FISCAL 2021
FIRST QUARTER FINANCIAL RESULTS

September 3, 2020

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 press release 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, appliance, commercial vehicle, computer and communications industries; (3) dependence on a small number of large customers, including two large automotive customers; (4) recognition of goodwill and long-lived asset impairment charges; (5) costs associated with restructuring activities; (6) international trade disputes resulting in tariffs and our ability to mitigate tariffs; (7) timing, quality and cost of new program launches; (8) ability to withstand price pressure, including pricing reductions; (9) failure to attract and retain qualified personnel; (10) ability to successfully market and sell Dabir Surfaces products; (11) currency fluctuations; (12) customary risks related to conducting global operations; (13) costs associated with environmental, health and safety regulations; (14) ability to withstand business interruptions; (15) ability to successfully benefit from acquisitions and divestitures; (16) investment in programs prior to the recognition of revenue; (17) dependence on the availability and price of materials; (18) dependence on our supply chain; (19) judgments related to accounting for tax positions; (20) income tax rate fluctuations; (21) ability to keep pace with rapid technological changes; (22) breaches to our information technology systems; (23) ability to avoid design or manufacturing defects; (24) ability to compete effectively; (25) ability to protect our intellectual property; (26) success of recent acquisitions and/or our ability to implement and profit from new applications of the acquired technology; (27) ability to manage our debt levels and any restrictions thereunder; and (28) 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 and Net Debt. Reconciliation to the nearest GAAP measures of all non-GAAP measures included in this press release can be found at the end of this release. 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 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.

FY21 Q1 Business Highlights

COVID-19

Teams Committed to Working within Safety Guidelines

All Facilities Remained Open

Global Auto

Strong Rebound in Second Half of Q1

Asia Demand Growth of 28%

EV & Hybrid Growth

Strong Q1 Awards for EV and Hybrid

Expected to be HSD% of FY21 Consolidated Sales



Non-Auto Markets

Strength in Data Center and Appliance

Commercial Vehicle Weak, but Forecasts Improving

Operational Efficiencies

Significant S&A Cost Control

Balance Sheet

Positive Free Cash Flow and Gross Debt Reduction

Strong Liquidity and Stable Leverage

FY21 Q1 Financial Highlights

(Dollars in millions except per share amount)

Sales		
FY20 Q1	FY21 Q1	YoY Change
$270.2	**$190.9**	**(29.3%)**

Net Income*		
FY20 Q1	FY21 Q1	YoY Change
$28.3	**$20.7**	**(26.9%)**

Diluted Earnings Per Share*		
FY20 Q1	FY21 Q1	YoY Change
$0.75	**$0.54**	**(28.0%)**

** FY21 Q1 includes a discrete tax benefit of $7.8 million or $0.20 per diluted share*

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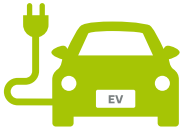
Balance Sheet

Positive Free Cash Flow and Gross Debt Reduction

Strong Liquidity and Stable Leverage

FY21 Q1 Select Business Awards

(Expected annual sales, dollars in millions)



Electric Vehicles

• LED Interior Ambient Lighting for a U.S. Auto OEM	**$7.0**
• Overhead Console for a European OEM SUV Platform	**$6.7**
• Exterior Lighting for a U.S. Auto OEM	**$5.0**
• LED Interior Functional Lighting for a U.S. Auto OEM	**$2.0**
• Busbar for a European Auto OEM	**$1.0**



Hybrid Vehicles

• CIM Lead Frame for a European Battery OEM	**$6.4**
• Lead Frame for an Asian Auto OEM	**$1.6**
• Busbar for a European Auto OEM	**$0.5**



LED Lighting (non-EV)

• LED Interior Ambient Lighting for a U.S. Auto OEM	**$1.8**
• LED Work Light for a U.S. Commercial Vehicle OEM	**$0.6**



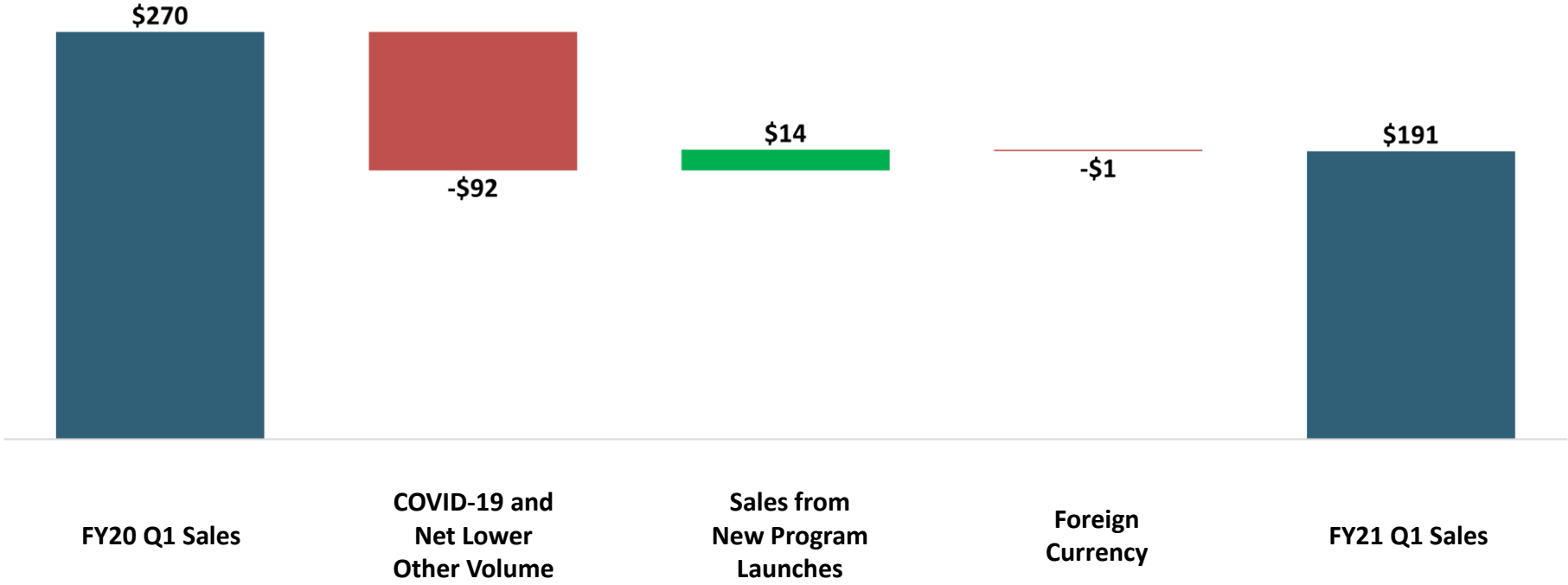
Data Centers

• Busbar for a U.S. Data Center Supplier	**$2.6**
• Pluggable Module for a U.S. Data Center Supplier	**$0.9**

Financial Results

FY21 Q1 Sales Drivers

(Dollars in millions)



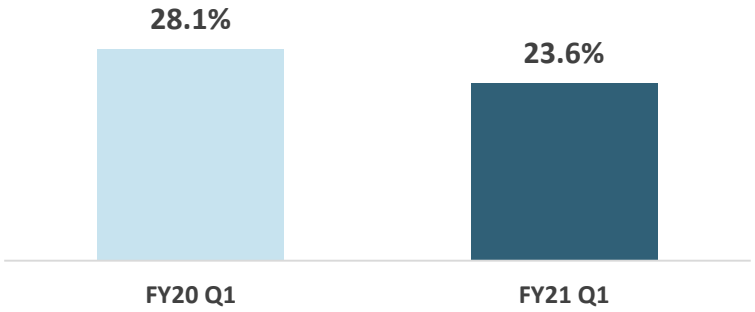
FY21 Q1 Financial Results

Gross Margins

- Lower sales in the Automotive and Industrial segments due to COVID-19
- Restructuring costs of $1.9 million to reduce costs and improve operational profitability

Partially offset by:

- Lower compensation and other expenses from cost saving actions

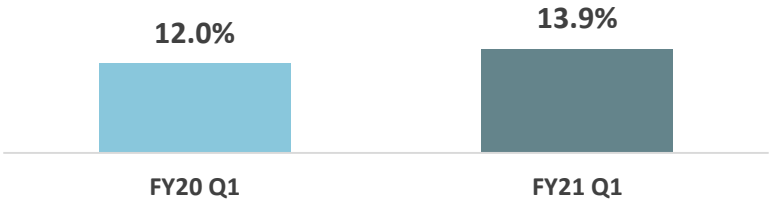


Sales & Administrative

- Lower sales due to COVID-19
- Restructuring costs of $1.5 million to reduce costs and improve operational profitability

Partially offset by:

- Lower compensation, lower stock-based compensation and lower travel expenses

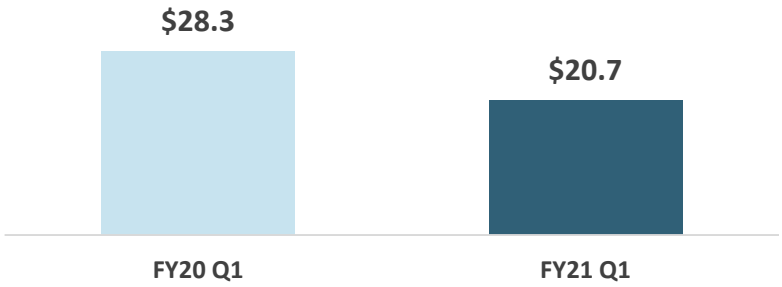


FY21 Q1 Financial Results

(Dollars in millions)

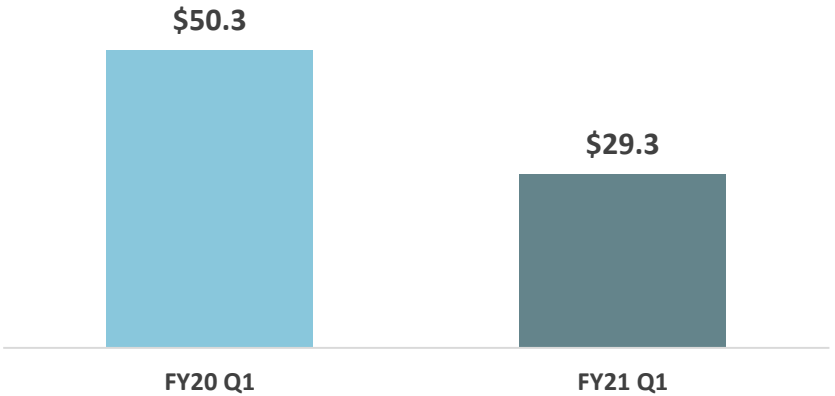
Net Income

- Lower sales due to COVID-19
- Change in discrete tax items of $9.1 million
- Restructuring expense of $3.4 million
- Government COVID-19 assistance of $2.9 million



EBITDA*

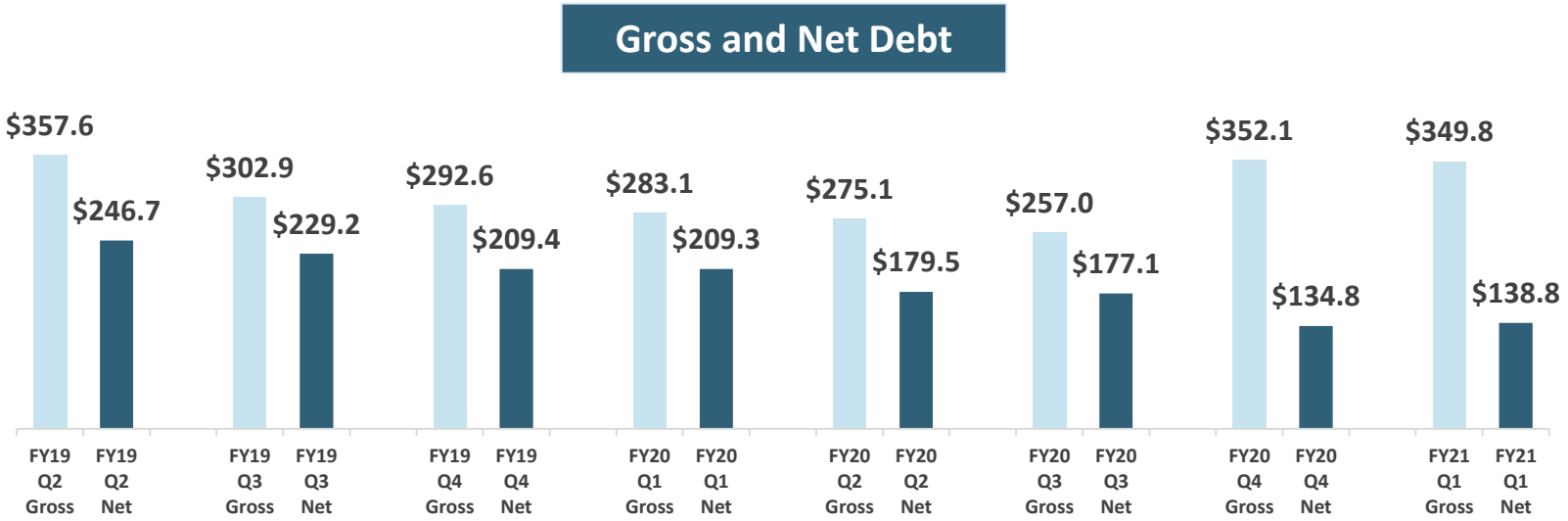
- Lower sales due to COVID-19
- Restructuring expense of $3.4 million



** See Appendix for reconciliation to GAAP*

Deleveraging Since Grakon Acquisition in FY19 Q2

(Dollars in millions)



- Gross Debt / TTM EBITDA Ratio* is **1.9** at end of FY21 Q1
- Net Debt / TTM EBITDA Ratio* is **0.7** at end of FY21 Q1

** See Appendix for reconciliation to GAAP*

FY21 Q1 Free Cash Flow* (FCF)

(Dollars in millions)



	FY20 Q1	FY21 Q1
Cash Provided by Operating Activities	$19.1	$16.4
CapEx	($13.2)	($11.6)
FCF	$5.9	$4.8

** See Appendix for reconciliation to GAAP*

FY21 Q2 Guidance

- **Net sales for FY21 Q2 of $230 - $250 million**
- **Assumes automotive run-rate from the end of Q1**
- **Assumes increased appliance and sensor sales**

Appendix

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

	Three Months Ended	
	August 1, 2020	July 27, 2019
EBITDA:		
Net Income	$ 20.7	$ 28.3
Income Tax (Benefit) Expense	(5.1)	7.3
Interest Expense, Net	1.6	2.9
Amortization of Intangibles	4.7	4.8
Depreciation	7.4	7.0
EBITDA	$ 29.3	$ 50.3

	Three Months Ended	
	August 1, 2020	July 27, 2019
Free Cash Flow:		
Net Cash Provided by Operating Activities	$ 16.4	$ 19.1
Purchases of Property, Plant and Equipment	(11.6)	(13.2)
Free Cash Flow	$ 4.8	$ 5.9

	August 1, 2020	May 2, 2020
Net Debt:		
Short-Term Debt	$ 15.4	$ 15.3
Long-Term Debt	334.4	336.8
Total Debt	349.8	352.1
Less: Cash and Cash Equivalents	(211.0)	(217.3)
Net Debt	$ 138.8	$ 134.8

Appendix

TOTAL GROSS DEBT/EBITDA

(Dollars in Millions)

	LTM August 1, 2020
Net Income	$ 115.8
Income Tax Expense	12.9
Interest Expense, Net	8.8
Amortization of Intangibles	18.8
Depreciation	29.7
EBITDA	**$ 186.0**
Short-term Debt	$ 15.4
Long-term Debt	334.4
Gross Debt	**$ 349.8**
Total Gross Debt/EBITDA	**1.9**

TOTAL NET DEBT/EBITDA

(Dollars in Millions)

	LTM August 1, 2020
Net Income	$ 115.8
Income Tax Expense	12.9
Interest Expense, Net	8.8
Amortization of Intangibles	18.8
Depreciation	29.7
EBITDA	**$ 186.0**
Gross Debt	$ 349.8
Less: Cash and Cash Equivalents	(211.0)
Net Debt	**$ 138.8**
Total Net Debt/EBITDA	**0.7**

Thank You