CTS Investor Presentation

Oct 2022









Forward-Looking Statements

This document contains statements that are, or may be deemed to be, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, any financial or other guidance, statements that reflect our current expectations concerning future results and events, and any other statements that are not based solely on historical fact. Forward-looking statements are based on management's expectations, certain assumptions and currently available information. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof and are based on various assumptions as to future events, the occurrence of which necessarily are subject to uncertainties. These forward-looking statements are made subject to certain risks, uncertainties and other factors, which could cause CTS' actual results, performance or achievements to differ materially from those presented in the forward-looking statements. Examples of factors that may affect future operating results and financial condition include, but are not limited to: the ultimate impact of the COVID-19 pandemic on CTS' business, results of operations or financial condition, including supply chain disruption; changes in the economy generally**,** including inflationary and/or recessionary conditions, and in respect to the business in which CTS operates; unanticipated issues in integrating acquisitions**,** including TEWA Temperature Sensors and Ferroperm Piezoceramics; the results of actions to reposition CTS' business; rapid technological change; general market conditions in the transportation, as well as conditions in the industrial, aerospace and defense, and medical markets; reliance on key customers; unanticipated public health crises, natural disasters or other events; environmental compliance and remediation expenses; the ability to protect CTS' intellectual property; pricing pressures and demand for CTS' products; and risks associated with CTS' international operations, including trade and tariff barriers, exchange rates and political and geopolitical risks (including, without limitation, the potential impact U.S./China relations and the conflict between Russia and Ukraine may have on our business, results of operations and financial condition). Many of these, and other risks and uncertainties, are discussed in further detail in Item 1A. of CTS' most recent Annual Report on Form 10-K and other filings made with the SEC. CTS undertakes no obligation to publicly update CTS' forward-looking statements to reflect new information or events or circumstances that arise after the date hereof, including market or industry changes.

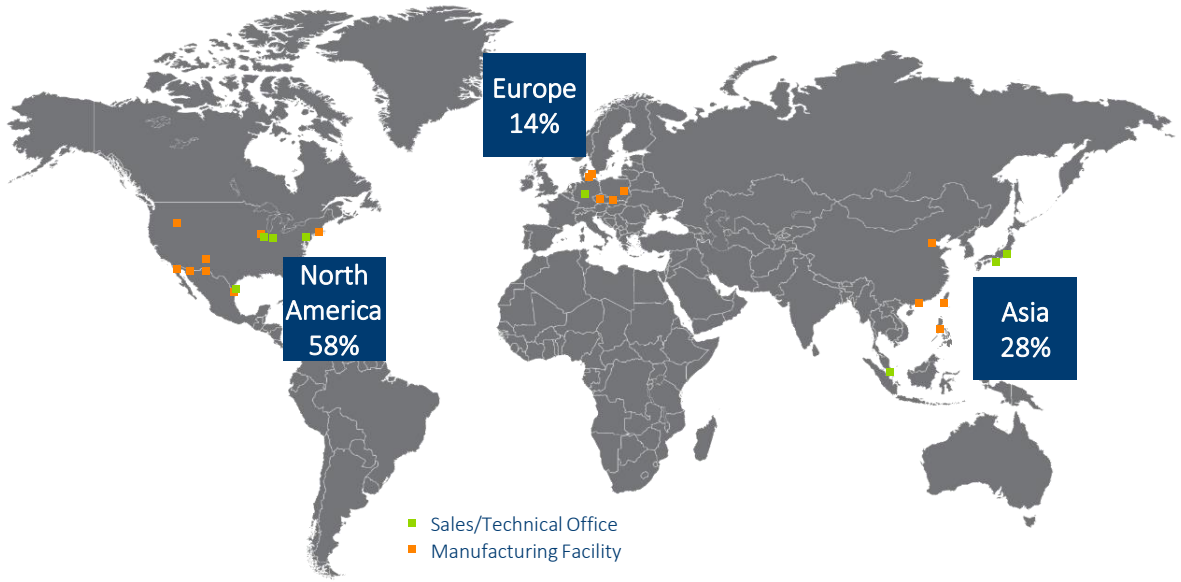
Non-GAAP Financial Measures

From time to time, CTS may use non-GAAP financial measures in discussing CTS' business. These measures are intended to supplement, not replace, CTS' presentation of its financial results in accordance with U.S. GAAP. CTS' management believes that non-GAAP financial measures can be useful to investors in analyzing CTS' financial performance and results of operations over time. CTS recommends that investors consider both actual and adjusted measures in evaluating the performance of CTS with peer companies. The information included in this presentation includes the non-GAAP financial measures of adjusted gross margin, adjusted operating earnings, adjusted EBITDA margin, adjusted net earnings, adjusted diluted earnings per share, debt to capitalization ratio, controllable working capital ratio, and free cash flow. Many of these non-GAAP financial measures exclude the effect of certain expenses and income not related directly to the underlying performance of CTS' fundamental business operations. CTS believes that adjusted gross margin, adjusted operating earnings, adjusted EBITDA margin, adjusted net earnings and, adjusted diluted earnings per share provide useful information to investors regarding its operational performance because they enhance an investor's overall understanding of CTS' core financial performance and facilitate comparisons to historical results of operations, by excluding items that are not related directly to the underlying performance of CTS' fundamental business operations or were not part of CTS' business operations during a comparable period. CTS believes that debt to capitalization ratio is a measurement of financial leverage and provides an insight into the financial structure of CTS and its financial strength. CTS believes the controllable working capital ratio provides an objective measure of the efficiency with which CTS manages its short-term capital needs. CTS believes that free cash flow is a useful measure of its ability to generate cash. CTS believes that these non-GAAP financial measures are commonly used by financial analysts and others in the industries in which CTS operates, and thus further provide useful information to investors. Note that CTS' definitions of these non-GAAP financial measures may differ from those terms as defined or used by other companies. CTS does not provide reconciliations of forward-looking non-GAAP financial measures, such as estimated adjusted diluted earnings per share, to the most comparable GAAP financial measures on a forward-looking basis because CTS is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing and amount of certain items, such as, but not limited to, restructuring costs, environmental remediation costs, acquisition related costs, foreign exchange rates and other non-routine costs. Each of such adjustments has not yet occurred, are out of CTS' control and/or cannot be reasonably predicted. For the same reasons, CTS is unable to address the probable significance of the unavailable information.

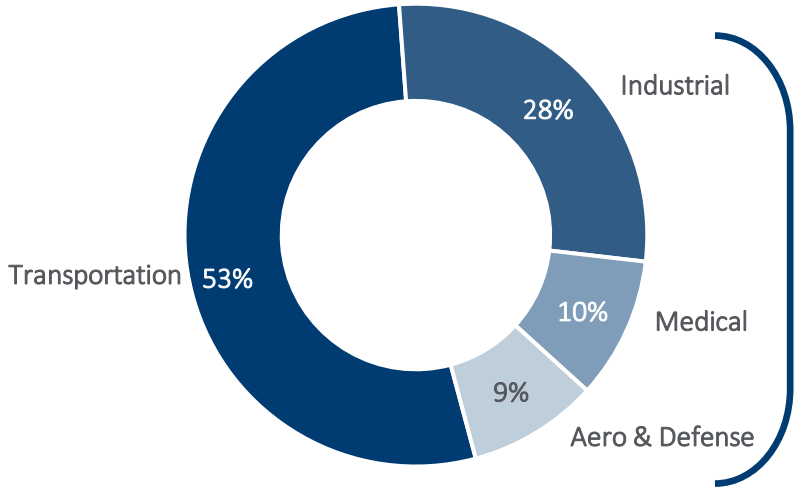
CTS is a Leading Designer and Manufacturer of Custom Engineered Solutions that Sense, Connect, and Move - Enabling an Intelligent and Seamless World

LTM Revenue	LTM Adj. EPS	LTM Adj. EBITDA	Non-Transportation
$577 Million [1]	$2.39	22%	47% Of LTM Revenue

Global design and manufacturing capabilities



Technical and application expertise applied across diverse and growing end markets [1]



11.5% [2] Non-Transportation Revenue CAGR

[1] Last 12 months Revenue as of Sep 2022
[2] 2017-2021 including acquisitions

Why Invest in CTS



Positioned to Grow & Diversify

- Clear strategy of **growth and diversification** led by non-transportation end markets
- **Strong balance sheet and cash flow** to support M&A strategy



Successful Business Model

- Deep **engineering capabilities** and **custom engineered products** for OEMs
- Strong presence in **position**, **ultrasonic** and **temperature sensing** with **domain expertise**
- Deep and **long-standing** customer relationships



Strong Executional Capabilities

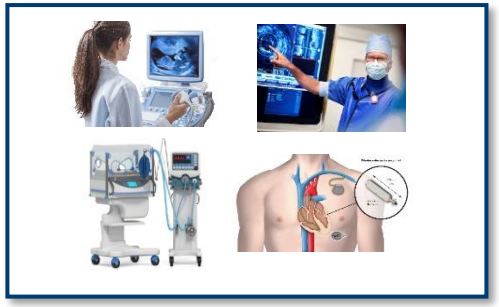
- Leveraging **operational excellence** to drive profitable growth
- Strong execution led by seasoned **leadership team**
- Strengthening and aligning **organizational capabilities** through **Focus 2025** initiative

Positioned to grow at 10% CAGR through execution of Organic and Inorganic strategies

Leveraging Domain Expertise to Expand into Premium End Markets

	Industrial	Medical	Aero & Defense	Transportation
Addressable Market Size:	$2.9B	$1.5B	$0.7B	$2.7B
Revenue CAGR:[1]	9.2%	8.1%	25.9%	0.8%
Key Applications:	• Industrial Printing • Flow Rate Meters • Material Handling • HVAC • Food Service	• High-Resolution Ultrasound • Intravascular Ultrasound • Instruments, Neonatal applications • Wireless Pacing	• Unmanned Vehicles • Underwater Sonar • Sonobuoys • Military Communications	• Light Vehicle (ICE/EV) – Propulsion Agnostic Portfolio • Commercial Vehicle • Two Wheelers









[1] *Revenue CAGR 2017 - 2021*

Secular Themes Drive Growth Across End Markets

Sustainability






Electrification
Reduced Emissions
Fluid Metering
Energy Efficiency

Automation






Industry 4.0
Factory Automation
Passenger Safety
Defense Automation

Healthcare Innovation

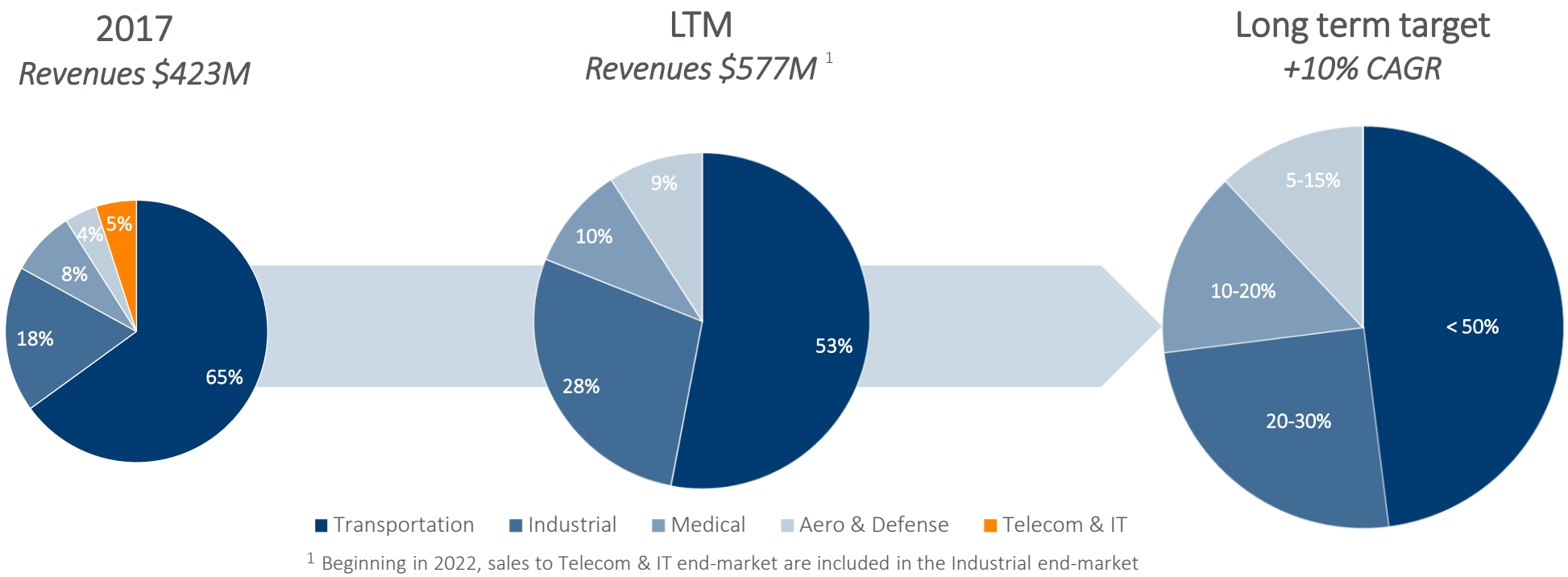





Improved Diagnostics
Therapeutics
Non-Invasive
Patient Experience

Applying Deep Domain Expertise to Solve Today's Most Pressing Challenges

Diversifying Revenue in Growing End Markets Outside of Transportation



[1] Beginning in 2022, sales to Telecom & IT end-market are included in the Industrial end-market

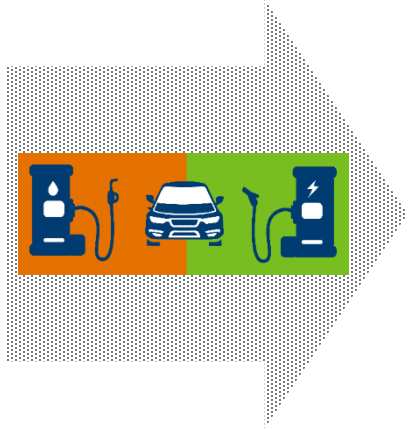
- Utilizing core capabilities and domain expertise in fast-growing end markets
- Investing in business development resources, process and technology capabilities
- Disciplined capital investments to support diversification strategy

Non-Transportation Revenue Up from 35% to 47% … Goal >50%

>95% Light Vehicle portfolio carries over to Electric Vehicles

CTS Portfolio







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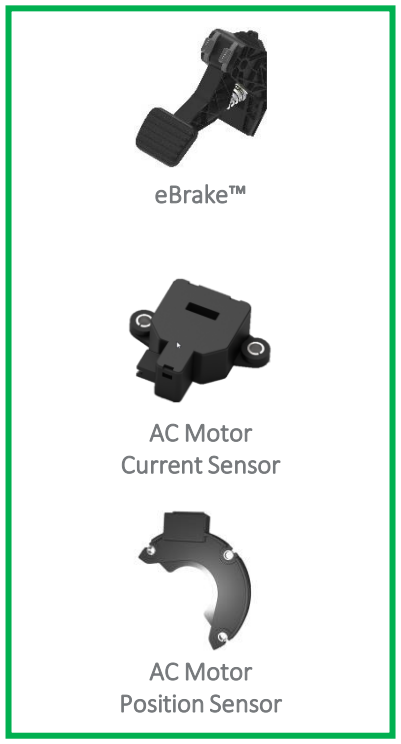


Available Market (SAM)

2022

$2.4Bn

Traditional light vehicle key product Portfolio

2030

$2.7Bn

Light vehicle key products For BEV/HEV/PHEV and ICE

+

>2030

$1Bn+

New products for Electrification

>$1Bn expansion in Available Market with EV-related new products

Successful Business Model



Technology Leadership	Domain Expertise	Custom Engineered Solutions	Global Footprint
Recognized leader with global design and engineering capabilities	Deep experience solving complex application requirements	Engineered solutions lead to long-term customer partnerships	Commercial, Engineering and Manufacturing presence globally

Technology and application expertise creates competitive advantage and long-term relationships with blue-chip customers

Long-Term Relationship with Blue-chip Customers



Transportation

TOYOTA

Cummins

HONDA

gm

Autoliv

RENAULT NISSAN MITSUBISHI

ZF

STELLANTIS



Industrial

Johnson Controls

Honeywell

Dimatix FUJIFILM

ABB

tyco

PENTAIR

CLIMATEMASTER

ARAD Water Measuring Technologies

EMERSON



Medical

GE Healthcare

SIEMENS Healthineers

PHILIPS Healthcare

SAMSUNG

MERZ

Boston Scientific

Medtronic

mindray

TERUMO



Aero & Defense

Raytheon Technologies

MASSA

ULTRA

NORTHROP GRUMMAN

BAE SYSTEMS

KONGSBERG

LOCKHEED MARTIN

MEGGITT

PennState Applied Research Laboratory

THALES

sparton

cts

Strong Execution Capabilities

Improved Operational Efficiency

- Gross Margin +590 bps[1]
- Streamlined SG&A (370) bps[1]
- Adj. EBITDA +1160 bps[1]
- Improved process improvement capability, business intelligence

Strengthened Balance Sheet

- 112% free cash flow[2]
- $133 million returned to Shareholders[3]
- Solid acquisition capacity

Strategic Investments For Growth

- Enhanced front-end selling and marketing capabilities, tools
- Continued R&D investments for organic growth
- 7 Strategic acquisitions

[1] Comparison of 2021 vs. 2012 from continuing operations
[2] As of December 2021 as % of Adj Net Earnings
[3] Cumulative from 2013 to Q3 2022 YTD thru dividends & share repurchases

Capital Allocation Framework

Capital Allocation Priorities

- Maintain healthy Balance Sheet
- Disciplined investments for organic growth
- Strategic M&A – a key priority
- Return capital to shareholders

Operating Cash Flow
15-17% of Sales

Capital Structure
Leverage 1.0 – 2.5x

Growth
Capex ~3% of Sales
Acquisitions 60-80% of FCF

Cash Return to Shareholders
Dividends & Buybacks
20-40% of FCF

$133 Million[1] in capital returned to shareholders since 2013

[1] Cumulative from 2013 to Q3 2022 YTD thru dividends & share repurchases

Strategic Approach to M&A



Disciplined approach to acquisitions

- ROI in excess of cost of capital
- Synergistic opportunities
- Maintain balance sheet strength
- Accretive to earnings

Strategic acquisitions fueling diversification – M&A as a catalyst

Expand Product Range	Enhance Technology Portfolio	Broaden Geographic Reach	Strengthen Customer Relationships

Case Study: Successfully Built Broad Piezoelectric Ceramic Growth Platform

Pre 2016	2016	2017	2022	Current
CTS	+ HC Materials Channel Technologies Advanced Materials Division	+ noliac	+ Ferroperm Piezoceramics	= CTS
Bulk Technology	Single Crystal Technology	Tape Cast Technology	Medical Therapeutics Europe Defense	Robust Growth Platform

Ferroperm complements existing CTS piezoceramic capabilities

Successfully developed Temperature Sensing Platform through M&A

2019 | 2020 | 2022

QTI SENSING SOLUTIONS + Sensor Scientific, Inc. + TEWA TEMPERATURE SENSORS

Industrial applications | Medical applications | Industrial + Medical



HVAC & Refrigeration



Boilers, Water Heating



Pool & Spa



Food Service



Neonatal applications



Lab freezers



Fluid warmers



Analytical Instruments

Europe Expansion



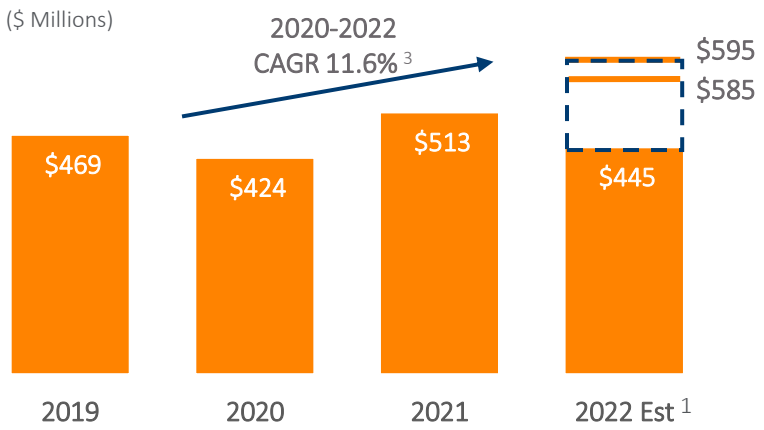
Robust growth platform with $1.1B+ SAM

FY 2022 Guidance

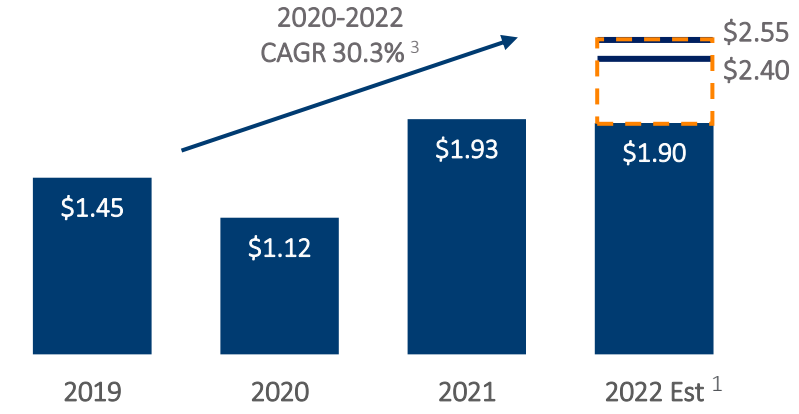
Key Outlook Assumptions

- Strong demand from medical & aerospace/defense customers
- Softer outlook in industrial end market & distribution channel
- Commercial vehicle sales potentially impacted by semiconductor supply issues
- Light vehicle market forecasts - US 13.5 -14M, China 24.5-25M, Europe 15-16M units, lowered from earlier this year
- Monitoring risks from interest rates, supply challenges, inflation, COVID-19, FX fluctuations & geopolitical landscape
- Tax rate in the range of 20-23% excluding discrete items

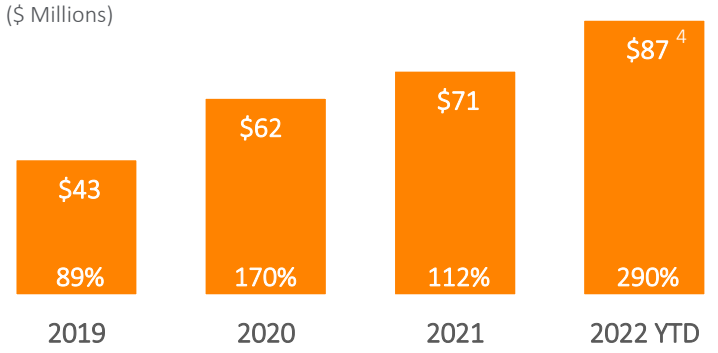
Revenue



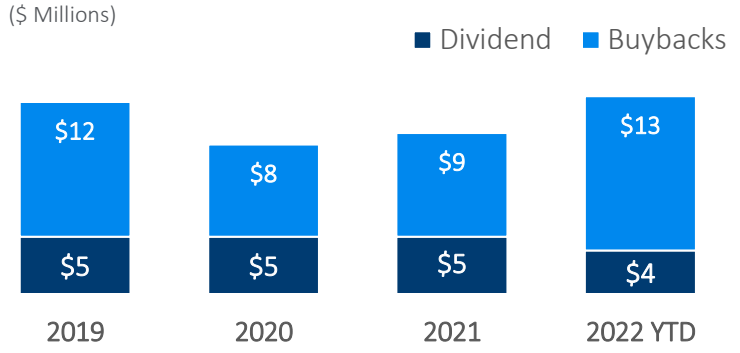
Adj. Diluted EPS



Free Cash Flow Conversion[2]



Returned to Shareholders



Note:

[1] Guidance includes recent Ferroperm acquisition
[2] Free cashflow conversion = FCF / Adjusted Net Earnings
[3] CAGR based on mid point of 2022 guidance
[4] Includes $34M from U.S. pension plan termination

Financial Framework

	2012 [1]	LTM [2]	Long-Term Target
Revenue	$304M	$577M	+10% /yr
Gross Margin[3]	30.1%	36.7%	35-38%
SG&A Expense[3]	19.4%	15.2%	13-15%
R&D Expense	6.9%	4.2%	5-7%
CapEx	4.4%	2.9%	~4%

[1] 2012 Financials from Continuing Operations
[2] LTM through Q3 2022
[3] Adjusted Gross Margin and SG&A Expenses

Our Sustainability Journey



- Cross-functional ESG Steering Committee
- Oversight of sustainability initiatives by Nominating, Governance and Sustainability Committee
- Board diversity >40%
- Ethical business practices and compliance training for all employees

- Supporting sustainable products
  - Vehicle electrification
- Promoting health and safety
  - High-definition ultrasound
  - Intravenous ultrasound
  - Industrial automation





- CTS CARES continues momentum across the globe
- YTD September 2022 activity –
  - 4,682 hours
  - 43 events
  - 16 locations

CTS | Cares

Creating Long-Term Sustainable Value for Stakeholders and Community

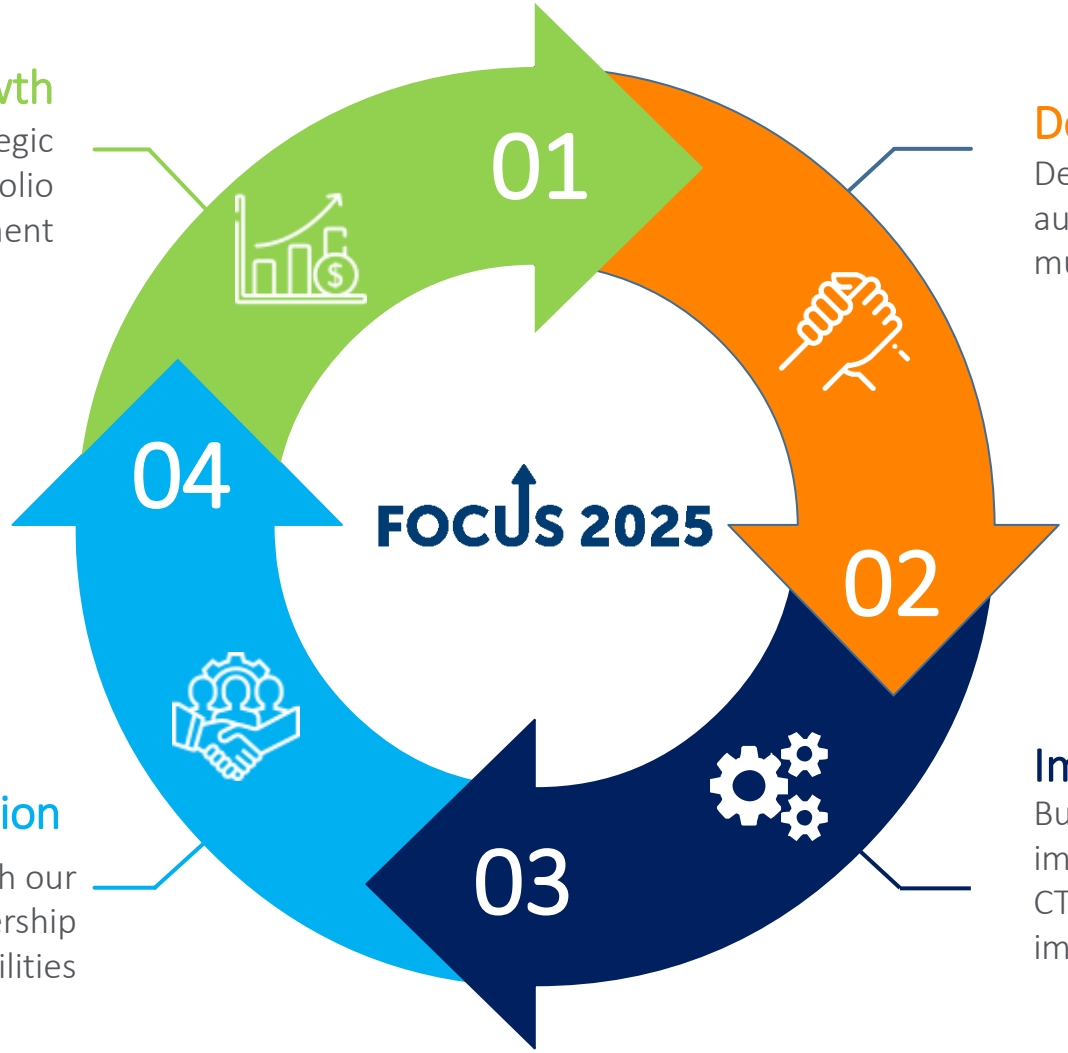
Your Partner in Smart Solutions

Appendix

Focus 2025

Profitable Growth

Improve revenue growth through strategic plan execution, M&A and active portfolio management



Deeper Customer Relationships

Develop customer partnerships that are authentic and collaborative, resulting in mutually beneficial revenue growth

Organization

Foster a culture aligned with our vision and values, Build leadership capabilities

Improved Operating Systems

Build a culture of continuous improvement through the development of CTS Operation Systems and process improvement mindset

10% Revenue CAGR with 23% EBITDA

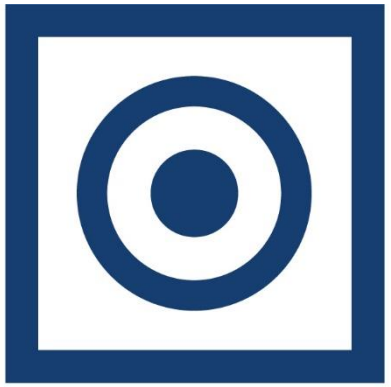
CTS Core Values



Play to Win



Responsiveness



Simplicity



Solution Oriented

Regulation G Schedules

Adjusted Diluted EPS

	Year-to-Date		LTM	Full Year		
	2022	2021	Q4'21-Q3'22	2021	2020	2019
Diluted earnings (loss) per share	**$ 1.38**	**$ (1.58)**	**$ 1.66**	**$ (1.30)**	**$ 1.06**	**$ 1.09**
Tax affected adjustments to reported diluted earnings (loss) per share:						
Restructuring charges	0.04	0.02	0.08	0.06	0.04	0.18
Foreign currency loss (gain)	0.12	0.04	0.18	0.10	(0.16)	0.05
Non-cash pension expense	0.16	3.10	0.19	3.13	0.06	0.02
Environmental charges	0.04	0.02	0.08	0.05	0.07	0.05
Acquisition-related costs	0.07	-	0.07	-	0.01	0.02
Inventory fair value step-up	0.09	-	0.09	-	-	-
Legal settlement	-	-	-	-	-	(0.01)
Discrete tax items	-	(0.16)	0.05	(0.11)	0.04	0.05
Adjusted diluted earnings per share	**$ 1.90**	**$ 1.44**	**$ 2.39**	**$ 1.93**	**$ 1.12**	**$ 1.45**

Regulation G Schedules

Adjusted EBITDA

($ Millions, except percentages)

	LTM Q4'21-Q3'22	Full Year 2021	Full Year 2012
Net earnings (loss)	$ 53.8	$ (41.9)	$ 13.5
Depreciation and amortization expense	28.4	26.9	13.5
Interest expense	2.0	2.1	2.6
Tax expense (benefit)	20.9	(19.0)	1.0
EBITDA	**105.1**	**(31.8)**	**30.5**
Adjustments to EBITDA:			
Restructuring charges	2.5	1.7	4.5
Gain on sale - leaseback	-		(10.3)
Environmental charges	3.1	2.3	-
Legal settlement	-	-	1.5
Additional CEO search, legal costs & acquisition	-		2.5
Acquisition-related costs	2.5	-	-
Inventory fair value step up	3.3	-	-
Costs of tax improvement initiatives	-	-	-
Non-cash pension expense	6.2	132.4	-
Foreign currency loss (gain)	5.9	3.3	-
Total adjustments to EBITDA	23.5	139.7	(1.8)
Adjusted EBITDA	**$ 128.7**	**$ 107.8**	**$ 28.7**
Net sales	$ 577.1	$ 512.9	$ 304.5
Adjusted EBITDA margin	22.3%	21.0%	9.4%

Regulation G Schedules

Adjusted Gross Margin

($ Millions)

	Full Year 2021	LTM Q4'21-Q3'22	Full Year 2012
Gross margin	**$ 184.6**	**$ 208.3**	**$ 91.5**
Adjustment to reported gross margin:			
Inventory fair value step-up	-	3.3	-
Adjusted gross margin	**$ 184.6**	**$ 211.6**	**$ 91.5**
Net sales	$ 512.9	$ 577.1	$ 304.5
Adjusted gross margin as a % of net sales	36.0%	36.7%	30.1%

Regulation G Schedules

Adjusted SG&A Expenses

($ Millions)

	LTM	Full Year	
	Q4'21-Q3'22	2021	2012
SG&A Expense	**$ 91.4**	**$ 82.6**	**$ 63.1**
Adjustments to reported SG&A expense:			
Environmental charges	3.2	2.3	-
Acquisition-related costs	0.8	-	-
Additional CEO search, legal costs and acquisition	-	-	2.5
Additional legal costs	-	-	1.5
Total adjustments to reported SG&A expense	$ 3.9	$ 2.3	$ 4.0
Adjusted SG&A expense	**$ 87.5**	**$ 80.3**	**$ 59.1**
Net sales	$ 577.1	$ 512.9	$ 304.5
Adjusted SG&A expense as a % of net sales	15.2%	15.7%	19.4%

Regulation G Schedules

Free Cash Flow

($ Millions)

	Q3	Year-to-Date	Full Year		
	2022	2022	2021	2020	2019
Net cash provided by operating activities	**$ 60.4**	**$ 95.7**	**$ 86.1**	**$ 76.8**	**$ 64.4**
Capital expenditures	(2.3)	(9.3)	(15.6)	(14.9)	(21.7)
Free cash flow	**$ 58.1**	**$ 86.5**	**$ 70.5**	**$ 61.9**	**$ 42.7**
Free Cash Flow as % of Adjusted Net Earnings	294%	141%	112%	170%	89%