Methode Electronics, Inc.
Investor Relations Presentation

December 2021

Forward-Looking Statements



This presentation contains certain forward-looking statements, which reflect management's expectations regarding future events and operating performance and speak only as of the date hereof. These forward-looking statements are subject to the safe harbor protection provided under the securities laws. Methode undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in Methode's expectations on a quarterly basis or otherwise. The forward-looking statements in this presentation involve a number of risks and uncertainties. The factors that could cause actual results to differ materially from our expectations are detailed in Methode's filings with the Securities and Exchange Commission, such as our annual and quarterly reports. Such factors may include, without limitation, the following: 1) Impact from pandemics, such as the COVID-19 pandemic; 2) Dependence on the automotive and commercial vehicle industries; 3) Dependence on our supply chain, including semiconductor suppliers; 4) Dependence on a small number of large customers, including two large automotive customers; 5) Dependence on the availability and price of materials; 6) Failure to attract and retain qualified personnel; 7) Timing, quality and cost of new program launches; 8) Risks related to conducting global operations; 9) Ability to compete effectively; 10) Investment in programs prior to the recognition of revenue; 11) Ability to withstand pricing pressures, including price reductions; 12) Impact from production delays or cancelled orders; 13) Ability to successfully benefit from acquisitions and divestitures; 14) Ability to withstand business interruptions; 15) Breaches to our information technology systems; 16) Ability to keep pace with rapid technological changes; 17) Ability to protect our intellectual property; 18) Costs associated with environmental, health and safety regulations; 19) International trade disputes resulting in tariffs and our ability to mitigate tariffs; 20) Impact from climate change and related regulations; 21) Ability to avoid design or manufacturing defects; 22) Recognition of goodwill and long-lived asset impairment charges; 23) Ability to manage our debt levels and any restrictions thereunder; 24) Currency fluctuations; 25) Income tax rate fluctuations; 26) Judgments related to accounting for tax positions; 27) Adjustments to compensation expense for performance-based awards; 28) Timing and magnitude of costs associated with restructuring activities; and 29) Impact to interest expense from the replacement or modification of LIBOR.

Non-GAAP Financial Measures



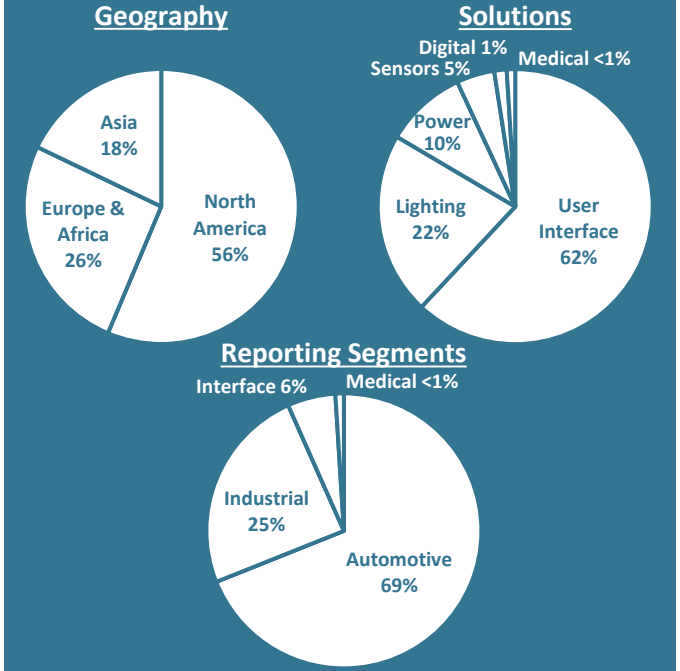
To supplement the company's financial statements presented in accordance with generally accepted accounting principles in the United States (“GAAP”), Methode uses certain non-GAAP financial measures, such as EBITDA, Free Cash Flow, Return on Invested Capital, and Net Debt. Reconciliation to the nearest GAAP measures of all non-GAAP measures included in this presentation can be found in the appendix. Management believes EBITDA is useful to investors as it is a measure that is commonly used by other companies in our industry and provides a comparison for investors to the company’s performance versus its competitors. Management believes Free Cash Flow is a meaningful measure to investors because management reviews cash flows generated from operations after taking into consideration capital expenditures, which are both necessary to maintain the company’s asset base and which are expected to generate future cash flows from operations. Prior to Fiscal 2021 the definition of Free Cash Flow was net income plus depreciation and amortization less capital expenditures. Management believes Return on Invested Capital is useful to investors as a measure of operating performance and of the effectiveness of the use of capital in our operations. Management believes Net Debt is a meaningful measure to investors because management assesses the company’s leverage position after considering available cash that could be used to repay outstanding debt. Methode's definitions of these non-GAAP measures may differ from similarly titled measures used by others. These non-GAAP measures should be considered supplemental to, and not a substitute for, financial information prepared in accordance with GAAP.

Methode at a Glance

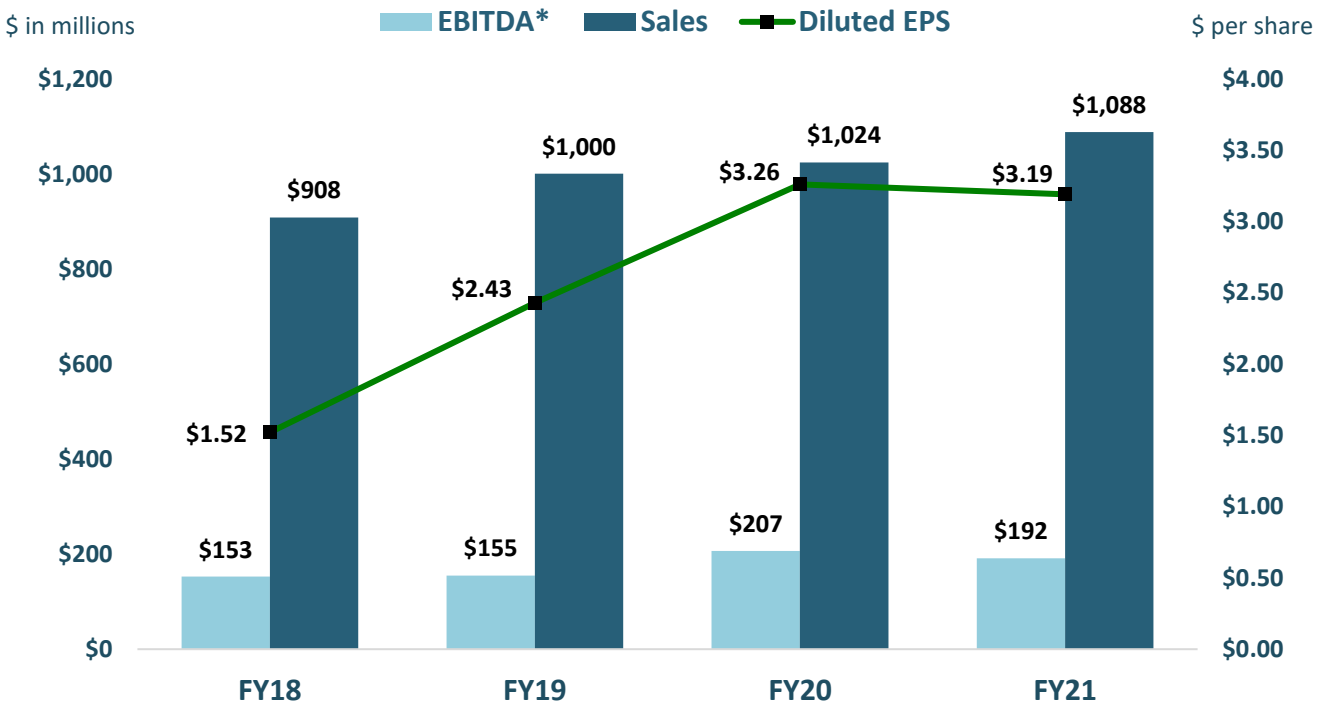
A leading global supplier of custom-engineered solutions for user interface, LED lighting system, power distribution and sensor applications in the transportation, industrial equipment, cloud computing and medical device end markets.

- Established 1946
- Headquartered in Chicago, IL
- NYSE: MEI
- $1.1 Billion Fiscal 2021 Sales
- 7,200 Employees
  600+ Engineers
- 1,000+ Patents

Fiscal 2021 Sales



Historical Growth



FY18 - FY21 CAGR	
Sales	6.2%
EBITDA*	7.7%

** See Appendix for reconciliation to GAAP*

Environmental, Social, Goverence (ESG) Overview



Robust Governance Framework

Supporting ethical, inclusive and beneficial actions for stakeholders



Commitment to Safe Operations

Demonstrated history of operational safety and quality



Emphasis on Clean Tech

New business focused on Electric Vehicles and LED Lighting solutions

SUSTAINALYTICS

ESG Risk Rating

13.6 Low Risk

Negligible	Low	Med	High	Severe
0-10	10-20	20-30	30-40	40+

MSCI ESG RATINGS

AA

CCC	B	BB	BBB	A	AA	AAA

Global Manufacturing Footprint



Cost-Efficient Footprint with Proximity to Strategic Markets

Solutions & Technologies – Products

	% of Sales		
User Interface	62%	• Center Consoles • Ergo-Switches • Integrated Modules	• Overhead Consoles • Remote Controls • Touchscreens
LED Lighting	22%	• Ambient Lighting • Head & Fog Lights • Rear Stop Lights	• Signal Lights • Warning Lights • Work Lamps
Power Distribution	10%	• Battery Disconnects • Busbars • Cabling	• Connectors • Lead Frames • Thermal Management
Sensors	5%	• Fluid Level • Force & Load • Mechanical Switching	• Position • Proximity • Torque
Digital Data	1%	• 1G Copper Transceivers • 10G Copper Transceivers • G.hn Modules	• Media Adapters • Micro-DPUs
Medical	<1%	• Pressure Injury Prevention Surfaces • Surface Controllers	



Solutions & Technologies – End Markets & Customers

	% of Sales		
User Interface	62%	• Appliance • Automotive • Commercial Vehicle	• Construction Equipment • Crane • Drone
LED Lighting	22%	• Automotive • Bus • Commercial Vehicle	• Construction Equipment • Power Sports • Rail
Power Distribution	10%	• Aerospace • Data Center • Electric Vehicle	• Energy Storage • Industrial Equipment • Robotics/AGVs
Sensors	5%	• Automotive • e-Bike	• Power Sports • Marine
Digital Data	1%	• Broadband • Data Networking • Industrial Automation	
Medical	<1%	• Intensive Care Unit • Operating Room • Med-Surg	

Investment Thesis

Exposure to Key Market Trends

- Electrification & Sustainability
  - EV, Commercial Vehicles
- Automation & Safety
  - Sensors, Remote Controls
- Information Technology
  - Cloud Computing

Product Portfolio Management

- Focused on Systems Integration vs. Components
- Auto Volume Provides Scalability for Adjacent Markets
- Technology Solutions Leveraged across Verticals

Operational & Quality Excellence

- Lean & Vertical Integration Drive Competitive Cost Position
- World Class Quality (Single-Digit PPM)
- Global Footprint in Proximity to Key End Markets

Strong Balance Sheet Focus

- Balanced Capital Allocation (63% Growth Oriented)
- Strong Free Cash Flow (127% of FY21 Net Income)
- Low Leverage (Net Debt/EBITDA ~ 0)

Methode's strategy is to design and engineer solutions that incorporate our broad range of field-proven innovative technologies and then utilize our global manufacturing capabilities to provide differentiated value for our customers in our key markets.

Strategic Priorities



Customer & Program Diversification

- Capitalize on Exposure to EV, Commercial Vehicle, and Cloud Computing
- Leverage Power, LED Lighting, and Sensor Technologies across Customer Base



Organic & Inorganic Growth

- Leverage Technology to Increase Content per Vehicle and Penetrate Non-Auto Markets
- Pursue Dynamic Acquisitions that Build on Business Model and Skill Set



Financial Improvement

- Expand Margin via Improved Product Mix and Operational Efficiencies
- Reduce Working Capital % of Sales through Lean Manufacturing

EV Driving Increased Content Per Vehicle

Methode's Internal Combustion Engine (ICE) Vehicle Content



- User Interface
- Lighting
- Sensors

ICE $1.0x

Methode's Hybrid and Battery Electric Vehicle Content



- User Interface
- Lighting
- Sensors
- **Power Distribution**

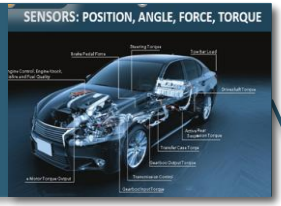
HEV $1.2-1.7x

BEV $2.0-2.5x

Transition to EV is a Content Tailwind
EV Expected to be Mid-Teens % of FY22 Total Sales

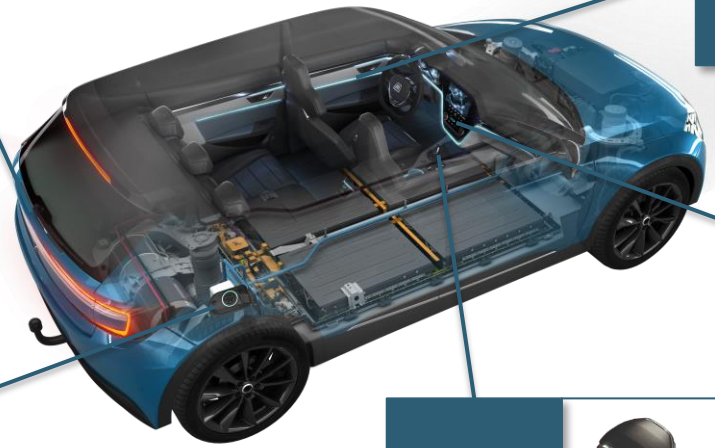
EV Solutions for the “Top Hat”

Sensors & Cameras



LED Lighting
(Interior & Exterior)





Switches & Touchscreens



Charging Port Sub-System



By-Wire Controls


Shift-by-Wire

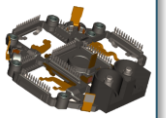

Steer-by-Wire

EV Solutions for the “Skateboard”

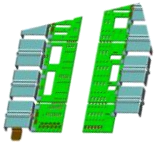
Inverter & Charger

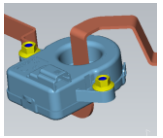


Molded Busbar Sub-Assemblies



Battery Monitoring



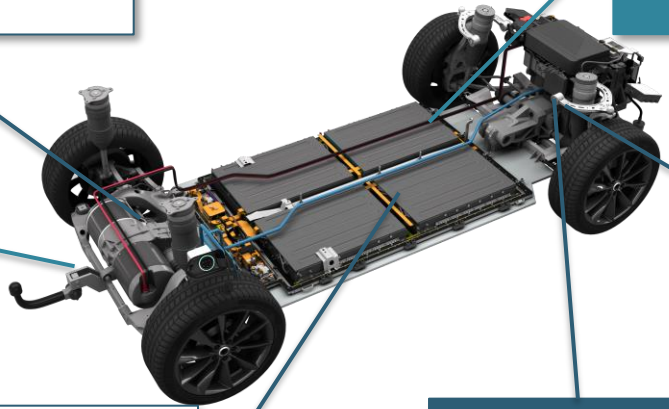


Current Sensors

Sensors



Position & Torque Sensors



Electric Motors





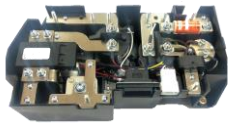
Busbars & Power Connectors

Battery Module Connections



Busbars & Connectors

Battery Disconnect & Power Distribution



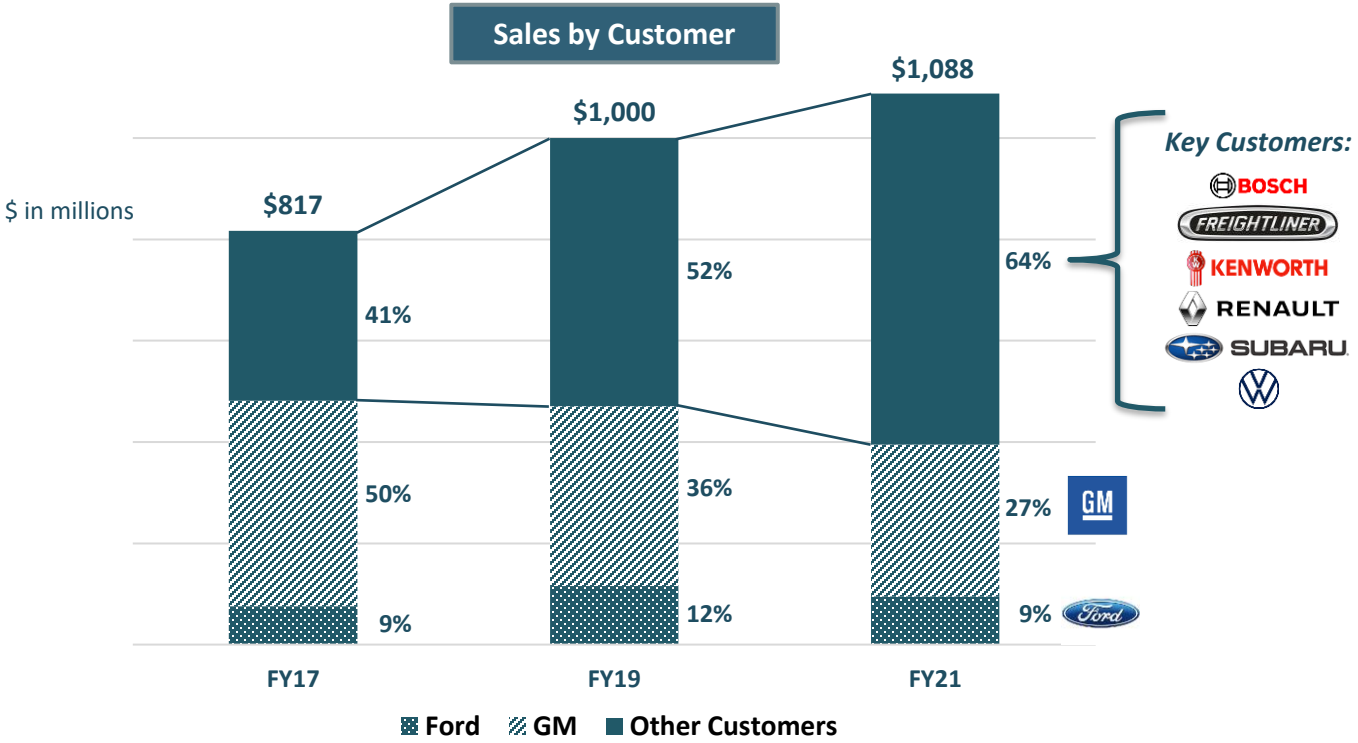
BDU



PDU

Leveraging Power Distribution and Sensor Toolbox

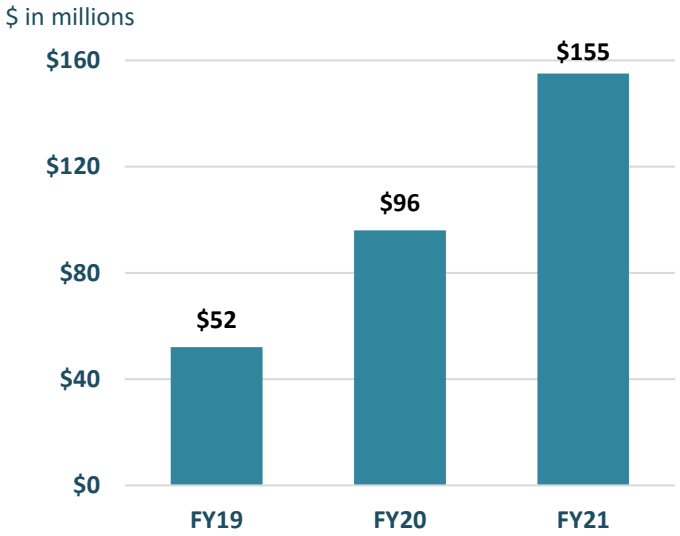
EV, Commercial Vehicle, and Cloud Computing Driving Customer Diversification



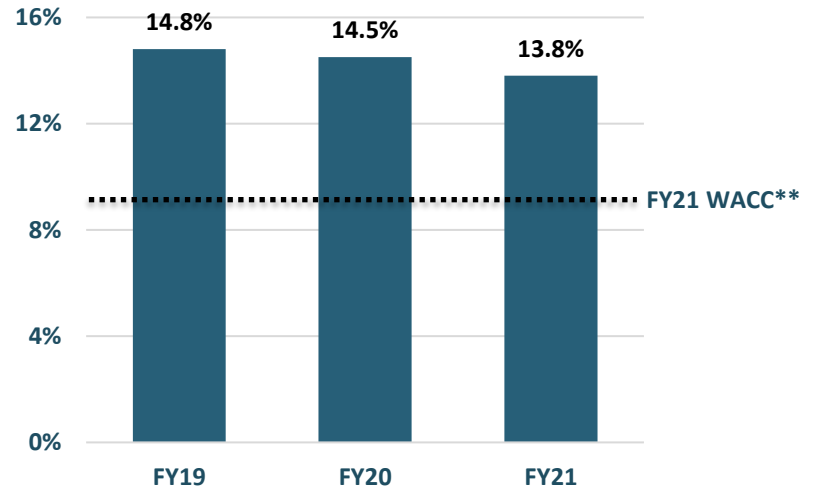
FY21 Other Customer Sales 64% of Total, Up from 41% in FY17

Strong Free Cash Flow and Returns

Free Cash Flow*



Return on Invested Capital*

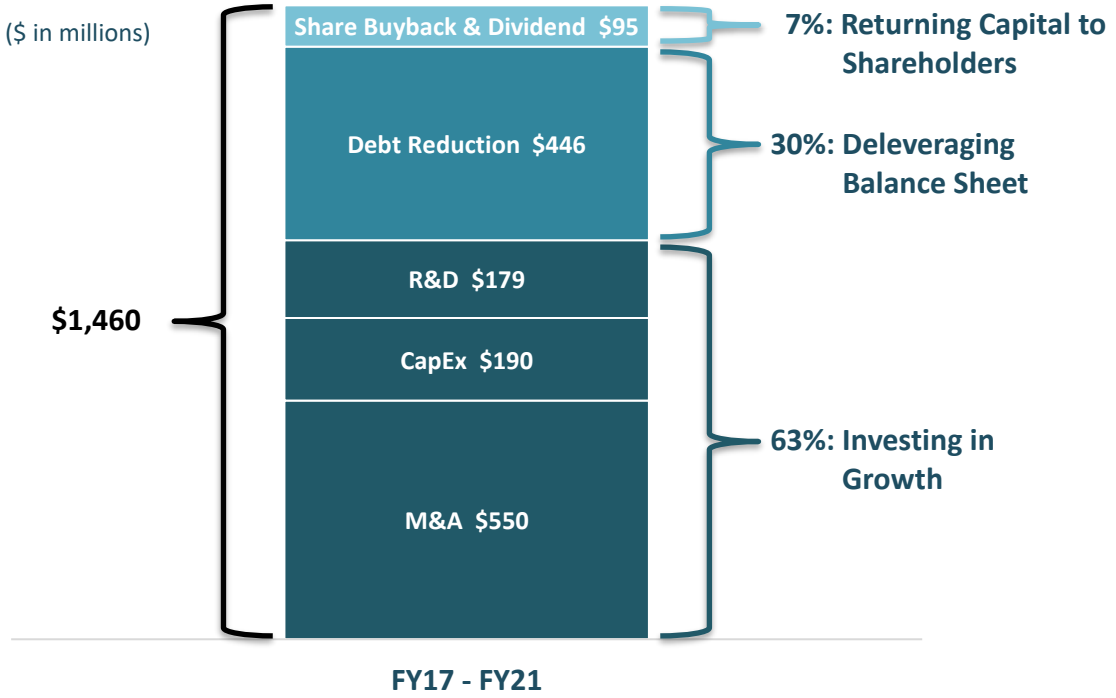


** See Appendix for reconciliation to GAAP*

*** Fiscal Year 2021 Weighted Average Cost of Capital of 9.0% per Bloomberg*

FY21 Free Cash Flow 127% of Net Income, ROIC > WACC

Capital Allocation History and Strategy



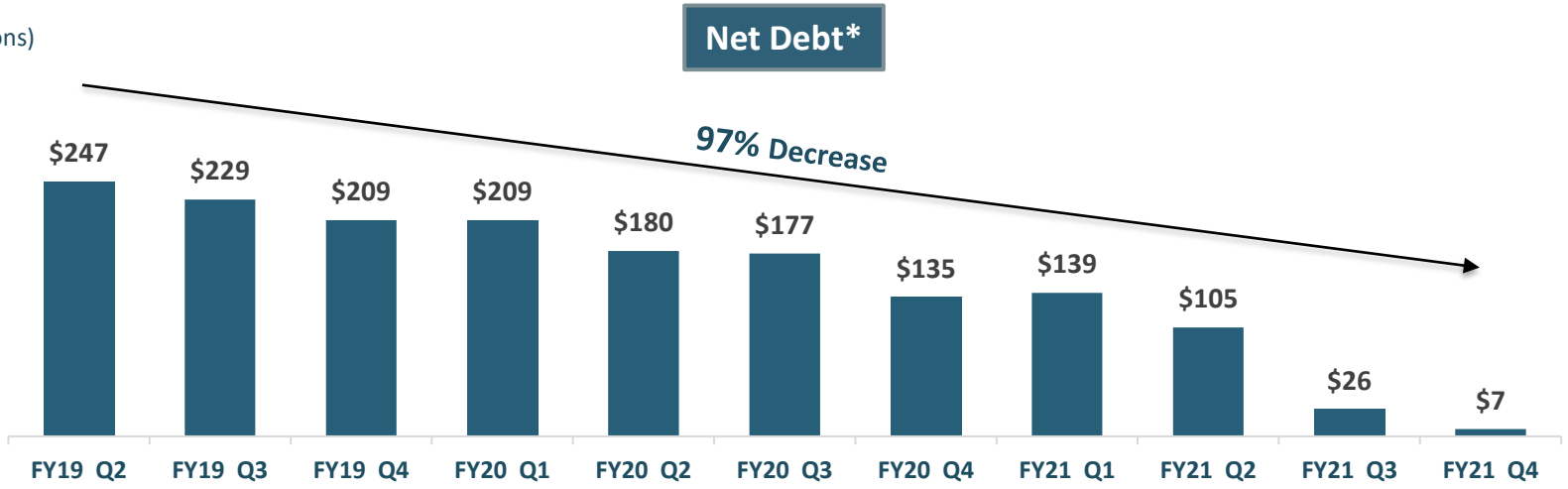
Balanced Capital Allocation Strategy

- **Pay Down Debt when Appropriate**
- **Return Capital to Shareholders via Share Purchases and Dividend**
  - Announced $100M Share Buyback Program on March 31, 2021
  - Announced 27% Increase in Dividend on June 17, 2021
- **Invest in Growth via R&D & CapEx**
- **Accretive Acquisitions**

Growth Focused Capital Allocation Approach

Deleveraging Balance Sheet

($ in millions)



- Consistently Deleveraging Since Grakon Acquisition in FY19 Q2
- Net Debt / TTM EBITDA* of **0.04** at End of FY21
- Balance Sheet Well-Positioned for Potential M&A

** See Appendix for reconciliation to GAAP*

Flexibility to Leverage and Deleverage as Needed

Inorganic Growth Framework

Target	▪ Engineered Products and/or Subsystems for OEMs ▪ Technology Solutions Partner to OEMs
Market	▪ Primary: Industrial ▪ Secondary: Transportation
Fit	▪ Aligns with Our Strategic Priorities ▪ Can Leverage Methode's: – Technologies – Path to Market – Manufacturing & Operational Capabilities
Deal	▪ Clear Cost Synergies ▪ High Potential for Sales Synergies ▪ EPS Accretive in Year 1 ▪ ROIC > WACC by Year 3

Track Record of Disciplined Acquisition Approach

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Thank You

Appendix

METHODE ELECTRONICS, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP MEASURES (Unaudited)
(in millions)

	FY18	FY19	FY20	FY21
EBITDA:				
Net income	$ 57.2	$ 91.6	$ 123.4	$ 122.3
Income tax expense	66.6	12.0	25.3	12.6
Interest (income) expense, net	0.9	8.3	10.1	5.2
Amortization of intangibles	5.6	16.1	19.0	19.3
Depreciation	22.5	27.2	29.3	32.2
EBITDA	**$ 152.8**	**$ 155.2**	**$ 207.1**	**$ 191.6**

	FY19 Q2	FY19 Q3	FY19 Q4	FY20 Q1	FY20 Q2	FY20 Q3	FY20 Q4	FY21 Q1	FY21 Q2	FY21 Q3	FY21 Q4
Net Debt:											
Short-term debt	$ 15.3	$ 15.2	$ 15.7	$ 15.4	$ 15.2	$ 15.1	$ 15.3	$ 15.4	$ 15.3	$ 15.4	$ 14.9
Long-term debt	342.3	287.7	276.9	267.7	259.9	241.9	336.8	334.4	332.3	229.2	225.2
Total debt	357.6	302.9	292.6	283.1	275.1	257.0	352.1	349.8	347.6	244.6	240.1
Less: cash and cash equivalents	(110.9)	(73.7)	(83.2)	(73.8)	(95.6)	(79.9)	(217.3)	(211.0)	(242.3)	(218.7)	(233.2)
Net debt	**$ 246.7**	**$ 229.2**	**$ 209.4**	**$ 209.3**	**$ 179.5**	**$ 177.1**	**$ 134.8**	**$ 138.8**	**$ 105.3**	**$ 25.9**	**$ 6.9**

Appendix

TOTAL NET DEBT/EBITDA
(in millions)

		May 1, 2021
Net Income	$	122.3
Income tax expense		12.6
Interest expense, net		5.2
Amortization of intangibles		19.3
Depreciation		32.2
EBITDA	**$**	**191.6**
Gross debt	$	240.1
Less: cash and cash equivalents		(233.2)
Net Debt	**$**	**6.9**
Total Net Debt/EBITDA		**0.04**

Appendix

METHODE ELECTRONICS, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP MEASURES (Unaudited)
(in millions)

	FY19	FY20	FY21
Free Cash Flow:			
Net cash provided by operating activities	$ 102.0	$ 140.6	$ 179.8
Purchases of property, plant and equipment	(49.8)	(45.1)	(24.9)
Free Cash Flow	**$ 52.2**	**$ 95.5**	**$ 154.9**

	FY18	FY19	FY20	FY21
Return on Invested Capital:				
Numerator:				
Income before income taxes		$ 103.6	$ 148.7	$ 134.9
Add: Interest expense, net		8.3	10.1	5.2
Profit before income taxes (PBIT)		111.9	158.8	140.1
Income tax on PBIT		13.0	27.0	13.0
Net operating profit after tax (1)		**$ 98.9**	**$ 131.8**	**$ 127.1**
Denominator:				
Short-term debt	$ 4.4	$ 15.7	$ 15.3	$ 14.9
Long-term debt	53.4	276.9	336.8	225.2
Cash	(246.1)	(83.2)	(217.3)	(233.2)
Equity	630.0	689.7	783.4	918.0
Invested Capital	$ 441.7	$ 899.1	$ 918.2	$ 924.9
Average Invested Capital* (2)	**$ 441.7**	**$ 670.4**	**$ 908.7**	**$ 921.6**
Return on Average Invested Capital - (1)/(2)		**14.8%**	**14.5%**	**13.8%**

* represents the average of the year-end and prior year-end balances.