

Q1 2021 Earnings Presentation

May 2021

WE FIND A WAY

CVG

Forward-Looking Statements and Non-GAAP Financial Measures

These slides contains forward-looking statements that are subject to risks and uncertainties. These statements often include words such as “believe”, “anticipate”, “plan”, “expect”, “intend”, “will”, “should”, “could”, “would”, “project”, “continue”, “likely”, and similar expressions. In particular, these slides may contain forward-looking statements about the Company’s expectations for future periods with respect to its plans to improve financial results, the future of the Company’s end markets, including the short-term and long-term impact of the COVID-19 pandemic on our business, changes in the Class 8 and Class 5-7 North America truck build rates, performance of the global construction equipment business, the Company’s prospects in the wire harness, warehouse automation and electric vehicle markets, the Company’s initiatives to address customer needs, organic growth, the Company’s strategic plans and plans to focus on certain segments, competition faced by the Company, volatility in and disruption to the global economic environment and the Company’s financial position or other financial information. These statements are based on certain assumptions that the Company has made in light of its experience as well as its perspective on historical trends, current conditions, expected future developments and other factors it believes are appropriate under the circumstances. Actual results may differ materially from the anticipated results because of certain risks and uncertainties, including those included in the Company’s filings with the SEC. There can be no assurance that statements made in these slides relating to future events will be achieved. The Company undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on behalf of the Company are expressly qualified in their entirety by such cautionary statements.

Presented by



Harold Bevis
President and
Chief Executive Officer



Chris Bohnert
Chief Financial Officer
and Investor Relations

Q1 2021 Highlights

Q1 Net Sales

$245M

31% YoY

All Time Quarterly Sales Record

Q1 Operating Income

$15.4M

Versus $(26.5)M loss in Q1 2020

Q1 Adj. EBITDA

$21.1M

Versus $11.0M in Q1 2020 Up 92%

Q1 Diluted EPS

$0.26

Versus $(0.80) in Q1 2020

Q1 Net New Business Awards

$100M

Annualized

Concentrated in Electric Vehicles



Strategic Realignment - Q1 Update

Progress on Growing Earnings and Diversifying Sales Mix



Launched New Approach to Gain New Customers

$100M of net new business awards in Q1



Expanded in Warehouse Automation

Sales up 22% over prior quarter

Two additional facilities certified - North America and India



Expanded in Electric Vehicles

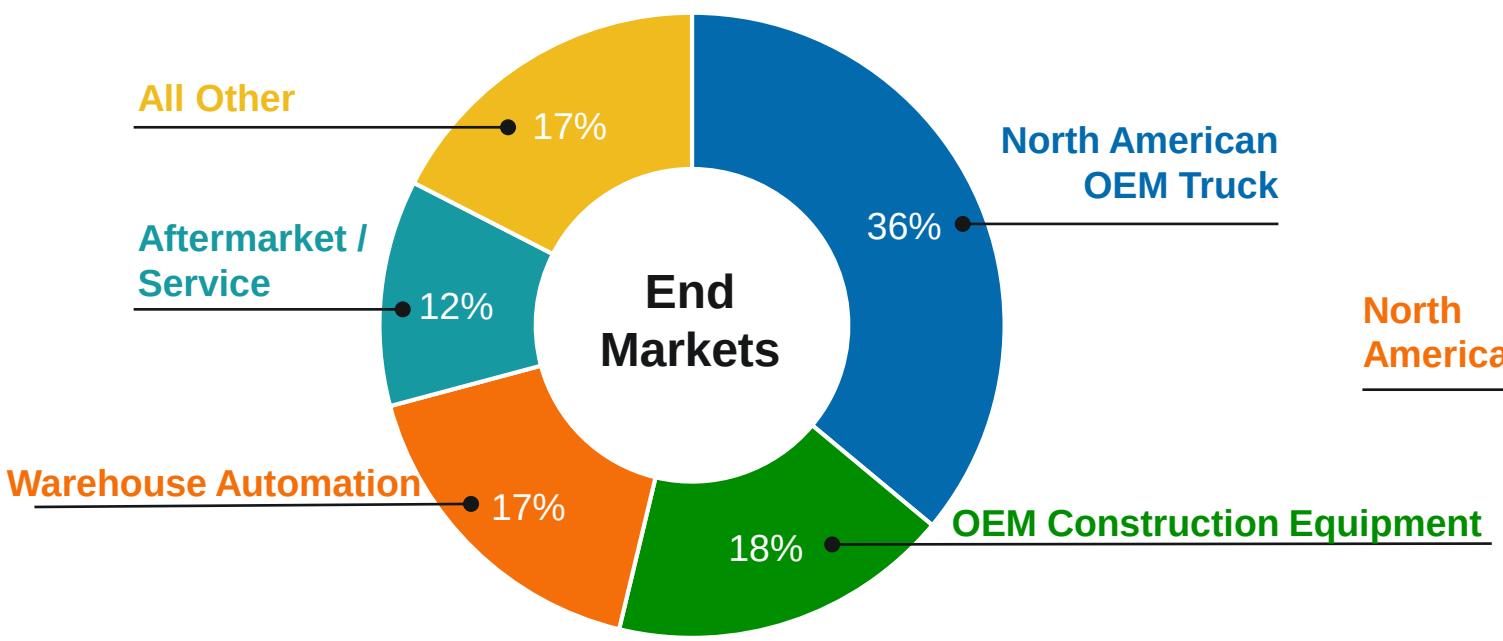
Announced partnership with Xos, Inc. to provide full-service design and manufacturing services & secured awards on 2 other electric vehicle platforms

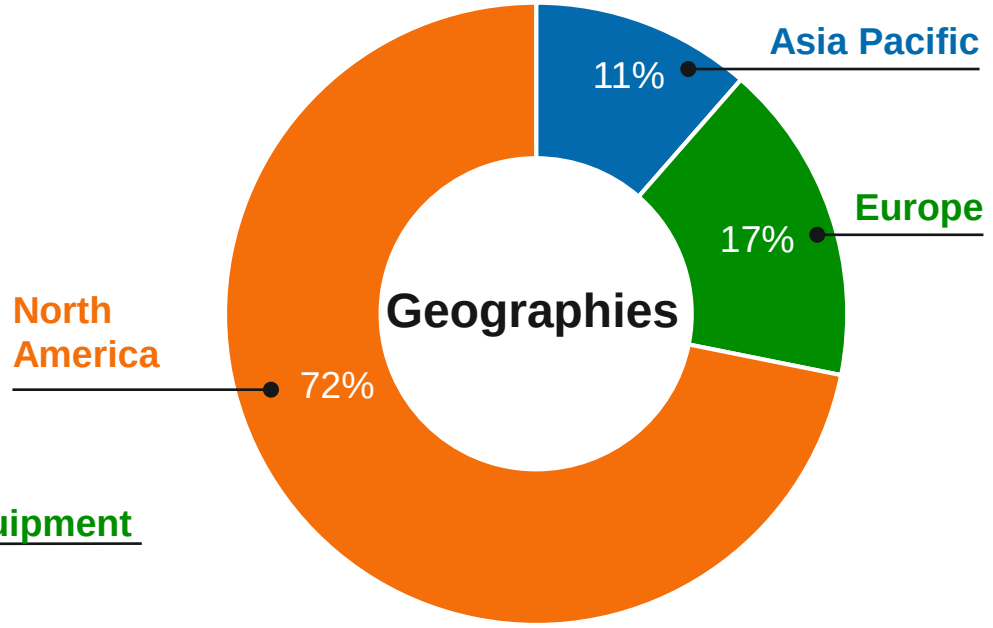


Reduced End Market Concentration

Majority of Q1 awards outside of Internal Combustion Engine class 8 truck

First Quarter 2021 Sales Breakdown
$245.1 Million





Market Outlook

North American Truck

- Q1 demand near replacement levels at approximately 67k units
- Strong/above replacement demand through 2023
- Near term supply chain constraints

Warehouse Automation

- 14% growth annually through 2025 per logistics IQ
- Continuing to build out our footprint to create capacity

OEM Construction Equipment

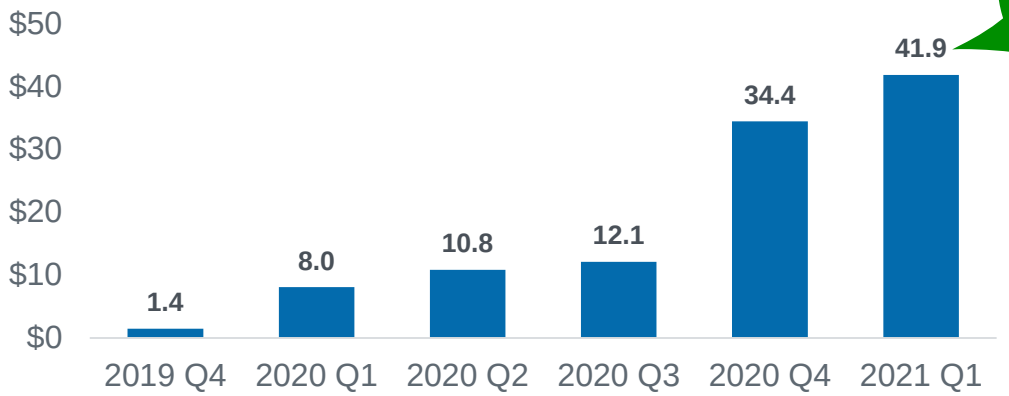
- Strong order book globally through 2021
- ~40% North America / ~60% Rest of World
- Near term supply chain constraints



Warehouse Automation - The Company is Benefitting from Strong Industry Investment, New Capacity and Wins

Warehouse Automation CVG Sales Profile

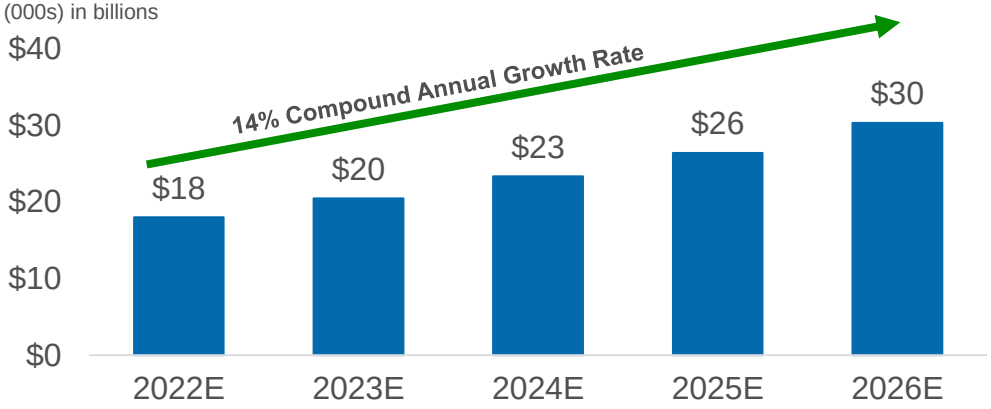
(000s) in millions



22%
Quarter over Quarter Growth

Market Growth Expectations*

(000s) in billions



*Source: Logistics IQ



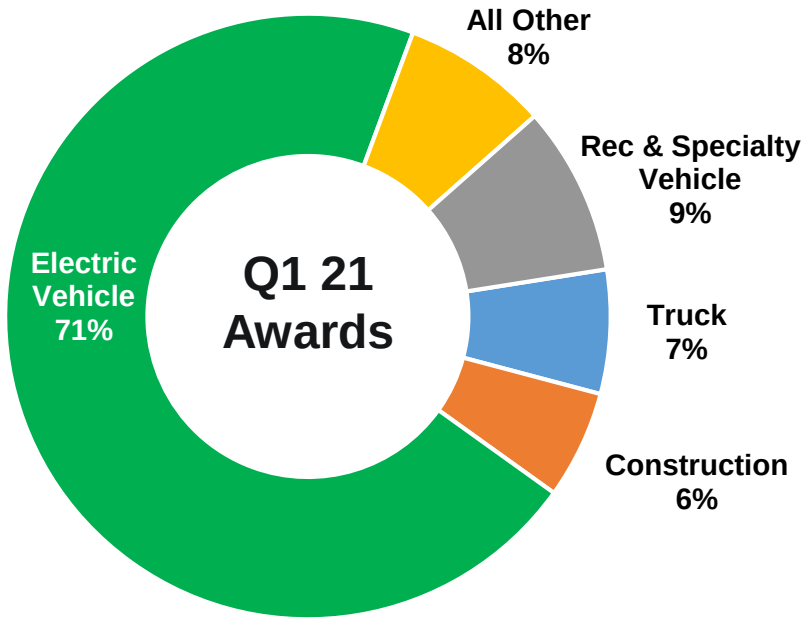
Electric Vehicle and Last Mile Progress

- Value Proposition Resonating
  - Speed, agility & knowledge: Digital development and production
  - High and low voltage system and product design
  - Integrated development teams
- Designing and delivering prototype products for field trials and testing
- Multiple production platform launches in late 2021 and throughout 2022
- Continuing to target last mile, mass transit, and mid and long haul OEMs and fleets
- Xos relationship is the model for CVG electrical system value creation and related margin expansion
- Driving truck business towards a balance between first mile, middle mile and last mile

CVG is involved with 34 platforms globally all at different points in the product lifecycle



Q1 Annualized Net New Business Awards $100 Million



- **Electric Vehicle** wins with new market entrants are **longer cycle** awards that ramp to anticipated volumes through 2026
- New products with recreation & specialty vehicle makers for plastics parts



Business Transformation Scorecard

- [x] Stop the bleeding caused by COVID disruption
- [x] Establish a winning culture, put in place a good plan, give team a chance to win
- [x] Put in new management team, reallocate resources against opportunities
- [x] Disproportionally pursue entrepreneurial breakout opportunities
- [ ] Put in place strong organic growth pipelines
- [ ] Optimize profits through pricing, cost optimization
- [ ] Elevate end market value propositions and business approaches
- [ ] Focused acquisitions and divestitures to turn portfolio

Just starting, quantum change targeted



Conclusion

1. Grow earnings, improve revenue quality, increase sales diversification, and reduce business cyclicality risks
2. The Warehouse Automation market continues to grow and we have organized and executed to capitalize on it
3. We are winning with Electric Vehicle participants as a solutions provider to the global Electric Vehicle ecosystem
4. We are leveraging and optimizing our existing assets to capitalize on global legacy end market momentum
5. We have refinanced our debt structure to provide more flexibility in deploying our capital and exploring M&A



Financial Update

CVG Consolidated Results 1Q 2021 vs. 1Q 2020

In millions

Q1 2021	Revenues	Gross Profit	Adj. Operating Income	Adjusted EBITDA
	$245.1	$31.1 Gross Margin: 12.7%	$15.8 Operating Margin: 6.5%	$21.1 EBITDA Margin: 8.6%
Better / (Worse) Compared to Q1 2020	Revenues	Gross Profit	Adj. Operating Income	Adjusted EBITDA
	$58.0	$10.8 Gross Margin: 1.8%	$8.7 Operating Margin: 2.7%	$10.1 EBITDA Margin: 2.7%

1Q 2021:

- Revenues at all time record high despite NA Class 8 Truck Builds around replacement levels
- Adjusted operating income increase of 91% compared to Q4 2020 despite startup costs associated with new business launches



Refinancing of Senior Secured Notes into $275M Senior Secured Credit Facility

	Old Facilities			New Facilities	
In Millions	**Size**	**Interest Rate**		**Size**	**Interest Rates based on Total Leverage**
Old					
ABL Revolving Credit Facility	$90.0	Libor + 375			
Term Loan B @ March 31, 2021	$151.6	Libor +1050			
New					
New Cash Flow Revolver				$125.0	Prime + 125 - 200
New Term Loan A				$150.0	Eurodollar + 225 - 300
Total	**$241.6**			**$ 275.0**	

Significant Financial Flexibility

- Ability to do acquisitions
- Accordion feature with incremental lender commitments of up to $75 million bringing **total acquisition capital from this structure up to $200 million**
- Much lower interest cost; future quarterly savings of $3.1m million



Electrical Systems Segment 1Q 2021 vs. 1Q 2020

In millions

Q1 2021	Revenues	Gross Profit	Adj. Operating Income
	$162.2	$20.3 Gross Margin: 12.5%	$15.1 Operating Margin: 9.3%
Better / (Worse) Compared to Q1 2020	Revenues	Gross Profit	Adj. Operating Income
	$50.1	$9.3	$8.8

1Q 2021:

- Sales grew $24 million and 17% over Q4 2020 driven by warehouse automation and strengthening North American construction and agriculture markets
- Adjusted operating income increased 48% over Q4 2020 while launching new business wins



Global Seating Segment 1Q 2021 vs. 1Q 2020

In millions

Q1 2021	**Revenues** **$91.1**	**Gross Profit** **$10.9** Gross Margin: 12.0%	**Adj. Operating Income** **$5.5** Operating Margin: 6.1%
Better / (Worse) Compared to Q1 2020	**Revenues** **$15.1**	**Gross Profit** **$1.5**	**Adj. Operating Income** **$1.0**

1Q 2021:

- Increase in sales due to strong international demand and favorable foreign currency translation
- Adjusted operating income unfavorably impacted by new business startup activities

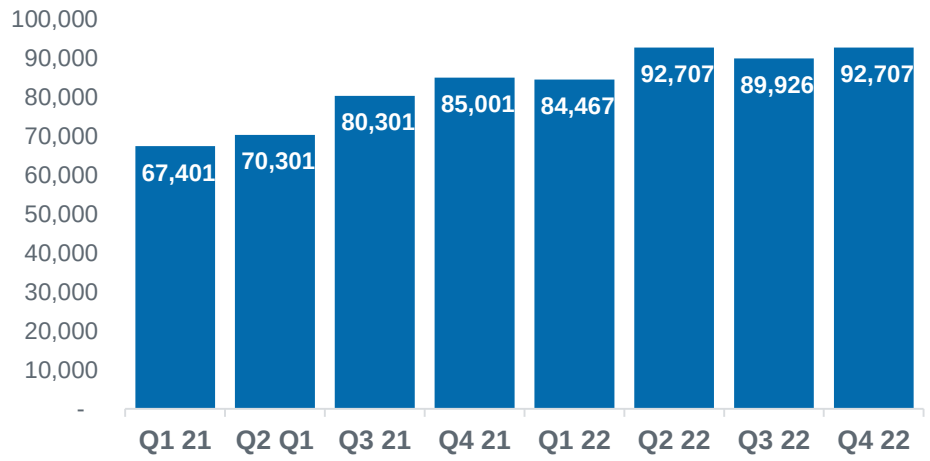




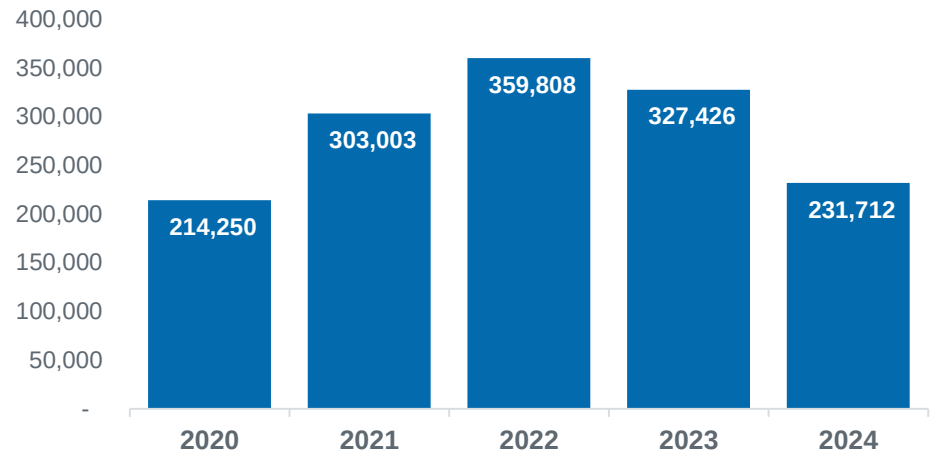
Supplemental Information

Market Outlook for North America Trucks

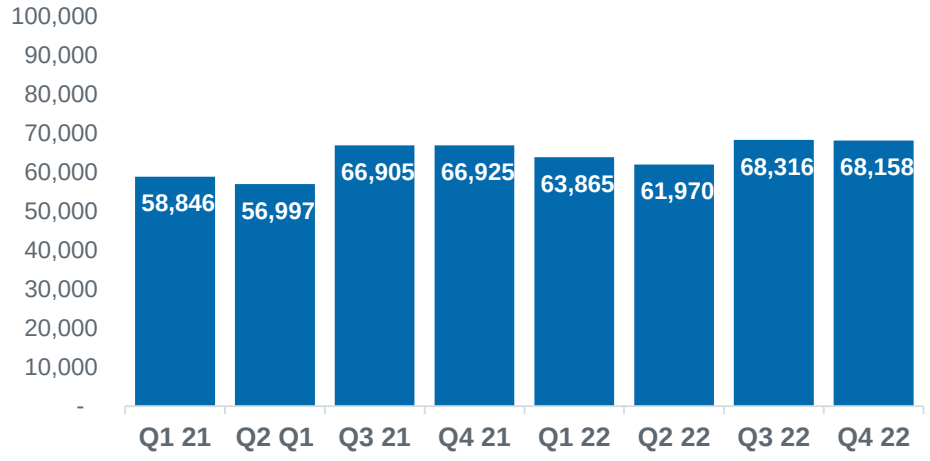
North America Class 8 Quarterly Build*



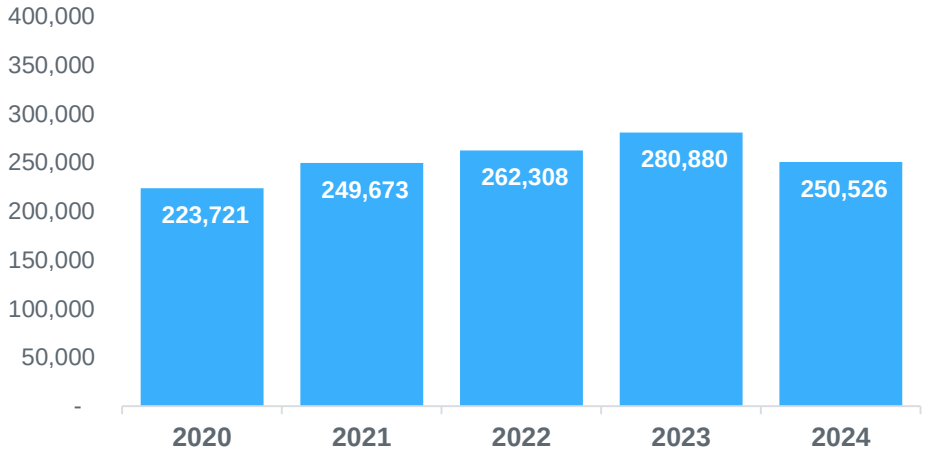
North America Class 8 Annual Build*



North America Class 5-7 Quarterly Build*



North America Class 5-7 Annual Build*



*Source: April 2021 ACT Research Report

Use Of Non-GAAP Financial Measures

This earnings presentation contains financial measures that are not calculated in accordance with U.S. generally accepted accounting principles (“GAAP”). In general, the non-GAAP measures exclude items that (i) management believes reflect the Company’s multi-year corporate activities; or (ii) relate to activities or actions that may have occurred over multiple or in prior periods without predictable trends. Management uses these non-GAAP financial measures internally to evaluate the Company’s performance, engage in financial and operational planning and to determine incentive compensation.

Management provides these non-GAAP financial measures to investors as supplemental metrics to assist readers in assessing the effects of items and events on the Company’s financial and operating results and in comparing the Company’s performance to that of its competitors and to comparable reporting periods. The non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies.

The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP. The financial results calculated in accordance with GAAP and reconciliations to those financial statements are set forth in the supplemental information.

CVG Consolidated Results 1Q 2021 vs. 1Q 2020

(In millions except for share information)	**Q1 2021**	**Q1 2020**
Revenue	245.1	187.1
Gross Profit	31.1	20.3
Gross Margin	*12.7%*	*10.9%*
Selling, General & Administrative Expense	14.9	17.1
Amortization Expense	0.9	0.9
Operating Income	15.4	(26.5)
Operating Margin	*6.3%*	*-14.2%*
Diluted Earnings per share	0.26	(0.80)
Adjusted Operating Income	15.8	7.1
Adjusted Operating Margin	*6.5%*	*3.8%*
Adjusted EBITDA	21.1	11.0
Adjusted EBITDA Margin	*8.6%*	*5.9%*
Diluted Adjusted Earnings per share	0.27	0.02

Electrical Systems Segment 1Q 2021 vs. 1Q 2020

(In millions)	**Q1 2021**	**Q1 2020**
Revenue	162.2	112.1
Gross Profit	20.3	10.9
Gross Margin	*12.5%*	*9.8%*
Selling, General & Administrative Expense	4.7	4.0
Amortization Expense	0.7	0.7
Operating Income	14.9	(17.1)
Operating Margin	*9.2%*	*-15.3%*
Adjusted Operating Income	15.1	6.3
Adjusted Operating Margin	*9.3%*	*5.6%*

Global Seating Segment 1Q 2021 vs. 1Q 2020

(In millions)	Q1 2021	Q1 2020
Revenue	91.1	76.0
Gross Profit	10.9	9.4
Gross Margin	*12.0%*	*12.3%*
Selling, General & Administrative Expense	5.2	4.8
Amortization Expense	0.1	0.1
Operating Income	5.5	(0.4)
Operating Margin	*6.1%*	*-0.5%*
Adjusted Operating Income	5.5	4.6
Adjusted Operating Margin	*6.1%*	*6.0%*

CVG Consolidated Balance Sheet

in millions	March 31, 2021	December 31, 2020
ASSETS		
Cash	38.2	50.5
Accounts receivable, net	186.0	151.1
Inventory, net	109.0	91.2
Other current assets	22.0	17.7
Total current assets	**355.2**	**310.5**
Property, plant and equipment, net	59.9	62.8
Intangible Assets	20.9	21.8
Deferred income taxes, net	24.6	26.0
Other assets, net	31.3	33.3
Total assets	**491.9**	**454.4**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	135.5	112.4
Accrued liabilities and other	51.7	50.1
Current portion of long term debt	2.4	2.4
Total current liabilities	**189.6**	**164.9**
Long term debt	152.0	144.1
Pension and other post-retirement benefits	14.7	15.3
Other long term liabilities	33.0	34.7
Total liabilities	**389.3**	**359.0**
Total stockholders equity	**102.6**	**95.4**
Total liabilities and stockholders' equity	**491.9**	**454.4**

Q1 2021 Highlights

Liquidity $120 million

$30 million investment in operating working capital to scale up with increased sales growth

Reconciliation of GAAP to Non-GAAP Financial Measures

(In millions)	Q1 2021	Q1 2020
Operating Income/(Loss)	**$ 15.4**	**$ (26.5)**
Deferred Consideration Purchase Accounting	0.2	-
Restructuring	-	0.2
Investigation	0.2	2.4
CEO Transition	-	2.2
Impairment	-	28.8
Adjusted Operating Income/(Loss)	**15.8**	**7.1**
% of Revenues	*6.5%*	*3.8%*
Net Income	**8.5**	**(24.6)**
Interest Expense	5.0	4.6
Provision (benefit) for income taxes	2.5	(7.3)
Depreciation Expense	3.8	3.8
Amortization Expense	0.9	0.9
Impairment Expense	-	28.8
EBITDA	**20.7**	**6.2**
% of Revenues	*8.4%*	*3.3%*
EBITDA Adjustments		
Restructuring	-	0.2
Deferred consideration purchase accounting	0.2	-
Investigation	0.2	2.4
CEO Transition	-	2.2
Adjusted EBITDA	**21.1**	**11.0**
% of Revenues	*8.6%*	*5.9%*

Reconciliation of GAAP to Non-GAAP Segment Information

For the Three Months Ended March 31, 2021

(in millions)	Electrical Systems	Global Seating	Corporate	Total
Operating Income/(Loss)	**$ 14.9**	**$ 5.5**	**$ (5.0)**	**$ 15.4**
Deferred Consideration Purchase Accounting	0.2	-	-	0.2
Restructuring	-	-	-	0.0
Investigation	-	-	0.2	0.2
Adjusted Operating Income/(Loss)	**$ 15.1**	**$ 5.5**	**$ (4.8)**	**$ 15.8**
Adjusted Operating Margin	*9.3%*	*6.1%*		*6.5%*

For the Three Months Ended March 31, 2020

(in millions)	Electrical Systems	Global Seating	Corporate	Total
Operating Income/(Loss)	**$ (17.1)**	**$ (0.4)**	**$ (9.0)**	**$ (26.5)**
Restructuring	0.0	0.1	0.0	0.2
Investigation	0.0	-	2.4	2.4
CEO Transition	0.0	-	2.2	2.2
Impairment	23.4	4.8	0.6	28.8
Adjusted Operating Income/(Loss)	**$ 6.3**	**$ 4.6**	**$ (3.7)**	**$ 7.1**
Adjusted Operating Margin	*5.6%*	*6.0%*		*3.8%*

Reconciliation of GAAP to Non-GAAP Cash Flow Information

(in millions)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Cash Flow from Operations	$ 10.3	$ 10.1	$ 10.4	$ 3.6	$ (15.4)
Capital Expenditures[1]	(3.4)	(1.0)	(1.0)	(1.0)	(1.7)
Free Cash Flow	**6.9**	**9.1**	**9.4**	**2.6**	**(13.7)**

1: Net of proceeds from disposal/sale of property, plant, and equipment

Reconciliation of GAAP to NON-GAAP Financial Measures – Adjusted EBITDA

(in millions)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2021Q1
Net income	**$ (24.6)**	**$ (12.5)**	**$ 4.2**	**$ (4.1)**	**$ 8.5**
Interest	4.6	5.3	5.5	5.2	5.0
Provision / (Benefit) for Income Taxes	(7.3)	(3.1)	(1.0)	3.9	2.5
Depreciation	3.8	3.7	3.8	3.8	3.8
Amortization	0.9	0.9	0.9	0.9	0.9
Impairment	28.8	0.2	-	-	-
EBITDA	**6.2**	**(5.6)**	**13.3**	**9.7**	**20.7**
Adjustments					
CEO Transition	2.3				
Restructuring	0.2	2.9	2.2	1.6	
Investigation	2.4	0.4	0.5	0.7	0.2
FSE Acquisition Costs					
Deferred Consideration Purchase Accounting		3.5	0.5	1.0	0.2
Non-Cash Pension Charge					
Adjusted EBITDA	**11.0**	**1.2**	**16.4**	**13.0**	**21.1**

Reconciliation of GAAP to NON-GAAP Financial Measures – Diluted EPS

(in millions except for share information)		Three Months Ended March 31, 2021		Three Months Ended March 31, 2020
Net Income/(Loss)	**$**	**8.5**	**$**	**(24.6)**
Operating income (loss) adjustments		0.4		33.6
Adjusted (benefit) provision for income taxes[1]		(0.1)		(8.4)
Adjusted net income (loss)	**$**	**8.8**	**$**	**0.6**
Diluted EPS	**$**	**0.26**	**$**	**(0.80)**
Adjustments to diluted EPS		0.01		0.82
Adjusted diluted EPS	**$**	**0.27**	**$**	**0.02**

1: Reported Tax (Benefit) Provision adjusted for tax effect of special charges at 25%