



FISCAL 2023

# SECOND QUARTER FINANCIAL RESULTS

December 1, 2022

# 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) Dependence on our supply chain, including semiconductor suppliers; 2) Impact from pandemics, such as the COVID-19 pandemic; 3) Dependence on the automotive and commercial vehicle industries; 4) Impact from inflation; 5) Dependence on a small number of large customers, including one large automotive customer; 6) Dependence on the availability and price of materials; 7) Risks related to conducting global operations; 8) Ability to withstand pricing pressures, including price reductions; 9) Currency fluctuations; 10) Timing and magnitude of costs associated with restructuring activities; 11) Failure to attract and retain qualified personnel; 12) Recognition of goodwill and other intangible asset impairment charges; 13) Timing, quality and cost of new program launches; 14) International trade disputes resulting in tariffs and our ability to mitigate tariffs; 15) Adjustments to compensation expense for performance-based awards; 16) Investment in programs prior to the recognition of revenue; 17) Ability to compete effectively; 18) Impact from production delays or cancelled orders; 19) Ability to withstand business interruptions; 20) Ability to keep pace with rapid technological changes; 21) Breaches to our information technology systems; 22) Ability to avoid design or manufacturing defects; 23) Ability to manage our debt levels and any restrictions thereunder; 24) Income tax rate fluctuations; 25) Ability to protect our intellectual property; 26) Ability to successfully benefit from acquisitions and divestitures; 27) Impact from climate change and related regulations; 28) Judgments related to accounting for tax positions; and 29) Costs associated with environmental, health and safety regulations.

# 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, Net Debt, and Free Cash Flow. 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 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. 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. 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.

# FY23 Q2 Highlights

## Quarterly Performance

Record Sales of \$316M  
Record Industrial Segment Sales of \$104M  
Power and Lighting Solutions Driving Growth

## Business Activity

Ongoing Material Cost Inflation  
Traction on Cost Recovery Actions  
Program Awards of \$65M+



## Electric Vehicle Activity

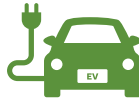
Reached 20% of Consolidated Sales  
Expecting 20% in FY23  
80%+ of Program Awards in EV

## Balance Sheet & Cash Flow

Continued Debt Reduction  
Increased Credit Facility Capacity  
Purchased \$20M of Shares

# FY23 Q2 Select Business Awards

## Electric Vehicles



- Battery Busbar Assembly for U.S. Auto OEM
- Motor Busbar Assembly for U.S. Auto OEM
- Battery Busbar Assembly for European Auto OEM
- Inverter Busbar Assembly for European Auto OEM
- Power Distribution Unit for U.S. Truck OEM
- Power Connector for U.S. Auto OEM
- Integrated Tailgate Module for U.S. Auto OEM



**\$60M** \*

## Other



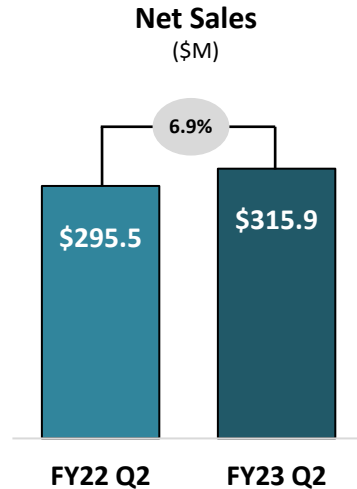
- LED Center High Mount Stop Lamp for U.S. Auto OEM
- LED Ambient Lighting System for U.S. Auto OEM
- Busbar Assembly for a U.S. Data Center Supplier
- Busbar Assembly for U.S. Defense OEM
- High Voltage Switchgear for European Power Grid OEM



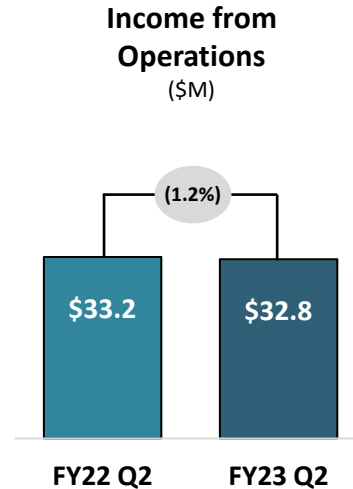
**\$6M** \*

# Financial Results

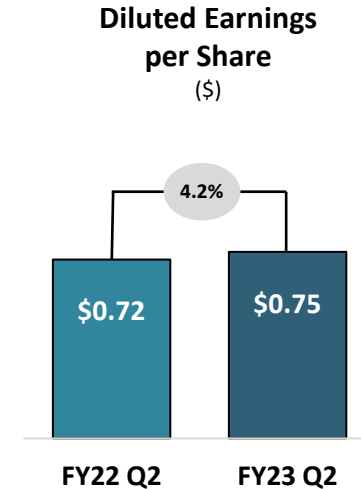
# FY23 Q2 Income Statement



- + Power Products for Data Centers and EV
- + Lighting for Commercial Vehicles
- + COVID Lockdown Sales Recovery from Q1
- Unfavorable Foreign Currency



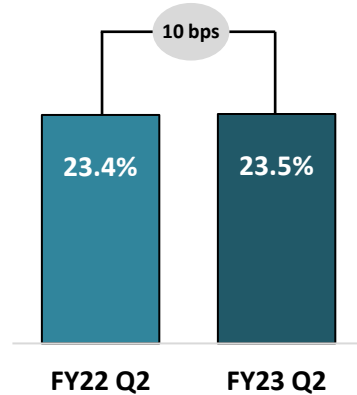
- Higher Selling & Administrative
- Unfavorable Foreign Currency
- + Higher Sales Volumes



- + Lower Net Interest Expense
- + Lower Diluted Share Count
- Higher Effective Tax Rate

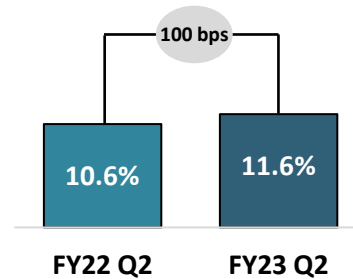
# FY23 Q2 Margins and Ratios

## Gross Margin (% of Sales)



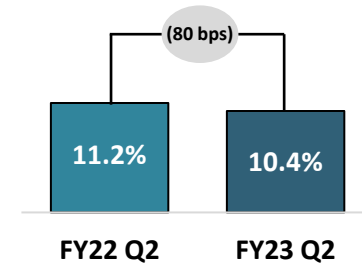
- + Higher Sales Volumes
- Higher Material & Other Costs
- Cost Recovery Sales at 0% Margin

## Selling & Administrative (% of Sales)



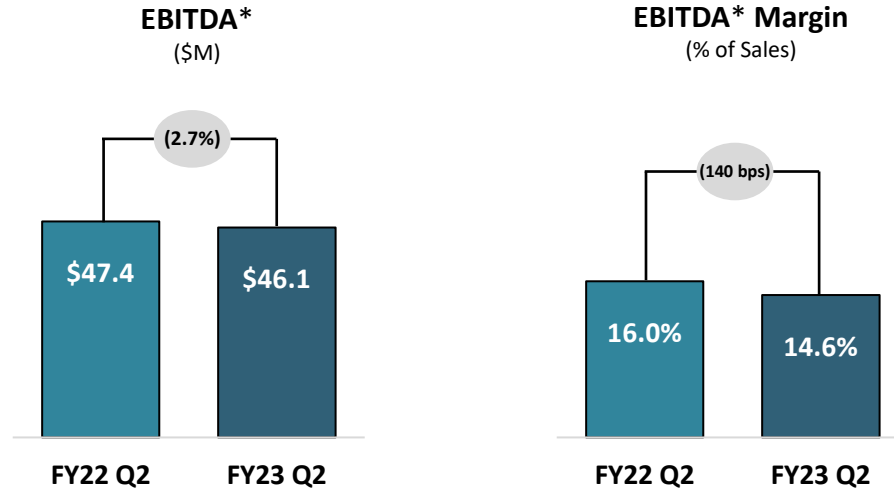
- Higher Compensation Expense
- Higher Professional Fees

## Operating Income Margin (% of Sales)



- Higher Selling & Administrative Expense
- + Higher Sales Volumes

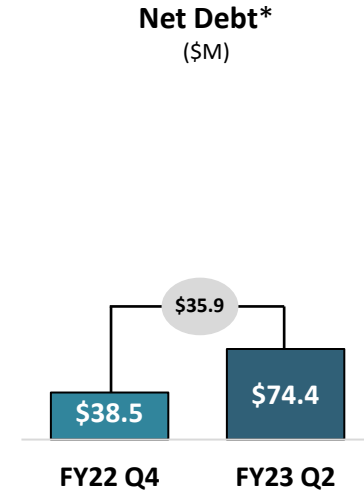
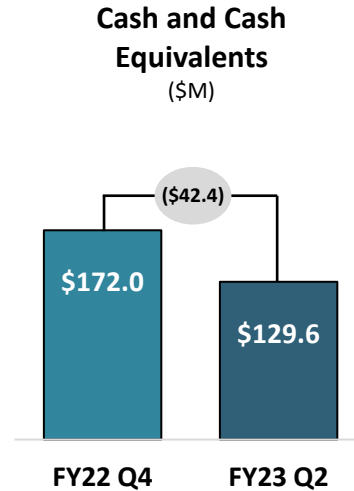
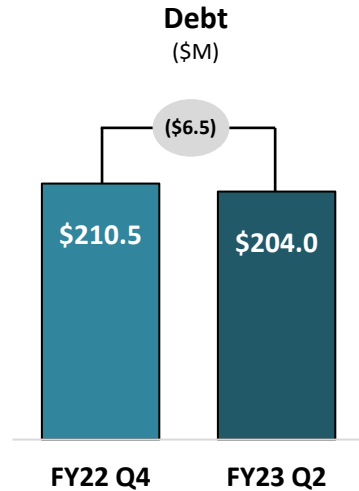
# FY23 Q2 EBITDA



- Higher Material & Other Costs
- Unfavorable Foreign Currency
- + Higher Sales Volume

\* See Appendix for reconciliation to GAAP

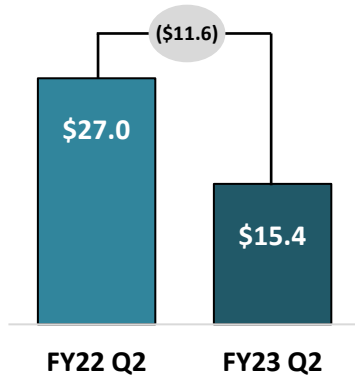
# FY23 Q2 Balance Sheet



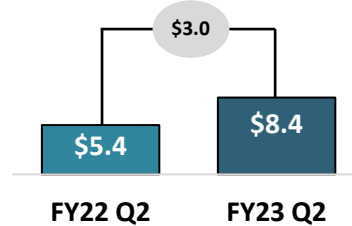
\* See Appendix for reconciliation to GAAP

# FY23 Q2 Free Cash Flow

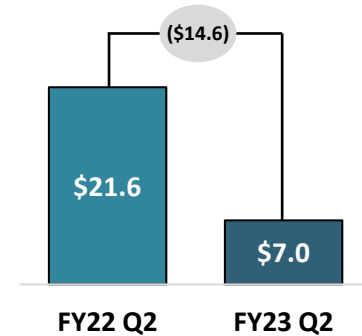
**Net Cash Provided by Operating Activities**  
(\$M)



**Capital Expenditure**  
(\$M)



**Free Cash Flow\***  
(\$M)



\* See Appendix for reconciliation to GAAP

# Guidance

## Fiscal 2023 Full Year Guidance Updated

- Net sales range of **\$1,170 - \$1,200** million, revised from the prior \$1,160 - \$1,210 million
- Diluted earnings per share range of **\$2.70 - \$2.90**, revised from the prior \$2.70 - \$3.10

## Fiscal 2023 Guidance Assumptions

- Full-year guidance reflects foreign currency rates as of the end of FY23 Q2
- Income Tax Rate at 17% - 18% with no discrete tax benefits or expenses
- CapEx of \$40 - \$45 million
- Depreciation and Amortization of \$50 - \$55 million

**This guidance is subject to change due to a variety of factors including the ongoing semiconductor shortages, other supply chain disruptions, inflation, economic instability in Europe, both short and long-term supply chain rationalization, successful cost recovery actions, restructuring efforts and the ongoing impact from the COVID-19 pandemic.**

## 3-Year Sales Target

- Three-year organic sales compounded annual growth rate target of **6%**
- Base year for this target is Fiscal 2022. The target excludes any impact from foreign currency, acquisitions, or divestitures.



Thank You

# Appendix



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

	Three Months Ended		Six Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
<b>EBITDA:</b>				
Net income	\$ 27.6	\$ 27.5	\$ 49.1	\$ 56.6
Income tax expense	5.8	5.5	10.2	11.2
Interest expense, net	0.5	1.1	0.5	2.2
Amortization of intangibles	4.7	4.8	9.4	9.6
Depreciation	7.5	8.5	15.1	16.3
<b>EBITDA</b>	<b>\$ 46.1</b>	<b>\$ 47.4</b>	<b>\$ 84.3</b>	<b>\$ 95.9</b>

	Three Months Ended		Six Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
<b>Free Cash Flow:</b>				
Net cash provided by operating activities	\$ 15.4	\$ 27.0	\$ 28.1	\$ 36.7
Purchases of property, plant and equipment	(8.4)	(5.4)	(18.0)	(21.3)
<b>Free cash flow</b>	<b>\$ 7.0</b>	<b>\$ 21.6</b>	<b>\$ 10.1</b>	<b>\$ 15.4</b>

	October 29, 2022	April 30, 2022
<b>Net Debt:</b>		
Short-term debt	\$ 13.0	\$ 13.0
Long-term debt	191.0	197.5
Total debt	204.0	210.5
Less: cash and cash equivalents	(129.6)	(172.0)
<b>Net debt</b>	<b>\$ 74.4</b>	<b>\$ 38.5</b>