Methode Electronics, Inc.
Sidoti Small-Cap Virtual Conference

Donald W. Duda, President & CEO
September 21, 2023

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect, when made, our current views with respect to current events and financial performance. Such forward-looking statements are subject to many risks, uncertainties and factors relating to our operations and business environment, which may cause our actual results to be materially different from any future results, expressed or implied, by such forward-looking statements. All statements that address future operating, financial or business performance or our strategies or expectations are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “intends,” “anticipates,” “believes,” “estimates,” “predicts,” “projects,” “potential,” “outlook” or “continue,” and other comparable terminology. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, the following:

- Dependence on our supply chain, including semiconductor suppliers;
- Impact from pandemics, such as the COVID-19 pandemic;
- Dependence on the automotive and commercial vehicle industries;
- Impact from inflation;
- Dependence on a small number of large customers, including one large automotive customer;
- Risks relating to our use of requirements contracts;
- Failure to attract and retain qualified personnel;
- Risks related to conducting global operations;
- Potential work stoppages;
- Dependence on the availability and price of materials;
- Timing, quality and cost of new program launches;
- Ability to compete effectively;
- Ability to withstand pricing pressures, including price reductions;
- Our lengthy sales cycle;
- Ability to successfully benefit from acquisitions and divestitures;
- Impact from production delays or cancelled orders;
- Investment in programs prior to the recognition of revenue;
- Electric vehicle ("EV") adoption rates;
- Ability to withstand business interruptions;
- Breaches to our information technology systems or service interruptions;
- Ability to keep pace with rapid technological changes;
- Ability to protect our intellectual property;
- Costs associated with environmental, health and safety regulations;
- International trade disputes resulting in tariffs and our ability to mitigate tariffs;
- Impact from climate change and related regulations;
- Ability to avoid design or manufacturing defects;
- Ability to remediate a material weakness in our internal control over financial reporting;
- Recognition of goodwill and other intangible asset impairment charges;
- Ability to manage our debt levels and any restrictions thereunder;
- Interest rate changes and variable rate instruments;
- Currency fluctuations;
- Adjustments to compensation expense for performance-based awards;
- Timing and magnitude of costs associated with restructuring activities;
- Income tax rate fluctuations; and
- Judgments related to accounting for tax positions.

Additional details and factors are discussed under the caption “Risk Factors” in our Annual Report. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. Any forward-looking statements made by us speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

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 Adjusted Net Income, Adjusted Earnings Per Share, Adjusted Income from Operations, Adjusted Selling and Administrative Expenses, Adjusted Selling and Administrative Expenses as a Percentage of Sales, EBITDA, Adjusted EBITDA, Net Debt and Free Cash Flow as non-GAAP measures. Reconciliation to the nearest GAAP measures of all non-GAAP measures included in this presentation can be found at the end of this presentation. 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. The company believes that these non-GAAP measures are useful because they (i) provide both management and investors meaningful supplemental information regarding financial performance by excluding certain expenses and benefits that may not be indicative of recurring core business operating results, (ii) permit investors to view Methode's performance using the same tools that management uses to evaluate its past performance, reportable business segments and prospects for future performance (iii) are commonly used by other companies in our industry and provide a comparison for investors to the company’s performance versus its competitors and (iv) otherwise provide supplemental information that may be useful to investors in evaluating Methode.

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, construction equipment, and cloud computing end markets.

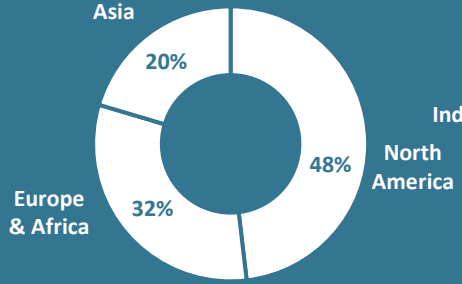
Established 1946
Headquartered in Chicago, IL

NYSE: MEI

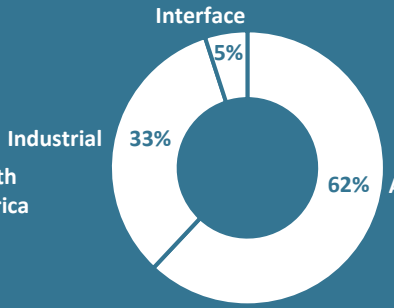
6,700 Employees
700+ Engineers

FY 2023 SALES
$1.18B

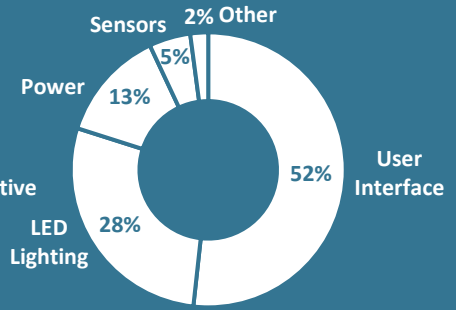
BY GEOGRAPHY



BY REPORTING SEGMENTS



BY SOLUTIONS



Widely Recognized, Best-in-Class Tier 1 Technology Supplier

Environmental, Social, Governance (ESG) Overview

Methode's ESG strategy builds upon our robust governance framework, commitment to a safe work environment, and focus on people.

ENVIRONMENTAL STEWARDSHIP
Climate change
Energy and greenhouse gas emissions
Pollution prevention

WORKPLACE & COMMUNITY
Diversity and inclusion
Human rights
Talent management
Workplace safety and health

RESPONSIBLE GOVERNANCE
Business ethics and integrity
Business resilience and continuity
Cybersecurity

PRODUCT INNOVATION
Product quality and safety
Product stewardship and circularity
R&D and innovation
Responsible sourcing and supply chain impacts

Underpinning our ESG strategy is our relatively low risk level, which is recognized by external ratings agencies…

SUSTAINALYTICS

11.8 (LOW RISK)

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

MSCI

A (AVERAGE)

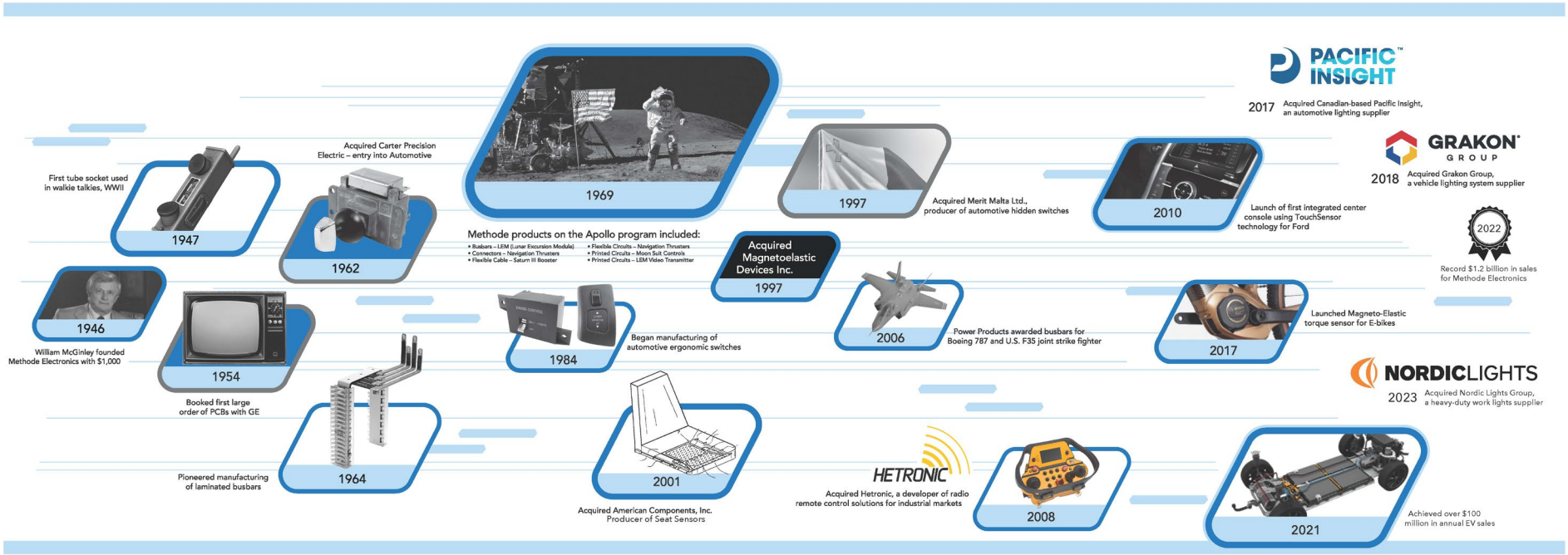
Laggard		Average			Leader	
CCC	B	BB	BBB	A	AA	AAA

Published Inaugural CSR Report in 2023



Committed to Utilizing the Power of Technology to Create a Better Society

The Methode Journey



Over 75 Years of Expertise Navigating the Evolution of Technology

Global Manufacturing Footprint



Cost-Efficient Global Footprint – "Make Where We Sell"

Solutions – Products

	% of Sales		
User Interface	52%	• Center Consoles • Overhead Consoles	• Switch Modules • Remote Controls
LED Lighting	28%	• Ambient Lighting • Forward & Fog Lights • Rear Stop Lights	• Signal Lights • Warning Lights • Work Lights
Power Distribution	13%	• Battery Disconnects • Busbars	• Connectors • Lead Frames
Sensors	5%	• Current • Force & Load	• Position • Torque
Digital Data	2%	• 1G Copper Transceivers • 10G Copper Transceivers	• G.hn Modules • Micro-DPUs



Products That Provide Value-Added Solutions

Solutions – End Markets & Customers

	% of Sales		
User Interface	52%	• Automotive & EV • Commercial Vehicle	• Construction Equipment • Cranes & Lifts
LED Lighting	28%	• Automotive & EV • Bus • Commercial Vehicle	• Construction Equipment • Power Sports • Rail
Power Distribution	13%	• Aerospace • Data Center • Electric Vehicle	• Energy Storage • Industrial Equipment • Military
Sensors	5%	• Aerospace • Automotive & EV	• e-Bike • Power Sports
Digital Data	2%	• Broadband • Data Networking	• Industrial Automation

Reliable Tier 1 Supplier to Globally Recognized OEMs

Investment Thesis

Exposure to Key Market Trends

- Electrification & Sustainability
  - Commercial Vehicles, EVs
- Automation & Safety
  - Remote Controls, Sensors
- Information Technology
  - AI, 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 (**~60%** Growth Oriented)
- Strong Free Cash Flow (**$307M** FY21-FY23)*
- Low Leverage (Net Debt/EBITDA of **1.1**)*

Methode's strategy is to deliver integrated, value-added, cost-competitive solutions for Original Equipment Manufacturers in end markets with product and technological commonality, producing high growth, margins, cash conversion and stakeholder value creation

** See Appendix for reconciliation to GAAP*

Strategic Priorities

HOW WE WIN



- In-Depth Engagement with Original Equipment Manufacturers (OEMs)
- Integrated Design, Production, and Support
- Lean, Large-Scale Operations Situated in Customer's Regions
- Vertically Integrated Manufacturing with Recognized World Class Quality

HOW WE GROW



- Capitalize on Growing EV, Commercial Vehicle, and Construction Equipment Markets
- Leverage Power, LED Lighting, and Sensor Technologies across Customer Base
- Utilize Product Portfolio to Increase Content per Vehicle and Penetrate Non-Auto Markets
- Pursue Acquisitions that Build on Business Model and Skill Set

Consistent Approach Has Delivered Six Consecutive Years of Record Sales

EV Driving Increased Content Per Vehicle

Methode's Internal Combustion Engine (ICE) Vehicle Content



- User Interface
- Lighting
- Sensors

ICE $1.0x

Methode's Hybrid (HEV) and Battery Electric (BEV) Vehicle Content

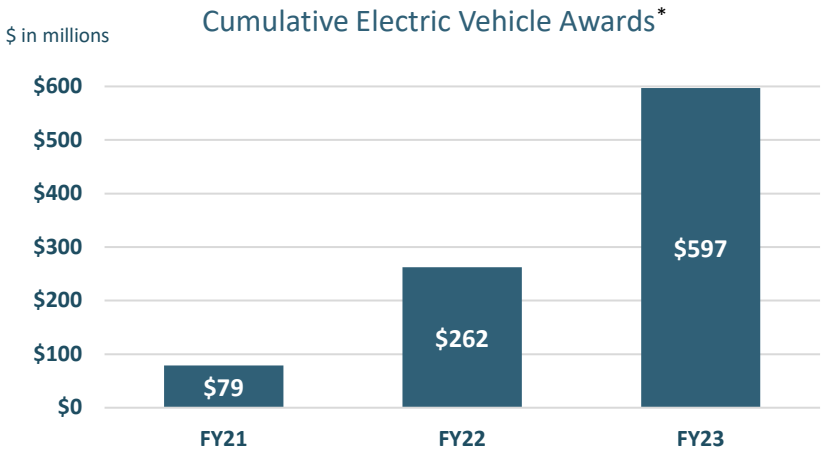


- User Interface
- Lighting
- Sensors
- **Power Distribution**

HEV $1.2-1.7x

BEV $2.0-2.5x

~$600M in EV Program Awards since FY 2021



EV Transition is a Content Tailwind Driven by Power Distribution

** Expected annual sales at full production as of original award date*

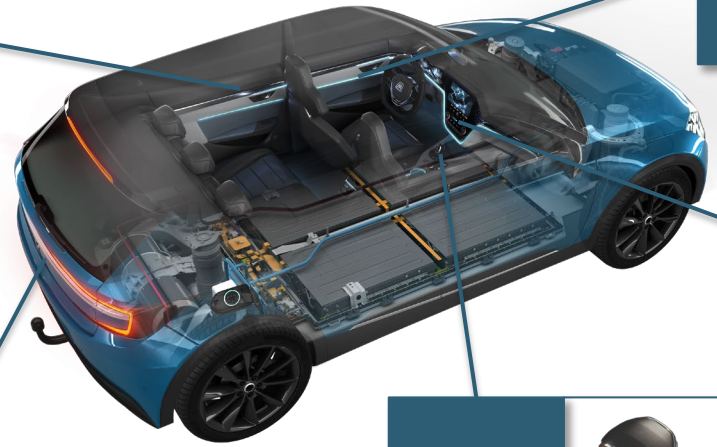
EV Solutions for the “Top Hat”

Door Activation



LED Lighting
(Interior & Exterior)





Switches & Consoles



Sensors & Cameras



By-Wire Controls


Shift-by-Wire

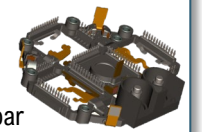

Steer-by-Wire


Brake-by-Wire

EV Solutions for the “Skateboard”

Inverter & Charger





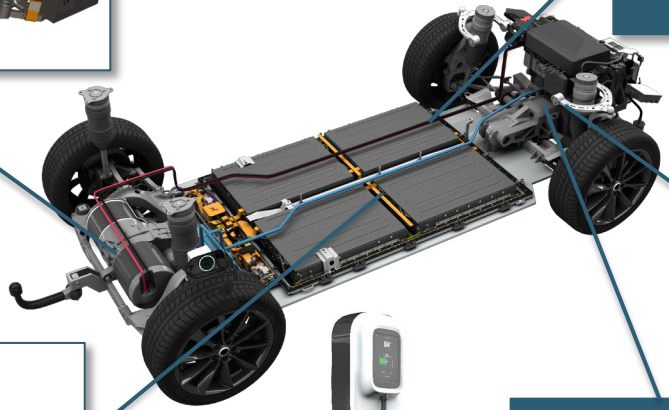
Molded Busbar Sub-Assemblies

Battery Monitoring





Current Sensors



Electric Motors & Drives



Busbars



Park Lock Actuator

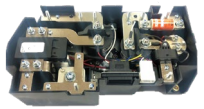
Battery Module Connections



Busbars & Connectors



Battery Disconnect & Power Distribution

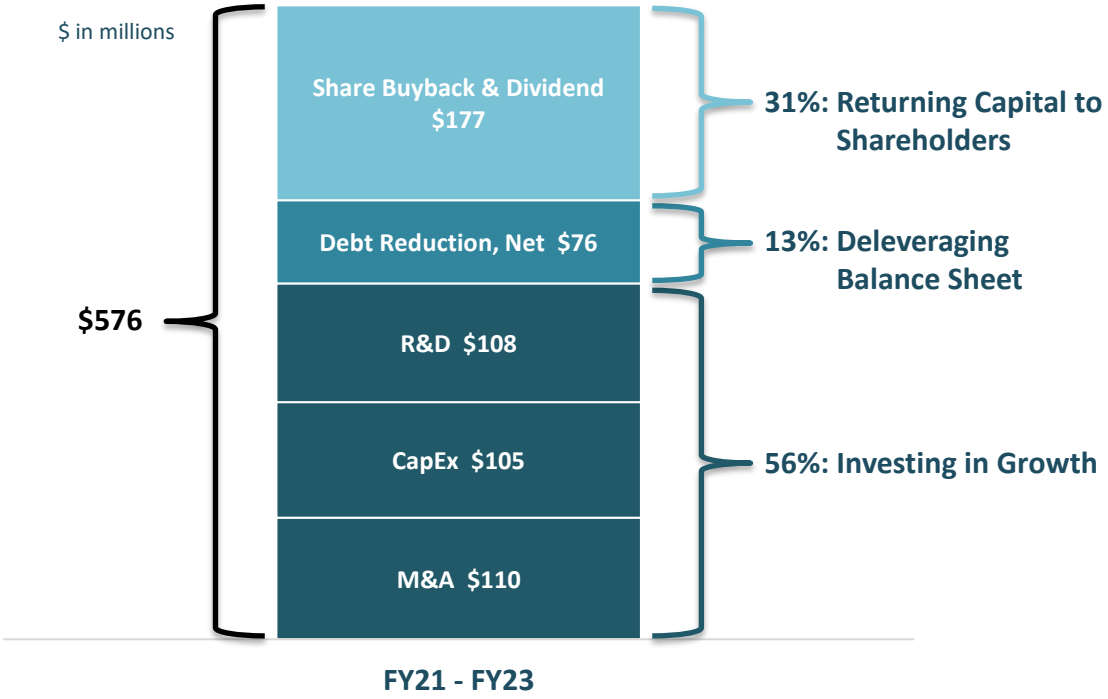


BDU



PDU

Capital Allocation History and Strategy

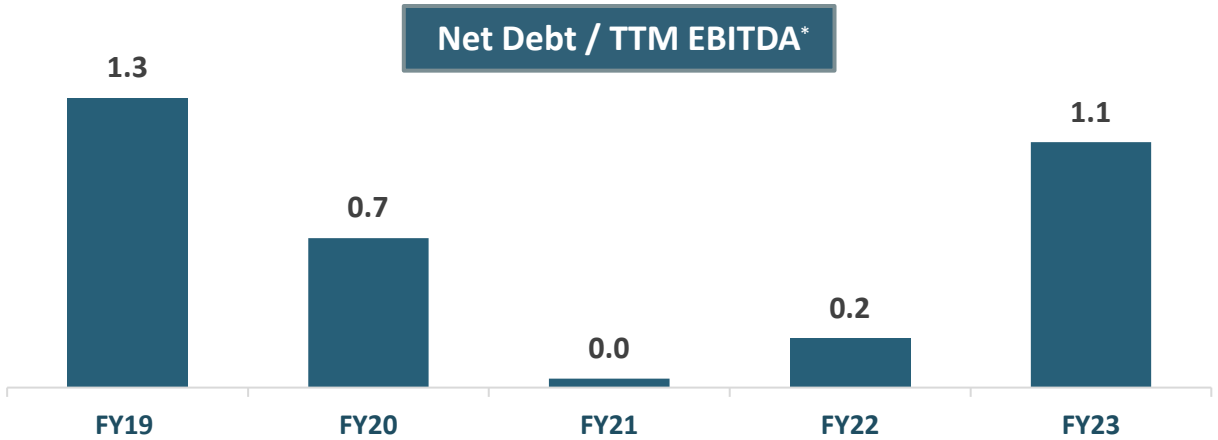


Balanced Capital Allocation Strategy

- **Return Capital to Shareholders via Share Buyback and Dividend**
  - Current Share Buyback Program Authorization of $200M
  - Total of $119M in Shares Purchased Under the Authorization at FY23 End
- **Pay Down Debt when Appropriate**
- **Invest in Growth via R&D & CapEx**
- **Execute Accretive Acquisitions**
  - Acquired NORDICLIGHTS in FY23

Growth Focused Capital Allocation

Balance Sheet Discipline



- Net Debt / TTM EBITDA Ratio of **1.1** at End of FY23
- Consistent Practice of Deleveraging Post Acquisitions
- Balance Sheet Well-Positioned for Additional M&A

** See Appendix for reconciliation to GAAP*

Balance Sheet Flexibility to Leverage and Deleverage as Needed

Inorganic Growth Framework

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

Track Record of Disciplined Acquisitions

Thank You

Appendix

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

	FY19	FY20	FY21	FY22	FY23
EBITDA:					
Net income	$ 91.6	$ 123.4	$ 122.3	$ 102.2	$ 77.1
Income tax expense	12.0	25.3	12.6	16.3	13.0
Interest (income) expense, net	8.3	10.1	5.2	3.5	2.7
Amortization of intangibles	16.1	19.0	19.3	19.1	18.8
Depreciation	27.2	29.3	32.2	33.5	30.7
EBITDA	**$ 155.2**	**$ 207.1**	**$ 191.6**	**$ 174.6**	**$ 142.3**

	FY19	FY20	FY21	FY22	FY23
Net Debt:					
Short-term debt	$ 15.7	$ 15.3	$ 14.9	$ 13.0	$ 3.2
Long-term debt	276.9	336.8	225.2	197.5	303.6
Total debt	292.6	352.1	240.1	210.5	306.8
Less: cash and cash equivalents	(83.2)	(217.3)	(233.2)	(172.0)	(157.0)
Net debt	**$ 209.4**	**$ 134.8**	**$ 6.9**	**$ 38.5**	**$ 149.8**

	FY19	FY20	FY21	FY22	FY23
Free Cash Flow:					
Net cash provided by operating activities	$ 102.0	$ 140.6	$ 179.8	$ 98.8	$ 132.8
Purchases of property, plant and equipment	(49.8)	(45.1)	(24.9)	(38.0)	(42.0)
Free Cash Flow	**$ 52.2**	**$ 95.5**	**$ 154.9**	**$ 60.8**	**$ 90.8**
Net Debt/EBITDA	**1.3**	**0.7**	**0.0**	**0.2**	**1.1**