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

FORM 10-K

(Mark One)

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

For the fiscal year ended January 3, 2021
or

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

For the transition period from to
Commission File Number 0-31051

SMTC CORPORATION
(Exact name of registrant as specified in its charter)
Delaware
(State or other jurisdiction of incorporation or organization)
98-0197680
(IRS Employer Identification Number)
7050 WOODBINE AVE, Suite 300.
MARKHAM, ONTARIO, CANADA
(Address of Principal Executive Offices)
L3R 4G8
(Zip Code)
Registrant's telephone number, including area code: 905-479-1810
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	SMTX	The Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of common stock of the registrant held by non-affiliates of the registrant was approximately $ 62.8 million on June 28, 2020 (the last business day of the registrant's most recently completed second fiscal quarter). For purposes of the foregoing sentence, the term "affiliate" includes each director and executive officer of the registrant and each holder of more than 10% of the registrant's common stock. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The computation of the aggregate market value of the registrants common stock is based upon the closing price of the common stock as reported on The Nasdaq Global Market on June 26, 2020 (the last trading day of the registrant's most recently completed second fiscal quarter).

As of March 17, 2021, the registrant had 28,513,810 shares of common stock, par value $0.01 per share outstanding.

Documents Incorporated By Reference: None.

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Annual Report on Form 10-K for the fiscal year ended January 3, 2021

Risks Factors Summary

Our business is subject to a number of risks and uncertainties, including those described in the "Risk Factors" section in this Form 10-K (as defined below). These risks include, but are not limited to, the following:

- the announcement and pendency of the Merger (as defined below);
- the failure to complete the Merger in a timely manner or at all;
- the provisions in the Merger Agreement that could discourage or deter a potential competing acquirer that might be willing to pay more to effect an acquisition transaction with us;
- litigation challenging the Merger Agreement, which may prevent the Merger from being consummated at all or within the expected timeframe;
- the substantial transaction fees and costs we will incur in connection with the Merger;
- that a majority of our revenue comes from a relatively small number of customers;
- the competitiveness of our industry;
- variability in our operating results;
- our dependence upon the industry sectors we service and economic slowdowns in these sectors;
- consolidation in the industry sectors in which we operate;
- difficulties with acquisitions, including the risks associated with the integration of acquired businesses, such as MCA (as defined bellow), and divestitures;
- our inability to respond to rapidly changing technology and process development;
- disruptions to our information technology systems, including cyber security incidents, losses of data or outages;
- defects in the products we manufacture, decline in demand for our services and our exposure to product liability and product warranty claims;
- our dependence on our key personnel and skilled employees and our inability to attract and retain key personnel and skilled employees;
- our failure to comply with current and future governmental regulations related to the environment, health and safety and defense;
- that our customers may cancel their orders, change production quantities or locations, or delay production, and the inherent difficulties involved in responding to these demands;
- our inability to maintain satisfactory utilization rates at our manufacturing factories;
- our restructuring activities;
- our exposure to intellectual property infringement claims against our customers or us;
- our involvement in various legal proceedings;
- any requirement to recognize additional impairment charges;
- our inability to perform on our U.S. government contracts, and changes in government defense spending and priorities;
- changes in the procurement rules and regulations related to government contracts;
- the extensive regulation and audit by the Defense Contract Audit Agency to which we are subject;
- material weakness in our internal control;
- our particular exposure to general economic conditions;
- the effect of COVID-19 on our operations and the operations of our customers, suppliers and logistics providers;
- our exposure to fluctuations in currencies against the U.S. dollar;
- our dependence on a limited number of suppliers for components that are critical to our manufacturing processes and the risk of shortages or price fluctuations of component parts specified by our customers
- our international manufacturing operations and our operations as a global company;
- tariffs imposed by the United States and those imposed in response by other countries, as well as rapidly changing trade relations;
- our indebtedness and its potential to severely limit our ability to plan for or respond to changes in our business;
- the significant restrictions on our ability to operate our business as a result of the covenant restrictions under our Credit Facilities (as defined below);
- the potential for our indebtedness to prevent us from fulfilling our debt obligations and otherwise restrict our activities;
- our ability to incur more debt and undertake additional obligations despite our current level of indebtedness;
- our inability to generate sufficient cash flow from operations to satisfy our significant indebtedness or to refinance these obligations on acceptable terms, or at all;
- downgrades of our credit ratings;
- changes in the method of determining LIBOR, or the replacement of LIBOR with an alternative reference rate;

- our inability to recognize tax benefits on our existing U.S. net operating loss position;
- adverse impact resulting from government tax reform on the Company’s tax returns and consolidated financial statements;
- adverse consequences resulting from future governmental tax audits of the Company’s tax returns;
- the volatility of our common stock price;
- the considerable degree of control over our Company that our principal stockholders exercise;
- sales of a significant number of shares of our common stock in the public markets, including sales by our directors or executive officers and/or the holders of our warrants upon the exercise of such warrants, or the perception that such sales could occur
- the provisions in our amended and restated certificate of incorporation, amended and restated by-laws and Delaware law that could discourage a third party from acquiring us;
- our issuance shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock; and
- securities analysts not publishing research or reports about our Company, or if issuing unfavorable commentary about us or our industry or downgrading our common stock.

PART I

Unless the context otherwise requires, in this Annual Report on Form 10-K (the "Form 10-K") where we say "we", "us", "our", the "Company" or "SMTC," we mean SMTC Corporation and its subsidiaries, as applicable. Where we refer to the "industry," we mean the electronics manufacturing services industry. Unless otherwise noted or the context otherwise requires, all references to years in this report are to fiscal years.

This Form 10-K and other communications made by us contain forward–looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The forward-looking statements in this Form 10-K regarding, among other things, the impact of COVID-19 pandemic on our business, financial conditions and results of operations, our future response to and effects of the COVID-19 pandemic, including on our employees, continued operations, customers, suppliers, logistics providers, implementation of protective measures, public policy response to the COVID-19 pandemic including legislation or restrictions, our consolidation of manufacturing operations in Mexico, the electronics manufacturing services industry, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements include numerous risks and uncertainties, some of which are as described in the "Risk Factors" section in this Form 10-K. Statements using words such as "could", "expects", "may", "anticipates", "believes", "intends", "estimates", "plans", "envisions", "seeks" and other similar language are considered forward looking statements under applicable securities laws. These statements are based on our current expectations, estimates, forecasts and projections about the operating environment, economies and markets in which we operate. These statements are subject to important assumptions, risks and uncertainties, which are difficult to predict and the actual outcome may be materially different. Moreover, we operate in a competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business. You should not place undue reliance on any forward-looking statement, each of which applies only as of the date of this Form 10-K. Except as required by applicable law, we undertake no intention or obligation to update these forward-looking statements after the date of this Form 10-K, even though our situation may change in the future. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Item 1. Business

Overview

We are a provider of end-to-end electronics manufacturing services ("EMS"), including product design and engineering services, printed circuit board assembly ("PCBA"), production, enclosure, cable assembly, precision metal fabrication, systems integration and comprehensive testing services, configuration to order ("CTO"), build to order ("BTO") and direct order fulfillment ("DOF"). At the end of 2020, we operated more than 50 manufacturing and assembly lines in over 560,000 square feet of production space worldwide at strategically located facilities in the United States and Mexico, that provide local support, flexibility, fast turn around and delivery times, and low-cost, volume manufacturing capabilities, as well as new product integration ("NPI") services, to our global customers. Our services extend over the entire electronic product life cycle from new product development and NPI through to growth, maturity and end of life phases.

We offer fully integrated contract manufacturing services to global original equipment manufacturer ("OEMs"), technology companies, Defense Prime Contractors, the U.S. Department of Defense ("DoD"), and various U.S. government agencies. We are focused on seven market sectors:

- Avionics, aerospace and defense;
- Industrial, IoT power and clean technology;
- Medical and safety;
- Retail and payment systems;
- Semiconductors;
- Telecom, networking and communications; and

- Test and measurement.

We have customer relationships with industry leading OEMs, Defense Prime Contractors, the DoD, and various other U.S. government agencies. We developed these relationships by capitalizing on the continuing trend of OEMs outsourcing non-core manufacturing services to consolidate their supplier base and forming long-term strategic partnerships with select high-quality EMS providers. We work closely with, and are highly responsive to, our customers throughout the design, manufacturing and distribution process, providing value-added services. We seek to grow our business through the expansion of our share of business with existing customers, participating in the growth of existing customers, the addition of new high-quality customers, and from time-to-time, through strategic acquisitions, such as our acquisition of MC Assembly Holdings, Inc. ("MCA"), a privately held EMS provider based in Melbourne, Florida, in November 2018 (the "MCA Acquisition"). In connection with the MCA Acquisition, we expanded our operations to include locations in Melbourne, Florida, Billerica, Massachusetts, and Zacatecas, Mexico (which we are consolidating with our Chihuahua, Mexico facility as discussed below. Our Melbourne, Florida operation provides comprehensive electronic manufacturing services with a focus on delivering product to our customer base in the most cost-efficient manner. Our Billerica, Massachusetts operation has the same competencies as our operation in Florida, but on a smaller scale. All of our manufacturing facilities operate within the guidelines of International Organization for Standardization ("ISO") 9001:2015 and ISO-13485:2016. In addition, our Billerica, Massachusetts and Melbourne, Florida facilities operate within AS9100:2016. Our Fremont, California facility also operates under AS9100D. Our Chihuahua, Mexico facility also operates under ISO 14001:2016.

We believe that one of the fundamental benefits we offer is our strategic approach in working with customers. This approach involves gaining insight into their business and bringing innovative solutions to enhance their competitiveness, time to market and profitability. We seek to lower total cost of ownership, improve product quality and reliability, accelerate new products to market, improve service and DOF, reduce working capital requirements and capital expenditures, all of which results in improvement of our customers' overall margins and end customer satisfaction.

Acquisition by H.I.G. Capital, LLC

On January 3, 2021 we entered into an Agreement and Plan of Merger (the "Merger Agreement") with EMS Silver Inc., a Delaware corporation ("Parent"), and EMS Silver Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of Parent ("Merger Sub"). Parent and Merger Sub are controlled by funds affiliated with H.I.G. Capital, LLC ("H.I.G.").

The Merger Agreement provides, among other things and subject to the terms and conditions set forth therein, that Merger Sub will be merged with and into the Company, with the Company surviving as a wholly-owned subsidiary of Parent (the "Merger"). At the Effective Time (as defined in the Merger Agreement), and as a result of the Merger, each share of our common stock issued and outstanding immediately prior to the Effective Time (other than (i) Rollover Shares (if any) (as defined below), (ii) shares held by us as treasury stock or held by Parent or Merger Sub (or any direct or indirect wholly owned subsidiaries of Parent or Merger Sub) or (iii) shares of common stock held by stockholders who are entitled to and have properly demanded statutory appraisal for such shares in accordance with, and have complied in all respects with Section 262 of the General Corporation Law of the State of Delaware) will be converted automatically into the right to receive $6.044 in cash, without interest, with the aggregate amount of such payment to each holder to be rounded to the nearest cent, subject to any withholding of taxes required by applicable law.

Concurrently with the execution of the Merger Agreement, EMS Silver Topco Inc., a Delaware corporation ("TopCo"), and our Chief Executive Officer, Edward Smith, entered into an Omnibus Subscription, Rollover and Contribution Agreement (the "Rollover Agreement"), pursuant to which Mr. Smith agreed to directly purchase $1,000,000 of equity interests of Topco, which is a direct owner of 100% of the outstanding equity of Parent, in connection with the Merger. We also anticipate that certain of our other executive officers and employees (collectively with Mr. Smith, the "Rollover Investors") will enter into Rollover Agreements, pursuant to which the Rollover Investors may contribute certain shares of SMTC common stock (the "Rollover Shares") to TopCo, prior to the Effective Time in exchange for, or otherwise purchase for cash, equity interests of TopCo, in each case in connection with the Merger.

The closing of the Merger is subject to various closing conditions, each of which is more fully described in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on January 4, 2021 and the Proxy Statement (as defined below).

In particular, the closing of the Merger is conditioned upon, among other things the expiration or early termination of the waiting period applicable to the consummation of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Waiting Period"). The HSR Waiting Period expired on February 24, 2021 at 11:59 p.m. Eastern Time. The expiration of the HSR Waiting Period satisfies one of the conditions to the closing of the Merger.

The closing of the Merger is also subject to, among other things, adoption of the Merger Agreement and the transactions contemplated thereby, including the Merger, by the affirmative vote of the holders of a majority of the shares of our common stock outstanding as of February 11, 2021 (the “Record Date”) and entitled to vote on the matter. On February 18, 2021, the Company filed a definitive proxy statement on Schedule 14A relating to the Merger (the “Proxy Statement”), which the Company intends to hold on March 31, 2021.

The parties expect to complete the Merger by the second quarter of 2021. However, it is possible that factors outside of each party’s control could require them to complete the Merger at a later time or not to complete it at all.

Unless stated otherwise, any forward-looking information contained in this Form 10-K does not take into account or give any effect to the impact of the proposed Merger.

Mexico Manufacturing Facility Consolidation

In the fourth quarter of 2020, we proceeded plans to close our Zacatecas manufacturing operations. The closure of the Zacatecas manufacturing facility is intended to reduce our labor force, which is expected to impact approximately 570 employees at the Zacatecas manufacturing facility. The closure of the Zacatecas facility was the result of the decision to consolidate our Mexico operations, which is expected to result in cost savings. The customers previously serviced in Zacatecas will be transferred to our Chihuahua Mexico facility. We expect the wind down and closure of the Zacatecas facility to be substantially completed by the end of the first fiscal quarter of 2021.

Industry Background

The EMS sector is the outsourced portion of the worldwide electronics assembly industry. EMS has experienced significant change and growth as an increasing number of companies elect to outsource some or all of their design, manufacturing, and after-market services requirements. There is currently considerable outsourcing of manufacturing by traditional OEMs and more recent market entrants in response to rapidly changing markets, technologies and accelerating product life cycles as well as the need to lower total costs and convert typical fixed costs into a variable cost model.

Historically, OEMs were vertically integrated manufacturers that invested significantly in manufacturing assets and facilities around the world to manufacture, service and distribute their products. EMS originated as labor intensive functions that OEMs outsourced to obtain additional capacity during periods of high demand. Early EMS providers were essentially subcontractors, providing production capacity on a transactional basis. However, with significant advances in manufacturing process technology, EMS providers developed additional capabilities and were able to improve quality and dramatically reduce OEMs’ costs. Furthermore, as the capabilities of EMS companies expanded, an increasing number of OEMs adopted and relied upon EMS outsourcing strategies. Over time, OEMs engaged EMS providers to perform a broader array of manufacturing services, including design and development activities. In recent years, EMS providers have further expanded their range of services to include advanced manufacturing, configuration, packaging and distribution and overall supply chain management. In addition, many OEMs are reducing the number of vendors from which outsourced services are purchased and are partnering with EMS suppliers that offer broader expertise. The EMS industry has also seen an increased level of diversification by many companies, primarily in the technology sector. Companies that have historically identified themselves as software providers, internet service providers, or e-commerce retailers are entering the highly competitive and rapidly evolving mass hardware markets, with products including mobile devices, home entertainment products, and wearable devices. We believe that the COVID-19 pandemic is highlighting numerous new vulnerabilities and challenges for OEMs, which will require OEMs from all markets and industries to value and evaluate supply chain resiliency, which may drive further growth opportunities.

By outsourcing manufacturing, OEMs can take advantage of the technology and manufacturing expertise of EMS companies and focus on their core business, while leveraging the manufacturing efficiency of and capital investment made by EMS providers. OEMs use EMS providers to enhance their competitive position by:

- *Lowering Product Costs.* EMS providers are better able to reduce total product costs due to electronic manufacturing expertise and higher utilization of manufacturing capacity spread over a wider range of product types. Due to their scale of operations as well as their established and ongoing relationships with suppliers, EMS providers are able to achieve better pricing and better working capital management.

- *Reducing Time to Market.* Electronic products are experiencing shorter product life cycles, requiring OEMs to continually reduce the time required to bring new products to market. OEMs can significantly improve product development cycles and reduce time to market by benefiting from the expertise and infrastructure of EMS providers. This expertise includes capabilities relating to design, quick-turn prototype development and rapid ramp-up of new products to high volume production, with the critical support of worldwide supply chain management.

- *Ability to Focus on Core Branding and Research and Development Initiatives.* Through outsourcing, OEMs are able to focus on marketing and product development initiatives. These initiatives have taken on more prominence as product life cycles have shortened and as electronic products have become more sophisticated and complex. At the same time, many end markets have become more competitive with companies that have historically identified themselves as software providers, internet service providers, or e-commerce retailers entering the highly competitive and rapidly evolving hardware markets.

- *Improving Supply Chain and Inventory Management.* OEMs that manufacture internally are faced with greater complexities in planning, sourcing, procurement and inventory management due to frequent design changes, short product life cycles and product demand fluctuations. OEMs can address these complexities by outsourcing to EMS providers that possess sophisticated supply chain management capabilities and can leverage significant component procurement advantages to lower product costs.

- *Accessing Advanced Manufacturing Capabilities and Process Technologies.* Electronic products and electronic manufacturing technology have become increasingly sophisticated and complex, making it difficult for many OEMs to maintain the necessary technological expertise and focus required to efficiently manufacture products internally. By working closely with EMS providers, OEMs gain access to high-quality manufacturing expertise and capabilities in the areas of advanced process, interconnect and test technologies.

- *Improving Access to Global Markets.* OEMs are generally increasing their international activities in an effort to expand sales through access to foreign markets. EMS companies with worldwide capabilities are able to offer those OEMs global manufacturing solutions enabling them to meet local content requirements and to distribute products efficiently around the world at lower costs.

- *Reducing Capital Investments.* OEMs are able to reduce their capital investments in inventory, facilities and equipment by outsourcing their manufacturing to EMS providers and allocating their resources towards their core business activities.

- *Shift from a Fixed to Variable Cost Model.* Through outsourcing, OEMs are able to shed substantial fixed costs of manufacturing and take advantage of EMS providers' efficient facilities, resulting in a highly variable and more efficient cost structure.

Our Capabilities and Performance

Our EMS activities span the entire electronic product life cycle from the development and introduction of new products through the growth, maturity, and end of life phases. We believe that our focus on quality, superior supply chain management and innovative manufacturing services have the capabilities to reduce our customers' product costs and time to market, which improves our customers' competitiveness. We continuously work with our customers to identify, prioritize and implement opportunities for cost reduction.

We offer three vertically-integrated manufacturing streams: enclosures and precision metal fabrication products; PCBA products; and larger-scale systems. For each of these streams, we provide a broad range of end-to-end manufacturing services, from assembly, test, integration and box-build through to system level test, CTO, BTO and DOF. These core services are complemented with cable assembly, interconnect and value engineering services. Our three manufacturing streams are vertically integrated to better control quality, lead times and inventory risk and to avoid lost margin that can occur when these services are provided by loosely connected entities. Our customers benefit from lower costs, better quality, and shorter lead times.

Our vertically-integrated manufacturing services include:

New Product Introduction Services. In 2019, we added a new capability to our Billerica, Massachusetts, United States location that provides our customers with world-class 'Quick-turn' manufacturing. This new capability is designed to enable an accelerated launch timetable for our customers' products with the flexibility to scale into a low-cost geography that is available from other SMTC sites.

PCBA Services. We provide advanced product assembly and system level integration and test services combined with advanced manufacturing equipment and processes. Our flexible environment allows us to support low-medium and high-mix and volume manufacturing requirements as well as to deliver a final product directly to the end customer.

System-Level Integration, Box-Build and Test. Our system and subsystem assembly services involve combining a wide range of subassemblies, including PCBAs, cables and harnesses, battery boxes and connector blocks, power supplies, backplanes and thermal controls. Our test expertise encompasses the full array of technologies present in today's system level products, including high-speed digital, radio frequency, precision analog, power, thermal and optical. We provide complete electrical and mechanical testing for cables, harnesses, PCBAs, subassemblies and systems to meet our customers' requirements and specifications. Our in-house expertise enables us to provide custom test development services to our customers and to implement their product specific tests.

Enclosures and Precision Metal Fabrication. We use premium grade sheet steel, stainless steel, and aluminum to ensure high quality. Technologically advanced equipment and processes enable us to produce medium to complex product enclosures and metal parts while still achieving a low overall product cost. Our soft tooling approach minimizes upfront costs and provides flexibility to respond quickly to engineering changes.

Custom Interconnect. We are experienced in the design, development and manufacturing of interconnect assemblies such as optical and electrical cable and harness assemblies offering customers advanced expertise and low-cost options. In 2020, our Fremont, California location added wire bonding capabilities with a clean room to support our customers.

Engineering Services. We provide services across the entire product life cycle including product design, prototyping, qualification testing and sustaining engineering through product end of life.

Global Procurement and Supply Chain Network. As an extension of our offering of vertically-integrated manufacturing services, our Global Procurement Group ("GPG") plays a fundamental role in our managing a portfolio of assets and relationships in the most efficient manner. Our GPG has expertise that includes outsourcing based on market conditions and demand management criteria established with the customer, building flexibility into the supply chain network, designing a supply chain specific to individual customer needs, and having the ability to proactively plan. A key element of our business is to work closely with our customers to anticipate and/or react to changing market conditions. For example, in 2018 we worked with our customers and key partners and implemented a number of initiatives to manage the risks associated with the industry's then component shortages as well as new tariffs. These initiatives included a new supply chain center in Phoenix, Arizona opened in 2018, the expanded use of lean manufacturing kan-ban programs, upgraded quoting-tools, tailor-made customer-specific action plans, new agreements with Tier-1 distributors, and extensive investments in safety stock programs. Our GPG is responsible for all aspects of our supply network. Our GPG, led by personnel that have gained experience with large organizations where they have developed key relationships, works together with our customers to establish customized inventory, logistics and distribution services to ensure that any unique delivery requirements are met. Through the use of various management tools, our supply chain team focuses on driving improved inventory turns, lowering excess and obsolete inventory risk and reducing overall costs to our customers. The COVID-19 pandemic has impacted the global economy, including our supply chain, which resulted in some disruptions, higher transportation costs and extended lead times. See Item 1A. Risk Factors—"Risks Related to our Business and Industry—*We depend on a limited number of suppliers for components that are critical to our manufacturing processes and shortages or price fluctuations or component parts specified by our customers could delay product shipment and affect our profitability."*

Management Methods and Tools. We have a web-based system through which we can communicate, collaborate and plan throughout the entire supply chain in real-time with our customers and suppliers. This system accelerates the timeliness and effectiveness of decision making and the efficiency and flexibility with which we can plan for and respond to customers experiencing market fluctuations. We employ technologically advanced quality assurance systems, manufacturing process planning and continuous improvement methodologies.

Our Footprint

At the end of 2020, we operated more than 50 manufacturing and assembly lines in over 560,000 square feet of production space worldwide at strategically located facilities in the United States, and Mexico, that provide local support, flexibility, fast turn around and delivery times, and low-cost, volume manufacturing capabilities, as well as NPI services, to our global customers.

In the fourth quarter of 2020, the decision was made to close our Zacatecas facility in Mexico, as discussed above under “Overview”. We expect that this will be substantially completed by the end of the first quarter of 2021.

All our manufacturing facilities adhere to the “Copy Exact” methodology. Our “Copy Exact” process enables a seamless and timely transition of production between facilities to help customers reach their cost and volume targets faster. We also assign a dedicated manufacturing unit to each customer.

Key Benefits to Our Customers

Three overarching themes form the core of our differentiation and unique customer value proposition: trusted, proven, and professional. These three themes are exemplified by the following aspects of our business:

Operational Counterpart: Fundamental to our strategic approach in working with customers is to take the time to understand our customers’ business objectives, end markets, performance expectations, competitive advantage, positioning and strategy—to drive better value. We get involved with our customers at both a strategic and operational level. As a trusted partner, we seek to become an extension of their business, helping our customers grow, improve competitiveness, margins, and gain market share.

The Customer Experience: We combine strong performance with a partnership approach that delivers tangible, bottom-line benefits through committing expertise and resources towards customer goals. We believe it is one of many reasons that a number of our customers have been with us for many years.

People: Our customer-based teams are tied to the customer at a strategic, operational and organizational level. Our people create an environment that celebrates collaboration and teamwork. We foster a participatory workplace that enables people, at every level of the organization, to get involved in making decisions that put the customer first.

Executive Mindshare: We fully engage with our customers on many levels—from operational and executive mindshare, to custom-tailored solutions as part of strategic partnership approach to doing business. Our senior management, each of whom has strong relationships with customers from their previous positions at larger companies, are armed with real-time operational metrics and quality data, and are accessible to and actively involved with our customers.

Strategic Fit: Fit matters. Winning OEMs look for winning manufacturing partners. We mitigate the risk of outsourcing and seeks to deliver results and value.

*Global Footprint***:** At the end of 2020, we operated more than 50 manufacturing and assembly lines in over 560,000 square feet of production space worldwide at strategically located facilities in the United States, and Mexico that provide local support, flexibility, fast turn around and delivery times, and low-cost, volume manufacturing capabilities, as well as NPI services, to our global customers.

Supply Chain Expertise: We deliver supply chain capabilities and solutions that support the total product life cycle. Our extended supply chain model recognizes the need for collaboration between our customers, our Company and our supply partners to ensure overall supply chain optimization, from product design processes, manufacturing, sourcing, order management and fulfillment to transportation and logistics. The end result is greater control over a complex, extended supply chain to help our customers realize flexibility, cost savings, process improvements, and competitive advantages.

Superior Value: We continuously work collaboratively with customers to identify, prioritize and implement opportunities for cost reduction. Working collaboratively helps ensure superior service, operational excellence and continuous cost improvement.

Customized Solutions: By gaining insight into our customers businesses, we can proactively tailor customized solutions to their unique challenges to enhance their competitiveness, time to market and profitability.

Our Corporate Objective and Strategies

Our corporate objective is to create sustainable growth and increase stockholder value through growth in sales, profitability and debt minimization. A cornerstone to our business is our customer-centric focus throughout the organization.

Our key strategies include:

Provide Outstanding Customer Service and Performance. Customer acquisition and loyalty comes from our ongoing commitment to understanding our customers' business performance requirements and our expertise in meeting or exceeding these requirements and enhancing their competitive edge. Our customer focus extends to our unique offering of dedicated resources, a detailed understanding of our customers' challenges and means to support our customers in meeting their goals. Our dedicated team approach is used throughout our Company and comprises members from all functional areas working together to better understand the unique needs of each customer, their challenges and their future plans. Our commitment to understanding each customer's goals, challenges, strategies, operations and products to provide a better overall solution is a key focus for our operations personnel and our senior executive team.

Focus on Well Defined Customer Markets. We focus on specific customer sectors (and within those sectors target a wide range of projects that offer higher value add) that align well with our capabilities:

- Avionics, aerospace and defense;
- Industrial IoT, power and clean technology;
- Medical and safety;
- Retail and payment systems;
- Semiconductors;
- Telecom, networking and communications; and
- Test and measurement.

Customers with unique medium to high-mix and volume production requirements with a need for a high level of responsiveness to changing market demands are particularly well suited for our capabilities. We continue to leverage our experience and established relationships in our existing market segments. Through the MCA Acquisition, we have increased and expect to continue to expand our business in the avionics, aerospace and defense markets and have been able to further penetrate into the medical and safety market sectors. We target a wide range of projects that offer higher value add than larger projects typically targeted by Tier-1 EMS competitors.

Provide Advanced Technological Capabilities. We remain committed to enhancing our capabilities and value-added services to become an integral part of our customers' operations. Through our investment in assembly and fabrication technologies and in design, engineering and test capabilities, we are able to provide our customers with a variety of advanced design and manufacturing solutions.

Provide Comprehensive Service Offerings. Our broad array of EMS activities span the entire electronic product life cycle from introduction and development of new products to the support of products to growth and maturity phases. We perform advanced PCBA and test and complement these capabilities with precision enclosure fabrication, system integration, product configuration, and BTO services. As products mature, we provide comprehensive value engineering services to reduce the cost of the products we produce without compromising quality or function. As products near their end of life, our sustaining engineering and supply chain management systems ensure continued availability and support of hard to source components while mitigating the risks associated with declining inventories. We believe that our breadth of services provides greater control over quality, delivery and costs and enables us to offer our customers a complete, end-to-end solution that is time and cost effective.

Maintain a Competitive, Scalable Cost Structure. We maintain a competitive cost structure that not only delivers highly competitive pricing to customers but is also both variable and scalable as market conditions dictate. We strive to improve profitability through tight cost containment measures, performance excellence, leveraging fixed costs and increased capacity utilization. The MCA Acquisition has enabled us to become a more efficient operator, including sourcing cost reductions, the elimination of certain redundancies in our corporate and shared services, and an increase in manufacturing capacity to better serve existing and new customers. The MCA Acquisition has also accelerated our entry into several new complex and highly regulated, attractive markets that present the opportunity for higher margins, including our entry into the avionics, aerospace and defense markets, and further allowed us to further penetrate into medical industries which we had targeted and previously received key industry certifications.

Technology, Processes and Development

Our engineering services team delivers a wide range of design, engineering and manufacturing solutions. We have electronic engineering expertise in our targeted customer markets. We maintain manufacturing equipment and tools to the highest calibration standards possible. We follow a comprehensive preventative maintenance program. Customers rely on our full range of design services—from software and firmware development, to electronic design, mechanical design and PCB layout. Our design services capability optimizes product design for maximum performance, higher yields, and faster time to market, with the objective of assisting our customers in becoming more profitable and more competitive. We partner with our customers to deliver innovative manufacturing solutions aligned with their business objectives. We offer everything from full-service, turnkey product development and manufacturing to on-site engineering support.

Our box build experience spans the past 20 years with all manufacturing sites supporting current customers in this level of outsourcing. Our integration and box build assembly services combine a wide range of subassemblies, including PCBAs, cables and harnesses, external housing (plastic and metal), monitors, battery boxes and connector blocks, power supplies, fan trays, backplanes and thermal controls. Integrated units are packaged, together with manuals, software, and peripherals. DOF and BTO are handled throughout the integration service, specific to the needs of our customers.

Our DOF and distribution operations help our customers reduce material storage, lower handling costs and achieve higher inventory turns. We also provide responsive, efficient and cost-effective configure to order and order fulfillment solutions. We align our processes with the customers' operations, sales and distribution objectives to eliminate redundancies and associated costs.

We continue to invest in new processes and equipment that enable the assembly of industry leading product designs. In 2020, we invested approximately $5.2 million, primarily related to equipment expansion in North America and Mexico to support our growing global customer base. A portion of the equipment expansion was financed through capital leases totaling $3.2 million.

We believe that we apply best-in-class quality programs, processes and metrics to achieve exceptional quality standards. We endeavor to fully understand the quality requirements for every customer and we continuously review to improve our quality performance to exceed customer expectations. All of our sites currently use Computer Integrated Manufacturing ("CIM"), a common quality management platform. The CIM system tracks quality assurance processes in real-time and reports on all steps in the manufacturing process. We are continuing to make investments in quality, and are in the process of replacing the existing CIM system with Factory Logix, a product from Aegis Industrial Software. This investment will improve transaction control on the production floor and traceability at the component and product level. We use a customer-centric, team-based approach to quality assurance. Dedicated professionals work with our customers to determine key quality requirements, and where applicable, they ensure suppliers adhere to those standards as well. All of our sites are certified with the ISO-9001 quality management system standard and ISO-13485 medical standards. All ISO 9001 registrations are to the latest level (2015 version of the standard). All of our sites have also achieved the Environmental Management Standards ISO-14001 certification. We build PCBAs according to IPC standards, an association connecting the electronic industries, and has been an IPC member since 1991. We also work closely with standards organizations such as Underwriters Laboratories, a safety consulting and certification company and Canadian Standards Association, in compliance with customer requirements. Our Fremont, California and Chihuahua, Mexico locations are registered Food and Drug Association ("FDA") facilities and are in compliance with federal Good Manufacturing Practice and the Quality System Regulations. To support our diverse customer base which includes customers in several highly regulated industries, we have achieved a number of required industry certifications, compliance requirements and governmental registrations, including Apple® Authorized Mfi Manufacturing License 6.0, AS9100, Cage Code: 4X3Y1, cGMP Compliant, FAA: PMA Certified, FDA Registration, IATF 16949, IPC-610 Class 3, ISO 9001, ISO 14001, ISO 13485, ITAR Registration, J-STD -001, and TRAC: 4144-7785-7736.

We achieved AS9100 accreditation at our Billerica, Massachusetts, Fremont, California and Melbourne, Florida facilities. We have also achieved ISO-13485 certification at all sites worldwide. ISO-13485 is an internationally recognized quality management system and standard for the manufacture of medical devices. Our Fremont, California and Chihuahua, Mexico locations are registered FDA facilities and are in compliance with federal Good Manufacturing Practice and the Quality System Regulations.

Marketing and Sales

Our direct sales channel model is organized and managed with territorial assignments based on geographical coverage of our target markets globally. We have developed relationships and established a network of sales representatives that focus on specific territories in the U.S. The MCA Acquisition further expanded our network of marketing representatives and agencies. Our marketing and sales team work collaboratively to gain insight on potential customers' business and market positioning and focus on a solutions-based approach to enhance profitability, market positioning and business performance for customers.

We develop relationships with our customers and market our vertically-integrated manufacturing services through our direct marketing and sales teams. Our direct sales teams work closely with the customers' engineering and technical personnel to better understand their requirements. Our marketing team supports our business strategy of providing end-to-end services by encouraging cross selling of vertically-integrated manufacturing services across a broad range of major OEM products. To achieve this objective, our marketing and sales teams work closely with our various manufacturing, design and engineering groups to engage in marketing and sales activities targeted towards key customer opportunities.

Our customer-centric focus continues through to the execution phase of our relationships with a dedicated customer focused team-based manufacturing approach throughout all of our facilities. A dedicated account team including a global account manager are directly responsible for managing each of our key customer accounts. Global account managers coordinate activities across geographic locations to effectively satisfy customer requirements and have direct access to our senior management to quickly address customer concerns. Local customer account teams further support the global teams and are linked by a comprehensive communications and information management infrastructure.

Our largest customer and 10 largest customers represented 12.2% and 54.9%, 12.8% and 52.8%, and 10.9% and 68.1%, respectively, of our total revenue for the fiscal years ended January 3, 2021, December 29, 2019 and December 30, 2018. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our revenue. In addition to having a relatively limited number of customers, we manufacture a relatively limited number of products for each of our customers. See Item 1A. Risk Factors—"Risks Related to our Business and Strategy—*A majority of our revenue comes from a relatively small number of customers. If we lose any of these customers, our revenue could decline significantly*."

Global Procurement and Supply Chain Management

We deliver supply chain capabilities and solutions that support the total product life cycle. Our teams work closely with customers' supply-base partners to integrate the entire supply chain. Our extended supply chain model recognizes the need for collaboration between OEM customers, our Company and supply partners to ensure overall supply chain optimization, from product design processes, manufacturing, sourcing, order management and fulfillment to transportation and logistics. The end result is greater control over a complex, extended supply chain to help our customers realize flexibility, cost savings, process improvements, and competitive advantages.

In lean manufacturing environments, success is defined by how fast and how effectively manufacturers can respond to evolving customer demands and new global supply chain conditions. We leverage supply chain tools and systems to respond rapidly and effectively to changing real-world conditions. Our customers rely on our core processes and capabilities to drive the success of their supply chains. Each supply chain solution we deliver is tailored to address each customer's unique requirements.

We employ Agile Product Lifecycle Management ("Agile") solutions software to help OEMs accelerate revenue, reduce costs, improve quality, ensure compliance, and drive innovation throughout the product life cycle. Agile provides comprehensive support for product life cycle business processes, platform and integration requirements. Agile enables a single enterprise view of the product and part records across the entire system, helping customers accelerate new product introduction time, reduce direct material costs and ensure regulatory compliance.

The demand management process is a core process at our Company, which drives short- and long-term planning and execution activities. Effective demand management optimizes materials availability, supply-base performance and overall liability management. We recognize the need to deploy people, process and technology, as well as extensive customer communication and visibility, to ensure effective demand management execution. This allows for real-time analysis, feedback and implementation of changes in customer and end-market demand, rapid communication to suppliers of changes in requirements, and a truly responsive end-to-end supply chain.

We also employ Kinaxis ***Rapid****Response,* an integrated response management tool that allows supply chain professionals to access real-time information and enable collaboration across extended supply networks. The tool allows us to perform real-time demand scenario simulation, review supply constraints, perform rapid manufacturing resource planning, clear to build analysis and communicate changes in requirements to suppliers—all on the same day. With Kinaxis ***Rapid****Response*, our teams are able to achieve high levels of supply chain agility with immediate response to changes in demand, supply, capacity and daily operations. The platform enables real-time supply chain visibility and on-line collaboration anywhere in the world. In this way, we gain the insight needed to quickly and effectively respond to a wide variety of supply chain challenges.

Visibility solutions are customized to support a range of requirements, including inventory visibility, master production schedule simulation, clear-to-build, available-to-promise, end-market demand steering, and service parts management. Kinaxis ***Rapid****Response* provides a single view of inventory across all of our facilities as well as a view of materials supply. Custom reports can be automatically emailed within our Company and to our customers on regular intervals. This inventory and supply base liabilities dashboard has proven to be a valuable tool for both our Company and our customers. Visibility solutions include intercompany processes and multi-node supply chains.

We have a global commodity manager in Kowloon, Hong Kong who serves to improve access to the broad base of component suppliers in the Asia region and provides us with competitive pricing. The Hong Kong office manages component sourcing to support our global operations. During 2018, a supply chain center was opened in Phoenix, Arizona. The Phoenix, Arizona location serves as an office for supply chain staff and other members of management.

During 2020, the COVID-19 pandemic impacted the global economy, including our supply chain, which resulted in some disruptions, higher transportation costs and extended lead times. Our supply chain and executive teams are continuing to monitor the impact of the COVID-19 pandemic and have taken actions to mitigate the financial impact on us. Please see Item 1A. Risk Factors—“Risks Related to our Business and Industry—*The effect of COVID-19 on our operations and the operations of our customers, suppliers and logistics providers has, and is expected to continue to have a material, adverse impact on our financial condition and results of operations*.”

Our Suppliers

Kinaxis ***Rapid****Response* works hand-in-hand with custom electronic data interchange (“EDI”), business-to-business process that provides real-time and daily information exchange and transactions with suppliers. Through EDI programs, we have an ongoing view into supplier on-hand inventories and are able to more effectively plan factory capacities and provide customer delivery commitments.

With our web-based collaborative planning systems, our customers’ needs are integrated with our suppliers in a more efficient and cost-effective manner than is achievable through traditional EDI. We believe our volume of procurement enhances our ability to obtain better pricing, influence component packaging and design and obtain supply of components in constrained markets.

We generally order materials and components under our agreements with customers only to the extent necessary to satisfy existing customer orders or forecasts. We have implemented specific inventory management strategies with certain suppliers via vendor managed inventory programs into our supply chain programs. Fluctuations in material costs typically are passed through to customers. We may agree, upon request from our customers, to temporarily delay shipments, which causes a corresponding delay in our shipments and an increase in inventory, which impacts our working capital management. Ultimately, however, our customers generally are responsible for all materials purchased and goods manufactured on their behalf.

Our Customers

We are a distinctive mid-tier EMS provider, supporting customers in the following market sectors:

- Avionics, aerospace and defense;
- Industrial IoT, power and clean technology;
- Medical and safety;
- Retail and payment systems;
- Semiconductors;

- Telecom, networking and communications; and
- Test and measurement.

Revenue in fiscal year 2020 was attributed to the following industry sectors: 9.2% from test and measurement, 39.9% from industrial IoT, power and clean technology, 10.6% from retail and payment systems, 11.4% from medical and safety, 5.6% from telecom, networking and communications, 9.7% from avionics, aerospace and defense, and 13.6% from semiconductors.

Our Competition

The EMS industry is composed of numerous companies that provide a range of manufacturing services for OEMs, including PCBA, to design, prototyping, final system assembly, configuration, order fulfillment, repair and aftermarket services. The EMS market consists of contract manufacturers ("CMs"), and original design manufacturers ("ODMs"). CMs manufacture products that have been designed by the OEM; ODMs may also design their own products, primarily commodities, and in many instances are in direct competition with the OEMs. We participate in the mid-sized CM sector.

CM providers fall within one of four tiers:

Large/Tier 1: Global operations with manufacturing facilities in North America, Europe and Asia, and low-cost manufacturing sites in Asia, Mexico and Eastern Europe. Large CMs annual revenues generally are greater than $2.0 billion. This includes Celestica Inc., Flextronics International Ltd., Jabil Circuit, Inc., Sanmina, Inc., Benchmark Electronics Inc. and Plexus Corp.

Mid-size/Tier 2: Usually focused in one region such as North America, Europe or Asia, with facilities in that region supported by additional facilities in low-cost regions. Mid-sized CMs generally have annual revenues of up to $2.0 billion. This includes Key Tronic Corp.

Regional /Tier 3: Usually focused in North America and typically with minimum operations in low-cost geographic regions and less than $300 million in annual revenues. This includes IEC and Sigmatron.

Small/Tier 4: Usually single facility operations, with annual revenues less than $20 million.

We compete with different companies depending on the type of service we are providing and/or the geographic area in which an activity takes place. Some of our competitors may have greater scale and provide a broader range of services than we offer. We believe that the principal competitive factors in the manufacturing services market are quality and range of services, design and technological capabilities, cost, location of facilities, responsiveness and flexibility. To remain competitive, we believe we must continue to provide technologically advanced manufacturing services and solutions, maintain quality levels, offer flexible delivery schedules, deliver finished products and services on time and compete favorably on price.

Environmental and Social Commitment

Our commitment is to conduct our business in such a way that protects and preserves the environment, health and safety of our employees, our customers and the communities where we live and operate. Our commitment to this responsibility includes compliance to the European Directives: Waste Electronic and Electrical Equipment, Restriction of Hazardous Substances, as well as assisting customers with conflict minerals and complying with the human trafficking resolutions passed in the California Transparency in Supply Chains Act of 2010. Our commitment goes beyond merely compliance. For example, our MCA Acquisition reduced our annual water consumption by more than 74 percent by investing in the implementation of a Closed Loop Process Water Recycling System at our Melbourne manufacturing facility.

The health and safety of our employees is a top priority for us. All of our facilities remain in operation and we have progressively implemented measures to safeguard our employees from COVID-19 infection and exposure, in accordance with guidelines established by the Centers for Disease Control, the World Health Organization, governmental requirements, and our own safety standards. These consist of policies, procedures, protocols, and guidance related to, among other things, COVID-19 symptom awareness, effective hygiene practices, travel restrictions, visitor restrictions, social distancing, face covering expectations, temperature and health screening, work-from-home requirements, employee infection assessments, close contact tracing, enhanced workplace cleaning, and large-scale decontamination. These efforts will continue as requirements change, new risks are identified, and infections impact us. In response to the COVID-19 pandemic, we also supported our local communities by donating over 500,000 masks to communities and hospitals globally. We also conducted local fund raising events at each of our manufacturing facilities as part of our community service program.

Our Structure and Our History

We were established in Toronto, Canada in 1985. We are a Delaware corporation incorporated in July 1998. Our present corporate structure resulted from the July 1999 combination of predecessor companies Surface Mount Technology Centre Inc., an Ontario, Canada corporation ("Surface Mount") and HTM Holdings Inc., a Delaware corporation ("HTM"). Subsequent to the combination, all of Surface Mount's operating subsidiaries, other than SMTC Canada and Qualtron, Inc., became subsidiaries of HTM. In 2011, we expanded our operations in San Jose, California with the acquisition of ZF Array Technology, Inc., a privately held electronics manufacturing services provider. In 2012, the Asian entities of SMTC Electronics Dongguan Company Limited and SMTC Electronics (Suzhou) Company Limited were established. Our SMTC Electronics (Suzhou) Company Limited, China facility was closed in accordance with the restructuring plan as announced on May 15, 2017. The closure of the SMTC Electronics (Suzhou) Company Limited, China facility was completed by the end of 2017. In November 2018 we also acquired MCA, a privately held electronics manufacturing services provider. During the fourth quarter of 2019 we announced a decision to cease manufacturing at SMTC Electronics Dongguan Company Limited. The closure of the SMTC Electronics Dongguan Company Limited, China facility was completed in December 2020. In January 2021, we announced the decision to close our manufacturing facility in Zacatecas, Mexico. It is expected to be substantially completed by the end of the first quarter of 2021.

Our Leadership Team

In May 2017 Ed Smith was appointed as our Company's President and Chief Executive Officer. Mr. Smith's EMS career spans over three decades and has served as President of AVNET Inc., a multibillion-dollar electronic components distributor, and as President and Chief Executive Officer at SMTEK International Inc., a Tier III EMS manufacturer. Following Mr. Smith's appointment, we added several experienced leaders to our senior management team with strong industry backgrounds, including previous success in building businesses together as a team.

Order Backlog

Our order backlog is typically a combination of purchase orders and forecasts. Our customers typically provide purchase orders for delivery of products due within 30 to 90 days. We are also provided additional demand beyond 90 days to drive material demand and perform resources and capacity planning. Furthermore, backlog as of a particular date is affected by a number of other factors, including manufacturing schedules and the timing of product shipments. Backlog also is affected by the timing of customers' orders and product availability. Due to these factors and business model differences around the globe and since additional orders may be added, or orders rescheduled or cancelled, we do not believe that the order backlog of expected product sales covered only by purchase orders is a meaningful measure of future sales and we believe backlog is an imprecise indicator of future revenues that may be achieved in a fiscal period and cannot be relied upon.

Employees

As of January 3, 2021, we had 3,215 employees of which 2,881 were full time and contract employees. In addition, we employ varying levels of temporary employees as our production demands. Given the variable nature of our project flow and the quick response time required by our customers, it is critical that we are able to quickly adjust our production levels to maximize efficiency. To achieve this, our strategy has been to employ a skilled temporary labor force, as required. We use outside contractors to qualify our temporary employees on a site-by-site basis. Our production level temporary employees are compensated by the hour. We believe we are team-oriented, dynamic and results-oriented with an emphasis on customer service and quality at all levels. We believe this environment is a critical factor for us to be able to fully utilize the intellectual capital of our employees. Because of the surplus of available talent on the market, and the strength of our total compensation packages, to date we have not experienced any issues attracting skilled employees.

As of January 3, 2021, our only unionized employees were at our Chihuahua, Mexico facility, representing approximately 53% of our Mexican labor force. We have never experienced a work stoppage or strike and believe we have good employee relations.

Additional Information

We are subject to the reporting requirements under the Exchange Act. Consequently, we are required to file reports and information with the SEC, including reports on the following forms: Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. These reports and other information concerning us may be accessed, free of charge, through the SEC's website at www.sec.gov and on our corporate website address at www.smtc.com. We make such filings available through our corporate website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Reference to our website is for informational purposes only and the information contained in, or that can be accessed through, our website is not incorporated by reference into this Form 10-K.

Item 1A. Risk Factors

RISKS RELATED TO THE MERGER

The announcement and pendency of the Merger may have an adverse effect on our business, financial condition, operating results and cash flows.

On January 3, 2021, we entered into the Merger Agreement with Parent, Merger Sub, relating to the proposed acquisition of the Company by Parent. Upon consummation of the Merger pursuant to the Merger Agreement, the Company will continue as the surviving corporation as a direct, wholly-owned subsidiary of Parent and an indirect, wholly-owned subsidiary of H.I.G. Subject to the terms and conditions set forth in the Merger Agreement, at the Effective Time, each share of outstanding SMTC common stock, subject to certain exceptions, will be converted automatically into the right to receive $6.044 in cash, without interest.

Uncertainty about the effect of the proposed Merger on our employees, partners, customers and other third parties may disrupt our sales, marketing, operations and other key business activities and may have a material adverse effect on our business, financial condition, operating results and cash flows. Current and prospective employees may experience uncertainty about their roles following the Merger, and this may have an effect on our corporate culture. There can be no assurance we will be able to attract and retain key talent to the same extent that we have previously been able to attract and retain employees. Any loss or distraction of such employees could have a material adverse effect on our business, financial condition and operating results. In addition, we have devoted, and will continue to devote, significant management and other internal resources towards the completion of the Merger and planning for integration, which could negatively affect the attention on our business. Parties with which we have business relationships may experience uncertainty as to the future of such relationships and may delay or defer certain business decisions, seek alternative relationships with third parties or seek to alter their present business relationships with us. Parties with whom we otherwise may have sought to establish business relationships may seek alternative relationships with third parties.

The Merger Agreement generally requires us to operate our business in the ordinary course pending consummation of the proposed Merger and generally restricts us from taking certain specified actions until the Merger is completed. These restrictions may affect our ability to execute our business strategies, to respond effectively to competitive pressures and industry developments, and to attain our financial and other goals and may otherwise harm our business, financial condition, operating results and cash flows.

The failure to complete the Merger in a timely manner or at all could negatively impact the market price of our common stock as well as adversely affect our business, financial condition, operating results and cash flows.

Completion of the Merger is subject to conditions beyond our control that may prevent, delay or otherwise adversely affect its completion in a material way, including the requirement that the Merger Agreement be adopted by the affirmative vote of the holders of a majority of the shares of SMTC common stock outstanding as of the Record Date for the Special Meeting, and entitled to vote on the matter. The Company intends to hold the Special Meeting on March 31, 2021.

The Merger cannot be completed until the conditions to closing are satisfied or (if permissible under applicable law) waived. The closing of the Merger is conditioned upon, among other things, the expiration or early termination of the HSR Waiting Period. The HSR Waiting Period expired on February 24, 2021 at 11:59 p.m. Eastern Time. While this event satisfied one of the applicable conditions to closing of the acquisition set forth in the Merger Agreement, consummation of the Merger is subject to the satisfaction or (to the extent permitted by applicable law) waiver of the conditions to the completion of the Merger more fully described in the Proxy Statement. We cannot guarantee that the remaining closing conditions set forth in the Merger Agreement will be satisfied or, even if satisfied, that no event of termination will take place. In the event that the Merger is not completed for any reason, the holders of our common stock will not receive any payment for their shares of common stock in connection with the proposed Merger. Instead, we will remain an independent public company and the holders of our common stock will continue to own their shares of common stock.

If the Merger or a similar transaction is not completed, the share price of our common stock may drop to the extent that the current market price of our common stock reflects an assumption that a transaction will be completed.

Furthermore, if the Merger is significantly delayed or not completed, we may suffer other consequences that could adversely affect our business, results of operations and stock price, including the following:

- we could be required to pay a termination fee of up to $5.6 million to Parent, and up to $2.5 million of Parent's fees and expenses incurred in connection with the Merger Agreement and related transactions, under certain circumstances as described in the Merger Agreement;
- we would have incurred significant costs in connection with the Merger that we would be unable to recover;
- we may be subject to negative publicity or be negatively perceived by the investment or business communities;
- we may be subject to legal proceedings related to any delay or failure to complete the Merger;
- any disruptions to our business resulting from the announcement and pendency of the Merger, including any adverse changes in our relationships with our customers, suppliers, other business partners and employees, may continue or intensify in the event the Merger is not consummated; and
- we may not be able to take advantage of alternative business opportunities or effectively respond to competitive pressures.

There can be no assurance that our business, financial condition, operating results and cash flows will not be adversely affected, as compared to our condition prior to the announcement of the Merger, if the Merger is not consummated.

The Merger Agreement contains provisions that could discourage or deter a potential competing acquirer that might be willing to pay more to effect an acquisition transaction with us.

The Merger Agreement contains provisions that, subject to certain exceptions, limit our ability to initiate, solicit, knowingly facilitate or knowingly encourage, or engage in discussions or negotiations with respect to, or provide non-public information in connection with, a proposal from a third party with respect to an acquisition proposal. In addition, under specified circumstances in which the Merger Agreement is terminated, we could be required to pay a termination fee of up to $5.6 million to Parent. It is possible that these or other provisions in the Merger Agreement might discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of our Company from considering or proposing an acquisition or might result in a potential competing acquirer proposing to pay a lower per share price to acquire our common stock than it might otherwise have proposed to pay. Additional information regarding these restrictions is provided in the Proxy Statement.

Litigation challenging the Merger Agreement may prevent the Merger from being consummated at all or within the expected timeframe and may result in substantial costs to us.

As described in Part II—Item 8 Financial Statements and Supplementary Data, Note 16, "Subsequent Events", three complaints have been filed by alleged stockholders of the Company against the Company and each of the members of the Company's board of directors, purportedly in relation to the Company's entry into the Merger Agreement. Each of the complaints seek, among other things, orders enjoining consummation of the Merger unless and until such matters have been resolved. If injunctive relief is granted in any one or more of the lawsuits, then the Merger may not be consummated at all or within the expected timeframe. Also, if the Company's insurance provider were to deny coverage under the existing insurance policies covering such actions or should such policies fail to cover the costs of defending any one or more of the lawsuits, we may incur substantial costs

We will incur substantial transaction fees and costs in connection with the Merger.

As of January 3, 2021, we have incurred $1.3 million of expenses and fees for professional services and other transaction costs in connection with the Merger and expect to continue to incur additional significant costs. A material portion of these expenses are payable by us whether or not the Merger is completed. Furthermore, if our stockholders do not vote to adopt the Merger Agreement by the requisite majority affirmative vote and the Merger Agreement is terminated, the Merger Agreement requires us to reimburse Parent for all of its fees and expenses incurred in connection with the Merger Agreement and related transactions up to $2.5 million. While we have assumed that a certain amount of transaction expenses will be incurred, factors beyond our control could affect the total amount or the timing of these expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately. These expenses may exceed the costs historically borne by us. These costs could adversely affect our business, financial condition, operating results and cash flows.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Risks Related to our Business and Strategy

A majority of our revenue comes from a relatively small number of customers. If we lose any of these customers, our revenue could decline significantly.

We operate in a highly competitive and dynamic marketplace in which current and prospective customers often seek to lower their costs through a competitive bidding process among EMS providers. This creates an opportunity to increase revenue to the extent we are successful in the bidding process, but there is also the potential for revenue to significantly decline to the extent we are unsuccessful in the competitive bidding process. Furthermore, even if we are successful, there is the potential for our margins to decrease if we are required to lower our prices in order to win such bids.

Our largest customer and 10 largest customers represented 12.2% and 54.9%, 12.8% and 52.8%, and 10.9% and 68.1%, respectively, of our total revenue for the fiscal years ended January 3, 2021, December 29, 2019 and December 30, 2018. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our revenue. In addition to having a relatively limited number of customers, we manufacture a relatively limited number of products for each of our customers. If we lose any of our largest customers (as we have in the past from time to time), experience a significant reduction in sales to any such customers or no longer manufacture a particular product line for one of our largest customers, we would experience a significant reduction in our revenue. Further, we make no assurance that our largest customers will continue to have us manufacture their products from us at current or historical levels. Moreover, we typically do not enter into long-term volume purchase contracts with our customers, and our customers have certain rights to extend or delay the shipment of their orders. We, however, typically require that our customers contractually agree to buy back inventory purchased within specified lead times to build their products if not used. See also Risk Factors—"Risks Related to our Business and Strategy—*Our customers may cancel their orders, change production quantities or locations, or delay production, and the inherent difficulties involved in responding to these demands could harm our business.*" In addition, because of the concentration in our customer base, we have significant amounts of trade accounts receivable from some of our customers and the insolvency of one or more of our largest customers or the inability of one or more of our largest customers to pay for its orders would decrease our revenue significantly. A reduction in revenue could decrease our profitability, cash flow and adversely affect our business, financial condition and results of operations.

Furthermore, the success of our business depends, in part, on the continued growth and financial stability of our customers, including, in particular, our largest customers. Adverse changes in the end markets these customers serve could reduce demand from our customers in those markets and/or cause customers in such end markets to be more price sensitive, which could cause us to lose sales or require us to lower prices and thereby suffer a decrease in our margins. Further, mergers, acquisitions, restructuring or other consolidations among our customers, or their end customers, could intensify our customer concentration or reduce total demand as the combined entities reevaluate their business and consolidate their suppliers, which could materially and adversely affect our business. In the event of consolidation among our customers, depending on which of the entities involved in the consolidation controls the combined company's supply chain function following the consolidation, we may not be retained as a preferred or approved manufacturer. In addition, product duplication could result in the termination of a product line that we currently manufacture. While there is also the potential to increase our sales to the combined customer, our revenues could decrease if we are not retained as a continuing supplier. Even if we are retained as a supplier, we may face the risk of increased pricing pressure from the combined customer because of its increased market share and purchasing power.

Our industry is very competitive and we may not be successful if we fail to compete effectively.

The EMS industry is highly competitive. We compete against numerous large domestic and foreign EMS providers but consider our peer group and direct competitors to be IEC Electronics Corp., Key Tronic Corp., Nortech Systems Inc., Sigmatron International Inc., and Sypris Solutions Inc. We may in the future encounter competition from additional large electronics manufacturers that are selling, or may begin to sell, electronics manufacturing services. Some of our competitors have substantially greater manufacturing, financial, research and development and marketing resources and lower cost structures than us. We also face competition from the manufacturing operations of current and potential customers, which are continually evaluating the merits of manufacturing products internally compared to the advantages of using external manufacturers such as us.

Furthermore, larger EMS providers who have greater direct buying power from component suppliers, distributors and raw material suppliers or who have lower cost structures as a result of their geographic location may operate more efficiently than us. As a result, other EMS providers with significant purchasing and marketing power may have a competitive advantage over us. Our manufacturing processes are generally not subject to meaningful proprietary protection, and companies with greater resources, financial or otherwise, or a greater market presence may enter our market or increase their competition with us. As a result, our competitors could copy our non-proprietary designs and processes after we have invested in development of products for customers, which could allow those competitors to offer customers lower prices on such products. We also expect that our competitors will continue to improve the performance of their current products or services, to reduce the prices of their products or services and to introduce new products or services that may offer greater performance and lower prices. Any of the foregoing could cause our sales to decline, a decrease in our profit margin or a loss of market share.

In addition, increased pressure to limit U.S. defense spending and changes in the U.S. government procurement environment may limit certain future market opportunities for us. For example, the U.S. Department of Defense (the "DoD") increasingly is committed to awarding contracts through competitive bidding and relying on competitive contract award types. See Risk Factors—"Risks Related to our Business and Strategy — *Our financial results depend, in part, on our ability to perform on our U.S. government contracts, and changes in government defense spending and priorities could have consequences on our financial position, results of operations and business.*"

If we are unable to continue to compete successfully against our current or future competitors in our core markets, we may experience declines in revenues and market share which could negatively impact our results of operations, financial condition or liquidity.

We experience variability in our operating results, which could increase the volatility of the price of our common stock.

Our annual and quarterly results have fluctuated in the past. The reasons for these fluctuations may similarly impact our business in the future. You should not rely solely on our results of operations in any past period to indicate what our results will be for any future period. Our operating results may fluctuate in the future as a result of many factors, including, but not limited to:

- variations in the timing and volume of customer orders relative to our manufacturing capacity;
- introduction and market acceptance of our customers' new products;
- changes in demand or market acceptance for our customers' existing or new products;
- the accuracy of our customers' forecasts of future production requirements;
- changes in customers and customer or product attrition;
- effectiveness in managing our manufacturing processes, inventory levels and costs;
- our level of experience in manufacturing a particular product;
- changes in competitive and economic conditions generally or in our customers' end markets;
- price competition;
- natural disasters that may impede our operations, the operation of our customers' business, or availability of manufacturing inputs from our suppliers;
- failure or external breach of our information technology systems;
- willingness of suppliers to supply the Company on normal credit terms; and
- changes in the cost, or availability, of components or skilled labor.

In addition, most of our customers typically do not commit to firm production schedules more than 30 to 90 days in advance. Accordingly, it is difficult for us to forecast the level of customer orders with certainty. As a result, we may not be able to schedule production to maximize utilization of our manufacturing capacity. In the past, we have been required to increase staffing, purchase materials and incur other expenses to meet the demand of our customers. Sometimes anticipated orders from customers have failed to materialize and, at times, delivery schedules have been deferred as a result of changes in a customer's needs. Any material delay, cancellation or reduction of orders from our larger customers could cause our revenue to decline. In addition, a reduction in customer demand may decrease our gross margins and adversely affect our business, financial condition and results of operations. On other occasions, customers have required rapid and unexpected increases in production, which have placed burdens on our manufacturing capacity and supply chain function and adversely affected costs. See Risk Factors—"Risks Related to our Business and Strategy—*If we are unable to maintain satisfactory utilization rates at our manufacturing factories, our results of operations and financial condition would be adversely affected.*"

The EMS industry is affected by the United States and global economies, both of which are influenced by world events. An economic slowdown, particularly in the industries we serve, may result in our customers reducing their forecasts or delaying orders. The demand for our services could weaken, which in turn could substantially influence our sales, capacity utilization, margins and financial results. Results for any one quarter or year are not necessarily indicative of results to be expected for any other quarter or for any year. This could lead to results outside of analyst and investor expectations, which could increase volatility of our stock price.

Any of these factors or a combination of these factors could have an adverse impact on our business, financial condition and results of operations.

We are dependent upon the industry sectors we service, which produce electronic products that are technologically advanced with short life cycles, and our business could be negatively impacted by economic slowdowns in these sectors.

Most of our customers develop technologically advanced electronic products, which are characterized by intense competition, short product life cycles and significant fluctuations in product demand. In addition, these products are generally subject to rapid technological change and product obsolescence. If our customers are unable to create products that keep pace with the changing technological environment, their products could become obsolete and, in turn, the demand for our manufacturing services could significantly decline. Our success is largely dependent on the success achieved by our customers in developing and marketing their products. Furthermore, the electronics industry is subject to economic cycles and has, in the past, experienced downturns. A decline in the industry demand for these products would likely have an adverse impact on our business, financial condition and results of operations.

We make no assurance that our customers will continue to buy products from us at current levels, that we will retain any or all of our existing customers or that we will be able to form new relationships with customers upon the loss of one or more of our existing customers in this market. Any material reduction in sales, consolidation or slowdowns in the industry sectors we service could have a negative impact on our business and financial results.

Consolidation in the industry sectors in which we operate may adversely affect our business by increasing customer buying power or increasing competition

Consolidation in the industry sectors in which we operate among our competitors, our customers, or both, may strengthen existing, large electronics companies or result in the formation of new large electronics companies. The significant buying and market power of these companies may increase competitive pressures on us, which could negatively impact our margins. In addition, if any of our large customers are acquired or merged, we may lose that customer's business, which would cause our sales to decline and would likely have a material adverse impact on our business, financial condition and results of operations.

We may encounter difficulties with acquisitions, including the risks associated with the integration of acquired businesses, such as MC Assembly, and divestitures, which could harm our business.

We have completed acquisitions of businesses in the past and we may acquire additional businesses in the future. Any future acquisitions may require additional equity financing, which could be dilutive to our existing shareholders, or additional debt financing, which could increase our leverage and potentially affect our credit ratings. Any downgrades in our credit ratings associated with an acquisition could adversely affect our ability to borrow by resulting in more restrictive borrowing terms. As a result of the foregoing, we also may not be able to complete acquisitions or strategic customer transactions in the future to the same extent as in the past, or at all.

To integrate acquired businesses, such as MCA, we must implement our management information systems, operating systems and internal controls, and assimilate and manage the personnel of the acquired operations. The difficulties of this integration may be further complicated by geographic distances. The integration of acquired businesses may not be successful and could result in disruption to other parts of our business. In addition, the integration of acquired businesses may require that we incur significant restructuring charges.

Uncertainty about integrations, such as MCA, may affect the relationship between us and our employees, clients and suppliers, which may have an adverse effect on our business, financial condition and results of operations. These uncertainties may cause clients, suppliers and others that deal with us to seek to change existing business relationships and to delay or defer decisions concerning us. Changes to existing business relationships, including termination or modification, could negatively affect our revenues, earnings and cash flow, as well as the market price of our common stock.

In addition, we are dependent on the experience and industry knowledge of our officers, key management personnel and other key employees to operate our business and execute our business plans. Our current and prospective employees may experience uncertainty about their roles following integrations, such as MCA, which may have an adverse effect on our ability to attract or retain key management personnel and other key employees. Our business could be negatively impacted if key employees depart because of issues related to the uncertainty and difficulty of integration.

Acquisitions involve numerous other risks and challenges, including:

- diversion of management's attention from the normal operation of our business;
- difficulties in achieving target cost synergies of the new combined company;
- failure to implement our business plan for the combined business;
- potential loss of key employees and customers of the acquired companies;
- difficulties managing and integrating operations in geographically dispersed locations;
- the potential for deficiencies in internal controls at acquired companies;
- increases in our expenses and working capital requirements, which reduce our return on invested capital;
- lack of experience operating in the geographic market or industry sector of the acquired business;
- cybersecurity and compliance related issues;
- initial dependence on unfamiliar supply chain or relatively small supply chain partners; and
- exposure to unanticipated liabilities of acquired companies.

Furthermore, we may not be able to maintain the levels of revenue, earnings or operating efficiency that each of us and the acquired business had achieved or might achieve separately. The markets in which the acquired business operates may not experience the growth rates expected and any economic downturn affecting those markets could negatively impact such business. If the acquired business or the markets in which it operates deteriorate, the potential cost savings, growth opportunities and other synergies of the acquisition may not be realized fully, or at all, or may take longer to realize than expected. In such case, our business, financial condition, results of operations and cash flows may be negatively impacted.

Divestitures involve significant risks, including without limitation, difficulty finding financially sufficient buyers or selling on acceptable terms in a timely manner, and the agreed-upon terms could be renegotiated due to changes in business or market conditions. Divestitures could adversely affect our profitability and, under certain circumstances, require us to record impairment charges or a loss as a result of the transaction. In addition, completing divestitures requires expenses and management attention and could leave us with certain continuing liabilities.

These and other factors have harmed, and in the future could harm, our ability to achieve anticipated levels of profitability at acquired operations or realize other anticipated benefits of an acquisition or divestiture, and could adversely affect our business and operating results.

If we are unable to respond to rapidly changing technology and process development, we may not be able to compete effectively.

The market for our services is characterized by rapidly changing technology and continuing process development. The future success of our business will depend in large part upon our ability to hire and retain qualified engineering and technical personnel, maintain and enhance our technological capabilities, to develop and market manufacturing services that meet changing customer needs, and to successfully anticipate or respond to technological changes on a cost-effective and timely basis. In addition, the EMS industry could encounter competition from new or revised technologies in the future that render existing technology less competitive or obsolete or that reduce the demand for our services. We may not be able to effectively respond to the technological requirements of the changing market. To the extent we determine that new technologies and equipment are required to remain competitive, the development, acquisition and implementation of such technologies and equipment may require us to make significant capital investments. We may not be able to access capital for these purposes in the future and investments in new technologies may not result in commercially viable technological processes.

Disruptions to our information technology systems, including cyber security incidents, losses of data or outages, could have a material adverse effect on our business, operations and financial results.

We rely on information technology networks and systems to process, transmit and store information related to our business. In particular, we depend on our information technology systems for a variety of functions, including, but not limited to, financial reporting, inventory management, procurement, invoicing and email. We also have access to, and we create and store, sensitive data, including intellectual property, our proprietary business information and that of our customers, and personally identifiable information of our employees. Any of the foregoing may be susceptible to outages due to fire, floods, power loss, telecommunications failures, terrorist attacks, attacks by hackers or breaches due to employee error, malfeasance or other disruptions, and similar events. Despite the implementation of network security measures, our systems and those of third parties on which we rely may also be vulnerable to computer viruses, break-ins and similar disruptions. Such events could make it difficult to manufacture or deliver products to our customers due to our reliance on our systems in the day to day operations of our business. While we maintain security and back-up procedures to business recovery plans that are intended to allow us to recover from natural disasters or other events that can be disruptive to our business, some of our systems are not fully redundant and we cannot be sure that our plans will fully protect us from all such disruptions. Any security breaches could compromise our networks and the information stored on them could be improperly accessed, disclosed, lost or stolen. Any such access, disclosure or other loss of information could disrupt our operations and the services we provide to customers, damage our reputation or our relationships with our customers or result in legal claims or proceedings, any of which could adversely affect our business, financial condition, revenues and competitive position.

If the products we manufacture are defective, demand for our services may decline and we may be exposed to product liability and product warranty claims.

Defects in the products we manufacture, whether caused by, among other things, a design, engineering, manufacturing or component failure or deficiencies in our manufacturing processes, could result in product or component failures, which may damage our business reputation and expose us to product liability or product warranty claims.

If a product or component we manufacture is found to cause any personal injury or property damage or is otherwise found to be defective, we could incur significant expenditures to resolve any potential claims resulting from such damages or defects. In addition, any such claim could hurt our reputation or position in the marketplace, which could result in the loss of existing customers or affect our ability to attract new customers. A successful product liability or product warranty claim against us could have a material adverse effect on our business, financial condition and results of operations.

Although, generally, liability for these claims in our contracts rest with our customers, our customers may or may not have the resources to satisfy claims for costs or liabilities arising from a defective product or component for which they have assumed responsibility or they may be otherwise unwilling or unable to assume responsibility.

We depend on our key personnel and skilled employees and our business could suffer if we are unable to attract and retain key personnel and skilled employees.

Our business depends, in part, on our ability to continue to recruit, train and retain skilled employees, particularly executive management, engineering and sales personnel. Recruiting personnel in our industry is highly competitive. Our ability to successfully implement our business plan depends in part on our ability to attract and retain management and existing employees. There can be no assurance that we will be able to attract and retain, now or in the future, executive officers and other key personnel. In addition, if we receive a significant volume of new orders at any one time, we may have difficulty recruiting skilled workers to respond to such orders and accordingly may experience delays that could adversely affect our ability to meet customers' delivery schedules, which may impact those customers' decisions to place future orders with us.

We are subject to a variety of governmental regulations related to the environment, health and safety and defense and our failure to comply with such current and future governmental regulations could have a material adverse effect on our business, financial condition and results of operations.

As a result of our use of metals and other hazardous materials in our manufacturing processes, our operations are regulated under a number of federal, state, provincial, local and foreign environmental and safety laws and regulations which govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of such materials. In addition, we are subject to a variety of U.S. government regulations related to the export and import of defense-related articles and services, as well as federal, state and local regulatory requirements relating to employee occupational health and safety. To date, the cost to us of such compliance has not had a material impact on our business, financial condition or results of operations. However, violations may occur in the future as a result of human error, equipment failure or other causes within and outside of our control. We may be liable under environmental laws for the cost of cleaning up properties we own or operate if they are, or become, contaminated by the release of hazardous materials, regardless of whether we caused such release. In addition, we may be liable for costs associated with an investigation and remediation of sites at which we have arranged for the disposal of hazardous wastes if such sites become contaminated, even if we fully comply with applicable environmental laws. In the event of a contamination or violation of environmental laws, we could be held liable for damages, including fines, penalties and the costs of remedial actions and could also be subject to revocation of our discharge permits. Any such revocations could require us to cease or limit production at one or more of our facilities, thereby having an adverse effect on our operations. In addition, environmental laws could also become more stringent over time, which would impose greater compliance costs and increase the risks and penalties associated with any violation, which could have an adverse effect on our business, financial condition and results of operations. We also cannot predict the nature, scope or effect of environmental legislation or regulatory requirements that could be imposed in the future, or how existing or future laws or regulations will be administered or interpreted. Finally, any such current or future regulations could restrict our ability to expand our operations or could require us to acquire costly equipment, substitute materials, or incur other significant expenses in order to attempt to comply with such regulations.

Our customers may cancel their orders, change production quantities or locations, or delay production, and the inherent difficulties involved in responding to these demands could harm our business.

Our industry must provide increasingly rapid product turnaround for its customers. We generally do not obtain firm, long-term purchase commitments from our customers and we continue to experience reduced lead-times in customer orders. Customers may cancel their orders, change production quantities, delay production or change their sourcing strategy for a number of reasons. Such changes, delays and cancellations may lead to our production and possession of excess or obsolete inventory, which we may not be able to sell to the customer or a third party. The success of our customers' products in the market affects our business. Cancellations, reductions, delays or changes in sourcing strategy by a significant customer or by a group of customers could negatively impact our operating results by reducing the number of products that we sell, delaying the payment to us for inventory that we purchased and reducing the use of our manufacturing facilities, which have associated fixed costs not dependent on our level of revenue.

In addition, we make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimate of customer requirements. The short-term nature of our customers' commitments and the possibility of rapid changes in demand for their products reduce our ability to accurately estimate the future requirements of those customers. Our inability to forecast the level of customer orders with certainty can make it difficult to schedule production and maximize utilization of manufacturing capacity and manage inventory levels.

On occasion, customers may require rapid increases in production, which can stress our resources and reduce operating margins. In addition, because many of our costs and operating expenses are relatively fixed, a reduction in customer demand can harm our gross profits and operating results. See Risk Factors—"Risks Related to the Economy— *The effect of COVID-19 on our operations and the operations of our customers, suppliers and logistics providers has, and is expected to continue to have a material, adverse impact on our financial condition and results of operations",* while the majority of our customers have not reduced or materially adjusted demand as a result of the Coronavirus outbreak, we have increased risk of servicing customer component demands with our supply chain in China, as a result of the Coronavirus outbreak.

We structure our agreements with customers to mitigate our risks related to obsolete or unsold inventory. However, enforcement of these contracts may result in material expense and delay in payment for inventory. If any of our significant customers become unable or unwilling to purchase such inventory, our business may be materially harmed.

If we are unable to maintain satisfactory utilization rates at our manufacturing factories, our results of operations and financial condition would be adversely affected.

Given the high fixed costs of our operations, decreases in utilization rates at our manufacturing facilities could have a material adverse effect on our business. Accordingly, our ability to maintain or enhance our margins continues to depend, in part, on maintaining satisfactory utilization rates. In turn, our ability to maintain satisfactory utilization depends on the demand for our products, the volume of orders we receive, and our ability to offer products that meet our customers' requirements at attractive prices. If current or future production capacity fails to match current or future customer demands, our facilities would be underutilized, our sales may not fully cover our high fixed overhead expenses, and we would be less likely to achieve our anticipated gross margins. Furthermore, if the forecasts and assumptions used to support the implied fair value of goodwill or recoverability of our long-lived assets including intangible assets change, we may incur significant impairment charges, which would adversely affect our results of operations and financial condition, as we have experienced.

In addition, we generally schedule our production facilities at less than full capacity to retain our ability to respond to unexpected additional quick-turn orders. However, if these orders are not received, we may forego some production and could experience continued excess capacity. If we conclude that we have significant, long-term excess capacity, we may decide to permanently close one or more of our facilities and terminate some of our employees. See Risk Factors—"Risks Related to our Business and Strategy—*We experience variability in our operating results, which could negatively impact the price of our shares*." Facility closures or employee terminations could result in our recording restructuring charges such as severance and other exit costs, and asset impairments. See Risk Factors—"Risks Related to our Business and Strategy—*Our restructuring activities will increase our expenses, may not be successful, and may adversely impact employee hiring and retention. Also, we have incurred other substantial restructuring charges in the past and we may continue to in the future.*"

Our restructuring activities will increase our expenses, may not be successful, and may adversely impact employee hiring and retention. Also, we have incurred other substantial restructuring charges in the past and we may continue to in the future.

In the fourth quarter of 2020, we approved our plans to close our Zacatecas, Mexico manufacturing operations which was communicated to employees in January 2021. The closure of the Zacatecas manufacturing facility is intended to reduce the labor force, which is expected to impact approximately 570 employees at the Zacatecas manufacturing facility. The closure of the Zacatecas facility was the result of the decision to consolidate our Mexico operations which is expected to result in cost savings. The customers previously serviced in Zacatecas will be transferred to our Chihuahua, Mexico facility. We expect the wind down and closure of the Zacatecas facility to be substantially completed by the end of the first quarter of 2021.

As a result of the foregoing actions, we incurred incremental restructuring costs totaling approximately $3.5 million in the fourth quarter of 2020 or $4.4 million for fiscal 2020 which included headcount reductions in Zacatecas in the third quarter of 2020. The amount of the restructuring expenses we expect to incur in 2021, as well as our ability to achieve the anticipated benefits of our restructuring activities, are subject to assumptions and uncertainties. There is no assurance that we will successfully implement or fully realize the anticipated benefits of our restructuring activities. If we fail to realize the anticipated benefits from these measures, or if we incur charges or costs in amounts that are greater than anticipated, our financial condition and operating results may be adversely affected to a greater degree than we currently expect.

Finally, we have incurred other significant expenses related to restructuring of our operations in the past and may continue to in the future. We have incurred in the past, and may incur in the future, costs related to workforce reductions and facility closures. We may be required to record additional charges related to restructuring activities in the future, but cannot predict the timing or amount of such charges. Any such charges would reduce our earnings.

Our design and manufacturing processes and services may result in exposure to intellectual property infringement claims against our customers or us, which could harm our business.

Our design and manufacturing services offerings involve the creation and use of intellectual property rights, which subject us to the risk of claims of intellectual property infringement from third parties. In addition, our customers may require that we indemnify them against the risk of intellectual property infringement. If any claims are brought against us or our customers for such infringement, whether or not they have merit, we could be required to expend significant resources in defense of such claims. In the event of such an infringement claim, we may be required to spend a significant amount of money to develop non-infringing alternatives or obtain licenses. We may not be successful in developing such alternatives or obtaining such licenses on reasonable terms or at all.

From time to time, we are involved in various legal proceedings, which could result in unexpected expenditures of time and resources.

In the past, we have been notified of claims relating to various matters including, among other things, intellectual property rights, contractual matters or other issues arising in the ordinary course of business. In the event of such a claim, we may be required to spend a significant amount of money to defend or otherwise address the claim. Currently, we are involved in claims made with respect to our pending Merger. Please see Part II —Item 8 Financial Statements and Supplementary Data, Note 16, “Subsequent Events.” Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of any such proceedings. Any litigation, even where a claim is without merit, could result in substantial costs, such as legal fees, and diversion of resources. Accordingly, the resolution or adjudication of such disputes, even those encountered in the ordinary course of business, could have a material adverse effect on our business, consolidated financial condition and results of operations. Furthermore, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Regardless of the subject matter, any litigation could result in substantial costs and a diversion of management’s attention and resources that are needed to successfully run our business.

We may be required to recognize additional impairment charges.

GAAP requires us to evaluate for impairment annually for goodwill and periodically when events or changes in circumstances indicate that the carrying value of property, plant and equipment, intangible assets may not be recoverable. During 2019, we recorded a write down of $0.2 million related to machinery and equipment in our China segment, which would not otherwise be transferred to our other manufacturing facilities. During 2020, we recorded a write down of $0.1 million related to machinery and equipment in our Zacatecas manufacturing facility, which would not otherwise be transferred to our other manufacturing facilities. Disruptions and reductions to our business, unexpected significant declines in the operating results, divestitures and enterprise value declines may result in future impairment charges to property, plant and equipment. Any future impairment charge could substantially affect our reported results during those periods.

Our financial results depend, in part, on our ability to perform on our U.S. government contracts, and changes in government defense spending and priorities could have consequences on our financial position, results of operations and business.

In fiscal years 2020 and 2019, U.S. government sales accounted for approximately 9.7% and 6.6% of our total revenues, respectively. Our revenues from the U.S. government largely result from contracts awarded to us under various U.S. government programs, primarily defense-related programs with the DoD. The funding of our programs is subject to the overall U.S. government policies, budget and appropriation decisions and processes which are driven by numerous factors, including geo-political events, macroeconomic conditions, and the ability of the U.S. government to enact relevant legislation, such as appropriations bills and accords on the debt ceiling.

In recent years, U.S. government appropriations have been affected by larger U.S. government budgetary issues and related legislation. In addition, in recent years the U.S. government has been unable to complete its budget process before the end of its fiscal year, resulting in both a governmental shut-down and continuing resolutions to extend sufficient funds only for U.S. government agencies to continue operating.

As a result, defense spending levels are difficult to predict beyond the near-term due to numerous factors, including the external threat environment, future governmental priorities and the state of governmental finances. Significant changes in defense spending or changes in U.S. government priorities, policies and requirements could have a material adverse effect on our results of operations, financial condition or liquidity.

Government contracts are subject to significant procurement rules and regulations. Changes in such rules, regulations and business practice could negatively affect current programs and potential awards, and our business could be negatively affected if we fail to comply with any procurement rules and regulations.

U.S. government contractors must comply with specific procurement regulations and other requirements including export-import control, security, contract pricing and cost, contract termination and adjustment, audit and product integrity requirements. These requirements impact our performance and compliance costs. In addition, the U.S. government has implemented, and may continue to implement, initiatives focused on efficiencies, affordability and cost growth and other changes to its procurement practices which may negatively affect our results of operations, financial condition or liquidity, and could affect whether and, if so, how we pursue certain opportunities and the terms under which we are able to do so.

In addition, failure to comply with the procurement regulations and requirements could result in reductions of the value of contracts, contract modifications or termination, cash withholds on contract payments, forfeiture of profits, and the assessment of civil and criminal penalties and fines, which could negatively impact our results of operations, financial condition or liquidity. Our failure to comply with these regulations and requirements could also lead to suspension or debarment, for cause.

We are subject to extensive regulation and audit by the Defense Contract Audit Agency.

The accuracy and appropriateness of certain costs and expenses used to substantiate our direct and indirect costs for U.S. government contracts are subject to extensive regulation and audit by the Defense Contract Audit Agency, an arm of the DoD. Such audits and reviews could result in adjustments to our contract costs and profitability. However, we cannot ensure the outcome of any future audits and adjustments may be required to reduce net sales or profits upon completion and final negotiation of audits. If any audit or review were to uncover inaccurate costs or improper activities, we could be subject to penalties and sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from conducting future business with the U.S. government. Any such outcome could have a material adverse effect on our financial results.

Material weakness in our internal control could arise resulting in a reasonable possibility that a material misstatement of the company's annual or interim financial statements would not be prevented or detected on a timely basis if these deficiencies are not remediated appropriately or timely.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. We are also required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act of 2002, as amended ("Sarbanes-Oxley"), which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. Our independent registered public accounting firm is also required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of Sarbanes-Oxley. Internal controls related to the operation of technology systems are critical to maintaining adequate internal control over financial reporting. During the fourth quarter of the fiscal year ended December 29, 2019, management identified a material weakness in internal control related to ineffective information technology general controls in the areas of user access and program change-management over certain information technology systems that support the Company's financial reporting processes. As a result, management concluded that our internal control over financial reporting was not effective as of December 29, 2019.

We implemented remedial measures and have remediated the material weakness as at January 3, 2021. If we are unable to maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to record, process and report financial information accurately, and to prepare financial statements within required time periods, could be adversely affected, which could subject us to litigation or investigations requiring management resources and payment of legal and other expenses, negatively affect investor confidence in our financial statements and adversely impact our stock price.

We make no assurance that significant deficiencies or other material weaknesses in our internal control over financial reporting will not be identified in the future. The existence of a significant deficiency or additional material weakness could result in errors in our financial statements that could in turn result in a restatement of the consolidated financial statements, cause us to fail to meet our reporting obligations or cause lenders, suppliers, customers and investors to lose confidence in our reported financial information. Our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. Any combination of the above could lead to harmful effects on our business and a decline in our stock price. In addition, a material weakness could cause investors to lose confidence in our financial reporting and may negatively affect the price of our common stock. We also make no assurances that we will be able to remediate any future internal control deficiencies timely and in a cost effective manner. Moreover, effective internal controls are necessary to produce reliable financial reports and to prevent fraud. If we are unable to satisfactorily remediate future deficiencies or if we discover other deficiencies in our internal control over financial reporting, such deficiencies may lead to misstatements in our financial statements or otherwise negatively impact our business, financial results and reputation.

Risks Related to the Economy

As a manufacturer, we are particularly exposed to general economic conditions, which could have an adverse impact on our business, operating results and financial condition.

As a result of unfavorable economic conditions, reduced capital spending and changes in our customers' manufacturing requirements, our revenues could experience significant declines in the future. If general economic conditions deteriorate, including the onset of a global economic recession, other uncertainty in the global economy such as unstable global financial and credit markets or increased inflation and tariffs, we may experience an adverse impact on our business, operating results and financial condition, since end customer demand for our customers' products could be adversely affected. Due to the current uncertainty surrounding the economy and our ability to predict the effect such conditions will have on its customers, we cannot predict the scope or magnitude of the negative effect that any economic slowdown may have on our business. Further, economic and financial market conditions that adversely affect our customers may cause them to terminate or delay existing purchase orders or to reduce the volume of products they purchase from us in the future. We may have significant accounts receivable outstanding from customers, including our largest customers, that operate in cyclical industries and under leveraged conditions, which could impair their ability to pay amounts owed to us on a timely basis. Our failure to collect a significant portion of those receivables could have a material adverse effect on our results of operations and financial condition. See Risk Factors—"Risks Related to our Business and Strategy—*A majority of our revenue comes from a relatively small number of customers. If we lose any of these customers, our revenue could decline significantly*" And "*The effect of COVID-19 on our operations and adverse impact on our financial condition and results of operations.*"

Similarly, adverse changes in credit terms extended to us by our suppliers, such as shortening the required payment period for outstanding accounts payable or reducing the maximum amount of trade credit extended to us, could negatively and significantly affect our liquidity and thereby have a material adverse effect on our results of operations and financial condition.

If we are unable to successfully anticipate changing economic and financial market conditions, we may be unable to effectively plan for, and respond to, those changes, which could have a material adverse effect on our business, operating results and financial condition.

The effect of COVID-19 on our operations and the operations of our customers, suppliers and logistics providers has, and is expected to continue to have a material, adverse impact on our financial condition and results of operations.

Our global operations expose us to risk arising from the global COVID-19 pandemic, which has had and will continue to have an adverse impact on our employees, operations, supply chain and distribution system. While we have taken numerous steps to mitigate the impact of the outbreak on our results of operations, we make no assurance that these efforts will be successful. To date, COVID-19 has increased our expenses, primarily related to additional temporary labor costs, additional sanitation, cleaning and disinfection of facilities, procurement of personal protection equipment and related supplies, costs associated with facilitating social distancing and logistics costs associated with expediting inventory purchases for new and existing sources. COVID-19 has spread across the globe and is impacting worldwide economic activity, including our international manufacturing facilities. Public and private sector policies and initiatives to reduce the transmission of COVID-19, including travel restrictions and quarantines, are impacting our operations, including affecting the ability of our employees to get to our facilities, reducing capacity utilization levels, and interrupting the movement or increasing the cost of moving components and products through our supply chain. If we are required to close our facilities or further reductions in capacity utilization occur, we may incur additional direct costs and lose revenue. If our suppliers experience additional closures or reductions in their capacity utilization levels in the future, we may have difficulty sourcing materials necessary to fulfill production requirements. The COVID-19 pandemic has also impacted our customers and may create unpredictable reductions or increases in demand for our manufacturing services and risks of non-payment. Our ability to continue to manufacture products is highly dependent on maintaining the safety and health of our employees. The ability of our employees to work may be significantly impacted by individuals contracting or being exposed to COVID-19. While we are following the requirements of governmental authorities and taking preventative and protective measures to prioritize the safety of our employees, these measures may not be successful, and we may be required to temporarily close facilities or take other measures. In addition, responding to the continuing outbreak could divert management's attention from our key strategic priorities, cause us to reduce, delay, alter or abandon initiatives that may otherwise increase our long-term value or otherwise disrupt our business operations. While we are staying in close communication with our sites, employees, customers, suppliers and logistics partners and acting to mitigate the impact of this dynamic and evolving situation, the duration and extent of these impacts on us is not determinable. We believe the COVID-19 pandemic could have a material and adverse material impact on our consolidated financial position, results of operations and cash flows in 2021 and beyond.

In addition, the impact of the COVID-19 pandemic may exacerbate other risks we face. Due to these possible impacts of the COVID-19 pandemic and as generally described in Form 10-K, the Company's consolidated financial position, results of operations and cash flows for 2020 are not necessarily indicative of future performance.

Risks Related to our International Operations and Supply Chain

We are exposed to fluctuations in currencies against the U.S. dollar, which could have a material adverse effect on our business and financial results.

As a global company, we have significant costs, primarily payroll denominated in currencies other than the U.S. dollar. Most of our sales and component purchases are denominated in U.S. dollars. Our Canadian, Mexican and Euro based component purchases and other various expenses are denominated in local currencies. A decrease in the value of foreign currencies relative to the U.S. dollar could result in lower revenues, product price pressures, and increased losses from currency exchange rates. As a result, we may enter into forward foreign exchange contracts to reduce our exposure to foreign exchange currency rate fluctuations related to the forecasted Canadian dollar and Mexican peso. We have decided at this time not to hedge exposure due to foreign exchange currency related to Euro based components purchases. To the extent we are not able to effectively manage this exposure to foreign exchange rate fluctuations, our revenues and profitability could be adversely affected.

We depend on a limited number of suppliers for components that are critical to our manufacturing processes and shortages or price fluctuations of component parts specified by our customers could delay product shipment and affect our profitability.

A substantial portion of our revenue is derived from turnkey manufacturing. In turnkey manufacturing, we provide both the materials and the manufacturing services. If we fail to manage our inventory effectively, we may bear the risk of fluctuations in materials costs, scrap and excess inventory, all of which can have an adverse impact on our business, financial condition and results of operations. In addition, delays, cancellations or reductions of orders by our customers could result in an excess of materials. Orders received from customers within component lead time, rapid increases in orders or lengthening of lead times by suppliers could cause a shortage of materials. A shortage of materials could lengthen production schedules and increase costs. An excess of materials may increase the costs of maintaining inventory and may increase the risk of inventory obsolescence, both of which may increase expenses and decrease profit margins and operating income.

Many of the products we manufacture require one or more components that we order from sole-source suppliers. Supply shortages for a particular component can delay production of all products using that component or cause cost increases in the services we provide. In addition, in the past, some of the materials we use, such as memory and logic devices, have been subject to industry-wide shortages. At such times, suppliers allocate available quantities among their customers, and we have not been able to obtain all of the materials required. Our inability to obtain these materials could slow production or assembly, delay shipments to our customers, increase costs and reduce operating income. Also, we may bear the risk of periodic component price increases, which if we are not able to recover from our customers, could reduce our operating income. In addition, we rely on a variety of common carriers for materials transportation, and we route materials through various world ports. A work stoppage, strike or shutdown of a major port or airport, such as those caused by the COVID-19 pandemic could result in manufacturing and shipping delays or expediting charges, which could have an adverse impact on our business, financial condition and results of operations.

Risks particular to our international manufacturing operations and our operations as a global company could each adversely affect our overall results.

Our international manufacturing operations are subject to inherent risks, including:

- fluctuations in the value of currencies and high levels of inflation;
- longer payment cycles relative to the U.S. and greater difficulty in collecting amounts receivable;
- reduced credit and payment terms with vendors;
- unexpected changes in and the burdens and costs of compliance with a variety of foreign laws;
- difficulties in understanding and complying with local laws, regulations and customs in foreign jurisdictions;
- political and economic instability;

- terrorism or war, which can interrupt commerce;
- global health crises, epidemics and pandemics, such as COVID-19;
- increases in duties, trade restrictions, tariffs, import and export controls, taxation and other non-tariff barriers such as quotas and local content rules;
- delays associated with the manufacture, transportation and delivery of products;
- increased transportation costs due to distance, energy prices, or other factors
- delays in the transportation and delivery of goods due to increased security concerns;
- restrictions and potential penalties due to privacy laws, on the handling and transfer of consumer and other personal information;
- potential violations of U.S. and foreign anti-corruption and anti-bribery laws by our employees, business partners or agents, despite our policies and procedures relating to compliance with these laws;
- expropriation and nationalization;
- difficulties in managing foreign operations effectively and efficiently from the U.S.;
- changes in international trade agreements and governmental policies and regulations; and
- imposition of restrictions on currency conversion or the transfer of funds

In fiscal years 2020, 2019 and 2018, 62.2%, 68.4% and 84.4%, respectively, of our revenue was earned from products that we manufactured internationally (outside of the U.S.). As of the end of fiscal years 2020 and 2019, 40.3% and 47.1%, respectively, of our total consolidated assets were located internationally (outside of the U.S.). Changes to laws, regulations or trade agreements in relation to Mexico could have an adverse impact on our business, financial condition and results of operations.

In addition, we are subject to customs laws and regulations with respect to our export and import activity which are complex and vary within legal jurisdictions in which we operate. There may not be a control failure around customs enforcement despite the precautions we take. We are currently subject to audits by customs authorities. Any failure to comply with customs laws and regulations could be discovered during a U.S. or foreign government customs audit, or customs authorities may disagree with our tariff treatments, and such actions could result in substantial fines and penalties, which could have an adverse effect on our business and financial results. In addition, changes to U.S. trade laws may adversely impact our operations. These changes and any changes to the trade laws of other countries may add additional compliance costs and obligations and subject us to significant fines and penalties for non-compliance. Compliance with these and other foreign legal regimes may have a material adverse impact on our business and results of operations.

Finally, as a global company, we are subject to foreign and U.S. laws and regulations designed to combat governmental corruption, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries and a materially negative effect on our brand and our operating results. Although we have implemented policies and procedures designed to ensure compliance with these foreign and U.S. laws and regulations, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, there can be no assurance that our employees, business partners or agents will not violate our policies.

Tariffs imposed by the United States and those imposed in response by other countries, as well as rapidly changing trade relations, could have a material adverse effect on our business and results of operations.

Modifications of U.S. laws and policies governing foreign trade and investment (including trade agreements and tariffs, such as those tariffs imposed on specified imports from China) could adversely affect our supply chain, business and results of operations. For example, in September 2019, the U.S. imposed tariffs on more than $125 billion worth of imported goods from China. These tariffs have increased the costs of certain components sourced from China which increases the costs to our customers. The implementation of additional tariffs and retaliatory tariffs from trade partners or related uncertainties could further increase the cost of certain of our imported materials, which could thereby adversely affect our profitability if not accepted and paid by our customers.

RISKS RELATED TO OUR CAPITAL STRUCTURE

Our indebtedness could adversely affect our financial health and severely limit our ability to plan for or respond to changes in our business.

We borrow money under an amended and restated revolving credit and security agreement, with PNC Bank, National Association (“PNC”), which governs our revolving credit facility (the “PNC Facility”). The PNC Facility matures on November 8, 2023. Advances made under the PNC Facility bear interest at the U.S. base rate plus an applicable margin ranging from 0.75% to 1.25%, or the London Interbank Offered Rate (“LIBOR”) plus an applicable margin ranging from 2.50% to 3.00%. The base commercial lending rate should approximate U.S. prime rate.

We also borrow money under a financing agreement with the lenders from time to time party thereto and TCW Asset Management Company LLC, as administrative agent for the lenders, and TCW Asset Management Company LLC, as administrative and collateral agent for the lenders, which governs a term loan A facility (the “Term A Loan Facility” and previously governed a term loan B facility (the “Term Loan B Facility”) until it was paid in full on July 3, 2019. The Term Loan A Facility matures on November 8, 2023 (the “Maturity Date”). The Term Loan A Facility bore interest at LIBOR plus an applicable margin of 8.75% through June 30, 2020, and borrowings thereafter bear interest at LIBOR plus an applicable margin ranging from 7.25% to 8.75%. Payments made under the Term Loan A Facility at any time prior to the Maturity Date (other than scheduled amortization payments and mandatory prepayments) are subject to an applicable premium equal to the amount of such payment multiplied by (i) 3.00% in the event that such payment occurred before November 8, 2019, (ii) 2.00% in the event that such payment occurs after November 8, 2019 and on or November 8, 2020 and (iii) 1.00% in the event that such payment occurred after November 8, 2020 and on or before November 8, 2021. No such applicable premium is payable for any payment of loans made under the Term Loan A Facility occurring after November 8, 2021.

At January 3, 2021 and December 29, 2019, $34.7 million was outstanding under the PNC Facility and was classified as a current liability based on the requirement to hold a “lock-box” under the terms of the PNC Facility. As at January 3, 2021 and December 29, 2019, the funds available to borrow under the PNC Facility after deducting the current borrowing base conditions was $28.5 million and $21.6 million, respectively. The maximum amount of funds that could be available under the PNC Facility is $65.0 million. However, availability under the PNC Facility is subject to certain conditions, including borrowing base conditions based on eligible inventory and accounts receivable, and certain conditions as determined by PNC. We are required to use a “lock-box” arrangement for the PNC Facility, whereby remittances from customers are swept daily to reduce the borrowings under this facility.

At January 3, 2021 $33.4 million was outstanding under the Term Loan A Facility, net of deferred financing fees of $2.0 million and a discount on debt of $1.7 million, related to outstanding warrants to purchase shares of our common stock. At December 29, 2019, $38.8 million, was outstanding under the Term Loan A, net of deferred financing fees of $2.3 million, and a discount on debt of $1.5 million related to outstanding warrants to purchase shares of our common stock.

Our debt outstanding under the PNC Facility and Term A Loan Facility (together the “Credit Facilities”) could have adverse consequences for our business, including, among others:

- we are required to dedicate a substantial portion of our cash flow from operations to repayment of debt, including interest limiting the availability of cash for other purposes;
- we may have difficulty obtaining financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;
- we may have limited flexibility in planning for, or reacting to, changes in our business and industry;
- we could be limited in our borrowing of additional funds and making strategic investments by restrictive covenants and the borrowing base formula in our credit arrangements; and
- we may fail to comply with covenants under our Credit Facilities.

Although we were in compliance with the financial covenants included in the Credit Facilities as of January 3, 2021, we make no assurance that we will be in compliance with these covenants going forward. If we breach any of these restrictive covenants, the lenders could either refuse to lend funds to us, accelerate the repayment of any outstanding borrowings or declare an event of default. If an event of default occurs and is not cured or waived, it could result in all amounts outstanding, together with accrued interest, becoming immediately due and payable unless we obtain a waiver from the applicable lender. We may not have sufficient assets to repay such indebtedness upon a default or be unable to receive a waiver of the default from the lender. If we are unable to repay the indebtedness, the lender could initiate a bankruptcy proceeding or collection proceedings with respect to the assets which secure our indebtedness under the Credit Facilities.

Our leverage and restrictions contained in the Credit Facilities may materially adversely affect our ability to finance our future operations or capital needs or to engage in other business activities. In addition, our ability to pay principal and interest on our indebtedness and to satisfy our other obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, certain of which are beyond our control.

We face significant restrictions on our ability to operate our business as a result of the covenant restrictions under our Credit Facilities.

The terms of our Credit Facilities generally restrict, among other things, our ability to incur additional indebtedness, complete acquisitions, make certain investments, pay dividends or make certain other restricted payments, consummate certain asset sales, make capital expenditures, enter into certain transactions with affiliates, merge, consolidate or sell, assign, transfer, lease, convey or otherwise dispose of our assets (other than in the ordinary course of business). The PNC Facility also has a borrowing base formula that limits our ability to borrow based on the characteristics, including geographic location of our accounts receivable and inventory. Substantially all of our assets and those of our subsidiaries are pledged as security under our Credit Facilities. These restrictions could limit our ability to obtain future financing, make acquisitions or needed capital expenditures, withstand the current or future downturns in our business or the economy in general, conduct operations or otherwise take advantage of business opportunities that may arise, any of which could place us at a competitive disadvantage relative to our competitors.

If we are not able to comply with these covenants and requirements or obtain the prior approval from the applicable lender, the lenders have the right to demand accelerated payment and we would have to seek alternative sources of financing, which may not be available, or be available on acceptable terms. In addition, we could be prohibited from engaging in transactions which could be beneficial to our business and our stockholders. Furthermore, customers may lose confidence in us and reduce or eliminate their orders with us, which may have an adverse impact on our business, financial condition and results of operations. If our borrowing base is diminished we may not have sufficient access to capital to finance operations or capital needs.

Our indebtedness could adversely affect our financial condition and prevent us from fulfilling our debt obligations and may otherwise restrict our activities.

Our indebtedness could adversely affect our financial condition and thus make it more difficult for us to satisfy our obligations with respect to our Credit Facilities. If our cash flow is not sufficient to service our debt and adequately fund our business, we may be required to seek further additional financing or refinancing or dispose of assets. We might not be able to influence any of these alternatives on satisfactory terms or at all. Our indebtedness could also:

- increase our vulnerability to adverse general economic, industry or competitive developments;
- require us to dedicate a more substantial portion of our cash flows from operations to payments on our indebtedness, thereby reducing the availability of our cash flows to fund working capital, investments, acquisitions, capital expenditures, and other general corporate purposes;
- limit our ability to make required payments under our existing contractual commitments, including our existing long-term indebtedness;
- limit our ability to fund a change of control offer;
- require us to sell certain assets;
- restrict us from making strategic investments, including acquisitions or cause us to make non-strategic divestitures;

- limit our flexibility in planning for, or reacting to, changes in market conditions, our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- cause us to incur substantial fees from time to time in connection with debt amendments or refinancings;
- increase our exposure to rising interest rates because our borrowings are at variable interest rates; and
- limit our ability to borrow additional funds or to borrow on terms that are satisfactory to us.

Furthermore, because our debt is variable-rate debt, fluctuations in interest rates could have a material effect on our business. As a result, we may incur higher interest costs if interest rates increase. These higher interest costs could have a material adverse impact on our financial condition and the levels of cash we maintain for working capital.

For more information about our indebtedness, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources" of Part II of this Annual Report on Form 10-K and Note 5 to our audited consolidated financial statements included in Item 8 of Part II of this Annual Report on Form 10-K.

Despite our current level of indebtedness, we may incur more debt and undertake additional obligations. Incurring such debt or undertaking such additional obligations could increase the risks to our financial condition.

Although the agreements governing the Credit Facilities contain restrictions on our incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and the indebtedness incurred in compliance with these restrictions could increase. To the extent new debt is added to our current debt levels, the risks to our financial condition would increase.

While the agreements governing the Credit Facilities also contains restrictions on our ability to make loans and investments, these restrictions are subject to a number of qualifications and exceptions, and the investments incurred in compliance with these restrictions could be substantial.

To service our significant indebtedness, we will require cash and we may not be able to generate sufficient cash flow from operations to satisfy these obligations or to refinance these obligations on acceptable terms, or at all.

Our ability to generate cash depends on many factors beyond our control. Our ability to make payments on our debt and to fund working capital requirements, capital expenditures and research and development efforts will depend on, among other things, our ability to generate cash in the future, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control, and the future availability of borrowings under the PNC Facility, which depends on, among other things, our complying with the covenants in the agreements governing the Credit Facilities. Our historical financial results have been, and we expect our future financial results will be, subject to fluctuation based upon a wide variety of factors, many of which are not within our control including, among others, those described in this section. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us under our PNC Facility or otherwise, in an amount sufficient to fund our liquidity needs.

Unfavorable changes in any of the foregoing factors could harm our operating results and our ability to generate cash to service our debt obligations. If we do not generate sufficient cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt agreements, may restrict us from adopting some of these alternatives. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to complete those dispositions for fair market value or at all, and any proceeds that we could realize from any such dispositions may not be adequate to meet our debt service obligations then due. Also, certain of these actions would require the consent of our lenders. The terms of our financing agreements contain limitations on our ability to incur debt.

Downgrades of our credit ratings could adversely affect us.

We can be adversely affected by downgrades of our credit ratings, which are a factor influencing our ability to access capital and the terms of any new indebtedness, including covenants and interest rates. Our customers and vendors may also consider our credit profile when negotiating contract terms, and if they were to change the terms on which they deal with us, it could have a material adverse effect on our business, results of operations, cash flows, and financial condition.

Changes in the method of determining LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect interest expense related to outstanding debt.

Amounts drawn under the Credit Facilities may bear interest rates in relation to LIBOR, depending on our selection of repayment options. In July 2017, the United Kingdom Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR after 2021. The Alternative Reference Rates Committee ("ARRC") has proposed that the Secured Overnight Financing Rate ("SOFR") is the rate that represents best practice as the alternative to USD-LIBOR for use in derivatives and other financial contracts that are currently indexed to USD-LIBOR. ARRC has proposed a paced market transition plan to SOFR from USD-LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to derivatives and cash markets exposed to USD-LIBOR. In March 2020 the FASB issued an Accounting Standards Update (ASU) 2020-04 *Reference Rate Reform* to provide temporary, optional guidance to ease the reporting burden in accounting for, or recognizing the effects of, reference rate reform on financial reporting. The guidance addresses stakeholder operational challenges, helps simplify the migration process away from reference rates such as LIBOR and reduce transaction related costs and is effective for all entities as of March 12, 2020 through December 31, 2022. However, at this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be enacted in the United Kingdom or elsewhere. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the trading market for LIBOR-based securities, including certain of our debt that is indexed to USD-LIBOR. Furthermore, we may need to renegotiate any credit agreements extending beyond 2021 that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established. There is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. As such, the impact of the adoption of this new standard is not material to the Company, as alternative reference rates are available under the agreements governing the financial instruments.

RISKS RELATED TO TAX LOSS UTILIZATION AND TAX REGULATION

Our ability to recognize tax benefits on our existing U.S. net operating loss position may be limited.

We have generated substantial loss carryforwards and other tax assets for U.S. tax purposes that can be used to reduce our future federal income tax obligations. Our ability to fully use these tax assets will be adversely affected if we have an "ownership change" within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended (the "IRC"). An ownership change is generally defined as a greater than 50 percentage point increase in equity ownership by "five-percent shareholders" (as that term is defined for purposes of Section 382 of the IRC) in a rolling three-year period. The proposed transaction with H.I.G could qualify as an "ownership change" and may limit our ability to recognize our operating losses.

At our 2020 Annual Meeting of Stockholders, we ratified the extension of the SMTC Corporation Tax Benefits Preservation Plan, (the "Plan") for an additional three year period, expiring on December 29, 2023 in order to protect our ability to utilize our net operating losses ("NOLs") and other tax assets from an "ownership change" under U.S. federal income tax rules. We continue to have and utilize our net operating losses ("NOLs") and intend to extend the Plan at our next Annual Meeting of Stockholders. However, there is no guarantee that the Plan will be effective in protecting our NOLs and other tax assets or that stockholders will vote to extend.

In the past, we have had historical net operating losses expire unutilized. If the Company fails to generate sufficient taxable income, these losses may expire unutilized and we may not be able to recognize the tax benefits that could arise from such tax losses.

There may be adverse impact resulting from government tax reform on the Company's tax returns and consolidated financial statements.

The Company operates in various domestic and foreign jurisdictions and has substantial tax operating loss carryforwards. Accordingly, the Company expects that potential future tax reform could have a substantial impact on the Company's tax filings and consolidated financial statements related to its income tax expense (recovery) and deferred tax assets (liabilities) and corresponding disclosures.

There may be adverse consequences resulting from future governmental tax audits of the Company's tax returns.

The Company has taken various tax positions in determining its tax liabilities and the related expense. It is possible that future tax audits or changes in tax regulation may require the Company to change its prior period tax returns and also to incur additional costs. This may negatively affect future period results.

RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK

Our common stock price may be volatile or may decline regardless of our operating performance.

Volatility in the market price of our common stock may prevent investors from being able to sell their shares at or above the price you paid for such shares. Many factors, which are outside our control, may cause the market price of our common stock to fluctuate significantly, including those described elsewhere in this "Risk Factors" section and this Annual Report Form 10-K, as well as the following:

- our operating and financial performance and prospects;
- our quarterly or annual earnings or those of other companies in our industry compared to market expectations;
- conditions that impact demand for our services;
- future announcements concerning our business or our competitors' businesses;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- the size of our public float;
- coverage by or changes in financial estimates by securities analysts or failure to meet their expectations;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- changes in laws or regulations which adversely affect our industry or us;
- changes in accounting standards, policies, guidance, interpretations or principles;
- changes in senior management or key personnel;
- issuances or sales, or expected issuances or sales of our capital stock;
- changes in our dividend policy;
- adverse resolution of new or pending litigation against us; and
- changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural disasters, terrorist attacks, acts of war and responses to such events.

These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock is low. As a result, investors may suffer a loss on their investment.

Our principal stockholders exercise a considerable degree of control over our Company.

As of January 3, 2021, our executive officers, directors and entities affiliated with our five percent stockholders beneficially owned, in the aggregate, shares representing approximately 32% of our outstanding common stock. Although we are not aware of any voting arrangements in place among these stockholders, if these stockholders were to choose to act together, as a result of their stock ownership, they would be able to influence our management and affairs and control all matters submitted to our stockholders for approval, including the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of ownership may have the effect of delaying or preventing a change in control of our company or affecting the liquidity and volatility of our common stock, and might affect the market price of our common stock.

Sales of a significant number of shares of our common stock in the public markets, including sales by our directors or executive officers and/or the holders of our warrants upon the exercise of such warrants, or the perception that such sales could occur, could depress the market price of our common stock.

Sales of a significant number of shares of our common stock in the public market, including sales by our directors or executive officers and/or the holders of our warrants upon the exercise of such warrants, or the perception that such sales could occur, could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our common stock or the market perception that we are permitted to sell a significant number of our securities would have on the market price of our common stock.

We may require additional capital in the future to continue our planned operations, and we may seek additional funding through a combination of equity offerings, debt financings, or other third-party business arrangements. These financing activities may have an adverse effect on our stockholders' rights, the market price of our common stock and on our operations and may require us to issue additional equity or debt securities, or otherwise agree to terms unfavorable to us. Any sale or issuance of securities pursuant to a registration statement or otherwise may result in dilution to our stockholders and may cause the market price of our stock to decline, and new investors could gain rights superior to our existing stockholders. In addition, the agreements governing our indebtedness impose restrictive covenants on our operations. Any future debt financings may impose additional restrictive covenants or otherwise adversely affect the holdings or the rights of our stockholders, and any additional equity financings will be dilutive to our stockholders. Furthermore, additional equity or debt financing might not be available to us on reasonable terms, if at all.

Finally, in the future, in addition to financings, we may issue additional shares of our common stock or other equity or debt securities convertible into common stock in connection with an acquisition, employee arrangements, or otherwise. Any such issuance could result in substantial dilution to our then-existing stockholders and could cause the price of our common stock to decline.

Our amended and restated certificate of incorporation, amended and restated by-laws and Delaware law contain provisions that could discourage a third party from acquiring us and consequently decrease the market value of an investment in our stock.

Our amended and restated certificate of incorporation, amended and restated by-laws, and Delaware corporate law each contain provisions that could delay, defer, or prevent a change in control of us or changes in our management. The provisions include, among others:

- advance notice requirements for stockholder proposals and nominations;
- the inability of stockholders to act by written consent or to call special meetings;
- the ability of our board of directors to make, alter or repeal our amended and restated by-laws;
- prohibiting the use of cumulative voting for the election of directors; and
- the authority of our board of directors to issue preferred stock with such terms as our board of directors may determine.

These provisions could discourage proxy contests and make it more difficult for our stockholders to elect directors and take other corporate actions, which may prevent a change of control or changes in our management that a stockholder might consider favorable. In addition, Section 203 of the Delaware General Corporation Law, to which we are subject, prohibits us, except under specified circumstances, from engaging in any mergers, significant sales of stock or assets or business combinations with any shareholder or group of shareholders who owns at least 15% of our common stock for three years following their becoming the owner of 15% of our common stock, which may discourage, delay, or prevent a change in control of us. Any delay or prevention of a change of control or change in management that stockholders might otherwise consider to be favorable could cause the market price of our common stock to decline.

We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could depress the price of our common stock.

Our amended and restated certificate of incorporation authorizes us to issue one or more series of preferred stock. Our Board of Directors will have the authority to determine the preferences, limitations and relative rights of the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our common stock at a premium to the market price, and materially and adversely affect the market price and the voting and other rights of the holders of our common stock.

If securities analysts do not publish research or reports about our Company, or if they issue unfavorable commentary about us or our industry or downgrade our common stock, the price of our common stock could decline.

The trading market for our common stock depends in part on the research and reports that third-party securities analysts publish about us and our industry. If one or more analysts cease coverage of us, we could lose visibility in the market. In addition, one or more of these analysts could downgrade our common stock or issue other negative commentary about our company or our industry. As a result of one or more of these factors, the trading price of our common stock could decline.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We conduct our operations within approximately 561,000 square feet of building space. During the fourth quarter of 2020 we approved the plan to cease manufacturing in our Zacatecas facility and service the customers in our Chihuahua Mexico facility. See “Item 1. Business.” We believe our facilities are currently adequate for our operating needs and provide capacity for future volume growth. Our principal service at all locations is assembly of electronic components, with the exception of the Chihuahua facility where we also manufacture precision enclosures, and our Markham, Canada facility which serves as the principal executive office. Our operating facilities are as follows:

Location	Reportable Operating Segment	Approx. Square Footage	Leased/Owned
Fremont, California	U.S.	76,000	Leased
Chihuahua, Mexico	Mexico	224,000	Owned
Melbourne, Florida	U.S.	138,000	Leased
Billerica, Massachusetts	U.S.	58,000	Leased
Zacatecas, Mexico	Mexico	65,000	Leased

The principal executive office of SMTC is located at 7050 Woodbine Ave. Suite 300, Markham, Ontario, Canada L3R 4G8, which is a leased facility. The lease expires on August 1, 2022. The supply chain center located in Phoenix, Arizona is also a leased facility and the lease expires on December 1, 2021.

Item 3. Legal Proceedings

For information regarding litigation and other disputes, please see Part II—Item 8 Financial Statements and Supplemental Data, Note 16, “Subsequent Event.”

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock trades on The Nasdaq Global Market under the symbol "SMTX."

Holders

As of March 17, 2021, there were approximately 91 holders of record of the Company's common stock.

Dividends

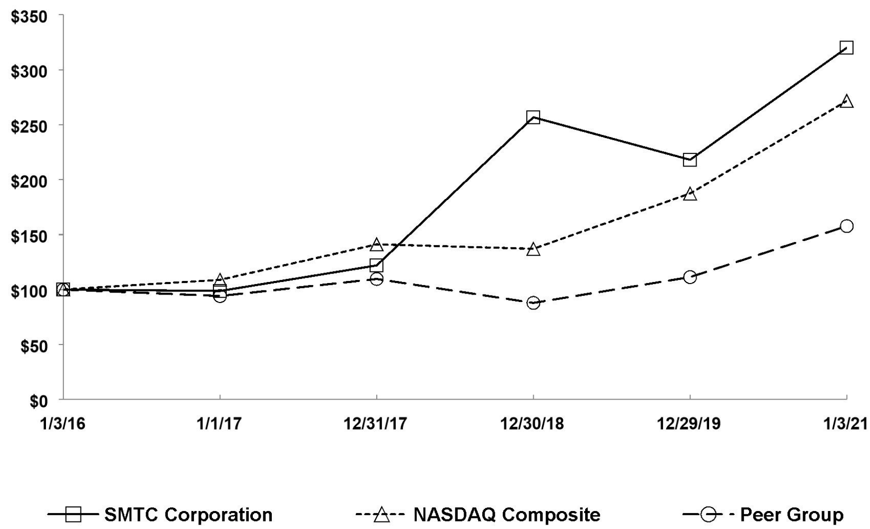
The Company has never declared a cash dividend on its common stock. Our Board of Directors has no present intention to authorize the payment of dividends on our common stock in the foreseeable future. It is the present policy of the Company to retain earnings, if any, to provide for growth and working capital needs. Our financing arrangements include restrictions on cash dividends paid on our common stock. Any future determination to declare cash dividends on our common stock will be made at the discretion of our Board of Directors, subject to, among other things, our results of operations, financial condition, level of indebtedness, capital requirements, and compliance with covenants under any then-existing financing agreements.

Stock Performance Graph

The following graph sets forth the Company's total cumulative stockholder return as compared to the Nasdaq Composite Index and to a peer group chosen by the Company for 2020 (the "Peer Group"). The Peer Group is comprised of the following companies: IEC Electronics Corp., Key Tronic Corp., Nortech Systems Inc., Sigmatron International Inc., and Sypris Solutions Inc.

The total stockholder return assumes $100 invested on January 3, 2016 in SMTC's common stock or December 31, 2015 in the Nasdaq Composite Index and the Peer Group of companies that are, (i) publicly traded, and (ii) mid or large tier providers of advanced electronics manufacturing services. Total shareholder return assumes reinvestment of dividends without the payment of any commissions. We make no assurance that the performance of our shares will continue in line with the same or similar trends depicted in the graph below.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among SMTC Corporation, the NASDAQ Composite Index,
and a Peer Group



*$100 invested on 1/3/16 in stock or 12/31/15 in index, including reinvestment of dividends.
Index calculated on month-end basis.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

None.

Purchases of Equity Securities by the Issuer

None.

Item 6. Selected Financial Data

The data set forth below should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes thereto appearing elsewhere in this Form 10-K.

The Company’s financial reporting year is a 52, or 53 or 54 week fiscal period, ending on the Sunday nearest December 31. Accordingly, the consolidated balance sheet, statements of operations and comprehensive loss, the consolidated statements of changes in shareholders’ equity, and consolidated statements of cash flows are reported for the periods from December 30, 2019 to December January 3, 2021 (“year ended January 3, 2021”), December 31, 2018 to December 29, 2019 (“year ended December 29, 2019”), January 1, 2018 to December 30, 2018 (“year ended December 30, 2018”), January 2, 2017 to December 31, 2017 (“year ended December 31, 2017”) and January 4, 2016 to January 1, 2017 (“year ended January 1, 2017”)

Selected consolidated financial data has been derived from consolidated financial statements that are prepared in accordance with generally accepted principles in the United States of America (“GAAP”).

Consolidated Statements of Operations and Comprehensive Loss Data

(in USD millions):

	Years Ended				
	January 3, 2021	December 29, 2019	December 30, 2018	December 31, 2017	January 1, 2017
Revenue (a)	$ 386.5	$ 372.5	$ 216.1	$ 139.2	$ 167.9
Cost of sales	343.2	335.5	194.5	128.4	152.8
Gross profit	43.3	37.0	21.6	10.8	15.1
Selling, general and administrative expenses	29.6	27.0	18.1	14.0	14.0
Change in fair value of contingent consideration	—	(3.1)	—	—	—
Restructuring charges (b)	4.1	8.0	0.2	1.7	0.2
Impairment of property, plant and equipment	—	—	—	1.6	—
(Gain) loss on disposal of property, plant and equipment	0.0	0.0	0.0	(0.1)	0.0
Operating earnings (loss)	9.6	5.1	3.3	(6.4)	0.9
Fair value measurement loss (gain) on warrant liability (note 4)	0.9	(0.3)	0.1	—	—
Interest expense - net	8.1	10.6	3.1	0.9	0.8
Earnings (loss) before income taxes	0.6	(5.2)	0.1	(7.3)	0.1
Income tax expense - net	1.2	0.8	0.7	0.6	0.3
Net loss and comprehensive loss	$ (0.6)	$ (6.0)	$ (0.6)	$ (7.9)	$ (0.2)
Basic earnings (loss) per common share	$ (0.02)	$ (0.23)	$ (0.02)	$ (0.47)	$ (0.01)
Diluted earnings (loss) per common share	$ (0.02)	$ (0.23)	$ (0.02)	$ (0.47)	$ (0.01)
Weighted average number of shares outstanding					
Basic	28.2	25.7	19.2	16.8	16.5
Diluted	28.2	25.7	19.2	16.8	16.5

(a) The Company adopted Accounting Standards Codification ("ASC") Topic 606 on a modified retrospective basis effective January 1, 2018. The comparable periods do not reflect the impact of the adoption and therefore are not comparable as revenue was only recognized upon shipment rather than over time.

(b) During 2020, we incurred restructuring costs totaling approximately $4.1 million in 2020. These restructuring costs negatively impacted our results of operations during 2020. Approximately $4.4 million pertained to charges incurred related to the closure of the Zacatecas facility, which impacted 857 FTEs. In addition, $0.4 million restructuring charges were incurred associated with the U.S. There were recoveries of $0.7 million related to recoveries of previously provisioned inventory related to the closure of the Dongguan facility. During 2019, restructuring charges of $5.0 million were incurred related to the closure of the Dongguan facility related to the reduction of 137 full time equivalents ("FTEs") in China, including ongoing administrative staff charges to close the facility and certain provisions on property, plant and equipment, accounts receivable and inventory. In addition, restructuring charges of $3.0 million were incurred related to the reduction of 47 FTEs in U.S., 8 FTEs in Canada and 630 FTEs and contract employees in Mexico. During 2017, restructuring charges of $1.7 million were incurred related to severance charges in connection with the Company's 2017 restructuring plan related to a global reduction in the workforce in addition to the closure of the Suzhou manufacturing facility.

Consolidated Balance Sheet Data and Cash Flow Data:

(in USD millions)

	As at and for the Fiscal Years Ended				
	January 3, 2021	December 29, 2019 (1)	December 30, 2018	December 31, 2017	January 1, 2017
Cash	$ 0.6	$ 1.4	$ 1.6	$ 5.5	$ 8.5
Working capital (2)	25.9	25.5	31.0	14.5	20.0
Total assets	229.9	213.5	221.2	69.9	69.0
Long-term debt and lease obligations	54.0	48.8	70.0	6.1	8.3
Shareholders' equity	41.2	41.1	32.3	19.1	26.5
Capital expenditures	2.2	3.9	4.7	1.5	2.2
Cash flows provided (used in) by operating activities	5.0	5.7	(7.8)	(8.9)	6.9
Cash flows (used in) provided by financing activities	(3.7)	(2.0)	75.8	7.0	(3.2)
Cash flows used in investing activities	(2.1)	(3.9)	(72.0)	(1.1)	(1.3)

(1) The Company adopted ASC Topic 842 on a modified retrospective basis effective December 31, 2018. The comparable periods prior to the fiscal year ended December 29, 2019 do not reflect the impact of the adoption are not completely comparable.

(2) Calculated as current assets minus current liabilities.

Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read this Management's Discussion and Analysis of Financial Condition and Results of Operation ("MD&A") in combination with the accompanying audited consolidated financial statements and the accompanying notes to the consolidated financial statements prepared in accordance with U.S. GAAP included within this annual report on Form 10-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 10-K, including information with respect to our plans and strategies for our business, statements regarding the industry outlook, our expectations regarding the future performance of our business and the other non-historical statements contained herein, are forward-looking statements. You should also review the "Risk Factors" in Item 1A. of this Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described herein or implied by such forward-looking statements.

This MD&A contains discussion in thousands of U.S. dollars unless specifically stated otherwise.

Overview

We are a provider of end-to-end electronics manufacturing services ("EMS"), including product design and engineering services, printed circuit board assembly ("PCBA"), production, enclosure, cable assembly, precision metal fabrication, systems integration and comprehensive testing services, configuration to order ("CTO"), build to order ("BTO") and direct order fulfillment ("DOF"). At the end of 2020, we operated more than 50 manufacturing and assembly lines in over 560,000 square feet of production space worldwide at strategically located facilities in the United States and Mexico, that provide local support, flexibility, fast turn around and delivery times, and low-cost, volume manufacturing capabilities, as well as new product integration ("NPI") services, to our global customers. Our services extend over the entire electronic product life cycle from new product development and NPI through to growth, maturity and end of life phases.

We are offer fully integrated contract manufacturing services to global OEMs, technology companies and governmental entities. We have redefined our market sectors from those previously reported. We are focused on seven market sectors:

- Avionics, aerospace and defense
- Industrial IoT, power and clean technology
- Medical and safety
- Retail and payment systems
- Semiconductors
- Telecom, networking and communications
- Test and measurement

Developments in the fiscal year ended January 3, 2021

Total revenue increased by $14.0 million or 3.8% in fiscal year 2020 compared to fiscal year 2019.

Net loss decreased to $0.6 million in fiscal year 2020 from a net loss of $6.0 million in fiscal year 2019. This was due primarily to revenue increases in fiscal year 2020 in addition to decreased amortization of intangible assets of $1.3 million and decreased restructuring expenses of $3.9 million, partially offset by a change in fair value of contingent consideration resulting in a gain of $3.1 million in the prior fiscal year which did not recur in fiscal year 2020 and increase of merger and acquisition costs of $1.3 million associated with the proposed Merger.

Adjusted EBITDA increased to $27.4 million in fiscal year 2020 from $24.8 million in fiscal year 2019. Adjusted EBITDA Percentage increased to 7.1% in fiscal year 2020 compared to 6.7% in fiscal year 2019. The improvement in Adjusted EBITDA was primarily driven by increased revenue and increased utilization at our manufacturing facilities. For additional information and a reconciliation of our Adjusted EBITDA and Adjusted EBITDA Percentage to the most directly comparable GAAP financial measures, which are net loss and net loss margin, see “Non-GAAP Financial Measures” below.

We continue to monitor the global COVID-19 pandemic and take steps to mitigate the potential risks to us posed by its spread and related impacts. While our business operations generally performed as expected during fiscal year 2020, the COVID-19 pandemic continues to represent uncertainty for fiscal year 2021, and has the potential to negatively impact our results of our operations, cash flows and financial position.

The health and safety of our employees is a top priority for us. All of our facilities remain in operation and we have progressively implemented measures to safeguard our employees from COVID-19 infection and exposure, in accordance with guidelines established by the Centers for Disease Control, the World Health Organization, governmental requirements, and our own safety standards. These consist of policies, procedures, protocols, and guidance related to, among other things, COVID-19 symptom awareness, effective hygiene practices, travel restrictions, visitor restrictions, social distancing, face covering expectations, temperature and health screening, work-from-home requirements, employee infection assessments, close contact tracing, enhanced workplace cleaning, and large-scale decontamination. These efforts will continue as requirements change, new risks are identified, and infections impact us. We incurred $3.6 million in COVID-19 related expenditures during fiscal year 2020.

In addition, in all geographies in which we operate, regulatory authorities at some point have imposed restrictions regarding the conduct of business and people movement to safeguard its citizens. To address these requirements, we are in continuous communication with our employees and union representatives, in addition to government and state representatives where our manufacturing facilities reside.

Our suppliers may face challenges in maintaining an adequate workforce or securing materials from their own suppliers as a result of the COVID-19 pandemic. As a result, we may experience an inability to procure certain components and materials on a timely basis, or increased shipping costs or lead times. We continue to take steps to coordinate with our suppliers and validate our suppliers’ ability to deliver to us on time, which may also be affected by the impact of the COVID-19 pandemic on their own financial condition.

In the fourth quarter of 2020, we approved our plans to close our Zacatecas manufacturing operations and communicated to employees in January 2021. The closure of the Zacatecas manufacturing facility is intended to reduce the labor force, which is expected to impact approximately 570 employees at the Zacatecas manufacturing facility. The closure of the Zacatecas facility was the result of the decision to consolidate our Mexico operations which is expected to result in cost savings. The customers previously serviced in Zacatecas will be transferred to our Chihuahua Mexico facility. We expect the wind down and closure of the Zacatecas facility to be substantially completed by the end of the first quarter of fiscal year 2021.

As a result of the foregoing actions, we incurred incremental restructuring costs totaling approximately $3.5 million in the fourth quarter of fiscal year 2020 or $4.4 million for fiscal year 2020 which included headcount reductions in Zacatecas in the third quarter of fiscal year 2020. The closure of the facility is expected to impact 857 Mexico FTEs. Of the total $4.4 million charge, $3.1 million related to severance charges, while $1.3 million related to other closure activities and write down charges of accounts receivable, inventory and property plant and equipment. In addition, $0.4 million restructuring charges were incurred associated with U.S. FTEs. There were recoveries of $0.7 million associated with recoveries of previous restructuring provisions associated with the closure of the Dongguan facility.

On January 3, 2021, we entered into a definitive merger agreement with an affiliate of H.I.G. Capital (“H.I.G.”), a leading global alternative investment firm with $42 billion of equity capital under management. Under the terms of the

Merger Agreement, an affiliate of H.I.G. will acquire all outstanding shares of SMTC Corporation's common stock for $6.044 per share in cash The transaction is expected to close in the second quarter of fiscal year 2021. See also "Item 1A. Risk Factors——"Risks Related to the Merger."

Results of Operations

The following table sets forth certain operating data expressed as a percentage of revenue for the years presented:

	Fiscal Year ended January 3, 2021	Fiscal Year ended December 29, 2019	Fiscal Year ended December 30, 2018
Revenue	100.0 %	100.0 %	100.0 %
Cost of sales	88.8	90.1	90.0
Gross profit	11.2	9.9	10.0
Selling, general and administrative expenses	7.6	7.3	8.4
Change in fair value of contingent consideration	—	(0.8)	—
Restructuring charges	1.1	2.1	0.1
Operating earnings	2.5	1.4	1.5
Fair value measurement loss (gain) on warrant liability	0.2	—	—
Interest expense	2.1	2.9	1.4
(Loss) earnings before income taxes	0.2	(1.5)	0.1
Income tax expense (recovery)			
Current	0.3	0.2	0.4
Deferred	(0.0)	(0.1)	—
	0.3	0.1	0.4
Net loss	(0.1)	(1.6)	(0.3)

Fiscal year ended January 3, 2021 compared to the fiscal year ended December 29, 2019

A discussion of our comparison between fiscal year 2020 and fiscal year 2019 is presented below. A discussion of the changes in our results of operations between the fiscal years ended December 29, 2019 and December 30, 2018 has been omitted from this Annual Report on Form 10-K but may be found in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* of our Annual Report on Form 10-K for the year ended December 29, 2019, filed with the SEC on March 13, 2020, which is available free of charge on the SEC's website at www.sec.gov and our corporate website (www.smtc.com).

The industry sectors for the fiscal year ended December 29, 2019 have been reclassified to align with the presentation for the fiscal year ended January 3, 2021. Upon review of customer sectors in fiscal year 2020, certain customers were reclassified to new industry sectors as it was determined to be more appropriate based on the end products we manufacture.

Revenue (in millions)

Industry Sector	Fiscal Year ended January 3, 2021		Fiscal Year ended December 29, 2019		Change	
	$	%	$	%	$	%
Test and Measurement	35.4	9.2	48.7	13.1	(13.3)	(27.3)
Retail and Payment Systems	41.1	10.6	46.1	12.4	(5.0)	(10.8)
Telecom, Networking and Communications	21.7	5.6	37.2	10.0	(15.5)	(41.7)
Medical and safety	44.2	11.4	45.5	12.2	(1.3)	(2.9)
Industrial IoT, Power and Clean Technology	154.2	39.9	147.3	39.5	6.9	4.7
Semiconductors	52.6	13.6	23.0	6.2	29.6	128.7
Avionics, Aerospace and Defense	37.3	9.7	24.7	6.6	12.6	51.0
Total	**386.5**	**100.0**	**372.5**	**100.0**	**14.0**	**3.8**

Total revenue increased by $14.0 million or 3.8% in fiscal year 2020 compared to fiscal year 2019. We recognized incremental volume increases with existing customers in the semiconductors; industrial IoT, power and clean technology; and avionics, aerospace and defense sectors.

Revenue in the test and measurement sector decreased by $13.3 million year over year, due primarily to volume decreases with two long standing customers serviced in the U.S and one customer serviced in Mexico.

Revenue in the retail and payment sector decreased by $5.0 million year over year, due primarily to volume decreases with one customer serviced in Mexico.

Revenue in the telecom, networking and communications sector decreased by $15.5 million year over year, due primarily to decreased volumes with two customers and one customer transferring business to other service providers all serviced in Mexico, Additionally, the decline was also due to the loss of one customer associated with the Dongguan China closure.

Revenue in the medical and safety sector decreased by $1.3 million year over year, due primarily to decreased volume from one customer offset by increased volume from another customer, both serviced in Mexico.

Revenue in the industrial IoT, power and clean technology sector increased by $6.9 million year over year, due primarily to increased volumes from one customer offset by decreased volumes from another customer, both serviced in Mexico.

Revenue in the semiconductors sector increased by $29.6 million year over year, due primarily to volume increases with three customers serviced in Mexico and one customer serviced in the U.S.

Revenue in the avionics, aerospace and defense sector increased by $12.6 million year over year, due primarily to increased volumes from two customers serviced in the U.S.

During fiscal year 2020, the Company recorded approximately $15.5 million of sales of raw materials inventory to customers, which carried limited margin, compared to $11.3 million in fiscal year 2019. The Company’s contract terms are structured such that it purchases raw materials based on a customer’s purchase orders. To the extent a customer subsequently requests that an order be changed, whether cancelled or pushing out the demand, the customer is contractually obligated to purchase the original on-order raw material at cost.

Due to changes in market conditions, the life cycle of products, the nature of specific programs and other factors, revenues from any particular customer typically vary from year to year. The Company’s ten largest customers represented 54.9% of revenue in fiscal year 2020, compared to 52.8% in fiscal year 2019. Revenue from our largest customer during fiscal year 2020 was $47.2 million, representing 12.2% of revenue. This compared to revenue from our largest customer during fiscal year 2019 of $47.7 million, representing 12.8% of revenue. No other customer represented more than 10% of revenue in either year.

In addition to tracking our revenues based on industry sector, the Company also monitors revenue (as well as associated segment contribution margin) based on the geographic location of our operations, which in 2020 included Mexico, China and the U.S. This is consistent with how we report our segmented information, as set out in Note 11 to our consolidated financial statements.

During fiscal year 2020, 62.0% of our revenue was attributable to our operations in Mexico, 37.8% in the U.S and 0.2% in China. During fiscal year 2019, 63.3% of our revenue was attributable to our operations in Mexico, 31.6% in the U.S. and 5.1% in China.

Gross Profit

Gross profit increased to $43.3 million in fiscal year 2020 from $37.0 million in fiscal year 2019. Gross profit percentage was 11.2% and 9.9% in fiscal year 2020 and fiscal year 2019. When excluding the impact of the unrealized foreign exchange gains on unsettled forward contracts, amortization of intangible assets and COVID- 19 related expenses, the Adjusted Gross Profit Percentage increased to 12.6% in fiscal year 2020 from 11.9% in the prior fiscal year. This was due primarily to incremental gross profit of $6.3 million due to the revenue increase, in addition to improved product mix and cost reductions, primarily related to headcount. For additional information and a reconciliation of Adjusted Gross Profit Percentage to the most directly comparable GAAP financial measure, which is gross profit percentage, see “Non-GAAP Financial Measures” below.

Selling, General & Administrative Expenses

Selling, general and administrative expenses increased to $29.6 million in fiscal year 2020 from $27.0 million in fiscal year 2019 primarily due to the increase of $1.0 million in merger and acquisition expenses related to the proposed Merger, increased variable compensation over the prior fiscal year and additional headcount. There was one more week of payroll compensation in fiscal year 2020 compared to fiscal year 2019. Selling, general and administrative expenses as a percentage of revenue were 7.7% of revenue in fiscal year 2020 and 7.3% in fiscal year 2019.

Change in fair value of warrant liability

For the fiscal year ended January 3, 2021, the Company recorded a $0.9 million expense as a result of the valuation of the 651,949 outstanding warrants issued to TCW. During the fourth quarter of fiscal year 2020, an additional 140,000 of warrants were issued to TCW in connection with and as part of the consideration paid by the Company for the TCW Amendment. The fair value has been assessed at $4.96 per unit representing a fair value of $3.2 million as at January 3, 2021 which represented an increase in the stock price from the prior valuation assessment at December 29, 2019. For the fiscal year ended December 29, 2019 the Company recorded a $0.3 million gain as a result of the valuation of the 511,949 outstanding warrants issued to TCW.

Change in fair value of contingent consideration

During the first quarter of fiscal year 2019, the fair value of the contingent consideration liability that was payable to the former owners of MCA was determined to be $0.0 resulting in the recognition of a gain of $3.1 million. The contingent consideration liability was initially recognized at fair value in the fourth quarter of fiscal year 2018 and related to a contingent earn-out payment associated with the MCA Acquisition. The fair value estimate under purchase accounting of the $3.1 million was derived from a multiple of earnings based on MCA’s forecasted twelve-month earnings for the period ended March 31, 2019. Based on results, the contingent consideration liability was considered resolved and no longer payable as at March 31, 2019.

Restructuring Charges

During 2020, restructuring charges of $4.1 million were incurred. Primarily, the charges related to the planned closure of the Zacatecas facility with charges incurred of $4.4 million, of which $3.1 million related severance charges impacting 857 FTEs in Zacatecas, in addition to charges of $1.3 million including ongoing administrative staff charges to close the facility and certain provisions on property, plant and equipment, accounts receivable and inventory. In addition, restructuring charges of $0.4 million were incurred related to the reduction of 20 FTEs in the U.S. This was offset by recoveries and reversals of existing provisions of $0.7 million related to the closure of the Dongguan facility. During 2019, restructuring charges of $5.0 million were incurred related to the closure of the Dongguan facility related to the reduction of 137 FTEs in China, including ongoing administrative staff charges to close the facility and certain provisions on property, plant and equipment, accounts receivable and inventory. In addition, restructuring charges of $3.0 million were incurred related to the reduction of 47 FTEs in U.S., 8 FTEs in Canada and 630 FTEs and contract employees in Mexico.

Interest Expense

Interest expense decreased to $8.0 million in 2020 compared to $10.6 million in 2019. The decrease primarily resulted from the pay down of the Term Loan B Facility in fiscal year 2019 in addition to lower average debt balance in 2020 compared to fiscal year 2019. The weighted average interest rates with respect to the debt on our Credit Facilities was 7.2%. The weighted average interest rates for the same period in the prior year was 11.2%. due to higher interest rates incurred on the term loan facility B as well as reductions in interest rates.

Income Tax Expense

The net tax expense for 2020 of $1.2 million related to taxes incurred in Mexico due to profits in that jurisdiction in addition to minimum taxes and state taxes in the U.S. The current income tax expense of $1.2 million was partially offset by $0.03 million in deferred tax recovery recorded related to temporary differences on assets and liabilities in Mexico, which have resulted in an increase to the corresponding deferred tax asset. The net tax expense for 2019 of $0.8 million related to taxes incurred in Mexico due to profits in that jurisdiction in addition to minimum taxes and state taxes in the U.S. The current income tax expense of $0.9 million was partially offset by $0.1 million in deferred tax recovery recorded related to temporary differences on assets and liabilities in Mexico, which have resulted in an increase to the corresponding deferred tax asset.

Net Loss

Net loss decreased to $0.6 million in fiscal year 2020 from a net loss $6.0 million in 2019. This was due primarily to the increased revenue in 2020 and corresponding gross margin improvement, in addition to a decrease in restructuring expenses of $3.8 million, partially offset by incremental COVID-19 related expenditures of $3.9 million. Adjusted Net Income increased $5.0 million in 2020 compared to 2019. For additional information and a reconciliation of Adjusted Net Income to the most directly comparable GAAP financial measure, which is net loss, see “Non-GAAP Financial Measures” below.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: Adjusted Gross Profit, Adjusted Gross Profit Percentage, EBITDA, Adjusted EBITDA, Adjusted EBITDA Percentage and Adjusted Net Income (collectively the “Non-GAAP Financial Measures”). We believe that these Non-GAAP Financial Measures, when used in conjunction with GAAP financial measures, provide useful information about operating results, enhance the overall understanding of past financial performance and future prospects, and allow for greater transparency with respect to the key metrics we use in our financial and operational decision making, as they exclude the effects of items that may not be indicative of, or are unrelated to, our underlying operating results. The Company’s management believes that adjusting for these items allows for a better comparison of the Company’s performance to prior periods, which is also consistent with our recent amendments to the financial covenants in our financing agreements. These non-GAAP financial measures are used by the Company’s management to manage and monitor the Company’s performance, and also frequently used by analysts, investors and other interested parties to evaluate companies in our industry. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with U.S. GAAP, and they should not be construed as an inference that our future results will be unaffected by any items adjusted for in these non-GAAP measures. In evaluating these non-GAAP financial measures, you should be aware that in the future we may incur expenses that are the same as or similar to some of those adjusted in this presentation. The Non-GAAP Financial Measures that we use are not necessarily comparable to similarly titled measures used by other companies due to different methods of calculation.

Adjusted Net Income Reconciliation:

Adjusted Net Income, a non-GAAP financial measure, is defined as net loss before amortization of intangible assets, restructuring charges, stock-based compensation, fair value adjustment of warrant liability, fair value adjustment of contingent consideration, merger and acquisition related expenses, COVID-19 related expenses and unrealized foreign exchange gains and losses on unsettled forward foreign exchange contracts.

Below is the reconciliation of Adjusted Net Income to net loss, which is the most directly comparable GAAP financial measure (in thousands):

	Fiscal Year ended January 3, 2021	Year ended December 29, 2019
Net loss	$ (581)	$ (5,995)
Add:		
Amortization of intangible assets	3,046	7,188
Restructuring charges	4,125	7,955
Stock based compensation	761	775
Fair value adjustment of warrant liability	852	(279)
Fair value adjustment of contingent consideration	—	(3,050)
Merger and acquisition related expenses	1,340	286
COVID-19 related expenses (1)	3,457	—
Unrealized foreign exchange gain on unsettled forward foreign exchange contracts	(1,055)	—
Adjusted Net Income	$ 11,945	$ 6,880

(1) Includes costs attributable to the COVID-19 pandemic, including retention of temporary replacement labor, additional sanitation, cleaning and disinfection of facilities, personal protective equipment and related supplies, costs associated with facilitating social distancing and logistics costs associated with expediting inventory purchases from existing and new sources.

Adjusted Gross Profit and Adjusted Gross Profit Percentage Reconciliation

Adjusted Gross Profit, a non-GAAP financial measure, is defined as gross profit exclusive of amortization of intangible assets, unrealized foreign exchange gains or losses on unsettled forward foreign exchange contracts and COVID-19 related expenses. Adjusted Gross Profit Percentage, a non-GAAP financial measure, is defined as Adjusted Gross Profit divided by revenue.

Below is the reconciliation of Adjusted Gross Profit and Adjusted Gross Profit Percentage to gross profit and gross profit margin, respectively, which are the most directly comparable GAAP financial measures (in thousands):

	Fiscal Year ended January 3, 2021	Fiscal Year ended December 29, 2019
Gross profit	$ 43,273	$ 37,021
Add (deduct):		
Amortization of intangible assets	3,046	7,188
Unrealized foreign exchange gain on unsettled forward foreign exchange contracts	(1,055)	—
COVID-19 related expenses (1)	3,457	—
Adjusted Gross Profit	$ 48,721	$ 44,209
Adjusted Gross Profit Percentage	12.6 %	11.9 %

(1) Includes costs attributable to the COVID-19 pandemic, including retention of temporary replacement labor, additional sanitation, cleaning and disinfection of facilities, personal protective equipment and related supplies, costs associated with facilitating social distancing and logistics costs associated with expediting inventory purchases from existing and new sources.

The Company has used forward foreign exchange contracts to reduce its exposure to foreign exchange currency rate fluctuations related to forecasted Mexican peso expenditures. These contracts are effective as hedges from an economic perspective, but do not meet the requirements for hedge accounting under ASC Topic 815 "Derivatives and Hedging". Accordingly, changes in the fair value of these contracts are recognized in earnings in the consolidated statement of operations and comprehensive loss. Included in cost of sales in 2020 was a realized gain of $0.6 million and in fiscal 2019 a realized loss of $0.1 million. In 2020, as a result of revaluing the outstanding forward contracts to fair value, an unrealized gain of $1.1 million was recorded compared to an unrealized gain of $0.0 million in 2019, which was included in cost of sales.

	January 3, 2021	December 29, 2019
Average USD:PESO contract rate	25.20	—
Average USD:PESO mark-to-market rate	20.10	—

EBITDA, Adjusted EBITDA and Adjusted EBITDA Percentage Reconciliation

EBITDA and Adjusted EBITDA, non-GAAP financial measures, are defined as earnings before interest expense, income tax expense (recovery), depreciation and amortization, with Adjusted EBITDA also excluding restructuring charges, stock-based compensation, fair value adjustment of warrant liability, fair value adjustment to contingent consideration, merger and acquisition related expenses, COVID-19 related expenses and unrealized foreign exchange gains and losses on unsettled forward foreign exchange contracts. Adjusted EBITDA Percentage is defined as Adjusted EBITDA as a percentage of revenue.

Below is the reconciliation of EBITDA, Adjusted EBITDA and Adjusted EBITDA Percentage to the most directly comparable GAAP financial measures, which are net loss, net loss and net loss margin, respectively (in thousands):

	Year ended January 3, 2021	Year ended December 29, 2019
Net loss	$ (581)	$ (5,995)
Reconciling items:		
Depreciation of property, plant and equipment	6,168	6,548
Amortization of intangible assets	3,046	7,188
Interest	8,049	10,562
Income tax expense	1,226	788
EBITDA	$ 17,908	$ 19,091
Additional reconciling items:		
Restructuring charges	4,125	7,955
Stock-based compensation	761	776
Fair value adjustment of warrant liability	852	(279)
Merger and acquisition related expenses	1,340	286
Fair value adjustment of contingent consideration	—	(3,050)
Unrealized foreign exchange gain on unsettled forward foreign exchange contracts	(1,055)	—
COVID-19 related expenses (1)	3,457	—
Adjusted EBITDA	$ 27,388	$ 24,779
Adjusted EBITDA Percentage	7.1 %	6.7 %

(1) Includes costs attributable to the COVID-19 pandemic, including retention of temporary replacement labor, additional sanitation, cleaning and disinfection of facilities, personal protective equipment and related supplies, costs associated with facilitating social distancing and logistics costs associated with expediting inventory purchases from existing and new sources.

Off-Balance Sheet Arrangements

As of January 3, 2021 and December 29, 2019, we did not have any material off-balance sheet arrangements (as defined in Item 303(a)(4)(ii) of Regulation S-K).

Liquidity and Capital Resources

As at January 3, 2021, the Company's liquidity was comprised of $0.6 million of cash on hand and $28.4 million of funds available to borrow under the PNC Facility, which matures on November 8, 2023. The Company funds its operations by regularly utilizing its PNC Facility (refer to Note 5 of the consolidated financial statements included in Part IV of this Form 10-K). The Company manages its capital requirements through budgeting and forecasting processes while monitoring for compliance with bank covenants. Funds available under the PNC Facility are managed on a weekly basis based on the cash flow requirements of the various operating segments. Cash flows generated from operations are immediately applied towards paying down the PNC Facility.

We believe that our sources of liquidity and capital, including cash we expect to generate from operations, available cash and amounts available under our Credit Facilities, will be adequate to meet our debt service requirements, capital expenditures and working capital needs at our current level of operations for the next twelve months. However, we make no assurance that these sources of liquidity and capital, particularly with respect to amounts available from lenders, will be sufficient to meet our future needs. We have agreed to a borrowing base formula under which the amount we are permitted to borrow under the PNC Facility is based on our accounts receivable and inventory. Further, there we make no assurance that our business will generate sufficient cash flow from operations or that future borrowings will be available to enable us to service our indebtedness. Our future operating performance and ability to service indebtedness will be subject to future economic conditions and to financial, business and other factors, certain of which are beyond our control.

The following table summarizes cash flow changes for the following periods (in millions):

	Year ended January 3, 2021	Year ended December 29, 2019
Cash provided by (used in):		
Operating activities	$ 5.0	$ 5.7
Financing activities	(3.7)	(2.0)
Investing activities	(2.1)	(3.9)
Decrease in cash	(0.8)	(0.2)
Cash, beginning of year	1.4	1.6
Cash, end of the year	$ 0.6	$ 1.4

2020

Net cash provided by operating activities for fiscal year 2020 was $5.0 million. This was mainly driven by the change in non-cash items. Significant non-cash charges included $6.2 million of depreciation of property, plant and equipment, $3.0 million of intangible asset amortization and $1.2 million in amortization of deferred financing fees. This was partially offset by the loss on the warrant revaluation of $0.9 million. Non-cash items were partially offset with changes in working capital. Primarily the $13.1 million increase in the unbilled contract asset due to incremental increase in inventory year over year partially offset by increased accrued liabilities, due in large part to deferred revenue in addition to an increased restructuring charges. Accounts receivable days outstanding was 61 days in 2020 and 2019. Accounts payable days outstanding was 72 days in 2020 and 2019. Inventory turnover was 4.0 times or 91 days in 2020 compared to 4.3 times or 85 days in 2019.

Net cash used from financing activities during 2020 was $3.7 million. The Company paid down its long-term debt in the amount of $1.6 million and $23.3 million, respectively in 2020 and 2019. During 2019, $14.0 million was raised via a rights offering and a registered direct offering, and utilized to pay down the Term Loan B Facility in fiscal year 2019. Principal repayments on finance lease obligations were $1.5 million in fiscal year 2020 compared to $1.6 million in fiscal year 2019.

Cash used in investing activities for fiscal year 2020 of $2.1 million in fiscal year 2020 compared to $3.9 million in fiscal year 2019, related to capital asset purchases.

2019

Net cash provided by operating activities for 2019 was $5.7 million. This was mainly driven by net collections of accounts receivable of $3.1 million, reduced inventory balances compared to the prior year end of $5.4 million, partially offset by increased payments in accounts payable and accrued liabilities of $2.6 million and $2.5 million respectively. Significant non-cash charges included in the net loss from operations when added back contributed to the cash flow from operations, which pertained to $7.2 million of intangible asset amortization, $6.5 million of depreciation of property, plant and equipment and $1.6 million in amortization of deferred financing fees partially offset by the add back of the gain on the contingent consideration of $3.1 million. Accounts receivable days reduced to 61 days in 2019 from 64 days in 2018 due to improved collections. Accounts payable days outstanding for 2019 decreased to 72 days versus 91 days for 2018, due to timing of payments. Inventory turnover was 4.3 times or 85 days in 2019 compared to 4.0 times or 91 days in 2018.

Net cash used from financing activities during 2019 was $2.0 million. During 2019, the Company generated net cash of $14.0 million from issuance of common stock through the Rights Offering. The Company received net advances from the PNC Facility of $9.7 million compared to $12.8 million for 2018. The Company paid down its long-term debt in the amount of $23.3 million and $8.0 million, respectively in 2019 and 2018. Principal repayments on finance lease obligations were $1.6 million in 2019 compared to $0.5 million in prior year.

Cash used in investing activities for 2019 of $3.9 million in 2019 compared to $72.0 million in 2018 due to the acquisition of MCA in 2018 of $67.6 million and capital expenditures of $4.4 million.

Credit Facilities

The Company borrows money under the PNC Facility. The PNC Facility matures on November 8, 2023. Borrowings made under the PNC Facility bear interest at the U.S. base rate plus an applicable margin ranging from 0.75% to 1.25%, or LIBOR plus an applicable margin ranging from 2.50% to 3.00%. The base commercial lending rate should approximate U.S. prime rate.

The Company also borrows money under the Financing Agreement, which governs a term loan A facility (“Term A Loan Facility), and previously governed a term loan B facility (the “Term Loan B Facility”) until it was repaid in full on July 3, 2019 with a portion of the proceeds from the Offerings. The Term A Loan Facility matures on November 8, 2023 (the “Maturity Date”). The Term Loan A Facility bore interest LIBOR plus an applicable margin of 8.75% through June 30, 2020, and borrowings under the Financing Agreement thereafter bear interest at LIBOR plus an applicable margin ranging from 7.25% to 8.75%. Payments made under the Term Loan A Facility at any time prior to the Maturity Date (other than scheduled amortization payments and mandatory prepayments) are subject to an applicable premium equal to the amount of such payment multiplied by (i) 3.00% in the event that such payment occurs before November 8, 2019, (ii) 2.00% in the event that such payment occurs after the November 8, 2019 and on or before November 8, 2020 and (iii) 1.00% in the event that such payment occurred after November 8, 2020 and on or before November 8, 2021. No such applicable premium is payable for any payment of loans made under the Term Loan A Facility occurring after November 8, 2021.

On March 29, 2019, the Company and certain of its subsidiaries entered into that certain Amendment No. 1 to Amended and Restated Revolving Credit and Security Agreement (“PNC Amendment No. 1”) and that certain Amendment No. 1. to the Financing Agreement (the “TCW Amendment No. 1”). The PNC Amendment No. 1 and TCW Amendment No. 1 amends the required senior leverage ratio initially set forth in the PNC Agreement and Financing Agreement by increasing the senior debt leverage ratio from “3.50x” to “3.75x” for the first quarter of 2019.

On July 3, 2019, the Company and certain of its subsidiaries entered into that certain Amendment No. 2 to the Financing Agreement (the “TCW Amendment No. 2”). The TCW Amendment No. 2, among other things, provides that the net cash proceeds received by the loan parties from the Company’s (i) offering of subscription rights to the Company’s stockholders and holders of the Company’s outstanding warrants that closed in June 2019, and (ii) registered direct offering of shares of the Company’s common stock directly to certain investors that closed in June 2019, shall be applied (a) first, to the Company’s term loan B facility (and the accrued and unpaid interest thereon) until paid in full in the aggregate amount of $12.0 million, and (b) second, for working capital and general corporate purposes.

On August 8, 2019, the Company and certain of its subsidiaries entered into the second Amendment to the Amended and Restated Revolving Credit and Security Agreement (the “PNC Amendment No. 2”) and the third Amendment to the Financing Agreement (the “TCW Amendment No. 3”). The PNC Amendment No. 2, among other things, (i) increased the total amount available for borrowings under the PNC Facility to $65 million, (ii) provided for borrowings of up to $15 million on assets located in Mexico, (iii) provided that borrowings under the PNC Facility bear interest at the U.S. base rate plus an applicable margin ranging from 0.75% to 1.25%, or LIBOR plus an applicable margin ranging from 2.50% to 3.00%, (iv) reset the financial covenants, and (v) permitted the pay down of the Term A Loan Facility by up to $10 million. The TCW Amendment No. 3, among other things, (i) provided for a $20 million increase in the total amount available for borrowings under the PNC Facility, (ii) provided for the pay down of the Term A Loan Facility by up to $10 million, (iii) provided that the interest rate for borrowings under the Financing Agreement was reset to LIBOR plus an applicable margin of 8.75% through June 30, 2020, and borrowings under the Financing Agreement will thereafter bear interest at LIBOR plus an applicable margin ranging from 7.25% to 8.75%, (iv) deleted the senior leverage ratio covenant, (v) amended the total leverage ratio covenant, including the definition of total leverage ratio, to increase the maximum total leverage on a quarterly basis beginning with the fiscal quarter ended September 30, 2019, (vi) amended the fixed charge coverage ratio covenant to decrease the minimum fixed charge coverage ratio on a quarterly basis beginning with the fiscal quarter ending September 30, 2020 through the fiscal quarter ending December 31, 2021 and (vii) reset the call protection on the Term Loan A Facility.

On September 27, 2019, the Company and certain of its subsidiaries entered into the third Amendment to the Amended and Restated Revolving Credit and Security Agreement (the “PNC Amendment No. 3”) and the fourth Amendment to the Financing Agreement (the “TCW Amendment No. 4”). The PNC Amendment No. 3, among other things, amended the (i) definition of “Consolidated EBITDA” by permitting an addback for restructuring and transition costs and charges incurred on or before December 31, 2020 in connection with the Company’s previously announced closure of business operations in Dongguan, China, subject to certain exceptions, not to exceed (a) with respect to cash restructuring costs, $2.3 million, (b) with respect to write-offs of accounts receivable, $1.6 million, and (c) with respect to write-offs of Inventory (as defined in the Amended and Restated Revolving Credit and Security Agreement), $1.6 million, (ii) definition of “Permitted Intercompany Investments” by permitting certain investments by a Domestic Loan Party (as defined in the Amended and Restated Revolving Credit and Security Agreement) to or in SMTC Electronics Dongguan Company Limited, a limited liability company organized under the laws of China (“SMTC Dongguan”), solely to facilitate the closure of business operations in Dongguan, China, so long as, among other things, (a) such Investments (as defined in the PNC Agreement) are made prior to March 31, 2020, (b) the aggregate amount of all such Investments does not exceed $2.3 million during the term of the Amended and Restated Revolving Credit and Security Agreement, (c) the Borrowers (as defined in the Amended and Restated Revolving Credit and Security Agreement) maintain certain minimum liquidity requirements and (iii) negative covenant regarding excess cash. The TCW Amendment No. 4, among other things, amended the (i) definition of “Consolidated EBITDA” by permitting an addback for restructuring and transition costs and charges incurred on or before December 31, 2020 in connection with the closure of business operations in Dongguan, China, subject to certain exceptions, not to exceed (a) with respect to cash restructuring costs, $2.3 million, (b) with respect to write-offs of accounts receivable, $1.6 million, and (c) with respect to write-offs of Inventory (as defined in the Financing Agreement), $1.6 million, (ii) definition of “Permitted Intercompany Investments” by permitting certain investments by a Domestic Loan Party (as defined in the Financing Agreement) to or in SMTC Dongguan solely to facilitate the closure of business operations in Dongguan, China, so long as, among other things, (a) such Investments (as defined in the Financing Agreement) are made prior to March 31, 2020, (b) the aggregate amount of all such Investments does not exceed $2.3 million during the term of the Financing Agreement and (c) the Borrowers (as defined in the Financing Agreement) maintain certain minimum liquidity requirements and (iii) negative covenant regarding excess cash.

On June 26, 2020, the Company, entered into the Fourth Amendment to the Amended and Restated Revolving Credit and Security Agreement (“PNC Amendment No. 4”) and the Fifth Amendment to the Financing Agreement (“TCW Amendment No. 5”). PNC Amendment No. 4, among other things, amended the definition of “Consolidated EBITDA” by permitting an addback for (i) non-recurring labor costs, temporary employee bonuses to reduce absenteeism, personal protective equipment costs, facility sanitation costs, and excess freight and logistics costs, (a) $200,000 for the fiscal quarter ended March 31, 2020, and (b) $1.0 million for the fiscal quarter ended June 30, 2020, and (ii) restructuring and severance charges, accruals and reserves in connection with permanent headcount reductions, in an aggregate amount not to exceed (a) $844,000 with respect to employees at the Zacatecas, Mexico facility and (b) $156,000 with respect to corporate selling, general and administrative employees, in each case, for the period from June 1, 2020, to and including July 31, 2020. PNC Amendment No. 4 also amended the definition of “Permitted Purchase Money Indebtedness” to (i) allow for Indebtedness (as defined in the amended and restated revolving credit and security agreement) pursuant to financing provided by Mazuma Capital Corp for any fixed or tangible assets acquired prior to the June 26, 2020, and (ii) increase the aggregate principal amount of all Indebtedness (as defined in the amended and restated revolving credit and security agreement) permitted under the amended and restated revolving credit and security agreement to $3.75 million. In connection with PNC Amendment No. 4, the Company paid PNC an amendment fee of $50,000. TCW Amendment No. 5, among other things, amended the definition of “Consolidated EBITDA” by permitting an addback for (i) non-recurring labor costs, temporary employee bonuses to reduce absenteeism, personal protective equipment costs, facility sanitation costs, and excess freight and logistics costs, not to exceed (a) $200,000 for the fiscal quarter ended March 31, 2020, and (b)

$1.0 million for the fiscal quarter ended June 30, 2020, and (ii) restructuring and severance charges, accruals and reserves in connection with permanent headcount reductions, in an aggregate amount not to exceed (a) $844,000 with respect to employees at the Zacatecas, Mexico facility and (b) $156,000 with respect to corporate selling, general and administrative employees, in each case, for the period from June 1, 2020, to and including July 31, 2020. TCW Amendment No. 5 also amended the definition of "Permitted Purchase Money Indebtedness" to (i) allow for Indebtedness (as defined in the financing agreement) pursuant to financing provided by Mazuma Capital Corp for any fixedor tangible assets acquired prior to June 26, 2020, and (ii) increase the aggregate principal amount of all Indebtedness (as defined in the financing agreement) permitted under the financing agreement to $3.75 million. In connection with the TCW Amendment, the Company paidTCW an amendment fee of $75,000.

On September 25, 2020, the Company, entered into the Fifth Amendment to the Amended and Restated Revolving Credit and Security Agreement ("PNC Amendment No. 5") and the Sixth Amendment to the Financing Agreement ("TCW Amendment No. 6"). PNC Amendment No. 5, among other things, (i) amended the definition of "Consolidated EBITDA" by permitting an addback for non-recurring labor costs, temporary employee bonuses to reduce absenteeism, personal protective equipment costs, facility sanitation costs, and excess freight and logistics costs, not to exceed an additional $1.5 million for the fiscal quarter ended September 27, 2020, and (ii) provides for borrowings of up to $2.0 million on certain consigned assets. TCW Amendment No. 6, among other things, amended the definition of "Consolidated EBITDA" by permitting an addback for non-recurring labor costs, temporary employee bonuses to reduce absenteeism, personal protective equipment costs, facility sanitation costs, and excess freight and logistics costs, not to exceed an additional $1.5 million for the fiscal quarter ended September 27, 2020.

On December 28, 2020, the Company, entered into the Sixth Amendment to the Amended and Restated Revolving Credit and Security Agreement ("PNC Amendment No. 6"), and the seventh Amendment to the Financing Agreement (the "TCW Amendment No. 7"). PNC Amendment No. 6, among other things: (i) amended the definition of "Consolidated EBITDA" by permitting addbacks with respect to the Company's Zacatecas, Mexico facility for (A) restructuring and severance charges, accruals and reserves in connection with permanent headcount reductions in an amount not to exceed an additional $1.0 million for the period from June 1, 2020 through and including July 31, 2020, (B) cash severance and other facility closure and relocation costs in an amount not to exceed an additional $4.0 million from December 28, 2020 and ending on June 30, 2021, and (C) write-offs of accounts receivable, inventory and fixed assets in an amount not to exceed an additional $1.5 million from December 28, 2020 and ending on June 30, 2021; and (ii) revises the required liquidity covenants from the period beginning on December 28, 2020 and ending on the later to occur of June 30, 2021 or the permanent closure of the Company's Zacatecas, Mexico facility. TCW Amendment No. 7, among other things: (i) amends the definition of "Consolidated EBITDA" by permitting addbacks with respect to the Company's Zacatecas, Mexico facility for (A) restructuring and severance charges, accruals and reserves in connection with permanent headcount reductions in an amount not to exceed an additional $1.0 million for the period from June 1, 2020 through and including July 31, 2020, (B) cash severance and other facility closure and relocation costs in an amount not to exceed an additional $4.0 million from December 28, 2020 and ending on June 30, 2021, and (C) write-offs of accounts receivable, inventory and fixed assets in an amount not to exceed an additional $1.5 million from December 28, 2020 and ending on June 30, 2021, (ii) prohibits the Liquidity (as defined in TCW Amendment No. 7) of the Company and its subsidiaries from being less than $7.5 million during the period beginning on December 28, 2020 and ending on the later to occur of June 30, 2021 or the permanent closure of the Company's Zacatecas, Mexico facility; and (iii) amends the total debt leverage ratios (iv) permits add back of certain expenditures related to COVID-19 pandemic; and (v) provides for the issuance to each other loan party that is a party to the financing agreement and each financial institution that is a party to the financing agreement (collectively, the TCW Lender") or their designees of the Warrants (as defined below).

The Credit Facilities are joint and several obligations of the Company and its subsidiaries that are borrowers under the facilities and are jointly and severally guaranteed by other subsidiaries of the Company. Repayments under the Credit Facilities are collateralized by the assets of the Company and each of its subsidiaries. The Credit Facilities contain certain financial and non-financial covenants, including restrictions on dividend payments. The financial covenants under each Credit Facility require the Company to maintain a fixed charge coverage ratio and a total leverage ratio quarterly during the term of the Credit Facilities. The Company was in compliance with the financial covenants included in the Credit Facilities as at January 3, 2021. Management projects compliance with the financial covenants included in the Credit Facilities.

Subscription Agreement and Warrants

In connection with and as part of the consideration paid by the Company for TCW Amendment No.7, on December 28, 2020, the Company entered into the Seventh Amendment Subscription Agreement (the "Subscription Agreement") with certain of the TCW Lenders, relating to the issuance and sale by the Company of warrants (the "Warrants") to purchase an aggregate of 140,000 shares of the Company's common stock (the "Warrant Shares"). The Warrants were exercisable beginning on the date of original issuance at a nominal exercise price of $0.01 per share, subject to adjustment as provided therein, and expire 84 months after the date of issuance. The Warrants also provide for an adjustment in the number of shares of the Company's common stock underlying the Warrants if the Company, subject to certain exceptions, issues, or is deemed to have issued, shares of the Company's common stock at a price that is less than the fair market value of the Company's common stock at the time of such issuance or deemed issuance.

Rights Offering and Registered Direct Offering

In June 2019, the Company completed its (i) offering of subscription rights (the "Rights Offering") to the Company's stockholders and holders of the Company's outstanding warrants as of the close of business on May 24, 2019, which was fully subscribed for the maximum offering amount of $9.1 million and (ii) registered direct offering (the "Registered Direct Offering" and, together with the Rights Offering, the "Offerings") of 1,732,483 shares of the Company's common stock directly to certain investors, resulting in net proceeds to the Company of approximately $14.0 million, after deducting the offering expenses and fees payable the Company. The proceeds of the Offerings were used, in part, to repay the Term Loan B Facility in full as at July 3, 2019.

Accounting changes and recent accounting pronouncements

Recently adopted Accounting Pronouncements

In August 2018, the FASB published ASU 2018-13: Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The amendment includes the removal, modification and addition of disclosure requirements under Topic 820. The amendments in this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The impact of the adoption of the standard had no impact on the consolidated financial statements.

In March 2020, the FASB published ASU 2020-04: Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in this update are elective and provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in this Update are effective for all entities as of March 12, 2020, through December 31, 2022. An entity may elect to apply the amendments for contract modifications by Topic or Industry Subtopic as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. Once elected for a Topic or an Industry Subtopic, the amendments in this Update must be applied prospectively for all eligible contract modifications for that Topic or Industry Subtopic. The impact of the adoption of the standard is not material to the Company, as alternative reference rates are available under the agreements governing the financial instruments.

Recent Accounting Pronouncements Not Yet Adopted

In May 2016, the FASB published ASU 2016-13: Financial Instruments – Credit losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The main objective of Topic 326 is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In April 2019, the FASB published ASU 2019-04 Codification Improvements to Topic 326, Financial Instruments – Credit Losses, which made certain amendments and corrections to the original codification. In May 2019, the FASB published ASU 2019-05 Financial Instruments – Credit losses (Topic 326) which made transitional relief available, specifically allowing the option to elect a fair value option for financial instruments measured at amortized cost. In November 2019, the FASB published ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments – Credit losses, which made certain amendments and corrections to the original codification. In November 2019, the FASB published ASU 2019-10 Financial Instruments –

Credit losses (Topic 326), which made certain amendments to the effective dates of the new standard. The amendment is effective for the Company for years beginning after December 15, 2022 including interim periods with those years. On March 9, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-03 Codification Improvements to Financial Instruments. The Company is currently evaluating the impact of this accounting standard, but it is expected that the new standard may result in additional credit losses being recorded.

In January 2017, the FASB published ASU 2017-04: Intangibles – Goodwill and Other (Topic 350): Topic 350 seeks to simplify goodwill impairment testing requirements for public entities. Under the amendments in this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The FASB also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. Therefore, the same impairment assessment applies to all reporting units. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets. The amendments in this ASU are effective for all smaller reporting companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. The Company is currently evaluating the impact of this accounting standard. However, it is expected that this may reduce the complexity of evaluating goodwill for impairment.

In December 2019, the FASB published ASU 2019-12: Income Taxes (Topic 740): Simplifying the Accounting for income taxes. The purpose of this codification is to simplify the accounting for income taxes, which addresses a number of topics including but not limited to the removal of certain exceptions currently included in the standard related to intraperiod allocation when there are losses, in addition to calculation of income taxes when current year-to-date losses exceed anticipated loss for the year. The amendment also simplifies accounting for certain franchise taxes and disclosure of the effect of enacted change in tax laws or rates. Topic 740 is effective for public entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The impact of the adoption of the standard has not yet been determined and is being evaluated.

Critical Accounting Policies and Estimates

The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 to the consolidated financial statements describe the significant accounting policies and methods used in the preparation of our consolidated financial statements. The following critical accounting policies are affected significantly by judgments, assumptions and estimates used in the preparation of the consolidated financial statements. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Deferred Tax Asset Valuation Allowance

In assessing the realization of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Guidance under ASC 740 states that forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence, such as cumulative losses in recent years in the jurisdictions to which the deferred tax assets relate. Management reassessed its historical cumulative earnings in recent years, in addition to its expectation of earnings in future years. As a result of the reassessment performed, a full valuation allowance related to the deferred tax assets arising in Canada, United States and Asia is appropriate. There is no valuation allowance related to deferred tax assets in Mexico.

The percentage of completion of unbilled contract asset

The Company recognizes revenue for custom manufacturing services over time as products are manufactured, and corresponding unbilled contract assets relating to the work-in-progress (WIP) and finished goods inventory. Management is required to use significant judgment to estimate the percentage of completion of its unbilled contract assets relating to WIP inventory using manufacturing inputs to determine the portion of the performance obligation that has been satisfied. If assumptions change related to the manufacturing inputs utilized to estimate the percentage of completion, this could have a material impact on unbilled contract asset relating to WIP inventory, revenue and corresponding margin recognized.

Goodwill

Goodwill represents the excess of purchase price over the fair value of net identifiable assets acquired in a purchase business combination. Goodwill is not subject to amortization and is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. The Company assigns its goodwill to the reporting units (or groups of reporting units that have similar economic characteristics) that are expected to benefit from the synergies of the business combination and at least on an annual basis at the end of the fourth quarter, performs a qualitative assessment of its reporting units goodwill and certain select quantitative calculations against its current long-range plan to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. The Company first assesses certain qualitative factors to determine whether the existence of events or circumstances leads to determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carry amount, then performing the two-step impairment test is unnecessary. When necessary, impairment of goodwill is tested at the reporting unit level (or group of reporting units) by comparing the reporting unit's (or group of reporting units) carrying amount, including goodwill, to the fair value of the reporting unit (or group of reporting units). The fair value of the reporting unit (or group of reporting units) is estimated using a discounted cash flow approach. If the carrying amount of the reporting unit (or group of reporting units) exceeds its fair value, then a second step is performed to measure the amount of impairment loss, if any, by comparing the fair value of each identifiable asset and liability in the reporting unit (or group of reporting units) to the total fair value of the reporting unit (or group of reporting units). Any impairment loss is expensed in the consolidated statement of operations and comprehensive loss and is not reversed if the fair value subsequently increases. Based on the qualitative assessment performed, goodwill was not tested for impairment in the years ended January 31, 2021 and December 29, 2019.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

The Company borrows money under the PNC Facility. The PNC Facility matures on November 8, 2023. Advances made under the PNC Facility bear interest at the U.S. base rate plus an applicable margin ranging from 0.75% to 1.25%, or LIBOR plus an applicable margin ranging from 2.50% to 3.00%. The base commercial lending rate approximates U.S. prime rate.

The Company also borrows money under the Financing Agreement. The Term Loan A Facility matures on November 8, 2023. The Term Loan A Facility bore interest LIBOR plus an applicable margin of 8.75% through June 30, 2020, and borrowings under the Financing Agreement thereafter bear interest at LIBOR plus an applicable margin ranging from 7.25% to 8.75%.

The following table highlights the impact of a hypothetical 10% change in interest rates on our reported earnings:

10% increase in interest rate (millions)	$	0.5
10% decrease in interest rate (millions)	$	(0.5)

Foreign Currency Exchange Risk

Given our global business operations, we are exposed to exchange rate fluctuations on expenditures denominated in foreign currencies. However, most of our sales and component purchases are denominated in U.S. dollars, which limits our foreign currency risk. Our foreign exchange risk relates primarily to our Canadian and Mexican payroll, Euro based component purchases and other operating expenses denominated in local currencies in our geographic locations. To mitigate this risk, the Company enters into forward foreign exchange contracts to reduce its exposure to foreign exchange currency rate fluctuations related to forecasted Canadian dollar and Mexican peso. The strengthening of the Canadian dollar and Mexican peso would result in an increase in costs to the organization and may lead to a reduction in reported earnings.

The following table highlights the impact of a hypothetical 10% change in exchange rates on cost of sales for the Company:

10% increase in both the CAD and PESO foreign exchange rates (millions)	$	2.4
10% decrease in both the CAD and PESO foreign exchange rates (millions)	$	(2.9)

The following table presents a summary of the outstanding foreign currency forward exchange contracts as at January 3, 2021:

Currency	Buy/Sell	Foreign Currency Amount		Notional Contract Value in USD
Mexican Peso	Buy	MXN 105,000	$	11,591

Credit Risk

In the normal course of operations, there is a risk that a counterparty may default on its contractual obligations to us which would result in a financial loss that could impact our reported earnings. In order to mitigate this risk, we complete credit approval procedures for new and existing customers and obtain credit insurance where it is financially viable to do so given anticipated revenue volumes, in addition to monitoring our customers' financial performance.

While we continue to communicate with our customers and monitor cash collections, market conditions, including as a result of the COVID-19 outbreak, may negatively impact our customers' ability to pay. We do not currently foresee a material impact in the short term based on our customers' payment patterns, however if a number of our customers reduce or temporarily cease payments to us, this would present a risk and any charges could have a material impact on our financial performance.

We believe our procedures in place to mitigate customer credit risk and the respective allowance for doubtful accounts are adequate. The Company takes measures to reduce credit risk, these charges can have a material impact on our financial performance.

There is limited risk of financial loss of defaults on our outstanding forward currency contracts as the counterparty to the transactions had a Standard and Poor's rating of A- or above as at January 3, 2021.

Liquidity Risk

There is a risk that we may not have sufficient cash available to satisfy our financial obligations as they come due. The financial liabilities we have recorded in the form of accounts payable, accrued liabilities and other current liabilities are primarily due within 90 days with the exception of the current portion of finance lease obligations which could exceed 90 days and our PNC Facility which utilizes a lock-box to pay down the obligation effectively daily. As at January 3, 2021, the Company's liquidity was comprised of $0.6 million in cash on hand and $28.4 million of funds available to borrow under the PNC Facility. We believe that cash flow from operations, together with cash on hand and our PNC Facility, which has a maximum credit limit of $65.0 million is sufficient to fund our financial obligations. However, availability under the PNC Facility is subject to certain conditions, including borrowing base conditions based on eligible inventory and accounts receivable, as determined by the lender, and is currently limited to $28.4 million.

On July 3, 2019, the Company used the net proceeds from the Rights Offering to repay the $12.0 million of borrowings outstanding under its Term Loan B Facility. On August 8, 2019, the Company paid down $10.0 million of borrowings outstanding under its Term Loan A Facility, funded through the use of its PNC Facility.

Fair Value Measurement

The carrying values of the Company's cash, accounts receivable, accounts payable and accrued liabilities due within one-year approximate fair values due to the short-term maturity of these instruments. The Company's financial instruments are comprised of the following:

	As at January 3, 2021		As at December 29, 2019	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Level 1				
Cash	$ 600	$ 600	$ 1,368	$ 1,368
Level 2				
Derivative assets	1,055	1,055	—	—
Revolving credit facility	34,694	34,694	34,701	34,701
Current and long term debt	33,430	37,188	35,000	38,750
Warrant liability	3,233	3,233	1,730	1,730

Item 8. Financial Statements and Supplementary Data

The information called for by this item is indexed on page F-1 of this Report and is contained on pages F-2 through F-34.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company conducted an evaluation (pursuant to Rule 13a-15(b) of the Exchange Act), under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e)) as of January 3, 2021.

These disclosure controls and procedures are designed to ensure that information required to be disclosed in the Company's reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that this information is accumulated and communicated to management, including the principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Based on the evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of January 3, 2021.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in rules 13a-15(f) of the Exchange Act. Under Section 302 of the Sarbanes-Oxley Act of 2002 management is required to certify that we have 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 in the United States of America.

The Company's internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, and effected by the Company's Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with United States generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the U.S., and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an assessment of the Company's internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in Internal Control—Integrated Framework (2013). Based on this assessment, management has concluded that, as at January 3, 2021, the Company's internal control over financial reporting were effective.

This Form 10-K includes an attestation report from the Company's independent registered public accounting firm on the effectiveness of internal control controls over financial reporting as of January 3, 2021.

Closure of 2019 Material Weakness

As disclosed in Part II, Item 9A of this Form 10-K, during the fourth quarter of the fiscal year ended December 29, 2019, ("2019 Annual Report"), in 2019, management had identified that its information technology general controls (ITGCs) in the areas of user access and program change-management over the information technology (IT) systems that support the Company's financial reporting processes were ineffective. As a result our business process controls (automated and manual) that are dependent on the affected ITGCs were also deemed ineffective because they could have been adversely impacted. Based on this, management had concluded that there was a material weakness in respect of its controls and procedures relating to its ITGCs. During 2020, management implemented a remediation plan to address the material weakness and undertook the following actions to remediate the material weakness:

- Hired a Vice President of Information Technology and an IT SOX Consultant;
- Deployed additional training programs for IT employees;

- Performed a thorough review of the design of all IT controls with focus on those controls associated with the material weakness;
- Implemented a software platform to manage changes to in-scope systems; and
- Implemented a software platform to manage the Company's overall internal controls / SOX program.

As a result of these actions, management has determined that the material weakness related to ITGCs has been remediated, and has concluded that, as at January 3, 2021, the Company's internal control over financial reporting were effective.

Changes in Internal Control over Financial Reporting

As of January 3, 2021, with the exception of the remediation of the material weakness described herein, there were no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended January 3, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

EXECUTIVE OFFICERS AND DIRECTORS

Our executive officers and directors and their ages as of March 17, 2021, are as follows:

Name	Age	Office/Title
Clarke H. Bailey	66	Chair of the Board of Directors
David Sandberg	48	Director
Frederick Wasserman	66	Director
J. Randall Waterfield	47	Director
Edward Smith	58	President, Chief Executive Officer, and Director
Richard Fitzgerald	53	Chief Operating Officer
Steve Waszak	63	Chief Financial Officer

Clarke H. Bailey joined our Board in June 2011. Mr. Bailey served as executive chairman ("Executive Chairman") and interim Chief Financial Officer ("CFO") of our Company from May 2013 to April 2014. Mr. Bailey was the Chairman and Chief Executive Officer ("CEO") of EDCI Holdings, Inc., a holding company, a position held from 2009 to 2020. He serves as a director of Iron Mountain Incorporated where he has served since 1998 and is currently Chairman of its risk and safety committee. Previously, Mr. Bailey served as the Chairman and CEO of Arcus, Inc. until 1998 and as managing director and head of the Principal Investment Group at Oppenheimer & Co. until 1990. Mr. Bailey has also previously served as a director on four (4) other public company boards, five (5) private company boards, and three (3) non-profit boards of trustees. Our Board believes that his significant experience in manufacturing, finance, and M&A, and serving as a CEO and on both public and private boards, make him well-qualified to serve as a director.

David Sandberg joined our Board in April 2009. Mr. Sandberg is the managing member of Red Oak Partners, LLC, which he founded in March 2003. Previously, Mr. Sandberg co-managed JH Whitney & Co's Green River Fund, where he was employed from 1998 to 2002. Mr. Sandberg serves as the chairman of the board of directors of Cord Blood America, Inc., a public company. He also serves as a director of WTI Holdings, LLC, and WO Partners, LLC, both are private companies. Mr. Sandberg has previously served as a director of the public companies Asure Software, Inc., EDCI, Inc., RF Industries, Ltd., Issuer Direct Corp., and Planar Systems, Inc., and as a director of private company Kensington Vanguard, LLC. Mr. Sandberg has experience serving as a member of and as chairman of each of the audit, compensation, nominating and governance, and strategic committees for public companies. He received a B.A. in Economics and a B.S. in Industrial Management from Carnegie Mellon University in 1994. Red Oak Partners, LLC is the largest Stockholder of our Company. Our Board believes that Mr. Sandberg's experience serving as director on other public companies, as well as his experience in finance and public company capital market transactions, make him well-qualified to serve as a director.

Frederick Wasserman joined our Board in August 2013. Mr. Wasserman is a seasoned executive who has over forty (40) years of business experience helping to create stockholder value with a number of companies. Mr. Wasserman has been the President, Chief Operating Officer ("COO"), and CFO for a number of companies, including Mitchell & Ness Nostalgia Company where he was CFO and COO. He also served as President and CFO of Goebel of North America. Mr. Wasserman is currently, and has been since 2008, the President of FGW Partners LLC. Mr. Wasserman served as the Chief Compliance Officer of Wynnefield Capital, Inc., a Stockholder of our Company from 2008 to January 1, 2020. He continues to provide consulting services to Wynnefield Capital, Inc. He served on the board of directors for National Holdings Corporation from October 2013 to September 2016. Mr. Wasserman currently serves as a member of the board of directors of Marker Therapeutic, Inc. (formerly known as Tapimmune Inc.), a position held since January 2016. Mr. Wasserman served as a director of MAM Software Group, Inc. and MAM Software Group, Inc. until October 2019. Mr. Wasserman continues to serve as a director of DLH Holdings Corp., which is a publicly-traded company. Our Board believes that Mr. Wasserman's experience serving as a director on publicly-traded companies and his significant management experience make him well-qualified to serve as a director.

J. Randall Waterfield joined our Board in April 2012. Mr. Waterfield is the chairman of Waterfield Group, a diversified financial services holding company that traces its origins back to 1928. After selling the largest private mortgage company in the U.S. and largest Indiana-based bank in 2006 and 2007, respectively, Waterfield Group has diversified into technology, real estate, asset management, and merchant banking. Mr. Waterfield holds the Chartered Financial Analyst designation, and is the 2017-18 chairman of the board of directors of YPO, a member of Mensa, and a graduate of Harvard University. Also, Mr. Waterfield currently serves on the board of directors of Waterfield Group and its affiliates, Environmental Risk Transfer and Asure Software Inc. Previously, Mr. Waterfield was an equity research analyst at Goldman Sachs & Co. from 1996 through 1999, where he was primarily responsible for small capitalization growth portfolios. Our Board believes that Mr. Waterfield's experience in finance and M&A make him well-qualified to serve as a director.

Edward Smith joined our Company and Board in February 2017. He currently serves as our Company's President and CEO, a position he has held since May 2017. From February 2017 to May 2017, Mr. Smith served as interim President and CEO of our Company. Mr. Smith has extensive experience in the EMS industry and the electronic components distribution industry. He served as a member of the board of advisors of Zivelo, Inc., a position he held from 2015 to 2019. Most recently, Mr. Smith served as Senior Vice President of Global Embedded Solutions at Avnet, Inc. during 2016 and as President of Avnet Electronics Marketing Americas from February 2009 to March 2016. Mr. Smith worked in many positions during his tenure at Avnet, Inc., which began in 1994. From 2002 to 2004, Mr. Smith served as President and CEO of SMTEK International, Inc., a tier II manufacturer in the EMS industry. From 2009 to 2017, Mr. Smith served as a Board member of the Electronic Components Industry Association. Mr. Smith is also the founder and CEO of We Will Never Forget Foundation, Inc., a nonprofit organization that supports first responders through gifts to other charitable organizations. Our Board believes that Mr. Smith's extensive experience in the EMS industry and as an executive officer of various other companies, make him well-qualified to serve as a director.

Rich Fitzgerald joined our Company in June 2017. He currently serves as our Company's COO. Mr. Fitzgerald honorably served twelve (12) years in the U.S. Marine Corps where he reached the rank of captain. Prior to joining our Company, Mr. Fitzgerald served as Global Vice President of Avnet Integrated Solutions from January 2017 to May 2017 and as Vice President of Business Operations of Avnet Electronics Embedded from July 2014 to January 2017. Prior to joining Avnet, he served as COO of Qual-Pro Corporation from January 2010 to July 2014 and as CEO of Team Precision Public Company Limited from July 2008 to December 2009, as well as Global Vice President of Operations for CTS Corporation, from 2002 through 2008. Before 2002, Mr. Fitzgerald held management roles in companies such as California Amplifier and Intel Corporation. In 2012, Mr. Fitzgerald filed for protection under Chapter 13 of the United States Bankruptcy Code. Mr. Fitzgerald fully-paid all of his creditors and the bankruptcy was dismissed in April 2018.

Steve Waszak joined our Company in March 2018. He currently serves as CFO and Senior Vice President of Mergers and Acquisitions. With more than twenty-five (25) years of experience in corporate finance and strategic development roles focusing on transformative change, Mr. Waszak has led teams through multiple merger and acquisitions transactions exceeding $1 billion in value. Prior to joining our Company, he was CFO and Manager at Connected-Holdings, LLC, a vertically -integrated, Internet of Things "IoT" intelligent services provider. From 2009 to 2014, Mr. Waszak served as CEO and President of BTI Systems, a developer of optical networks and innovative data-center interconnect solutions for smart-cloud providers. Mr. Waszak's C-Suite experience also includes serving as COO/CFO at Zetera Corporation (from 2006 to 2008 – IP sold to Intellectual Ventures)and at SONOMA Systems, which was acquired by Nortel Networks. Following the acquisition of Internet Photonics (a Bell Labs spin-out), where he held the position of CFO/COO, Mr. Waszak served as Vice President of Global Sales Operation for Ciena Corporation (NYSE: CIEN). He has also served on the board of directors of private entities and publicly -traded companies, including SMTEK International (NASDAQ: SMTK).

Directors are elected on an annual basis. The term of each director's service expires at our next annual meeting of stockholders and at such time as his successor is duly elected and qualified. Officers serve at the discretion of the Board of Directors (the "Board").

There are no family relationships between any of our directors or executive officers.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND ITS COMMITTEES

Board of Directors

The number of authorized directors on our Board is currently fixed at five (5). Our directors are elected on an annual basis. Our Board is currently composed of the following directors: Clarke H. Bailey, David Sandberg, Frederick Wasserman, J. Randall Waterfield, and Edward Smith, whose terms will expire upon the election and qualification of directors at our 2021 Annual Meeting of Stockholders.

During fiscal year 2020, the Board held fourteen (14) meetings, including regularly scheduled and special meetings. During fiscal year 2020, each director attended more than seventy-five percent (75%) of the aggregate of the: (i) total number of meetings of the Board and (ii) committees on which he served. The Company does not have a formal written policy specifying whether directors must attend stockholder meetings, however to the extent reasonably practicable, Board members are encouraged to attend stockholder meetings in person or telephonically. The entire Board attended our 2020 Annual Meeting of Stockholders.

Board Committees

The Board has three (3) standing committees: an Audit Committee, a Compensation and Management Development Committee and a Nominating and Governance Committee, each of which is described below. Each committee operates under a written charter that the Board adopted. All of the charters are publicly available on our website at *www.smtc.com* under the "Governance" link under the "Investors" tab. You may also obtain a copy of our committee charters upon written request to our Investor Relations Department at our principal executive offices.

It is the role of the Nominating and Governance Committee to recommend to the Board candidates to serve on the committees. The Board elects committee members and they serve until their successors are elected and qualified or until their earlier death, retirement, resignation or removal. The following were the standing committees of the Board for fiscal year 2020 and the number of meetings each committee held during that period:

Committees	Number of Meetings	Members
Audit Committee	5	Frederick Wasserman (Chair), David Sandberg, J. Randall Waterfield
Compensation and Management Development Committee	5	Clarke H. Bailey (Chair), Frederick Wasserman, David Sandberg
Nominating and Governance Committee	1	David Sandberg (Chair), J. Randall Waterfield, Clarke H. Bailey

Director Independence

The Board has determined that each of Clarke H. Bailey, David Sandberg, J. Randall Waterfield, and Frederick Wasserman is an independent director (each, an "Independent Director") as defined in the listing rules of the Nasdaq Stock Market (the "Nasdaq Rules"). Mr. Smith was not an "independent director" as defined in Nasdaq Rules as a result of his service as our President and Chief Executive Officer.

All members of the Nominating and Governance Committee are Independent Directors as defined in and as required by the NASDAQ Rules.

All Audit Committee members are Independent Directors as defined in the NASDAQ Rules and Rule 10A-3(b)(1) under the Exchange Act, and as required by the NASDAQ Rules.

All Compensation and Management Development Committee members are Independent Directors as defined in and as required by the NASDAQ Rules.

Audit Committee

The Audit Committee is responsible for assisting the Board in fulfilling its responsibility to stockholders, potential stockholders, and the investment community in monitoring the Company's accounting and reporting practices, cybersecurity systems, systems of internal accounting and financial controls, the Company's compliance with legal and regulatory requirements related to financial reporting, the qualifications and independence of the Company's independent registered public accounting firm, the performance of the Company's independent registered public accounting firm, and the quality and integrity of the Company's financial reports. The Audit Committee has the sole authority to retain and terminate the independent registered public accounting firm and is directly responsible for the compensation and oversight of the work of the independent registered public accounting firm. The independent registered public accounting firm reports directly to the Audit Committee. The Audit Committee reviews and discusses with management and the independent registered public accounting firm the annual audited and unaudited quarterly financial statements, the disclosures in the Company's annual and quarterly reports filed with the SEC, critical accounting policies and practices used by the Company, the Company's internal control over financial reporting, and the Company's major financial risk exposures.

The Board has determined that Mr. Wasserman, who is currently the chairman of the Audit Committee, Mr. Sandberg, and Mr. Waterfield are each an "audit committee financial expert" as defined by the applicable rules of the SEC.

Compensation and Management Development Committee

The Compensation and Management Development Committee is responsible for discharging the Board's duties relating to oversight of executive compensation. This committee makes all decisions regarding the compensation of the executive officers with input and recommendations from the Chief Executive Officer (except with respect to compensation decisions for the Chief Executive Officer himself). The Compensation and Management Development Committee is responsible for administering the Company's executive compensation program, and reviews both short-term and long-term corporate goals and objectives with respect to the compensation of CEO and the other executive officers. This committee also reviews and discusses, with management, the impact of the Company's compensation policies and practices on risk-taking within the Company. The Compensation and Management Development Committee evaluates, at least once a year, the performance of the CEO and other executive officers in light of these goals and objectives and, based on these evaluations, approves the compensation of the CEO and the other executive officers. The committee also reviews and recommends to the Board incentive-compensation plans that are subject to the Board's approval.

During 2020, the Compensation and Management Development Committee did not utilize the services of a compensation consultant.

Nominating and Governance Committee

The Nominating and Governance Committee is composed solely of Independent Directors, and participates in the search for qualified directors. The criteria for selecting nominees for election as directors of the Company includes experience in the operation of public companies, accomplishments, education, skills, and the highest personal and professional integrity. The candidate must be willing and available to serve and should generally represent the interests of all stockholders, and not of any special interest group. After conducting an initial evaluation of a candidate, the Nominating and Governance Committee will interview that candidate if it believes the candidate may be suitable to be a Director and will also ask the candidate to meet with other directors and management. If this committee believes a candidate would be a valuable addition to the Board, it will recommend to the full Board that candidate's nomination for election to the Board.

The Nominating and Governance Committee does not have a formal written policy with regard to considering diversity in identifying nominees for directors, but when considering director candidates, the committee seeks individuals with backgrounds and skills that, when combined with those of the Company's other directors, bring a broad range of complementary skills, expertise, industry and regulatory knowledge, and diversity of perspectives to build a capable, responsive, and effective Board. Diversity considerations for a Director nominee may vary at any time according to the particular area of expertise being sought to complement the existing Board composition.

The Nominating and Governance Committee does not have a policy with regard to the consideration of any director candidates recommended stockholders, but the Nominating and Governance Committee considers candidates proposed by stockholders and evaluates them using the same criteria as for other candidates. A stockholder wishing to nominate a candidate should forward the candidate's name and a detailed background of the candidate's qualifications to the Secretary of the Company in accordance with the procedures outlined in our by-laws.

Code of Ethics

The Board has adopted a Code of Ethics and Conduct, which is available on the Company's website atwww.smtc.com or in print without charge to any person who requests such document in writing. Any such request should be made to the Company at 425 North Drive Melbourne, Florida 32934 Attn: Chief Financial Officer. The Company intends to post any amendment to or waiver from the Code of Ethics and Conduct that requires disclosure under the SEC rules on its website.

Communications with Directors

The Board has provided a process by which stockholders or other interested parties can communicate with the Board or with the non-management directors as a group. All such questions or inquiries should be directed to the President and CEO, Edward Smith, who can be reached at ed.smith@smtc.com. Mr. Smith will review and communicate pertinent inquiries to the Board or, if requested, the non-management directors as a group. In general, any stockholder communication delivered to Mr. Smith for forwarding to the Board or specified Board member or members will be forwarded in accordance with the stockholder's instructions. However, Mr. Smith reserves the right not to forward to Board members any abusive, threatening or otherwise inappropriate materials.

Leadership Structure

The Board has previously determined that it was in the best interests of the Company and its stockholders for separate individuals to serve as chair of the Board ("Chair") and Chief Executive Officer, while recognizing that there may be circumstances in the future that would lead to the same individual serving in both capacities. The Company believes this leadership structure has been the most appropriate for the Company, because the Board has been able to rely upon the experience and perspective Mr. Bailey has gained from serving both as a Director and while temporarily serving as the Company's Executive Chair and interim CFO during 2013 and 2014. Mr. Bailey fulfills his responsibilities as Chair through close interaction with management and all directors. This structure ensures a greater role of "independent directors" in the active oversight of our business, including risk management oversight, and in setting agendas and establishing Board priorities and procedures. This structure also allows our CEO to focus, to a greater extent, on the management of the Company's day-to-day operations.

Board Role in Risk Oversight

Our Board is responsible for consideration and oversight of the risks facing the Company. Our Board manages this oversight directly and through the Audit Committee and Compensation and Management Development Committee. Our Board is kept informed by various reports provided to it on a regular basis, including reports made by management at the meetings of the Board, Audit Committee, and Compensation and Management Development Committee. The Audit Committee performs a central oversight role with respect to financial and compliance risks, which the Audit Committee then regularly reviews with the full Board. Our Compensation and Management Development Committee reviews and discusses with management the impact of the Company's compensation policies and practices on risk-taking within the Company. Our Board believes that our current leadership structure and the composition of our Board protect Stockholder interests and provide adequate independent oversight, while also providing outstanding leadership and direction for our Board and management.

Item 11. Executive Compensation

Director Compensation

The Chairman and Independent Directors earn $80,000 and $40,000 respectively, per year for serving on the Board. The Chair of the Audit Committee earns an additional annual cash retainer of $10,000, the Chair of the Compensation and Management Development Committee earns an additional annual cash retainer of $7,000 and the Chair of the Nominating and Governance Committee earns an additional annual retainer of $3,000. The Chair of the Board of Directors may be awarded additional cash and equity compensation if circumstances warrant at the discretion of the Board. Annual equity compensation is also granted to our Independent Directors, with an aggregate grant date value of $25,000, which is issued in the form of either stock options, restricted stock units ("RSUs") or restricted stock awards ("RSAs"). Annual equity compensation is also provided to the Chair of the Board of Directors with an aggregate grant date value of $55,000, which is issued in the form of either stock options, RSUs or RSAs. We do not compensate Mr. Smith, our President and Chief Executive Officer, for his service on our Board.

The following tables outline the compensation to the Board of Directors for the period ended January 3, 2021:

Director Compensation

Name	Fees Earned or Paid in Cash ($)	Stock Awards (a) ($)	Total Compensation ($)
Clarke Bailey	87,000	—	87,000
David Sandberg	43,000	—	43,000
J. Randall Waterfield	40,000	—	40,000
Frederick Wasserman	50,000	—	50,000

(a) No stock awards were issued to the directors in fiscal 2020

Executive Officer Compensation

The Summary Compensation Table below provides information concerning the compensation of our named executive officers. During our 2020 annual meeting, our stockholders, representing approximately 96% of the shares of common stock cast at our Annual Meeting approved of the compensation of our named executive officers, which we described in our 2020 proxy statement, on an advisory non-binding basis. Our Compensation and Management Development Committee considered the results of that non-binding vote when reviewing our compensation policies and practices for 2020. Compensation to our named executive officers generally consists of base salary, annual incentive bonus opportunities and equity awards. In the "Salary" column, we disclose the base salary paid to each of our named executive officers. Salaries are paid in U.S. dollars unless otherwise noted, consistent with the terms of any applicable employment agreements.

In the "Option Awards" column, we disclose the aggregate grant date fair value of option awards granted and in the "Stock Awards" column, we disclose the aggregate grant date fair value of RSU awarded in the fiscal year, computed in accordance with ASC 718 without reduction for assumed forfeitures. The ASC 718 fair value of our stock options and RSUs are calculated based on assumptions summarized in Note 7 to our audited consolidated financial statements for the fiscal year ended January 3, 2021, and for which we recognize expense ratably over the vesting period.

In the "Bonus" column, we disclose the amount earned as a performance based bonus for that particular fiscal year.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)(a)	Stock Awards ($)(b)	Option Awards ($)(b)	Total ($)
Edward Smith	2020	350,000	115,000	—	—	465,000
President and CEO	2019	350,000	—	87,250	236,667	673,917
Steve Waszak	2020	296,175	110,000	—	—	406,175
CFO	2019	296,175	—	87,250	189,333	572,758
Richard Fitzgerald (c)	2020	323,100	104,000	—	—	427,100
COO	2019	323,100	—	87,250	189,333	599,683

(a) Amount disclosed for fiscal 2020 represents the discretionary bonus earned by the officers as approved by the Board of Directors in addition to bonus earned from the short term incentive plan. No bonuses were approved in fiscal 2019.

(b) The amounts disclosed in these columns represent the aggregate grant date fair value of RSUs or option awards, as applicable, granted during the fiscal year computed in accordance with ASC 718. The fair values of these RSUs were calculated based on assumptions summarized in Note 7 to our audited consolidated financial statements for the fiscal year ended January 3, 2021, included in this Form 10-K.

(i) Mr. Smith was granted 250,000 stock options on May 13, 2019 with a strike price of $3.67 which will vest at 33% of the shares upon the Company's average closing share price being above each of $7.00, $8.00 and $9.00 for a ninety (90)-day period. The stock options grant date fair value was $0.95 per share and was calculated using the Cox, Ross, and Rubenstein binomial model ("Binomial Model"). Mr. Smith was granted 25,000 fully vested RSUs on August 13, 2019, with a grant date fair value of $87,250. No new stock awards were issued to Mr. Smith during the fiscal year ended January 3, 2021.

(ii) Mr. Fitzgerald was granted 200,000 stock options on May 13, 2019 with a strike price of $3.67 which will vest at 33% of the shares upon the Company's average closing share price being above each of $7.00, $8.00 and $9.00 for a ninety (90)-day period. The stock options grant date fair value was $0.95 per share and was calculated using the Binomial Model. Mr. Fitzgerald was granted 25,000 fully vested RSUs on August 13, 2019, with a grant date fair value of $87,250. No new stock awards were issued to Mr. Fitzgerald during the fiscal year ended January 3, 2021.

(iii) Mr. Waszak was granted 200,000 stock options on May 13, 2019 with a strike price of $3.67 which will vest at 33% of the covered shares upon the Company's average closing share price being above each of $7.00, $8.00 and $9.00 for a ninety (90)-day period. The stock options grant date fair value was $0.95 per share and was calculated using the Binomial Model. Mr. Waszak was granted 25,000 fully vested RSUs on August 13, 2019, with a grant date fair value of $87,250. No new stock awards were issued to Mr. Waszak during the fiscal year ended January 3, 2021.

(c) On November 4, 2020, On November 4, 2020, we announced that Mr. Fitzgerald had decided for personal reasons to pursue other opportunities. On January 3, 2021, we and Mr. Fitzgerald entered into a Separation Agreement (the "Separation Agreement"), pursuant to which Mr. Fitzgerald's employment is expected to terminate effective March 31, 2021, as discussed in more detail in "—Agreements with Executive Officers."

Outstanding Equity Awards at Fiscal Year-End

The following table provides information regarding unexercised stock options and outstanding RSUs for each named executive officer outstanding as at January 3, 2021.

		Option Awards			
Name	Award Description	Number of Securities Underlying Unexercised Options Exercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ($)	Option Expiration Date
Edward Smith (a)	Stock Options	221,616	268,742	1.23	5/15/2027
	Stock Options	—	250,000	3.67	5/13/2029
Steve Waszak (b)	Stock Options	201,558	134,371	2.07	3/12/2028
	Stock Options	—	200,000	3.67	5/13/2029
Richard Fitzgerald (c)	Stock Options	—	134,371	1.26	6/5/2027
	Stock Options	—	200,000	3.67	5/13/2029

(a) Mr. Smith was granted 671,858 stock options on May 15, 2017 with a strike price of $1.23 which will vest at 20% of the shares upon the Company's average closing share price being above each of $2.00, $3.00. $4.00, $5.00 and $6.00 for a ninety (90)-day period.

Mr. Smith was granted 250,000 stock options on May 13, 2019 with a strike price of $3.67 which will vest at 33% of the shares upon the Company's average closing share price being above each of $7.00, $8.00 and $9.00 for a ninety (90)-day period.

(b) Mr. Waszak was granted 335,929 stock options on March 12, 2018 with a strike price of $2.07 which will vest at 20% of the shares upon the Company's average closing share price being above each of $2.00, $3.00. $4.00, $5.00 and $6.00 for a ninety (90)-day period.

Mr. Waszak was granted 200,000 stock options on May 13, 2019 with a strike price of $3.67 which will vest at 33% of the covered shares upon the Company's average closing share price being above each of $7.00, $8.00 and $9.00 for a ninety (90)-day period.

(c) Mr. Fitzgerald was granted 335,929 stock options on June 5, 2017 with a strike price of $1.26 which will vest at 20% of the shares upon the Company's average closing share price being above each of $2.00, $3.00. $4.00, $5.00 and $6.00 for a ninety (90)-day period.

Mr. Fitzgerald was granted 200,000 stock options on May 13, 2019 with a strike price of $3.67 which will vest at 33% of the shares upon the Company's average closing share price being above each of $7.00, $8.00 and $9.00 for a ninety (90)-day period.

Defined Contribution Plan

The Company has a tax-qualified 401(k) defined contribution retirement plan established for U.S. employees in which named executive officers may participate.

Agreements with Executive Officers

Chief Executive Officer

On May 15, 2017, the Board of Directors of the Company appointed Edward Smith, the Company's Interim President and Chief Executive Officer, to the role of President and Chief Executive Officer effective May 16, 2017. Mr. Smith has served as President and Chief Executive Officer of the Company since May 16, 2017.

In connection with this appointment, Mr. Smith entered into an offer letter with the Company, dated May 15, 2017 (the "Smith Offer Letter"), pursuant to which Mr. Smith receives an annual base salary of $325,000, subject to periodic adjustment ("Smith Base Salary") and will be eligible to participate in the Company's short-term incentive plan with a target bonus of fifty percent (50%) of the Smith Base Salary. Pursuant to the Smith Offer Letter, Mr. Smith received a one-time grant of options covering 671,858 shares of common stock under the Company's 2010 Incentive Plan in May 2017. The options have an exercise price per share equal to the per share closing price of the common stock on the grant date, and will vest as to one-fifth (20%) of the covered shares upon the common stock's average closing share price being above each of $2.00, $3.00, $4.00, $5.00 and $6.00 per share for a ninety (90)-day period, or upon a Change in Control Event (as defined in the Smith Offer Letter) resulting in the per share value of common stock being above those same thresholds (one-fifth (20%) if above $2.00, an additional one-fifth (20%) if above $3.00, an additional one-fifth (20%) if above $4.00, an additional one-fifth (20%) if above $5.00, and one hundred percent (100%) if above $6.00), subject to Mr. Smith's continued employment on the applicable vesting date. In the event of a Change in Control Event, outstanding stock options shall immediately expire to the extent they remain unvested; *provided, however*, the Company's Board may in its sole discretion, accelerate vesting effective immediately prior to, but contingent on, a Change in Control Event. To ensure alignment with stockholders, the options may not be exercised, and no option shares may be sold, within one hundred eighty (180) days of any portion of the options vesting, unless a Change in Control Event occurs. The options shall otherwise reflect the Company's standard terms and conditions for employee option grants, including a 10-year term, and will vest with respect to whole shares only.

In addition, the Smith Offer Letter provides that, in the event that Mr. Smith's employment is terminated by the Company other than for "Cause" (as defined in the Smith Offer Letter, and other than in connection with or within twelve (12) months following a "Change in Control Event" (as defined in the Smith Offer Letter)), Mr. Smith will receive the accrued and unpaid amount of the Smith Base Salary through the date of termination and will continue to receive the Smith Base Salary for a period of six (6) months after the date of termination commencing with the first (1st) payroll period following the thirtieth (30th) day after the date of termination. In the event that Mr. Smith's employment is terminated by the Company other than for Cause or if he resigns for "Good Reason" (as defined in the Smith Offer Letter) in connection with or within twelve (12) months following a Change in Control Event, he will receive the accrued and unpaid amount of the Smith Base Salary and, to the extent applicable, accrued and unpaid vacation through the date of termination, and will also continue to receive the Smith Base Salary for a period of twelve (12) months after the date of termination commencing with the first (1st) payroll period following the thirtieth (30th) day after the date of termination. Severance payable under the Smith Offer Letter is subject to effectiveness of a release of claims against the Company by Mr. Smith. Mr. Smith is also eligible for other benefits including participation in the Company's 401(k) plan and four (4) weeks of paid time off annually.

On May 15, 2017, in connection with Mr. Smith's stock option award grant, the Board amended the terms of Section 4(c) of the Company's 2010 Stock Incentive Plan, as amended, which limited the maximum number of shares of common stock for which stock options could be granted to any person in any calendar year to 350,000 shares, to permit, as a one-time waiver of such limit, the issuance of stock options covering 671,858 shares to Mr. Smith pursuant to the terms of the Smith Offer Letter.

Chief Financial Officer

Effective February 19, 2018, the Company hired Steve Waszak as Senior Vice President, Mergers and Acquisitions. Subsequently, on March 13, 2018 the Company announced that the Board appointed Steve Waszak, as the Company's CFO in addition to his role as Senior Vice President of Mergers and Acquisitions effective March 13, 2018.

In connection with this appointment, Mr. Waszak entered into an offer letter with the Company, dated February 2, 2018 (the "Waszak Offer Letter"), pursuant to which Mr. Waszak will receive an annual base salary of $275,000, subject to periodic adjustment (the "Waszak Base Salary") and will be eligible to participate in the Company's short-term incentive plan with a target bonus of thirty-three percent (33%) of his base salary. Pursuant to the Waszak Offer Letter, Mr. Waszak received a one-time grant of options covering 335,929 shares of common stock under the Company's 2010 Incentive Plan in March 2018. The options have an exercise price per share equal to the per share closing price of the common stock on the grant date, and will vest as to one-fifth (20%) of the covered shares upon the common stock's average closing share price being above each of $2.50, $3.00, $4.00, $5.00 and $6.00 per share for a ninety (90)-day period, or upon a Change in Control Event (as defined in the Waszak Offer Letter) resulting in the per share value of the common stock being above those same thresholds (one-fifth (20%) if above $2.50, an additional one-fifth (20%) if above $3.00, an additional one-fifth (20%) if above $4.00, an additional one-fifth (20%) if above $5.00, and one hundred percent (100%) if above $6.00), subject to Mr. Waszak's continued employment on the applicable vesting date. In the event of a Change in Control Event, outstanding stock options shall immediately expire to the extent they remain unvested; *provided, however*, the Board may, in its sole discretion, accelerate vesting effective immediately prior to, but contingent on, a Change in Control Event. To ensure alignment with stockholders, the options may not be exercised, and no option shares may be sold, within one hundred eighty (180) days of any portion of the options vesting, unless a Change in Control Event occurs. The options shall otherwise reflect the Company's standard terms and conditions for employee option grants, including a 10-year term, and will vest with respect to whole shares only.

In addition, the Waszak Offer Letter provides that, in the event that Mr. Waszak's employment is terminated by the Company other than for "Cause" (as defined in the Waszak Offer Letter and other than in connection with or within twelve (12) months following a "Change in Control Event" (as defined in the Waszak Offer Letter)), Mr. Waszak will receive the accrued and unpaid amount of the Waszak Base Salary through the date of termination and will continue to receive the Waszak Base Salary for a period of six (6) months after the date of termination commencing with the first (1st) payroll period following the thirtieth (30th) day after the date of termination. In the event that Mr. Waszak's employment is terminated by the Company other than for Cause or if he resigns for "Good Reason" (as defined the Waszak Offer Letter) in connection with or within twelve (12) months following a Change in Control Event, he will receive the accrued and unpaid amount of the Waszak Base Salary and, to the extent applicable, accrued and unpaid vacation through the date of termination, and will also continue to receive the Waszak Base Salary for a period of twelve (12) months after the date of termination commencing with the first (1st) payroll period following the thirtieth (30th) day after the date of termination. Severance payable under the Waszak Offer Letter is subject to effectiveness of a release of claims against the Company by Mr. Waszak. Mr. Waszak is also eligible for other benefits including participation in the Company's 401(k) plan and four (4) weeks of paid time off annually.

Chief Operating Officer

On May 15, 2017, the Board of Directors of the Company appointed Richard Fitzgerald as the Company's COO effective on or before June 5, 2017.

In connection with this appointment, Mr. Fitzgerald entered into an offer letter with the Company, dated May 15, 2017 (the "Fitzgerald Offer Letter"), pursuant to which Mr. Fitzgerald will receive an annual base salary of $300,000, subject to periodic adjustment (the "Fitzgerald Base Salary") and will be eligible to participate in the Company's short-term incentive plan with a target bonus of twenty-five percent (25%) of the Fitzgerald Base Salary. Pursuant to the Fitzgerald Offer Letter, Mr. Fitzgerald received a one-time grant of options covering 335,929 shares of common stock under the Company's 2010 Incentive Plan in June 2017. The options have an exercise price per share equal to the per share closing price of common stock on the grant date, and will vest as to one-fifth (20%) of the covered shares upon the common stock's average closing share price being above each of $2.00, $3.00, $4.00, $5.00 and $6.00 per share for a ninety (90)-day period, or upon a Change in Control Event (as defined in the Fitzgerald Offer Letter) resulting in the per share value of common stock being above those same thresholds (one-fifth (20%) if above $2.00, an additional one-fifth (20%) if above $3.00, an additional one-fifth (20%) if above $4.00, an additional one-fifth (20%) if above $5.00, and one hundred percent (100%) if above $6.00), subject to Mr. Fitzgerald's continued employment on the applicable vesting date. In the event of a Change in Control Event, outstanding stock options shall immediately expire to the extent they remain unvested; *provided, however*, the Board may, in its sole discretion, accelerate vesting effective immediately prior to, but contingent on, a Change in Control Event. To ensure alignment with stockholders, the options may not be exercised, and no option shares may be sold, within one hundred eighty (180) days of any portion of the options vesting, unless a Change in Control Event occurs. The options shall otherwise reflect the Company's standard terms and conditions for employee option grants, including a 10-year term, and will vest with respect to whole shares only.

In addition, the Fitzgerald Offer Letter provides that, in the event that Mr. Fitzgerald's employment is terminated by the Company other than for "Cause" (as defined in the Fitzgerald Offer Letter and other than in connection with or within twelve (12) months following a "Change in Control Event" (as defined in the Fitzgerald Offer Letter)), Mr. Fitzgerald will receive the accrued and unpaid amount of the Fitzgerald Base Salary through the date of termination and will continue to receive the Fitzgerald Base Salary for a period of six (6) months after the date of termination commencing with the first (1st) payroll period following the thirtieth (30th) day after the date of termination. In the event that Mr. Fitzgerald's employment is terminated by the Company other than for Cause or if he resigns for "Good Reason" (as defined the Fitzgerald Offer Letter) in connection with or within twelve (12) months following a Change in Control Event, he will receive the accrued and unpaid amount of the Fitzgerald Base Salary and, to the extent applicable, accrued and unpaid vacation through the date of termination, and will also continue to receive the Fitzgerald Base Salary for a period of twelve (12) months after the date of termination commencing with the first (1st) payroll period following the thirtieth (30th) day after the date of termination. Severance payable under the Fitzgerald Offer Letter is subject to effectiveness of a release of claims against the Company by Mr. Fitzgerald. Mr. Fitzgerald is also eligible for other benefits including participation in the Company's 401(k) plan and three (3) weeks of paid time off annually.

On November 4, 2020, the Company announced that Richard J. Fitzgerald, Chief Operating Officer, has decided for personal reasons to pursue other opportunities. On January 3, 2021, the Company and Mr. Fitzgerald entered into a Separation Agreement, pursuant to which Mr. Fitzgerald's employment will terminate effective March 31, 2021, unless earlier terminated in accordance with its terms or extended at the discretion of the Chief Executive Officer in the event certain operational projects are not substantially completed by that date. The Separation Agreement provides that Mr. Fitzgerald will (i) receive severance in the amount of $323,100, payable beginning on his termination date, (ii) refrain from competing in the Company's industry or soliciting the Company's employees for a period of 12 months following his termination date, (iii) refrain from soliciting the Company's customers for a period of 24 months following his termination date, and (vi) release any claims against the Company or its affiliates.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of March 17, 2021, the number of shares beneficially owned and the percentage ownership for: (a) each person who is known by us to own beneficially more than five percent (5%) of our outstanding shares of common stock; (b) each named executive officer; (c) each current director and director nominees; and (d) all executive officers and current directors and director nominees as a group.

As of March 17, 2021, we had 28,513,810 shares of common stock outstanding.

Unless otherwise indicated below, to our knowledge, all persons listed below have sole voting and investment power with respect to their shares, and each entity or person listed below maintains a mailing address of c/o SMTC Corporation, 7050 Woodbine Avenue, Markham, Ontario, Canada L3R 4G8. The number of shares beneficially owned by each person is determined under rules promulgated by the SEC. Under these rules, beneficial ownership includes any shares as to which the person has sole or shared voting or investment power and any shares as to which the individual or entity has the right to acquire beneficial ownership of within sixty (60) days after March 17, 2021.

On January 3, 2021, in connection with the execution of the Merger Agreement, Parent entered into a Voting Agreement (the "Voting Agreement") with each of our directors and executive officers and Red Oak Partners, LLC ("Red Oak Partners," and, together with each of our directors and executive officers, the "Voting Agreement Stockholders" and, each, a "Voting Agreement Stockholder"), pursuant to which the Voting Agreement Stockholders have agreed to, among other things, and subject to certain conditions, vote, or cause to be voted, shares of our common stock representing approximately 30% of the total shares of our common stock entitled to notice of, and to vote at, the Special Meeting, as of the date of the Merger Agreement, in favor of the proposal to adopt the Merger Agreement and the transactions contemplated thereby, including the Merger. Red Oak Partners is our largest stockholder and Mr. David Sandberg, a member of the Board, is the managing member of Red Oak Partners.

In connection with the Voting Agreement, on January 13, 2021, certain affiliates of H.I.G. filed a Schedule 13D (the "Schedule 13D") with the SEC. Beneficial ownership of 8,530,231 shares of our common stock was reported thereunder solely because the Reporting Person (as defined in the Schedule 13D) may be deemed to have beneficial ownership of such shares as a result of the Voting Agreement. Neither the filing of the Schedule 13D nor any of its contents was deemed to constitute an admission by any Reporting Person that it is the beneficial owner of the shares of common stock subject to the Voting Agreement for purposes of Section 13(d) of the Exchange Act, or for any other purpose, and such beneficial ownership was expressly disclaimed by each reporting person.

Name and Address	Number of Shares Beneficially Owned	Shares Acquirable Within 60 Days	Total Beneficial Ownership	Percentage of Common Stock Beneficially Owned
	Shares Beneficially Owned			
Stockholders with more than 5% ownership:				
Red Oak Partners, LLC (1)	6,201,623	—	6,201,623	22 %
1969 SW 17th Street				
Boca Raton, Florida 33486				
Nelson Obus in care of Wynnefield Partners Small Cap Value, L.P. (2)				
450 Seventh Avenue, Suite 509				
New York, New York 10123	2,001,416	—	2,001,416	7 %
Directors and Named Executive Officers:				
Clarke Bailey (3)	477,573	50,576	528,149	2 %
David Sandberg (1)	6,201,623	—	6,201,623	22 %
J. Randall Waterfield (4)	1,019,791	20,230	1,040,021	4 %
Frederick Wasserman (5)	80,320	20,230	100,550	#
Edward Smith (6)	461,228	221,616	682,844	2 %
Steve Waszak (7)	33,214	201,558	234,772	#
Richard Fitzgerald (8)	256,482	—	256,482	1 %
All Directors and Named Executive Officers as a group (7 persons) (12)	8,530,231	514,210	9,044,441	32 %

* Less than 1%

(1) Mr. Sandberg directly owns 1,060,920 shares of common stock and indirectly owns 5,140,703 shares of common stock as reported on a Form 4 filed on December 13, 2019 with SEC and as summarized below:
  (a) Red Oak Partners, LLC (“ROP”) serves as the general partner of The Red Oak Fund, LP, a Delaware limited partnership (the “Fund”), the direct owner of 2,339,595 shares. David Sandberg is the managing member of ROP and the Fund’s portfolio manager.
  (b) ROP serves as the general partner of The Red Oak Long Fund, LP, a Delaware limited partnership (the “Long Fund”), the direct owner of 980,926 shares. David Sandberg is the managing member of ROP and the Long Fund’s portfolio manager.
  (c) ROP serves as the general partner of The Red Oak Institutional Founders Long Fund, LP, a Delaware limited partnership (the “Founders Fund”), the direct owner of 1,820,182 shares. David Sandberg is the managing member of ROP and the Founders Fund’s portfolio manager.

(2) Includes shares of common stock held by Wynnefield Partners Small Cap Value, L.P., Wynnefield Small Cap Value Offshore Fund, Ltd., and Wynnefield Capital, Inc. Profit Sharing Plan.

(3) Consists of (a) 477,573 shares of common stock held directly by Mr. Bailey, and (b) 50,576 shares of common stock issuable upon the exercise of Company Options or Vested Company Options, as applicable, within 60 days after March 17, 2021.

(4) Consists of (a) 1,019,791 shares of common stock held directly by Mr. Waterfield, and (b) 20,230 shares of common stock issuable upon the exercise of Company Options or Vested Company Options, as applicable, within 60 days after March 17, 2021.

(5) Consists of (a) 80,320 shares of common stock held directly by Mr. Wasserman, and (b) 20,230 shares of common stock issuable upon the exercise of Company Options or Vested Company Options, as applicable, within 60 days after March 17, 2021.

(6) Consists of (a) 461,228 shares of common stock held directly by Mr. Smith, and (b) 221,616 shares of common stock issuable upon the exercise of Company Options or Vested Company Options, as applicable, within 60 days after March 17, 2021.

(7) Consists of (a) 33,214 shares of common stock held directly by Mr. Waszak, and (b) 201,558 shares of common stock issuable upon the exercise of Company Options or Vested Company Options, as applicable, within 60 days after March 17, 2021.

(8) Consists of (a) 256,482 shares of common stock held directly by Mr. Fitzgerald, and (b) no shares of common stock issuable upon the exercise of Company Options or Vested Company Options, as applicable, within 60 days after March 17, 2021.

(9) Consists of an aggregate of (i) 8,530,231 shares of common stock held directly by our executive officers and directors and (ii) an aggregate of 514,210 shares of common stock that our executive officers and directors may acquire within 60 days through the exercise of Company Options or Vested Company Options, as applicable, within 60 days after March 17, 2021.

Equity Compensation Plan Information

The Company maintains the SMTC Corporation 2019 Incentive Plan (the "2019 Plan"), which was adopted by the Board of Directors and approved by the stockholders of the Company in May 2019, which superseded the SMTC Corporation 2010 Incentive Plan (the "2010 Plan"). No new awards will be granted under the 2010 Plan. The total number of shares remaining available for future issuance under the 2019 Plan as at January 3, 2021 is 1,889,174.

The following table gives information about awards under the incentive plan as of January 3, 2021:

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights (1)	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column a)
Equity compensation plans approved by stockholders	3,052,265	$ 2.31	1,889,174
Equity compensation plans not approved by stockholders	—	—	—
Total	3,052,265	$ 2.31	1,889,174

(1) The weighted average exercise price only applies to the 1,961,316 of outstanding stock options as there is no exercise price on the 439,000 outstanding RSUs or the 651,949 warrants.

Item 13. Certain Relationships and Related Transactions and Director Independence

Director Independence

See the information disclosed under "Director Independence" in Item 10. "Directors, Executive Officers and Corporate Governance" in this Form 10-K.

Related Person Transactions

The Company uses a combination of Company policies and established review procedures, including adherence to Nasdaq Rules, to ensure related person transactions are reviewed, approved and ratified, as appropriate. We do not maintain these policies and procedures under a single written policy.

The Nominating and Corporate Governance Committee is responsible for considering and reporting to the Board any questions of possible conflicts of interest involving the Company's directors. The Board of Directors is further required to meet the independence standards set forth in the Nasdaq Rules. The Company's Corporate Code of Ethics and Conduct, which applies to all directors, officers and employees, provides guidance on matters such as conflicts of interest and purchasing integrity, among others.

We require that each director and officer complete a questionnaire annually. The questionnaire requires positive written affirmation regarding related person transactions that may constitute a conflict of interest, including: any transaction or proposed transaction in excess of $120,000 involving the director or officer or an immediate family member and the Company, a subsidiary or any pension or retirement savings plan; any indebtedness to the Company; dealings with competitors, suppliers or customers; any interest in real or personal property in which the corporation also has an interest; and the potential sale of any real or personal property or business venture or opportunity that will be presented to the Company for consideration. We review each questionnaire to identify any transactions or relationships that may constitute a conflict of interest, require disclosure, or affect an independence determination.

For situations in which it is either clear that a conflict of interest exists or there is a potential conflict of interest, the related director or officer is obligated to recuse himself from any discussion on the business arrangement. That director or officer does not participate in the review and approval process for the related transaction.

The Compliance Officer, together with our Chief Executive Officer, or the Nominating and Corporate Governance Committee and Board of Directors review transactions involving directors and/or officers that either clearly represent or may represent a conflict of interest. They determine whether these transactions are on terms that are as fair as if the transactions were on an arm's length basis. If the Compliance Officer and the Nominating and Corporate Governance Committee were to determine that a transaction is not on terms that are as fair as if it were on an arm's length basis, the transaction would be modified such that the transaction is as fair as if it were on an arm's length basis.

There were no transactions required to be reported under Item 404(a) of Regulation S-K or that were required to be reviewed pursuant to the above policies and procedures for fiscal year ending January 3, 2021.

Item 14. Principal Accountant Fees and Services

Set forth below are the aggregate fees incurred by the Company to its independent registered public accounting firm, PricewaterhouseCoopers LLP, for the fiscal years indicated.

	2020	2019
Audit fees	$ 1,195,266	$ 957,900
Tax fees	272,627	134,545
Total fees	$ 1,467,893	$ 1,092,445

The amounts are presented in USD and converted using an average twelve month exchange rate of USD $1.00 to CAD $1.34 and USD $1.00 to CAD $1.32 for fiscal years 2020 and 2019, respectively.

Audit Fees — Consists of fees for professional services rendered in connection with the audit of our annual financial statements, the review of the interim financial statements included in our quarterly reports on Form 10-Q, and other services provided in connection with statutory and regulatory filings, including but not limited to the audit procedures on internal control over financial reporting.

Tax Fees — Consists of fees for professional services related to tax compliance, planning, consulting services and due diligence procedures related to M&A activities.

There were no non-audit or other fees incurred during fiscal 2020 and 2019.

Audit Committee Pre-Approval Policies and Procedures; Determination of Independence

The Audit Committee's charter provides that the Audit Committee will pre-approve all audit, audit related and non-audit services to be provided by our independent registered public accounting firm before the independent registered public accounting firm is engaged to render these services. The Audit Committee has considered whether the independent registered accounting firm's provision of non-audit services is compatible with its independence. In April 2004, the Board adopted an Audit and Non-Audit Services Pre-Approval Policy for the Audit Committee. Under this policy, the Audit Committee has pre-approved certain audit and audit related services, tax services and other services. The Audit Committee has determined that the provision of those services that are pre-approved in this policy will not impair the independence of the Company's independent registered public accounting firm. The provision of services by the independent registered public accounting firm that are not pre-approved in this policy are subject to separate pre-approval by the Audit Committee. This policy also pre-approved specified fee levels for the specific services. Payments in excess of these specified fee levels are subject to separate pre-approval by the Audit Committee. All audit, non-audit services and tax fees performed by our independent registered public accounting firm in 2020 and 2019 have been pre-approved by our Audit Committee to assure that such services do not impair the independent registered public accounting firm's independence from the Company.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) (1) **Financial Statements.**

The consolidated financial statements filed as part of this Report are listed and indexed at page F-1.

(a) (2) **Financial Statement Schedule.**

All schedules have been omitted because they are not required or applicable under the instructions or because the information required is included in the consolidated financial statements or notes thereto.

(a) (3) **Exhibits.**

See exhibit index beginning at page 66.

EXHIBIT INDEX

Listed below are all exhibits filed as part of this Annual Report on Form 10-K.

Exhibit #	Description
2.1	Purchase Agreement, dated as of November 8, 2018, by and among the Registrant, MC Assembly Holdings, Inc., each of the stockholders of MC Assembly Holdings, Inc., and Cyprium Investment Partners LLC. (1)
2.2+	Agreement and Plan of Merger, dated as of January 3, 2021, by and among EMS Silver Inc., EMS Silver Merger Sub Inc., and SMTC Corporation. (2)
3.1	Fifth Amended and Restated Certificate of Incorporation of the Registrant, as amended to date. (3)
3.2*	Second Amended and Restated By-Laws of the Registrant, as amended to date.
4.1	Stockholders Agreement, dated as of November 22, 2000, by and among the Registrant and the Stockholders referred to therein. (4)
4.2	Form of Certificate Representing Shares of Common Stock of the Registrant. (5)
4.3	Tax Benefits Preservation Plan, dated as of December 29, 2014, by and between the Registrant and Computershare Inc., as Rights Agent. (6)
4.4*	Description of Registrant's Securities
4.5	Form of Warrant (7)
10.1#	SMTC Corporation 2010 Incentive Plan. (8)
10.2#	SMTC Corporation 2019 Incentive Plan. (9)
10.3	Amended and Restated Revolving Credit and Security Agreement, dated as of November 8, 2018, by and among the Registrant, SMTC Manufacturing Corporation of California, SMTC Mex Holdings, Inc., HTM Holdings, Inc., MC Test Service, Inc., MC Assembly International LLC, MC Assembly LLC, and other persons who may join as borrowers thereto, PNC Bank, National Association, and the other financial institutions which are now or which hereafter become a party thereto. (10)
10.4	First Amendment to Amended and Restated Revolving Credit and Security Agreement, dated as of March 29, 2019, by and among the Registrant, SMTC Manufacturing Corporation of California, SMTC Mex Holdings, Inc., HTM Holdings, Inc., MC Test Service, Inc., MC Assembly International LLC, MC Assembly LLC, and other persons who may join as borrowers thereto, PNC Bank, National Association, and the other financial institutions which are now or which hereafter become a party thereto. (11)
10.5	Second Amendment to Amended and Restated Revolving Credit and Security Agreement, dated as of August 8, 2019, by and among the Registrant, SMTC Manufacturing Corporation of California, SMTC Mex Holdings, Inc., HTM Holdings, Inc., MC Test Service, Inc., MC Assembly International LLC, MC Assembly LLC, and other persons who may join as borrowers thereto, PNC Bank, National Association, and the other financial institutions which are now or which hereafter become a party thereto. (12)
10.6	Third Amendment to Amended and Restated Revolving Credit and Security Agreement, dated as of September 27, 2019, by and among the Registrant, SMTC Manufacturing Corporation of California, SMTC Mex Holdings, Inc., HTM Holdings, Inc., MC Test Service, Inc., MC Assembly International LLC, MC Assembly LLC, and other persons who may join as borrowers thereto, PNC Bank, National Association, and the other financial institutions which are now or which hereafter become a party thereto. (13)
10.7	Fourth Amendment to Amended and Restated Revolving Credit and Security Agreement, dated as of June 26, 2020, by and among the Registrant, SMTC Manufacturing Corporation of California, SMTC Mex Holdings, Inc., HTM Holdings, Inc., MC Test Service, Inc., MC Assembly International LLC, MC Assembly LLC, and other persons who may join as borrowers thereto, PNC Bank, National Association, and the other financial institutions which are now or which hereafter become a party thereto. (14)

10.8	Fifth Amendment to Amended and Restated Revolving Credit and Security Agreement, dated as of September 15, 2020, by and among the Registrant, SMTC Manufacturing Corporation of California, SMTC Mex Holdings, Inc., HTM Holdings, Inc., MC Test Service, Inc., MC Assembly International LLC, MC Assembly LLC, and other persons who may join as borrowers thereto, PNC Bank, National Association, and the other financial institutions which are now or which hereafter become a party thereto. (15)
10.9	Sixth Amendment to Amended and Restated Revolving Credit and Security Agreement, dated as of December 28, 2020, by and among the Registrant, SMTC Manufacturing Corporation of California, SMTC Mex Holdings, Inc., HTM Holdings, Inc., MC Test Service, Inc., MC Assembly International LLC, MC Assembly LLC, and other persons who may join as borrowers thereto, PNC Bank, National Association, and the other financial institutions which are now or which hereafter become a party thereto. (16)
10.10	Financing Agreement, dated as of November 8, 2018, by and among the Registrant, MC Assembly, LLC, MC Assembly International, LLC, MC Test Service, Inc., SMTC Manufacturing Corporation of California, and SMTC Mex Holdings Inc., as borrowers, the Registrant, HTM Holdings, Inc., and MC Assembly Holdings, Inc., as guarantors, the lenders from time to time party thereto, and TCW Asset Management Company LLC, as collateral agent and administrative agent. (17)
10.11	Amendment No. 1 and Waiver, dated March 29, 2019, to Financing Agreement, dated as of November 8, 2018, by and among MC Assembly, LLC, MC Assembly International, LLC, MC Test Service, Inc., SMTC Manufacturing Corporation of California, and SMTC Mex Holdings Inc., as borrowers, HTM Holdings, Inc., MC Assembly Holdings, Inc., and the Registrant, as guarantors, lenders from time to time party thereto, TCW Asset Management Company LLC, as collateral agent and administrative agent. (18)
10.12	Amendment No. 2, dated July 3, 2019, to Financing Agreement, dated as of November 8, 2018, by and among MC Assembly, LLC, MC Assembly International, LLC, MC Test Service, Inc., SMTC Manufacturing Corporation of California, and SMTC Mex Holdings Inc., as borrowers, HTM Holdings, Inc., MC Assembly Holdings, Inc., and the Registrant, as guarantors, lenders from time to time party thereto, TCW Asset Management Company LLC, as collateral agent and administrative agent (19).
10.13	Amendment No. 3, dated August 8, 2019, to Financing Agreement, dated as of November 8, 2018, by and among MC Assembly, LLC, MC Assembly International, LLC, MC Test Service, Inc., SMTC Manufacturing Corporation of California, and SMTC Mex Holdings Inc., as borrowers, HTM Holdings, Inc., MC Assembly Holdings, Inc., and the Registrant, as guarantors, lenders from time to time party thereto, TCW Asset Management Company LLC, as collateral agent and administrative agent. (20)
10.14	Amendment No. 4 to Financing Agreement, dated as of September 27, 2019, by and among MC Assembly, LLC, MC Assembly International, LLC, MC Test Service, Inc., SMTC Manufacturing Corporation of California, and SMTC Mex Holdings Inc., as borrowers, HTM Holdings, Inc., MC Assembly Holdings, Inc., and the Registrant, as guarantors, lenders from time to time party thereto, TCW Asset Management Company LLC, as collateral agent and administrative agent. (21)
10.15	Amendment No. 5 to Financing Agreement, dated as of June 26, 2020, by and among MC Assembly, LLC, MC Assembly International, LLC, MC Test Service, Inc., SMTC Manufacturing Corporation of California, and SMTC Mex Holdings Inc., as borrowers, HTM Holdings, Inc., MC Assembly Holdings, Inc., and the Registrant, as guarantors, lenders from time to time party thereto, TCW Asset Management Company LLC, as collateral agent and administrative agent. (22)
10.16	Amendment No. 6 to Financing Agreement, dated as of June 26, 2020, by and among MC Assembly, LLC, MC Assembly International, LLC, MC Test Service, Inc., SMTC Manufacturing Corporation of California, and SMTC Mex Holdings Inc., as borrowers, HTM Holdings, Inc., MC Assembly Holdings, Inc., and the Registrant, as guarantors, lenders from time to time party thereto, TCW Asset Management Company LLC, as collateral agent and administrative agent. (23)

10.17	Amendment No. 7 to Financing Agreement, dated as of December 28, 2020, by and among MC Assembly, LLC, MC Assembly International, LLC, MC Test Service, Inc., SMTC Manufacturing Corporation of California, and SMTC Mex Holdings Inc., as borrowers, HTM Holdings, Inc., MC Assembly Holdings, Inc., and the Registrant, as guarantors, lenders from time to time party thereto, TCW Asset Management Company LLC, as collateral agent and administrative agent. (24)
10.18	Form of Subscription Agreement, by and between the Registrant and lenders from time to time party to the Financing Agreement with TCW. (25)
10.19	Form of Seventh Amendment Subscription Agreement, by and between the Registrant and the lenders from time to time party to the Financing Agreement with TCW. (26)
10.20	Form of Registration Rights Agreement, by and among the Registrant and the investors listed on the Schedule of Subscribers attached thereto. (27)
10.21	Form of Seventh Amendment Registration Rights Agreement, by and among the Registrant and the investors listed on the Schedule of Subscribers attached thereto. (28)
10.22	Stockholder Agreement, dated as of January 5, 2012, by and between the Registrant and Red Oak Partners, LLC. (29)
10.23#	Form of Indemnification Agreement. (30)
10.24#	Services Agreement, dated as of February 1, 2017, by and between the Registrant and Edward Smith. (31)
10.25#	Employment Offer Letter, dated as of May 15, 2017, by and between the Registrant and Edward Smith. (32)
10.26#	Employment Offer Letter, dated as of May 11, 2017, by and between the Registrant and Richard Fitzgerald. (33)
10.27#	Employment Offer Letter, dated as of March 13, 2018, by and between the Registrant and Steven Waszak. (34)
10.28*#	Separation Agreement, dated as of January 3, 2021, by and between the Registrant and Richard Fitzgerald.*
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Independent Registered Public Accounting Firm.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

(1) Filed as Exhibit 2.1 to the Registrant’s Current Report on Form 8-K filed on November 9, 2018 (File No. 0-31051) and incorporated by reference herein.
(2) Filed as Exhibit 2.1 to the Registrant’s Current Report on Form 8-K filed on January 4, 2021 (File No. 0-31051) and incorporated by reference herein.
(3) Filed as Exhibit 3.1 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on March 13, 2020 (File No. 0-31051) and incorporated by reference herein.
(4) Filed as Exhibit 4.1.2 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed on April 2, 2001 (File No. 0-31051) and incorporated by reference herein.
(5) Filed as Exhibit 4.2 to Amendment No. 2 to the Registrant’s Registration Statement on Form S-1 filed on June 19, 2000 (File No. 333-33208) and incorporated by reference herein.
(6) Filed as Exhibit 4.1 to the Registrant’s Current Report on Form 8-K filed on December 30, 2014 (File No. 0-31051) and incorporated by reference herein.
(7) Filed as Exhibit 4.1 to the Registrant’s Current Report on Form 8-K filed on December 31, 2020 (File No. 0-31051) and incorporated by reference herein.
(8) Filed as Appendix A to the Registrant’s Definitive Proxy Statement on Form Schedule 14A filed on June 10, 2016 (File No. 0-31051) and incorporated by reference herein.
(9) Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on May 14, 2019 (File No. 000-31051) and incorporated by reference herein.
(10) Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on November 9, 2018 (File No. 0-31051) and incorporated by reference herein.
(11) Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on April 4, 2019 (File No. 000-31051) and incorporated by reference herein.
(12) Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on August 12, 2019 (File No. 000-31051) and incorporated by reference herein.
(13) Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on October 2, 2019 (File No. 000-31051) and incorporated by reference herein.
(14) Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on June 29, 2020 (File No. 000-31051) and incorporated by reference herein.
(15) Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on September 28, 2020 (File No. 000-31051) and incorporated by reference herein.
(16) Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on December 31, 2020 (File No. 000-31-51) and incorporated by reference herein.
(17) Filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed on November 9, 2018 (File No. 0-31051) and incorporated by reference herein.
(18) Filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed on April 4, 2019 (File No. 000-31051) and incorporated by reference herein.
(19) Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on July 5, 2019 (File No. 000-31051) and incorporated by reference herein.
(20) Filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed on August 12, 2019 (File No. 000-31051) and incorporated by reference herein.
(21) Filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed on October 2, 2019 (File No. 000-31051) and incorporated by reference herein.
(22) Filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed on June 29, 2020 (File No. 000-31051) and incorporated by reference herein.
(23) Filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed on September 28, 2020 (File No. 000-31051) and incorporated by reference herein.
(24) Filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed on December 31, 2020 (File No. 000-31051) and incorporated by reference herein.
(25) Filed as Exhibit 10.3 to the Registrant’s Current Report on Form 8-K filed on November 9, 2018 (File No. 0-31051) and incorporated by reference herein.
(26) Filed as Exhibit 10.3 to the Registrant’s Current Report on Form 8-K filed on December 31, 2020 (File No. 0-31051) and incorporated by reference herein.
(27) Filed as Exhibit 10.4 to the Registrant’s Current Report on Form 8-K filed on November 9, 2018 (File No. 0-31051) and incorporated by reference herein.

(28) Filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on December 31, 2020 (File No. 0-31051) and incorporated by reference herein.
(29) Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 11, 2012 (File No. 0-31051) and incorporated by reference herein.
(30) Filed as Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 28, 2014 filed on March 30, 2015 (File No. 0-31051) and incorporated by reference herein.
(31) Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on February 2, 2017 (File No. 0-31051) and incorporated by reference herein.
(32) Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended April 2, 2017 filed on May 17, 2017 (File No. 0-31051) and incorporated by reference herein.
(33) Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the period ended April 2, 2017 filed on May 17, 2017 (File No. 0-31051) and incorporated by reference herein.
(34) Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 14, 2018 (File No. 0-31051) and incorporated by reference herein.

* Filed herewith
** Furnished herewith
\# Indicates exhibits that are management contracts or compensation plans or arrangements
\+ Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to supplementally furnish copies of any omitted schedules to the Securities and Exchange Commission upon request.
† Certain portions of the exhibit have been omitted pursuant to Rule 601(b)(10) of Regulation S-K. The omitted information is (i) not material and (ii) would likely cause competitive harm to the Company if publicly disclosed.

Item 16. Form 10-K Summary

Not Applicable.

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.

SMTC CORPORATION

By: /s/ Edward Smith
Edward Smith
President and Chief Executive Officer

Date: March 17, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Edward Smith **Edward Smith**	President, Chief Executive Officer and Director (Principal Executive Officer)	March 17, 2021
/s/ Steve Waszak **Steve Waszak**	Chief Financial Officer (Principal Officer Financial and Principal Accounting Officer)	March 17, 2021
/s/ Clarke Bailey **Clarke Bailey**	Chair of the Board of Directors	March 17, 2021
/s/ David Sandberg **David Sandberg**	Director	March 17, 2021
/s/ Frederick Wasserman **Frederick Wasserman**	Director	March 17, 2021
/s/ J. Randall Waterfield **J. Randall Waterfield**	Director	March 17, 2021

SMTC CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of SMTC Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of SMTC Corporation and its subsidiaries (together, the Company) as of January 3, 2021 and December 29, 2019, and the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for each of the years ended January 3, 2021, December 29, 2019 and December 30, 2018, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of January 3, 2021, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 3, 2021 and December 29, 2019, and the results of its operations and its cash flows for each of the three years ended January 3, 2021, December 29, 2019 and December 30, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 3, 2021, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 and Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019 and the manner in which it accounts for revenue in 2018, respectively.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

The percentage of completion of unbilled contract assets relating to work-in-progress (WIP) inventory

As described in Notes 3 and 4 to the consolidated financial statements, the Company recognizes revenue for custom manufacturing services over time as products are manufactured. As of January 3, 2021, the Company has unbilled contract assets of $11.1 million relating to WIP inventory of custom manufactured products. Management is required to use significant judgment to estimate the percentage of completion of its unbilled contract assets relating to WIP inventory using manufacturing inputs to determine the portion of the performance obligation that has been satisfied.

The principal considerations for our determination that performing procedures relating to the percentage of completion of unbilled contract assets relating to WIP inventory is a critical audit matter is the significant judgment applied by management when developing the estimated percentage of completion using manufacturing inputs for the unbilled contract assets relating to WIP inventory. This led to significant auditor judgment and effort in performing procedures to evaluate the estimated percentage of completion.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the process to record the unbilled contract assets, contract revenues, and the estimate of the percentage of completion of its unbilled contract assets relating to WIP inventory using manufacturing inputs. These procedures also included, among others, (i) developing an independent estimate of the WIP inventory percentage of completion by comparing average production times for a sample of contracts to actual shipments subsequent to year-end; (ii) comparing the independent estimate to management's estimate; (iii) testing the completeness and accuracy of data provided by management; and (iv) testing the completeness and existence of the unbilled contract asset relating to WIP inventory.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Canada
March 17, 2021

We have served as the Company's auditor since 2014.

SMTC CORPORATION
Consolidated Balance Sheets
(Expressed in thousands of U.S. dollars)

	January 3, 2021	December 29, 2019
Assets		
Current assets:		
Cash	$ 600	$ 1,368
Accounts receivable–net (note 4)	69,627	69,919
Unbilled contract assets (note 4)	39,336	26,271
Inventories (note 4)	49,799	47,826
Prepaids and other assets	7,872	7,044
Derivative assets (note 8)	1,055	—
Income taxes receivable	307	—
Total current assets	168,596	152,428
Property, plant and equipment–net (note 4)	24,305	25,310
Operating lease right of use assets-net (note 5)	7,791	3,330
Goodwill (note 4)	18,165	18,165
Intangible assets – net (note 4)	9,701	12,747
Deferred income taxes–net (note 9)	569	540
Deferred financing costs–net	812	859
Total assets	$ 229,939	$ 213,379
Liabilities and Shareholders' Equity		
Current liabilities:		
Revolving credit facility (note 5)	$ 34,694	$ 34,701
Accounts payable	72,608	74,126
Accrued liabilities (note 4)	21,946	11,164
Warrant liability (note 5)	3,233	1,730
Restructuring liability (note 14)	2,443	1,597
Income taxes payable	478	157
Current portion of long-term debt (note 5)	2,500	1,250
Current portion of operating lease obligations (note 5)	2,590	1,128
Current portion of finance lease obligations (note 5)	2,245	1,226
Total current liabilities	142,737	127,079
Long-term debt – net (note 5)	30,930	33,750
Operating lease obligations (note 5)	5,590	2,615
Finance lease obligations (note 5)	9,492	8,838
Total liabilities	$ 188,749	$ 172,282
Shareholders' equity:		
Capital stock (note 6)	511	508
Additional paid-in capital	294,060	293,389
Deficit	(253,381)	(252,800)
	41,190	41,097
	$ 229,939	$ 213,379

Commitments and contingencies (note 12)
Subsequent event note (note 16)

See accompanying notes to consolidated financial statements.

SMTC CORPORATION
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in thousands of U.S. dollars, except number of shares and per share amounts)

	Year ended January 3, 2021	Year ended December 29, 2019	Year ended December 30, 2018
Revenue (note 11)	$ 386,450	$ 372,511	$ 216,131
Cost of sales (note 8)	343,177	335,490	194,470
Gross profit	43,273	37,021	21,661
Expenses:			
Selling, general and administrative expenses (note 15)	29,602	27,040	18,062
Change in fair value of contingent consideration	—	(3,050)	—
Restructuring charges (notes 14)	4,125	7,955	172
Gain on disposal of property, plant and equipment	—	—	(30)
Operating earnings	9,546	5,076	3,457
Fair value measurement loss (gain) on warrant liability	852	(279)	111
Interest expense (note 4)	8,049	10,562	3,117
(Loss) earnings before income taxes	645	(5,207)	229
Income tax expense (recovery) (note 9)			
Current	1,255	948	752
Deferred	(29)	(160)	(75)
	1,226	788	677
Net loss and comprehensive loss	$ (581)	$ (5,995)	$ (448)
Basic loss per share	$ (0.02)	$ (0.23)	$ (0.02)
Diluted loss per share	$ (0.02)	$ (0.23)	$ (0.02)
Weighted average number of shares outstanding (note 10)			
Basic	28,244,244	25,745,499	19,176,198
Diluted	28,244,244	25,745,499	19,176,198

See accompanying notes to consolidated financial statements.

SMTC CORPORATION
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of U.S. dollars except for number of shares)

	Common Shares	Capital stock	Additional paid-in capital	Deficit	Total Shareholders' equity
Balance, December 31, 2017	16,992,627	$ 396	$ 265,355	$ (246,677)	$ 19,074
Modified retrospective adoption of ASC 606 – Revenue from contracts with customers (note 3)	—	—	—	320	320
RSU vested and stock options exercised	418,986	4	357	—	361
Issuance of common shares from rights offering (note 6)	5,777,768	58	12,529	—	12,587
Stock-based compensation (note 7)	—	—	407	—	407
Net loss for the year	—	—	—	(448)	(448)
Balance, December 30, 2018	23,189,381	$ 458	$ 278,648	$ (246,805)	$ 32,301

	Common Shares	Capital stock	Additional paid-in capital	Deficit	Total Shareholders' equity
Balance, December 30, 2018	23,189,381	458	278,648	(246,805)	32,301
Treasury stocks (note 6)	(21,264)	—	(75)	—	(75)
RSU vested and stock options exercised	385,153	4	42	—	46
Issuance of common shares from rights offering (note 6)	4,642,030	46	13,998	—	14,044
Stock-based compensation (note 7)	—	—	776	—	776
Net loss for the year	—	—	—	(5,995)	(5,995)
Balance, December 29, 2019	28,195,300	$ 508	$ 293,389	$ (252,800)	$ 41,097

	Common Shares	Capital stock	Additional paid-in capital	Deficit	Total Shareholders' equity
Balance, December 29, 2019	28,195,300	508	293,389	(252,800)	41,097
Treasury stocks (note 6)	(124,048)	(1)	(464)	—	(465)
RSU vested and stock options exercised	442,558	4	374	—	378
Stock-based compensation (note 7)	—	—	761	—	761
Net loss for the year	—	—	—	(581)	(581)
Balance, January 3, 2021	28,513,810	$ 511	$ 294,060	$ (253,381)	$ 41,190

See accompanying notes to consolidated financial statements.

SMTC CORPORATION
Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)

	Year ended January 3, 2021	Year ended December 29, 2019	Year ended December 30, 2018
Cash provided by (used in):			
Operations:			
Net loss	$ (581)	$ (5,995)	$ (448)
Items not involving cash:			
Depreciation of property, plant and equipment	6,168	6,548	3,791
Amortization of intangible assets	3,046	7,188	1,065
Unrealized gain on unsettled forward exchange contracts	(1,055)	—	(353)
Write down of property, plant and equipment	—	158	—
Deferred income taxes	(29)	(160)	(75)
Amortization of deferred financing fees and debt issuance costs	1,205	1,592	194
Stock-based compensation	761	775	407
Loss (gain) related to adjustment to fair value of warrant liability	852	(279)	111
Change in fair value of contingent consideration	—	(3,050)	—
Gain on sale of property, plant and equipment	—	—	(30)
Change in non-cash operating working capital:			
Accounts receivable	292	3,067	(24,030)
Unbilled contract assets	(13,065)	(5,866)	(7,949)
Inventories	(1,973)	5,377	(8,027)
Prepaid expenses and other assets	(828)	(1,018)	(883)
Income taxes receivable/payable	14	305	(179)
Accounts payable	(1,404)	(2,612)	23,698
Accrued liabilities	10,800	(1,875)	4,921
Restructuring liability	901	1,597	—
Net change in operating lease right of use asset and liability	(24)	(50)	—
	5,080	5,702	(7,787)
Financing:			
Repayments (borrowing) of revolving credit facility	(7)	9,681	12,829
Repayment of long-term debt	(1,562)	(23,250)	(8,000)
Net advances of long-term debt	—	—	62,000
Principal payment of finance lease obligations	(1,542)	(1,565)	(487)
Purchase treasury stock	(464)	(75)	—
Proceeds from exercise of stock options	377	46	361
Proceeds from issuance of common stock (rights offering)	—	14,044	12,587
Financing costs paid	(515)	(940)	(3,463)
	(3,713)	(2,059)	75,827
Investing:			
Purchase of property, plant and equipment	(2,241)	(3,876)	(4,410)
Acquisition of MC Assembly – net of cash acquired	—	—	(67,600)
Proceeds from sale of property, plant and equipment	106	—	35
	(2,135)	(3,876)	(71,975)
(Decrease)in cash	(768)	(233)	(3,935)
Cash, beginning of year	1,368	1,601	5,536
Cash, end of the year	$ 600	$ 1,368	$ 1,601
Supplemental Information:			
Cash interest paid	$ 6,439	$ 7,648	$ 2,294
Cash taxes paid	$ 1,241	$ 771	$ 1,000
Cash tax refund	$ 287	$ 159	$ —
Increase in operating right of use assets	$ 6,186	$ 5,559	$ —
Property, plant and equipment acquired through finance lease	$ 3,215	$ 135	$ 882
Property, plant and equipment acquired that was unpaid in cash and included in accounts payable and accrued liabilities	$ 115	$ 229	$ 384

See accompanying notes to consolidated financial statements.

1. Nature of the business

SMTC Corporation (the "Company", "we" or "SMTC") is a provider of end-to-end electronics manufacturing services, or EMS, including product design and sustaining engineering services, printed circuit board assembly, or PCBA, production, enclosure fabrication, cable assembly, systems integration and comprehensive testing services, configuration to order, build to order and direct order fulfilment. SMTC has manufacturing facilities in United States and Mexico with 3,215 employees of which 2,881 were full time and contract employees. In December we approved our plans to close our Zacatecas (Mexico) manufacturing operations.

SMTC's services extend over the entire electronic product life cycle from the development and introduction of new products through to growth, maturity and end of life phases. SMTC offers fully integrated contract manufacturing services to global original equipment manufacturers, or OEMs, and technology companies primarily within the test and measurement, retail and payment systems, telecom, networking and communications, medical and safety, industrial IoT, power and clean technology, semiconductors, and avionics, aerospace and defense market segments. In addition, the Company operates an international sourcing and procurement office in Hong Kong and a supply chain center in the United States.

The Company's financial reporting year is a 52, 53 or 54 week fiscal period, ending on the Sunday nearest December 31. Accordingly, the consolidated statements of operations and comprehensive loss, the consolidated statements of changes in shareholders' equity, and consolidated statements of cash flows are reported for the periods from December 30, 2019 to January 3, 2021 ("year ended December 29, 2019"), December 31, 2018 to December 29, 2019 ("year ended December 29, 2019"), and January 1, 2018 to December 30, 2018 ("year ended December 30, 2018").

2. Impact of adoption of ASC 842

The Company adopted Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), as ofDecember 31, 2018, using the modified retrospective approach, which allows comparative periods not to be restated. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed the Company to carry forward the historical lease classification, not reassess whether any expired or existing contracts are or contain leases and not to reassess initial direct costs for any existing leases. The Company also elected the hindsight expedient to determine the lease terms for existing leases. The election of the hindsight expedient did not have a significant impact on the calculation of the expected lease term.

The adoption of the new standard resulted in the recognition of operating lease right of use assets and operating lease obligations of $5,452 and $5,915, respectively on December 31, 2018. The difference between the operating lease right of use asset and operating lease obligation related to accrued and prepaid rent of $463, which was reclassified to the operating lease right of use asset. The standard did not materially impact consolidated net loss and had no impact on cash flows.

3. Significant accounting policies

(i) Basis of presentation

The Company's accounting principles are in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). These consolidated financial statements are presented in United States ("U.S.") dollars.

(ii) Principles of consolidation

The financial statements of entities which are controlled by the Company through voting equity interests, referred to as subsidiaries, are consolidated. The Company has no interests in Variable Interest Entities in any of the years presented as all subsidiaries are wholly-owned. Inter-company accounts and transactions are eliminated upon consolidation.

(iii) *Use of estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant estimates include, but are not limited to, deferred tax asset valuation allowance, impairment of goodwill, estimation of percentage completion on satisfying performance obligations under ASC Topic 606. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Actual results may differ from those estimates.

(iv) *Revenue recognition*

The Company primarily provides contract manufacturing services to its customers. The customer provides a design, the Company procures materials and manufactures to that design and ships the product to the customer or customer designated location. Revenue is derived primarily from the manufacturing of these electronics components that are built to customer specifications. The Company recognizes revenue for custom manufacturing services over time as products are manufactured. The Company has an enforceable right to payment for work completed to date and the goods do not have an alternative use once the manufacturing process has commenced. The Company records an unbilled contract asset for finished goods associated with non-cancellable customer orders. Similarly, the Company records an unbilled contract asset for revenue related to its work-in-process ("WIP") when the manufacturing process has commenced and there is a non-cancellable customer purchase order. The Company uses direct manufacturing inputs to estimate the percentage of completion of its unbilled contract assets to determine the portion of the performance obligation that has been satisfied.

Management is required to use significant judgment to estimate the percentage of completion and a change in estimate could have a material impact on the revenue and corresponding margin recognized.

In addition, the Company has contractual arrangements with the majority of its customers that provide for customers to purchase any unused inventory that the Company has purchased to fulfill that customer's forecasted manufacturing demand. Revenue from the sale of excess inventory to the customer is recognized at a point in time when control transfers, which occurs typically when the inventory is shipped to the customer. The Company also derives revenue from engineering and design services. Service revenue is recognized as services are performed.

The Company has elected to treat shipping and handling activities after the customer obtains control of the goods as a fulfillment cost and not as a separate performance obligation.

Sales taxes collected from customers and remitted to governmental authorities are presented on a net basis.

As a result of the modified retrospective adoption of ASC 606 – Revenue from contracts with customers in 2018, the Company recorded a cumulative opening equity adjustment of $320 as at January 1, 2018.

(v) *Allowance for doubtful accounts*

The allowance for doubtful accounts reflects management's best estimate of probable losses inherent in the accounts receivable balance. Management determines the allowance based on factors such as the length of time the receivables have been outstanding, customer and industry concentrations, credit insurance coverage, the current business environment and historical experience.

(vi) *Inventories*

Raw material in inventories are valued, on a first-in, first-out basis, at the lower of cost and replacement cost for raw materials. The Company writes down estimated obsolete or excess inventory for the difference between the cost of inventory and estimated net realizable value based upon customer forecasts, shrinkage, the aging and future demand for the inventory, past experience with specific customers, and the ability to sell inventory back to customers or return to suppliers. If these assumptions change, additional write-downs may be required. Parts and other inventory items relate to equipment servicing parts that are capitalized to inventory and expensed as utilized to service the equipment. Parts inventory is valued at lower of cost and net realizable value.

(vii) *Business combinations*

The acquisition method of accounting is used to account for business combination. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are recognized in the consolidated statements of loss and comprehensive loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are initially recognized at their fair value. Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the new of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair values of the identifiable assets, liabilities and contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Other measurement period adjustments and continent consideration that is classified as a financial liability are remeasured at subsequent reporting dates, with the corresponding gain or loss recognized in the consolidated statement of operations and comprehensive loss.

(viii) *Goodwill*

Goodwill represents the excess of purchase price over the fair value of net identifiable assets acquired in a purchase business combination. Goodwill is not subject to amortization and is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. The Company assigns its goodwill to the reporting units (or groups of reporting units that have similar economic characteristics) that are expected to benefit from the synergies of the business combination and at least on an annual basis at the end of the fourth quarter, performs a qualitative assessment of its reporting units goodwill and certain select quantitative calculations against its current long-range plan to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. The Company first assesses certain qualitative factors to determine whether the existence of events or circumstances leads to determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carry amount, then performing the two-step impairment test is unnecessary. When necessary, impairment of goodwill is tested at the reporting unit (or group of reporting units) level by comparing the reporting unit's (or group of reporting units) carrying amount, including goodwill, to the fair value of the reporting unit (or group of reporting units). The fair value of the reporting unit (or group of reporting unit) is estimated using a discounted cash flow approach. If the carrying amount of the reporting unit (or group of reporting units) exceeds its fair value, then a second step is performed to measure the amount of impairment loss, if any, by comparing the fair value of each identifiable asset and liability in the reporting unit (or group of reporting units) to the total fair value of the reporting unit (or group of reporting units). Any impairment loss is expensed in the consolidated statement of operations and comprehensive loss and is not reversed if the fair value subsequently increases.

(ix) *Intangible assets*

Intangible assets acquired in a business combination are recognized at fair value using generally accepted valuation methods appropriate for the type of intangible asset and reported separately from goodwill. Purchased intangible assets other than goodwill are amortized over their useful lives unless these lives are determined to be indefinite. Purchased intangible assets are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets, generally one to ten years. The Company periodically re-assesses the useful lives of its intangible assets when events or circumstances indicate that useful lives have significantly changed from the previous estimate. Definite-lived intangible assets consist primarily of customer relationships, order backlog, trade name and non-compete agreements. They are generally valued as the present value of estimated cash flows expected to be generated from the asset using a risk-adjusted discount rate. When determining the fair value of our intangible assets, estimates and assumptions about future expected revenue and remaining useful lives are used. Intangible assets are tested for impairment on an annual basis and during interim periods if indicators of impairment exist, and written down when impaired.

Amortization is calculated on a straight-line basis over the expected useful lives (in years) as follows:

Customer relationships	10
Order backlog	1.5
Trade name	1
Non-compete agreements	2

(x) Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the expected useful lives (in years) as follows:

Buildings	5	—	20
Machinery and equipment	7	—	15
Office furniture and equipment		7	
Computer hardware and software		3	

Land is recorded at cost and is not depreciated. Leasehold improvements are amortized over the shorter of the lease term and estimated useful life of the underlying asset.

(xi) Leases

The Company leases various office facilities and manufacturing equipment. The Company determines if an arrangement contains a lease at contract inception. An arrangement is, or contains, a lease if the agreement identifies an asset, implicitly or explicitly, that the Company has the right to use over a period of time. If an arrangement contains a lease, the Company classifies the lease as either an operating lease or as a finance lease based on the five criteria defined in Accounting Standards Codification (“ASC”) 842.

Lease liabilities are recognized at commencement date based on the present value of the remaining lease payments over the lease term. The corresponding right-of-use asset is recognized for the same amount as the lease liability adjusted for any payments made at or before the commencement date, any lease incentives received, and any initial direct costs. The Company’s lease agreements may include options to renew, extend or terminate the lease. These clauses are included in the initial measurement of the lease liability when at lease commencement the Company is reasonably certain that it will exercise such options. The discount rate used is the interest rate implicit in the lease or, if that cannot be readily determined, the Company's incremental borrowing rate.

Operating lease expense is recognized on a straight-line basis over the lease term and presented within cost of sales on the Company’s consolidated statements of operations. Finance lease right-of-use assets are amortized on a straight-line basis over the shorter of the useful life of the asset or the lease term. Interest expense on the finance lease liability is recognized using the effective interest rate method and is presented within interest expense on the Company’s consolidated statements of operations and comprehensive loss. Variable rent payments related to both operating and finance leases are expensed as incurred. The Company’s variable lease payments primarily consist of real estate taxes, maintenance and usage charges. The Company made an accounting policy election to combine lease and non-lease components.

The Company has elected to exclude short-term leases from the recognition requirements of ASC 842. A lease is short-term if, at the commencement date, it has a term of less than or equal to one year. Lease expense related to short-term leases is recognized on a straight-line basis over the lease term.

(xii) *Income taxes*

The Company accounts for income taxes using the asset and liability method. This approach recognizes the amount of taxes payable or refundable for the current year as well as deferred tax assets and liabilities for the future tax consequence of events recognized in the financial statements and tax returns. The effect of changes in tax rates is recognized in the year in which the rate change occurs.

In establishing the appropriate valuation allowances for deferred tax assets, the Company assesses its ability to realize its deferred tax assets based on available evidence, both positive and negative, to determine whether it is more likely than not that the deferred tax assets or a portion thereof will be realized.

The Company follows the guidance under Income Taxes ASC 740 with respect to accounting for uncertainty in income taxes recognized in the Company's financial statements. This guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

This guidance requires the Company to determine if it is more likely than not that the tax position will be sustained based on the technical merits of the position and for those tax positions that meet the more likely than not threshold, the Company would recognize the largest amount of tax benefit or obligation that is greater than fifty percent likely of being realized when ultimately settled with the tax authorities.

(xiii) *Earnings per common share*

Basic earnings per share is calculated using the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the weighted average number of common shares plus the dilutive potential common shares outstanding during the year. Anti-dilutive potential common shares are excluded. The treasury stock method is used to compute the potential dilutive effect of stock options and outstanding restricted stock units.

*(*xiv*)* *Translation of foreign currencies*

The functional currency of the parent company and all foreign operations is the U.S. dollar. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the year-end rates of exchange. Non-monetary assets and liabilities denominated in foreign currencies are translated at historical rates and revenue and expenses are translated at average exchange rates prevailing during the month of the transaction. Exchange gains or losses are reflected in the consolidated statements of operations and comprehensive loss.

(xv) *Financial instruments*

All derivative instruments are recorded on the balance sheet at their respective fair values. Changes in fair value of derivatives that are not designated as hedges are recorded in the consolidated statement of operations and comprehensive loss as a component of cost of sales.

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities approximate fair values due to the short-term nature of these instruments. The fair values of the revolving credit facility and finance lease obligations approximate the carrying values as the obligations bear rates currently available for debt with similar terms, maturities and credit rating.

The Company accounts for outstanding warrants based on the fair value of the underlying obligation. The Company has outstanding warrants with cashless exercise prices, and therefore the underlying shares expected to be issued are valued at the Company's stock price as this reflects the best estimate of the fair value of the warrant obligation. The fair value of the warrant obligation is presented as a warrant liability on the consolidated balance sheet with changes to the fair value recorded each reporting period as either a gain or a loss in the consolidated statement of operations and comprehensive loss in selling, general and administrative expenses.

(xvi) *Shipping and handling costs*

Shipping and handling costs are included as a component of cost of sales.

(xvii) *Stock-based compensation*

The Company applies ASC 718, “Compensation – Stock Compensation”, (“ASC 718”) using a fair value based method for all outstanding awards. The fair value at grant date of stock options is estimated using the Black-Scholes option-pricing model, while the fair value of restricted stock units (“RSU’s) is based on the closing stock price at the date of grant. The fair value of stock options and RSU’s with a market-based performance condition is estimated using the Cox, Ross and Rubenstein binomial model (“Binomial Model”). Compensation expense is recognized over the stock option and RSU vesting period on a straight line basis. ASC 718 also requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

(xviii) *Fair value measurements*

In accordance with ASC 820, “Fair Value Measurements and Disclosures”, (“ASC 820”), the Company determines fair value as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 establishes a hierarchical structure to prioritize the inputs to valuation techniques used to measure fair value into three tiers:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 - No observable pricing inputs in the market (e.g., discounted cash flows)

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

(xix) *Impairment of long-lived assets, right of use assets and intangible assets*

The Company tests long-lived assets or asset groups held and used for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; the accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and a current expectation that the asset will more likely than not be sold or disposed significantly before the end of its estimated useful life. Recoverability is assessed based on the carrying amount of the asset and the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset. If the carrying value of the asset is not recoverable, the impairment loss is measured as the amount by which the carrying amount exceeds fair value. For assets classified as held for sale, an impairment loss is recognized when the carrying amount exceeds the fair value less costs to sell. There were no triggering events identified in the year (2019 - none) that required an impairment assessment to be performed.

(xx) *Restructuring charges*

Costs associated with restructuring activities are accounted for in accordance with ASC Topic 420, “Exit or Disposal Cost Obligations” (ASC 420), or ASC Topic 712, “Compensation – Nonretirement Postemployment Benefits” (ASC 712), as applicable. Under ASC 712, liabilities for contractual employee severance are recorded when payment of severance is considered probable and the amount can be estimated. Liabilities for restructuring costs other than employee severance are accounted for in accordance with ASC 420, only when they are incurred.

*(*xxi*)* *Post-employment benefits*

The Company sponsors defined contribution pension plans and other post-employment benefit plans for certain employees. Contributions to the defined contribution pension plans are recognized as an expense as services are rendered by employees. The costs of the other post-employment benefit plans are actuarially determined. The liability recognized in the balance sheet in respect of the post-employment benefit plans for certain employees is the present value of the defined other post-employment benefit obligation at the end of the reporting period as determined by the Company's actuary.

*(*xxii*)* *Accounting policies in effect for prior years*

Leases – ASC 840 – year ended December 30, 2018

The Company leases various office facilities and manufacturing equipment. The Company determines if the lease should be classified as an operating lease or a capital lease based on the criteria defined in ASC 840.

If determined to be an operating lease, the lease charges are expensed on a straight-line basis over the lease term and presented within cost of sales on the Company's consolidated statements of operations. Capital leases are calculated at the inception of the lease based on the present value of the remaining lease payments over the lease term. The discount rate used is the interest rate implicit in the lease or, if that cannot be readily determined, the Company's incremental borrowing rate. Capitalized lease assets are amortized on a straight-line basis over the shorter of the useful life of the asset or the lease term. Interest expense on the finance lease liability is recognized using the effective interest rate method and is presented within interest expense on the Company's consolidated statements of operations and comprehensive loss.

(xxiii) *Recently adopted accounting pronouncements*

In August 2018, the FASB published ASU 2018-13: Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The amendment includes the removal, modification and addition of disclosure requirements under Topic 820. The amendments in this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The adoption of the standard did not have an impact on the consolidated financial statements.

In March 2020, the FASB published ASU 2020-04: Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in this update are elective and provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in this Update are effective for all entities as of March 12, 2020, through December 31, 2022. An entity may elect to apply the amendments for contract modifications by Topic or Industry Subtopic as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. Once elected for a Topic or an Industry Subtopic, the amendments in this Update must be applied prospectively for all eligible contract modifications for that Topic or Industry Subtopic. The impact of the adoption of the standard is not material to the Company, as alternative reference rates are available under the agreements governing the financial instruments.

(xxiv) *Recent Accounting Pronouncements Not Yet Adopted*

In May 2016, the FASB published ASU 2016-13: Financial Instruments – Credit losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The main objective of Topic 326 is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In April 2019, the FASB published ASU 2019-04 Codification Improvements to Topic 326, Financial Instruments – Credit Losses, which made certain amendments and corrections to the original codification. In May 2019, the FASB published ASU 2019-05 Financial Instruments – Credit losses (Topic 326) which made transitional relief available, specifically allowing the option to elect a fair value option for financial instruments measured at amortized cost. In November 2019, the FASB published ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments – Credit losses, which made certain amendments and corrections to the original codification. In November 2019, the FASB published ASU 2019-10 Financial Instruments – Credit losses

(Topic 326), which made certain amendments to the effective dates of the new standard. The amendment is effective for the Company for years beginning after December 15, 2022 including interim periods with those years. On March 9, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-03 Codification Improvements to Financial Instruments. The Company is currently evaluating the impact of this accounting standard, but it is expected that the new standard may result in additional credit losses being recorded.

In January 2017, the FASB published ASU 2017-04: Intangibles – Goodwill and Other (Topic 350): Topic 350 seeks to simplify goodwill impairment testing requirements for public entities. Under the amendments in this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The FASB also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. Therefore, the same impairment assessment applies to all reporting units. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets. The amendments in this ASU are effective for all smaller reporting companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. The Company is currently evaluating the impact of this accounting standard. However, it is expected that this may reduce the complexity of evaluating goodwill for impairment.

In December 2019, the FASB published ASU 2019-12: Income Taxes (Topic 740): Simplifying the Accounting for income taxes. The purpose of this codification is to simplify the accounting for income taxes, which addresses a number of topics including but not limited to the removal of certain exceptions currently included in the standard related to intraperiod allocation when there are losses, in addition to calculation of income taxes when current year-to-date losses exceed anticipated loss for the year. The amendment also simplifies accounting for certain franchise taxes and disclosure of the effect of enacted change in tax laws or rates. Topic 740 is effective for public entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The impact of the adoption of the standard has not yet been determined and is being evaluated.

(xxv) *Prior period reclassifications*

Certain financial figures for the years ended December 29, 2019 and December 30, 2018 have been reclassified to conform with the presentation for the year ended January 3, 2021.

4. Consolidated financial statement details

The following consolidated financial statement details are presented as of the period end dates indicated for the consolidated balance sheets and for each of the periods indicated for the consolidated statements of operations and comprehensive loss.

Consolidated balance sheets

Accounts receivable—net:

	January 3, 2021	December 29, 2019
Trade accounts receivable	$ 70,248	$ 71,113
Other receivables	1,836	1,098
Allowance for doubtful accounts	(2,457)	(2,292)
Accounts receivable—net	$ 69,627	$ 69,919

The allowance for doubtful accounts pertains primarily to one customer previously serviced out of Dongguan China. This was provisioned as at December 29, 2019 and included with the restructuring charges in that year.

Unbilled contract assets:

		January 3, 2021		December 29, 2019
Opening	$	26,271	$	20,405
Contract assets additions		368,142		358,043
Contract assets invoiced		(355,077)		(352,177)
Ending	$	39,336	$	26,271

The contract assets relating to WIP and finished goods inventory are $ 11,018 and $28,318 (2019 - $10,910 and $15,361), respectively.

Inventories:

		January 3, 2021		December 29, 2019
Raw materials	$	50,793	$	48,067
Parts and other		482		586
Provision for obsolescence (1)		(1,476)		(827)
Inventories	$	49,799	$	47,826

(1) The increase in the provision for obsolescence primarily pertains to customers serviced out of the Zacatecas facility. These have been provisioned and included with the restructuring charges for the planned closure of the facility. Refer to note 14 for further details.

Property, plant and equipment—net:

		January 3, 2021		December 29, 2019
Cost:				
Land	$	1,648	$	1,648
Buildings (b)		19,828		18,985
Machinery and equipment (a) (e)		44,996		42,732
Office furniture and equipment (c) (e)		949		1,005
Computer hardware and software (d)(e)		4,056		3,979
Leasehold improvements (e)		4,387		4,265
		75,864		72,614
Less accumulated depreciation and impairment:				
Land		—		—
Buildings (b)		(11,498)		(10,392)
Machinery and equipment (a) (e)		(34,182)		(31,192)
Office furniture and equipment (c) (e)		(455)		(546)
Computer hardware and software (d) (e)		(3,270)		(3,289)
Leasehold improvements (e)		(2,154)		(1,885)
		(51,559)		(47,304)
Property, plant and equipment—net	$	24,305	$	25,310

(a) Included within machinery and equipment were assets under finance leases with costs of $4,852 as of January 3, 2021 and $2,275 as of December 29, 2019 and associated accumulated depreciation of $1,693 and $974 as of January 3, 2021 and December 29, 2019, respectively. The related depreciation expense for the year ended January 3, 2021 and December 29, 2019 was $719 and $565, respectively.

(b) Included within buildings were assets under finance leases with costs of $9,684 and $9,082 and associated accumulated depreciation of $1,707 and $900 as of January 3, 2021 and December 29, 2019, respectively. The related depreciation expense for the year endedJanuary 3, 2021 and December 29, 2019 was $807 and $804, respectively.

(c) Included within office furniture and equipment were assets under finance leases with costs of $343 and $307 and associated accumulated depreciation of $118 and $52 as of January 3, 2021 and December 29, 2019, respectively. The related depreciation expense for the year ended January 3, 2021 and December 29, 2019 was $66 and $46, respectively.

(d) Included within computer hardware were assets under finance leases with costs of $91 and $91 and associated accumulated depreciation of $81 and $51 as of January 3, 2021 and December 29, 2019, respectively. The related depreciation expense for the year ended January 3, 2021 and December 29, 2019was $30 and $31, respectively.

(e) Property, plant and equipment with cost of $1,884 and accumulated amortization of $1,872 was written off in 2020. Included in restructuring charges for 2020 were write down charges of $61 associated with property, plant and equipment with a cost of $101 and accumulated amortization of $40 with no future benefit related to the Zacatecas manufacturing facility (refer to note 14).

Intangible assets:

	January 3, 2021	December 29, 2019
Cost:		
Customer relationships	$ 12,350	$ 12,350
Order backlog	6,990	6,990
Trade name	1,300	1,300
Non-compete agreements	360	360
	21,000	21,000
Less accumulated amortization:		
Customer relationships	(2,649)	(1,414)
Order backlog	(6,990)	(5,333)
Trade name	(1,300)	(1,300)
Non-compete agreements	(360)	(206)
	(11,299)	(8,253)
Intangible assets—net	$ 9,701	$ 12,747

These intangible assets arose from the acquisition of MC Assembly Holdings Inc. in November 2018 and were allocated to the following operating segments:

	January 3, 2021	December 29, 2019
U.S.	$ 2,910	$ 3,824
Mexico	6,791	8,923
Total	$ 9,701	$ 12,747

Amortization expense of $3,046 for the year end January 3, 2021 and $7,188 for the year ended December 29, 2019 are recorded in cost of sales in the consolidated statement of operations and comprehensive loss. Amortization expense for the next five years and thereafter is as follows:

2021	1,235
2022	1,235
2023	1,235
2024	1,235
2025	1,235
2025 and thereafter	3,526
Total amortization	$ 9,701

Goodwill:

The carrying value of goodwill as atJanuary 3, 2021 was $18,165 (December 29, 2019 – $18,165). This goodwill arose from the acquisition of MC Assembly Holdings Inc. in November 2018 and was allocated to the following operating segments that benefited from the synergies of this business combination and has not changed since the acquisition:

	January 3, 2021	December 29, 2019
U.S.	$ 5,449	$ 5,449
Mexico	12,716	12,716
Total	$ 18,165	$ 18,165

The carrying value of goodwill is assessed annually as well as assessed each reporting period for impairment triggers to determine whether there exists any indicators of impairment. The assessment is done at the operating segment level as the group of components (production facilities) within each operating segment all have similar economic characteristics. The Company completed its annual goodwill impairment testing as of the end of the fourth quarter of 2020 and concluded that there was no impairment of goodwill for any of its segment reporting units.

Accrued liabilities:

	January 3, 2021	December 29, 2019
Payroll	$ 8,084	$ 5,504
Customer related	6,177	2,185
Deferred revenue	4,152	—
Professional services	1,284	612
Vendor related	904	1,742
Interest	426	483
Other	919	638
Total	$ 21,946	$ 11,164

Deferred Revenue is recorded when the Company invoices and becomes eligible to receive payment for goods or services prior to the transferring of goods or services to the customer under the terms of the contract (i.e., all revenue recognition criteria are not yet met), which is included within accrued liabilities. As of January 3, 2021 and December 29, 2019, the balance of deferred revenue was $4,152 and $0.0, respectively. Revenue of $2,670 was recognized during the fiscal year ended January 3, 2021. The accounts receivable balances associated with the deferred revenue invoicing was $825 as at January 3, 2021 with no corresponding deferred revenue invoices in accounts receivable as at December 29, 2019. Deferred revenue is recognized into revenue when all revenue recognition criteria are met.

Customer related accruals increased year over year due primarily to customer deposits for inventory.

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Interest expense:

	Year ended January 3, 2021	Year ended December 29, 2019	Year ended December 30, 2018
Long-term debt	$ 4,160	$ 5,672	$ 1,440
Revolving credit facility	1,827	2,455	1,173
Amortization of deferred financing costs	231	176	58
Amortization of debt issuance costs	974	1,416	136
Obligations under finance lease	815	843	206
Other	42	—	104
Interest expense -net	$ 8,049	$ 10,562	$ 3,117

5. Debt and finance leases

(a) Revolving credit and long-term debt facilities

	January 3, 2021	December 29, 2019
Revolving credit facility	$ 34,694	$ 34,701
Term loans:		
Term loan A facility	$ 37,188	$ 38,750
Less deferred debt issue costs	(2,016)	(2,286)
Less unamortized discount on debt	(1,742)	(1,464)
Total term loans	$ 33,430	$ 35,000
Less current portion	(2,500)	(1,250)
Long term portion	$ 30,930	$ 33,750

The Company borrows money under an Amended and Restated Revolving Credit and Security Agreement with PNC Bank, National Association (“PNC”), which governs the Company’s Revolving Credit Facility (“PNC Facility”). The PNC Facility matures on November 8, 2023. Borrowing made under the PNC Facility bear interest at the U.S. base rate plus an applicable margin ranging from 0.75% to 1.25%, or LIBOR plus an applicable margin ranging from2.50% to 3.00%. The base commercial lending rate should approximate U.S. prime rate.

The Company also borrows money under a Financing Agreement (the “Financing Agreement”). The lenders party to the Financing Agreement from time to time (collectively, the “Lenders”), and TCW Asset Management Company LLC, as administrative and collateral agent for the Lenders (“TCW”), govern a term loan A facility (“Term A Loan Facility”) and previously governed a term loan B facility (the “Term Loan B Facility”) until it was paid in full on July 3, 2019. The Term A Loan Facility matures on November 8, 2023 (the “Maturity Date”). The Term Loan A Facility bore interest LIBOR plus an applicable margin of8.75% through June 30, 2020, and borrowings under the Financing Agreement thereafter bear interest at LIBOR plus an applicable margin ranging from 7.25% to 8.75%. Payments made under the Term Loan A Facility at any time prior to the Maturity Date (other than scheduled amortization payments and mandatory prepayments) are subject to an applicable premium equal to the amount of such payment multiplied by (i) 3.00% in the event that such payment occurs before November 8, 2019, (ii) 2.00% in the event that such payment occurred after November 8, 2019 and on or before November 8, 2020 and (iii)1.00% in the event that such payment occurred after November 8, 2020 and on or before November 8, 2021. No such applicable premium is payable for any payment of loans made under the Term Loan A Facility occurring after November 8, 2021.

The table below outlines the Term A Loan Facility scheduled amortization payments and the balance which would be due at maturation on November 8, 2023:

2021	$	2,500
2022		2,500
2023		32,188
Total		37,188

On March 29, 2019, the Company entered into Amendment No. 1 to the PNC Facility and the Financing Agreement. The Amendments, among other things, amends the required senior leverage ratio initially set forth in the PNC Facility and the Financing Agreement by increasing the senior debt leverage ratio from 3.50x to 3.75x.

On July 3, 2019, the Company, entered into Amendment No. 2 to Financing Agreement. The Amendment, among other things, provides that the net cash proceeds received by the loan parties from the Company's (i) offering of subscription rights to the Company's stockholders and holders of the Company's outstanding warrants that closed in June 2019, and (ii) registered direct offering of shares of the Company's common stock directly to certain investors that closed in June 2019 shall be applied (a) first, to the Company's term loan B facility (and the accrued and unpaid interest thereon) until paid in full in the aggregate amount of $12,022, and (b) second, to the borrowers under the Agreement in the remaining amount thereof for working capital and general corporate purposes.

On August 8, 2019, the Company and certain of its subsidiaries entered into that certain Amendments No. 2 to the Amended and Restated Revolving Credit and Security Agreement (the "PNC Amendment No. 2") and that certain Amendment No. 3. to the Financing Agreement (the "TCW Amendment No. 3"). The PNC Amendment No. 2, among other things, (i) increased the total amount available for borrowings under the PNC Facility to $65,000, (ii) provided for borrowings of up to $15,000 on assets located in Mexico, (iii) provided that borrowings under the PNC Facility bear interest at the U.S. base rate plus an applicable margin ranging from 0.75% to 1.25%, or LIBOR plus an applicable margin ranging from 2.50% to 3.00%, (iv) reset the financial covenants, and (v) permitted the pay down of the Term A Loan Facility by up to $10,000. The TCW Amendment No. 3, among other things, (i) provided for a $20,000 increase in the total amount available for borrowings under the PNC Facility, (ii) provided for the pay down of the Term A Loan Facility by up to $10,000, (iii) provided that the interest rate for borrowings under the Financing Agreement was reset to LIBOR plus an applicable margin of 8.75% through June 30, 2020, and borrowings under the Financing Agreement will thereafter bear interest at LIBOR plus an applicable margin ranging from 7.25% to 8.75%, (iv) deleted the senior leverage ratio covenant, (v) amended the total leverage ratio covenant, including the definition of total leverage ratio, to increase the maximum total leverage on a quarterly basis beginning with the fiscal quarter ended September 30, 2019, (vi) amended the fixed charge coverage ratio covenant to decrease the minimum fixed charge coverage ratio on a quarterly basis beginning with the fiscal quarter ending September 30, 2020 through the fiscal quarter ending December 31, 2021 and (vii) reset the call protection on the Term Loan A Facility.

On September 27, 2019, the Company and certain of its subsidiaries entered into that certain Amendments No. 3 to the Amended and Restated Revolving Credit and Security Agreement (the "PNC Amendment No. 3") and that certain Amendment No. 4. to the Financing Agreement (the "TCW Amendment No. 4"). The PNC Amendment No. 3, among other things, amended the (i) definition of "Consolidated EBITDA" by permitting an addback for restructuring and transition costs and charges incurred on or before December 31, 2020 in connection with the Company's previously announced closure of business operations in Dongguan, China, subject to certain exceptions, not to exceed (a) with respect to cash restructuring costs, $2,300, (b) with respect to write-offs of accounts receivable, $1,623, and (c) with respect to write-offs of Inventory (as defined in the Amended and Restated Revolving Credit and Security Agreement), $1,607, (ii) definition of "Permitted Intercompany Investments" by permitting certain investments by a Domestic Loan Party (as defined in the Amended and Restated Revolving Credit and Security Agreement) to or in SMTC Electronics Dongguan Company Limited, a limited liability company organized under the laws of China ("SMTC Dongguan"), solely to facilitate the closure of business operations in Dongguan, China, so long as, among other things, (a) such Investments (as defined in the PNC Agreement) are made prior to March 31, 2020, (b) the aggregate amount of all such Investments does not exceed $2,300 during the term of the Amended and Restated Revolving Credit and Security Agreement, (c) the Borrowers (as defined in the Amended and Restated Revolving Credit and Security Agreement) maintain certain minimum liquidity requirements and (iii) negative covenant regarding excess cash. The TCW Amendment No. 4, among other things, amended the (i) definition of "Consolidated EBITDA" by permitting an addback for restructuring and transition costs and charges incurred on or before December 31, 2020 in connection with the closure of business operations in Dongguan, China, subject to certain exceptions, not to exceed (a) with respect to cash restructuring costs, $2,300, (b) with respect to write-offs of accounts receivable, $1,623, and (c) with respect to write-offs of Inventory (as defined in the Financing Agreement), $1,607, (ii) definition of "Permitted Intercompany Investments" by permitting certain investments by a Domestic Loan Party (as defined in the Financing Agreement) to or in SMTC Dongguan solely to facilitate the closure of business operations in Dongguan, China, so long as, among other things, (a) such Investments (as defined in the Financing Agreement) are made prior to March 31, 2020, (b) the aggregate amount of all such Investments does not exceed $2,300 during the term of the Financing Agreement and (c) the Borrowers (as defined in the Financing Agreement) maintain certain minimum liquidity requirements and (iii) negative covenant regarding excess cash.

On June 26, 2020, the Company, entered into the Fourth Amendment to the Amended and Restated Revolving Credit and Security Agreement ("PNC Amendment No. 4") and the Fifth Amendment to the Financing Agreement ("TCW Amendment No. 5"). PNC Amendment No. 4, among other things, amended the definition of "Consolidated EBITDA" by permitting an addback for (i) non-recurring labor costs, temporary employee bonuses to reduce absenteeism, personal protective equipment costs, facility sanitation costs, and excess freight and logistics costs, (a) $200,000 for the fiscal quarter ended March 31, 2020, and (b) $1.0 million for the fiscal quarter ended June 30, 2020, and (ii) restructuring and severance charges, accruals and reserves in connection with permanent headcount reductions, in an aggregate amount not to exceed (a) $844,000 with respect to employees at the Zacatecas, Mexico facility and (b) $156,000 with respect to corporate selling, general and administrative employees, in each case, for the period from June 1, 2020, to and including July 31, 2020. PNC Amendment No. 4 also amended the definition of "Permitted Purchase Money Indebtedness" to (i) allow for Indebtedness (as defined in the amended and restated revolving credit and security agreement) pursuant to financing provided by Mazuma Capital Corp for any fixed or tangible assets acquired prior to the June 26, 2020, and (ii) increase the aggregate principal amount of all Indebtedness (as defined in the amended and restated revolving credit and security agreement) permitted under the amended and restated revolving credit and security agreement to $3.75 million. In connection with PNC Amendment No. 4, the Company paid PNC an amendment fee of $50,000. TCW Amendment No. 5, among other things, amended the definition of "Consolidated EBITDA" by permitting an addback for (i) non-recurring labor costs, temporary employee bonuses to reduce absenteeism, personal protective equipment costs, facility sanitation costs, and excess freight and logistics costs, not to exceed (a) $200,000 for the fiscal quarter ended March 31, 2020, and (b) $1.0 million for the fiscal quarter ended June 30, 2020, and (ii) restructuring and severance charges, accruals and reserves in connection with permanent headcount reductions, in an aggregate amount not to exceed (a) $844,000 with respect to employees at the Zacatecas, Mexico facility and (b) $156,000 with respect to corporate selling, general and administrative employees, in each case, for the period from June 1, 2020, to and including July 31, 2020. TCW Amendment No. 5 also amended the definition of "Permitted Purchase Money Indebtedness" to (i) allow for Indebtedness (as defined in the financing agreement) pursuant to financing provided by Mazuma Capital Corp for any fixed or tangible assets acquired prior to June 26, 2020, and (ii) increase the aggregate principal amount of all Indebtedness (as defined in the financing agreement) permitted under the financing agreement to $3.75 million. In connection with the TCW Amendment, the Company paid TCW an amendment fee of $75,000.

On September 25, 2020, the Company, entered into the Fifth Amendment to the Amended and Restated Revolving Credit and Security Agreement ("PNC Amendment No. 5") and the Sixth Amendment to the Financing Agreement ("TCW Amendment No. 6"). PNC Amendment No. 5, among other things, (i) amended the definition of "Consolidated EBITDA" by permitting an addback for non-recurring labor costs, temporary employee bonuses to reduce absenteeism, personal protective equipment costs, facility sanitation costs, and excess freight and logistics costs, not to exceed an additional $1.5 million for the fiscal quarter ended September 27, 2020, and (ii) provides for borrowings of up to $2,000 on certain consigned assets. TCW Amendment No. 6, among other things, amended the definition of "Consolidated EBITDA" by permitting an addback for non-recurring labor costs, temporary employee bonuses to reduce absenteeism, personal protective equipment costs, facility sanitation costs, and excess freight and logistics costs, not to exceed an additional $1.5 million for the fiscal quarter ended September 27, 2020.

On December 28, 2020, the Company, entered into the Sixth Amendment to the Amended and Restated Revolving Credit and Security Agreement ("PNC Amendment No. 6"), and the seventh Amendment to the Financing Agreement (the "TCW Amendment No. 7"). PNC Amendment No. 6, among other things: (i) amended the definition of "Consolidated EBITDA" by permitting addbacks with respect to the Company's Zacatecas, Mexico facility for (A) restructuring and severance charges, accruals and reserves in connection with permanent headcount reductions in an amount not to exceed an additional $1.0 million for the period from June 1, 2020 through and including July 31, 2020, (B) cash severance and other facility closure and relocation costs in an amount not to exceed an additional $4.0 million from December 28, 2020 and ending on June 30, 2021, and (C) write-offs of accounts receivable, inventory and fixed assets in an amount not to exceed an additional $1.5 million from December 28, 2020 and ending on June 30, 2021; and (ii) revises the required liquidity covenants from the period beginning on December 28, 2020 and ending on the later to occur of June 30, 2021 or the permanent closure of the Company's Zacatecas, Mexico facility. TCW Amendment No. 7, among other things: (i) amends the definition of "Consolidated EBITDA" by permitting addbacks with respect to the Company's Zacatecas, Mexico facility for (A) restructuring and severance charges, accruals and reserves in connection with permanent headcount reductions in an amount not to exceed an additional $1.0 million for the period from June 1, 2020 through and including July 31, 2020, (B) cash severance and other facility closure and relocation costs in an amount not to exceed an additional $4.0 million from December 28, 2020 and ending on June 30, 2021, and (C) write-offs of accounts receivable, inventory and fixed assets in an amount not to exceed an additional $1.5 million from

December 28, 2020 and ending on June 30, 2021, (ii) prohibits the Liquidity (as defined in TCW Amendment No. 7) of the Company and its subsidiaries from being less than $7.5 million during the period beginning on December 28, 2020 and ending on the later to occur of June 30, 2021 or the permanent closure of the Company's Zacatecas, Mexico facility, (iii) amends the total debt leverage ratios (iv) permits add back of certain expenditures related to COVID-19 pandemic; and (v) provides for the issuance to each other loan party that is a party to the financing agreement and each financial institution that is a party to the financing agreement (collectively, the "TCW Lenders") or their designees of the Warrants as defined below.

The Credit Facilities are joint and several obligations of the Company and its subsidiaries that are borrowers under the facilities and are jointly and severally guaranteed by other subsidiaries of the Company. Repayments under the Credit Facilities are collateralized by the assets of the Company and each of its subsidiaries. The Credit Facilities contain certain financial and non-financial covenants, including restrictions on dividend payments. The financial covenants under each Credit Facility require the Company to maintain a fixed charge coverage ratio and a total leverage ratio quarterly during the term of the Credit Facilities.

At January 3, 2021, $34,694 (December 29, 2019 - $34,701) was outstanding under the PNC Facility and is classified as a current liability based on the requirement to hold a "lock-box" under the terms of the PNC Facility. As at January 3, 2021, the funds available to borrow under the PNC Facility after deducting the current borrowing base conditions was $28,447 (December 29, 2019 - $21,644). The maximum amount of funds that could be available under the PNC Revolving Credit Facility is $65,000. However, availability under the PNC Revolving Credit Facility is subject to certain conditions, including borrowing base conditions based on eligible inventory and accounts receivable, and certain conditions as determined by PNC. The Company is required to use a "lock-box" arrangement for the PNC Facility, whereby remittances from customers are swept daily to reduce the borrowings under this facility.

At January 3, 2021, $37,188 (December 29, 2019 - $38,750) was outstanding under the TCW Term Loan A Facility. The Term Loan A Facility is reported on the consolidated balance sheet net of deferred financing fees of $2,016 (December 29, 2019 - $2,286) and a discount on debt of $1,742 (December 29, 2019 - $1,464) related to the outstanding warrants described below. On August 8, 2019, the Company repaid an additional $10,000 on the TCW Term Loan A Facility. In addition, the Company made scheduled amortization payments of $1,562 on the Term Loan A Facility during 2020.

The PNC Facility and Term A Loan Facility (together the "Credit Facilities") are joint and several obligations of the Company and its subsidiaries that are borrowers under the Credit Facilities and are jointly and severally guaranteed by certain other subsidiaries of the Company. Repayments under the PNC Facility and the Term A Loan Facility are collateralized by the assets of the Company and each of its subsidiaries.

(b) Covenants

The Credit Facilities contain certain financial and non-financial covenants, including restrictions on dividend payments. The financial covenants under each Credit Facility require the Company to maintain a fixed charge coverage ratio and a total leverage ratio quarterly during the term of the Credit Facilities.

The Company was in compliance with the covenants included in the Credit Facilities as at January 3, 2021. Management projects continued compliance with the financial covenants included in the Credit Facilities throughout 2021. There are key assumptions included in these cash flow projections to support covenant calculations specifically related to forecasted earnings before interest, income taxes and depreciation, as well as anticipated debt levels. If we do not meet our forecast results this could result in the breach of a covenant. The Company safeguards against this through taking measures to reduce its inventory, revolving credit facility and term debt balances accordingly in order to comply with lenders covenants.

Unless our underlying customers demand changes as a result of the coronavirus outbreak, we expect to see minimal impact on our business. Beyond that as a result of the measures being taken that are designed to contain the spread of the virus, our suppliers may not have the materials, capacity or capability to supply our components according to our schedule and specifications if the outbreak continues which could delay our release or delivery of our customers products or require us or our customers to make unexpected changes to such products which may materially affect our business and operating results and future compliance with our financial covenants for 2021.

The Company continues to monitor operations and results closely and manage debt levels relative to our operational results to ensure compliance with its lenders covenants.

(c) Warrant liability

On November 8, 2018, 504,735 warrants were issued to TCW in connection with the Financing Agreement and remained outstanding as at January 3, 2021. As a result of the anti-dilution provision contained in the warrants that were triggered in connection with the Offerings (as defined below) in June 2019, the warrants were exercisable to purchase an additional 7,214 shares of common stock (or a total of 511,949) at December 29, 2019. In connection with and as part of the consideration paid by the Company for the TCW Amendment No. 7, on December 28, 2020, the Company issued 140,000 additional warrants to TCW (for a total of 651,949). The warrants are exercisable beginning on the date of original issuance at a nominal exercise price of $0.01 per share, subject to adjustment as provided therein, and expire 84 months after the date of issuance.

The Company initially recorded the value of the warrants issued in 2018 as a warrant liability with a corresponding discount on the long-term debt in the amount of $1,898. The fair value has been assessed at $4.96 per unit or $3,233 as at January 3, 2021 ($3.38 per unit or $1,730 – December 29, 2019). The Company recorded the issuance of the 140,000 during the fourth quarter of 2020 based on a fair value of $4.65 per unit as warrant liability with the corresponding discount on the long-term debt in the amount of $651. The fair value of the warrant obligation is presented as a warrant liability on the consolidated balance sheet with changes to the fair value recorded each reporting period as either a gain or a loss in the consolidated statement of operations and comprehensive loss.

(d) Leases

The Company leases certain facility leases in various jurisdictions, including office space, leasehold improvements, manufacturing and warehouse space. The Company also leases certain production equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Operating lease expense is recognized on a straight-line basis over the lease term. Total short-term lease costs for the three and nine months ended January 3, 2021 was not significant.

Most leases contain renewal options, which are exercisable at the Company's sole discretion. The extension terms are typically one to five years. Some leases may include options to purchase the leased property. The depreciable life is limited to the lease term unless title transfers or it is reasonably certain that a purchase option will be exercised. Operating lease liabilities recognized do not include $4,518 related to options to extend lease terms that were not reasonably certain of being exercised as at January 3, 2021. Finance lease liabilities do not include $6,456 related to options to extend lease terms that were not reasonably certain of being exercised as at January 3, 2021.

We rent and sublease one facility lease that is not occupied by SMTC.

Leases	Classification	January 3, 2021($)
Assets		
Operating lease assets	Operating lease right-of-use-asset	7,791
Finance lease assets (a)	Property, plant and equipment	12,084
Total leased assets		19,875
Liabilities		
Current		
Operating leases	Current portion of operating lease obligations	2,590
Finance leases	Current portion of finance lease obligations	2,245
Noncurrent		
Operating leases	Operating lease obligations	5,590
Finance leases	Finance lease obligations	9,492
Total lease liabilities		19,917

(a) Refer to note 4 for details of the corresponding balances and accumulated amortization included within property, plant and equipment

Lease Cost	Classification	January 3, 2021($)
Operating lease costs		
Fixed lease costs	Cost of sales	2,129
Finance lease costs		
Depreciation of leased assets	Cost of sales	1,448
Interest on lease liabilities	Interest expense	815
Sublease income	Selling, general and administrative expenses	244

Maturity of lease liabilities as at January 3, 2021	Operating leases	Finance leases	Total
2021	3,084	3,191	6,275
2022	2,288	2,853	5,141
2023	1,495	1,276	2,771
2024	1,536	1,259	2,795
2025	962	1,318	2,280
Thereafter	3	5,422	5,425
Total lease payments	9,368	15,319	24,687
Less: Interest	(1,188)	(3,582)	(4,770)
Present value of lease liabilities	8,180	11,737	19,917

Lease term and discount rate	January 3, 2021
Weighted average remaining term (years)	
Operating leases	3.9
Finance leases	6.9
Weighted average discount rate	
Operating leases	7.2 %
Finance leases	6.6 %

Other information	January 3, 2021
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	1,750
Operating cash flows from finance leases	N/A
Financing cash flows from finance leases	1,542
Leased assets obtained in exchange for new operating lease liabilities	—
Leased assets obtained in exchange for new finance lease liabilities	3,215

6. Capital stock

Common shares

Authorized share capital:

The authorized share capital of the Company at January 3, 2021 and December 29, 2019 consisted of:

(i) As of January 3, 2021: 38,750,000 shares of common stock (December 29, 2019:38,750,000), par value $0.01 per share: Holders are entitled to one vote per share and the right to share in dividends pro rata subject to any preferential dividend rights of any then outstanding preferred stock.

(ii) 5,000,000 shares of preferred stock, par value $0.01 per share: From time to time the Company may issue preferred stock in one or more series and will fix the terms of that series at the time it is created. As at January 3, 2021, there was no outstanding preferred stock.

Issued and outstanding:

The outstanding number of common shares included in shareholders' equity consisted of the following as at the following dates:

	January 3, 2021		December 29, 2019		December 30, 2018	
	Number of shares	$	Number of shares	$	Number of shares	$
Common Stock						
Balance at beginning of the period	28,195,300	$ 508	23,189,381	$ 458	16,992,627	$ 396
Shares issued pursuant to:						
Issuance of common shares from rights offering	—	—	4,642,030	46	5,777,768	58
Treasury Stock (1)	(124,048)	(1)	(21,264)	—	—	—
Conversion of restricted stock units or exercise of stock options	442,558	4	385,153	4	418,986	4
Balance at end of the year	28,513,810	511	28,195,300	508	23,189,381	458
Total Common Stock		$ 511		$ 508		$ 458

(1) Treasury stock represents vested restricted stock awards issued into shares of common stock withheld by the Company which employees forfeited to address the corresponding tax withholding during the year ended January 3, 2021 and December 29, 2019. Treasury stock of 124,048 was outstanding as at January 3, 2021. No Treasury stock was outstanding as at December 29, 2019 or December 30, 2018.

Rights Offering and Registered Direct Offering:

In June 2019, the Company completed our (i) offering of subscription rights (the "Rights Offering") to our stockholders and holders of our outstanding warrants as of the close of business on May 24, 2019, which was fully subscribed for the maximum offering amount of $9,136 and (ii) registered direct offering (the "Registered Direct Offering" and, together with the Rights Offering, the "Offerings") of 1,732,483 shares of our common stock directly to certain investors, resulting in net proceeds to us of approximately $14,044, after deducting the offering expenses and fees payable by us. The proceeds of the Offerings were used, in part, to repay the Term Loan B Facility in full as at July 3, 2019.

7. Stock-based compensation

2019 *Incentive Plan:*

The Company maintains the SMTC Corporation 2019 Incentive Plan (the "2019 Plan"), which was adopted by the Board of Directors and approved by the stockholders of the Company in May 2019, which superseded the SMTC Corporation 2010 Incentive Plan. The total number of shares remaining available for future issuance under the 2019 Plan as at January 3, 2021 is 1,889,174.

Stock options

The Company settles its stock options in shares of common stock.A summary of stock option activity under the Incentive Plans for the years ended December 30, 2018, December 29, 2019 and January 3, 2021 is as follows:

	Total Outstanding options	Weighted average exercise price	Aggregate intrinsic value	Weighted average remaining contractual term (years)
Outstanding balance at December 30, 2018	1,719,824	$ 1.55		
Options granted	650,000	3.67		
Options forfeited	—	—		
Options expired	—	—		
Options exercised	(25,450)	1.80		
Outstanding balance at December 29, 2019	2,344,374	2.14		
Options granted	—	—		
Options forfeited	—	—		
Options expired	—	—		
Options exercised	(383,058)	1.25		
Outstanding balance at January 3, 2021	1,961,316	2.31	2,371	7.00
Exercisable balance at January 3, 2021	705,082	1.71	1,992	6.10

The estimated fair value of stock options is determined using the Black-Scholes option pricing model (excluding stock options that contain performance vesting conditions) and are amortized over the vesting period on a straight line basis. The Company estimates the expected term of the stock options based on evaluating historical exercise data. The Company considers exercise data based on employee behavior when developing the expected term assumptions. The computation of expected volatility is based on the Company's historical volatility from its traded common stock over the expected term of the stock option grants. The interest rate for periods within the expected term of the award is based on the U.S. Treasury yield curve in effect at the time of grant. The following weighted average assumptions were used in calculating the estimated fair value of stock options used to compute stock-based compensation expenses:

	Year ended January 3, 2021	Year ended December 29, 2019	Year ended December 30, 2018
Black-Scholes weighted-average assumptions			
Expected dividend yield	N/A	N/A	0.0 %
Expected volatility	N/A	N/A	42.1 %
Expected forfeiture	N/A	N/A	30.0 %
Risk-free interest rate	N/A	N/A	2.84 %
Expected stock option life in years	N/A	N/A	4.0
Weighted-average stock option fair value per stock option granted	$ N/A	$ N/A	$ 1.00

All stock options granted during 2019 and 2018 have market-based performance conditions such that tranches of stock awards vest and are issuable only if the Company's common stock meets or exceeds specified target market prices during the vesting period as defined by the administrator of the 2019 Planand 2010 Plan, respectively. If the market-based performance conditions are not met during the option life (10 years), the stock options will not vest and will expire. These stock options with market-based performance conditions have been valued using the Binomial Model. The following weighted average assumptions were used in calculating the estimated fair value of awards with market-based performance conditions used to compute stock-based compensation expenses:

	Year ended January 3, 2021	Year ended December 29, 2019	Year ended December 30, 2018
Binomial Model weighted-average assumptions			
Stock Price	$ —	$ 3.67	$ 2.07
Expected volatility	—	50.0 %	43.0 %
Expected forfeiture	—	30.0 %	30.0 %
Risk-free interest rate	—	2.10 %	1.02 %
Expected stock option life in years	—	3.0	4.0
Weighted-average stock option fair value per award granted	$ —	$ 0.95	$ 0.47

No stock awards were issued for the fiscal year ended January 3, 2021.

During the years ended January 3, 2021, December 29, 2019 and December 30, 2018, the Company recorded stock-based compensation expense and a corresponding increase in additional paid in capital of $328, $275 and $157, respectively.

During the years ended January 3, 2021, December 29, 2019 and December 30, 2018,383,058, 312,494 and 629,893 options vested, respectively. As at January 3, 2021, compensation expense of $425 related to non-vested stock options has not been recognized.

The following table presents information about stock options outstanding as ofJanuary 3, 2021:

Outstanding options	Weighted average exercise price	Exercisable options	Weighted average exercise price
300,658	1.80	269,408	1.80
490,358	1.23	221,616	1.23
134,371	1.26	—	—
50,000	2.74	12,500	2.74
335,929	2.07	201,558	2.07
650,000	3.67	—	—
1,961,316	2.31	705,082	1.71

Restricted Stock Units and Restricted Stock Awards

Restricted Stock Units (“RSU”) are settled in shares of common stock. RSUs are issued under the 2019 Plan and have same terms and conditions as other equity compensation awards issued under the 2019 Plan. RSUs are valued at the closing stock price on the date the RSUs are granted. RSUs typically have vesting terms of one to three years. The compensation expense is recorded on a straight line basis over the vesting period. Restricted Stock Awards (“RSA”) may be issued which typically vest upon grant, however may include certain forfeiture conditions. RSAs are issued under the 2019 Plan and have the same terms and conditions as other equity compensation awards issued under the 2019 Plan.

When assessing the fair value of the RSU, a forfeiture rate of30% is utilized when computing the stock-based compensation expenses.

No RSU's with market-based performance conditions were granted in 2020, 2019 or 2018. RSU's issued and outstanding include time-based vesting conditions.

	Outstanding options	Weighted average stock price	Weighted average remaining contractual term (years)
Outstanding balance at December 30, 2018	357,377	$ 0.96	1.21
RSU/RSA granted	375,326	3.55	
RSU forfeited	(25,000)	1.38	
RSU/RSA converted into common shares	(359,703)	1.54	
Outstanding balance at December 29, 2019	348,000	3.16	2.23
RSU/RSA granted	178,000	2.92	
RSU forfeited	(27,500)	3.30	
RSU/RSA converted into common shares	(59,500)	1.70	
Outstanding balance at January 3, 2021	439,000	3.25	2.01

During the periods ended January 3, 2021, December 29, 2019 and December 30, 2018, the Company recorded stock-based compensation expense and a corresponding increase in additional paid in capital of $433, $501, and $250, respectively, with respect to RSUs and RSAs.

8. Financial Instruments and Risks

Interest Rate Risk

The Company borrows money under the PNC Facility. The PNC Facility matures on November 8, 2023. Advances made under the PNC Facility bear interest at the U.S. base rate plus an applicable margin ranging from 0.75% to 1.25%, or LIBOR plus an applicable margin ranging from 2.50% to 3.00%. The base commercial lending rate should approximate U.S. prime rate. The base commercial lending rate should approximate U.S. prime rate.

The Company also borrows money under the Financing Agreement. The Term Loan A Facility matures on November 8, 2023. The Term Loan A Facility bore interest LIBOR plus an applicable margin of 8.75% through June 30, 2020, and borrowings under the Financing Agreement thereafter bear interest at LIBOR plus an applicable margin ranging from 7.25% to 8.75%.

The following table highlights the impact of a hypothetical 10% change in interest rates on our reported earnings.

10% increase in interest rate (millions)	$ 0.5
10% decrease in interest rate (millions)	$ (0.5)

Derivative Forward Contracts and Foreign Currency Exchange Risk

Given the Company's global business operations, we are exposed to exchange rate fluctuations on expenditures denominated in foreign currencies. However, most of our sales and component purchases are denominated in U.S. dollars, which limits our foreign currency risk. Our foreign exchange risk relates primarily to our Canadian and Mexican and payroll, Euro based component purchases and other operating expenses denominated in local currencies in our geographic locations. To mitigate this risk, the Company has historically entered into forward foreign exchange contracts to reduce its exposure to foreign exchange currency rate fluctuations related to forecasted the Mexican peso. The strengthening of the Canadian dollar and Mexican peso would result in an increase in costs to the organization and may lead to a reduction in reported earnings.

The following table highlights the impact of a hypothetical 10% change in exchange rates on cost of sales for the Company:

10% increase in both the CAD and PESO foreign exchange rates (millions)	$ 2.4
10% decrease in both the CAD and PESO foreign exchange rates (millions)	$ (2.9)

The following table presents a summary of the outstanding foreign currency forward exchange contracts as at January 3, 2021:

Currency	Buy/Sell	Foreign Currency Amount		Notional Contract Value in USD
Mexican Peso	Buy	MXN 105,000	$	11,591

The Company has historically entered into forward foreign exchange contracts to reduce its exposure to foreign exchange currency rate fluctuations related to Mexican peso denominated payroll, rent and utility cash flows. These contracts were effective economic hedges, but did not qualify for hedge accounting under ASC 815 "Derivatives and Hedging". Accordingly, changes in the fair value of these derivative contracts were recognized into net loss in the consolidated statement of operations and comprehensive loss. The Company does not enter into forward foreign exchange contracts for trading or speculative purposes.

The unrealized gain recognized in earnings as a result of revaluing the outstanding instruments to fair value onJanuary 3, 2021 was $1,055 (2019 – unrealized gain of $0.0) (2018 – unrealized gain of $353) which was recorded in cost of sales in the consolidated statement of operations and comprehensive loss. The realized gain on settled contracts during 2020 was $583 (2019 – realized loss $89) (2018 – realized loss $118), which was recorded in cost of sales in the consolidated statement of operations and comprehensive loss. Fair value was determined using the market approach with valuation based on market observables (Level 2 quantitative inputs in the hierarchy set forth under ASC 820 "Fair Value Measurements").

	January 3, 2021	December 29, 2019
Average USD:PESO contract rate	25.20	—
Average USD:PESO mark-to-market rate	20.10	—

The derivative asset as at January 3, 2021 was $1,055 ($0.0 as at December 29, 2019) ($15 as at December 30, 2018) which reflected the fair market value of the unsettled forward foreign exchange contracts.

Foreign exchange gains and losses are recorded in cost of sales in the consolidated statement of operations and comprehensive loss) pertaining to translation of foreign denominated transactions during the period in addition to foreign denominated monetary assets and liabilities at the end of the reporting period. A total aggregate translated foreign exchange loss of $349 was recognized for the fiscal year endedJanuary 3, 2021 (December 29, 2019 – loss of $394, December 30, 2018 – loss of $181).

Credit Risk

In the normal course of operations, there is a risk that a counterparty may default on its contractual obligations to us which would result in a financial loss that could impact our reported earnings. In order to mitigate this risk, we complete credit approval procedures for new and existing customers and obtain credit insurance where it is financially viable to do so given anticipated revenue volumes, in addition to monitoring our customers' financial performance. We believe our procedures in place to mitigate customer credit risk and the respective allowance for doubtful accounts are adequate.

There is limited risk of financial loss or defaults on our outstanding forward currency contracts as the counterparty to the transactions had a Standard and Poor's rating of A- or above as at January 3, 2021.

Liquidity Risk

There is a risk that we may not have sufficient cash available to satisfy our financial obligations as they come due. The financial liabilities we have recorded in the form of accounts payable, accrued liabilities and other current liabilities are primarily due within 90 days with the exception of the current portion of finance lease obligations which could exceed 90 days and our PNC Facility which utilizes a lock-box to pay down the obligation effectively daily. As at January 3, 2021, the Company's liquidity was comprised of $600 in cash on hand and $28,447 of funds available to borrow under the PNC Facility. We believe that cash flow from operations, together with cash on hand and our PNC Facility, which had $28,447 of funds available as at January 3, 2021 is sufficient to fund our financial obligations. However, availability under the PNC Facility is subject to certain conditions, including borrowing base conditions based on eligible inventory and accounts receivable, as determined by the lender.

On July 3, 2019, the Company used the net proceeds from the Rights Offering to repay the $12,000 of borrowings outstanding under its Term Loan B Facility. On August 8, 2019, the Company repaid an additional $10,000 of the portion of borrowings outstanding under its Term Loan A Facility, which was funded through the use of our PNC Facility.

Fair Value Measurement

The carrying values of the Company's cash, accounts receivable, accounts payable and accrued liabilities due within one-year approximate fair values due to the short-term maturity of these instruments. The Company's financial instruments at January 3, 2021, are comprised of the following:

	As at January 3, 2021		As at December 29, 2019	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Level 1				
Cash	$ 600	600	$ 1,368	1,368
Level 2				
Derivative assets	1,055	1,055	—	—
Revolving credit facility	34,694	34,694	34,701	34,701
Current and long term debt	33,430	37,188	35,000	38,750
Warrant liability	3,233	3,233	1,730	1,730

9. Income taxes

The Company recorded the following income tax expense for the years endedJanuary 3, 2021:

	Year ended January 3, 2021	Year ended December 29, 2019	Year ended December 30, 2018
Current:			
Federal/State	$ 144	$ (39)	$ 102
Foreign	1,111	987	650
	1,255	948	752
Deferred:			
Federal	—	—	—
Foreign	(29)	(160)	(75)
	(29)	(160)	(75)
Income tax expense	$ 1,226	$ 788	$ 677

The overall income tax expense as recorded in the consolidated statements of operations varied from the tax expense calculated using U.S. federal and state income tax rates as follows for the years ended January 3, 2021:

	Year ended January 3, 2021	Year ended December 29, 2019	Year ended December 30, 2018
Federal income tax expense (recovery)	$ 135	$ (1,093)	$ 48
State income tax expense (recovery), net of federal tax benefit	342	199	24
Change in income tax rates due to tax reform	—	—	—
Loss (income) of foreign subsidiaries taxed at different rates	445	14	586
Change in valuation allowance	(2,401)	3,249	(61)
Foreign tax credit	0	113	869
Reassessment of losses by tax authority	—	—	—
Deemed income inclusion of foreign subsidiary	—	203	170
Expiry of operating loss carry forwards	675	19	226
Permanent and other differences	2,030	(1,916)	(1,185)
Income tax expense	$ 1,226	$ 788	$ 677

For income tax purposes, income (loss) before income taxes consisted of the following for the years ended January 3, 2021:

	Year ended January 3, 2021	Year ended December 29, 2019	Year ended December 30, 2018
Domestic (U.S.)	$ (4,773)	$ (1,969)	$ 1,569
Foreign (Non U.S.)	5,418	(3,238)	(1,340)
	$ 645	$ (5,207)	$ 229

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's deferred income tax liabilities and assets are comprised of the following at:

	January 3, 2021	December 29, 2019
Deferred income tax assets - net:		
Net operating loss carryforwards	$ 19,520	$ 19,646
Interest deduction carry forwards	1,437	2,907
Capital loss carryforwards	3,563	3,563
Tax credit carryforwards	4,143	4,310
Property, plant and equipment and other assets	(3,453)	(3,981)
Reserves, allowances and accruals	3,464	4,314
Other	968	1,255
	29,642	32,014
Valuation allowance	(29,073)	(31,474)
Net deferred income tax assets	$ 569	$ 540

At January 3, 2021, the Company had total net operating loss ("NOL") carry forwards of $106,455 of which $80,884, $22,155 and $3,416 pertains to loss carry forwards from U.S., Canadian and Asian jurisdictions respectively. Net operating loss carryforwards of $7,581 will expire between 2023 and 2027, $31,239 will expire between 2028 and 2030, $43,119 will expire between 2031 and 2036, $19,972 will expire between 2037 and 3039, and the remainder of $4,544 is available for indefinite carryforward.

Prior to its acquisition by the Company, MCA had NOL carry forwards of $15,300. Pursuant to Section 382 of the Internal Revenue Code, MCA's "ownership change" on November 8, 2018, within the meaning of this Section, resulted in limits on the Company's ability to utilize these losses. Management has determined NOL utilization to be limited to $3,909 annually, and believes that sufficient losses are otherwise available such that there is little, if any, adverse tax consequence of this limitation.

At January 3, 2021 and December 29, 2019, the Company had no gross unrecognized tax benefits associated with uncertain tax positions.

On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA") was enacted, which includes a broad range of tax reform proposals, with many provisions significantly differing from current U.S. tax law. Management has considered the impact of these provisions, including a decrease in the federal corporate income tax rate, from 35% to 21% for years beginning after December 31, 2017, substantially reducing the value of the Company's deferred tax assets. The Company has recorded a corresponding reduction to its deferred tax asset of $7,944 as at December 31, 2017. The reduction in the Company's deferred tax assets is fully offset by a corresponding reduction to the valuation allowance.

10. Loss per share

The following table details the weighted average number of shares outstanding for the purposes of computing basic and diluted loss per share for:

Number of common shares	Year ended January 3, 2021	Year ended December 29, 2019	Year ended December 30, 2018
Basic weighted average shares outstanding	28,244,244	25,745,499	19,176,198
Dilutive stock awards (a) (b)	—	—	—
Diluted weighted average shares outstanding	28,244,244	25,745,499	19,176,198

(a) Dilutive stock awards include outstanding RSUs, in-the money stock options and outstanding exercisable warrants determined using the treasury stock method.

(b) For the periods ended January 3, 2021, December 29, 2019 and December 30, 2018, as a result of a net loss for the periods, dilutive earnings per share was calculated using the basic weighted average shares outstanding as the effect of potential common shares would have been anti-dilutive. Had there been net earnings, dilutive stock awards would have been calculated as 1,474,297 for fiscal year ended January 3, 2021,1,284,682 for the fiscal year ended December 29, 2019 and 1,331,226 for the fiscal year ended December 30, 2018.

11. Segmented Information

General description

In 2020 the Company operated and managed by geographic region which are the United States, Mexico and China which are our operating and reportable segments. During the fourth quarter of fiscal year 2019 the Company ceased manufacturing in China and began to relocate the equipment used at our Chinese manufacturing facility to our North American sites which was completed in the first quarter of fiscal year 2020 China and began to relocate the equipment used at our Chinese manufacturing facility to our North American sites which was completed in first quarter of fiscal year 2020. We utilize each reportable segment's contribution (revenue minus operating expenses, excluding unrealized foreign exchange gain (loss) on unsettled forward foreign exchange contracts, corporate allocations and restructuring expenses) to monitor reportable segment performance. Contribution by country is utilized by the chief operating decision-maker (defined as the Chief Executive Officer) as the indicator of reportable segment performance, as it reflects costs which our operating segment management are directly responsible for. Intersegment adjustments reflect intersegment sales that are generally recorded at prices that approximate arm's-length transactions.

In assessing the performance of the reportable segments, management attributes site revenue to the reportable segment that ships the product to the customer, irrespective of the product's destination. Information about the reportable segments is as follows:

	Year ended January 3, 2021	Year ended December 29, 2019	Year ended December 30, 2018
Revenue			
U.S.	$ 147,650	$ 118,240	$ 42,994
Mexico	242,388	237,213	155,261
China	4,206	32,580	29,257
Total	$ 394,244	$ 388,033	$ 227,512
Intersegment revenue			
U.S.	$ (1,616)	$ (553)	$ (1,213)
Mexico	(2,876)	(1,407)	(2,459)
China	(3,302)	(13,562)	(7,709)
Total	$ (7,794)	$ (15,522)	$ (11,381)
Net external revenue			
U.S.	$ 146,034	$ 117,687	$ 41,781
Mexico	239,512	235,806	152,802
China	904	19,018	21,548
Total segment revenue (which also equals consolidated revenue)	$ 386,450	$ 372,511	$ 216,131
Segment contribution			
U.S.	$ 11,772	$ 8,072	$ 1,434
Mexico	20,364	20,356	13,851
China	(2)	4,743	1,792
Total	$ 32,134	$ 33,171	$ 17,077
Corporate expenses	19,518	23,190	13,801
Loss (gain) related to adjustment to fair value of warrant liability	852	(279)	111
Change in fair value of contingent consideration	—	(3,050)	—
Unrealized foreign exchange gain on unsettled forward exchange contracts	(1,055)	—	(353)
Restructuring charges	4,125	7,955	172
Interest expense	8,049	10,562	3,117
(Loss) income before income taxes	$ 645	$ (5,207)	$ 229

Year ended December January 3, 2021	Mexico	U.S.	China	Total
Market Sector:				
Test and Measurement	$ 949	$ 34,410	$ —	$ 35,359
Retail and Payment Systems	41,089	—	—	41,089
Telecom, Networking and Communications	9,963	10,969	714	21,646
Medical and Safety	28,092	16,009	130	44,231
Industrial IoT, Power and Clean Technology	117,244	36,876	60	154,180
Semiconductors	42,175	10,439	—	52,614
Avionics, Aerospace and Defense	—	37,331	—	37,331
Segment Revenue	239,512	146,034	904	386,450

Revenue by category	Mexico	U.S.	China	Total
Point in time	$ 2,630	$ 12,372	$ 452	$ 15,454
Over time	236,882	133,662	452	370,996
Total Revenue	239,512	146,034	904	386,450

Year ended December 29, 2019	Mexico	U.S.	China	Total
Market Sector:				
Test and Measurement	$ 10,280	$ 38,437	$ —	$ 48,717
Retail and Payment Systems	46,070	—	—	46,070
Telecom, Networking and Communications	15,616	7,349	14,222	37,187
Medical and Safety	32,360	12,429	736	45,525
Industrial IoT, Power and Clean Technology	108,506	34,727	4,060	147,293
Semiconductors	22,974	16	—	22,990
Avionics, Aerospace and Defense	—	24,729	—	24,729
Segment Revenue	235,806	117,687	19,018	372,511

Revenue by category	Mexico	U.S.	China	Total
Point in time	$ 2,374	$ 7,894	$ 1,065	$ 11,333
Over time	233,432	109,793	17,953	361,178
Total Revenue	235,806	117,687	19,018	372,511

Year ended December 30, 2018	Mexico	U.S.	China	Total
Market Sector:				
Test and Measurement	$ 13,109	$ 22,752	$ —	$ 35,861
Retail and Payment Systems	40,987	584	5	41,576
Telecom, Networking and Communications	13,467	5,180	18,730	37,377
Medical and Safety	25,977	4,126	1,278	31,381
Industrial IoT, Power and Clean Technology	32,649	4,089	1,535	38,273
Semiconductors	26,613	9	—	26,622
Avionics, Aerospace and Defense	—	5,041	—	5,041
Segment Revenue	152,802	41,781	21,548	216,131

Revenue by category	Mexico	U.S.	China	Total
Point in time	$ 448	$ 3,530	$ 84	$ 4,062
Over time	152,354	38,251	21,464	212,069
Total Revenue	152,802	41,781	21,548	216,131

The industry sectors for the fiscal year ended December 29, 2019 have been reclassified to align with the presentation for the fiscal year ended January 3, 2021. Upon review of customer sectors in fiscal 2020, certain customers were reclassified to new industry sectors as it was determined to be more appropriate based on the end products we manufacture.

Capital expenditures:

The following table contains additions including those acquired through finance leases, to property, plant and equipment for 2020, 2019 and 2018:

	Year ended January 3, 2021	Year ended December 29, 2019	Year ended December 30, 2018
U.S.	$ 3,011	$ 1,217	$ 1,049
Mexico	2,207	2,461	4,328
China	6	155	208
Segment total	5,224	3,833	5,585
Corporate and other	12	23	118
Total	$ 5,236	$ 3,856	$ 5,703

Segment assets:

	January 3, 2021		December 29, 2019	
Property, plant and equipment (a)				
U.S.	$	21,760	$	16,904
Mexico		10,302		10,970
China		—		670
Segment total		32,062		28,544
Corporate and other		34		96
Total	$	32,096	$	28,640
Other long term segment assets (b)				
U.S.	$	8,360	$	9,273
Mexico		20,075		22,179
China		—		—
Segment total		28,435		31,452
Corporate and other		812		859
Total	$	29,247	$	32,311
Total segment assets (a)				
U.S.	$	137,443	$	112,789
Mexico		91,698		93,349
China		—		6,694
Segment total		229,141		212,832
Corporate and other		798		547
Total	$	229,939	$	213,379

(a) Property, plant and equipment information is based on the principal location of the asset. This includes operating lease right of use assets.

(b) Includes Goodwill, Intangible assets, deferred income taxes and deferred financing costs.

Geographic revenue:

The following table contains geographic revenue based on our customer invoicing location:

	Year ended January 3, 2021		Year ended December 29, 2019		Year ended December 30, 2018	
U.S.	$	368,780	$	346,757	$	175,402
Canada		16,716		17,206		27,053
China		954		8,548		13,676
Total	$	386,450	$	372,511	$	216,131

Significant customers and concentration of credit risk

Sales of the Company’s products are concentrated among specific customers in the same industry. The Company requires collateral only from new customers with insufficient credit until such time as credit insurance can be obtained. The Company is subject to concentrations of credit risk in trade receivables and mitigates this risk through ongoing credit evaluation of customers and maintaining credit insurance. The Company considers concentrations of credit risk in establishing the allowance for doubtful accounts and believes the recorded allowances are adequate.

The Company expects to continue to depend upon a relatively small number of customers for a significant percentage of its revenue. In addition to having a limited number of customers, the Company manufactures a limited number of products for each customer. If the Company loses any of its largest customers or any product line manufactured for one of its largest customers, it could experience a significant reduction in revenue. Also, the insolvency of one or more of its largest customers or the inability of one or more of its largest customers to pay for its orders could decrease future revenue. As many costs and operating expenses are relatively fixed, a reduction in net revenue can decrease profit margins and adversely affect business, financial condition and results of operations.

During the year ended January 3, 2021,one customer comprised 12.2% of revenue. At January 3, 2021,one customer comprised 10% of the Company's trade accounts receivable. No other customers individually represented more than 10% of total revenue or trade accounts receivable.

During the year ended December 29, 2019,one customer comprised 12.8% of revenue. At December 29, 2019,one customer comprised 10% of the Company's trade accounts receivable. No other customers individually represented more than 10% of total revenue or trade accounts receivable.

During the year ended December 30, 2018,one customer comprised 11% of revenue from across all geographic segments. At December 30, 2018,two customers comprised 21% (11% and 10%, respectively) of the Company's trade accounts receivable. No other customers individually represented more than 10% of trade accounts receivable.

12. Commitments and contingencies

Contingencies

The General Corporation Law of the State of Delaware allows a corporation to eliminate the personal liability of directors to the corporation or to any of its stockholders for monetary damages for a breach of his fiduciary duty as a director, except in the case where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit. The Company has entered into indemnification agreements with each director, which provide that the Company shall, subject to certain exceptions, indemnify and pay, advance or reimburse the costs of defense of such person who is made party to a proceeding by reason of their indemnified capacities. Each indemnified party agrees to repay any payment, advance or reimbursement of expenses made by the Company to such person if it is determined, following the final disposition of the claim, that the person is not entitled to indemnification by the Company with respect to a claim for which indemnification was obtained.

The nature of the indemnification prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. The Company has purchased directors' and officers' liability insurance. No amount has been accrued in the consolidated balance sheet as at January 3, 2021 with respect to this indemnity.

In the normal course of business, the Company may be subject to litigation and claims from customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts, where required. Although it is not possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position, results of operations and cash flows of the Company.

For information regarding litigation and other disputes, please see Note 16, "Subsequent Event."

Purchase Obligations

Purchase obligations not recorded on the balance sheet as at January 3, 2021 all of which are to be paid in 2021, consist of :

- Insurance installments of $661(December 3029, 2018 2019 - $215430) (December 3130, 2017 2018 - $169215).
- Open non-cancellable purchase orders for raw materials for $51,832(December 29, 2019 - $27,959) (December 30, 2018 - $39,951).

13. Defined contribution pension plan and post-employment benefit plan

The Company has a 401K plan which is accounted for as a defined contribution plan for certain U.S. employees, whereby the Company matches a portion of employee contributions. Company contributions to the

401K plan were $545, $469 and $139 for the years ended January 3, 2021, December 29, 2019 and December 30, 2018, respectively.

The Company has certain post-employment benefits related to employees in its Mexico, Chihuahua facility. These benefit plans are only available to local employees and are generally government mandated. The liability related to the unfunded benefit obligations was $608 and $458 as at January 3, 2021 and December 29, 2019 respectively, which was classified within accrued liabilities in the consolidated balance sheet.

14. Restructuring Charges

Zacatecas facility closure:

In the fourth quarter of 2020, we approved our plans to close our Zacatecas manufacturing operations. The employee group was notified in the first week of January 2021, with the corresponding involuntary severance charges of $2,317 recorded as at January 3, 2021 relating to the estimated contractual obligations at that time impacting approximately 570 employees. The closure of the Zacatecas manufacturing facility also impacted approximately 287 employees during the July 2020 headcount reduction with a corresponding severance charge of $783. Also associated with the Zacatecas closure, were other associated closure costs of $328 which related to designated employee time to closure activities. Lastly, $955 is provisioned primarily associated with inventory and accounts receivable related to customers serviced in Zacatecas that is not believed to be recoverable.

The closure of the Zacatecas facility and majority of the cash outflows associated within the restructuring liability for severance and other exit costs is anticipated to be substantially completed by the end of the first quarter of 2021. The majority of the customers serviced in the Zacatecas facility will be transferred to our Chihuahua Mexico facility. A total restructuring charge of $4,383 was recorded in the twelve months ended January 3, 2021 relating to the announced planned closure.

Other restructuring charges:

During 2020 involuntary employee termination benefit costs and other recoveries of $400 pursuant to one time termination plans were incurred related to the reduction of 20 full-time equivalents ("FTEs") in U.S offset by recoveries of $658 of previously provisioned inventory and revisions of the original restructuring accrual related to the Dongguan restructuring provision.

	Twelve months ended	
	January 3, 2021	**December 29, 2019**
Zacatecas(Mexico) facility closure in 2020 (Dongguan (China) facility closure in 2019):		
Involuntary employee termination benefits	$ 3,100	$ 997
Other exit costs	328	1,040
Allowance for doubtful accounts receivables (note 4)	107	2,046
Write down of prepaid expenses	45	—
Provision for obsolete raw material inventories (note 4)	742	759
Write down of property, plant and equipment (note 4)	61	158
	4,383	5,000
Other involuntary employee termination benefits (U.S., Canada and China) (2019--US and Canada)	400	2,955
Other recoveries	(658)	—
Total restructuring charges	$ 4,125	$ 7,955

Restructuring Liability:

		Termination benefits and other exit costs
Balance as at December 29, 2019	$	1,597
Involuntary employee termination benefits and other exit costs incurred during the year (Mexico, U.S. and Canada)		3,828
Amounts reversed unutilized in year (China)		(658)
Payments—Dongguan severance (China)		(638)
Payments- (U.S., Canada and Mexico)		(1,686)
At January 3, 2021	$	2,443

15. Related Party Transactions

The Company incurred directors' fees of $220 for the years ended January 3, 2021, December 29, 2019 and December 30, 2018. The Company incurred stock based compensation expense related to stock based awards for directors of $123, $111 and $106 for the years ended January 3, 2021, December 29, 2019 and December 30, 2018, respectively. These charges were included in selling, general and administrative expenses.

16. Subsequent event

Proposed Merger

On January 3, 2021 we entered into a definitive merger agreement with an affiliate of H.I.G. Capital ("H.I.G."). Under the terms of the Merger Agreement, an affiliate of H.I.G. will acquire all outstanding shares of SMTC Corporation's common stock for $6.044 per share in cash. The SMTC Corporation Board of Directors unanimously approved the Merger Agreement. The transaction is expected to close by the second quarter of 2021. However, the exact timing of completion of the Merger cannot be predicted because the Merger is subject to conditions, including adoption of the Merger Agreement by the stockholders of SMTC and the receipt of regulatory approvals.

Since the announcement of the Merger, three complaints have been filed by, and purportedly on behalf of, alleged SMTC stockholders: one in the Court of Chancery in the State of Delaware, captioned *Quach v. Bailey, et al*., Case No. 2021-0104, filed February 5, 2021; one in the United States District Court for the District of Delaware, captioned *Waterman v. SMTC Corporation, et al*., Case No. 1:21-cv-00163-UNA, filed February 8, 2021; and one in the United States District Court for the Eastern District of New York, captioned *Edmilao v. SMTC Corporation, et al*., Case No. 1:21-cv-00751, filed February 11, 2021 (together, the "Actions"). The Actions name as defendants SMTC, our President and Chief Executive Officer and our Board. The Actions allege, among other things, that all defendants violated provisions of the Exchange Act and certain of their fiduciary duties insofar as the preliminary proxy statement filed by SMTC on January 21, 2021 allegedly omits material information with respect to the transactions contemplated therein that purportedly renders the preliminary proxy statement false and misleading. The complaints seek, among other things, injunctive relief, rescissory damages, declaratory judgment and an award of plaintiffs' fees and expenses. The litigation is still in its preliminary stages.

Exhibit 3.2

SECOND AMENDED AND RESTATED

BY-LAWS

OF

SMTC CORPORATION

ARTICLE 1 - OFFICES

1.1 Registered Offices. The registered office of SMTC Corporation (the "Corporation") in the State of Delaware shall be located at 1013 Centre Road, in the City of Wilmington, County of New Castle. The name of the Corporation's registered agent at such address shall be Corporation Service Company. The registered office and/or registered agent of the Corporation may be changed from time to time by action of the Board of Directors.

1.2 Other offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

1.3 Books. The books of the Corporation may be kept within or without of the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE 2 - STOCKHOLDERS

2.1 Place of Meetings. All meetings of stockholders shall be held at such place within or without the State of Delaware as may be designated from time to time by the Board of Directors or a Chief Executive Officer (or, if there is no Chief Executive Officer, a President) or, if not so designated, at the registered office of the Corporation.

2.2 Annual Meeting. The annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly be brought before the meeting shall be held within six months after the end of each fiscal year on a date to be fixed by the Board of Directors or a Chief Executive Officer (or, if there is no Chief Executive Officer, a President), unless that day be a legal holiday at the place where the meeting is to be held, in which case the meeting shall be held at the same hour on the next succeeding day not a legal holiday, or at such other date and time as shall be fixed by the Board of Directors or a Chief Executive Officer (or, if there is no Chief Executive Officer, a President) and stated in the notice of the meeting. If no annual meeting is held in accordance with the foregoing provisions, the Board of Directors shall cause the meeting to be held as soon thereafter as convenient. If no annual meeting is held in accordance with the foregoing provisions, a special meeting may be held in lieu of the annual meeting, and any action taken at that special meeting shall have the same effect as if it had been taken at the annual meeting, and in such case all references in these By-Laws to the annual meeting of stockholders shall be deemed to refer to such special meeting.

2.3 Special Meeting. Special meetings of stockholders may be called at any time by only the Chairman of the Board of Directors, a Chief Executive Officer (or, if there is no Chief Executive Officer, a President) or by the Board of Directors of the Corporation pursuant to a resolution adopted by the affirmative vote of a majority of the total number of directors then in office, and (up to twice in any calendar year) shall also be called by the President or Secretary at the request in writing of a majority of the Board of Directors or the holders of not less than ten percent (10%) of the outstanding capital stock of the Corporation entitled to vote. Such written request shall state the purpose or purposes of the proposed meeting. Upon receipt of such written request, the President or Secretary shall call a special meeting of stockholders to be held at the offices of the Corporation or at a location, at the Corporation's discretion, that is reasonable and convenient, at such date and time as the President or Secretary may fix, such meeting to be held not less than ten (10) nor more than sixty (60) days after the receipt of such written request. Any business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

2.4 Notice of Meetings. Except as otherwise provided by law, written notice of each meeting of stockholders, whether annual or special, shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. The notices of all meetings shall state the place, date and hour of the meeting. The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his or her address as it appears on the records of the Corporation.

2.5 Voting List. The officer who has charge of the stock ledger of the Corporation shall prepare, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, at a place within the city where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time of the meeting, and may be inspected by any stockholder who is present.

2.6 Quorum. Except as otherwise provided by law, the Certificate of Incorporation or these By-Laws, the holders of a majority of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business.

2.7 Adjournments. Any meeting of stockholders may be adjourned to any other time and to any other place at which a meeting of stockholders may be held under these By-Laws by a majority of the stockholders present or represented at the meeting and entitled to vote, although less than a quorum, or, if no stockholder is present, by any officer entitled to preside at or to act as Secretary of such meeting. It shall not be necessary to notify any stockholder of any adjournment of less than thirty (30) days if the time and place of the adjourned meeting are announced at the meeting at which adjournment is taken, unless after the adjournment a new record date is fixed for the adjourned meeting. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

2.8 Voting and Proxies. Except as otherwise provided by the General Corporation Law of the State of Delaware, the Certificate of Incorporation or these By-Laws, each stockholder shall have one vote for each share of capital stock entitled to vote and held of record by such stockholder. Each stockholder of record entitled to vote at a meeting of stockholders may vote in person or may authorize another person or persons to vote or act for him or her by written proxy executed by the stockholder or his or her authorized agent and delivered to the Secretary of the Corporation. No such proxy shall be voted or acted upon after three years from the date of its execution, unless the proxy expressly provides for a longer period.

2.9 Proxy Representation. Every stockholder may authorize another person or persons to act for him or her by proxy in all matters in which a stockholder is entitled to participate, whether by waiving notice of any meeting, objecting to or voting or participating at a meeting, or expressing consent or dissent without a meeting. The delivery of a proxy on behalf of a stockholder consistent with telephonic or electronically transmitted instructions obtained pursuant to procedures of the Corporation reasonably designed to verify that such instructions have been authorized by such stockholder shall constitute execution and delivery of the proxy by or on behalf of the stockholder. No proxy shall be voted or acted upon after three years from its date unless such proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and, if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally. The authorization of a proxy may but need not be limited to specified action, provided, however, that if a proxy limits its authorization to a meeting or meetings of stockholders, unless otherwise specifically provided such proxy shall entitle the holder thereof to vote at any adjourned session but shall not be valid after the final adjournment thereof. A proxy purporting to be authorized by or on behalf of a stockholder, if accepted by the Corporation in its discretion, shall be deemed valid unless challenged at or prior to its exercise and the burden of proving invalidity shall rest on the challenger.

2.10 Action at Meeting. When a quorum is present at any meeting, a plurality of the votes properly cast for election to any office shall elect to such office and a majority of the votes properly cast upon any question other than an election to an office shall decide the question, except when a larger vote is required by law, by the Certificate of Incorporation or by these By-laws. No ballot shall be required for any election unless requested by a stockholder present or represented at the meeting and entitled to vote in the election.

2.11 Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. The nomination for election to the Board of Directors of the Corporation at a meeting of stockholders may be made by the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of directors at such meeting who complies with the notice procedures set forth in this Section 2.11. Such nominations, other than those made by or on behalf of the Board of Directors, shall be made by notice in writing delivered or mailed by first class United States mail, postage prepaid, to the Secretary, and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided , however , that if the annual meeting is not held within thirty (30) days before or after such anniversary date, then such nomination shall have been delivered to or mailed and received by the Secretary not later than the close of business on the 10th day following the date on which the notice of the meeting was mailed or such public disclosure was made, whichever occurs first. Such notice shall set forth (a) as to each proposed nominee (i) the name, age, business address and, if known, residence address of each such nominee, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of stock of the Corporation which are beneficially owned by each such nominee, and (iv) any other information concerning the nominee that must be disclosed as to nominees in proxy solicitations pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, including such person's written consent to be named as a nominee and to serve as a director if elected; and (b) as to the stockholder giving the notice (i) the name and address, as they appear on the Corporation's books, of such stockholder and (ii) the class and number of shares of the Corporation which are beneficially owned by such stockholder (and evidence of such ownership if not also held of record by such stockholder). The Corporation may require any proposed nominee or nominating stockholder to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of a proposed nominee to serve as a director of the Corporation.

The chairman of the meeting may, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

2.12 Notice of Business at Annual Meetings. At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, (c) otherwise properly brought before an annual meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, if such business relates to the election of directors of the Corporation, the procedures in Section 2.11 must be complied with. If such business relates to any other matter, the stockholder must have given timely notice thereof in writing to the Secretary. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided , however , that if the annual meeting is not held within thirty (30) days before or after such anniversary date, then for the notice by the stockholder to be timely it must be so received not later than the close of business on the 10th day following the date on which the notice of the meeting was mailed or such public disclosure was made, whichever occurs first. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (c) the class and number of shares of the Corporation which are beneficially owned by the stockholder and (d) any material interest of the stockholder in such business. Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this Section 2.12, except that any stockholder proposal which complies with Rule 14a-8 of the proxy rules, or any successor provision, promulgated under the Securities Exchange Act of 1934, as amended, and is to be included in the Corporation's proxy statement for an annual meeting of stockholders shall be deemed to comply with the requirements of this Section 2.12.

The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 1.12, and if he or she should so determine, the chairman shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

2.13 Action without Meeting. For so long as this Corporation shall have a class of stock registered pursuant to the provisions of the Securities Exchange Act of 1934, stockholders may not take any action by written consent in lieu of a meeting.

2.14 Organization. The Chairman of the Board, or in his or her absence a President shall call meetings of the stockholders to order, and act as chairman of such meeting; provided, however, that the Board of Directors may appoint any stockholder to act as chairman of any meeting in the absence of the Chairman of the Board. The Secretary of the Corporation shall act as secretary at all meetings of the stockholders; provided , however , that in the absence of the Secretary at any meeting of the stockholders, the acting chairman may appoint any person to act as secretary of the meeting.

ARTICLE 3 - DIRECTORS

3.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors, who may exercise all of the powers of the Corporation except as otherwise provided by law, the Certificate of Incorporation or these By-Laws. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law, may exercise the powers of the full Board of Directors until the vacancy is filled.

3.2 Number; Election and Qualification. The number of directors which shall constitute the whole Board of Directors shall be determined by resolution of the Board of Directors, but in no event shall be less than three. The directors shall be elected at the annual meeting of stockholders by such stockholders as have the right to vote on such election. The directors need not be stockholders of the Corporation.

3.3 Terms of Office. Except as otherwise provided in the Certificate of Incorporation or these By-Laws, each director shall serve for a term ending on the date of the annual meeting following the annual meeting at which such director was elected; provided, however, that the term of each director shall be subject to the election and qualification of his or her successor and to his or her earlier death, resignation or removal.

3.4 Vacancies. Any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement of the Board of Directors, shall be filled only by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office.

3.5 Resignation. Any director may resign by delivering his or her written resignation to the Corporation at its principal office or to a President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

3.6 Regular Meetings. The regular meetings of the Board of Directors may be held without notice at such time and place, either within or without the State of Delaware, as shall be determined from time to time by the Board of Directors; provided , that any director who is absent when such a determination is made shall be given notice of the determination. A regular meeting of the Board of Directors may be held without notice immediately after and at the same place as the annual meeting of stockholders.

3.7 Special Meetings. Special meetings of the Board of Directors may be held at any time and place, within or without the State of Delaware, designated in a call by the Chairman of the Board of Directors, a Chief Executive Officer (or if there is no Chief Executive Officer, a President), two or more directors or by one director in the event that there is only a single director in office.

3.8 Notice of Special Meetings. Notice of any special meeting of the Board of Directors shall be given to each director by the Secretary or by the officer or one of the directors calling the meeting. The notice shall be duly given to each director (i) by giving notice to such director in person or by telephone at least twenty four (24) hours in advance of the meeting, (ii) by sending a telegram, telecopy, or telex, or delivering written notice by hand, to his or her last known business or home address at least twenty four (24) hours in advance of the meeting, or (iii) by mailing written notice to his or her last known business or home address at least seventy two (72) hours in advance of the meeting. A notice or waiver of notice of a special meeting of the Board of Directors need not specify the purposes of the meeting.

3.9 Meetings by Telephone Conference Calls. The Board of Directors or any members of any committee of the Board of Directors designated by the directors may participate in a meeting of the Board of Directors or such committee by means of conference telephone, video conference or other communications equipment by means of which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at such meeting.

3.10 Quorum. A majority of the total number of the whole Board of Directors shall constitute a quorum at all meetings of the Board of Directors. In the event one or more of the directors shall be disqualified to vote at any meeting, then the required quorum shall be reduced by one for each such director so disqualified; provided , however , that in no case shall less than one-third (1/3) of the number of directors so fixed constitute a quorum. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice, other than announcement at the meeting, until a quorum shall be present.

3.11 Action at Meeting. At any meeting of the Board of Directors at which a quorum is present, the vote of a majority of those present shall be sufficient to take any action, unless a different vote is specified by law, the Certificate of Incorporation or these By-Laws.

3.12 Action by Consent. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee of the Board of Directors may be taken without a meeting, if all members of the Board or committee, as the case may be, consent to the action in writing, and the written consents are filed with the minutes of proceedings of the Board of Directors or committee of the Board of Directors, as applicable.

3.13 Removal. The directors of the Corporation may not be removed without cause and may be removed for cause only by the affirmative vote of the holders of seventy-five percent (75%) of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote generally in the election of directors cast at a meeting of the stockholders called for that purpose.

3.14 Committees. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members of the committee present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors and subject to the provisions of the General Corporation Law of the State of Delaware, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it. Each such committee shall keep minutes and make such reports as the Board of Directors may from time to time request. Except as the Board of Directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these By-Laws for the Board of Directors.

3.15 Compensation of Directors. The directors may be paid such compensation for their services and such reimbursement for expenses of attendance at meetings as the Board of Directors may from time to time determine. No such payment shall preclude any director from serving the Corporation or any of its parent or subsidiary corporations in any other capacity and receiving compensation for such service.

ARTICLE 4 - OFFICERS

4.1 Enumeration. The officers of the Corporation shall consist of one Chief Executive Officer or two Co-Chief Executive Officers (each of whom shall be considered a Chief Executive Officer for purposes of these By-Laws), one President or two Co-Presidents (each of whom shall be considered a President for purposes of these By-Laws), a Chief Financial Officer, a Secretary and a Treasurer. The Board of Directors may appoint other officers with such titles and powers as it may deem appropriate, including, without limitation one or more Vice Presidents and one or more Controllers.

4.2 Election. The Chief Executive Officer or Co-Chief Executive Officers, as the case may be, President or Co-Presidents, as the case may be, Chief Financial Officer, Secretary and Treasurer shall be elected annually by the Board of Directors at its first meeting following the annual meeting of stockholders. Other officers may be appointed by the Board of Directors at such meeting or at any other meeting.

4.3 Qualification. No officer need be a stockholder of the Corporation. Any two or more offices may be held by the same person.

4.4 Tenure. Except as otherwise provided by law, by the Certificate of Incorporation or by these By-Laws, each officer shall hold office until his or her successor is elected and qualified, unless a different term is specified in the vote choosing or appointing him or her, or until his or her earlier death, resignation or removal.

4.5 Resignation and Removal. Any officer may resign by delivering his or her written resignation to the Corporation at its principal office or to a Chief Executive Officer or the Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event. Any officer may be removed at any time, with or without cause, by vote of a majority of the entire number of directors then in office.

Except as the Board of Directors may otherwise determine, no officer who resigns or is removed shall have any right to any compensation as an officer for any period following his or her resignation or removal, or any right to damages on account of such removal, whether his of her compensation be by the month or by the year or otherwise, unless such compensation is expressly provided in a duly authorized written agreement with the Corporation.

4.6 Vacancies. The Board of Directors may fill any vacancy occurring in any office for any reason and may, in its discretion, leave unfilled for such period as it may determine any offices other than those of Chief Executive Officer or Co-Chief Executive Officer, as the case may be, President or Co-President, as the case may be, Secretary and Treasurer. Each such successor shall hold office for the unexpired term of his or her predecessor and until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

4.7 Chairman of the Board. The Board of Directors may appoint a Chairman of the Board. If the Board of Directors appoints a Chairman of the Board, he or she shall perform such duties and possess such powers as are assigned to him or her by the Board of Directors.

4.8 Chief Executive Officer. The Chief Executive Officer or the Co-Chief Executive Officers shall, subject to the direction of the Board of Directors, have general charge and supervision of the business of the Corporation. Unless otherwise provided by the Board of Directors, a Chief Executive Officer shall preside at all meetings of the stockholders and, if a Chief Executive Officer is a director and subject to the provisions of Section 4.7, at all meetings of the Board of Directors. A Chief Executive Officer shall perform such other duties and possess such other powers as the Board of Directors may from time to time prescribe.

4.9 President. A President shall perform such duties and possess such powers as the Board of Directors or a Chief Executive Officer may from time to time prescribe. In the event of the absence, inability or refusal to act of all Chief Executive Officers, a President shall perform the duties of a Chief Executive Officer and when so performing shall have all the powers of and be subject to all the restrictions upon the office of Chief Executive Officer.

4.10 Chief Financial Officer. The Chief Financial Officer shall perform such duties and possess such powers as the Board of Directors or a Chief Executive Officer may from time to time prescribe. The Chief Financial Officer shall have the custody of the corporate funds and securities; shall keep full and accurate all books and accounts of the Corporation as shall be necessary or desirable in accordance with applicable law or generally accepted accounting principles; shall deposit all monies and other valuable effects in the name and to the credit of the Corporation as may be ordered by the Chairman of the Board or the Board of Directors; shall cause the funds of the Corporation to be disbursed when such disbursements have been duly authorized, taking proper vouchers for such disbursements; and shall render to the Board of Directors, at its regular meeting or when the Board of Directors so requires, an account of the Corporation.

4.11 Vice Presidents. Any Vice President shall perform such duties and possess such powers as the Board of Directors, a Chief Executive Officer or a President may from time to time prescribe. The Board of Directors may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other such title.

4.12 Controllers. Any Controller shall perform such duties and possess such powers as the Board of Directors, a Chief Executive Officer or any Vice President may from time to time prescribe. The Board of Directors may assign to any Controller the title of Assistant Controller or any other such title.

4.13 Secretary. The Secretary shall perform such duties and possess such powers as the Board of Directors or a Chief Executive Officer may from time to time prescribe. In addition, the Secretary shall perform such duties and have such powers as are incident to the office of the Secretary, including without limitation the duty and power to give notices of all meetings of stockholders and special meetings of the Board of Directors, to attend all meetings of stockholders and the Board of Directors and keep a record of the proceedings, to maintain a stock ledger and prepare lists of stockholders and their addresses as required, to be custodian of corporate records and the corporate seal and to affix and attest to the same on documents. In the event of the absence, inability or refusal to act of the Secretary at any meeting of stockholders or directors, the person presiding at the meeting shall designate a temporary secretary to keep a record of the meeting.

4.14 Treasurer. The Treasurer shall perform such duties and possess such powers as the Board of Directors, a Chief Executive Officer or the Chief Financial Officer may from time to time prescribe. In addition, the Treasurer shall perform such duties and have such powers as are incident to the office of Treasurer, including without limitation the duty and power to keep and be responsible for all funds and securities of the Corporation, to deposit funds of the Corporation in depositories selected in accordance with these By-Laws, to disburse such funds as ordered by the Board of Directors, to make proper accounts of such funds, and to render as required by the Board of Directors statements of all such transactions and of the financial condition of the Corporation. Unless the Board of Directors has designated another officer as Chief Financial Officer, the Treasurer shall be the Chief Financial Officer of the Corporation.

In the event of the absence, inability or refusal to act of the Treasurer, the Board of Directors shall appoint a temporary treasurer, who shall perform the duties and exercise the powers of the Treasurer.

4.15 Other Officers, Assistant Officers and Agents. Officers, assistant officers and agents, if any, other than those whose duties are provided for in these By-laws, shall have such authority and perform such duties as may from time to time be prescribed by resolution of the Board of Directors.

4.16 Salaries. Officers of the Corporation shall be entitled to such salaries, compensation or reimbursement as shall be fixed or allowed from time to time by the Board of Directors.

ARTICLE 5 - CAPITAL STOCK

5.1 Issuance of Stock. Unless otherwise voted by the stockholders and subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the Corporation or the whole or any part of any unissued balance of the authorized capital stock of the Corporation held in its treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board of Directors in such manner, for such consideration and on such terms as the Board of Directors may determine.

5.2 Certificates of Stock. Every holder of stock of the Corporation shall be entitled to have a certificate, in such form as may be prescribed by law and by the Board of Directors, certifying the number and class of shares owned by him or her in the Corporation. Each such certificate shall be signed by, or in the name of the Corporation by, the Chairman of the Board of Directors, a Chief Executive Officer or a President, and the Treasurer or the Secretary of the Corporation. Any or all of the signatures on the certificate may be a facsimile.

Each certificate for shares of stock which are subject to any restriction on transfer pursuant to the Certificate of Incorporation, the By-Laws, applicable securities laws or any agreement among any number of stockholders or among such holders and the Corporation shall have conspicuously noted on the face or back of the certificate either the full text of the restriction or a statement of the existence of such restriction.

5.3 Transfers. Except as otherwise established by rules and regulations adopted by the Board of Directors, and subject to applicable law, shares of stock may be transferred on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate representing such shares properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or the authenticity of signature as the Corporation or its transfer agent may reasonably require. Except as may be otherwise required by law, by the Certificate of Incorporation or by these By-Laws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to such stock, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the Corporation in accordance with the requirements of these By-Laws.

5.4 Lost, Stolen or Destroyed Certificates. The Corporation may issue a new certificate of stock in place of any previously issued certificate alleged to have been lost, stolen, or destroyed, upon such terms and conditions as the Board of Directors may prescribe, including the presentation of reasonable evidence of such loss, theft or destruction and the giving of such indemnity as the Board of Directors may require for the protection of the Corporation or any transfer agent or registrar.

5.5 Record Date. The Board of Directors may fix in advance a date as a record date for the determination of the stockholders entitled to notice of or to vote at any meeting of stockholders, or entitled to receive payment of any dividend or other distribution or allotment of any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action. Such record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action to which such record date relates.

If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day before the day on which notice is given, or, if notice is waived, at the close of business on the day before the day on which the meeting is held. The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating to such purpose.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

5.6 Dividends. Subject to limitations contained in the General Corporation Law of the State of Delaware, the Certificate of Incorporation and these By-laws, the Board of Directors may declare and pay dividends upon the shares of capital stock of the Corporation, which dividends may be paid either in cash, in property or in shares of the capital stock of the Corporation.

ARTICLE 6 - GENERAL PROVISIONS

6.1 Fiscal Year. Except as from time to time otherwise designated by the Board of Directors, the fiscal year of the Corporation shall begin on the first day of January in each year and end on the last day of December in each year.

6.2 Corporate Seal. The corporate seal shall be in such form as shall be approved by the Board of Directors.

6.3 Waiver of Notice. Whenever any notice whatsoever is required to be given by law, by the Certificate of Incorporation or by these By-Laws, a waiver of such notice either in writing signed by the person entitled to such notice or such person's duly authorized attorney, or by telegraph, cable or any other available method, whether before, at or after the time stated in such waiver, or by the appearance of such person at such meeting in person or by proxy, shall be deemed equivalent to such notice. Any member of the Board of Directors or any committee thereof who is present at a meeting shall be conclusively presumed to have waived notice of such meeting except when such member attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Such member shall be conclusively presumed to have assented to any action taken unless his or her dissent shall be entered in the minutes of the meeting or unless his or her written dissent to such action shall be filed with the person acting as the secretary of the meeting before the adjournment thereof or shall be forwarded by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to any member who voted in favor of such action.

6.4 Voting of Securities. Except as the directors may otherwise designate, a Chief Executive Officer or Treasurer may waive notice of, and act as, or appoint any person or persons to act as, proxy or attorney-in-fact for this Corporation (with or without power of substitution) at, any meeting of stockholders or shareholders of any other Corporation or organization, the securities of which may be held by this Corporation.

6.5 Evidence of Authority. A certificate by the Secretary, or a temporary secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the Corporation shall, as to all persons who rely on the certificate in good faith, be conclusive evidence of such action.

6.6 Certificate of Incorporation. All references in these By-Laws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the Corporation, as amended or restated and in effect from time to time.

6.7 Transactions with Interested Parties. No contract or transaction between the Corporation and one or more of the directors or officers, or between the Corporation and any other Corporation, partnership, association, or other organization in which one or more of the directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or a committee of the Board of Directors which authorizes the contract or transaction or solely because his, her or their votes are counted for such purpose, if:

(1) The material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee of the Board of Directors in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum;

(2) The material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(3) The contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee of the Board of Directors, or the stockholders.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

6.8 Severability. Any determination that any provision of these By-Laws is for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these By-Laws.

6.9 Pronouns. All pronouns used in these By-Laws shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

6.10 Contracts. In addition to the powers otherwise granted to officers pursuant to Article 4 hereof, the Board of Directors may authorize any officer or officers, or any agent or agents, of the Corporation to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

6.11 Loans. The Corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the Corporation or of its subsidiaries, including any officer or employee who is a Director of the Corporation or its subsidiaries, whenever, in the judgment of the Directors, such loan, guaranty or assistance may reasonably be expected to benefit the Corporation. The loan, guaranty or other assistance may be with or without interest, and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the Corporation. Nothing in this section shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the Corporation at common law or under any statute.

6.12 Inspection of Books and Records. The Board of Directors shall have power from time to time to determine to what extent and at what times and places and under what conditions and regulations the accounts and books of the Corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right to inspect any account or book or document of the Corporation, except as conferred by the laws of the State of Delaware, unless and until authorized so to do by resolution of the Board of Directors or of the stockholders of the Corporation.

6.13 Section Headings. Section headings in these By-laws are for convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

6.14 Inconsistent Provisions. In the event that any provision of these By-laws is or becomes inconsistent with any provision of the Restated Certificate of Incorporation, the General Corporation Law of the State of Delaware or any other applicable law, the provision of these By-laws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

ARTICLE 7 - AMENDMENTS

These By-Laws may be altered, amended or repealed or new By-Laws may be adopted by (a) the affirmative vote of a majority of the directors present at any regular or special meeting of the Board of Directors at which a quorum is present or (b) by the affirmative vote of the holders of a majority of the shares of the capital stock of the Corporation issued and outstanding.

AMENDMENT NO. 1

TO

SECOND AMENDED AND RESTATED

BY-LAWS

OF

SMTC CORPORATION

The Board of Directors (the "Board") of SMTC Corporation, a Delaware corporation (the "Company"), adopted the Amendment No. 1 to the Second Amended and Restated By-Laws of the Company (the "By-Laws") on January 18, 2013.

WHEREAS: The Company currently has in place guidelines for stock ownership of the Company's directors; and

WHEREAS: The Nominating Committee desire to expand and further delineate these guidelines; and

WHEREAS: In order to bring fresh perspective, new ideas and additional contacts to the Board, the Board believes that as a general guideline it is in the best interest of the Company and the Board to limit the term of Board membership to a term of ten years, and to rotate Board committee assignment every five years:

NOW THEREFORE: Article 3 of the By-laws is amended to add new Sections 3.16 and 3.17 thereto, which Sections 3.16 and 3.17 shall read in their entirety as follows:

Section 3.16. <u>Stock Ownership of Directors</u>. To remain eligible for re-election to the Board of Directors at the next upcoming election of directors, each director shall, within five years of becoming a director, acquire and maintain stock ownership in the Corporation equal to three times the annual retainer amount paid by the Corporation to each such director, with stock ownership equal to at least the annual retainer amount established by each such director within twenty-four months of becoming a director, and stock ownership equal to at least two times the annual retainer amount established by each such director within forty-eight months of becoming a director. Only shares of capital stock owned outright by a director and valued at such shares' purchase price will be taken into consideration in determining whether a director has met these guidelines. Prior to the Corporation's annual meeting each year, the Nominating and Governance Committee will review the progress of each director towards achievement of the guidelines. Once a director has met these guidelines, he or she shall be deemed to continue to meet the guidelines and shall be exempt from review in future periods until such director reduces the number of shares he or she holds.

Section 3.17. <u>Term Limitations</u>. That absent a compelling circumstance such as service as an executive officer of the Corporation or a significant stock ownership position, or such other compelling reason or reasons as the Nominating and Governance Committee may from time to time deem warranted, the Nominating and Governance Committee shall not recommend that directors who have served as directors for ten years or more be slated for reelection to the Board of Directors. To create a pool of qualified director candidates who possess the high level of personal and professional ethics, sound business judgment and integrity, the Nominating and Governance Committee will from time to time review the appropriate skills and characteristics required of Board of Directors members, including such factors as business experience, diversity, and personal skills in technology, finance, marketing, international business, financial reporting and other areas that are expected to contribute to an effective Board of Directors, and will actively recruit Board of Director candidates who possess these skills and attributes. In addition, absent a compelling circumstance such as a specific expertise or independence qualification, the Nominating and Governance Committee shall recommend that no director serves continuously on any Board of Director committee for more than five years. The Nominating and Governance Committee will review committee assignments annually and make recommendations to the Board of Directors for committee membership changes each year prior to the Corporation's annual meeting of stockholders.

AMENDMENT NO. 2

TO

SECOND AMENDED AND RESTATED

BY-LAWS

OF

SMTC CORPORATION

The Board of Directors (the “Board”) of SMTC Corporation, a Delaware corporation (the “Company”), adopted the Amendment No. 2 to the Second Amended and Restated By-Laws of the Company (the “By-Laws”) on June 15, 2018.

1. Section 3.13 of the By-Laws is hereby amended by deleting such section in its entirety.

2. Except as expressly modified hereby, the By-Laws and all of the provisions contained therein shall remain in full force and effect.

AMENDMENT NO. 3

TO

SECOND AMENDED AND RESTATED

BY-LAWS

OF

SMTC CORPORATION

The Board of Directors of SMTC Corporation, a Delaware corporation (the "Company"), adopted Amendment No. 3 to the Second Amended and Restated By-Laws of the Company (the "By-Laws") on January 3, 2021 by adding a new Section 6.15 to "ARTICLE 6 - GENERAL PROVISIONS" of the By-Laws, which shall read in its entirety as follows:

6.15 Exclusive Forum.

(a) Subject to Section 6.15(b), unless the Corporation consents in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for any internal or intra-corporate claim or any action asserting a claim governed by the internal affairs doctrine as defined by the laws of the State of Delaware, including, but not limited to: (i) any derivative action or proceeding brought on behalf of the Corporation; (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee or stockholder of the Corporation to the Corporation or the Corporation's stockholders; or (iii) any action asserting a claim arising pursuant to any provision of the General Corporation Law of the State of Delaware, the Certificate of Incorporation or these By-Laws (in each case, as they may be amended from time to time), or as to which the General Corporation Law of the State of Delaware confers jurisdiction on the Court of Chancery of the State of Delaware, shall be a state court located within the State of Delaware (or, if no court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware).

(b) Unless the Corporation consents in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for any action asserting a cause of action arising under the Securities Act of 1933 or any rule or regulation promulgated thereunder (in each case, as amended) shall be the federal district court for the District of Delaware (or if such court does not have jurisdiction over such action, any other federal district court of the United States); provided, however, that if the foregoing provisions of this Section 6.15(b) are, or the application of such provisions to any person or entity or any circumstance is, illegal, invalid or unenforceable, the sole and exclusive forum for any action asserting a cause of action arising under the Securities Act of 1933 or any rule or regulation promulgated thereunder (in each case, as amended) shall be the Court of Chancery of the State of Delaware.

(c) To the fullest extent permitted by law, any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Section 6.15.

Exhibit 4.4

DESCRIPTION OF SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

SMTC Corporation ("we," "our," or "us") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common stock, par value $0.01 per share.

DESCRIPTION OF CAPITAL STOCK

General

*The following description of our capital stock is a summary only. This description is based upon, and is qualified by reference to, our fifth amended and restated certificate of incorporation, as amended to date (the "**certificate of incorporation**"), second amended and restated by-laws, as amended to date (the "**by-laws**"), and applicable provisions of the General Corporation Law of the State of Delaware (the "DGCL"). This summary is not complete. You should read our certificate of incorporation1 and our by-laws2, which are incorporated by reference as exhibits to this Annual Report on Form 10-K, for the provisions that are important to you*

Authorized and Outstanding Capital Stock

Our certificate of incorporation authorizes us to issue 43,750,000 shares of stock, divided into two classes:

- 38,7500,000 shares of common stock, par value $0.01 per share; and
- 5,000,000 shares of preferred stock, par value $0.01 per share.

Common Stock

The issued and outstanding shares of our common stock are validly issued, fully paid and nonassessable. Subject to the prior rights of the holders of any series of preferred stock, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available therefor at such time and in such amounts as the Company's Board of Directors (the "**Board**") may from time to time determine. The shares of common stock are not convertible and the holders thereof have no preemptive or subscription rights to purchase any of our securities. There are no redemption or sinking fund provisions applicable to the common stock. Upon liquidation, dissolution or winding up of our company, the holders of common stock are entitled to receive pro rata our assets which are legally available for distribution, after payment of all debts and other liabilities and subject to the prior rights of any holders of any series of preferred stock then outstanding. Each outstanding share of common stock is entitled to one vote on all matters submitted to a vote of stockholders. There is no cumulative voting and our Board is not classified. Except as otherwise required by law or our certificate of incorporation, the holders of common stock vote together as a single class on all matters submitted to a vote of stockholders.

Preferred Stock

Our certificate of incorporation authorizes our Board to issue up to 5,000,000 shares of preferred stock, from time to time in one or more classes or series, generally without any vote or action by the holders of our common stock. Our Board will be authorized to determine the number of shares and designation of any class or series of preferred stock and the powers, rights, preferences and privileges of each class or series of preferred stock, including, the dividend rate, dividend rights, conversion rights and terms, voting rights, redemption rights and terms, liquidation preferences and sinking fund terms of any class or series of preferred stock, which may be greater than the rights of the holders of the common stock. There are no shares of preferred stock outstanding.

1 NTD: Please make this a hyperlink to the new certificate of incorporation exhibit that will be filed with the 10-K.
2 NTD: Please make this a hyperlink to the new by-laws exhibit that will be filed with the 10-K.

The purpose of authorizing our Board to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a shareholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from seeking to acquire, a majority of our outstanding voting stock. Additionally, the issuance of preferred stock may adversely affect the holders of our common stock by restricting dividends on our common stock, diluting the voting power of our common stock or subordinating the liquidation rights of our common stock. As a result of these or other factors, the issuance of preferred stock could have an adverse impact on the market price of our common stock.

Anti-Takeover Effects of Certain Provisions of Delaware Law, our Certificate of Incorporation and our By-laws

Certificate of Incorporation and By-laws

Certain provisions of our certificate of incorporation and by-laws may have an anti-takeover effect. These provisions may delay, defer or prevent a tender offer or takeover attempt of us that a stockholder might consider in his or her best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders. The following summarizes these provisions.

Stockholder Action; Special Meeting of Stockholders

Our certificate of incorporation provides that stockholder action can be taken only at an annual or special meeting of stockholders and cannot be taken by written consent in lieu of a meeting. Our certificate of incorporation and our by-laws provide that, except as otherwise required by law, special meetings of the stockholders can only be called by the Chairman of the Board, the Chief Executive Officer or pursuant to a resolution adopted by a majority of the Board. Stockholders will not be permitted to call a special meeting or to require the Board to call a special meeting.

Advance Notice Requirements for Stockholders Proposals and Directors Nominations

Our by-laws establish an advance-notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to the Board. Stockholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the Board or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given to our secretary timely written notice, in proper form, of such stockholder’s intention to bring that business before the meeting. Although our by-laws do not give the Board the power to approve or disapprove stockholder nominations of candidates or proposals regarding other business to be conducted at a special or annual meeting, our by-laws may have the effect of precluding the conduct of business at a meeting if the proper procedures are not followed or may discourage or defer a potential acquiror from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of the Company.

Authorized but Unissued Shares

Our authorized but unissued shares of common stock and preferred stock are available for our Board to issue without stockholder approval. As noted above, our board of directors, without stockholder approval, has the authority under “—Preferred Stock” in our certificate of incorporation to issue preferred stock with rights superior to the rights of the holders of common stock, subject to certain conditions. As a result, preferred stock could be issued quickly, could adversely affect the rights of holders of common stock and could be issued with terms calculated to delay or prevent a change of control or make removal of management more difficult. We may use the additional shares of common stock and preferred stock for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of our authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of our company by means of a proxy contest, tender offer, merger or other transaction.

No Cumulative Voting

Under Delaware law, the right to vote cumulatively does not exist unless the certificate of incorporation specifically authorizes cumulative voting. Our certificate of incorporation does not provide for cumulative voting. Accordingly, a holder or group of holders of a majority of the shares of our common stock are able to elect all of the directors.

Provisions of Delaware Law Governing Business Combinations

We are subject to the "business combination" provisions of Section 203 the DGCL. In general, such provisions prohibit a publicly held Delaware corporation from engaging in various "business combination" transactions with any "interested stockholder" for a period of three years after the date of the transaction in which the person became an "interested stockholder," unless:

- the transaction is approved by the Board prior to the date the "interested stockholder" obtained such status;
- upon consummation of the transaction which resulted in the stockholder becoming an "interested stockholder," the "interested stockholder" owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by (a) persons who are directors and also officers and (b) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to such date the "business combination" is approved by the Board and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the "interested stockholder."

A "business combination" is defined to include mergers, asset sales and other transactions resulting in financial benefit to a stockholder. In general, an "interested stockholder" is a person who, together with affiliates and associates, owns 15% or more of a corporation's voting stock or within three years did own 15% or more of a corporation's voting stock. To our knowledge, none of such stockholders has a present intention to engage in any transaction which would constitute a "business combination." The statute could prohibit or delay mergers or other takeover or change in control attempts with respect to us and, accordingly, may discourage attempts to acquire us.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

Exchange Listing

Our common stock is listed on The Nasdaq Global Market under the symbol "SMTX."

Exhibit 10.28

SEPARATION AGREEMENT

This Separation Agreement (this "**Agreement**") is made and entered into by and between Rich Fitzgerald ("**Employee**"), and SMTC Corporation ("**SMTC**"), who hereby agree as follows:

1. Transition Period and Separation Date.

a. Effective as of the date hereof (the "**Transition Date**") through the date Employee's employment with SMTC is terminated (the "**Separation Date**"), Employee will continue to be employed by SMTC on a full-time basis. Provided that Employee complies in full with Employee's obligations hereunder, it is expected that the Separation Date will be March 31, 2021; provided, however, that the Separation Date may be extended in the event that SMTC's closure and consolidation of the Zacatecas, Mexico facility is not substantially completed by March 31, 2021, as determined in the sole discretion of SMTC's Chief Executive Officer. The period beginning on the Transition Date and concluding on the Separation Date is hereinafter referred to as the "**Transition Period**".

b. During the Transition Period, Employee will continue to receive Employee's base salary, payable at the rate in effect as of the date hereof, and to participate in all employee benefit plans of SMTC in accordance with the terms of those plans. Employee acknowledges and agrees that as of the date hereof, Employee holds a vested option to purchase 134,371 shares of SMTC's common stock at an exercise price of $1.26 per share and an unvested option to purchase 200,000 shares of SMTC's common stock at an exercise price of $3.67 per share (the "**Options**"). During the Transition Period, the Options will remain outstanding in accordance with their respective terms, provided that if Employee remains employed through the consummation of the Transaction (as defined below), the Options will vest in full as of immediately prior to the consummation of the Transaction. During the Transition Period, Employee will perform duties as may be assigned to Employee from time to time by the Chief Executive Officer of SMTC, and to assist with the transition of Employee's duties and responsibilities to any SMTC designees. Such duties will include, without limitation, (i) supporting the consolidation of SMTC's operations in Zacatecas, Mexico into its operations in Chihuahua, Mexico, (ii) onboarding Employee's successor or successors in the role of Chief Operating Officer, and (iii) providing assistance as reasonably requested in the closing of the transaction contemplated by the Agreement and Plan of Merger by and between EMS Silver Inc., EMS Silver Merger Sub Inc., and the Company dated as of January 3, 2021 (the "**Transaction**"). Employee will continue to devote Employee's best professional efforts to SMTC, and to abide by all SMTC policies and procedures as in effect from time to time. Employee agrees that, within ten (10) days following the Separation Date, he will submit his final expense reimbursement statement reflecting all business expenses incurred through the Separation Date, if any, for which he seeks reimbursement. SMTC will reimburse Employee for these expenses pursuant to its regular business practice.

c. SMTC may terminate Employee's employment at any time before and during the Transition Period upon notice to Employee. If SMTC terminates Employee's employment for Cause (as defined in the Employment Agreement (as defined below)) or if Employee voluntarily resigns, Employee will not be eligible to receive the severance benefits described in Section 2 hereof.

2. Severance Payment. In consideration of Employee's acceptance of this Agreement and subject to Employee meeting in full Employee's obligations hereunder, including Employee's obligation to execute a post-employment general release and waiver of claims in the form attached hereto as Exhibit A (the "**Post-Employment Release**"), and in full consideration of any rights he may have under the Employment Agreement, SMTC will pay to Employee the amount of $323,100, equal to fifty-two (52) week(s) of his final base salary, as severance and consideration for entering into this Agreement with SMTC. Such payment will be made in equal periodic installments, beginning the first regularly scheduled pay date after the effective date of the Release, in accordance with SMTC's customary payroll practices (including required withholding and deductions).

3. Acknowledgement of Full Payment. Employee acknowledges that he would not be entitled to the payments mentioned in Section 2, above, in the absence of his executing this Agreement. Employee further acknowledges that, as of the Separation Date, Employee will receive (i) pay for any accrued but unused vacation as of the Separation Date; (ii) pay for work done during the last pay period before the Separation Date. Employee agrees that, apart from any payments or benefits expressly provided for under this Agreement, he is not entitled to any other wages, benefits, compensation or payments from SMTC, whether under the employment agreement by and between Employee and SMTC dated as of May 11, 2017 (the "**Employment Agreement**"). Employee expressly acknowledges and agrees that any change in Employee's title, authority, responsibilities or duties as set forth or otherwise associated with the transition contemplated herein or resulting from or made in connection with the Transaction shall not constitute "**Good Reason**" for purposes of the Employment Agreement or otherwise or entitle Employee to any severance, benefits or other rights under the Employment Agreement or otherwise.

4. Employee's Release of All Claims ("Release"). In consideration of the provisions, promises, terms and conditions in this Agreement, and the severance pay provided to Employee under Section 2 above, Employee, on his own behalf and on behalf of his heirs, executors, administrators, assigns and successors, hereby releases, discharges, satisfies and cancels all claims, actions, causes of action and liabilities of any kind whatsoever which he now has, may now have or has ever had against SMTC; all of its subsidiaries, parent companies, related companies, affiliates, predecessors, successors and assigns (together, "**Affiliates**"); and all of their respective past, future and present representatives, agents, officers, directors, managers, trustees, employee benefits plans, administrators, members, shareholders and employees (collectively, the "**Released Parties**") – either individually or collectively – arising out of his employment by SMTC, or otherwise, up to and including the date he executes this Agreement – including, but not limited to, any and all claims for compensation or benefits of any kind (other than as expressly provided for under this Agreement), breach of contract, discrimination, harassment, retaliation, fraud, defamation or any other tort claims, and any claims under the Civil Rights Acts of 1866 and 1871; Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Equal Pay Act; the National Labor Relations Act; the Employee Retirement Income Security Act (ERISA); the Americans with Disabilities Act of 1990; the Age Discrimination in Employment Act of 1967

(ADEA); the Older Workers Benefit Protection Act (OWBPA); the Federal Rehabilitation Act of 1973; the Family and Medical Leave Act of 1993 (FMLA); the Genetic Information Nondiscrimination Act (GINA); the federal False Claims Act and the so-called Whistleblower Protection Act; Florida Private Sector Whistleblower's Acts of 1986 and 1991; the Florida Civil Rights Act; the Arizona Employment Protection Act (AEPA); the Arizona Fair Wages and Healthy Families Act ; the Arizona Equal Pay Act (A.R.S. § 23-340, *et seq.*); the Arizona Civil Rights Act; any and all other Florida or Arizona statutes, ordinances, rules or regulations; and any and all other federal, state or local laws, statutes, ordinances, treaties, rules or regulations, as amended, or under common law.

Employee represents and agrees that he has not filed any complaints, charges or lawsuits of any kind whatsoever against SMTC or any of the other Released Parties described above, nor is he aware of any basis to file any such complaints, charges or lawsuits with any governmental agency or any court, directly or on behalf of any other person or private or governmental entity, and Employee acknowledges that prior to his Separation Date, he had the opportunity to make SMTC aware of any such violations if any had existed. Nothing contained in this Agreement shall be construed to prohibit Employee from filing a charge with or participating in any investigation or proceeding conducted by the federal Equal Employment Opportunity Commission or a comparable state or local agency, provided, however, that by executing this Agreement, Employee waives (to the maximum extent permissible by law), and agrees that he will not seek or accept, any form of personal or monetary relief or recovery in any such charge, investigation or proceeding or any related complaint or lawsuit by Employee or on Employee's behalf. Nothing in this Agreement is intended to prevent or interfere with Employee's non-waivable right to participate or cooperate in any federal, state or local proceeding or investigation or limits, restricts or in any other way affects Employee's communicating with any governmental agency or entity, or communicating with any official or staff person of a governmental agency or entity, concerning matters relevant to the governmental agency or entity or requires Employee to provide prior notice to SMTC of the same.

Employee agrees to sign the Post-Employment Release by the later of seven (7) days following the Separation Date and twenty-one (21) days following the date hereof (and in no event before the Separation Date). Employee further agrees that a signed and unrevoked Post-Employment Release is an express condition to Employee's receipt and retention of the severance benefits described in Section 2 above.

5. Confidentiality of Information. Employee agrees that any and all information which Employee has made, developed, originated or acquired either individually or jointly with any other person or persons at any time during the period of employment by SMTC prior to the Separation Date, which relates in any way to the business or type of business engaged in by SMTC or any of its Affiliates ("**Confidential Information**") is to be kept confidential. Confidential Information includes, but is not limited to, all concepts, techniques, processes, systems, devices, charts, manuals, price lists, payroll, personnel, administrative methods and information and improvements thereto; the names and identities of all clients, owners, customers and suppliers; the names, addresses, telephone number, qualifications, education, accomplishments, experience and resumes of all persons who have applied or been recruited for employment, for either or both permanent and temporary jobs; and all other information or materials which may give a

competitive advantage to a competitor. Employee agrees not use or to reveal, divulge or make known to any person, firm or corporation such Confidential Information and understands that if he discloses to others, uses for his own benefit or for the benefit of any person or entity other than SMTC, copies or makes notes of any such Confidential Information, such conduct will constitute a material breach of this Agreement. Notwithstanding the foregoing, Employee cannot be held criminally or civilly liable under any federal or state trade secret law for disclosing a trade secret (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, or (ii) in a complaint or other document filed under seal in a lawsuit or other proceeding. Notwithstanding this immunity from liability, Employee may be held liable if Employee unlawfully accesses trade secrets by unauthorized means.

6. Return of Property. Employee represents and warrants that on or before the Separation Date he will return to SMTC all records, data, notes, reports, proposals, lists, correspondence, specifications and other documents or property, or reproductions of any aforementioned items, relating to SMTC, its parents, subsidiaries, affiliates, successors or assigns that were given to him by SMTC or were compiled or prepared by him in connection with his employment by SMTC ("**Documents**").

7. Assignment of Rights to Intellectual Property. Employee shall promptly and fully disclose all Intellectual Property to SMTC. Employee hereby assigns and agrees to assign to SMTC (or as otherwise directed by SMTC) his full right, title and interest in and to all Intellectual Property. Employee agrees to execute any and all applications for domestic and foreign patents, copyrights or other proprietary rights and to do such other acts (including without limitation the execution and delivery of instruments of further assurance or confirmation) requested by SMTC to assign the Intellectual Property to SMTC (or as otherwise directed by SMTC) and to permit SMTC to enforce any patents, copyrights or other proprietary rights to the Intellectual Property. Employee will not charge SMTC or any of its Affiliates for time spent in complying with these obligations. All copyrightable works that the Executive creates during his employment shall be considered "work made for hire" and shall, upon creation, be owned exclusively by SMTC. For purposes of this Agreement, "**Intellectual Property**" means inventions, discoveries, developments, methods, processes, compositions, works, concepts and ideas (whether or not patentable or copyrightable or constituting trade secrets) conceived, made, created, developed or reduced to practice by Employee (whether alone or with others, whether or not during normal business hours or on or off SMTC premises) during Employee's employment that relate either to the business of SMTC or any of its Affiliates or to any prospective activity of SMTC or any of its Affiliates or that result from any work performed by Employee for SMTC or any of its Affiliates or that make use of Confidential Information or any of the equipment or facilities of SMTC or any of its Affiliates.

8. Cooperation. Without limiting the any other provision of this Agreement, Employee agrees to cooperate hereafter with SMTC and its attorneys and/or other agents or representatives on all issues in which he was involved or about which he gained knowledge while an employee of SMTC. To the extent permitted by law, SMTC agrees to reimburse Employee at a rate of $155 per hour for any assistance requested by STMC hereunder during the first fifty-two weeks following the Separation Date.

9. Non-Disparagement. Subject to the last sentence of Section 4 above, Employee agrees that at no time shall he make, or cause any others to make, any disparaging or negative remarks to any third party (including, but not limited to, in any posting and/or other communication in any e-mail, social media or internet forum (e.g., Craigslist, Facebook, Glassdoor, Google, LinkedIn, Twitter, etc.)) regarding SMTC or any of the other Released Parties. SMTC agrees (i) to instruct its officers and directors as of the Separation Date not to disparage or criticize Employee and (ii) not to disparage or criticize Employee in authorized corporate communications to third parties. Notwithstanding the foregoing, nothing herein shall prevent either Employee or any of SMTC's senior executives from testifying truthfully in any legal or administrative proceeding where such testimony is compelled or requested, or from otherwise complying with applicable legal requirements.

10. Injunction. In view of the nature of Employee's employment, Employee agrees that SMTC would be irreparably harmed by any violation, or threatened violation of this Agreement and that, therefore, SMTC shall be entitled to temporary, preliminary and permanent injunctive relief prohibiting Employee from any violation or threatened violation of this Agreement, without having to post bond. This right shall be in addition to and not by way of limitation of any other legal or equitable remedies to which SMTC may be entitled, including, but not limited to, the right of SMTC to seek recovery or set off of any and all consideration paid to Employee under this Agreement in the event Employee breaches this Agreement or this Agreement is held invalid. So that SMTC may enjoy the full benefit of the covenants contained in Sections 14, 15, and 16 below, Employee agrees that the Non-Competition Period or the Non-Solicitation Period (each as defined below), as applicable, shall be tolled, and shall not run, during the period of any breach by Employee of such covenants.

11. No Admission of Liability. This Agreement shall not in any way be construed as an admission by SMTC that it has acted wrongfully with respect to Employee or any person, or that Employee has any rights whatsoever against SMTC or any of the Released Parties, and SMTC specifically disclaims any liability to or wrongful acts against Employee or any other person, on the part of itself or any of the Released Parties.

12. Time to Consider Agreement. Employee shall have a period of 21 days from his receipt of this Agreement within which to review the Agreement, consult with an attorney regarding the Agreement, and determine whether or not to enter into the Agreement. The parties agree that any non-material revisions to the original version of this Agreement submitted by SMTC to Employee would not re-start said 21-day period.

13. Revocation; Effective Date. Should Employee enter into this Agreement, he shall have 7 days from and after the date of his execution of it within which to revoke it. Revocation shall be in writing, delivered to Mr. Brian Kingston, Vice President of Human Resources, SMTC Assembly, 425 North Drive, Melbourne, FL 32935. To be effective, revocation must be physically delivered on or before the end of the eighth calendar day from Employee's execution of this Agreement. This Agreement and the release herein are not effective or enforceable until the time for revocation of this Agreement has expired without Employee revoking his acceptance of the Agreement, with the day following the expiration of said revocation period being the effective date of the Agreement.

14. Non-competition. To protect SMTC's Confidential Information, goodwill, and other legitimate business interests and the good and valuable consideration offered to Employee herein, to which Employee would not otherwise be entitled, during the Non-Competition Period (as defined below), Employee agrees and covenants not to, directly or indirectly, (i) prepare to compete or compete against SMTC or any of its Affiliates (including but not limited to engaging in any activity that could have the effect of directing business away from SMTC or any of its Affiliates) in the Field (as defined below), (ii) or accept employment or establish any business relationship or association (including but not limited to a consulting relationship or acting as an owner, officer, director, shareholder, investor, guarantor, partner, member, manager, agent, employee, or independent contractor), direct or indirect, with any business entity or person in competition with SMTC or any of its Affiliates in the Field, or which plans to be in competition with SMTC or any of its Affiliates in the Field, including, but not limited to any businesses that engage in contract manufacturing services of a nature like or similar to that done by SMTC or any of its Affiliates, in any geographic area in which SMTC or any of its Affiliates does business or is actively planning to do business as of the Separation Date or within fifteen (15) miles of any location where SMTC or any of its Affiliates has one or more clients or customers as of the Separation Date, (iii) nor will Employee engage in any other activities that conflict with Employee’s obligations to SMTC, including, but not limited to, any activity that may require or inevitably require disclosure of SMTC trade secrets, proprietary information or Confidential Information. Notwithstanding the foregoing, the parties acknowledge that Employee’s employment or other business relationship or association with a business entity or person that does not compete or plan to compete with SMTC or any of its Affiliates will not, in itself, violate Employee’s obligations under this Section 14. For purposes of this Agreement, the “**Field**” shall mean the field of electronics manufacturing services for design, manufacture and testing of electronic components and assemblies and any other businesses that SMTC or any of its Affiliates is engaged in or actively planning to engage in as of the Separation Date. For purposes of this Agreement, the “**Non-Competition Period**” shall mean the period of twelve (12) months immediately following the Separation Date, unless a court of competent jurisdiction determines this duration to be unenforceable, in which case the duration shall be the longest of the following that is determined by a court of competent jurisdiction to be enforceable under applicable law: (a) nine (9) months or (b) six (6) months, in each case from and after the Separation Date.

15. Non-Solicitation of Employees. Employee understands and acknowledges that SMTC has expended and continues to expend significant time and expense in recruiting and training its employees, and that the loss of employees would cause significant and irreparable harm to SMTC. During the Non-Competition Period, Employee agrees and covenants not to directly or indirectly solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of, any employee of SMTC or any of its Affiliates who was such during the twelve (12)-month period immediately preceding the Separation Date.

16. Non-Solicitation of Customers and Other Business Partners. Employee understands and acknowledges that SMTC has expended and continues to expend significant time and expense in developing customer, supplier, vendor, independent contractor and other business partner relationships, customer, supplier, vendor, independent contractor and other business partner information and goodwill, and that because of Employee's experience with and relationship

with SMTC, he has had access to and learned about much or all of SMTC's and its Affiliates' customer, supplier, vendor, independent contractor and other business partner information. Customer, supplier, vendor, independent contractor and other business partner information includes, but is not limited to, names, phone numbers, addresses, e-mail addresses, order history, order preferences, chain of command, pricing information and other information identifying facts and circumstances specific to the customer, supplier, vendor, independent contractor or other business partner and relevant to sales and services.

Employee understands and acknowledges that loss of such customer, supplier, vendor, independent contractor and other business partner relationship(s) and/or goodwill will cause significant and irreparable harm to SMTC.

Employee agrees and covenants, during the Non-Solicitation Period (as defined below), not to directly or indirectly (a) solicit or encourage any customer, supplier, vendor, independent contractor or other business partner of SMTC or any of its Affiliates who was such during the twenty-four (24)-month period immediately preceding the Closing Date to terminate or diminish its relationship with any of them or (b) solicit, contact (including, but not limited to, on or by e-mail, internet/social media site(s), regular mail, express mail, telephone, text message, fax, and/or instant message), attempt to contact or meet with any customer of SMTC or any of its Affiliates who was such during the twenty-four (24)-month period immediately preceding the Separation Date for purposes of offering or accepting goods or services similar to or competitive with those offered by SMTC or any of its Affiliates. The restriction set forth in clause (b) above shall only apply to each of the following:

(i) customers Employee was introduced to or otherwise had contact with during Employee's employment with SMTC;

(ii) customers about whom Employee has trade secrets or Confidential Information;

(iii) customers for whom Employee performed work during Employee's employment with SMTC; and

(iv) customers about whom Employee has information that is not available publicly.

For purposes of this Agreement, the "**Non-Solicitation Period**" shall mean the period of twenty-four (24) months immediately following the Separation Date, unless a court of competent jurisdiction determines this duration to be unenforceable, in which case the duration shall be the longest of the following that is determined by a court of competent jurisdiction to be enforceable under applicable law: (a) eighteen (18) months, (b) twelve (12) months, (c) nine (9) months or (d) six (6) months, in each case from and after the Separation Date.

17. Notice of Post-Employment Restrictions. Employee agrees to notify any subsequent employer of his obligations and limitations under the restrictive covenants contained in this Agreement. In addition, Employee authorizes SMTC to provide a copy of the restrictive covenants contained in this Agreement to third parties, including but not limited to, Employee's subsequent, anticipated or possible future employer.

18. No Right to Reemployment. Employee shall have no, and hereby specifically waives any, right to reinstatement, re-hire, or further employment with SMTC following the Separation Date. Should Employee make any application for employment with SMTC or any of the other Released Parties in the future, Employee shall be denied employment or other remunerative relationship with SMTC or the Released Parties without SMTC or any of the Released Parties incurring any liability. This Agreement shall constitute a legitimate, nondiscriminatory reason and non-retaliatory reason for refusal to employ Employee.

19. Employee Understanding. Employee understands that this Agreement, and the Release contained herein, are a complete waiver, release and discharge all claims of any kind which he may have against SMTC and all of the other Released Parties, and he has entered into this Agreement and the Release knowingly and voluntarily.

20. Consultation with Attorney. Employee acknowledges that SMTC hereby has advised him to consult with an attorney, and provided Employee with an opportunity to consult with an attorney, should Employee so choose, prior to executing this Agreement.

21. Waiver/Modification. No waiver or modification of this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless in writing and duly executed by the party charged therewith. No failure of any party to exercise any power given such party hereunder or to insist upon strict compliance by any party with its obligations hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of the parties' right to demand exact compliance with the terms hereof.

22. Severability. The parties agree that the scope and terms of this Agreement are reasonable and that it is their intent and desire that this Agreement be enforced to the fullest extent permissible by law. Should any provision of this Agreement be declared or determined by any court to be illegal, unenforceable or invalid, the validity of the remaining parts, terms, or provisions shall not be affected thereby, and said illegal, unenforceable or invalid part, term, or provision shall be enforced to the maximum extent permitted by law or deemed not to be part of this Agreement.

23. Binding Nature of Agreement/Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, assigns and legal representatives. This Agreement shall not be assigned; provided however, that SMTC shall have the right assign this Agreement to a parent, subsidiary, affiliate or successor entity, which may enforce this Agreement once assigned.

24. Governing Law/Venue/Waiver of Jury Trial. This Agreement and the performance hereunder and all suits and special proceedings hereunder shall be governed by, and construed in accordance with, the laws of the State of Arizona. All actions under this Agreement shall be taken in a court of competent jurisdiction within Brevard County, Florida. Employee acknowledges that jurisdiction and venue are appropriate in said county, consents to personal jurisdiction therein and waives any defense that personal jurisdiction or venue therein is inappropriate. Each party hereby irrevocably waives any right to a trial by jury in any proceeding arising out of or related to this

Agreement, and/or any claims of any nature arising out of or related to your employment otherwise.

25. Attorneys' Fees and Costs. In the event that any party is required to commence or defend any action or proceeding against the other in order to enforce the provisions hereof or to challenge the provision hereof, the prevailing party in such action shall be entitled to recover, in addition to any amounts or relief otherwise awarded, all reasonable costs incurred in connection therewith, including attorneys' fees, costs, and expenses for any action or proceeding or appeal thereof.

26. Tax Liability/Indemnification. Employee assumes full responsibility for any and all taxes, interest and/or penalties that may ultimately be assessed upon any benefits provided for hereunder. In the event that any taxing authority seeks to collect taxes, interest and/or penalties from Company on any benefits, including without limitation, those conveyed to Employee under this Agreement, Employee will hold Company harmless from any and all claims for such taxes, interest and/or penalties and will indemnify Company against any such claims.

27. Complete Agreement. This Agreement contains the entire agreement of the parties, other than Employee's obligations with respect to Confidential Information and other than relating to the Options, which will remain in effect in accordance with their respective terms. All other prior agreements, representations, promises, and other communications, including the Employment Agreement, are hereby superseded by this Agreement. The parties acknowledge that no written or oral representations, inducements or promises have been made or relied upon that are not expressly set forth herein.

28. Counterparts. This Agreement may be executed in multiple counterparts, each of which is an original but which shall together constitute one and the same instrument. A signed copy of the Agreement, sent by facsimile or e-mail, shall have the same force and effect as an original document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, we have executed this Agreement this 3rd day of January, 2021.

/Richard Fitzgerald/

EMPLOYEE

SMTC Corporation

By: /Edward Smith/

Name: Edward Smith

Title: President & Chief Executive Officer

Exhibit A
General Release and Waiver of Claims

For and in consideration of certain benefits to be provided to Employee under the Separation Agreement between Employee and SMTC Corporation ("**SMTC**"), dated as of January 3, 2021 (the "**Agreement**"), which are conditioned on Employee signing this General Release and Waiver of Claims (this "**Release of Claims**") and on Employee's compliance with the restrictive covenants contained in the Agreement, Employee hereby releases, discharges, satisfies and cancels all claims, actions, causes of action and liabilities of any kind whatsoever which he now has, may now have or has ever had against SMTC; all of its subsidiaries, parent companies, related companies, affiliates, predecessors, successors and assigns (together, "**Affiliates**"); and all of their respective past, future and present representatives, agents, officers, directors, managers, trustees, employee benefits plans, administrators, members, shareholders and employees (collectively, the "**Released Parties**") – either individually or collectively – arising out of his employment by SMTC (and/or the termination of that employment), or otherwise, up to and including the date he executes this Agreement – including, but not limited to, any and all claims for compensation or benefits of any kind (other than as expressly provided for under this Agreement), breach of contract, discrimination, harassment, retaliation, fraud, defamation or any other tort claims, and any claims under the Civil Rights Acts of 1866 and 1871; Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Equal Pay Act;; the National Labor Relations Act; the Employee Retirement Income Security Act (ERISA); the Americans with Disabilities Act of 1990; the Age Discrimination in Employment Act of 1967 (ADEA); the Older Workers Benefit Protection Act (OWBPA); the Rehabilitation Act of 1973; the Family and Medical Leave Act of 1993 (FMLA); the Genetic Information Nondiscrimination Act (GINA); the federal False Claims Act and the so-called Whistleblower Protection Act; Florida Private Sector Whistleblower's Acts of 1986 and 1991; the Florida Civil Rights Act; the Arizona Employment Protection Act (AEPA); the Arizona Fair Wages and Healthy Families Act; the Arizona Equal Pay Act (A.R.S. § 23-340, *et seq.*)***;*** the Arizona Civil Rights Act; any and all other Florida or Arizona statutes, ordinances, rules or regulations; and any and all other federal, state or local laws, statutes, ordinances, treaties, rules or regulations, as amended, or under common law.

Employee represents and agrees that he has not filed any complaints, charges or lawsuits of any kind whatsoever against SMTC or any of the other Released Parties described above, nor is he aware of any basis to file any such complaints, charges or lawsuits with any governmental agency or any court, directly or on behalf of any other person or private or governmental entity, and Employee acknowledges that prior to his Separation Date (as defined in the Agreement), he had the opportunity to make SMTC aware of any such violations if any had existed. Nothing contained in this Release of Claims shall be construed to prohibit Employee from filing a charge with or participating in any investigation or proceeding conducted by the federal Equal Employment Opportunity Commission or a comparable state or local agency, provided, however, that by executing this Release of Claims, Employee waives (to the maximum extent permissible by law), and agrees that he will not seek or accept, any form of personal or monetary relief or recovery in any such charge, investigation or proceeding or any related complaint or lawsuit by Employee or on Employee's behalf. Nothing in this Release of Claims is intended to prevent or interfere with Employee's non-waivable right to participate or cooperate in any federal, state or local proceeding or investigation or limits, restricts or in any other way affects Employee's communicating with any governmental agency or entity, or communicating with any official or staff person of a governmental agency or entity, concerning matters relevant to the governmental agency or entity or requires Employee to provide prior notice to SMTC of the same.

Employee represents and warrants that, in accordance with Section 6 of the Agreement, Employee has returned to SMTC any and all Documents (as such term is defined in the Agreement) and other property of SMTC and its Affiliates that Employee had in Employee's possession, custody or control on the date Employee's employment with SMTC terminated and that Employee has retained no such property. Without limiting the foregoing, Employee also represents and warrants that Employee has retained no copy of any such documents, materials or information.

Employee acknowledges that this Release of Claims creates legally binding obligations, and that SMTC hereby advises Employee to consult an attorney before signing it. Employee further acknowledges that Employee may not sign this Release of Claims prior to the Separation Date. In signing this Release of Claims, Employee gives SMTC assurance that Employee has signed it voluntarily and with a full understanding of its terms; that Employee has had sufficient opportunity of not less than twenty-one (21) days before signing this Release of Claims to consider its terms and to consult with an attorney, if Employee wished to do so; and that Employee has not relied on any promises or representations, express or implied, that are not set forth expressly in this Release of Claims. Employee understands that Employee will have seven (7) days after signing this Release of Claims to revoke Employee's signature, and that, if Employee intends to revoke Employee's signature, Employee must do so in writing addressed and delivered to Mr. Brian Kingston, Vice President of Human Resources, SMTC Assembly, 425 North Drive, Melbourne, FL 32935, prior to the end of the seven (7)-day revocation period. Employee understands that this Release of Claims will become effective upon the eighth (8th) day following the date that Employee signs it, provided that Employee does not revoke Employee's acceptance in accordance with the immediately preceding sentence.

This Release of Claims constitutes the entire agreement between Employee and SMTC and supersedes all prior and contemporaneous communications, agreements and understandings, whether written or oral, with respect to Employee's employment, its termination and all related matters, excluding only the Agreement and the PIIAA (as such term is defined in the Agreement), which shall remain in full force and effect in accordance with their terms. This Release of Claims may not be modified or amended, and no breach shall be deemed to be waived, unless agreed to in writing by Employee and an expressly authorized representative of SMTC.

Accepted and agreed:

Signature: ______________________________
Rich Fitzgerald

Date: ______________________________

Exhibit 21.1

Subsidiaries of the Registrant

Name	Jurisdiction of Incorporation
HTM Holdings, Inc.	Delaware
Radio Componentes de Mexico, S.A. de S.V.	Mexico
SMTC Asia Ltd.	Hong Kong
SMTC de Chihuahua S.A. de C.V.	Mexico
SMTC de Mexico S.A. de C.V.	Mexico
SMTC Electronics Dongguan Company Limited	China
SMTC Electronics (Suzhou) Company Limited	China
SMTC Manufacturing Corporation of California	California
SMTC Manufacturing Corporation of Canada	Ontario, Canada
SMTC Manufacturing Corporation of Texas	Texas
SMTC Mex Holdings, Inc.	Delaware
SMTC Nova Scotia Company	Nova Scotia, Canada
MC Test Service, Inc.	Florida
MC Assembly Holdings, LLC	Delaware
MC Assembly International, LLC	Delaware
MC Assembly, LLC	Delaware
MC Assembly Mexico S. de R.L de C.V.	Mexico

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-204756, No. 333-231433 and No. 333-231434), and on Form S-3 (No. 333-225000, No. 333-225819, No. 333-229154, No. 333-230377 and No. 333-232689) of SMTC Corporation of our report dated March 17, 2021, 2021 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Canada
March 17, 2021

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATIONS

I, Edward Smith, certify that:

1. I have reviewed this annual report on Form 10-K of SMTC Corporation;

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:March 17, 2021

/s/ Edward Smith
Edward Smith
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATIONS

I, Steven M. Waszak, certify that:

1. I have reviewed this annual report on Form 10-K of SMTC Corporation;

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:March 17, 2021

/s/ Steven M. Waszak
Steven M. Waszak
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Principal Executive Officer of SMTC Corporation (the "Company"), does hereby certify that to the undersigned's knowledge:

1) the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2021 (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.

/s/ Edward Smith
Edward Smith
President and Chief Executive Officer

Date: March 17, 2021

A signed original of this written statement required by Section 906 has been provided to SMTC Corporation and will be retained by SMTC Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Principal Financial Officer and Principal Accounting Officer of SMTC Corporation (the “Company”), does hereby certify that to the undersigned’s knowledge:

1) the Company’s Annual Report on Form 10-K for the fiscal year ended January 3, 2021 (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.

/s/ Steven M. Waszak
Steven M. Waszak
Chief Financial Officer

Date: March 17, 2021

A signed original of this written statement required by Section 906 has been provided to SMTC Corporation and will be retained by SMTC Corporation and furnished to the Securities and Exchange Commission or its staff upon request.