



# Investor Presentation

November 29, 2022

# Safe Harbor

## Forward Looking Statements

This presentation contains forward-looking statements within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995, such as statements about our future plans, objectives, expectations, financial performance, and continued business operations. The words “believe,” “expect,” “anticipate,” “project,” “estimate,” “budget,” “continue,” “could,” “intend,” “may,” “plan,” “potential,” “predict,” “seek,” “should,” “will,” “would,” “objective,” “path,” “forecast,” “goal,” “guidance,” “outlook,” “effort,” “target,” and similar expressions, among others, generally identify forward-looking statements, which speak only as of the date the statements were made. The statements in this presentation are based on currently available information and the current expectations, forecasts, and assumptions of Knowles’ management concerning risks and uncertainties that could cause actual outcomes or results to differ materially from those outcomes or results that are projected, anticipated, or implied in these statements, including risks relating to the timing and execution of the restructuring plan and risks relating to the COVID-19 pandemic and governmental responses to it, including but not limited to, the impact on our supply chain, customer demand, and costs associated with our operations. Other risks and uncertainties include, but are not limited to: unforeseen changes in MEMS microphone demand from our largest customers, particularly our top five customers, who represent a significant portion of revenues for our Consumer MEMS Microphone segment; our ongoing ability to execute our strategy to diversify our end markets and customers; our ability to stem or overcome price erosion in our segments; fluctuations in our stock’s market price; fluctuations in operating results and cash flows; our ability to prevent or identify quality issues in our products or to promptly remedy any such issues that are identified; the timing of OEM product launches; risks associated with increasing our inventories in advance of anticipated orders by customers; global economic instability; the impact of changes to laws and regulations that affect the Company’s ability to offer products or services to customers in different regions; our ability to achieve reductions in our operating expenses; the ability to qualify our products and facilities with customers; our ability to obtain, enforce, defend or monetize our intellectual property rights; disruption caused by a cybersecurity incident, including a cyber attack, cyber breach, theft, or other unauthorized access; difficulties or delays in and/or the Company’s inability to realize expected cost synergies from its acquisitions; increases in the costs of critical raw materials and components; availability of raw materials and components; managing new product ramps and introductions for our customers; our dependence on a limited number of large customers; our ability to maintain and expand our existing relationships with leading OEMs in order to maintain and increase our revenue; increasing competition and new entrants in the market for our products; our ability to develop new or enhanced products or technologies in a timely manner that achieve market acceptance; our reliance on third parties to manufacture, assemble, and test our products and sub-components; escalating international trade tensions, new or increased tariffs and trade wars among countries; financial risks, including risks relating to currency fluctuations, credit risks and fluctuations in the market value of the Company; a sustained decline in our stock price and market capitalization may result in the impairment of certain intangible or long-lived assets; market risk associated with fluctuations in commodity prices, particularly for various precious metals used in our manufacturing operation, and changes in tax laws, changes in tax rates and exposure to additional tax liabilities; and other risks, relevant factors, and uncertainties identified in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, subsequent Reports on Forms 10-Q and 8-K and our other filings we make with the U.S. Securities and Exchange Commission. These forward-looking statements speak only as of the date of this presentation, and Knowles disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## Non-GAAP Disclaimer

The financial results disclosed in this presentation include certain measures calculated and presented in accordance with GAAP. In addition to the GAAP results included in this presentation, Knowles has presented supplemental, non-GAAP gross profit, adjusted earnings before interest and income taxes, adjusted earnings before interest and income taxes margin, adjusted earnings before interest, taxes, depreciation, and amortization; adjusted earnings before interest, taxes, depreciation, and amortization margin; non-GAAP gross profit margin, non-GAAP diluted earnings per share, non-GAAP operating expense; free cash flow; and free cash flow margin to facilitate evaluation of Knowles’ operating performance. These non-GAAP financial measures exclude certain amounts that are included in the most directly comparable GAAP measure. In addition, these non-GAAP financial measures do not have standard meanings and may vary from similarly titled non-GAAP financial measures used by other companies. Knowles uses non-GAAP measures as supplements to its GAAP results of operations in evaluating certain aspects of its business, and its executive management team focuses on non-GAAP items as key measures of Knowles’ performance for business planning purposes. These measures assist Knowles in comparing its performance between various reporting periods on a consistent basis, as these measures remove from operating results the impact of items that, in Knowles’ opinion, do not reflect its core operating performance. Knowles believes that its presentation of these non-GAAP financial measures is useful because it provides investors and securities analysts with the same information that Knowles uses internally for purposes of assessing its core operating performance. For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures, see the reconciliation tables in the Appendix.

A top-down view of an F-35 fighter jet flying over a sea of white clouds under a blue sky with scattered clouds. The jet is centered in the left half of the image, with a large purple arrow shape pointing towards it from the right.

# Our Company

# A global technology leader and manufacturer

Knowles develops advanced micro-acoustic microphones and speakers, audio solutions, high performance capacitors and RF filters for the world’s leading technology providers.

2022E Revenue

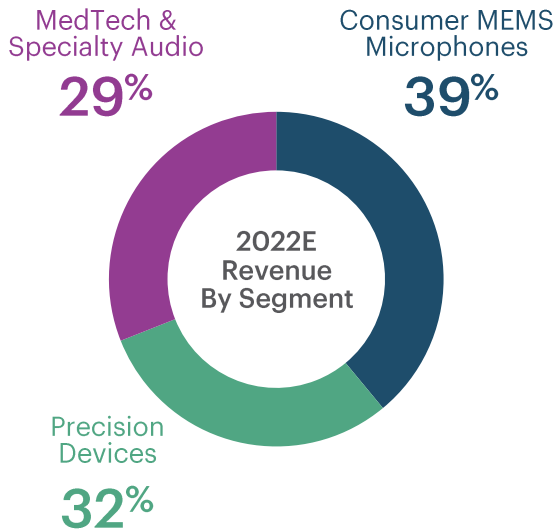
\$778M

2022E Adjusted EBIT\*

\$141M

2022E Free Cash Flow\*

\$50M



1000+  
Engineering & Technology  
Employees



~7000  
Total Employees

Founded: 1946  
HQ: Itasca, IL  
NYSE: KN

13  
Countries

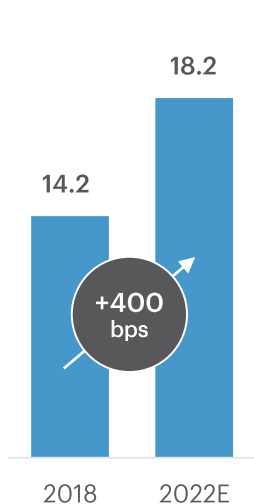
900+  
Granted and  
Pending Patents

2022 estimates are calculated using the mid-point of Q4 guidance as of November 29, 2022 and the nine months ended September 30, 2022.

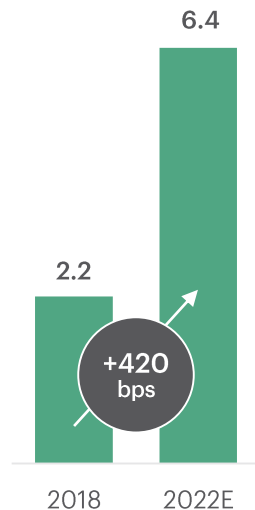
\* For this Non-GAAP financial measure see the Appendix for GAAP to Non-GAAP reconciliation.

## Strategic shift has delivered margin expansion and driven profitability

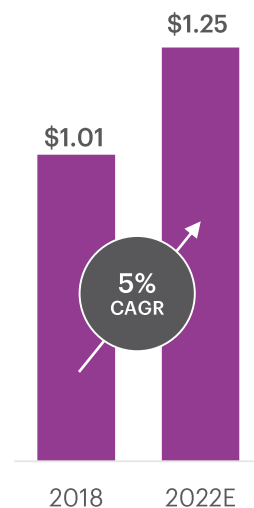
Adjusted EBIT Margin\*  
(%)



Free Cash Flow Margin\*  
(%)



Non-GAAP Diluted EPS\*  
(\$)



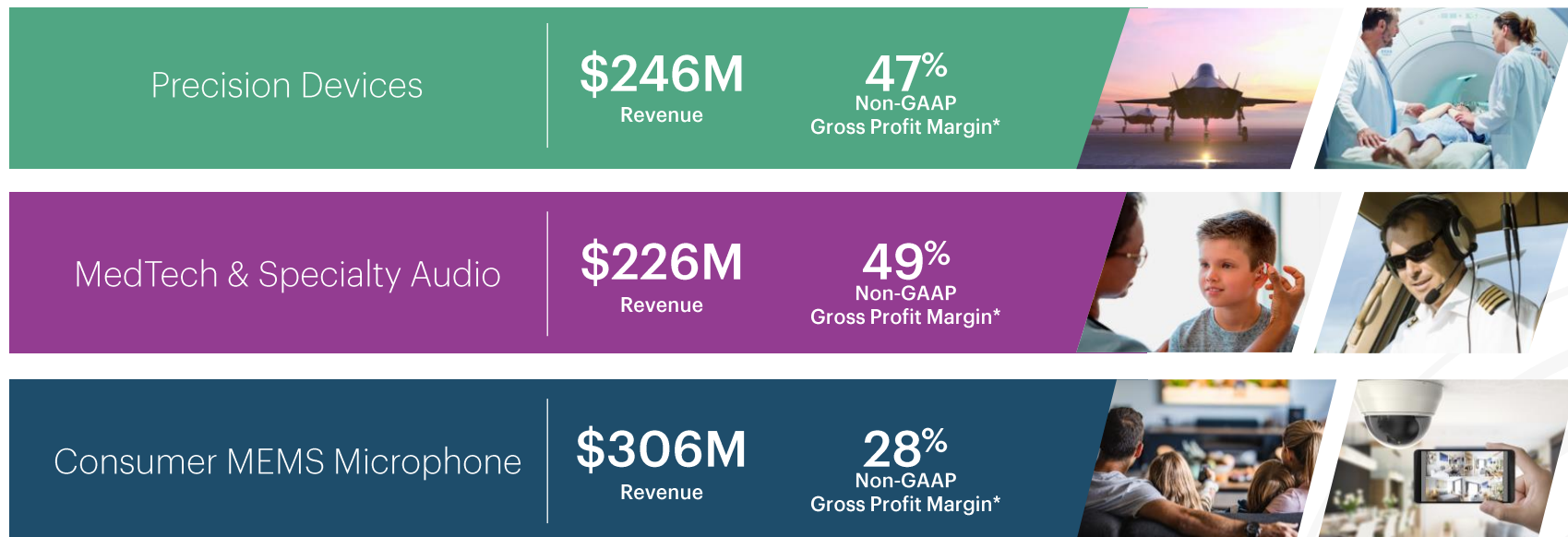
- Realigned R&D and CapEx spend to higher value markets
- Drove SG&A and overhead expense efficiencies
- Shifted internal incentive program to focus on operating margins and free cash flow generation

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\* For this Non-GAAP financial measure see the Appendix for GAAP to Non-GAAP reconciliation.

# Diversified markets and segments drive resilient profitable growth, delivering higher earnings and cash flow

2022E Revenue & Non-GAAP Gross Profit Margin by Segment



2022 estimates are calculated using the mid-point of Q4 guidance as of November 29, 2022 and the nine months ended September 30, 2022.

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# Repositioned to drive improved financial performance.

Delivering strong earnings and cash flow by optimizing our product and market portfolio, while bringing unparalleled innovation and manufacturing expertise to the complex, technical challenges that face our customers.

## Investment in High-Growth Markets

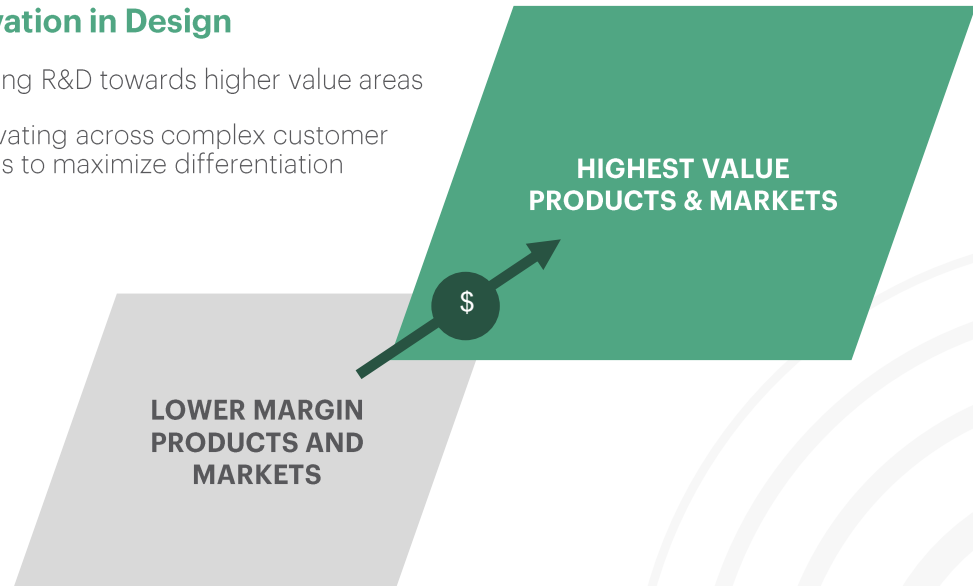
- Leader in technology and market share across diversified set of end markets
- Focusing on market segments with most favorable tailwinds

## Discipline in Capital Deployment

- Returns-focused approach to R&D and CapEx investment
- Strengthening balance sheet through debt paydown
- Driving value through accretive M&A and share buybacks

## Innovation in Design

- Shifting R&D towards higher value areas
- Innovating across complex customer needs to maximize differentiation





The background is a composite image. On the left, a man with a beard and short hair, wearing a light blue button-down shirt and jeans, is sitting on a dark grey sofa and smiling. In the foreground on the left, a cylindrical smart speaker with a dark, textured fabric cover sits on a white table. The image is overlaid with large, semi-transparent geometric shapes: a blue triangle on the left and a purple triangle on the right. Faint, concentric circles are visible in the blue area, suggesting sound waves.

# Our Markets and Products



# Long-held reputation in delivering high performance products

With decade upon decade of manufacturing expertise, our technology has consistently outperformed competitive products.

We are uniquely capable of creating innovative solutions to complex technical needs, enabling performance for our customers.



**Innovate**

Innovate a concept for differentiated, customer-driven features & functionality

**Design**

Design a high quality, high performance, cost-effective product

**Manufacture**

Differentiate ourselves through unique manufacturing techniques & processes

**Deliver**

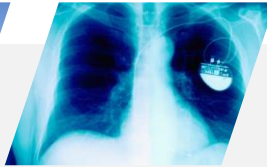
Enable our customers to consistently offer new products & applications

# Delivering specialty high performance components across a broad range of applications

## KEY APPLICATIONS



DEFENSE RADAR AND COMMUNICATIONS



IMPLANTABLES



MEDICAL IMAGING



ELECTRIC VEHICLES

2022E Revenue  
**\$246M**

Revenue Growth  
**+14%**  
2018–2022E CAGR

**High Performance Capacitors**

High voltage, temp, reliability, and capacitance/size.

**RF Filtering Solutions**

RF filtering to improve electronic warfare and communications performance.

SAM  
**\$1.1B**

Market CAGR  
**5–8%**  
2021–2024 CAGR

**Secular Growth Trends:**

- Increasing defense budgets
- Upgrades to defense electronic communication, radar, warfare systems
- Medical implantable and imaging growth
- Vehicle electrification and implementation of next generation fast charging architectures

2022 estimates are calculated using the mid-point of Q4 guidance as of November 29, 2022 and the nine months ended September 30, 2022. Sources for Market CAGR and SAM: Mobile Experts LLC, Global Data Plc, Paumanok Group and KN customer intelligence. Information is as of November 29, 2022.

# Delivering the highest performing solutions to address hearing loss

## KEY APPLICATIONS



HEARING AID



IN EAR MONITOR



COMMUNICATIONS



TRUE WIRELESS

2022E Revenue  
**\$226M**

Revenue Growth  
**+2%**  
2018–2022E CAGR

**SAM**  
**\$400M**

**Secular Growth Trends:**

- Aging global population
- All day wear with rechargeable batteries
- Over-the-counter hearing aid expansion in the US
- High-definition audio for higher performance TWS

**Microphones**

High signal to noise and lowest power for all day wear.

**High Performance Speakers**

Full range frequency and high efficiency

**Market CAGR**  
**2–5%**  
2021–2024 CAGR

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Sources for Market CAGR and SAM: Futuresource Consulting Ltd, SAR Insight & Consulting, European Hearing Instrument Manufacturers Association and KN customer intelligence. Information is as of November 29, 2022.

# Driving innovation to enable voice control, communication and superior audio recording

## KEY APPLICATIONS



EAR



COMPUTE



IoT



SMARTPHONE

2022E Revenue  
**\$306M**

Revenue Growth  
**-10%**  
2018-2022E CAGR

**MEMS Microphones**

High signal to noise and compact form factor

**SAM**  
**\$1.1B**

Market CAGR  
**0-4%**  
2021-2024 CAGR

**Secular Growth Trends:**

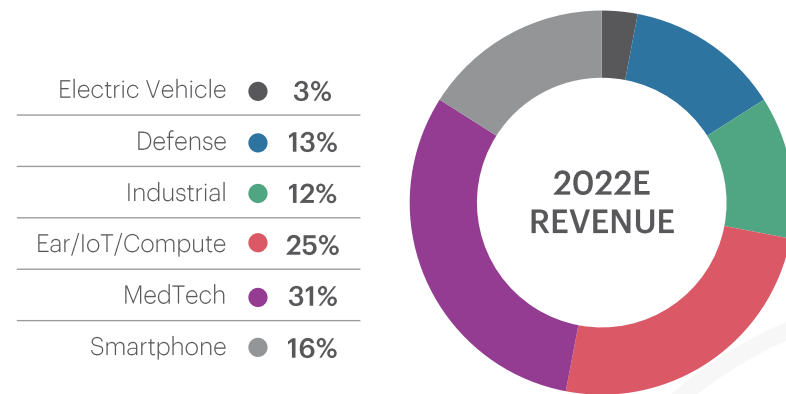
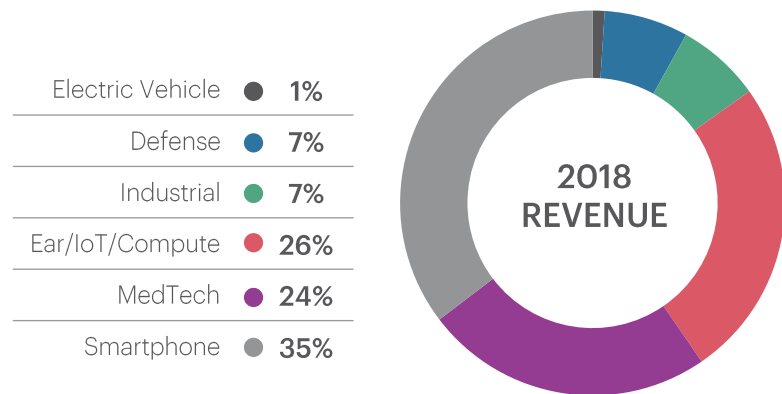
- Voice as a user interface
- High quality video recording
- Remote work and e-learning upgrades

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Sources for Market CAGR and SAM: Futuresource Consulting Ltd, SAR Insight & Consulting, Omdia, ABI Research and KN customer intelligence. Information is as of November 29, 2022.

# Shift in mix of markets drives higher gross margins

We have expanded the markets we serve beyond the smartphone industry. Today, our business is more diversified across the markets that yield higher gross margins.



## Strategy provides a path to greater returns

Organic growth

Improving gross margins

Focused investments

Accretive M&A and share buybacks

Provides path to

**\$2.50+**

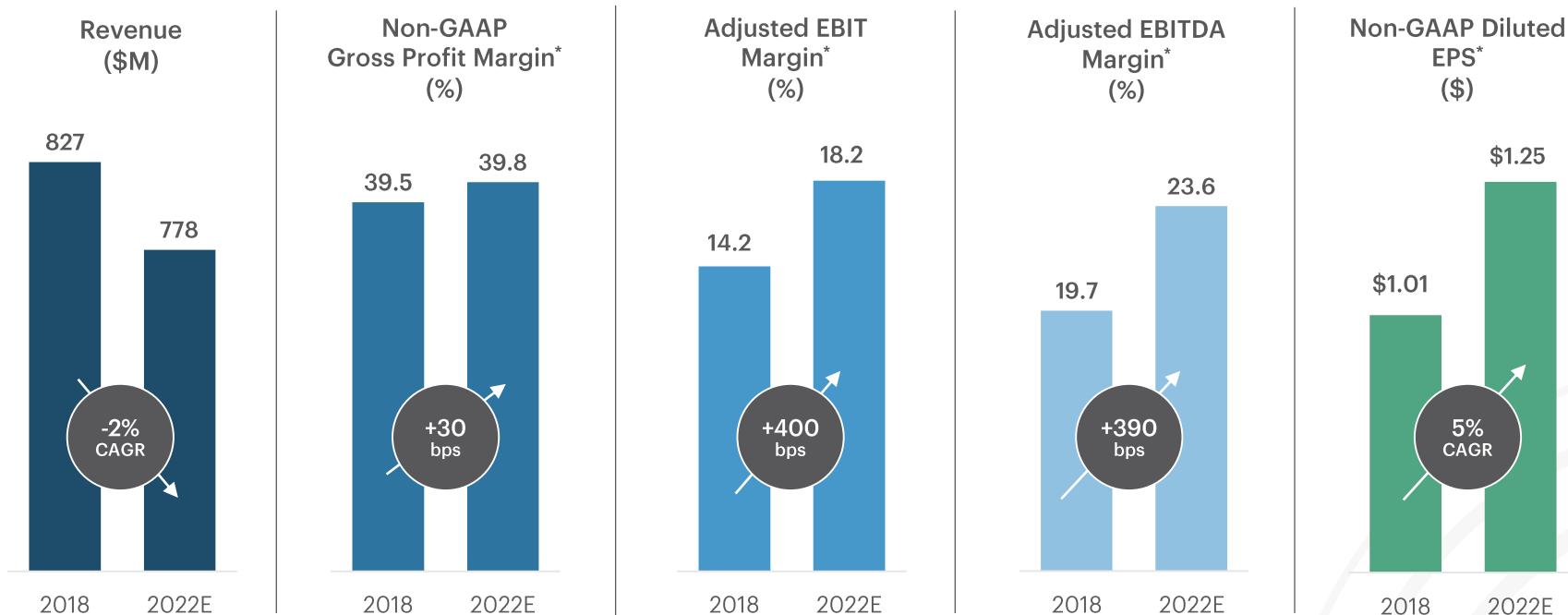
Non-GAAP diluted earnings per share\*

\* Reconciliations of these forward-looking Non-GAAP financial measures to the most directly comparable GAAP financial measures are not provided because the information needed to complete a reconciliation is unavailable without unreasonable effort.

A photograph of a young woman with blonde hair tied back, wearing a red long-sleeved shirt and a black earbud. She is smiling and looking at a smartphone held in her hands. The image is partially obscured by a large blue graphic element consisting of concentric circles and a diagonal split.



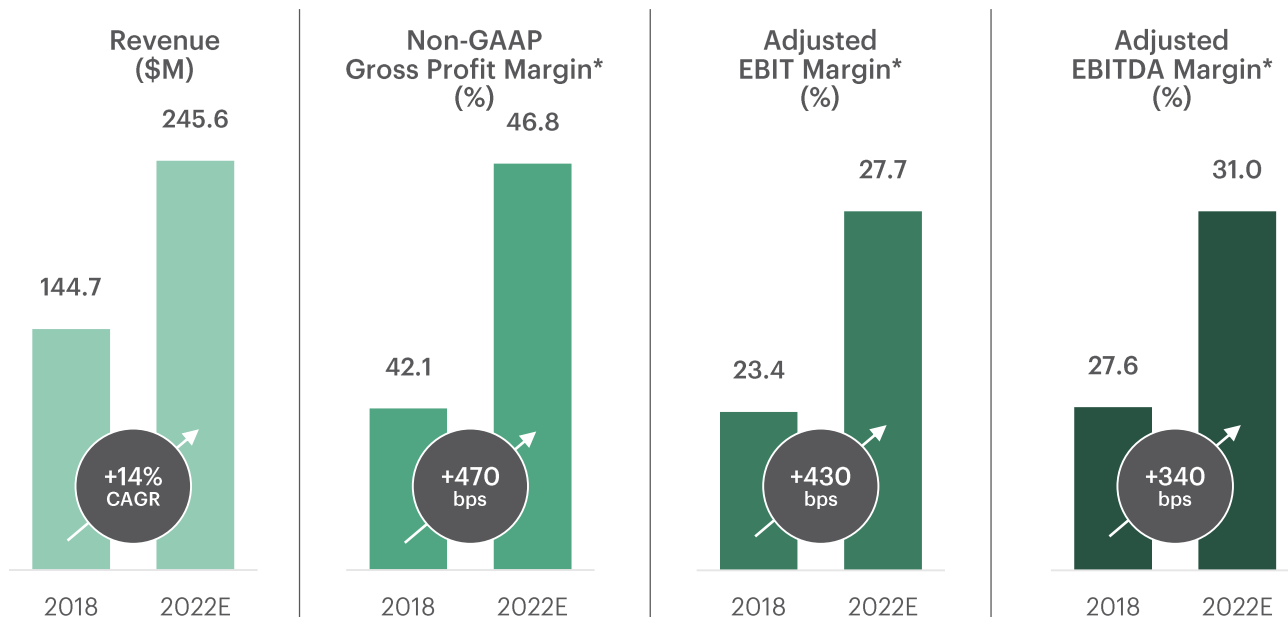
## Proven track record of expanding profitability



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\* For this Non-GAAP financial measure see the Appendix for GAAP to Non-GAAP reconciliation.

## Impressive growth and margin expansion with resilient end markets

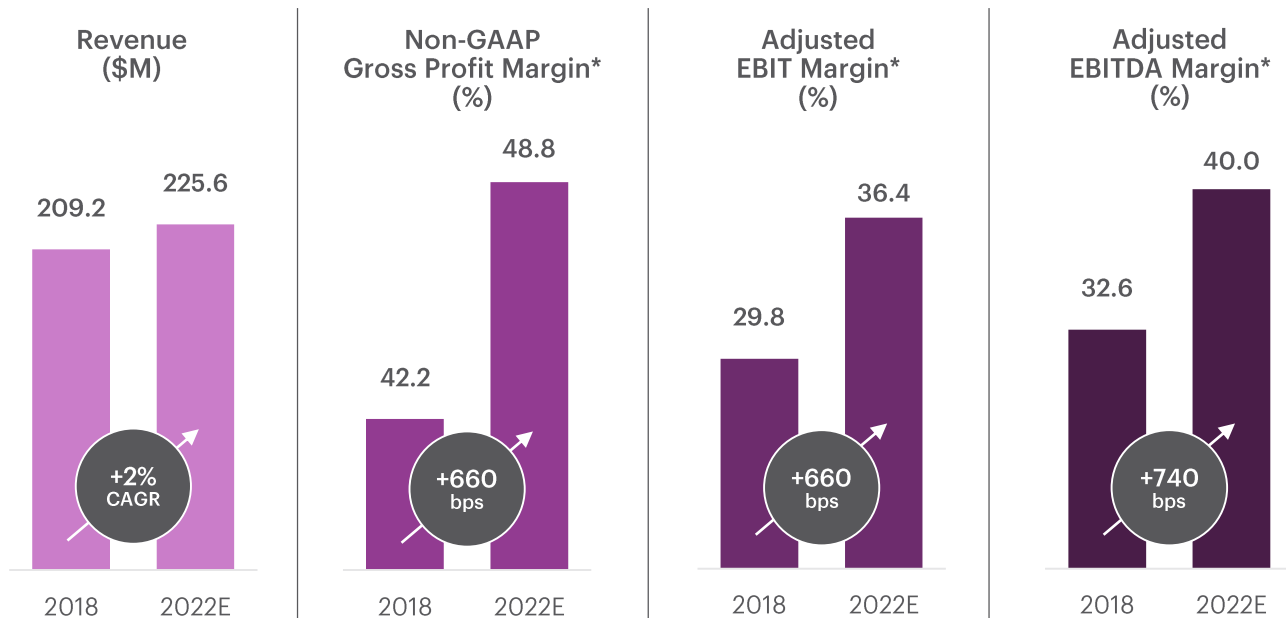


- Growth across all end markets
- Margin expansion through strategic pricing and factory productivity improvements
- Completed 4 accretive acquisitions since 2018
- \$76M 2022 estimated Adjusted EBITDA\*

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\* For this Non-GAAP financial measure see the Appendix for GAAP to Non-GAAP reconciliation.

# Industry leading technology in niche market driving steady growth and profitability

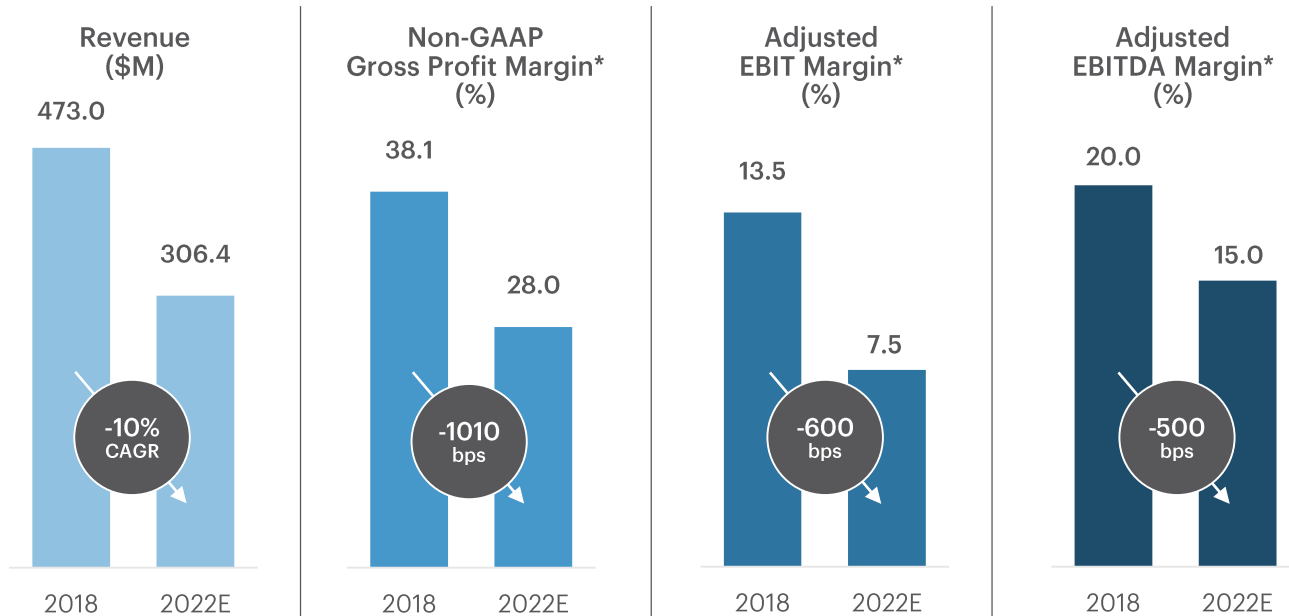


- Growth through new product introductions, MEMS microphone adoption, and OTC penetration
- Margin expansion driven by technology leadership and first class manufacturing
- \$90M 2022 estimated Adjusted EBITDA\*

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\* For this Non-GAAP financial measure see the Appendix for GAAP to Non-GAAP reconciliation.

## Decreasing exposure to cyclical consumer end markets with challenging margins



- R&D and production capacity shifted to Ear, IoT, and Computing markets
- Smartphone exposure reduced by nearly 40% between 2018 and 2022
- Restructuring to drive \$25M–\$30M annualized savings
- \$46M 2022 estimated Adjusted EBITDA\*

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## Mix shift and recovery in Consumer MEMS expected to drive improved gross margins

### TOTAL COMPANY MARGIN EXPANSION

<p><b>Precision Devices</b></p> <p><b>MedTech &amp; Specialty Audio</b></p>	<p>Mix Shift to Higher Margin Products and End Markets</p>	<p><b>+150bps</b></p>
<p><b>Consumer MEMS Microphones</b></p>	<p>Capacity Utilization/ Consumer Market Recovery</p> <p>Restructuring Benefits</p>	<p><b>+100bps</b></p> <p><b>+100bps</b></p>

**Non-GAAP  
Gross Profit Margin\***

**43%+**

\* Reconciliations of these forward-looking Non-GAAP financial measures to the most directly comparable GAAP financial measures are not provided because the information needed to complete a reconciliation is unavailable without unreasonable effort.

# Proven ability to deliver strong free cash flow

## Gross Margin Expansion

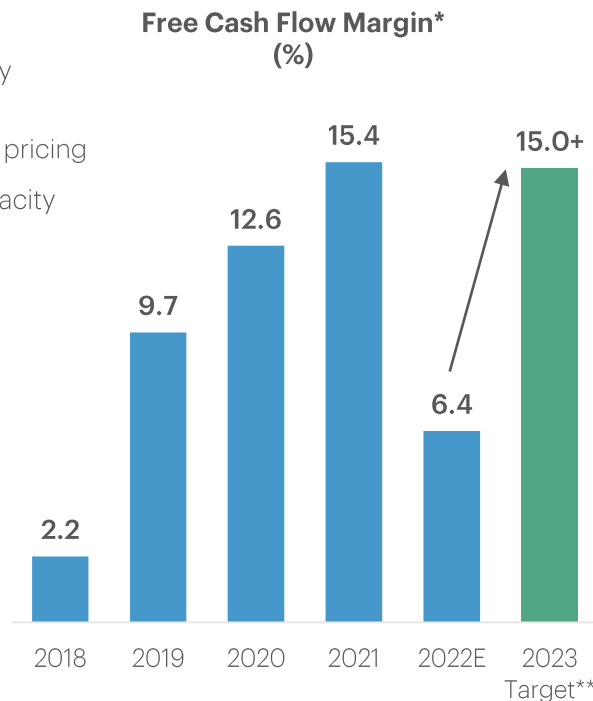
- Focused on markets that value our technology and manufacturing differentiation
- Implemented a more disciplined approach to pricing
- Reduced Consumer MEMS Microphones Capacity

## Expense Control

- Reduced R&D spend where pace of market adoption was below our expectations
- Committed to continuous improvement in processes to drive efficiencies

## CapEx Discipline

- Optimized investments across areas with attractive returns



## 2023 DRIVERS

Working Capital Improvements  
**300 bps +**

Restructuring Benefits  
**250 bps +**

High Margin Market Revenue Growth  
**300 bps +**

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# Strong balance sheet and proven cash flow generation enhances shareholder value through strategic capital deployment

## Consistent Cash Flow Generation

**\$600M+ of cash generated by operations since 2018**

## Zero Net Debt

**Expect to exit 2022 net debt free\***

## Liquidity

**\$400M exiting 2022E\***

## Organic Growth

Continued investment of R&D spend to markets with optimal growth trends

## Accretive M&A

Continued focus on accretive<sup>1</sup> acquisitions

## Share Repurchases<sup>2</sup>

Target share repurchases of at least 50% of Annual Free Cash Flow

## Maintain Strong Balance Sheet

Leverage Ratio of 2.5x or less<sup>3</sup>

\* 2022 estimates are calculated using Q4 guidance of \$50M ending cash balance and \$350M available borrowings under the revolving credit facility. For this Non-GAAP financial measure see the Appendix for GAAP to Non-GAAP reconciliation.

1. Accretive to Non-GAAP Diluted EPS within 12 months of acquisition.
2. The timing and amount of any shares repurchased will be determined by the Company based on its evaluation of market conditions and other factors, and will be made in accordance with applicable securities laws in either the open market or in privately negotiated transactions. The Company is not obligated to purchase any shares under the program, and the program may be suspended or discontinued at any time. The actual timing and share price of shares repurchased will depend on a number of factors, including the market price of the Company's stock, general market and economic conditions, and applicable legal requirements.
3. Leverage Ratio represents the ratio of Consolidated Total Indebtedness to Consolidated EBITDA, as those terms are defined in our Revolving Credit Facility



# Accelerating path to mid-term financial targets

## DRIVERS

### Revenue Growth

Growth in the mid to high single digit CAGR%

### Non-GAAP Gross Profit Margin\*

Improve to 43% or more on mix and new product introductions

### Non-GAAP Operating Expense\*

Efficiently leverage resources to support growth and reduce expenses to approximately 20% of revenues

## TARGETS

Adjusted EBIT Margin\*

**22–24%**

Free Cash Flow Margin\*

**15–17%**

These forward-looking statements are made as of November 29, 2022, and Knowles disclaims any duty to update these statements.

\* Reconciliation of this forward-looking Non-GAAP financial measure to the most directly comparable GAAP financial measure is not provided because the information needed to complete a reconciliation is unavailable without unreasonable effort.

# We have built a highly sustainable business with unique capabilities in solving customers' most complex technical challenges

## Unparalleled product performance



Innovating across complex customer needs to maximize differentiation

## Diversification in high-growth markets



Focusing on market segments with the most favorable tailwinds including Ear, IoT, MedTech, EV and Defense

## Resilient Non-Consumer Portfolio



Quality of portfolio drives results in up or down cycles

## Discipline in capital deployment



Focusing CapEx on our attractive products and markets M&A delivering accretive returns

## Cash generation



Successful debt reduction and operating performance enables return of Free Cash Flow through increased share repurchases

## Strong earnings potential coupled with M&A



Path to \$2.50+ Non-GAAP Diluted EPS\* with top quartile financial metrics among diversified electronic component peers

\* Reconciliation of this forward-looking Non-GAAP financial measure to the most directly comparable GAAP financial measure is not provided because the information needed to complete a reconciliation is unavailable without unreasonable effort.

# Appendix

	GAAP	Adjustments	Non-GAAP
<b>Revenue</b>	\$200–220M	—	\$200–220M
<b>Gross Profit Margin</b>	36.2–38.2%	0.3%	36.5–38.5%
<b>Diluted EPS</b>	\$0.20–0.24	\$0.11	\$0.31–0.35

Projections as of November 29, 2022; Q4 2022 GAAP results are expected to include approximately \$0.07 per share in stock-based compensation and \$0.04 per share in amortization of intangibles and debt discount. Q4 2022 GAAP guidance does not consider the impact of a potential positive adjustment to the valuation allowance for our U.S. subsidiary. The potential benefit would not impact non-GAAP results.

Key Financial Metrics (Unaudited)	Years Ended Dec. 31,				
	2018	2019	2020	2021	2022E
Revenue	144.7	172.0	173.1	201.1	245.6
Non-GAAP Gross Profit Margin*	42.1%	39.4%	38.4%	44.7%	46.8%
Adjusted EBIT*	33.9	37.7	35.2	52.5	68.1
Adjusted EBIT Margin*	23.4%	21.9%	20.3%	26.1%	27.7%
Adjusted EBITDA*	39.9	45.3	43.3	60.8	76.2
Adjusted EBITDA Margin*	27.6%	26.3%	25.0%	30.2%	31.0%

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\* For this Non-GAAP financial measure see the Appendix for GAAP to Non-GAAP reconciliation.

Key Financial Metrics (Unaudited)	Years Ended Dec. 31,				
	2018	2019	2020	2021	2022E
Revenue	209.2	214.4	173.6	231.3	225.6
Non-GAAP Gross Profit Margin*	42.2%	42.5%	37.3%	47.2%	48.8%
Adjusted EBIT*	62.4	62.0	26.0	79.5	82.2
Adjusted EBIT Margin*	29.8%	28.9%	15.0%	34.4%	36.4%
Adjusted EBITDA*	68.1	67.6	32.0	85.8	90.3
Adjusted EBITDA Margin*	32.6%	31.5%	18.4%	37.1%	40.0%

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# Consumer MEMS Microphones

Key Financial Metrics (Unaudited)	Years Ended Dec. 31,				
	2018	2019	2020	2021	2022E
Revenue	\$473.0	468.4	417.6	435.7	306.4
Non-GAAP Gross Profit Margin*	38.1%	37.6%	34.9%	37.8%	28.0%
Adjusted EBIT*	63.8	68.3	59.0	84.1	23.0
Adjusted EBIT Margin*	13.5%	14.6%	14.1%	19.3%	7.5%
Adjusted EBITDA*	94.8	99.3	89.4	113.1	46.1
Adjusted EBITDA Margin*	20.0%	21.2%	21.4%	26.0%	15.0%

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\* For this Non-GAAP financial measure see the Appendix for GAAP to Non-GAAP reconciliation.



# Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures (Unaudited)



(Continuing operations, in millions, except per share amounts)	Year Ended December 31,				
	2022E <sup>(1)</sup>	2021	2020	2019	2018
<b>Revenues</b>	<b>\$ 777.6</b>	<b>\$ 868.1</b>	<b>\$ 764.3</b>	<b>\$ 854.8</b>	<b>\$ 826.9</b>
<b>Gross profit</b>	<b>\$ 279.3</b>	<b>\$ 359.5</b>	<b>\$ 271.2</b>	<b>\$ 328.0</b>	<b>\$ 322.6</b>
Gross profit margin	35.9 %	41.4 %	35.5 %	38.4 %	39.0 %
Stock-based compensation expense	1.8	1.6	1.7	1.6	1.6
Restructuring charges	28.1	—	2.3	1.7	0.4
Production transfer costs <sup>(2)</sup>	—	—	0.2	2.3	2.2
Other <sup>(3)</sup>	—	1.0	—	—	0.2
<b>Non-GAAP gross profit</b>	<b>\$ 309.2</b>	<b>\$ 362.1</b>	<b>\$ 275.4</b>	<b>\$ 333.6</b>	<b>\$ 327.0</b>
Non-GAAP gross profit as a % of revenues	39.8 %	41.7 %	36.0 %	39.0 %	39.5 %
<b>Operating expenses</b>	<b>\$ 461.8</b>	<b>\$ 243.7</b>	<b>\$ 242.0</b>	<b>\$ 246.8</b>	<b>\$ 244.8</b>
Stock-based compensation expense	(27.1)	(30.5)	(15.6)	(23.6)	(25.4)
Intangibles amortization expense	(12.3)	(15.9)	(13.0)	(7.0)	(6.5)
Impairment charges	(239.8)	(4.0)	(7.6)	—	—
Restructuring charges	(9.8)	(0.5)	(10.0)	(4.3)	(1.7)
Production transfer costs <sup>(2)</sup>	—	—	—	—	(0.4)
Other <sup>(3)</sup>	(0.3)	(2.0)	(1.2)	(5.6)	(0.4)
<b>Non-GAAP operating expenses</b>	<b>\$ 172.5</b>	<b>\$ 190.8</b>	<b>\$ 194.6</b>	<b>\$ 206.3</b>	<b>\$ 210.4</b>
Non-GAAP operating expenses as a % of revenues	22.2 %	22.0 %	25.5 %	24.1 %	25.4 %
<b>Net (loss) earnings</b>	<b>\$ (201.2)</b>	<b>\$ 150.2</b>	<b>\$ 2.9</b>	<b>\$ 49.7</b>	<b>\$ 65.6</b>
<b>Interest expense, net</b>	<b>3.6</b>	<b>14.2</b>	<b>16.4</b>	<b>14.5</b>	<b>16.0</b>
<b>Provision for (benefit from) income taxes</b>	<b>16.4</b>	<b>(45.6)</b>	<b>8.4</b>	<b>16.6</b>	<b>(4.5)</b>
<b>(Loss) earnings before interest and income taxes</b>	<b>(181.2)</b>	<b>118.8</b>	<b>27.7</b>	<b>80.8</b>	<b>77.1</b>
(Loss) earnings before interest and income taxes as a % of revenues	(23.3)%	13.7 %	3.6 %	9.5 %	9.3 %
Stock-based compensation expense	28.9	32.1	17.3	25.2	27.0
Intangibles amortization expense	12.3	15.9	13.0	7.0	6.5
Impairment charges	239.8	4.0	7.6	—	—
Restructuring charges	37.9	0.5	12.3	6.0	2.1
Production transfer costs <sup>(2)</sup>	—	—	0.2	2.3	2.6
Other <sup>(3)</sup>	3.7	3.0	1.2	5.6	1.9
<b>Adjusted earnings before interest and income taxes</b>	<b>\$ 141.4</b>	<b>\$ 174.3</b>	<b>\$ 79.3</b>	<b>\$ 126.9</b>	<b>\$ 117.2</b>
Adjusted earnings before interest and income taxes as a % of revenues	18.2 %	20.1 %	10.4 %	14.8 %	14.2 %

## Notes:

- (1) 2022 estimates are calculated using the mid-point of Q4 guidance as of November 29, 2022 and the nine months ended September 30, 2022.
- (2) Production transfer costs represent duplicate costs incurred to migrate manufacturing to facilities primarily in Asia. These amounts are included in the corresponding Gross profit and Earnings from continuing operations before interest and income taxes for each period presented.
- (3) In 2022, Other expenses represent an adjustment to pre-spin-off pension obligations of \$3.4 million, which was recorded during the second quarter of 2022 in the Other income, net line on the Consolidated Statements of Earnings, and the ongoing lease cost related to facilities not used in operations. In 2021, Other expenses represent the ongoing net lease cost related to facilities not used in operations and expenses related to the acquisition of Integrated Microwave Corporation by the Precision Devices segment. In 2020, Other expenses represent the ongoing net lease cost (income) related to facilities not used in operations and expenses related to shareholder activism. In 2019, Other expenses of \$4.4 million represent expenses related to shareholder activism and the remaining Other expenses relate to the acquisition of the MEMS Microphone Application-specific integrated circuit Design Business from ams AG by the Audio segment and the acquisition of DITF Interconnect Technology, Inc. by the Precision Devices segment. In 2018, Other expenses in Gross profit and Operating expenses represent expenses related to acquisitions and the remaining Other expenses represent an adjustment to pre-spin-off pension obligations.

# Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures (Unaudited)

	Year Ended December 31,				
	2022E <sup>(1)</sup>	2021	2020	2019	2018
(Continuing operations, in millions, except per share amounts)					
<b>Net (loss) earnings</b>	<b>\$ (201.2)</b>	<b>\$ 150.2</b>	<b>\$ 2.9</b>	<b>\$ 49.7</b>	<b>\$ 65.6</b>
<b>Interest expense, net</b>	<b>3.6</b>	<b>14.2</b>	<b>16.4</b>	<b>14.5</b>	<b>16.0</b>
<b>Provision for (benefit from) income taxes</b>	<b>16.4</b>	<b>(45.6)</b>	<b>8.4</b>	<b>16.6</b>	<b>(4.5)</b>
<b>(Loss) earnings before interest and income taxes</b>	<b>(181.2)</b>	<b>118.8</b>	<b>27.7</b>	<b>80.8</b>	<b>77.1</b>
Non-GAAP reconciling adjustments	322.6	55.5	51.6	46.1	40.1
Depreciation expense	41.9	46.6	47.6	47.4	45.9
<b>Adjusted earnings before interest, income taxes, depreciation, and amortization ("EBITDA")</b>	<b>\$ 183.3</b>	<b>\$ 220.9</b>	<b>\$ 126.9</b>	<b>\$ 174.3</b>	<b>\$ 163.1</b>
<i>Adjusted EBITDA as a % of revenues</i>	23.6 %	25.4 %	16.6 %	20.4 %	19.7 %
<b>Net (loss) earnings</b>	<b>\$ (201.2)</b>	<b>\$ 150.2</b>	<b>\$ 2.9</b>	<b>\$ 49.7</b>	<b>\$ 65.6</b>
Non-GAAP reconciling adjustments <sup>(4)</sup>	322.6	55.5	51.6	46.1	40.1
Interest expense, net non-GAAP reconciling adjustments <sup>(5)</sup>	—	6.6	7.4	6.8	6.3
Income tax effects of non-GAAP reconciling adjustments <sup>(6)</sup>	4.3	65.4	(1.3)	1.0	17.5
<b>Non-GAAP net earnings</b>	<b>\$ 117.1</b>	<b>\$ 146.9</b>	<b>\$ 63.2</b>	<b>\$ 101.6</b>	<b>\$ 94.5</b>
<b>Diluted (loss) earnings per share</b>	<b>\$ (2.19)</b>	<b>\$ 1.59</b>	<b>\$ 0.03</b>	<b>\$ 0.53</b>	<b>\$ 0.72</b>
Earnings per share non-GAAP reconciling adjustment	3.44	(0.06)	0.64	0.54	0.29
<b>Non-GAAP diluted earnings per share</b>	<b>\$ 1.25</b>	<b>\$ 1.53</b>	<b>\$ 0.67</b>	<b>\$ 1.07</b>	<b>\$ 1.01</b>
<b>Diluted average shares outstanding</b>	<b>92.0</b>	<b>94.7</b>	<b>92.9</b>	<b>93.4</b>	<b>91.2</b>
Non-GAAP adjustment <sup>(7)</sup>	2.0	1.1	1.5	1.4	2.0
<b>Non-GAAP diluted average shares outstanding <sup>(7)</sup></b>	<b>94.0</b>	<b>95.8</b>	<b>94.4</b>	<b>94.8</b>	<b>93.2</b>

## Notes:

- (4) The non-GAAP reconciling adjustments are those adjustments made to reconcile (Loss) earnings before interest and income taxes to Adjusted earnings before interest and income taxes.
- (5) Under GAAP in effect for the Company through 2021, certain convertible debt instruments that may be settled in cash (or other assets) upon conversion were required to be separately accounted for as liability (debt) and equity (conversion option) components of the instrument in a manner that reflected the issuer's nonconvertible debt borrowing rate. Accordingly, for GAAP purposes we were required to recognize imputed interest expense on the Company's \$172.5 million of convertible senior notes due November 1, 2021 that were issued in a private placement in May 2016. The imputed interest rate for the convertible notes was 8.12%, while the actual coupon interest rate of the notes was 3.25%. The difference between the imputed interest expense and the coupon interest expense was excluded from management's assessment of the Company's operating performance because management believes that this non-cash expense was not indicative of its core, ongoing operating performance.
- (6) Income tax effects of non-GAAP reconciling adjustments are calculated using the applicable tax rates in the jurisdictions of the underlying adjustments.
- (7) The number of shares used in the diluted per share calculations on a non-GAAP basis excludes the impact of stock-based compensation expense expected to be incurred in future periods and not yet recognized in the financial statements, which would otherwise be assumed to be used to repurchase shares under the GAAP treasury stock method. In addition, the Company entered into convertible note hedge transactions that expired upon maturity of the convertible notes to offset any potential dilution from the convertible notes. Although the anti-dilutive impact of the convertible note hedges was not reflected under GAAP, the Company included the anti-dilutive impact of the convertible note hedges in non-GAAP diluted average shares outstanding, if applicable.

# Historical Segment Data (Unaudited)



	Precision Devices					MedTech & Specialty Audio					Consumer MEMS Microphones				
	Year Ended December 31,					Year Ended December 31,					Year Ended December 31,				
	2022E <sup>(1)</sup>	2021	2020	2019	2018	2022E <sup>(1)</sup>	2021	2020	2019	2018	2022E <sup>(1)</sup>	2021	2020	2019	2018
(Continuing operations, in millions)															
<b>Revenues</b>	<b>\$245.6</b>	<b>\$ 201.1</b>	<b>\$ 173.1</b>	<b>\$ 172.0</b>	<b>\$ 144.7</b>	<b>\$ 225.6</b>	<b>\$ 231.3</b>	<b>\$ 173.6</b>	<b>\$ 214.4</b>	<b>\$ 209.2</b>	<b>\$ 306.4</b>	<b>\$ 435.7</b>	<b>\$ 417.6</b>	<b>\$ 468.4</b>	<b>\$ 473.0</b>
<b>Gross profit</b>	<b>\$ 114.5</b>	<b>\$ 88.5</b>	<b>\$ 66.2</b>	<b>\$ 64.6</b>	<b>\$ 58.7</b>	<b>\$ 109.6</b>	<b>\$ 108.7</b>	<b>\$ 63.4</b>	<b>\$ 89.9</b>	<b>\$ 86.9</b>	<b>\$ 57.3</b>	<b>\$ 164.1</b>	<b>\$ 143.5</b>	<b>\$ 175.2</b>	<b>\$ 179.6</b>
Gross profit margin	46.6%	44.0%	38.2%	37.6%	40.6%	48.6%	47.0%	36.5%	41.9%	41.5%	18.7%	37.7%	34.4%	37.4%	38.0%
Stock-based compensation expense	0.4	0.4	0.1	—	—	0.4	0.4	0.7	0.8	0.8	0.5	0.5	0.5	0.4	0.4
Restructuring charges	—	—	(0.1)	0.8	0.4	—	—	0.7	0.4	—	28.1	—	1.6	0.5	—
Production transfer costs	—	—	0.2	2.3	1.6	—	—	—	—	0.6	—	—	—	—	—
Other	—	1.0	—	—	0.2	—	—	—	—	—	—	—	—	—	—
<b>Non-GAAP gross profit</b>	<b>\$ 114.9</b>	<b>\$ 89.9</b>	<b>\$ 66.4</b>	<b>\$ 67.7</b>	<b>\$ 60.9</b>	<b>\$ 110.0</b>	<b>\$ 109.1</b>	<b>\$ 64.8</b>	<b>\$ 91.1</b>	<b>\$ 88.3</b>	<b>\$ 85.9</b>	<b>\$ 164.6</b>	<b>\$ 145.6</b>	<b>\$ 176.1</b>	<b>\$ 180.0</b>
Non-GAAP gross profit as a % of revenues	46.8%	44.7%	38.4%	39.4%	42.1%	48.8%	47.2%	37.3%	42.5%	42.2%	28.0%	37.8%	34.9%	37.6%	38.1%
<b>Research and development expenses</b>	<b>\$ 12.5</b>	<b>\$ 10.5</b>	<b>\$ 6.7</b>	<b>\$ 5.8</b>	<b>\$ 5.8</b>	<b>\$ 16.9</b>	<b>\$ 16.1</b>	<b>\$ 14.6</b>	<b>\$ 15.9</b>	<b>\$ 15.4</b>	<b>\$ 53.2</b>	<b>\$ 65.7</b>	<b>\$ 70.0</b>	<b>\$ 74.9</b>	<b>\$ 79.1</b>
Research and development expenses margin	5.1%	5.2%	3.9%	3.4%	4.0%	7.5%	7.0%	8.4%	7.4%	7.4%	17.4%	15.1%	16.8%	16.0%	16.7%
Stock-based compensation expense	(0.3)	(0.2)	—	—	—	(1.1)	(1.0)	(0.9)	(1.0)	(0.7)	(4.2)	(4.3)	(5.3)	(6.6)	(7.1)
Intangibles amortization expense	(0.4)	(0.3)	—	—	—	—	—	—	—	—	(6.0)	(5.7)	(5.5)	—	—
Production transfer costs	—	—	—	—	—	—	—	—	—	(0.4)	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—	—	(0.2)	(0.3)	—	—	—
<b>Non-GAAP research and development expenses</b>	<b>\$ 11.8</b>	<b>\$ 10.0</b>	<b>\$ 6.7</b>	<b>\$ 5.8</b>	<b>\$ 5.8</b>	<b>\$ 15.8</b>	<b>\$ 15.1</b>	<b>\$ 13.7</b>	<b>\$ 14.9</b>	<b>\$ 14.3</b>	<b>\$ 42.8</b>	<b>\$ 55.4</b>	<b>\$ 59.2</b>	<b>\$ 68.3</b>	<b>\$ 72.0</b>
Non-GAAP research and development expenses as a % of revenues	4.8%	5.0%	3.9%	3.4%	4.0%	7.0%	6.5%	7.9%	6.9%	6.8%	14.0%	12.7%	14.2%	14.6%	15.2%
<b>Selling and administrative expenses</b>	<b>\$ 43.4</b>	<b>\$ 35.0</b>	<b>\$ 28.0</b>	<b>\$ 28.5</b>	<b>\$ 25.1</b>	<b>\$ 13.5</b>	<b>\$ 15.8</b>	<b>\$ 26.2</b>	<b>\$ 15.1</b>	<b>\$ 13.0</b>	<b>\$ 22.2</b>	<b>\$ 34.2</b>	<b>\$ 35.7</b>	<b>\$ 48.1</b>	<b>\$ 52.5</b>
Selling and administrative expenses margin	17.7%	17.4%	16.2%	16.6%	17.3%	6.0%	6.8%	15.1%	7.0%	6.2%	7.2%	7.8%	8.5%	10.3%	11.1%
Stock-based compensation expense	(2.0)	(2.1)	(0.7)	(1.4)	(0.8)	(1.4)	(1.0)	(0.9)	(0.7)	(0.7)	(1.6)	(2.7)	(2.3)	(3.6)	(3.7)
Intangibles amortization expense	(5.6)	(4.7)	(2.4)	(2.3)	(1.8)	—	—	—	—	—	(0.3)	(5.2)	(5.1)	(4.7)	(4.7)
Other	—	—	—	(0.5)	(0.2)	—	—	—	—	—	(0.1)	(1.1)	(0.8)	(0.4)	—
<b>Non-GAAP selling and administrative expenses</b>	<b>\$ 35.8</b>	<b>\$ 28.2</b>	<b>\$ 24.9</b>	<b>\$ 24.3</b>	<b>\$ 22.3</b>	<b>\$ 12.1</b>	<b>\$ 14.8</b>	<b>\$ 25.3</b>	<b>\$ 14.4</b>	<b>\$ 12.3</b>	<b>\$ 20.2</b>	<b>\$ 25.2</b>	<b>\$ 27.5</b>	<b>\$ 39.4</b>	<b>\$ 44.1</b>
Non-GAAP selling and administrative expenses as a % of revenues	14.6%	14.0%	14.4%	14.1%	15.4%	5.4%	6.4%	14.6%	6.7%	5.9%	6.6%	5.8%	6.6%	8.4%	9.3%
<b>Operating expenses</b>	<b>\$ 55.9</b>	<b>\$ 45.6</b>	<b>\$ 34.9</b>	<b>\$ 34.3</b>	<b>\$ 31.0</b>	<b>\$ 30.4</b>	<b>\$ 32.0</b>	<b>\$ 41.3</b>	<b>\$ 32.0</b>	<b>\$ 29.5</b>	<b>\$ 324.4</b>	<b>\$ 104.2</b>	<b>\$ 121.0</b>	<b>\$ 125.9</b>	<b>\$ 131.9</b>
Operating expenses margin	22.8%	22.7%	20.2%	19.9%	21.4%	13.5%	13.8%	23.8%	14.9%	14.1%	105.9%	23.9%	29.0%	26.9%	27.9%
Stock-based compensation expense	(2.3)	(2.3)	(0.7)	(1.4)	(0.8)	(2.5)	(2.0)	(1.8)	(1.7)	(1.4)	(5.8)	(7.0)	(7.6)	(10.2)	(10.8)
Intangibles amortization expense	(6.0)	(5.0)	(2.4)	(2.3)	(1.8)	—	—	—	—	—	(6.3)	(10.9)	(10.6)	(4.7)	(4.7)
Impairment charges	—	—	—	—	—	—	—	—	—	—	(239.8)	(4.0)	(7.6)	—	—
Restructuring charges	—	(0.1)	(0.2)	—	(0.1)	—	(0.1)	(0.5)	(1.0)	(1.1)	(9.2)	(0.3)	(7.7)	(2.9)	(0.3)
Production transfer costs	—	—	—	—	—	—	—	—	—	(0.4)	—	—	—	—	—
Other	—	—	—	(0.5)	(0.2)	—	—	—	—	—	(0.3)	(1.4)	(0.8)	(0.4)	—
<b>Non-GAAP operating expenses</b>	<b>\$ 47.6</b>	<b>\$ 38.2</b>	<b>\$ 31.6</b>	<b>\$ 30.1</b>	<b>\$ 28.1</b>	<b>\$ 27.9</b>	<b>\$ 29.9</b>	<b>\$ 39.0</b>	<b>\$ 29.3</b>	<b>\$ 26.6</b>	<b>\$ 63.0</b>	<b>\$ 80.6</b>	<b>\$ 86.7</b>	<b>\$ 107.7</b>	<b>\$ 116.1</b>
Non-GAAP operating expenses as a % of revenues	19.4%	19.0%	18.3%	17.5%	19.4%	12.4%	12.9%	22.5%	13.7%	12.7%	20.6%	18.5%	20.8%	23.0%	24.5%

# Historical Segment Data (Unaudited)



	Precision Devices					MedTech & Specialty Audio					Consumer MEMS Microphones				
	Year Ended December 31,					Year Ended December 31,					Year Ended December 31,				
	2022E <sup>(1)</sup>	2021	2020	2019	2018	2022E <sup>(1)</sup>	2021	2020	2019	2018	2022E <sup>(1)</sup>	2021	2020	2019	2018
<i>(Continuing operations, in millions)</i>															
<b>Operating earnings (loss)</b>	\$ 58.6	\$ 42.9	\$ 31.3	\$ 30.3	\$ 27.7	\$ 79.2	\$ 76.7	\$ 22.1	\$ 57.9	\$ 57.4	\$(267.1)	\$ 59.9	\$ 22.5	\$ 49.3	\$ 47.7
<b>Other expense (income), net</b>	2.6	(0.8)	(0.4)	(0.1)	0.2	(0.1)	(0.3)	(0.2)	(0.2)	(0.7)	(0.1)	(0.1)	(0.1)	0.1	0.1
<b>Earnings (loss) before interest and income taxes</b>	56.0	43.7	31.7	30.4	27.5	79.3	77.0	22.3	58.1	58.1	(267.0)	60.0	22.6	49.2	47.6
<i>Earnings (loss) before interest and income taxes as a % of revenues</i>	22.8%	21.7%	18.3%	17.7%	19.0%	35.2 %	33.3 %	12.8%	27.1%	27.8%	(87.1)%	13.8 %	5.4%	10.5%	10.1%
Stock-based compensation expense	2.7	2.7	0.8	1.4	0.8	2.9	2.4	2.5	2.5	2.2	6.3	7.5	8.1	10.6	11.2
Intangibles amortization expense	6.0	5.0	2.4	2.3	1.8	—	—	—	—	—	6.3	10.9	10.6	4.7	4.7
Impairment charges	—	—	—	—	—	—	—	—	—	—	239.8	4.0	7.6	—	—
Restructuring charges	—	0.1	0.1	0.8	0.5	—	0.1	1.2	1.4	1.1	37.3	0.3	9.3	3.4	0.3
Production transfer costs	—	—	0.2	2.3	1.6	—	—	—	—	1.0	—	—	—	—	—
Other	3.4	1.0	—	0.5	1.7	—	—	—	—	—	0.3	1.4	0.8	0.4	—
<b>Adjusted earnings before interest and income taxes</b>	\$ 68.1	\$ 52.5	\$ 35.2	\$ 37.7	\$ 33.9	\$ 82.2	\$ 79.5	\$ 26.0	\$ 62.0	\$ 62.4	\$ 23.0	\$ 84.1	\$ 59.0	\$ 68.3	\$ 63.8
<i>Adjusted earnings before interest and income taxes as a % of revenues</i>	27.7%	26.1%	20.3%	21.9%	23.4%	36.4%	34.4%	15.0%	28.9%	29.8%	7.5%	19.3%	14.1%	14.6%	13.5%
<b>Operating earnings (loss)</b>	\$ 58.6	\$ 42.9	\$ 31.3	\$ 30.3	\$ 27.7	\$ 79.2	\$ 76.7	\$ 22.1	\$ 57.9	\$ 57.4	\$(267.1)	\$ 59.9	\$ 22.5	\$ 49.3	\$ 47.7
<b>Other expense (income), net</b>	2.6	(0.8)	(0.4)	(0.1)	0.2	(0.1)	(0.3)	(0.2)	(0.2)	(0.7)	(0.1)	(0.1)	(0.1)	0.1	0.1
<b>Earnings (loss) before interest and income taxes</b>	56.0	43.7	31.7	30.4	27.5	79.3	77.0	22.3	58.1	58.1	(267.0)	60.0	22.6	49.2	47.6
Non-GAAP reconciling adjustments	12.1	8.8	3.5	7.3	6.4	2.9	2.5	3.7	3.9	4.3	290.0	24.1	36.4	19.1	16.2
Depreciation expense	8.1	8.3	8.1	7.6	6.0	8.1	6.3	6.0	5.6	5.7	23.1	29.0	30.4	31.0	31.0
<b>Adjusted earnings before interest, income taxes, depreciation, and amortization ("EBITDA")</b>	\$ 76.2	\$ 60.8	\$ 43.3	\$ 45.3	\$ 39.9	\$ 90.3	\$ 85.8	\$ 32.0	\$ 67.6	\$ 68.1	\$ 46.1	\$ 113.1	\$ 89.4	\$ 99.3	\$ 94.8
<i>Adjusted EBITDA as a % of revenues</i>	31.0%	30.2%	25.0%	26.3%	27.6%	40.0%	37.1%	18.4%	31.5%	32.6%	15.0%	26.0%	21.4%	21.2%	20.0%

(1) 2022 estimates are calculated using the mid-point of Q4 guidance as of November 29, 2022 and the nine months ended September 30, 2022.

# Reconciliation of Segment EBIT to Consolidated Net Earnings (Unaudited)



(Continuing operations, in millions)

	Year Ended December 31,				
	2022E <sup>(1)</sup>	2021	2020	2019	2018
<b>(Loss) earnings before interest and income taxes</b>					
Precision Devices	\$ 56.0	\$ 43.7	\$ 31.7	\$ 30.4	\$ 27.5
MedTech & Specialty Audio	79.3	77.0	22.3	58.1	58.1
Consumer MEMS Audio	(267.0)	60.0	22.6	49.2	47.6
<b>Total segments</b>	<b>(131.7)</b>	<b>180.7</b>	<b>76.6</b>	<b>137.7</b>	<b>133.2</b>
Corporate expense / other	49.5	61.9	48.9	56.9	56.1
Interest expense, net	3.6	14.2	16.4	14.5	16.0
<b>(Loss) earnings before income taxes</b>	<b>(184.8)</b>	<b>104.6</b>	<b>11.3</b>	<b>66.3</b>	<b>61.1</b>
Provision for (benefit from) income taxes	16.4	(45.6)	8.4	16.6	(4.5)
<b>Net (loss) earnings</b>	<b>\$ (201.2)</b>	<b>\$ 150.2</b>	<b>\$ 2.9</b>	<b>\$ 49.7</b>	<b>\$ 65.6</b>

(1) 2022 estimates are calculated using the mid-point of Q4 guidance as of November 29, 2022 and the nine months ended September 30, 2022.

# Free Cash Flow and Free Cash Flow as a % of revenues (Unaudited)

<i>(in millions)</i>	Years Ended December 31,				
	2022E <sup>(1)</sup>	2021	2020	2019	2018
<b>Cash provided by operating activities</b>	<b>\$ 84.5</b>	<b>\$ 182.1</b>	<b>\$ 128.1</b>	<b>\$ 123.9</b>	<b>\$ 98.5</b>
Less: Capital expenditures	(34.7)	(48.6)	(31.9)	(41.2)	(80.1)
<b>Free cash flow <sup>(2)</sup></b>	<b>49.8</b>	<b>133.5</b>	<b>96.2</b>	<b>82.7</b>	<b>18.4</b>
<i>Free cash flow as a % of revenues <sup>(1)</sup></i>	6.4 %	15.4 %	12.6 %	9.7 %	2.2 %

(1) 2022 estimates are calculated using the mid-point of Q4 guidance as of November 29, 2022 and the nine months ended September 30, 2022.

(2) In addition to measuring cash flow generation and usage based on liquidity measures determined in accordance with GAAP, Knowles also measures Free cash flow and Free cash flow as a % of revenues. Free cash flow is defined as Cash provided by operating activities less Capital expenditures. Knowles believes these measures are useful in measuring its Cash flow generated from operations that is available to repay debt, fund acquisitions, and repurchase Knowles' common stock. Free cash flow and Free cash flow as a percentage of revenues are not presented in accordance with GAAP and may not be comparable to similarly titled measures used by other companies in our industry. As such, Free cash flow and Free cash flow as a % of revenues should not be considered in isolation from, or as an alternative to, any other liquidity measures determined in accordance with GAAP.

# Reconciliation of Net Debt

<i>(Continuing operations, in millions)</i>	Year Ended December 31, 2022E <sup>(1)</sup>
Current maturities of long-term debt	\$ —
Long-term debt	50.0
<b>Total debt</b>	<b>50.0</b>
Less: Cash and cash equivalents	(49.8)
<b>Net debt</b>	<b>\$ 0.2</b>

(1) 2022 estimates are calculated using the mid-point of Q4 guidance as of November 29, 2022.



# Reconciliation of Liquidity

<i>(in millions)</i>	Year Ended December 31, 2022E <sup>(1)</sup>	
Maximum borrowings permitted on revolving credit facility	\$	400.0
Less: Outstanding borrowings on revolving credit facility		(50.0)
Availability on revolving credit facility		350.0
Cash and cash equivalents		49.8
<b>Liquidity</b>	<b>\$</b>	<b>399.8</b>

(1) 2022 estimates are calculated using the mid-point of Q4 guidance as of November 29, 2022.