

EXECUTIVES

Ashish Agrawal
VP & CFO

Kieran M. O'Sullivan
Chairman, President & CEO

ANALYSTS

Hendi Susanto
Gabelli Funds, LLC

John Edward Franzreb
Sidoti & Company, LLC

Joshua Louis Buchalter
TD Cowen, Research Division

Justin Trennon Long
Stephens Inc., Research Division

Presentation

Operator

Good morning, and a warm welcome to the CTS Corporation Second Quarter 2023 Conference Call. My name is Candice, and I will be your moderator for today's call.

[Operator Instructions]

I would now like to turn the call over to our host, Kieran O'Sullivan. Please go ahead.

Kieran M. O'Sullivan
Chairman, President & CEO

Thank you, Candice. Good morning and thank you for joining our second quarter 2023 earnings call. We posted solid quarterly results and had strong new business wins, including robust electrification bookings where we obtained our first award for our innovative eBrake product. We also continued to expand our customer base in medical and industrial markets.

Our focus on profitable growth, driving diversification through our advanced materials capability, and growth through electrification in mobility markets with innovative new products remain our highest priorities. We are energized by the significant awards in the quarter and remain focused on achieving our long-term strategic growth goals while improving our operational performance.

For the second quarter 2023, sales were \$145 million, essentially flat compared to the same period last year. Adjusted gross margin was 35%, down 120 basis points from the same period in 2022, driven primarily by the mix shift to transportation products. We expect this mix shift to persist for a few more quarters. Adjusted diluted earnings per share was \$0.59, down \$0.03 compared to the second quarter of 2022. New business awards were stellar in the quarter. Total booked business in transportation increased by \$70 million to \$1.6 billion.

We also added 10 new customers across different end markets. I just mentioned the first eBrake product award, a significant strategic milestone as we capture growth opportunities through the electrification megatrend. Our Maglab team had a notable win and also secured a reference design award with a semiconductor OEM. Ashish will now take us through the safe harbor statement, Ashish.

Ashish Agrawal
VP & CFO

I would like to remind our listeners that this conference call contains forward-looking statements. These statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Additional information regarding these risks and uncertainties is contained in the press release issued today, and more information can be found in the company's SEC filings. To the extent that today's discussion refers to any non-GAAP measures under Regulation G, the required explanations and reconciliations are available in the Investors section of the CTS website. I will now turn the discussion back to our CEO, Kieran O'Sullivan.

Kieran M. O'Sullivan
Chairman, President & CEO

Thank you, Ashish. Overall, we achieved solid results in the quarter as we managed through challenging market

dynamics in non-transportation markets, driven primarily by higher inventory levels of customer inventory. Sales were \$145 million, essentially flat from the same period last year. Organic sales, which exclude sales from the recent acquisitions, were down 4.4% for the quarter, driven primarily by the burn down of inventory in distribution and with industrial customers.

Customer demand remained soft in certain markets in the quarter, and we expect this trend to continue in the second half of the year for non-transportation sales. In the short term, we expect transportation sales to outpace non-transportation sales, impacting margin performance. Inflationary impacts, though improving in some areas, continue to be a challenge, and we are adjusting pricing in partnership with our customers. We are continuing to prioritize our organic growth projects and prudently manage operational expenses throughout this time.

Operationally, we are driving improvements to enhance our gross margin performance. Work is progressing on the previously announced site consolidations. Denmark is now substantially complete, and the Mexico transition will be completed next year. With the reduced volume, we continue to focus on cost reductions, and as previously communicated, we will have some temporary cost increases as we complete our Mexico site consolidation. We continue to implement our CTS Operating System across the organization.

We seek to deploy capital on appropriate M&A to further enhance our growth prospects in line with our strategic plans for diversification, electrification, and channel growth. The integration of the Maglab acquisition is proceeding well, and we recently finalized our relationship with a semiconductor partner for advanced product development for an electric vehicle application. We added ten new customers in the quarter, one in defense, five in industrial, and four in medical. We had strong new business awards, especially in electrification bookings and an expanding future customer base in non-transportation markets.

Highlighting near-term and long-term growth trends, we had a book-to-bill rate in the quarter of 0.98, and our total booked business for transportation was at \$1.6 billion, up from \$1.5 billion at the end of the first quarter of 2023. Non-transportation sales declined 10% in the second quarter compared to the prior year period. In the industrial market, demand for micro-actuators used in industrial printing applications has remained soft, and we're also seeing softness across temperature sensing and distribution as inventory levels correct. We were successful with sales wins across temperature sensing for HVAC and RF filters for use in industrial antenna and EMC applications. We added five new customers with applications in data transfer for oil and gas, oceanic climate temperature monitoring, flow metering, and accelerometers for use in preventative maintenance.

Also of significance, our recently added Maglab team was successful in winning a current sensing award for a broadband telecom application. In medical markets, we see good momentum. We had multiple wins in the quarter for traditional medical ultrasound, temperature sensing, and sensing controls. Our targeted business development efforts are progressing as we added four new customers across multiple applications including therapeutics, health monitoring, laser control, and minimally invasive sensors.

We see solid momentum going forward with existing and new customers and continued expansion into new applications. We remain confident in the long-term prospects for the aerospace and defense end market given our enhanced capabilities and attractive new material formulations. We received multiple orders in the quarter for defense sonar applications and RF filters.

Across aerospace, we had wins with applications for gyroscopes and temperature sensing. We are working with a new customer for an application in GPS anti-jamming. We continue to leverage the Ferroperm acquisition as we develop new material formulations for defense in Europe and North America and are testing new applications.

Looking ahead for the rest of 2023 in non-transportation end markets, we expect continued softness in the industrial end market and distribution as customer inventory levels are normalized. For defense and medical markets, we anticipate

good growth and solid prospects, which we believe will continue to enhance our strategic diversification plans. Longer-term, we expect our material formulations and in-house “know-how” to continue to support our growth in key, high-quality non-transportation end markets, in line with our diversification strategy. Additionally, we aim to continue expansion in these markets as we capitalize on the megatrends of automation, connectivity, and efficiency, as well as growth in minimally invasive medical procedures.

Transportation sales improved in the second quarter. Sales were up 10% from the prior year period. We anticipate automotive demand to be up close to mid-single digits for 2023. We are tracking market share dynamics in China given the competition between local and transplant OEMs. In the second quarter, we had strong wins across all product categories and all regions with both OEMs and Tier 1 customers. In accelerator modules, we secured our first award with a European OEM for the new modular accelerator pedal and had wins with existing OEMs in Europe, Asia, and North America. Across the sensor portfolio, we had Chassis Ride Height awards with European and North American OEMs and passive safety sensor wins with Tier 1 customers in both North America and Europe. Total booked business improved from \$1.5 billion at the end of the first quarter to \$1.6 billion.

We are driving to achieve our goal of having more than 25% of our light vehicle revenue come from electrified platforms by 2025. Progress on securing electric vehicle business continued as we added 13 electric vehicle wins in the quarter. Importantly, we want to highlight the first award for eBrake, a significant strategic accomplishment that initiates a new growth platform for our company.

As we look to our future, we are excited by the opportunity the transition to electrification offers us. We see the “footwell” in the vehicle as a space where we expect to expand our product offering with traditional accelerator modules, new eBrake products, offering weight and cost advantages and the future introduction of our Drive-Pad technology, a low travel, vehicle velocity control product that simplifies the driver interface and increases the footwell design flexibility for our customers.

We expect these and other sensor applications will increase our ability to grow content with a potential SAM of greater than \$1 billion.

Summarizing our outlook for the full year 2023, we expect the transportation market to be up single digits. Looking at the North American light vehicle transportation market, the SAAR is expected to be in the 15-million-unit range for 2023. European production is forecasted in the 16millionto17millionunit range. China volumes are expected in the \$26-million range and slightly down year-over-year. The commercial vehicle market remains solid. For non-transportation markets in line with our diversification strategy, we aim to expand the customer base and the range of applications in the industrial, medical, and defense end markets. Inventory levels continue to correct to more normal levels, especially in certain industrial applications and in distribution. We estimate this demand softness to remain at reduced levels in the second half.

Demand in defense and medical markets is expected to remain solid. In terms of guidance for full year 2023, we previously communicated that we expected results to trend closer to the lower end of our issued guidance of sales in the range of \$580 million to \$640 million and adjusted diluted earnings per share in the range of \$2.40 to \$2.70.

Given the anticipated continued softness in distribution and the industrial end market during the second half of the year, we are now updating the guidance for sales in the range of \$565 million to \$585 million and adjusted diluted earnings per share in the range of \$2.20 to \$2.40.

Now I'll turn it over to Ashish, who will walk us through the financial results in more detail.

Ashish Agrawal
VP & CFO

Thank you, Kieran. Second quarter sales were \$145 million, essentially flat compared to the second quarter of 2022. Sales, excluding acquisitions, were down 4.4% compared to the second quarter of last year. Foreign currency exchange rates impacted revenue unfavorably by approximately \$1.1 million. Sales to the transportation end market increased 10% year-over-year, reflecting recovery in the market and from the supply chain issues we resolved in the first quarter. Sales to other end markets declined by approximately 10% year-over-year due to the inventory reduction-related slowdown, primarily in distribution and the industrial end markets. Our recent acquisitions Ferroperm, TEWA, and Maglab performed well during the quarter, expanding our capabilities in several key end markets.

Our adjusted gross margin was 35% in the second quarter, down 120 basis points compared to the second quarter of 2022. As expected, we were impacted unfavorably by the mix of end markets. We see this as a temporary challenge for the next few quarters. Foreign currency exchange rates also impacted gross margin unfavorably by approximately \$1.7 million.

As Kieran highlighted, we will continue our focus on operational efficiency with a goal to improve gross margins and operating costs. In the second quarter, we reported earnings of \$0.41 per diluted share. Adjusted earnings were \$0.59 per diluted share compared to \$0.62 per diluted share in the same period last year. During the quarter, we recorded approximately \$0.03 in one-time benefit from certain tax items. We expect our tax rate for the full year to be in the range of 20% to 23%, excluding discrete items.

Next, discussing our cash flow and balance sheet, we generated \$23.4 million in operating cash flow during the second quarter of 2023. Free cash flow was \$19.5 million as we focus on carefully managing capital expenditures. Year-to-date, operating cash flow was \$35 million and free cash flow was \$26 million.

Controllable working capital was 18.4% compared to 17.7% in the second quarter of last year. As we mentioned in April, we are transitioning from our Juarez facility with activity picking up in the second half of 2023. During this period, we will build up some buffer stock to facilitate the transition. Our goal is to work through that safety stock quickly in 2024.

In the second quarter, we repurchased 198,000 shares of CTS stock for approximately \$8.8 million. In total, during the quarter, we returned approximately \$10 million to shareholders through buybacks and dividends. Year-to-date, we have returned \$20.1 million to shareholders through buybacks and dividends. Sustaining a strong balance sheet continues to be a priority. We had a cash balance of \$151 million at the end of June 2023, up from \$144 million in March 2023, supported by stronger operating cash flow in the second quarter. Our long-term debt balance was \$77 million on our \$400 million facility, down from \$80 million in the first quarter of 2023. Our strong balance sheet and cash flow generation position us well to support strategic acquisitions to propel our growth. This concludes our prepared comments. We would like to open the line for questions at this time.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Justin Long of Stephens.

Justin Trennon Long

Stephens Inc., Research Division

So maybe to start with a question on the guidance. As we think about the second half of the year, is there any additional color you can provide on the quarterly cadence of revenue and earnings as we think about the third quarter versus the fourth quarter? I'm curious if you're expecting those two quarters to look pretty similar, or if there's a reason we should see either an improvement or a moderation in the year-end?

Kieran M. O'Sullivan

Chairman, President & CEO

Justin, I'll start with the sales and Ashish can comment on profitability. Just, we're seeing some softness, Justin, as we talked about at the end of the first quarter, and that softness has continued. And obviously, you can see across the industrial end market, we're down considerably at the softest point. And we'll see a little bit more softening into the third quarter and maybe improvement in the fourth quarter. But just to give you some context on that, if I look at a few different areas, the distribution side of it, we've had an inventory buildup there. We've seen minimal correction, and we think that's going to take two more quarters to fully correct.

We talked in the prepared comments about the microactuators for industrial printing. That's impacted by softness in China. And then we have other products like pool and spa and entertainment products that are closer to the consumer, and we've seen more softness there. And I think the overall backdrop in China overall is a little concerning too. So that's probably a good way of giving you a picture as we go into the second half of the year.

Justin Trennon Long

Stephens Inc., Research Division

Okay. Helpful. Maybe to follow up from an earnings perspective, just given this cyclical weakness is lasting a little bit longer than you anticipated? Are there any cost actions that you're taking to help mitigate some of this top line pressure? And I guess when you put it all together, any thoughts on how gross margins progress in the back half? Do you think we can stay relatively stable with second-quarter levels, or will we see additional pressure?

Ashish Agrawal

VP & CFO

So, Justin, those are good questions. If you look at our overall numbers, we absorbed addressing the cost point first, and then I'll come to gross margin. If you look at the SG&A, R&D expenses. We are continuing to invest in R&D. Kieran talked about several new product wins that we have had, including eBrake that we want to continue investing in.

On the SG&A side, the business is doing reasonably well to manage cost. We have absorbed a few acquisitions and still year-over-year cost is in reasonably good shape, especially given the decline in revenue we have been focusing heavily on managing operating expenses. On the gross margin side, we'll follow a little bit of the trend that Kieran highlighted on the revenue side. And our plans, our business leaders, they remain focused on driving operating efficiency as much as we can given the tough backdrop of revenue that we are working our way through at the moment. I would not expect

anything materially different between Q3 and Q4 other than following the revenue trends.

Kieran M. O'Sullivan
Chairman, President & CEO

And Justin, just going back to the top line sales, just a few other points, we feel really good about medical and also industrial and defense, good trends there. Transportation, obviously, is picking up from last year. We had a little bit of pickup as well in the second quarter from the supply shortage, but we feel good overall. And even though we've got some softness here with customer inventory we feel good about the fundamentals of the business and really encouraged by the strong wins we had in the quarter, especially as Ashish mentioned on that eBrake product line as well for the future.

Justin Trennon Long
Stephens Inc., Research Division

Great. That's all helpful. And one last quick one. I was wondering if you could give an update on the acquisition pipeline and the valuation trends that you've seen in the market, curious if there's any change on that front?

Kieran M. O'Sullivan
Chairman, President & CEO

Yes, Justin, we've got a healthy balance sheet. And with the cash generation, we're looking to deploy that capital, haven't seen significant shifts in valuations, but we're obviously always working our pipeline as part of our diversification and electrification strategy, and we'll be sure to keep the focus there, too.

Operator

Our next question comes from the line of John Franzreb of Sidoti.

John Edward Franzreb
Sidoti & Company, LLC

I'd like to go back to the change in the revenue guidance, what changed so meaningfully in the industrial markets that you didn't see a quarter ago and see now?

Kieran M. O'Sullivan
Chairman, President & CEO

Probably the best way of describing that, John, is as we saw the inventory buildup, we didn't see that positive inflection where would tell us that we're hitting the bottom. So those markets have remained soft. And with the current inventory levels that we're aware of, we see that softness continuing in the third and fourth quarters. We may see a small inflection in the fourth quarter, but it definitely feels appropriate to balance it this way.

Ashish Agrawal
VP & CFO

John, one thing that wasn't highlighted that -- sorry, go ahead.

John Edward Franzreb
Sidoti & Company, LLC

No, you're more important, you speak, Ashish.

Ashish Agrawal
VP & CFO

I was just going to call out that we did mention that we were expecting revenue to be closer to the lower end of our guidance range. So yes, we have had to adjust it further, but that would be important to keep in the back of our heads as well.

John Edward Franzreb
Sidoti & Company, LLC

Yes. I was just curious if it was like you're seeing worse in the industrial print as you just talked about HVAC or construction equipment or any of the subsectors of industrial. I was wondering if one of them stood out more than the other.

Kieran M. O'Sullivan
Chairman, President & CEO

No, there's a blend of things there. I think the one that probably stands out a little bit to us is just that China backdrop in terms of the impact there, it's been softer than we expected.

John Edward Franzreb
Sidoti & Company, LLC

Got it. Can you talk a little bit about the transportation market. How much was it of the second quarter revenue? And how do you see that playing out for the balance of the year being total revenue for the full year?

Ashish Agrawal
VP & CFO

John, could you ask your question again?

John Edward Franzreb
Sidoti & Company, LLC

Transportation sales, what percentage of revenues were they in the second quarter? And what percentage of revenue do you expect them now to be in your full-year guidance?

Ashish Agrawal
VP & CFO

So transportation was about 50 -- a little over 55%. I think it was 56%-ish of second-quarter revenues. And as Kieran mentioned, there was a little bit of recovery from our supply chain issue, which helped second-quarter sales. During the year, John, we haven't really specifically called out what the transportation share would be. But what I would expect based on the comments that Kieran also just mentioned, we are expecting transportation to be more stable through the rest of the year. And we are expecting industrial distribution, that softness, to continue through the end of the year. So that will give you some things to take into account as you look at the mix.

Kieran M. O'Sullivan
Chairman, President & CEO

And John, as we talk about diversification as part of our strategy, obviously, that transportation numbers kicking up a

little bit here short term with some end market softness in industrial. And we think in a few quarters that will correct.

John Edward Franzreb
Sidoti & Company, LLC

Okay. And I guess I'm switching gears again here. When you talk about the new product awards. I'm curious about how long we're looking at your non-transportation markets to turn from award to revenue; particularly, I guess, the medical and maybe aerospace and defense a little bit longer tail, but medical and the industrial markets, what's the turnaround from order to revenue there? If you could give a little color there, that would be helpful.

Kieran M. O'Sullivan
Chairman, President & CEO

Yes. It typically depends on the product line and the end market. The development period can be 12 months to 2 years as a max, usually in between. But the more important thing, John, is when it comes to the likes of medical, it's a step-up year-over-year because it's a very slow evolving market and then it steps up and then it's sticky for a long period of time. So, it takes a while with all the qualifications with the customers, as you can imagine.

Ashish Agrawal
VP & CFO

John, just keep in mind the new customers, the 10 new customers that we called out, we would report them based on POs that we have received from them. they'll be relatively small volumes to start with and then ramp up, as Kieran mentioned.

John Edward Franzreb
Sidoti & Company, LLC

All right. One last question and then I'll get back into queue. You mentioned something about inflation and price adjustments. What market are you seeing the most impact on inflation and where you're getting these price adjustments in?

Kieran M. O'Sullivan
Chairman, President & CEO

We're seeing inflation right across the board. We've seen a little bit of correction in some places, but we still see -- seen continued inflation, John, and we're talking to all customers in all markets on pricing.

Operator

Our next question comes from the line of Joshua Buchalter of TD Cowen.

Joshua Louis Buchalter
TD Cowen, Research Division

I guess I wanted to follow up on that last question first. So, were there any changes intra-quarter, I guess, as you -- it seems like, there was more inventory in the channel than needed, did that impact pricing at all? And have there been any changes in the pricing environment and your ability to pass on the input costs over the last 3 months?

Kieran M. O'Sullivan
Chairman, President & CEO

No. Joshua, I don't see the inventory and the pricing connected directly at all. We're just working through that burn down. Outside of that, we're having those discussions on pricing where we have the pressure points.

Joshua Louis Buchalter

TD Cowen, Research Division

Got it. Okay. So, it's really mix that's driving the margins lower and not so much anything in the pricing environment as you're seeing it?

Kieran M. O'Sullivan

Chairman, President & CEO

Correct. And we would be very careful in terms of where we've had pricing, we brought inventory at a higher level. We'd be very careful to make sure we're not absorbing that inventory increase.

Joshua Louis Buchalter

TD Cowen, Research Division

Okay. Understood. And then it sounds like things did move, I guess, more than you expected intra-quarter. Can you speak to your confidence of how you're managing your factory loadings and confidence in your ability to get the channel into a healthy spot, I guess, exiting this year and get back to normal growth into 2024?

Ashish Agrawal

VP & CFO

So Josh, that is something that we are watching very carefully. The inventory levels, as Kieran mentioned, in the distribution channels as well as several of our industrial customers. The expectation is that it will take a couple of quarters for the inventory to correct. Having said that, we have highlighted that same thing in the past 2 earnings calls, that's taken longer than we anticipated. But we do feel that it will take at least another couple of quarters to normalize before we get back to normal state.

Kieran M. O'Sullivan

Chairman, President & CEO

And the other thing, Josh, that I would mention there is that even with these customers with inventory, we're out there working on new products in the pipeline, things we need to do to advance our growth beyond the second half softness. We feel good about the fundamentals of the business.

Joshua Louis Buchalter

TD Cowen, Research Division

Got it. Last question. Congrats on the eBrake win. Anything you can give us on, I guess, timing or magnitude of when that can layer into the model?

Kieran M. O'Sullivan

Chairman, President & CEO

Yes. Josh, that one is obviously a transportation product, takes a little bit of development time. So, we would expect that product to first shipments to start in 2027 and revenue to be added then. And as I've mentioned in the prepared comments, that's a first step forward in this market, which we see as a new growth platform for us. So, we would be feeling very good about adding future customers in the future and growing that. Early stages of that revenue profile over several years could be in the \$10 million range, \$5 million to \$10 million range.

Operator

Our next question comes from Hendi Susanto from Gabelli Funds.

Hendi Susanto
Gabelli Funds, LLC

My first question, you mentioned inventory correction may take a few quarters. How should we anticipate the shape of market recovery once inventory correction? And do you anticipate a V-shape recovery once that inventory correction has been completed?

Kieran M. O'Sullivan
Chairman, President & CEO

I don't know about a V-shaped recovery. What I would say is we want to make sure we get to that positive inflection point and get back to more normal growth that we've seen in the non-transportation market where we've had healthy high single-digit or double-digit growth, but not -- obviously, not in the next 2 quarters.

Hendi Susanto
Gabelli Funds, LLC

I see. And then Kieran, congratulations on the first win of eBrake. May I know what kind of product placement or strategy in your eBrake. Will it start from the premium vehicles, going to more of a midstream market? Or like where are the market opportunities in eBrake across different types of platforms?

Kieran M. O'Sullivan
Chairman, President & CEO

So Hendi, first of all, I think our team did a great job. They've been working on this strategy for a number of years to get this product to market. So, kudos to the team. And then the other side of it is, our customers when we get into these breakthrough technologies don't like us giving us too much information on it. But needless to say, over time, we see this just like the accelerator module penetrating deeply into the marketplace. So, we feel confident in terms of the direction of this, and it's got some compelling reasons for our customers to move in this direction.

Operator

We now have a follow-up question from John Franzreb of Sidoti.

John Edward Franzreb
Sidoti & Company, LLC

Just a follow-up on Hendi's question. I guess, in general, the EV strategy, you talked about the revenue opportunity, but is there a gross margin opportunity? Or is it just all revenue and straight similar gross margins?

Kieran M. O'Sullivan
Chairman, President & CEO

John, obviously, we feel confident in terms of the initial steps forward here on the revenue side of it. And gross margin, I would just tell you that automotive is competitive. It's hard to say you're going to be above market long-term. Initially, there's always challenges launching of products. So, I just want to be careful. I'd prefer to keep it much more in line with how we've historically performed.

John Edward Franzreb
Sidoti & Company, LLC

Okay. Fair enough. And one of the earlier questions was about the cadence of the revenue. Is there a reason I wouldn't think that your fourth quarter wouldn't be seasonally weaker than the third quarter or is there orders that have been pushed back for delivery into the fourth quarter that I'm just not thinking about or don't recognize?

Ashish Agrawal
VP & CFO

John, we generally don't have a significant amount of seasonality in the fourth quarter. We do see some towards the tail end of the year because of the holidays. But overall, during the quarter, there's not a material level of seasonality. Having said that, as Kieran highlighted, we do expect maybe later in 2023, some level of recovery starting to show itself in the industrial end market and potentially in distribution, as well as the inventory levels normalize.

Operator

As there are no additional questions at this time. I'd like to hand the conference call back over to Kieran O'Sullivan for closing remarks.

Kieran M. O'Sullivan
Chairman, President & CEO

Thank you, Candice, and thank you all for your time. CTS is well positioned for future growth driven by the megatrends of increased automation, connectivity, and energy efficiency. Overall, we are energized and focused on our long-term goals to drive profitable growth and improve operational performance. The strong wins in the quarter and expansion of new customers underline our confidence in the future and our ability to deliver on our strategic plans around electrification and diversification, supporting long-term profitable growth.

I want to thank our global teams for their support in driving our strategic initiatives and the robust wins this past quarter. We also continue to work hard to enhance our operational performance. Thank you for joining us today. This concludes our call.

Operator

Ladies and gentlemen, this concludes today's CTS Corporation Second Quarter 2023 Conference Call. Thank you for joining. You may now disconnect your lines.

Copyright © 2023 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2023 S&P Global Market Intelligence.