CTS Investor Presentation

Feb 2023









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 disruptions; 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 our acquisitions of 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

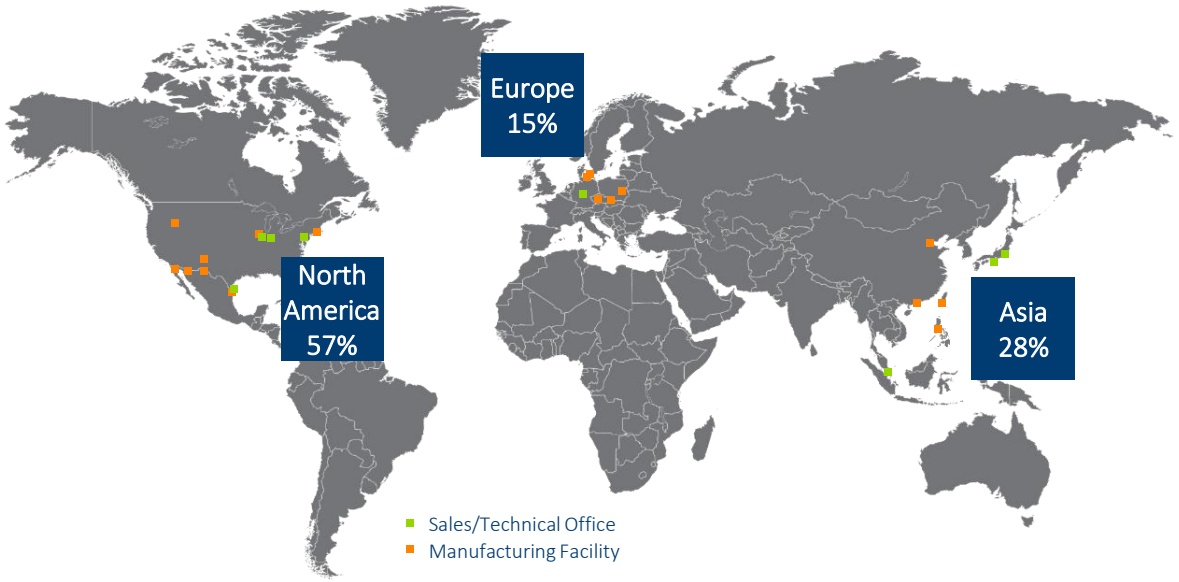
From time to time, CTS may use non-GAAP financial measures in discussing CTS' business. These measures are intended to supplement, not replace, CTS' presentation of its financial results in accordance with U.S. GAAP. CTS' management believes that non-GAAP financial measures can be useful to investors 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 EBITDA margin, adjusted selling, general & administrative expenses, adjusted diluted earnings per share, 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 EBITDA margin, adjusted selling, general & administrative expenses, 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 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.

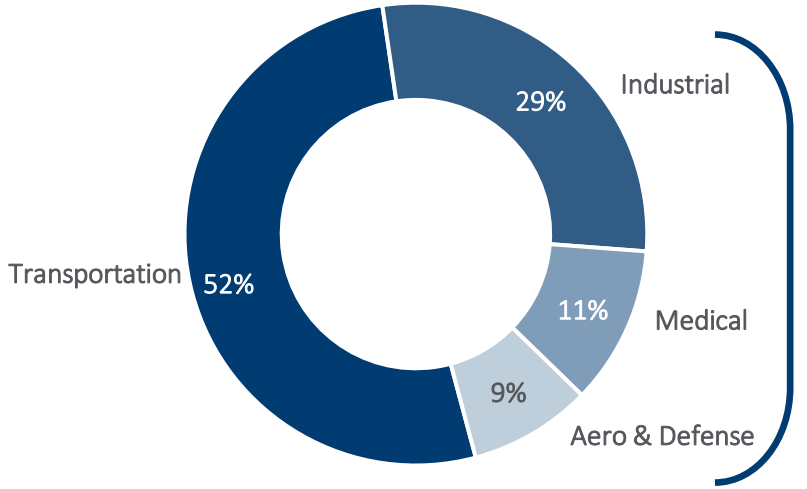
CTS is a Leading Designer and Manufacturer of Custom Engineered Solutions that Sense, Connect, and Move - Enabling an Intelligent and Seamless World

LTM Revenue	LTM Adj. EPS	LTM Adj. EBITDA	Non-Transportation
$587 Million [1]	$2.46	23%	48% Of LTM Revenue

Global design and manufacturing capabilities



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



14% [2] Non-Transportation Revenue CAGR

[1] Last 12 months Revenue as of Dec 2022
[2] 2017-2022 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]	12%	13%	22%	2%
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 - 2022*

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

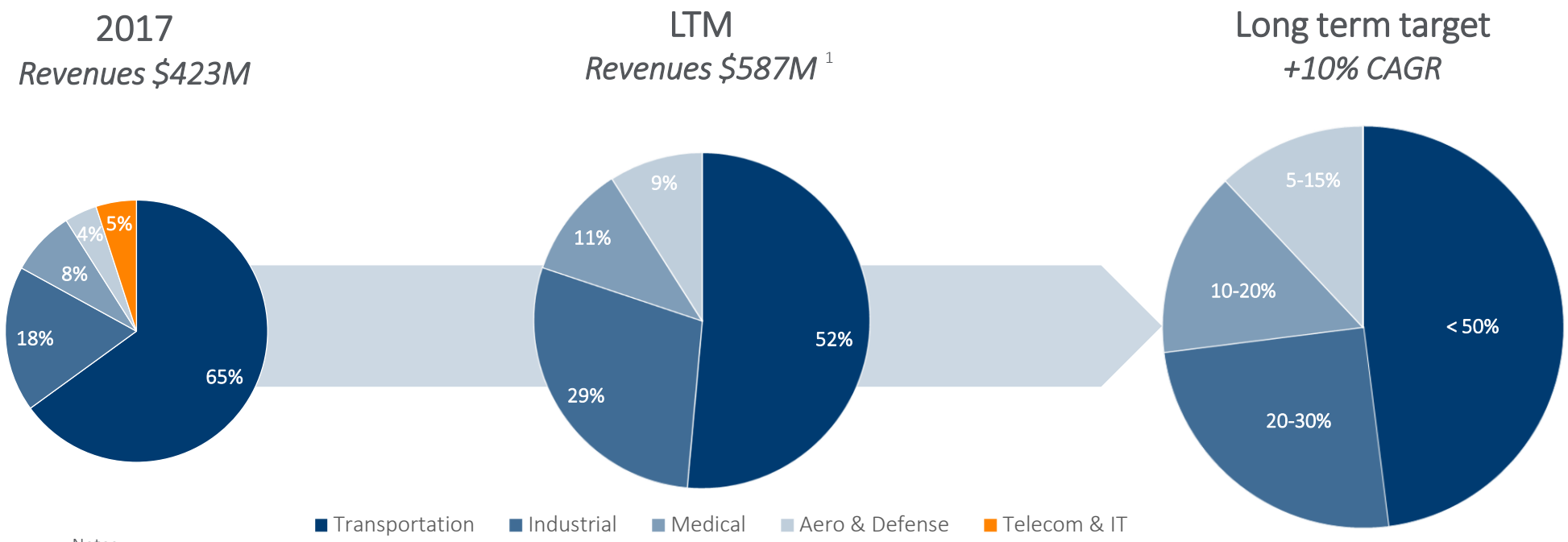





Improved Diagnostics
Therapeutics
Non-Invasive
Patient Experience

Applying deep domain expertise to solve today's most pressing challenges

Diversifying Revenue in Growing End Markets Outside of Transportation



Notes:
[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 48% with a goal of >50%

Electrification Presents Attractive Growth Opportunity

CTS Portfolio


Accelerator Modules

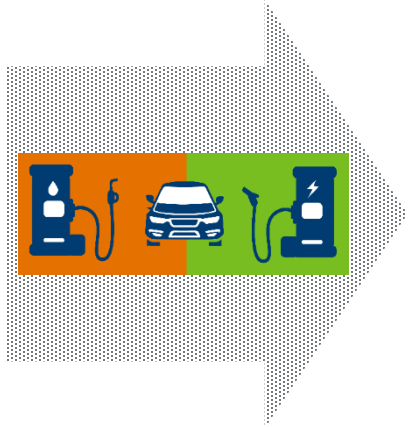

Chassis Height Sensor


Seat Belt Buckle Switch Sensor


Seat Track Position Sensor


Brake Position Sensor


Belt Tension Sensor




Accelerator Modules


Chassis Height Sensor


Seat Belt Buckle Switch Sensor


Seat Track Position Sensor


Brake Position Sensor


Belt Tension Sensor




eBrake™


AC Motor Current Sensor


AC Motor Position Sensor

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

Completed maglab acquisition – strengthening Electrification portfolio

maglab AG – Accelerating Growth in Electrification

Company Highlights

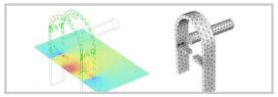
Located in Basel, Switzerland, maglab AG is a technology and engineering services provider focused on the acceleration of electrification through reliable current and position sensing solutions.

maglab's primary focus is in current sensing, motor position and control in transportation and industrial end-markets

Transaction Rationale

- Accelerate CTS' vehicle electrification strategy by:
  - Extending our expertise in the field of current sensing and motor position sensing
  - Acquiring new technology capability
  - Gaining access to key EV customers
- Establish a dedicated European development team
- Create a point of entry into renewable energy and industrial sensing markets

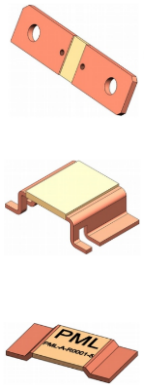
Products and Markets



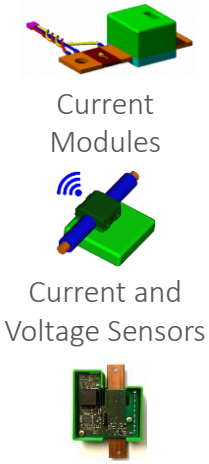
Engineering Services



Shields and Cores



Shunt Resistors



Current Modules

Current and Voltage Sensors

Battery Management Systems

Technical Expertise
(Magnetics and Current Sensing)

Vehicle Electrification



Renewable/ Industrial



maglab will help accelerate our electrification growth across industries

Successful Business Model



Technology Leadership

Recognized leader with global design and engineering capabilities

Domain Expertise

Deep experience solving complex application requirements

Custom Engineered Solutions

Engineered solutions lead to long-term customer partnerships

Global Footprint

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 +650 bps[1]
- Streamlined SG&A (442) bps[1]
- Adj. EBITDA +1333 bps[1]
- Improved process improvement capability, business intelligence

Strengthened Balance Sheet

- 135% free cash flow[2]
- $142 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
- 8 strategic acquisitions

Notes:
[1] Adjusted Gross Margin, SG&A Expenses & EBITDA are comparisons of 2022 vs. 2012 from continuing operations
[2] As of December 2022 as % of Adjusted Net Earnings
[3] Cumulative from 2013 to FY 2022 through dividends & share repurchases

Capital Allocation Framework

Capital Allocation Priorities

- Maintain healthy Balance Sheet
- Disciplined organic investments
  - Growth resources and tools
  - IT systems – ERP, analytics capabilities
  - CTS OS – Operational improvements
- Strategic M&A – a growth priority
- Return capital to shareholders

Operating Cash Flow
15-17% of Sales

Capital Structure
Leverage 1.0 – 2.5x

Growth
Capex ~4% of Sales
Acquisitions 60-80% of FCF

Cash Returned to Shareholders
Dividend & Buybacks 20-40% of FCF

$142 million in cash returned to shareholders since 2013

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

Enhancing Piezoceramic Technology and Geographic Reach

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	Growing Piezoceramic Platform

Building a Strong Global Temperature Sensing Platform

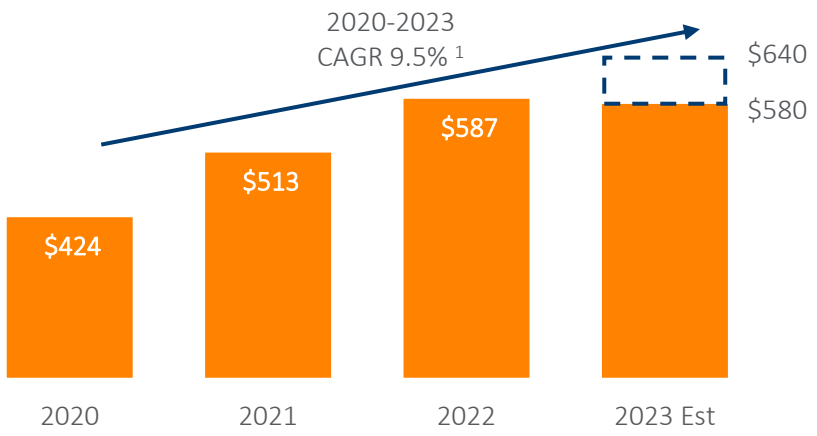
2019	2020	2022	Current
QTI SENSING SOLUTIONS	+ Sensor Scientific, Inc.	+ TEWA TEMPERATURE SENSORS	= CTS
Industrial Applications	Medical Applications	Industrial + Medical Europe Expansion	Growing Temperature Platform

48% of sales from Non-Transportation end markets … +360 bps vs. 2021

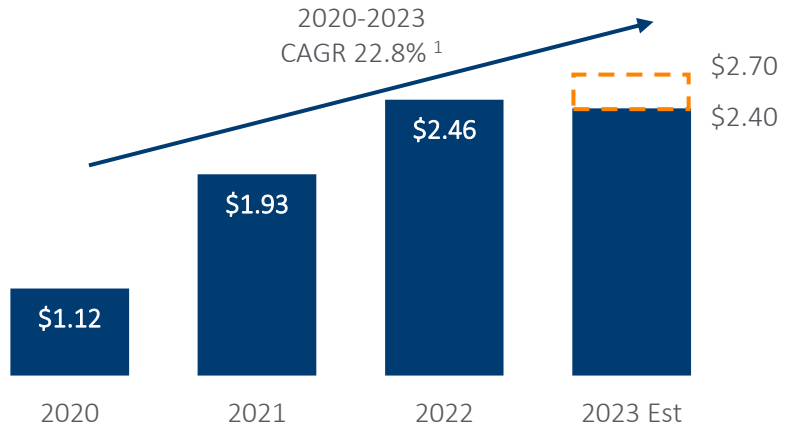
FY 2023 Guidance

Revenue

($ Millions)



Adj. Diluted EPS



Key Outlook Assumptions

- Stable demand from medical & aerospace/defense customers
- Softer outlook in industrial end market & distribution channel
- Commercial vehicle sales potentially impacted by semiconductor supply issues in Q1 2023
- Light vehicle market forecasts - NA 14-15M, China 26-27M, Europe 16-17M units
- Monitoring risks from interest rates, supply challenges, inflation, COVID-19, FX fluctuations & geopolitical landscape
- Tax rate in the range of 21-23% excluding discrete items

Notes:
[1] CAGR based on mid point of 2023 guidance

Financial Framework

	2012 [1]	2022 [2]	Long-Term Target
Revenue	$304M	$587M	+10% /yr
Gross Margin [3]	30.1%	36.5%	35-38%
SG&A Expense [3]	19.4%	15.0%	13-15%
R&D Expense	6.9%	4.1%	5-7%
CapEx	4.4%	2.4%	~4%

Notes:
[1] 2012 Financials from Continuing Operations
[2] FY 2022
[3] Adjusted Gross Margin and SG&A Expenses

Our Sustainability Journey



Continued progress in 2022 :

- Established DE&I Committee
- Expanded Compensation & Talent Committee with greater visibility to talent and diversity initiatives
- Board diversity >40%

Supporting sustainable products:

- **Vehicle electrification components** to comprise >25% of light vehicle sales by 2025[1]
- Continued development of **lead-free piezoceramics** to replace current lead-based systems





- Provided over 3,500 hours in employee training to further career development
- CTS CARES continues momentum across the globe
- FY 2022 activity
  - 4,414 hours
  - 156 events
  - 21 locations

CTS | Cares

Notes:
[1]Used in Electrified platforms

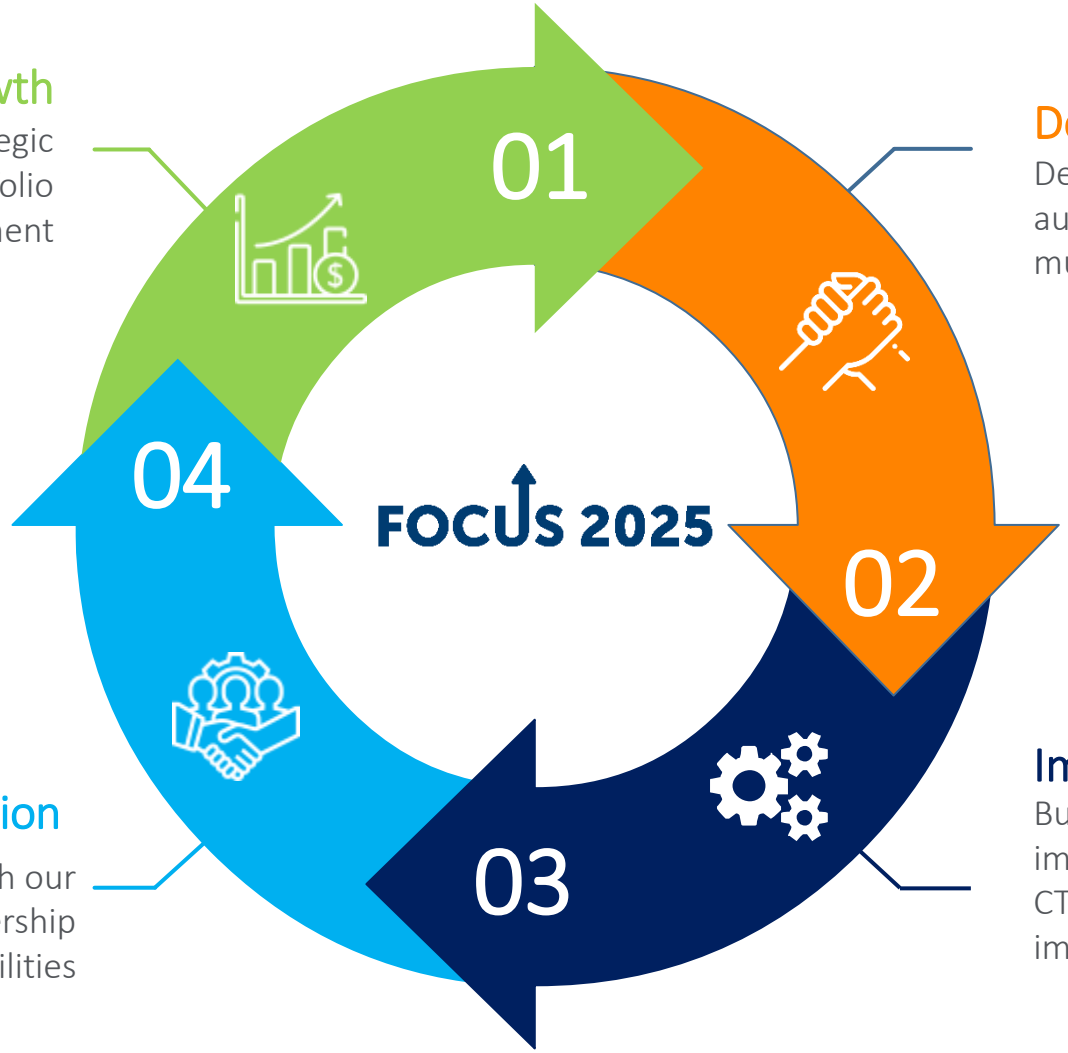
Your Partner in Smart Solutions

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

Improved Operating Systems

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

Organization

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

10% Revenue CAGR with 23% EBITDA

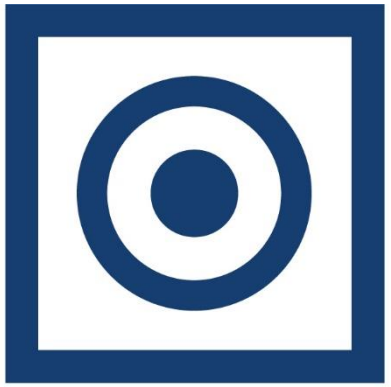
CTS Core Values



Play to Win



Responsiveness



Simplicity



Solution Oriented

Regulation G Schedules

Adjusted Diluted EPS

	Full Year		
	2022	2021	2020
Diluted earnings (loss) per share	**$ 1.85**	**$ (1.30)**	**$ 1.06**
Tax affected adjustments to reported diluted earnings (loss) per share:			
Restructuring charges	0.05	0.06	0.04
Foreign currency loss (gain)	0.15	0.10	(0.16)
Non-cash pension expense	0.16	3.13	0.06
Environmental charges	0.07	0.05	0.07
Acquisition-related costs	0.07	-	0.01
Inventory fair value step-up	0.10	-	-
Legal settlement	-	-	-
Discrete tax items	0.01	(0.11)	0.04
Adjusted diluted earnings per share	**$ 2.46**	**$ 1.93**	**$ 1.12**

Regulation G Schedules

Adjusted EBITDA Margin

($ Millions)

	Full Year 2022	Full Year 2012
Net earnings	$ 59.6	$ 13.5
Depreciation and amortization expense	29.8	13.5
Interest expense	2.2	2.6
Tax expense	21.2	1.0
EBITDA	**112.7**	**30.5**
Adjustments to EBITDA:		
Restructuring charges	1.9	4.5
Gain on sale - leaseback		(10.3)
Environmental charges	2.8	-
Legal settlement	-	1.5
Additional CEO search, legal costs & acquisition		2.5
Acquisition-related costs	2.5	-
Inventory fair value step-up	4.0	-
Costs of tax improvement initiatives	-	-
Non-cash pension expense	4.8	-
Foreign currency loss (gain)	4.9	-
Total adjustments to EBITDA	20.9	(1.8)
Adjusted EBITDA	**$ 133.6**	**$ 28.7**
Net sales	$ 586.9	$ 304.5
Adjusted EBITDA margin	22.8%	9.4%

Regulation G Schedules

Adjusted Gross Margin

($ Millions)

	Full Year 2022	Full Year 2012
Gross margin	**$ 210.5**	**$ 91.5**
Adjustment to reported gross margin:		
Inventory fair value step-up	4.0	-
Adjusted gross margin	**$ 214.5**	**$ 91.5**
Net sales	$ 586.9	$ 304.5
Adjusted gross margin as a % of net sales	36.5%	30.1%

Regulation G Schedules

Adjusted SG&A Expenses

($ Millions)

	Full Year	
	2022	2012
SG&A Expense	**$ 91.5**	**$ 63.1**
Adjustments to reported SG&A expense:		
Environmental charges	2.8	-
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	$ 3.5	$ 4.0
Adjusted SG&A expense	**$ 88.0**	**$ 59.1**
Net sales	$ 586.9	$ 304.5
Adjusted SG&A expense as a % of net sales	15.0%	19.4%

Regulation G Schedules

Free Cash Flow

($ Millions)

	Full Year			
	2022	2021	2020	2019
Net cash provided by operating activities	$ 121.2	$ 86.1	$ 76.8	$ 64.4
Capital expenditures	(14.3)	(15.6)	(14.9)	(21.7)
Free cash flow	$ 106.9	$ 70.5	$ 61.9	$ 42.7
Free Cash Flow as % of Adjusted Net Earnings	135%	112%	170%	89%