

Q3 2021 Earnings Presentation

November 2021

WE FIND A WAY!

CVG

Forward-Looking Statements and Non-GAAP Financial Measures

These slides contain 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 (including inflationary pressures and continued supply chain challenges) 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

Q3 2021 Highlights

Securing new business wins while operating in a difficult supply chain environment

Q3 Net Sales
$239.6M
28%YoY
Versus $187.7M in Q3 2020

Q3 Operating Income
$11.4M
28%YoY
Versus $8.9M in Q3 2020

Q3 Adj. EBITDA
$16.9M
3%YoY
Versus $16.4M in Q3 2020

Q3 Diluted Adj. EPS
$0.25
19%YoY
Versus $0.21 in Q3 2020

YTD Net New Business Awards
$168M
Annualized
Concentrated in Electric Vehicles



The Road Ahead
Q3 2021 Update



Grow and Diversify Revenue Mix

$168M of net new business awards 2021 YTD

New customers, new products, new programs, global



Warehouse Automation Growth

Sales on track to meet or exceed $150 million

Securing 2022 buildout programs



Electric & Fuel Cell Vehicles

4 new wins in Q3 worth an expected $28 million in annual revenue once fully ramped up

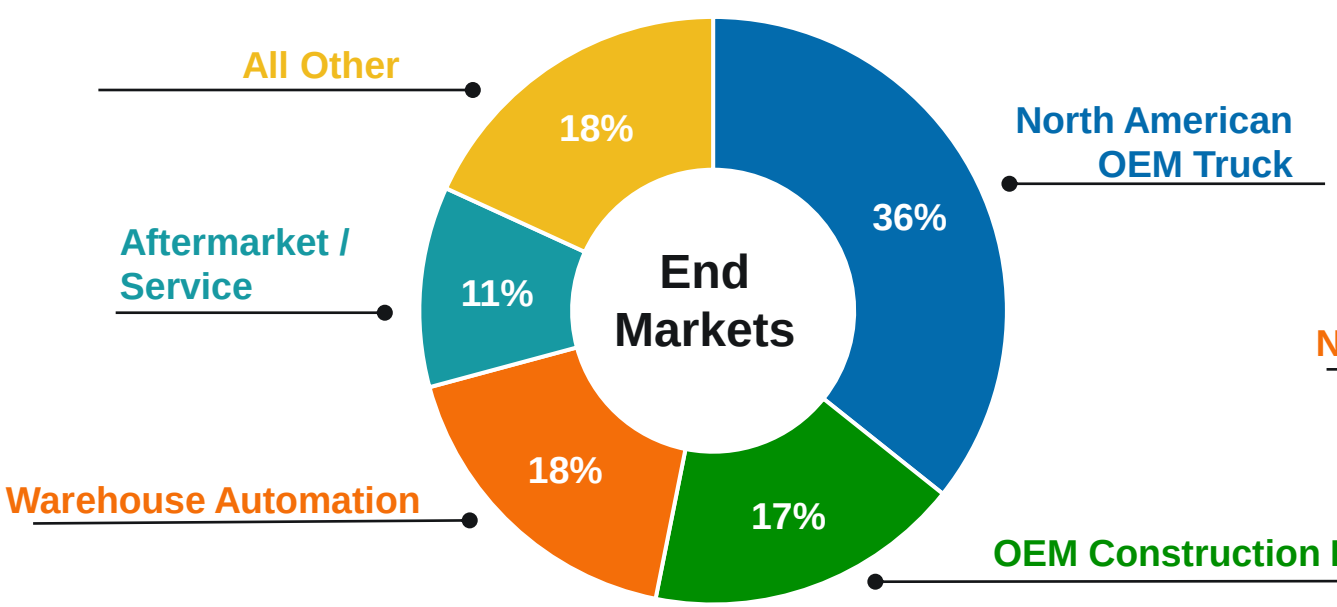


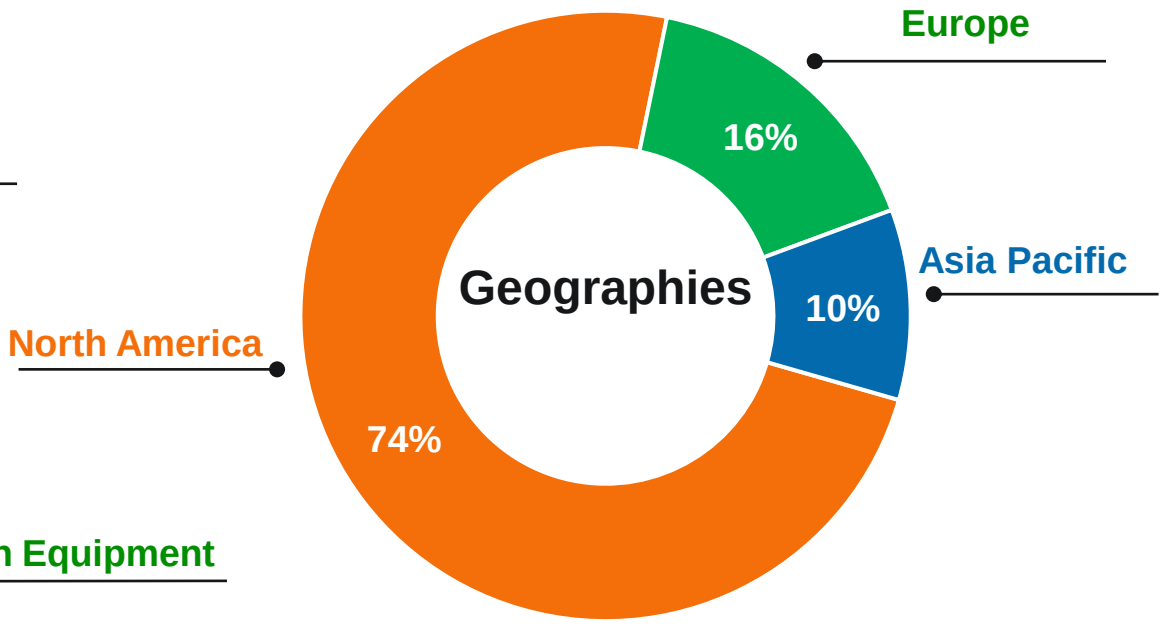
Optimizing Service & Cost Structure

Footprint evolution & investments to optimize customer service and profits

Portfolio Rebalance Progress Report

2021 Sales (9 Months)





Market Outlook

North American Truck

Class 8 truck backlog at 278k trucks nearing record high

Semiconductors and other material shortages preventing additional OEM output

Inflationary pressures are persisting

Warehouse Automation

14% growth annually through 2026 per logistics IQ

Market demand creating opportunities for expansion

Near term supply chain constraints & inflationary pressures

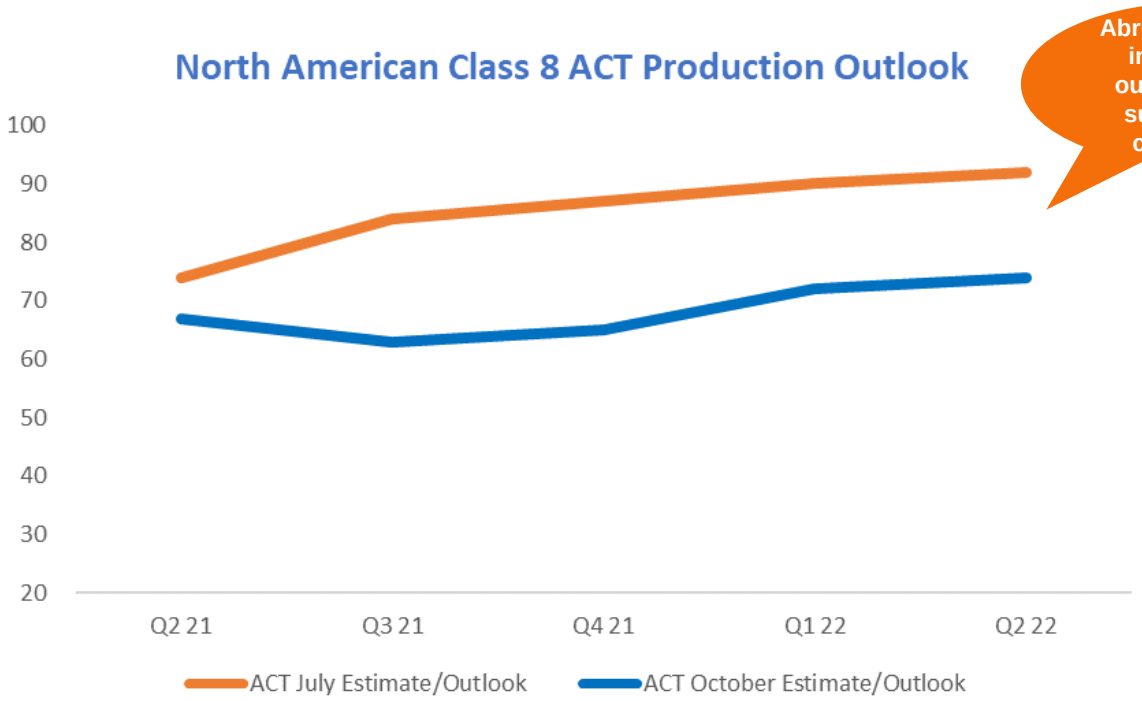
OEM Construction Equipment

Output constrained due to material availability

Winning new business with new OEM customers

~40% North America / ~60% Rest of World

The Vehicle Building Environment is Challenging, We Believe The Conditions Will Persist, We are Modifying Accordingly



Actual/forecast of thousands of trucks produced per quarter according to ACT Research reports

Operating Dynamics

- End markets now expecting a near term slow down due to supply constraints
- Customer schedule volatility due to labor and material shortages has accelerated
- Continuing cost pressures and labor availability challenges
- Higher than historical material positions

CVG Actions

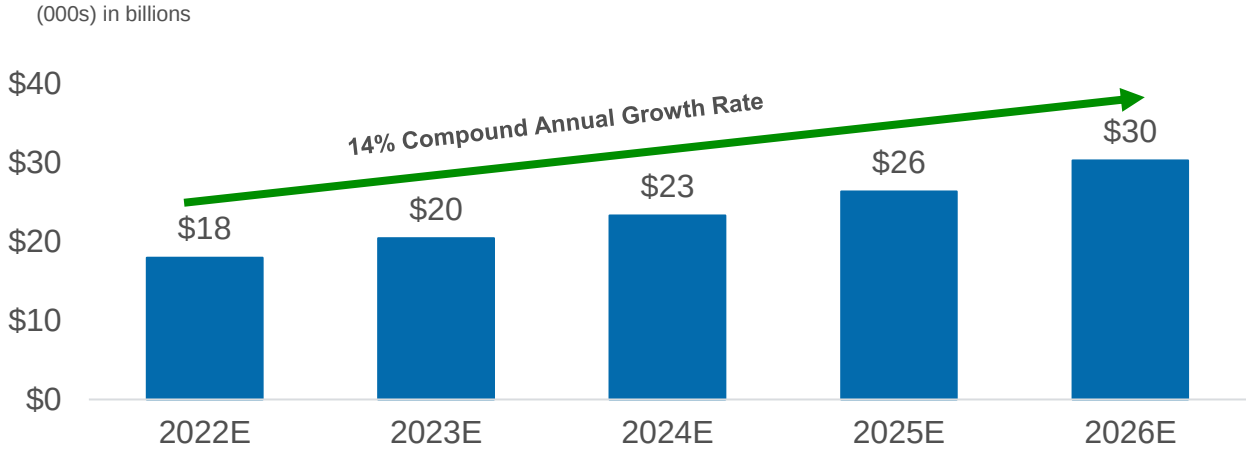
- Implementing next set of restructuring
  - Salary headcount reduction – lean SG&A
  - Footprint rationalization – multiple global site closures - plants and warehouses
- Commercial actions to improve profitability
- Continuing global organic new business program



Warehouse Automation – Industry benefitting from retail ecommerce growth and increasing warehouse builds

- **Currently competing on multiple 2022 buildout programs**
- **Sales of $37 million in the quarter and $131 million year to date**
- **On track to meet or exceed $150 million of warehouse automation sales in 2021**

Market Growth Expectations*



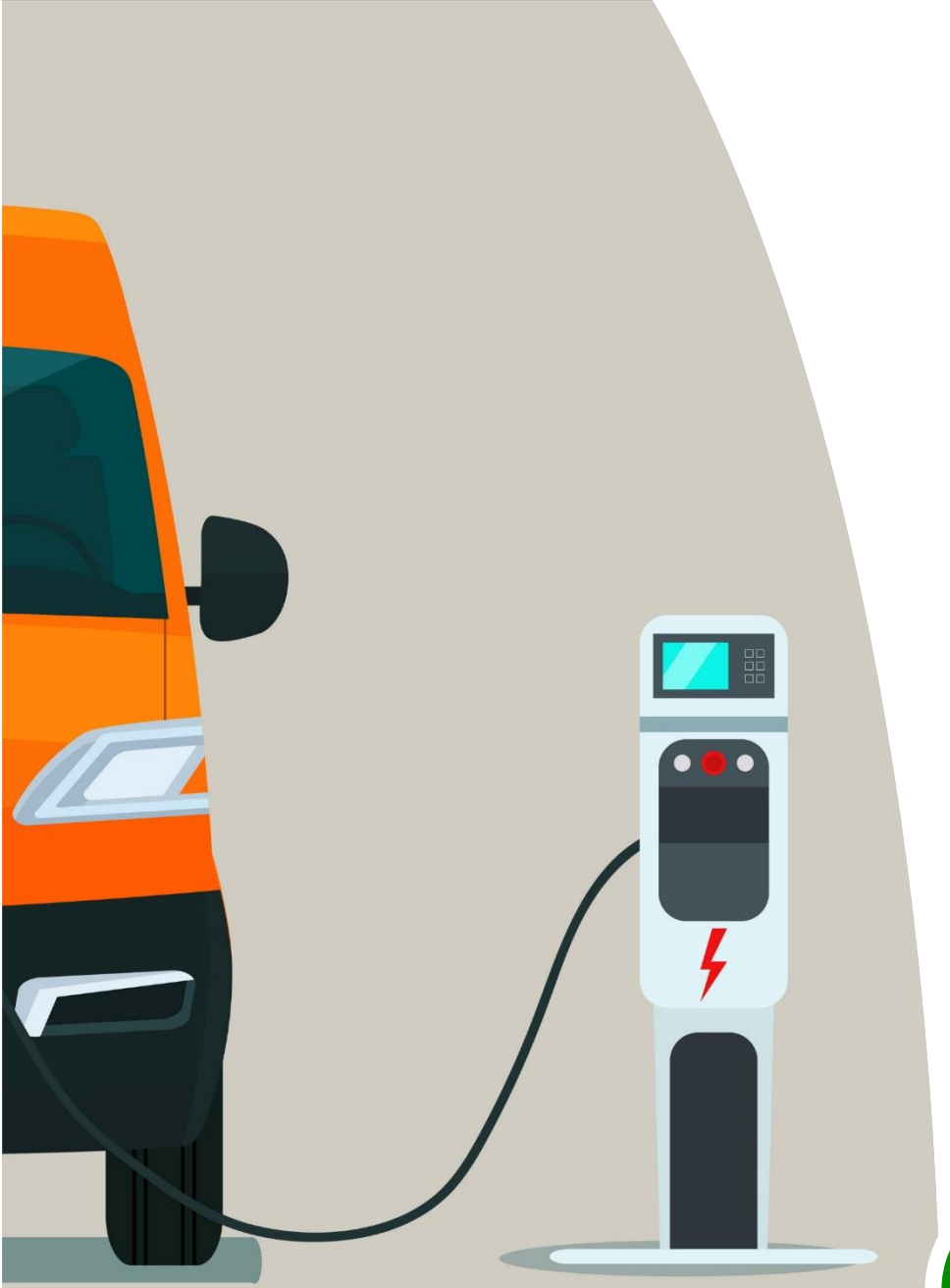
*Source: Logistics IQ



Electric & Fuel Cell Vehicles

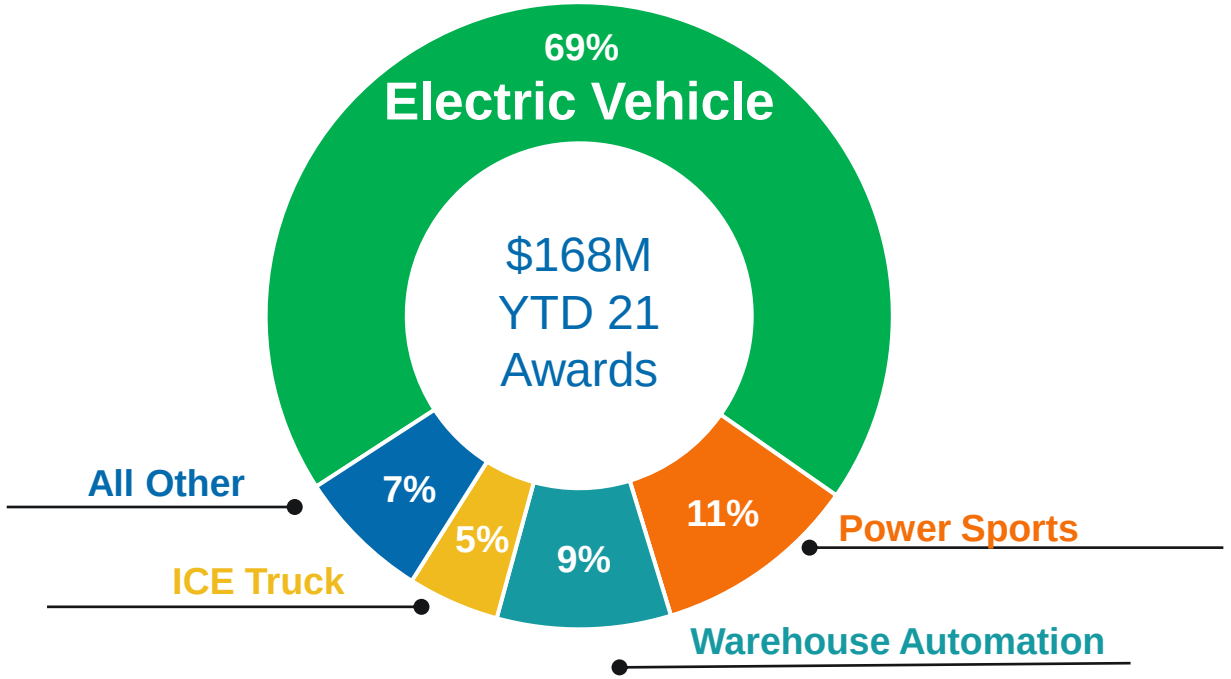
- Value Proposition ➡ Ownership of Electrical System
  - Speed, agility & knowledge: digital development and production
  - High and low voltage system and product design
  - Integrated development teams
  - Creating new electrical distribution system products (Battery Systems)
- Designing and delivering prototypes for field trials and testing
- Parts, subassemblies and systems shipping in Q4 on multiple platforms with multiple customers
- Secured high voltage electrical system battery business with new customer in Europe
- Step function deployment of digital manufacturing (digital boards)
- Bringing additional capacity online in US to support “Made in America” content requirements for certain customers

69% of 2021 New Business Wins in Electric & Fuel Cell Vehicles



Paving the Way Organic Business Growth

Improved Business Mix



- **Electric & Fuel Cell Vehicle** wins are longer cycle awards that ramp up to expected run rates over multiple years
- Investment of ~$4.4 million 2021 YTD in startup costs to implement new products, new manufacturing processes, new testing requirements
- Adding new specialized talent when needed

Trailing 21 months results

Strong Results: 236 wins, 87 new products and 33 new customers



Summary

1. Grow earnings and improve revenue mix through global new business program
2. The Warehouse Automation market continues to grow. We are focused on securing 2022 business
3. The Electric & Fuel Cell Vehicle market continues to grow, and we are securing “first fit” positions
4. We are optimizing our footprint & improving customer service through continuous improvements
5. We are managing in a difficult operating environment, and we are reacting accordingly to maintain profit profiles without disrupting our new business program



The Road Ahead….

- There is strong end-demand in our served markets. But both CVG and our customers have many supply chain constraints impacting production / sales / output
- We believe the difficult supply chain environment will persist. We are lowering our costs, addressing certain pricing issues, revamping our readiness-to-serve inventory profiles
- We have a very successful global organic business growth program. We are continuing it and not cutting back. In fact, we are building momentum in multiple areas
- We have many new awarded programs in design, development, and prototype phase. The contribution of these programs is largely in future periods



Financial Update

CVG Consolidated Results Q3 2021 vs. Q3 2020

In millions

Q3 2021	Revenues	Gross Profit	Adj. Operating Income	Adjusted EBITDA
	$239.6	$30.1 Gross Margin: 12.6%	$12.2 Operating Margin: 5.1%	$16.9 EBITDA Margin: 7.1%
Better / (Worse) Compared to Q3 2020	Revenues $51.9	Gross Profit $5.9	Adj. Operating Income $0.2	Adjusted EBITDA $0.5

Q3 2021:

- Revenues up 28% year over year primarily driven by new business wins in Warehouse Automation, an increased truck build rate in North America, and pricing to offset material cost increases.
- Gross profit up 24% from Q3 2020
- Operating Income ratios compressed due to challenges in Seating business of passing along costs to certain customers



Electrical Systems Segment Q3 2021 vs. Q3 2020

In millions

Q3 2021	Revenues	Gross Profit	Adj. Operating Income
	$164.1	$23.7 Gross Margin: 14.4%	$17.9 Operating Margin: 10.9%
Better / (Worse) Compared to Q3 2020	Revenues	Gross Profit	Adj. Operating Income
	$43.0	$7.5	$4.5

Q3 2021:

- Sales grew 36% from prior year period primarily as a result of business growth in warehouse automation with revenues of $37.1 million as compared to $11.7 million in the prior year and an increased truck build rate in North America
- Gross profit increase of 47% Q3 2021



Global Seating Segment Q3 2021 vs. Q3 2020

In millions

Q3 2021	Revenues	Gross Profit	Adj. Operating Income
	$76.5	$6.5 Gross Margin: 8.5%	$0.4 Operating Margin: 0.6%
Better / (Worse) Compared to Q3 2020	Revenues	Gross Profit	Adj. Operating Income
	$7.6	$(1.9)	$(4.7)

Q3 2021:

- Sales increase of 11.0% primarily due to increased pricing to mitigate material and freight inflation and strong demand in the European construction market
- The decrease in operating income was primarily attributable to material costs, freight costs and covid induced inefficiencies





Supplemental Information

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 Q3 2021 vs. Q3 2020

(In millions except for share information)	**Q3 2021**	**Q3 2020**
Revenue	239.6	187.7
Gross Profit	30.1	24.2
Gross Margin	*12.6%*	*12.9%*
Selling, General & Administrative Expense	17.9	14.5
Amortization Expense	0.9	0.9
Operating Income	11.4	8.9
Operating Margin	*4.8%*	*4.7%*
Diluted Earnings per share	0.23	0.13
Adjusted Operating Income	12.2	12.0
Adjusted Operating Margin	*5.1%*	*6.4%*
Adjusted EBITDA	16.9	16.4
Adjusted EBITDA Margin	*7.1%*	*8.8%*
Diluted Adjusted Earnings per share	$ 0.25	$ 0.21

Note: New business start up costs (primarily in gross profit) included in adjusted results of $1.3 million in Q3 2021

Electrical Systems Segment Q3 2021 vs. Q3 2020

(In millions)	Q3 2021	Q3 2020
Revenue	164.1	121.1
Gross Profit	23.7	16.1
Gross Margin	*14.4%*	*13.3%*
Selling, General & Administrative Expense	5.2	3.2
Amortization Expense	0.7	0.7
Operating Income	17.8	12.2
Operating Margin	*10.8%*	*10.1%*
Adjusted Operating Income	17.9	13.4
Adjusted Operating Margin	*10.9%*	*12.0%*

Global Seating Segment Q3 2021 vs. Q3 2020

(In millions)	Q3 2021	Q3 2020
Revenue	76.5	68.9
Gross Profit	6.5	8.4
Gross Margin	*8.5%*	*12.2%*
Selling, General & Administrative Expense	6.0	3.5
Amortization Expense	0.1	0.1
Operating Income	0.4	4.8
Operating Margin	*0.6%*	*6.9%*
Adjusted Operating Income	0.4	5.1
Adjusted Operating Margin	*0.6%*	*7.4%*

CVG Consolidated Balance Sheet

in millions	September 30, 2021	December 31, 2020
Cash	33.6	50.5
Accounts receivable, net	192.1	151.1
Inventories	146.5	91.2
Other current assets	19.9	17.7
Total current assets	**392.1**	**310.5**
Property, plant and equipment, net	62.2	62.8
Intangible Assets, net	19.1	21.8
Deferred income taxes, net	24.0	26.0
Other assets, net	31.8	33.3
Total assets	**529.2**	**454.4**
Accounts payable	139.1	112.4
Accrued liabilities and other	52.1	50.1
Current portion of long term debt	8.4	2.4
Total current liabilities	**199.6**	**164.9**
Long term debt	170.3	144.1
Pension and other post-retirement benefits	11.6	15.3
Other long term liabilities	27.0	34.7
Total liabilities	**408.5**	**359.0**
Total stockholders equity	**120.7**	**95.4**
Total liabilities and stockholders' equity	**529.2**	**454.4**

Q3 2021 Highlights

Primarily raw material increase driven by cost inflation, customer schedule volatility, and supply chain issues

Leverage improved to 2.2x from 2.3x in Q2

Reconciliation of GAAP to Non-GAAP Financial Measures

(In millions)	Q3 2021	Q3 2020
Operating Income/(Loss)	**$ 11.4**	**$ 8.9**
Deferred Consideration Purchase Accounting	0.1	0.5
Restructuring	-	2.1
Executive Transition	0.7	-
Investigation	-	0.5
Adjusted Operating Income/(Loss)	**12.2**	**12.0**
% of Revenues	*5.1%*	*6.4%*
Net Income	**7.5**	**4.2**
Interest Expense	1.6	5.5
Provision (benefit) for income taxes	2.4	(1.0)
Depreciation Expense	3.7	3.7
Amortization Expense	0.9	0.9
Impairment Expense	-	0.0
EBITDA	**16.1**	**13.3**
% of Revenues	*6.7%*	*7.1%*
EBITDA Adjustments		
Deferred consideration purchase accounting	0.1	0.5
Restructuring	-	2.1
Executive Transition	0.7	-
Investigation	-	0.5
Loss on extinguishment of debt	-	-
Adjusted EBITDA	**16.9**	**16.4**
% of Revenues	*7.1%*	*8.8%*

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

(in millions)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Net income	**$ (24.6)**	**$ (12.5)**	**$ 4.2**	**$ (4.1)**	**$ 8.5**	**$ 5.1**	**$ 7.5**
Interest	4.6	5.3	5.5	5.2	5.0	2.8	1.6
Provision / (Benefit) for Income Taxes	(7.3)	(3.1)	(1.0)	3.9	2.5	1.5	2.4
Depreciation	3.8	3.7	3.8	3.8	3.8	3.8	3.7
Amortization	0.9	0.9	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**	**14.1**	**16.1**
Adjustments							
Executive Transition	2.3	-	-	-	-	-	0.7
Restructuring	0.2	2.9	2.2	1.6	-	-	-
Investigation	2.4	0.4	0.5	0.7	0.2	0.2	-
Deferred consideration purchase accounting	-	3.5	0.5	1.0	0.2	0.1	0.1
Loss on extinguishment of debt	-	-	-	-	-	7.2	-
Adjusted EBITDA	**11.0**	**1.2**	**16.4**	**13.0**	**21.1**	**21.6**	**16.9**

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

(in millions except for share information)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Net Income/(Loss)	**$ 7.5**	**$ 4.2**
Operating income (loss) adjustments	0.8	3.1
Loss on extinguishment of debt	-	-
Adjusted (benefit) provision for income taxes[1]	(0.2)	(0.8)
Adjusted net income (loss)	**$ 8.1**	**$ 6.5**
Diluted EPS	**$ 0.23**	**$ 0.13**
Adjustments to diluted EPS	0.02	0.08
Adjusted diluted EPS	**$ 0.25**	**$ 0.21**

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

Reconciliation of GAAP to Non-GAAP Segment Information

For the Three Months Ended September 30, 2021

(in millions)	Electrical Systems	Global Seating	Corporate	Total
Operating Income/(Loss)	**$ 17.8**	**$ 0.4**	**$ (6.8)**	**$ 11.4**
Deferred consideration purchase accounting	0.1	-	-	0.1
Executive Transition	-	-	0.7	0.7
Investigation	-	-	-	-
Adjusted Operating Income/(Loss)	**$ 17.9**	**$ 0.4**	**$ (6.1)**	**$ 12.2**
Adjusted Operating Margin	*10.9%*	*0.6%*		*5.1%*

For the Three Months Ended September 30, 2020

(in millions)	Electrical Systems	Global Seating	Corporate	Total
Operating Income/(Loss)	**$ 12.2**	**$ 4.8**	**$ (8.1)**	**$ 8.9**
Deferred consideration purchase accounting	0.5	-	-	0.5
Restructuring	0.7	0.3	1.1	2.1
Investigation	-	-	0.5	0.5
Adjusted Operating Income/(Loss)	**$ 13.4**	**$ 5.1**	**$ (6.5)**	**$ 12.0**
Adjusted Operating Margin	*11.1%*	*7.4%*		*6.4%*

Reconciliation of GAAP to Non-GAAP Cash Flow Information

(in millions)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Cash Flow from Operations	$ 10.3	$ 10.1	$ 10.4	$ 3.6	$ (15.4)	$ (9.4)	$ 3.9
Capital Expenditures[1]	(3.4)	(1.0)	(1.0)	(1.0)	(1.7)	(5.2)	(4.5)
Free Cash Flow	**6.9**	**9.1**	**9.4**	**2.6**	**(17.1)**	**(14.6)**	**(0.6)**

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