due to your death or Disability) or if you resign from your employment for Good Reason (as defined in **Exhibit A**), in each case outside a Change in Control Protection Period (as defined in **Exhibit A**), then you will be entitled to the Accrued Amounts and, subject to **Section 8** below, the following additional payments and benefits: (i) an aggregate amount equal to 75% of your then-current Base Salary (the "**Cash Severance**"), payable in accordance with the schedule set forth in **Section 8**, below; (ii) to the extent any Annual Bonus could be earned in the fiscal year in which the termination occurs under the terms of the Company's annual bonus program but such Annual Bonus has not yet been

earned, a prorated bonus (based on the Board's determination of Company performance through the date of termination), prorated through the date of termination, payable at the same time as bonuses are paid to other executives, generally (the "Pro-Rated Bonus"); and (iii) to the extent that you and/or members of your family are covered under Company-provided health plans, payment or reimbursement of health benefit continuation coverage under COBRA or otherwise ("Health Care Continuation") from the termination date through the earlier of (x) 9 months following the termination date or (y) the date you become eligible for health benefits with another employer, which will be paid no later than the due date of payments for such coverage; provided that the Company may, in its discretion and to the extent permitted by Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), provide a lump sum payment calculated based on the monthly premiums in effect immediately prior to the expiration of COBRA coverage.

- (c) If, during the Change in Control Protection Period, (i) your employment is terminated by the Company without Cause (and other than due to your death or Disability) or (ii) you resign from employment for Good Reason, then, in lieu of any payments or benefits pursuant to Section 6(b) above, you will be entitled to the Accrued Amounts and, subject to Section 8 below, the following additional payments and benefits: (i) an aggregate amount equal to 150% of your then-current Base Salary plus an amount equal to 150% of the Annual Bonus paid or payable for the most recently completed fiscal year (together, the "**Change in Control Cash Severance**"), payable in accordance with the schedule set forth in Section 8 below; (ii) a Pro-Rated Bonus; (iii) Health Care Continuation from the termination date through the earlier of (x) 18 months following the termination date or (y) the date you become eligible for health benefits with another employer, which will be paid no later than the due date of payments for such coverage; *provided* that the Company, in its discretion and to the extent permitted by Section 409A of the Code, may provide a lump sum payment calculated based on the monthly premiums in effect immediately prior to the expiration of COBRA coverage; and (iv) except to the extent otherwise specifically provided in the award agreement governing any particular equity award, 100% vesting of all outstanding equity awards (including, without limitation, any equity awards subject to performance conditions, after giving application to Section 7 below).
- (d) If your employment is terminated or you resign for any reason other than as described in clauses (a) through (c) above, you will not be entitled to any payments or benefits, other than the Accrued Salary and the Accrued Benefits.

7. Treatment of Performance-Based Equity on Change in Control. Except to the extent otherwise specifically provided in the award agreement governing any particular equity award, upon a Change in Control, to the extent you hold any equity awards that remain subject to issuance or vesting based on performance (the "**Performance Awards**"), to the extent not already vested, a prorated portion of the Performance Awards (based on the Board's determination of performance measured through the Change in Control), prorated through the date of the Change in Control, will become issued and/or vested upon the Change in Control, and the remainder of the Performance Awards (the "**Remainder Awards**") will issue and/or vest in equal monthly installments over the remainder of the original performance period (unless accelerated under Section 6 above); *provided* that if the successor to SGH does not assume or substitute the Remainder Awards with a substantially equivalent award, the full amount of the Remainder Awards will become issued and/or vested upon the Change in Control. Notwithstanding the foregoing, in the event that any of the Performance Awards are subject to Section 409A of the Code and the issuance of such Performance Awards in accordance with this Section 7 would violate Section 409A of the Code, then the Performance Awards will vest in accordance with this Section 7 but shall be issued in

accordance with the schedule set forth in the original award agreement to the extent required to comply with Section 409A of the Code.

8. Termination Payment Matters. Any payments or benefit made pursuant to Section 6 above, other than the Accrued Salary and the Accrued Benefits, will be subject to your execution, delivery and non-revocation of an effective release of all claims against the Company, in a form provided by the Company (the “**Release**”), within the 60-day period following the date that your employment terminates (such 60-day period, the “**Release Period**”). The Cash Severance or Change in Control Cash Severance, as applicable, will be paid in accordance with the Company's regular payroll practices in substantially equal installments over the six-month period following the date of termination; *provided* that the first installment will be paid on the first or second Company payroll date following the date on which the Release has become effective and irrevocable; *provided further*, if the Release Period spans two calendar years, then the first installment of the severance pay will commence on the first or second Company payroll date that occurs in the second calendar year. Any installments that otherwise would have been prior to the date on which the first installment is paid will instead be paid on the first installment payment date. Upon the termination of your employment for any reason, you agree to resign, as of the date of your termination and to the extent applicable, from the Board (and any committees thereof) and all other boards of directors (and any committees thereof), officer, and other fiduciary positions of or relating to each member of the Company Group. During the Term and at any time thereafter, you agree to cooperate (i) with the Company in the defense of any legal matter involving any matter that arose during your employment with any member of the Company Group and (ii) with all government authorities on matters pertaining to any investigation, litigation or administrative proceeding pertaining to any member of the Company Group; *provided* that the Company will reimburse you for any reasonable travel and out of pocket expenses you incur in providing such cooperation. You will promptly notify the Company if you become eligible for health benefits with another employer while still receiving payments or benefits hereunder.
9. Conditions. This offer, and any employment pursuant to this offer, is contingent on you: (i) completing the Company's standard employment application paperwork, (ii) providing the legally required proof of your identity and authorization to work in the United States, (iii) passing a background check, (iv) passing a references check that is performed by the Company, and (v) executing and complying with the Company's standard Employment, Confidential Information and Invention Assignment Agreement and the Company's standard Arbitration and Class Action Waiver Agreement. At all times, you will be subject to, and abide by, all applicable Company policies and requirements, including but not limited to those relating to expense reimbursement, insider trading, stock ownership guidelines, corrupt practices, technology, publicity, safety, discrimination, and harassment.
10. Representations. By signing and accepting this offer, you represent and warrant to the Company that: (i) as of the Start Date you will not be subject to any pre-existing contractual or other legal obligation with any person, company or business enterprise which would prohibit or restrict your employment with, or your providing services to, the Company as its employee; and (ii) you will not use in the course of your employment with the Company and to the benefit of the Company, any confidential or proprietary information of another person, company or business enterprise to whom you currently provide, or previously provided, services.
11. At Will Employment. You understand that your employment is “at will” at all times, which means that you or the Company may terminate your employment at any time, for any reason or no reason at all. This Offer Letter does not constitute, and may not be construed as, a commitment for employment for any specific duration.

12. Miscellaneous. No provision of this Offer Letter may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by you and another duly authorized signatory of SGH. This Offer Letter is not assignable by you, and it will governed by, and construed in accordance with, the laws of the State of California without reference to principles of conflict of laws. Any legal proceeding involving this Offer Letter must be brought in the State of California. The parties agree and consent to both jurisdiction and venue in California. The Company's obligation to pay or provide any amounts or benefits hereunder is subject to set-off, counterclaim or recoupment of any amounts you owe to any member of the Company Group (except to the extent any such action would violate, or result in the imposition of tax under, Section 409A of the Code). This Offer Letter (together with its exhibits and schedules, as well as other documents and agreements to the extent referenced herein) constitutes the entire agreement between the parties as of the date hereof regarding the terms of your employment and supersedes all previous agreements and understandings with respect to the subject matter hereof, whether written or oral. Any compensation paid to you by any member of the Company Group which is subject to recovery under any Company policy, law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made thereby (or by any policy adopted by any member of the Company Group). The Company is entitled to withhold from any payment due to you any amounts required to be withheld by applicable laws or regulations.
13. 409A Matters. This Offer Letter is intended to comply with Section 409A of the Code or one or more exemptions therefrom. Without limiting the foregoing, if on the date of termination of employment you are a "specified employee" (within the meaning of Section 409A of the Code), then to the extent required in order to comply with Section 409A of the Code, amounts that constitute "nonqualified deferred compensation" (as defined in Section 409A of the Code) and are not otherwise exempt from Section 409A of the Code that would otherwise be payable during the six-month period immediately following the termination date will instead be paid (without interest) on the earlier of (i) the first business day after the date that is six months following the termination date or (ii) your death. All references herein to "termination date" or "termination of employment" mean "separation from service" as an employee within the meaning of Section 409A of the Code. It is intended that each installment of payments hereunder constitutes a separate "payment" for purposes of Section 409A of the Code. To the extent that any provision hereof is ambiguous as to its compliance with Section 409A of the Code, the provision will be interpreted so that all payments hereunder comply with Section 409A of the Code or one or more exemptions therefrom. To the extent any expense reimbursement or in-kind benefit is subject to Section 409A of the Code, (1) the amount of any such expenses eligible for reimbursement, or the provision of any in-kind benefit in one calendar year will not affect the expenses eligible for reimbursement in any other taxable year, (2) in no event will any expenses be reimbursed after the last day of the calendar year following the calendar year in which you incurred such expenses, and (3) in no event will any right to reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit. The Company makes no representation or warranty that, and will have no liability to you or any other person if, any payments or benefits are determined to constitute deferred compensation subject to Section 409A of the Code but do not satisfy the conditions thereof or an exemption therefrom.
14. 280G Matters. If payments or benefits owed to you by the Company are considered "parachute payments" under Section 280G of the Code, then such payments will be limited to the greatest amount which may be paid to you under Section 280G of the Code without causing any loss of deduction to the Company thereunder, but only if, by reason of such reduction, the net after tax benefit to you exceeds the net after tax benefit to you if such reduction were not made (in each case, taking into account all applicable income, employment, and excise taxes). These determinations will be made at the Company's expense by a nationally recognized certified public accounting firm

designated by the Company and reasonably acceptable to you (the “**Accounting Firm**”). In the event of any mistaken underpayment or overpayment under this Section 14, as determined by the Accounting Firm, the amount thereof will be paid to you or refunded to the Company, as applicable, but only to the extent any such refund would result in (i) no portion of such payments being subject to the excise tax imposed by Section 4999 of the Code and (ii) a dollar-for-dollar reduction in your taxable income and wages for purposes of all applicable income and employment taxes, with interest at the applicable Federal rate for purposes of Section 7872(f)(2) of the Code. Any reduction in payments required by this Section 14 will, to the extent possible, be made in a manner does not violate the provisions of Section 409A of the Code and will occur in the following order: (1) any Cash Severance, (2) any other cash amount, (3) any benefit valued as a “parachute payment,” and (4) the acceleration of vesting of any equity-based awards, in each case, with payments to be paid later in time reduced first.

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This offer of employment expires on September 9, 2022 and supersedes any prior offer, which prior offer is null and void. To confirm your acceptance of this offer, please sign below. I look forward to your positive response, and I am very excited about having you join us.

Sincerely,

/s/ Mark Adams
Mark Adams
President & CEO

Accepted and Agreed:

/s/ Joseph G. Clark
Joe Clark

Date: 06 September 2022

Exhibit A

Definitions

“Cause” means the occurrence of one or more of the following, as determined in good faith by the Board: (A) your act of fraud or material dishonesty against any member of the Company Group which the Board reasonably determines had or will have a materially detrimental effect on the reputation or business of any member of the Company Group, (B) your conviction of, or plea of nolo contendere to, (i) a felony (excluding minor traffic offenses) or (ii) any other crime which the Board reasonably determines had or will have a materially detrimental effect on the reputation or business of any member of the Company Group, (C) your intentional or gross misconduct, (D) your willful improper disclosure of confidential information, (E) your action or conduct that causes material harm to any member of the Company Group (including, without limitation, the reputation of any member of the Company Group), or that otherwise brings you or any member of the Company Group into public disrepute, (F) your material violation of any policy of any member of the Company Group (including, without limitation, any policy relating to discrimination, sexual harassment or misconduct), or of this Offer Letter (or any other material agreement between you and any member of the Company Group), after written notice from the Company, and a reasonable opportunity of not less than 30 days to cure (to the extent curable) such violation, (G) your failure to reasonably cooperate with any member of the Company Group in any investigation or formal proceeding, or (H) your continued material violations of your duties, or repeated material failures or material inability to perform any reasonably assigned duties (other than due to your Disability), after written notice from the Board and a reasonable opportunity of not less than 30 days to cure (to the extent curable) such violations, failures or inability (and during which time you will be given a reasonable opportunity to address any issues with the Board).

“Change in Control” has the meaning set forth in the Stock Plan.

“Change in Control Protection Period” means the period beginning 2 months prior to and ending 12 months following a Change in Control.

“Company Group” means SGH and each of its subsidiaries.

“Disability” means your inability, due to physical or mental incapacity, to perform your duties under this Offer Letter with substantially the same level of quality as immediately prior to such incapacity for a period of 90 consecutive days or 120 days during any consecutive six-month period. In conjunction with determining Disability for purposes of this Offer Letter, you hereby (i) consent to any such examinations which are relevant to a determination of whether you are mentally and/or physically disabled and (ii) agree to furnish such medical information as may be reasonably requested.

“Good Reason” means the occurrence, without your written consent, of any of the following events: (A) a material reduction in the nature or scope of your responsibilities, duties or authority from those contemplated by the title offered in this Offer Letter, (B) a material reduction in your then-current Base Salary (other than due to a general salary reduction program), (C) you cease to report to the Chief Executive Officer of SGH, or (D) you are required to permanently relocate your primary home residence as a result of the Company's relocation of your primary office location outside a 50-mile radius of the Company's current offices in Milpitas, California; *provided that* any such event described in clauses (A) through (D) above will not constitute Good Reason unless (i) you deliver to the Board a notice of termination for Good Reason within 90 days after you first learn of the existence of the circumstances giving rise to Good Reason, (ii) within 30 days following the delivery of such notice of termination for Good Reason, the Company has failed to cure the circumstances giving rise to Good Reason, and (iii) following such failure to cure, you resign your employment within 30 days thereof.

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Exhibit B

Initial Equity Awards

The terms of your initial equity awards will be consistent with those set forth in the summary below. Your initial equity awards will be subject to the terms and conditions set forth in the Stock Plan and an award agreement issued to you in connection with this grant (collectively, the “**Award Documentation**”), which will supersede and replace the summary set forth below.

1. *Time-Based RSU Award.* As soon as reasonably practicable following the Start Date, you will be granted restricted share units to acquire a number of ordinary shares of SGH with an aggregate grant date fair value of \$500,000, based on the trailing average closing price of an ordinary share of SGH over the 30 trading days ending on and including the trading day preceding the grant date (the “**RSUs**”). Subject to your continued service through each vesting date, the RSUs will vest in equal quarterly installments (equal to 1/16th of the number of shares in the original award) in an open trading window approximately every three months thereafter (through the final vesting date on approximately the fourth annual anniversary of the grant date). Open trading windows typically occur in the second half of every January, April, July and October. Any fraction of a share that vests on any vesting date will be rounded down to the next whole number, with any such fraction added to the portion of the shares that vests on the subsequent vesting date. The RSUs will be subject to vesting acceleration upon a qualifying termination of your service following a Change in Control, as set forth in and subject to the terms of the Offer Letter.
2. *Performance-Based RSU Award.* As soon as reasonably practicable following the Start Date, you will be granted performance-based restricted share units to acquire a number of ordinary shares of SGH with an aggregate grant date fair value of \$500,000, based on the trailing average closing price of an ordinary share of SGH over the 30 trading days ending on and including the trading day preceding the grant date (the “**PRSUs**”). The PRSUs will vest subject to the achievement of performance criteria that will be established by the Compensation Committee of the Board at its first scheduled meeting following the Start Date. The PRSUs will be subject to pro-rata vesting acceleration upon a Change in Control, as set forth in and subject to the terms of the Offer Letter.

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

I, Mark Adams, certify that:

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

Date: April 9, 2024

By: /s/ Mark Adams

Mark Adams

President and Chief Executive Officer

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

I, Ken Rizvi, certify that:

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

Date: April 9, 2024

By: /s/ Ken Rizvi

Ken Rizvi

Senior Vice President and Chief Financial Officer

SGH[™]

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

In connection with the Quarterly Report of SMART Global Holdings, Inc. (the "Company") on Form 10-Q for the period ended March 1, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Adams, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 9, 2024

By: /s/ Mark Adams

Mark Adams

President and Chief Executive Officer

The logo for SMART Global Holdings, Inc. (SGH) is located in the bottom right corner. It consists of the letters "SGH" in a bold, blue, sans-serif font, followed by a small trademark symbol (™).

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

In connection with the Quarterly Report of SMART Global Holdings, Inc. (the "Company") on Form 10-Q for the period ended March 1, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ken Rizvi, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 9, 2024

By: /s/ Ken Rizvi

Ken Rizvi

Senior Vice President and Chief Financial Officer

The logo for SMART Global Holdings, Inc. (SGHI) is located in the bottom right corner. It consists of the letters "SGHI" in a bold, blue, sans-serif font, followed by a small registered trademark symbol (®).