FISCAL 2021
SECOND QUARTER FINANCIAL RESULTS

December 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 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, 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) timing and magnitude of 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) adjustments to compensation expense for performance-based awards; (22) ability to keep pace with rapid technological changes; (23) breaches to our information technology systems; (24) ability to avoid design or manufacturing defects; (25) ability to compete effectively; (26) ability to protect our intellectual property; (27) success of recent acquisitions and/or our ability to implement and profit from new applications of the acquired technology; (28) ability to manage our debt levels and any restrictions thereunder; and (29) impact to interest expense from the replacement or modification of LIBOR.

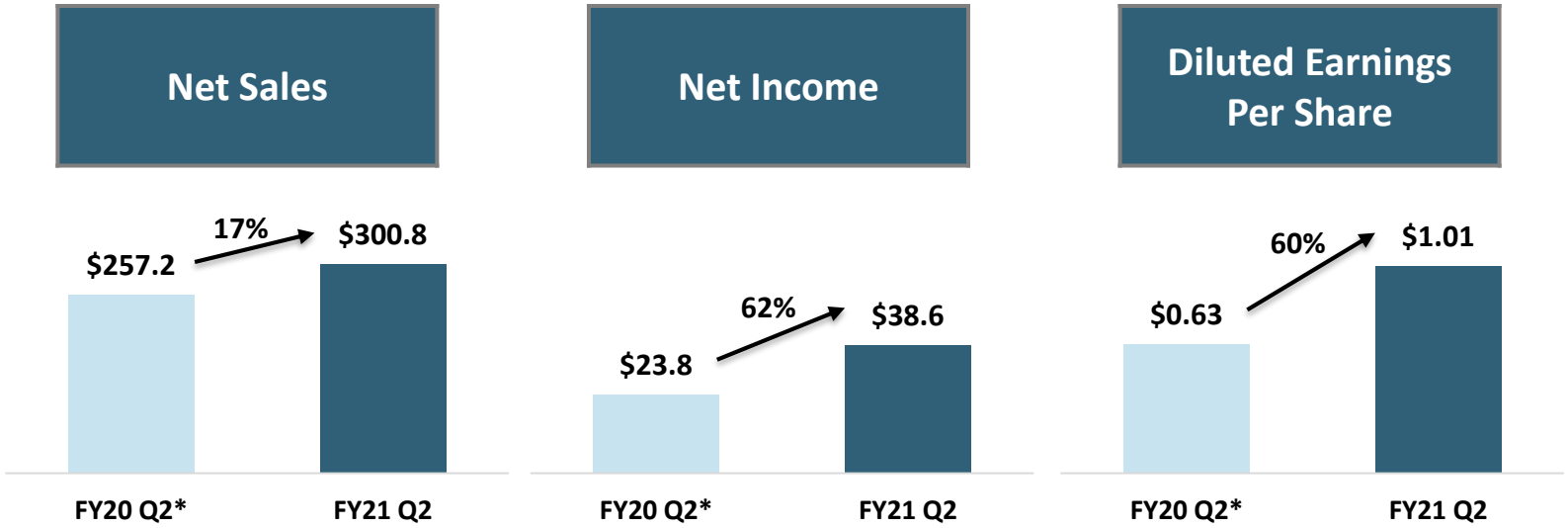
Non-GAAP Financial Measures



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 and Net Debt. Reconciliation to the nearest GAAP measures of all non-GAAP measures included in this presentation can be found at the end of this presentation. 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 Q2 Financial Highlights

(Dollars in millions except per share amount)



** Includes impact of UAW strike at GM*

FY21 Q2 Business Highlights

Quarterly Performance

Record Sales of $301 Million

Record Income from Operations of $45 Million

Income from Operations Margin of 15%

Global Auto

Record Automotive Segment Sales of $216 Million

Asia Organic Growth



Electric Vehicle Growth

Over 9% of Q2 Consolidated Sales

Continued Strength in EV Awards

Leveraging UI, Power, and LED Lighting Solutions

Balance Sheet

Strong Free Cash Flow and Net Debt Reduction

Ample Liquidity and Low Leverage

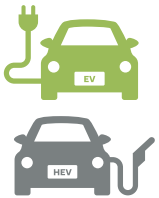
COVID-19

Teams Committed to Working within Safety Guidelines

All Facilities Currently Operating

FY21 Q2 Select Business Awards

(Expected annual sales, dollars in millions)



Electric & Hybrid Electric Vehicles

- Busbar for U.S.-Asian Auto OEM JV **$14.5**
- LED Ambient Lighting for U.S. Auto OEM **$9.7**
- LED Ambient & Functional Lighting for European Auto OEM **$2.0**
- LED Overhead Lamp for Chinese Auto OEM **$1.3**
- Busbar for European Auto OEM **$0.6**



LED Lighting (non-EV)

- LED Ambient & Functional Lighting for European Auto OEM **$3.9**
- LED Stop Lamp for Japanese Auto OEM **$2.9**
- LED Overhead Lamps for Chinese Auto OEM **$0.8**



Data Centers

- Busbars for a U.S. Data Center Supplier **$2.2**
- Pluggable Module for U.S. Networking Hardware OEM **$1.2**



Aerospace

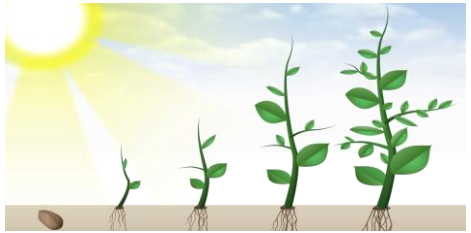
- Busbar for a U.S. Defense Technology OEM **$1.0**

$40M+ New Orders in Strategic End Market Applications

Strategic Priorities



Customer & Program Diversification
- Capitalize on Exposure to Trends in EV, Commercial Vehicle, & Cloud Computing
- Leverage Power, LED Lighting, and Sensor Technology across Customer Base
- Increase Investment in Field Sales, Process, and Incentives



Organic & Inorganic Growth
- Leverage Existing Technology Solutions to Address Customer Needs
  - Increase Content per Vehicle
  - Leverage Auto Technology into Non-Auto Markets
  - Cross-sell into Existing Customers
- Proactive Acquisitions in Industrial, Opportunistic in Transportation & Medical



Financial Improvement
- Margin Expansion via Improved Product Mix & Operational Efficiencies
- Leverage SG&A on Sales Volume Growth
- Reduce Working Capital % of Sales through Lean Manufacturing

Electric Vehicle Solutions

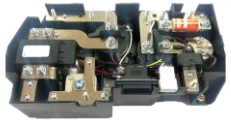
Power Solutions



Busbars for Inverter, Charger, & e-Motor Connections



Busbars for Battery Pack Connections



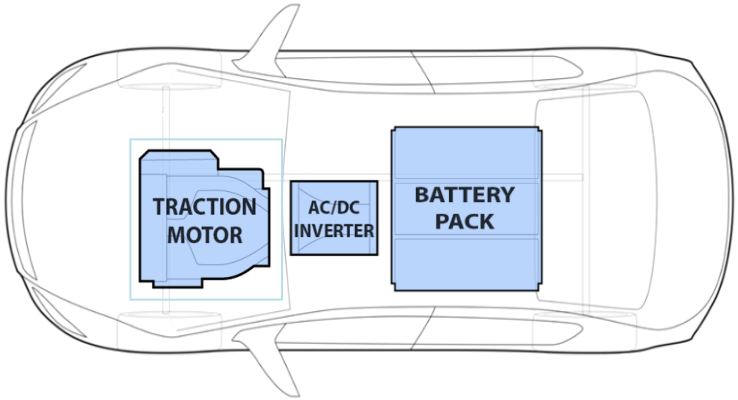
Battery Disconnect



HV Power Connectors



Battery Pack Chill Plate



Ambient & Functional Lighting

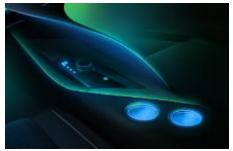


Overhead Consoles



Turn Signal w/ Camera





Interior LED Modules



Exterior LED Lighting

Uniquely Positioned to Offer Power and Lighting Solutions Building on UI

Increased Content Per Vehicle

EV Expected to be HSD % of FY21 Total Sales, Growing to 10%+ in FY22



Internal Combustion Vehicles

- User Interface
- Interior & Exterior Lighting
- Sensors





Battery & Hybrid Electric Vehicles

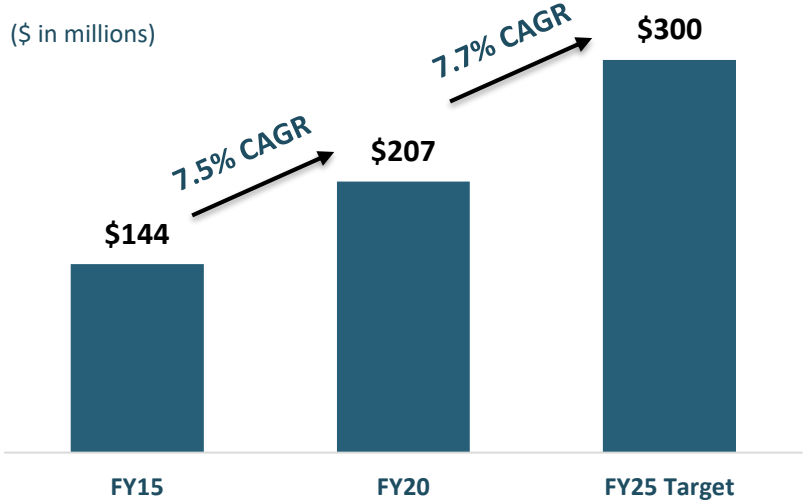
- User Interface
- Interior & Exterior Lighting
- Sensors
- e-Powertrain



Transition from Internal Combustion to EV is a Content Tailwind

FY25 Long-Term Incentive Plan EBITDA Target

EBITDA*



EBITDA Growth Drivers

+ Organic Sales Growth
+ Operational Improvements
+ Acquisitions
− End-of-Life Programs
− Business Exits

** See Appendix for reconciliation to GAAP*

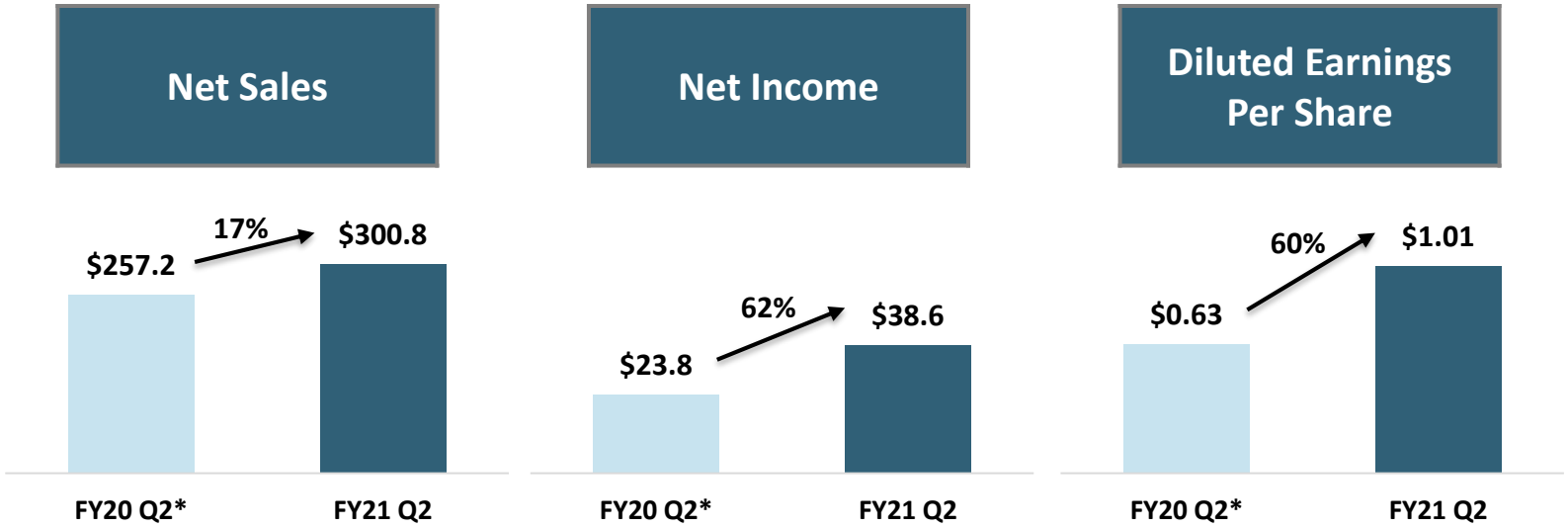
In September 2020, our executives were awarded performance-based restricted stock ("Performance-Based RSAs") under a new five-year, long-term incentive program (the "LTIP"). The Performance-Based RSAs may be earned based on FY 2025 EBITDA, subject to certain adjustments, including adjustments for non-accretive acquisitions and divestitures. See our Form 8-K filed on September 29, 2020 for additional information regarding the LTIP.

5-Year EBITDA Target Built on Success of Previous Plan

Financial Results

FY21 Q2 Financial Highlights

(Dollars in millions except per share amount)



** Includes impact of UAW strike at GM*

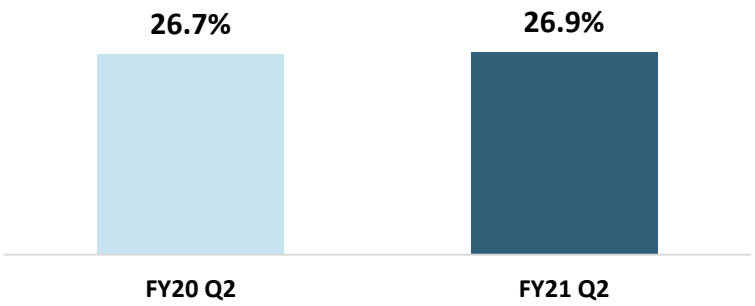
FY21 Q2 Financial Results

Gross Margins

- Higher sales in all segments increased overhead coverage

Partially offset by:

- Restructuring costs of $2.7 million to reduce costs and improve operational profitability

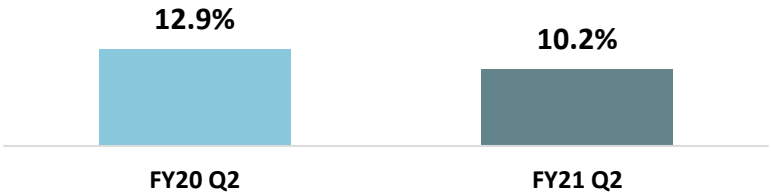


Sales & Administrative

- Lower compensation, stock-based compensation and travel expenses

Partially offset by:

- Restructuring costs of $1.5 million to reduce costs and improve operational profitability



FY21 Q2 Financial Results

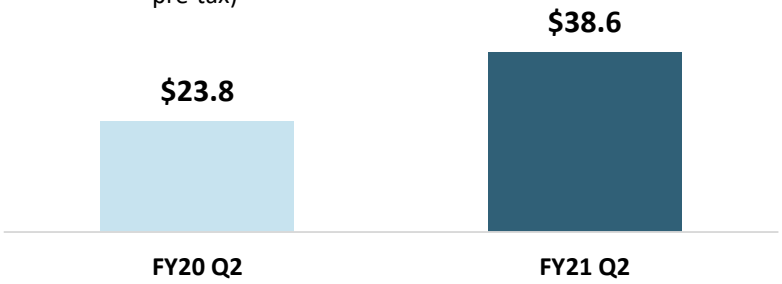
(Dollars in millions)

Net Income

- Higher sales in all segments
- Lower compensation, stock-based compensation and travel expenses
- Government COVID-19 assistance of $2.8 million ($3.3 million pre-tax)

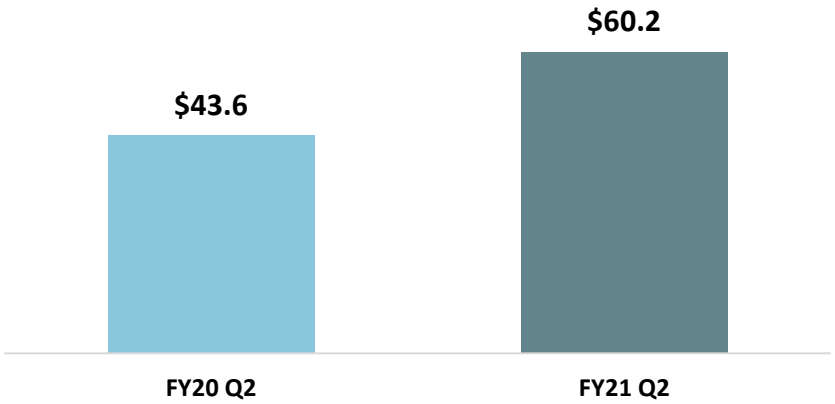
Partially offset by:

- Restructuring expense of $3.5 million ($4.2 million pre-tax)



EBITDA*

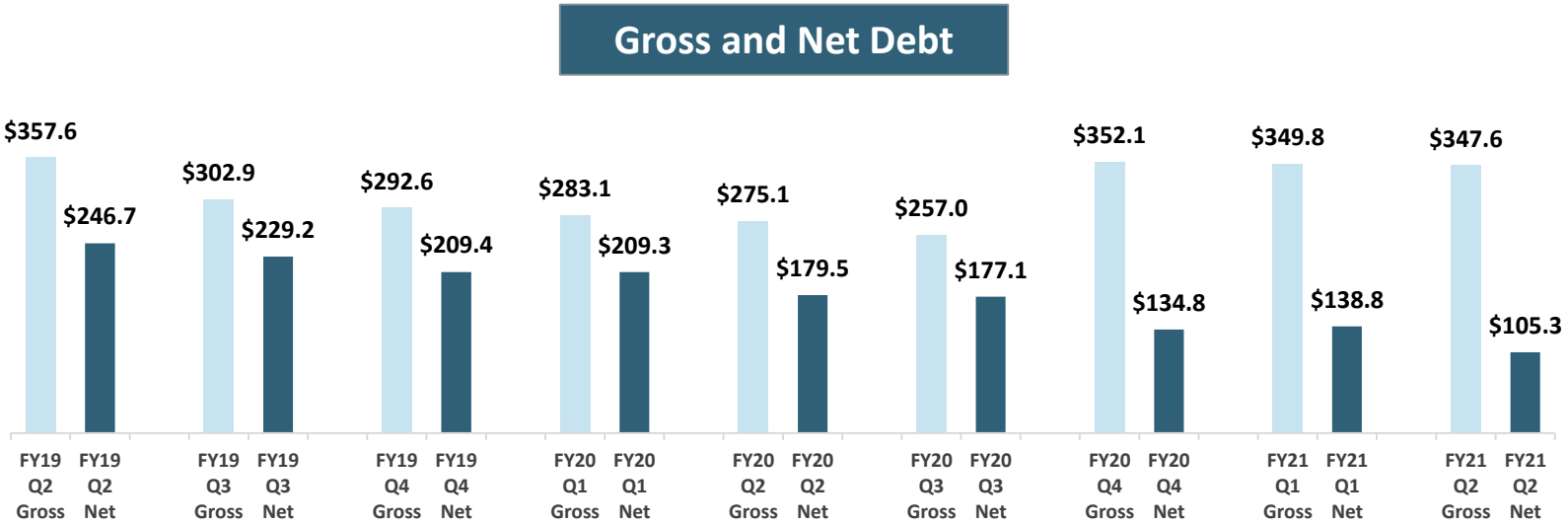
- Higher income from operations
- Higher other income



** See Appendix for reconciliation to GAAP*

Deleveraging Since Grakon Acquisition in FY19 Q2

(Dollars in millions)



- Gross Debt / TTM EBITDA Ratio* is **1.7** at end of FY21 Q2
- Net Debt / TTM EBITDA Ratio* is **0.5** at end of FY21 Q2

** See Appendix for reconciliation to GAAP*

In FY21 Q3, $50M Repayment to Revolver for March 2020 $100M Proactive Draw

FY21 Q2 Free Cash Flow

(Dollars in millions)



	FY20 Q2	FY21 Q2
Cash Provided by Operating Activities	$48.7	$40.3
CapEx	($13.6)	($3.6)
Free Cash Flow	$35.1	$36.7

FY21 Q3 Guidance

- **Net sales for FY21 Q3 of $265 - $285 million**
- **FY21 Q3 is a 13-week quarter, FY20 Q3 was a 14-week quarter**
- **Diluted earnings per share for FY21 Q3 of $0.69 - $0.85**
- **Subject to disruption at any time due to a variety of risk factors including the ongoing COVID-19 pandemic situation**
- **Assumes continued strength in Asia consistent with light vehicle production recovery in the region**
- **Assumes tax rate at ~17%**

Thank You

Appendix

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

	Three Months Ended		Six Months Ended	
	October 31, 2020	October 26, 2019	October 31, 2020	October 26, 2019
EBITDA:				
Net Income	$ 38.6	$ 23.8	$ 59.3	$ 52.1
Income Tax Expense	7.6	5.2	2.5	12.5
Interest Expense, Net	1.4	2.7	3.0	5.6
Amortization of Intangibles	5.0	4.7	9.7	9.5
Depreciation	7.6	7.2	15.0	14.2
EBITDA	$ 60.2	$ 43.6	$ 89.5	$ 93.9

	Three Months Ended		Six Months Ended	
	October 31, 2020	October 26, 2019	October 31, 2020	October 26, 2019
Free Cash Flow:				
Net Cash Provided by Operating Activities	$ 40.3	$ 48.7	$ 56.7	$ 67.8
Purchases of Property, Plant and Equipment	(3.6)	(13.6)	(15.2)	(26.8)
Free Cash Flow	$ 36.7	$ 35.1	$ 41.5	$ 41.0

	October 31, 2020	May 2, 2020
Net Debt:		
Short-Term Debt	$ 15.3	$ 15.3
Long-Term Debt	332.3	336.8
Total Debt	347.6	352.1
Less: Cash and Cash Equivalents	(242.3)	(217.3)
Net Debt	$ 105.3	$ 134.8

Appendix

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

	FY15	FY16	FY17	FY18	FY19	FY20
EBITDA:						
Net Income	$ 101.1	$ 84.6	$ 92.9	$ 57.2	$ 91.6	$ 123.4
Income Tax Expense	19.8	26.3	23.0	66.6	12.0	25.3
Interest (Income) Expense, Net	(0.7)	(0.7)	(0.4)	0.9	8.3	10.1
Amortization of Intangibles	1.5	2.4	2.3	5.6	16.1	19.0
Depreciation	21.9	21.5	22.0	22.5	27.2	29.3
EBITDA	**$ 143.6**	**$ 134.1**	**$ 139.8**	**$ 152.8**	**$ 155.2**	**$ 207.1**

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

Appendix

TOTAL GROSS DEBT/EBITDA

(Dollars in Millions)

	LTM October 31, 2020
Net Income	$ 130.6
Income Tax Expense	15.3
Interest Expense, Net	7.5
Amortization of Intangibles	19.2
Depreciation	30.1
EBITDA	**$ 202.7**
Short-term Debt	$ 15.3
Long-term Debt	332.3
Gross Debt	**$ 347.6**
Total Gross Debt/EBITDA	**1.7**

TOTAL NET DEBT/EBITDA

(Dollars in Millions)

	LTM October 31, 2020
Net Income	$ 130.6
Income Tax Expense	15.3
Interest Expense, Net	7.5
Amortization of Intangibles	19.2
Depreciation	30.1
EBITDA	**$ 202.7**
Gross Debt	$ 347.6
Less: Cash and Cash Equivalents	(242.3)
Net Debt	**$ 105.3**
Total Net Debt/EBITDA	**0.5**