Celestica Announces Third Quarter 2016 Financial Results

October 20, 2016 4:00 PM EDT

TORONTO, Canada - Celestica Inc. (NYSE, TSX: CLS), a global leader in the delivery of end-to-end product lifecycle solutions, today announced financial results for the third quarter ended September 30, 2016.

Third Quarter 2016 Highlights

- Revenue: $1.55 billion, at the high end of our previously provided guidance range of $1.475 to $1.575 billion, increased 5% sequentially and 10% compared to the third quarter of 2015
- Revenue from our diversified end market grew 9% compared to the third quarter of 2015, and represented 30% of total revenue for the third quarter of 2015 and 2016
- IFRS EPS: $0.37 per share, compared to $0.08 per share for the third quarter of 2015. IFRS EPS for the third quarter of 2016 included a net benefit of $0.11 per share related to income taxes (discussed below)
- Adjusted EPS (non-IFRS): $0.43 per share, significantly above our previously provided guidance range of $0.27 to $0.33 per share, compared to $0.22 per share for the third quarter of 2015. Adjusted EPS for the third quarter of 2016 would have been $0.32 per share, within our guidance range, without the $0.11 per share net benefit related to income taxes referred to above
- Operating margin (non-IFRS): 3.8%, above our previously provided mid-point of our expectations of 3.6%, and consistent with the third quarter of 2015
- ROIC (non-IFRS): 21.2%, compared to 20.9% for the third quarter of 2015
- Free cash flow (non-IFRS): $99.5 million, compared to $12.8 million for the third quarter of 2015

"Celestica delivered 10% year-over-year revenue growth in the third quarter with adjusted operating margin above the mid-point of our guidance," said Rob Mionis, Celestica's President and Chief Executive Officer. "We also achieved our fourth straight quarter of year-over-year revenue growth, and generated $100 million of free cash flow with year-over-year improvements in return on invested capital and earnings per share."

"Our continued momentum in driving revenue and earnings growth in a dynamic market reflects our progress towards achieving sustained profitable growth. In addition, I look forward to completing a planned acquisition of Karel Manufacturing, referred to below, that supports our goal of making strategic investments to expand our capabilities and further contribute to our business diversification."

Third Quarter and Year-to-Date Summary

	Three months ended September 30		Nine months ended September 30	
	2015	**2016**	**2015**	**2016**
Revenue (in millions)........	$ 1,408.5	$ 1,554.0	$ 4,124.3	$ 4,392.8
IFRS net earnings (in millions) (i)........	$ 10.9	$ 53.6	$ 54.8	$ 115.4
IFRS earnings per share (i)........	$ 0.08	$ 0.37	$ 0.34	$ 0.80
Non-IFRS adjusted net earnings (in millions) (i) (ii)........	$ 31.4	$ 62.0	$ 106.1	$ 141.4

Non-IFRS adjusted EPS(i) (ii)	$ 0.22		$ 0.43		$ 0.65		$ 0.98	
Non-IFRS return on invested capital (ROIC) (ii)	20.9	%	21.2	%	19.1	%	20.1	%
Non-IFRS operating margin(ii)	3.8	%	3.8	%	3.4	%	3.6	%

i. International Financial Reporting Standards (IFRS) EPS for the third quarter of 2016 included an aggregate charge of $0.06 (pre-tax) per share for employee stock-based compensation expense, amortization of intangible assets (excluding computer software) and restructuring charges. This aggregate charge is below the range we provided on July 21, 2016 of an aggregate charge of between $0.07 to $0.12 per share for these items (see the tables in Schedule 1 attached hereto for per-item charges), primarily due to the deferral of certain restructuring actions.

IFRS EPS and adjusted EPS (non-IFRS) for the third quarter of 2016 were favorably impacted by a $0.11 per share net benefit related to income taxes, comprised primarily of a $0.24 per share income tax recovery attributable to the resolution of certain previously disputed tax matters in Canada (including the accrual of related refund interest income), offset in part by an aggregate of $0.09 per share impact from current and deferred withholding taxes and other deferred tax charges, as well as a $ 0.02 per share income tax expense (third quarter of 2015 - $0.08 per share) related to taxable foreign exchange resulting from the weakening of the Malaysian ringgit and Chinese renminbi relative to the U.S. dollar and a $0.02 per share for other tax impacts. See notes 10 and 12 to our September 30, 2016 unaudited interim condensed consolidated financial statements (Interim Financial Statements). The foregoing items arose in the third quarter of 2016, and were therefore not factored into our guidance for adjusted EPS (non-IFRS) for the period. Non-IFRS adjusted EPS for the third quarter of 2016 would have been within our guidance range for the quarter without the $0.11 per share net benefit referred to above.

Our non-IFRS operating margin of 3.8% was above the mid-point of our expectations, reflecting higher revenue levels, favorable program mix and customer recoveries, offset in part by higher provisions we recorded in the quarter, primarily to write down our solar panel inventory to market prices. See note 6 to our September 30, 2016 Interim Financial Statements.

In addition, the calculation of our weighted average number of shares (used to determine our IFRS EPS and non-IFRS adjusted EPS) for the first nine months of 2016 reflected the full impact of the reduction in our outstanding subordinate voting shares as a result of our share repurchases and cancellations in 2015 pursuant to our $350.0 million substantial issuer bid and our normal course issuer bid (NCIB) then in effect. Accordingly, the positive effect of the reduced weighted average number of shares on our IFRS EPS and non-IFRS adjusted EPS for the first nine months of 2016 was greater as compared to the prior year period.

ii. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public companies that use IFRS or other generally accepted accounting principles (GAAP). See "Non-IFRS Supplementary Information" below for information on our rationale for the use of non-IFRS measures, and Schedule 1 for, among other items, non-IFRS measures included in this press release, as well as their definitions, uses, and a reconciliation of non-IFRS to IFRS measures (where a comparable IFRS measure exists).

End Markets by Quarter as a Percentage of Total Revenue

	2015					2016		
	Q1	**Q2**	**Q3**	**Q4**	**FY**	**Q1**	**Q2**	**Q3**
Communications	40%	40%	41%	38%	40%	38%	41%	43%
Consumer	3%	3%	3%	3%	3%	3%	3%	2%
Diversified(i)	28%	28%	30%	30%	29%	34%	30%	30%
Servers	11%	10%	8%	10%	10%	9%	9%	7%
Storage	18%	19%	18%	19%	18%	16%	17%	18%
Revenue (in billions)	$1.30	$1.42	$1.41	$1.51	$5.64	$1.35	$1.49	$1.55

i. Our diversified end market is comprised of aerospace and defense, industrial, healthcare, energy, and semiconductor equipment.

Asset Purchase Agreement to further broaden capabilities in key markets

Celestica announced that it has entered into an asset purchase agreement with Lorenz, Inc. and Suntek Manufacturing Technologies, SA de CV, collectively known as Karel Manufacturing (Karel), a Mexico-based manufacturing services company that specializes in wire harness assembly, machining, sheet metal fabrication, and systems integration of aerospace products. This acquisition is intended to expand Celestica's capabilities and to accelerate our growth in the aerospace and defense market. The transaction is subject to customary conditions and is expected to close in the fourth quarter of 2016.

Fourth Quarter 2016 Outlook

For the fourth quarter ending December 31, 2016, we anticipate revenue to be in the range of $1.5 billion to $1.6 billion, non-IFRS operating margin to be 3.8% at the mid-point of our expectations, and non-IFRS adjusted earnings per share to be in the range of $0.29 to $0.35. We expect a negative $0.09 to $0.14 per share (pre-tax) aggregate impact on net earnings on an IFRS basis for employee stock-based compensation expense, amortization of intangible assets (excluding computer software) and restructuring charges. We cannot predict changes in currency exchange rates, the impact of such changes on our operating results, or the degree to which we will be able to manage such impacts.

Third Quarter 2016 Webcast

Management will host its third quarter 2016 results conference call today at 5:00 p.m. Eastern Daylight Time. The webcast can be accessed at www.celestica.com.

Non-IFRS Supplementary Information

In addition to disclosing detailed operating results in accordance with IFRS, Celestica provides supplementary non-IFRS measures to consider in evaluating the company's operating performance. Management uses adjusted net earnings and other non-IFRS measures to assess operating performance and the effective use and allocation of resources; to provide more meaningful period-to-period comparisons of operating results; to enhance investors' understanding of the core operating results of Celestica's business; and to set management incentive targets. We believe investors use both IFRS and non-IFRS measures to assess management's past, current and future decisions associated with our priorities and our allocation of capital, as well as to analyze how our business operates in, or responds to, swings in economic cycles or to other events that impact our core operations. See Schedule 1 - Supplementary Non-IFRS Measures for, among other items, non-IFRS measures provided herein, non-IFRS definitions, and a reconciliation of non-IFRS to IFRS measures (where a comparable IFRS measure exists).

About Celestica

Celestica is dedicated to delivering end-to-end product lifecycle solutions to drive our customers' success. Through our simplified global operations network and information technology platform, we are solid partners who deliver informed, flexible solutions that enable our customers to succeed in the markets they serve. Committed to providing a truly differentiated customer experience, our agile and adaptive employees share a proud history of demonstrated expertise and creativity that provides our customers with the ability to overcome complex challenges. For further information about Celestica, visit our website at www.celestica.com. Our securities filings can also be accessed at www.sedar.com and www.sec.gov.

Cautionary Note Regarding Forward-looking Statements

This news release contains forward-looking statements, including, without limitation, those related to our future growth; trends in the electronics manufacturing services (EMS) industry; our anticipated financial and/or operational results, including our quarterly revenue, non-IFRS operating margin and earnings guidance; the impact of acquisitions and program wins or losses on our financial results and working capital requirements; anticipated expenses, restructuring actions and charges, and amortization of intangible assets (excluding computer software); the anticipated repatriation of undistributed earnings from foreign subsidiaries; our expected tax and litigation outcomes; our cash flows, financial targets and priorities; changes in our mix of revenue by end market; our ability to diversify and grow our customer base and develop new capabilities; the effect of the pace of technological changes, customer outsourcing and program transfers, and the global economic environment on customer demand; the possibility of future impairments of property, plant and equipment, goodwill or intangible assets; the timing and extent of the expected recovery of cash advances made to a particular solar cell supplier; and the timing and impact, if completed, of the acquisition of the assets of Karel Manufacturing. Such forward-looking statements may, without limitation, be preceded by, followed by, or include words such as "believes", "expects", "anticipates", "estimates", "intends", "plans", "continues", "project", "potential", "possible", "contemplate", "seek", or similar expressions, or may employ such future or conditional verbs as "may", "might", "will", "could", "should" or "would", or may otherwise be indicated as forward-looking statements by grammatical construction, phrasing or context. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995, where applicable, and applicable Canadian securities laws.

Forward-looking statements are provided for the purpose of assisting readers in understanding management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. Forward-looking statements are not guarantees of future performance and are subject to risks that could cause actual results to differ materially from conclusions, forecasts or projections expressed in such statements, including, among others, risks related to: our customers' ability to compete and succeed in the marketplace with the services we provide and the products we manufacture; price and other competitive factors generally affecting the EMS industry; managing our operations and our working capital performance during uncertain market and economic conditions; responding to changes in demand, rapidly evolving and changing technologies, and changes in our customers' business and outsourcing strategies, including the insourcing of programs; customer concentration and the challenges of diversifying our customer base and replacing revenue from completed or lost programs, or customer disengagements; changing commodity, material and component costs, as well as labor costs and conditions; disruptions to our operations, or those of our customers, component suppliers or logistics partners, including as a result of global or local events outside our control, including as a result of the June 2016 referendum by British voters advising for the exit of the United Kingdom from the European Union (Brexit); retaining or expanding our business due to execution issues relating to the ramping of new or existing programs or new offerings; the incurrence of future impairment charges; recruiting or retaining skilled personnel; transitions associated with our new CEO, our Global Business Services initiative, our Organizational Design initiative, and/or other changes to our company's operating model; current or future litigation and/or governmental actions; improving operating performance and financial results in our semiconductor and solar businesses; recent and significant decreases in the pricing of, and demand for, solar panels and our ability to minimize the impact of such decreases on our solar business; delays in the delivery and availability of components, services and materials, including from suppliers upon which we are dependent for certain components; non-performance by counterparties; our financial exposure to foreign currency volatility, including stock market volatility and currency exchange rate fluctuations resulting from the Brexit; our dependence on industries affected by rapid technological change; the variability of revenue and operating results; managing our global operations and supply chain; increasing income taxes, tax audits, and challenges of defending our tax positions, and obtaining, renewing or meeting the conditions of tax incentives and credits; completing restructuring actions, including achieving the anticipated benefits therefrom, and integrating any acquisitions; defects or deficiencies in our products, services or designs; computer viruses, malware, hacking attempts or outages that may disrupt our operations; any failure to adequately protect our intellectual property or the intellectual property of others; compliance with applicable laws, regulations and social responsibility initiatives; our having sufficient financial resources and working capital to fund currently anticipated financial obligations and to pursue desirable business opportunities; the potential that conditions to closing the sale of our real property in Toronto and related transactions (collectively, the "Toronto Real Property Transactions") may not be satisfied on a timely basis or at all; and if the Toronto Real Property Transactions are completed, our ability to secure on commercially acceptable terms an alternate site for our existing Toronto manufacturing operations, and the costs, timing and/or execution of such relocation proving to be other than anticipated. The foregoing and other material risks and uncertainties are discussed in our public filings at www.sedar.com and www.sec.gov, including in our MD&A, our most recent Annual Report on Form 20-F filed with, and subsequent reports on Form 6-K furnished to, the U.S. Securities and Exchange Commission, and our Annual Information Form filed with the Canadian Securities Administrators.

Our revenue, earnings and other financial guidance, as contained in this press release, is based on various assumptions, many of which involve factors that are beyond our control. Our material assumptions include those related to the following: production schedules from our customers, which generally range from 30 days to 90 days and can fluctuate significantly in terms of volume and mix of products or services; the timing and execution of, and investments associated with, ramping new business; the success in the marketplace of our customers' products; the stability of general economic and market conditions, currency exchange rates, and interest rates; our pricing, the competitive environment and contract terms and conditions; supplier performance, pricing and terms; compliance by third parties with their contractual obligations, the accuracy of their representations and warranties, and the performance of their covenants; the costs and availability of components, materials, services, plant and capital equipment, labor, energy and transportation; operational and financial matters including the extent, timing and costs of replacing revenue from completed or lost programs, or customer disengagements; technological developments; overall demand improvement in the semiconductor industry; revenue growth and improved financial results in our semiconductor business; the extent and impact of the recent adverse factors effecting the solar market; the timing, execution and effect of restructuring actions; our having sufficient financial resources and working capital to fund our currently anticipated financial obligations and to pursue desirable business opportunities; and our ability to diversify our customer base and develop new capabilities. While management believes these assumptions to be reasonable under the current circumstances, they may prove to be inaccurate. Forward-looking statements speak only as of the date on which they are made, and we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

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