



# Press Release

February 4, 2020

FOR IMMEDIATE RELEASE

## CTS Announces Fourth Quarter and Full Year 2019 Results

### Addressing performance in a challenging market

**Lisle, Ill.** - CTS Corporation (NYSE: CTS) today announced fourth quarter and full year 2019 results.

#### Fourth Quarter 2019 Results

- Sales were \$115.0 million, down 4.2% year-over-year. Sales to transportation customers declined 11.0%, and sales to other end markets grew 7.9%. The QTI acquisition added \$5.6 million of sales in the fourth quarter of 2019.
- Net earnings were \$10.1 million or \$0.31 per diluted share versus \$17.6 million or \$0.52 last year.
- Adjusted diluted EPS was \$0.37 compared to \$0.41 in the fourth quarter of 2018.

#### Full Year 2019 Results

- Sales were \$469.0 million, essentially flat to 2018. Sales to transportation customers declined 0.4%, and sales to other end markets decreased 0.2%. The QTI acquisition added \$9.3 million of sales in 2019.
- Net earnings were \$36.1 million or \$1.09 per diluted share versus \$46.5 million or \$1.39 last year.
- Adjusted diluted EPS was \$1.45 compared to \$1.53 in 2018.
- Free cash flow was \$42.7 million, up 44% from \$29.7 million in 2018.
- Total booked business grew \$16 million in 2019 to \$1.88 billion.

“2019 was a challenging year driven by market softness. We took actions to reduce operating expenses and improve our performance. We also delivered strong growth in cash flow,” said Kieran O’Sullivan, CEO of CTS Corporation. “We anticipate a soft first half of 2020, with improvement in market conditions in the second half of the year. Our strategic priorities remain the same, driving profitable growth, margin improvement and advancing our end market profile.”

#### 2020 Guidance

Full year 2020 sales are expected to be in the range of \$450 to \$480 million. Adjusted earnings per diluted share for 2020 are expected to be in the range of \$1.35 to \$1.60.

## Conference Call

As previously announced, the Company has scheduled a conference call at 11:00 a.m. (EST) today to discuss the fourth quarter and full year financial results. The dial-in number is 800-309-1256 (720-543-0314, if calling from outside the U.S.). The passcode is 488435. There will be a replay of the conference call from 2:00 p.m. (EST) today through 2:00 p.m. (EST) on Tuesday, February 18, 2020. The telephone number for the replay is 888-203-1112 (719-457-0820, if calling from outside the U.S.). The replay passcode is 6906039. A live audio webcast of the conference call will be available and can be accessed directly from the Investors section of the website of CTS Corporation at [www.ctscorp.com](http://www.ctscorp.com).

## About CTS

CTS (NYSE: CTS) is a leading designer and manufacturer of products that Sense, Connect, and Move. The company manufactures sensors, actuators, and electronic components in North America, Europe, and Asia, and provides engineered products to customers in the aerospace/defense, industrial, medical, telecommunications/IT, and transportation markets.

For more information, visit [www.ctscorp.com](http://www.ctscorp.com).

## Safe Harbor

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 our actual results, performance or achievements to differ materially from those presented in the forward-looking statements. Many of these, and other, risks and uncertainties are discussed in further detail in Item 1A. of CTS' Annual Report on Form 10-K. We undertake no obligation to publicly update our forward-looking statements to reflect new information or events or circumstances that arise after the date hereof, including market or industry changes.

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**CTS CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS - UNAUDITED**  
*(In thousands of dollars, except per share amounts)*

|   | Three Months Ended   |                      | Twelve Months Ended  |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | December 31,<br>2019 | December 31,<br>2018 | December 31,<br>2019 | December 31,<br>2018 |
| <b>Net sales</b>                                      | \$ 115,040           | \$ 120,073           | \$ 468,999           | \$ 470,483           |
| Cost of goods sold                                    | 76,340               | 77,428               | 311,424              | 305,100              |
| <b>Gross Margin</b>                                   | 38,700               | 42,645               | 157,575              | 164,973              |
| Selling, general and administrative expenses          | 18,037               | 18,128               | 70,408               | 73,569               |
| Research and development expenses                     | 6,113                | 5,804                | 25,967               | 25,304               |
| Restructuring charges                                 | 2,111                | 1,698                | 7,448                | 5,062                |
| Loss (gain) on sale of assets                         | 48                   | (2)                  | (63)                 | —                    |
| <b>Operating earnings</b>                             | 12,391               | 17,017               | 53,815               | 61,038               |
| Other (expense) income:                               |                      |                      |                      |                      |
| Interest expense                                      | (903)                | (484)                | (2,648)              | (2,085)              |
| Interest income                                       | 341                  | 459                  | 1,737                | 1,826                |
| Other income (expense), net                           | 1,008                | (119)                | (2,638)              | (2,676)              |
| Total other income (expense), net                     | 446                  | (144)                | (3,549)              | (2,935)              |
| Earnings before income taxes                          | 12,837               | 16,873               | 50,266               | 58,103               |
| Income tax expense (benefit)                          | 2,775                | (691)                | 14,120               | 11,571               |
| <b>Net earnings</b>                                   | \$ 10,062            | \$ 17,564            | \$ 36,146            | \$ 46,532            |
| <b>Earnings per share:</b>                            |                      |                      |                      |                      |
| Basic   | \$ 0.31              | \$ 0.53              | \$ 1.11              | \$ 1.41              |
| Diluted   | \$ 0.31              | \$ 0.52              | \$ 1.09              | \$ 1.39              |
| Basic weighted – average common shares outstanding:   | 32,554               | 32,983               | 32,700               | 33,024               |
| Effect of dilutive securities                         | 416                  | 562                  | 405                  | 545                  |
| Diluted weighted – average common shares outstanding: | 32,970               | 33,545               | 33,105               | 33,569               |
| Cash dividends declared per share                     | \$ 0.04              | \$ 0.04              | \$ 0.16              | \$ 0.16              |

**CTS CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(In thousands of dollars)*

|   | (Unaudited)<br>December 31,<br>2019 | December 31,<br>2018 |
|---|-------------------------------------|----------------------|
| <b>ASSETS</b>   |                                     |                      |
| Current Assets  |                                     |                      |
| Cash and cash equivalents                               | \$ 100,241                          | \$ 100,933           |
| Accounts receivable, net                                | 78,008                              | 79,518               |
| Inventories, net  | 42,237                              | 43,486               |
| Other current assets                                    | 16,992                              | 15,422               |
| Total current assets                                    | 237,478                             | 239,359              |
| Property, plant and equipment, net                      | 105,038                             | 99,401               |
| Operating lease assets, net                             | 24,644                              | —                    |
| Other Assets  |                                     |                      |
| Prepaid pension asset                                   | 62,082                              | 54,100               |
| Goodwill  | 106,056                             | 71,057               |
| Other intangible assets, net                            | 85,215                              | 60,180               |
| Deferred income taxes                                   | 19,795                              | 22,201               |
| Other   | 3,046                               | 2,043                |
| Total other assets                                      | 276,194                             | 209,581              |
| <b>Total Assets</b>                                     | <b>\$ 643,354</b>                   | <b>\$ 548,341</b>    |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>             |                                     |                      |
| Current Liabilities                                     |                                     |                      |
| Accounts payable  | \$ 48,219                           | \$ 51,975            |
| Operating lease obligations                             | 2,787                               | —                    |
| Accrued payroll and benefits                            | 9,564                               | 14,671               |
| Accrued expenses and other liabilities                  | 36,378                              | 37,347               |
| Total current liabilities                               | 96,948                              | 103,993              |
| Long-term debt  | 99,700                              | 50,000               |
| Long-term operating lease obligations                   | 24,926                              | —                    |
| Long-term pension and other post-retirement obligations | 6,632                               | 6,510                |
| Deferred income taxes                                   | 5,637                               | 3,990                |
| Other long-term obligations                             | 4,292                               | 5,919                |
| <b>Total Liabilities</b>                                | <b>238,135</b>                      | <b>170,412</b>       |
| <b>Commitments and Contingencies</b>                    |                                     |                      |
| Shareholders' Equity                                    |                                     |                      |
| Common stock  | 307,932                             | 306,697              |
| Additional contributed capital                          | 43,689                              | 42,820               |
| Retained earnings                                       | 509,766                             | 478,847              |
| Accumulated other comprehensive loss                    | (91,726)                            | (97,739)             |
| Total shareholders' equity before treasury stock        | 769,661                             | 730,625              |
| Treasury stock  | (364,442)                           | (352,696)            |
| Total shareholders' equity                              | 405,219                             | 377,929              |
| <b>Total Liabilities and Shareholders' Equity</b>       | <b>\$ 643,354</b>                   | <b>\$ 548,341</b>    |

**CTS CORPORATION AND SUBSIDIARIES**  
**OTHER SUPPLEMENTAL INFORMATION - UNAUDITED**

**Earnings Per Share**

The following table reconciles GAAP diluted earnings per share to adjusted diluted earnings per share for the Company:

|  | Three Months Ended   |                      | Twelve Months Ended  |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | December<br>31, 2019 | December<br>31, 2018 | December<br>31, 2019 | December<br>31, 2018 |
| GAAP diluted earnings per share                              | \$ 0.31              | \$ 0.52              | \$ 1.09              | \$ 1.39              |
| Tax affected charges to reported diluted earnings per share: |                      |                      |                      |                      |
| Restructuring charges  | 0.05                 | 0.04                 | 0.18                 | 0.12                 |
| Foreign currency (gain) loss                                 | (0.03)               | —                    | 0.05                 | 0.06                 |
| Costs of tax improvement initiatives                         | —                    | —                    | —                    | 0.03                 |
| Environmental charges  | 0.05                 | —                    | 0.05                 | 0.02                 |
| Non-cash pension expense                                     | 0.01                 | —                    | 0.02                 | —                    |
| Legal settlement   | (0.01)               | —                    | (0.01)               | —                    |
| Decrease in foreign valuation allowances                     | —                    | (0.03)               | —                    | (0.03)               |
| Transaction costs  | —                    | —                    | 0.02                 | —                    |
| Discrete tax items   | (0.01)               | (0.10)               | 0.05                 | (0.04)               |
| Tax impact related to Tax Cuts and Job Acts                  | —                    | (0.02)               | —                    | (0.02)               |
| Adjusted diluted earnings per share                          | \$ 0.37              | \$ 0.41              | \$ 1.45              | \$ 1.53              |

**Additional Information**

The following table includes other financial information not presented in the preceding financial statements.

|                                       | Three Months Ended   |                      | Twelve Months Ended  |                      |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                       | December<br>31, 2019 | December<br>31, 2018 | December<br>31, 2019 | December<br>31, 2018 |
| Depreciation and amortization expense | \$ 6,581             | \$ 6,165             | \$ 24,619            | \$ 22,514            |
| Stock-based compensation expense      | \$ 1,065             | \$ 1,152             | \$ 5,015             | \$ 5,256             |

## **Non-GAAP Financial Measures**

Adjusted earnings per share is a non-GAAP financial measure. The most directly comparable GAAP financial measure is diluted earnings per share.

CTS adjusts for these items because they are discrete events, which have a significant impact on comparable GAAP financial measures and could distort an evaluation of our normal operating performance.

CTS uses an adjusted earnings per share measure to evaluate overall performance, establish plans and perform strategic analysis. Using this measure avoids distortion in the evaluation of operating results by eliminating the impact of events which are not related to normal operating performance. Because this measure is based on the exclusion or inclusion of specific items, they may not be comparable to measures used by other companies which have similar titles. CTS' management compensates for this limitation when performing peer comparisons by evaluating both GAAP and non-GAAP financial measures reported by peer companies. CTS believes that this measure is useful to its management, investors and stakeholders in that it:

- provides a meaningful measure of CTS' operating performance,
- reflects the results used by management in making decisions about the business, and
- helps review and project CTS' performance over time.

We recommend that investors consider both actual and adjusted measures in evaluating the performance of CTS with peer companies.