

MAKING THE WORLD A BETTER, SAFER,  
MORE CONNECTED PLACE TO LIVE.

Second Quarter  
Earnings Conference Call  
November 12, 2019

Quarter Ended September 30, 2019



# Cautionary Statement

Certain statements included herein contain forward-looking statements within the meaning of federal securities laws about the Company's financial condition and results of operations that are based on management's current expectations, estimates and projections about the markets, in which the Company operates, as well as management's beliefs and assumptions. Words such as "expects," "anticipates," "believes," "estimates" or other similar expressions and future or conditional verbs such as "will," "should," "would," and "could" are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in, or implied by, such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's judgment only as of the date hereof. The Company undertakes no obligation to update publicly any of these forward-looking statements to reflect new information, future events or otherwise.

Factors that may cause actual outcomes and results to differ materially from those expressed in, or implied by, these forward-looking statements include, but are not necessarily limited to the following: (i) adverse economic conditions could impact our ability to realize operating plans if the demand for our products declines, and such conditions could adversely affect our liquidity and ability to continue to operate and could cause a write down of long-lived assets or goodwill; (ii) an increase in the cost or a decrease in the availability of our principal or single-sourced purchased raw materials; (iii) changes in the competitive environment; (iv) uncertainty of the timing of customer product qualifications in heavily regulated industries; (v) economic, political, or regulatory changes in the countries in which we operate; (vi) difficulties, delays, or unexpected costs in completing the Company's restructuring plans; (vii) acquisitions and other strategic transactions expose us to a variety of risks, including the ability to successfully integrate and maintain adequate internal controls over financial reporting in compliance with applicable regulations; (viii) our acquisition of TOKIN Corporation may not achieve all of the anticipated results; (ix) our business could be negatively impacted by increased regulatory scrutiny and litigation; (x) difficulties associated with retaining, attracting, and training effective employees and management; (xi) the need to develop innovative products to maintain customer relationships and offset potential price erosion in older products; (xii) exposure to claims alleging product defects; (xiii) the impact of laws and regulations that apply to our business, including those relating to environmental matters, data protection, cyber security and privacy; (xiv) the impact of international laws relating to trade, export controls and foreign corrupt practices; (xv) changes impacting international trade and corporate tax provisions related to the global manufacturing and sales of our products may have an adverse effect on our financial condition and results of operations; (xvi) volatility of financial and credit markets affecting our access to capital; (xvii) default or failure of one or more of our counterparty financial institutions could cause us to incur significant losses; (xviii) the need to reduce the total costs of our products to remain competitive; (xix) potential limitation on the use of net operating losses to offset possible future taxable income; (xx) restrictions in our debt agreements that could limit our flexibility in operating our business; (xxi) failure to maintain effective internal controls over financial reporting; (xxii) service interruption, misappropriation of data, or breaches of security as it relates to our information systems could cause a disruption in our operations, financial losses, and damage to our reputation; (xxiii) economic and demographic experience for pension and other post-retirement benefit plans could be less favorable than our assumptions; (xxiv) fluctuation in distributor sales could adversely affect our results of operations; (xxv) earthquakes and other natural disasters could disrupt our operations and have a material adverse effect on our financial condition and results of operations; and (xxvi) volatility in our stock price.

# Transaction Overview

**Yageo (TAIEX: 2327)** is a leading global electronic component company with capabilities on a global scale, including production and sales facilities in Asia, Europe and the Americas.



## Terms

- Transaction valued at **US\$1.8B** including assumption of net debt
- KEMET shareholders will receive **US\$27.20** per share in cash
- The purchase price represents a premium of **26%** to KEMET's volume weighted average price ("VWAP") for the last 30 trading days and **37%** to its VWAP for the last 90 trading days.



## Financing

- Not subject to a financing contingency
- Yageo intends to fund transaction through a combination of cash on hand and committed financing



## Timing and Closing

- Approved by the Boards of Directors of both companies
- Expected to close in the second half of 2020, subject to customary closing conditions and receipt of required approvals
- Following close, KEMET will become a wholly owned subsidiary of Yageo



# Income Statement Highlights

## GAAP (Unaudited)

	For the Quarters Ended	
	Sep 2019	Sep 2018
<i>(Amounts in thousands, except percentages and per share data)</i>		
<b>Net sales</b>	\$ 327,397	\$ 349,233
<b>Gross margin</b>	\$ 113,670	\$ 113,565
<i>Gross margin as a percentage of net sales</i>	34.7%	32.5%
<b>Selling, general and administrative</b>	\$ 49,327	\$ 52,258
<i>SG&amp;A as a percentage of net sales</i>	15.1%	15.0%
<b>Operating income</b>	\$ 49,090	\$ 50,000
<b>Income tax expense</b>	\$ 1,700	\$ 2,000
<b>Net income (loss)</b>	\$ (15,260)	\$ 37,141
Per basic and diluted share data:		
Net income (loss) per basic share	\$ (0.26)	\$ 0.64
Net income (loss) per diluted share	\$ (0.26)	\$ 0.63
Weighted avg. shares - basic	58,528	57,799
Weighted avg. shares - diluted	58,528	59,197

# Income Statement Highlights

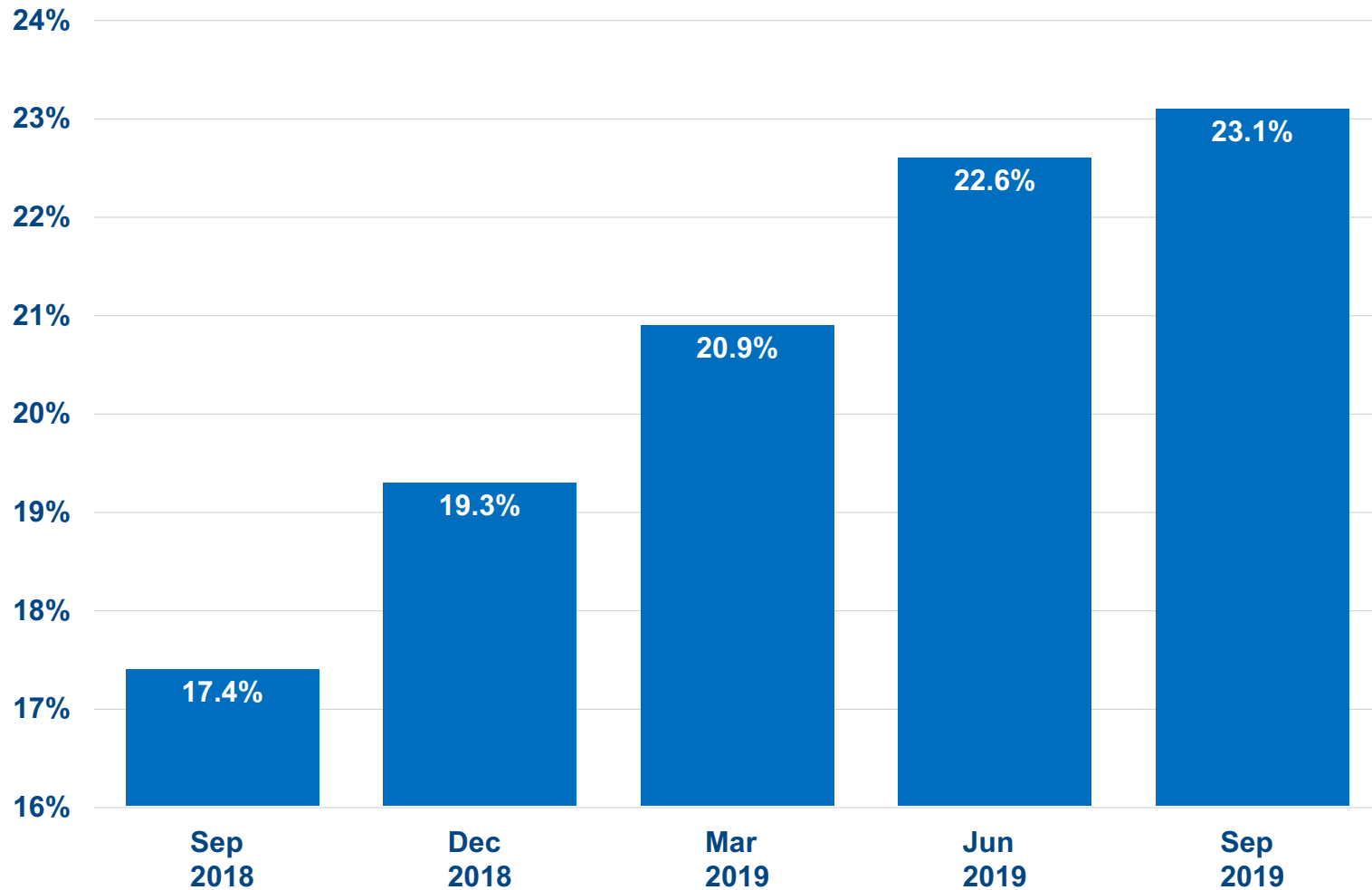
## Non-GAAP (Unaudited) <sup>(1)</sup>

	For the Quarters Ended	
	Sep 2019	Sep 2018
<i>(Amounts in thousands, except percentages and per share data)</i>		
<b>Net sales (GAAP)</b>	\$ 327,397	\$ 349,233
<b>Adjusted gross margin</b>	\$ 114,618	\$ 115,612
<i>Adjusted gross margin as a percentage of net sales</i>	35.0%	33.1%
<b>Adjusted selling, general and administrative</b>	\$ 42,212	\$ 45,278
<i>Adjusted SG&amp;A as a percentage of net sales</i>	12.9%	13.0%
<b>Adjusted operating income</b>	\$ 60,249	\$ 59,423
<b>Income tax expense</b>	\$ 18,658	\$ 2,164
<b>Adjusted net income</b>	\$ 39,289	\$ 50,849
<b>Adjusted EBITDA</b>	\$ 75,003	\$ 72,470
<i>Adjusted EBITDA margin as a percentage of net sales</i>	22.9%	20.8%
Per share data:		
Adjusted net income per basic share	\$ 0.67	\$ 0.88
Adjusted net income per diluted share	\$ 0.66	\$ 0.86
Weighted avg. shares - basic	58,528	57,799
Weighted avg. shares - diluted	59,271	59,197

<sup>(1)</sup> For a reconciliation of the non-GAAP measures presented on this slide to their most directly comparable GAAP measure, see the appendix.

# LTM Adjusted EBITDA Margins

Non-GAAP (Unaudited) <sup>(1)</sup>



<sup>(1)</sup> For a reconciliation of the non-GAAP measures presented on this slide to their most directly comparable GAAP measure, see the appendix.

# Financial Highlights

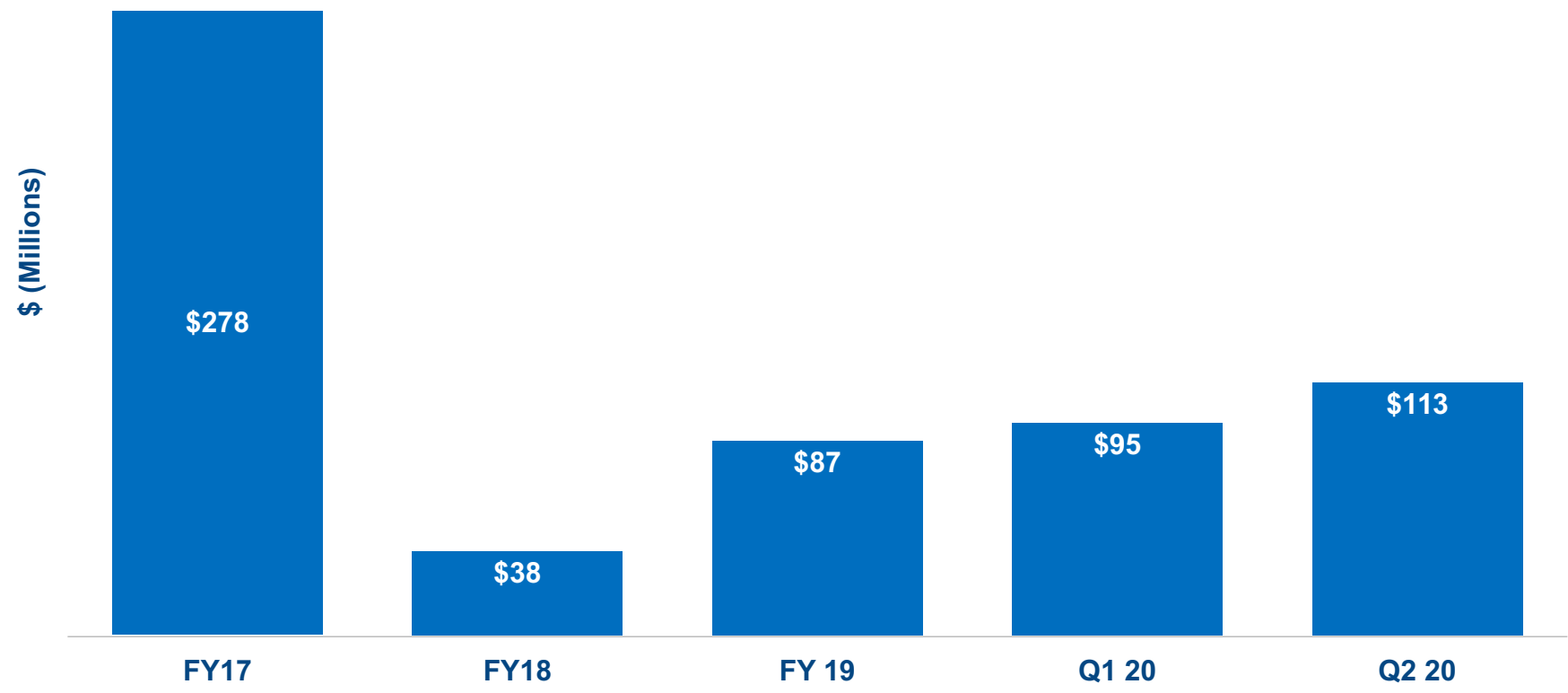
(Unaudited)

<i>(Amounts in millions)</i>	Sep 2019	Jun 2019
<b>Cash, cash equivalents</b>	\$ 192.7	\$ 217.3
<b>Inventories, net</b>	\$ 268.2	\$ 256.1
<b>Capital expenditures</b>	\$ 36.2	\$ 37.1
Short-term debt	\$ 29.2	\$ 29.2
Long-term debt	292.7	297.4
Debt (discount)/premium and issuance costs	(16.3)	(14.6)
<b>Total debt</b>	<b>\$ 305.6</b>	<b>\$ 312.0</b>
<b>Equity</b>	<b>\$ 650.9</b>	<b>\$ 676.8</b>
<b>Net working capital <sup>(1)</sup></b>	<b>\$ 294.4</b>	<b>\$ 248.8</b>

<sup>(1)</sup> Calculated as accounts receivable, net, plus inventories, net, less accounts payable.

# Net Debt (Unaudited)

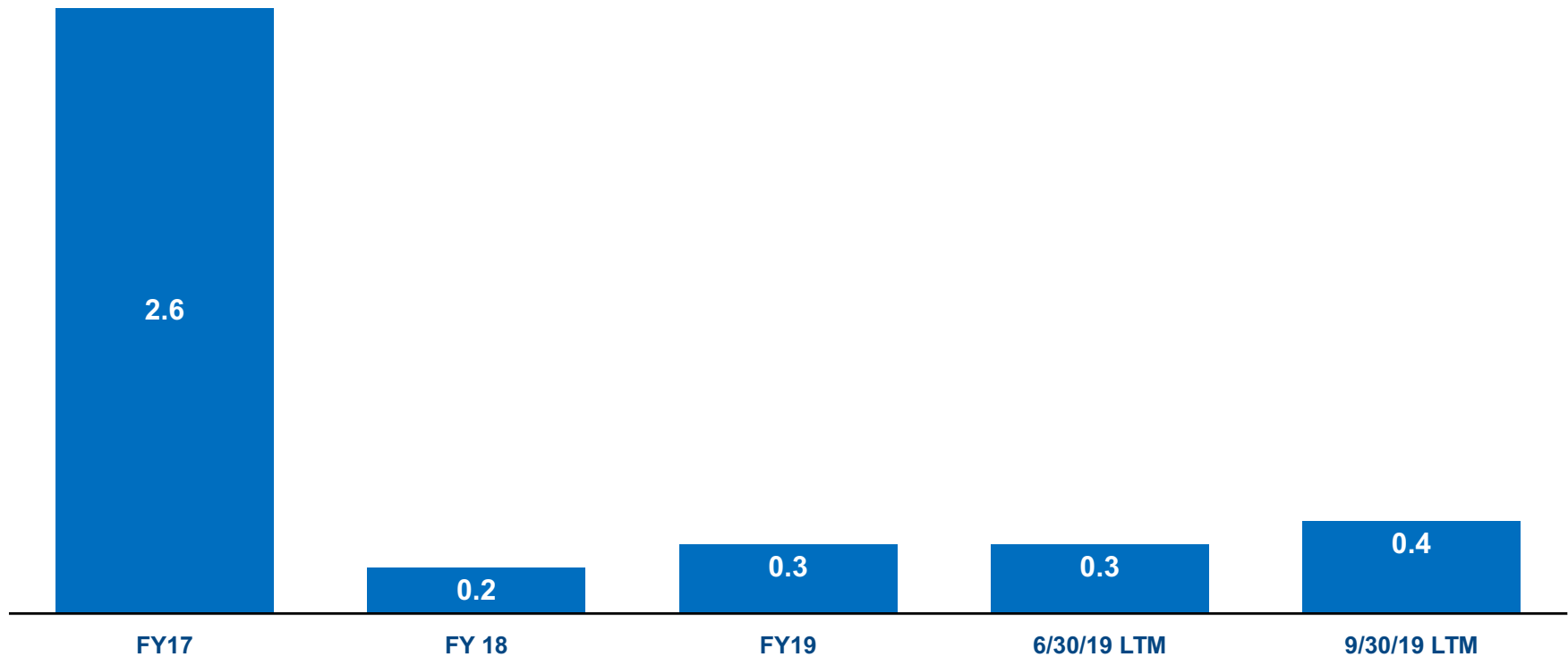
## Net Debt (Debt less Cash on hand)





**Leverage**  
 Non-GAAP (Unaudited) <sup>(1)</sup>

**Leverage (Net Debt/Adjusted EBITDA)**



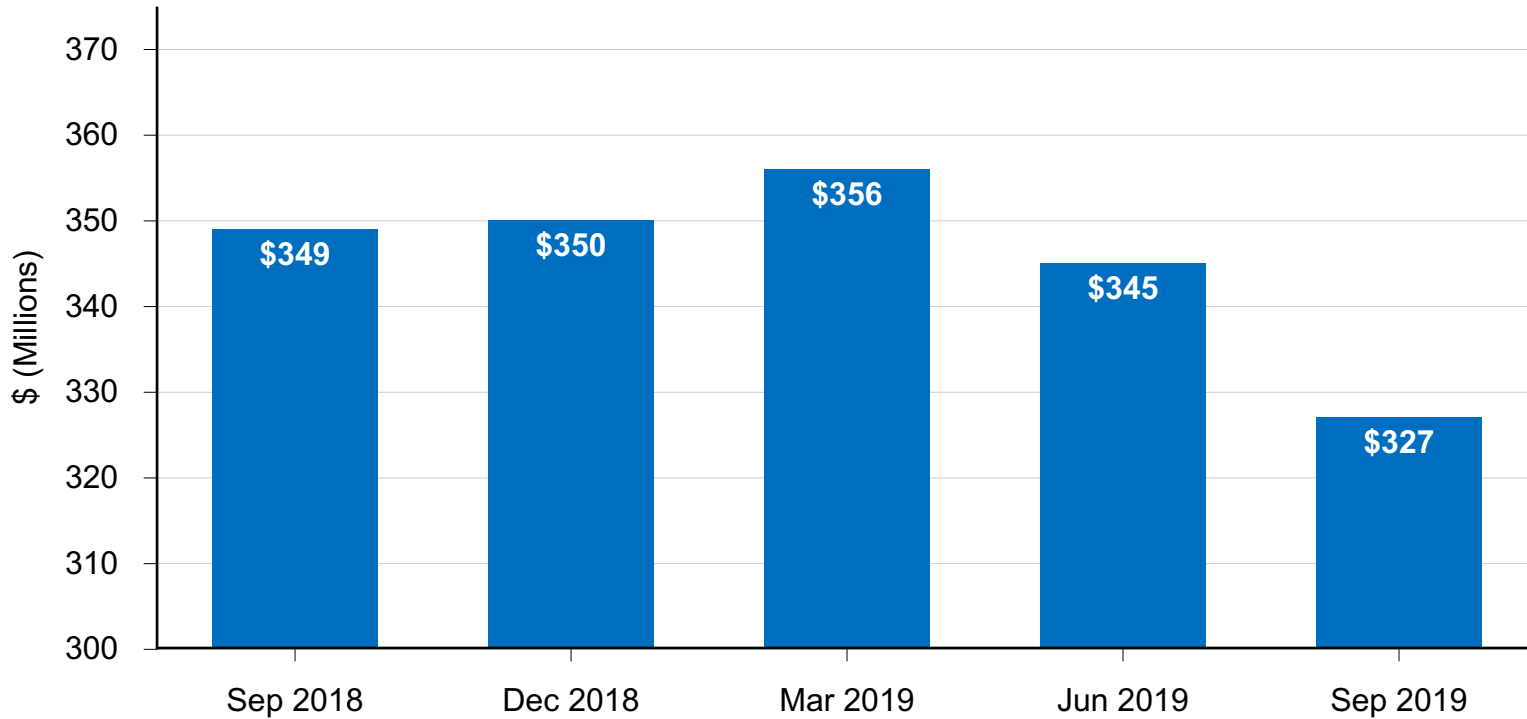
<sup>(1)</sup> For a reconciliation of the non-GAAP measures presented on this slide to their most directly comparable GAAP measure, see the appendix.

# Financial Trends

## Quarterly Sales Summary

GAAP (Unaudited)

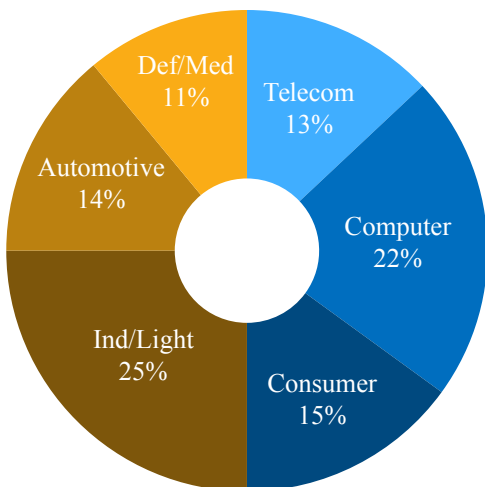
### Net Sales



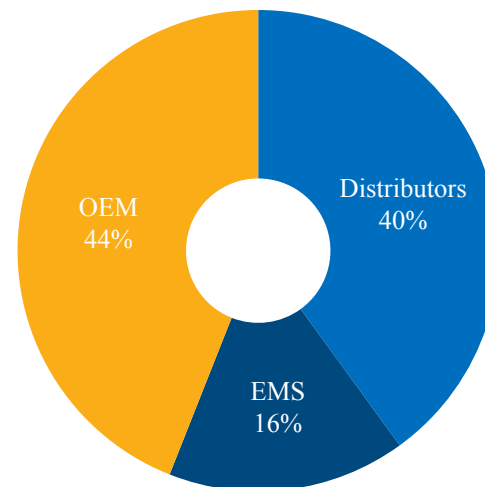
# Sales Summary - Q2 FY2020

(Unaudited)

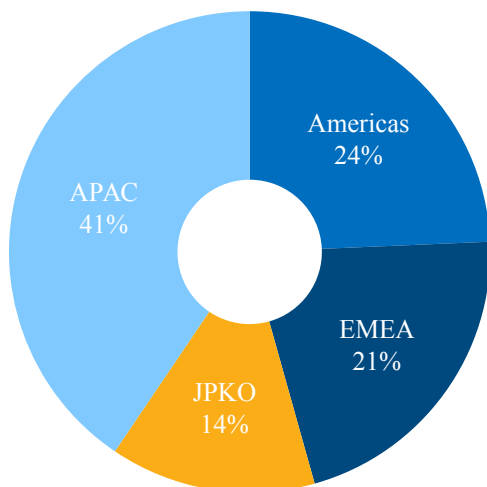
**INDUSTRY**



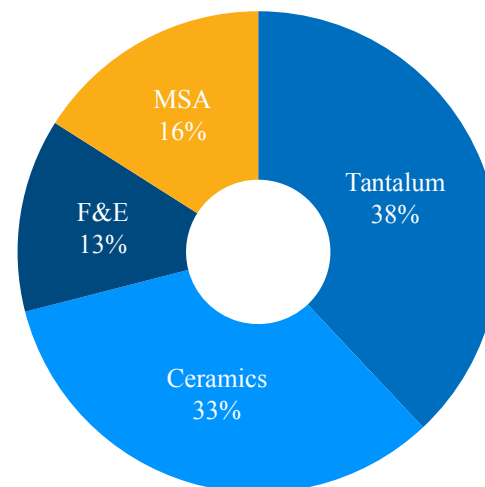
**CHANNEL**



**REGION**



**PRODUCT LINE**



# Debt Trend - Q2 FY2020

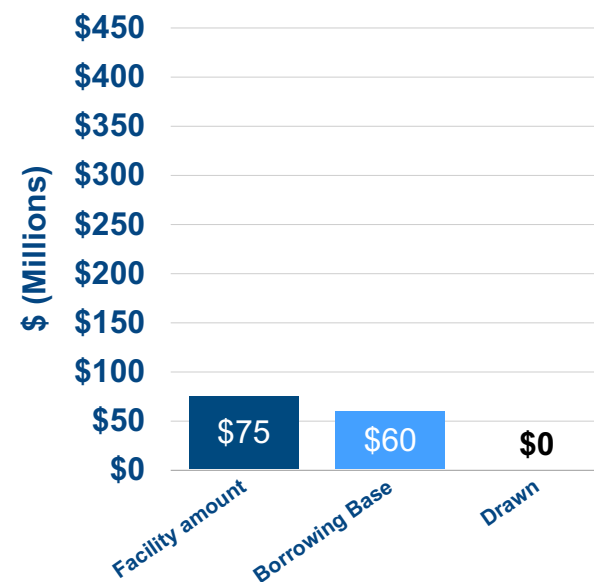
(Unaudited)

## Total Debt



## Revolver Facility

### Sep. 30, 2019



Term Loan
  Customer Capacity Agreements
   
 Other Debt

Semi-Annual Principal Repayment on TOKIN Term Loan ~ \$12.7M

# Non-GAAP Adjusted Gross Margin - Reconciliation

## Solid Capacitors (Unaudited)

	For the Quarters Ended	
	Sep 2019	Sep 2018
<i>(Amounts in thousands, except percentages)</i>		
Tantalum product line net sales (GAAP)	\$ 125,106	\$ 148,054
Ceramic product line net sales (GAAP)	108,527	87,419
<b>Solid Capacitors net sales (GAAP)</b>	<b>233,633</b>	<b>235,473</b>
<b>Cost of sales</b>	<b>129,827</b>	<b>140,899</b>
<b>Gross margin (GAAP)</b>	<b>103,806</b>	<b>94,574</b>
<i>Gross margin as a percentage of net sales</i>	44.4 %	40.2 %
Non-GAAP adjustments:		
Stock-based compensation expense	560	447
Plant start-up costs	(34)	1,361
<b>Adjusted gross margin (non-GAAP)</b>	<b>\$ 104,332</b>	<b>\$ 96,382</b>
<i>Adjusted gross margin as a percentage of net sales</i>	44.7 %	40.9 %

# Non-GAAP Adjusted Gross Margin - Reconciliation

## Film & Electrolytic (Unaudited)

	For the Quarters Ended	
	Sep 2019	Sep 2018
<i>(Amounts in thousands, except percentages)</i>		
<b>Net sales (GAAP)</b>	\$ 41,804	\$ 50,628
<b>Cost of sales</b>	39,706	44,375
<b>Gross margin (GAAP)</b>	<b>2,098</b>	<b>6,253</b>
<i>Gross margin as a percentage of net sales</i>	5.0%	12.4%
Non-GAAP adjustments:		
Stock-based compensation expense	236	206
<b>Adjusted gross margin (non-GAAP)</b>	<b>\$ 2,334</b>	<b>\$ 6,459</b>
<i>Adjusted gross margin as a percentage of net sales</i>	5.6%	12.8%

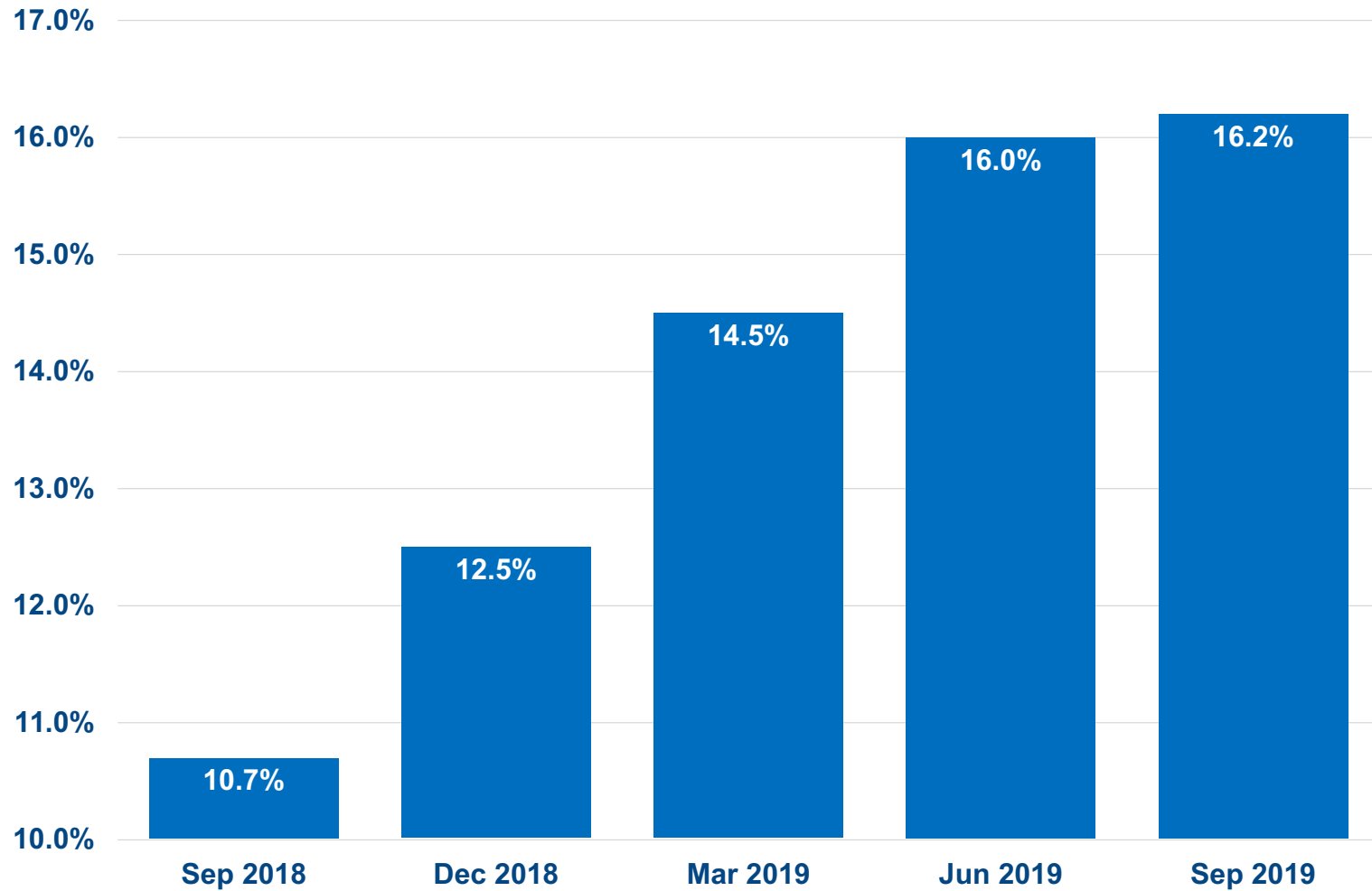
# Non-GAAP Adjusted Gross Margin - Reconciliation

## Electro-magnetic, Sensors & Actuators (Unaudited)

	For the Quarters Ended	
	Sep 2019	Sep 2018
<i>(Amounts in thousands, except percentages)</i>		
<b>Net sales (GAAP)</b>	\$ 51,960	\$ 63,132
<b>Cost of sales</b>	44,194	50,394
<b>Gross margin (GAAP)</b>	7,766	12,738
<i>Gross margin as a percentage of net sales</i>	14.9%	20.2%
Non-GAAP adjustments:		
Stock-based compensation expense	186	33
<b>Adjusted gross margin (non-GAAP)</b>	<b>\$ 7,952</b>	<b>\$ 12,771</b>
<i>Adjusted gross margin as a percentage of net sales</i>	15.3%	20.2%

# LTM Operating Income Margins

GAAP (Unaudited)





# Appendix



Appendix



# Adjusted Gross Margin - Reconciliation

## Non-GAAP (Unaudited)

*(Amounts in thousands, except percentages)*

	For the Quarters Ended	
	Sep 2019	Sep 2018
<b>Net Sales (GAAP)</b>	\$ 327,397	\$ 349,233
<b>Cost of sales</b>	213,727	235,668
<b>Gross Margin (GAAP)</b>	113,670	113,565
<i>Gross margin as a percentage of net sales</i>	34.7%	32.5%
Non-GAAP adjustments:		
Stock-based compensation expense	982	686
Plant start-up costs	(34)	1,361
<b>Adjusted gross margin (non-GAAP)</b>	<b>\$ 114,618</b>	<b>\$ 115,612</b>
<i>Adjusted gross margin as a percentage of net sales</i>	35.0%	33.1%

# Adjusted Selling, General & Administrative Expenses Reconciliation

## Non-GAAP (Unaudited)

*(Amounts in thousands, except percentages)*

	<b>For the Quarters Ended</b>	
	<b>Sep 2019</b>	<b>Sep 2018</b>
<b>Net sales (GAAP)</b>	<b>\$ 327,397</b>	<b>\$ 349,233</b>
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 49,327</b>	<b>\$ 52,258</b>
<i>Selling, general, and administrative as a percentage of net sales</i>	<i>15.1%</i>	<i>15.0%</i>
Less non-GAAP adjustments:		
ERP integration/IT transition costs	1,508	1,593
Stock-based compensation expense	3,047	3,647
Legal expenses related to antitrust class actions	2,528	1,740
Contingent consideration fair value adjustment	32	—
<b>Adjusted selling, general and administrative expenses (non-GAAP)</b>	<b>\$ 42,212</b>	<b>\$ 45,278</b>
<i>Adjusted selling, general, and administrative as a percentage of net sales</i>	<i>12.9%</i>	<i>13.0%</i>

# Adjusted Operating Income Reconciliation

## Non-GAAP (Unaudited)

<i>(Amounts in thousands)</i>	<b>For the Quarters Ended</b>	
	<b>Sep 2019</b>	<b>Sep 2018</b>
<b>Operating income (GAAP)</b>	<b>\$ 49,090</b>	<b>\$ 50,000</b>
Non-GAAP adjustments:		
Restructuring charges	2,920	—
Legal expenses related to antitrust class actions	2,528	1,740
Stock-based compensation expense	4,146	4,417
(Gain) loss on write down and disposal of long-lived assets	59	312
ERP integration/IT transition costs	1,508	1,593
Plant start-up costs	(34)	1,361
Contingent consideration fair value adjustment	32	—
<b>Adjusted operating income (non-GAAP)</b>	<b>\$ 60,249</b>	<b>\$ 59,423</b>

# Adjusted Net Income Reconciliation

## Non-GAAP (Unaudited)

(Amounts in thousands, except per share data)

	<b>For the Quarters Ended</b>	
	<b>Sep 2019</b>	<b>Sep 2018</b>
<b>Net income (loss) (GAAP)</b>	<b>\$ (15,260)</b>	<b>\$ 37,141</b>
<b>Non-GAAP adjustments:</b>		
Equity (income) loss from equity method investments	(472)	(64)
Net foreign exchange (gain) loss	(2,297)	193
Restructuring charges	2,920	—
R&D grant reimbursements and grant income	19	—
Settlements, regulatory costs, and legal expenses related to antitrust class actions	65,626	6,060
Stock-based compensation expense	4,146	4,417
Income tax effect of non-GAAP adjustments <sup>(1)</sup>	(16,958)	(164)
(Gain) loss on write down and disposal of long-lived assets	59	312
ERP integration/IT transition costs	1,508	1,593
Plant start-up costs	(34)	1,361
Contingent consideration fair value adjustment	32	—
<b>Adjusted net income (non-GAAP)</b>	<b>\$ 39,289</b>	<b>\$ 50,849</b>
Adjusted net income per share - basic	\$ 0.67	\$ 0.88
Adjusted net income per share - diluted	\$ 0.66	\$ 0.86
Weighted avg. shares - basic	58,528	57,799
Weighted avg. shares - diluted	59,271	59,197

<sup>(1)</sup> The income tax effect of the excluded items is calculated by applying the applicable jurisdictional income tax rate, considering the deferred tax valuation for each applicable jurisdiction.

# Adjusted EBITDA Reconciliation

## Non-GAAP (Unaudited)

(Amounts in thousands)

	For the Quarters Ended	
	Sep 2019	Sep 2018
<b>Net income (loss) (GAAP)</b>	<b>\$ (15,260)</b>	<b>\$ 37,141</b>
<b>Non-GAAP adjustments:</b>		
Income tax expense	1,700	2,000
Interest expense, net	1,939	6,912
Depreciation and amortization	15,117	12,545
EBITDA (non-GAAP)	3,496	58,598
<b>Excluding the following items:</b>		
Equity (income) loss from equity method investments	(472)	(64)
Net foreign exchange (gain) loss	(2,297)	193
Restructuring charges	2,920	—
R&D grant reimbursements and grant income	19	—
Settlements, regulatory costs, and legal expenses related to antitrust class actions	65,626	6,060
Stock-based compensation expense	4,146	4,417
(Gain) loss on write down and disposal of long-lived assets	59	312
Plant start-up costs	(34)	1,361
ERP integration/IT transition costs	1,508	1,593
Contingent consideration fair value adjustment	32	—
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$ 75,003</b>	<b>\$ 72,470</b>

# Adjusted EBITDA Reconciliation

## Non-GAAP (Unaudited)

	Fiscal Year		
	2017	2018	2019
<i>(Amounts in thousands, except percentages)</i>			
<b>Net Sales (GAAP)</b>	<b>\$ 757,338</b>	<b>\$ 1,200,181</b>	<b>\$ 1,382,818</b>
<b>Net income (GAAP)</b>	<b>47,157</b>	<b>254,127</b>	<b>206,587</b>
<b>Non-GAAP adjustments:</b>			
Income tax expense (benefit)	4,294	9,132	(39,460)
Interest expense, net	39,731	32,073	19,204
Depreciation and amortization	38,151	50,661	52,628
EBITDA (non-GAAP)	129,333	345,993	238,959
<b>Excluding the following items:</b>			
Change in value of TOKIN options	(10,700)	—	—
Equity (income) loss from equity method investments	(41,643)	(76,192)	3,304
Acquisition (gain) loss	—	(130,880)	—
Restructuring charges	5,404	14,843	8,779
R&D grant reimbursements and grant income	—	—	(4,559)
ERP integration costs / IT transition costs	7,045	80	8,813
Stock-based compensation expense	4,720	7,657	12,866
Settlements, regulatory costs, and legal expenses related to antitrust class actions	2,640	16,636	11,896
Net foreign exchange (gain) loss	(3,758)	13,145	(7,230)
TOKIN investment-related expenses	1,101	—	—
Plant start-up costs	427	929	(927)
(Gain) loss on write down and disposal of long-lived assets	10,671	(992)	1,660
(Gain) loss on early extinguishment of debt	—	486	15,946
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$ 105,240</b>	<b>\$ 191,705</b>	<b>\$ 289,507</b>
<i>Adjusted EBITDA Margin (Adjusted EBITDA/Net sales) (non-GAAP)</i>	<i>13.9%</i>	<i>16.0%</i>	<i>20.9%</i>
<b>Net Debt as of March 31,</b>	<b>278,437</b>	<b>37,777</b>	<b>86,552</b>
<i>Leverage ratio (Net debt/Adjusted EBITDA) (non-GAAP)</i>	<i>2.6</i>	<i>0.2</i>	<i>0.3</i>

# Adjusted EBITDA Reconciliation

## Non-GAAP (Unaudited)

(Amounts in thousands, except percentages)	For the Quarters Ended				LTM
	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Sep 2018
<b>Net Sales (GAAP)</b>	\$ 306,576	\$ 318,091	\$ 327,616	\$ 349,233	\$ 1,301,516
<b>Net income (GAAP)</b>	18,589	2,280	35,220	37,141	93,230
<b>Non-GAAP adjustments:</b>					
Income tax expense	2,037	3,091	4,600	2,000	11,728
Interest expense, net	7,155	6,754	6,658	6,912	27,479
Depreciation and amortization	11,353	13,295	13,097	12,545	50,290
<b>EBITDA (non-GAAP)</b>	39,134	25,420	59,575	58,598	182,727
<b>Excluding the following items:</b>					
Equity (income) loss from equity method investments	(238)	(313)	69	(64)	(546)
Acquisition (gain) loss	(310)	6,303	—	—	5,993
Restructuring charges	3,530	8,307	(96)	—	11,741
R&D grant reimbursements and grant income	—	—	(4,087)	—	(4,087)
ERP integration costs / IT transition costs	—	80	1,650	1,593	3,323
Stock-based compensation expense	2,206	2,820	4,060	4,417	13,503
Settlements, regulatory costs, and legal expenses related to antitrust class actions	4,073	1,095	1,248	6,060	12,476
Net foreign exchange (gain) loss	2,239	3,972	(7,521)	193	(1,117)
Plant start-up costs	—	929	753	1,361	3,043
(Gain) loss on write down and disposal of long-lived assets	(902)	(70)	511	312	(149)
<b>Adjusted EBITDA (non-GAAP)</b>	\$ 49,732	\$ 48,543	\$ 56,162	\$ 72,470	\$ 226,907
<i>Adjusted EBITDA Margin (Adjusted EBITDA/Net sales) (non-GAAP)</i>	16.2%	15.3%	17.1%	20.8%	17.4%
<b>Net Debt as of September 30, 2018</b>					53,589
<i>Leverage ratio (Net debt/Adjusted EBITDA) (non-GAAP)</i>					0.2



# Adjusted EBITDA Reconciliation

## Non-GAAP (Unaudited)

(Amounts in thousands, except percentages)	For the Quarters Ended				LTM
	Mar 2018	Jun 2018	Sep 2018	Dec 2018	Dec 2018
<b>Net Sales (GAAP)</b>	\$ 318,091	\$ 327,616	\$ 349,233	\$ 350,175	\$ 1,345,115
<b>Net income (GAAP)</b>	2,280	35,220	37,141	40,806	115,447
<b>Non-GAAP adjustments:</b>					
Income tax expense	3,091	4,600	2,000	2,600	12,291
Interest expense, net	6,754	6,658	6,912	3,908	24,232
Depreciation and amortization	13,295	13,097	12,545	12,763	51,700
<b>EBITDA (non-GAAP)</b>	25,420	59,575	58,598	60,077	203,670
<b>Excluding the following items:</b>					
Equity (income) loss from equity method investments	(313)	69	(64)	296	(12)
Acquisition (gain) loss	6,303	—	—	—	6,303
Restructuring charges	8,307	(96)	—	1,718	9,929
R&D grant reimbursements and grant income	—	(4,087)	—	(470)	(4,557)
ERP integration costs / IT transition costs	80	1,650	1,593	2,453	5,776
Stock-based compensation expense	2,820	4,060	4,417	1,534	12,831
Settlements, regulatory costs, and legal expenses related to antitrust class actions	1,095	1,248	6,060	1,549	9,952
Net foreign exchange (gain) loss	3,972	(7,521)	193	(2,218)	(5,574)
Plant start-up costs	929	753	1,361	305	3,348
(Gain) loss on write down and disposal of long-lived assets	(70)	511	312	788	1,541
(Gain) loss on early extinguishment of debt	—	—	—	15,988	15,988
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$ 48,543</b>	<b>\$ 56,162</b>	<b>\$ 72,470</b>	<b>\$ 82,020</b>	<b>\$ 259,195</b>
<i>Adjusted EBITDA Margin (Adjusted EBITDA/Net sales) (non-GAAP)</i>	15.3%	17.1%	20.8%	23.4%	19.3%
<b>Net Debt as of December 31, 2018</b>					<b>71,317</b>
<i>Leverage ratio (Net debt/Adjusted EBITDA) (non-GAAP)</i>					0.3

# Adjusted EBITDA Reconciliation

## Non-GAAP (Unaudited)

<i>(Amounts in thousands, except percentages)</i>	For the Quarters Ended				LTM
	Jun 2018	Sep 2018	Dec 2018	Mar 2019	Mar 2019
<b>Net Sales (GAAP)</b>	\$ 327,616	\$ 349,233	\$ 350,175	\$ 355,794	\$ 1,382,818
<b>Net income (GAAP)</b>	35,220	37,141	40,806	93,420	206,587
<b>Non-GAAP adjustments:</b>					
Income tax expense (benefit)	4,600	2,000	2,600	(48,660)	(39,460)
Interest expense, net	6,658	6,912	3,908	1,726	19,204
Depreciation and amortization	13,097	12,545	12,763	14,223	52,628
<b>EBITDA (non-GAAP)</b>	59,575	58,598	60,077	60,709	238,959
<b>Excluding the following items:</b>					
Equity (income) loss from equity method investments	69	(64)	296	3,003	3,304
Restructuring charges	(96)	—	1,718	7,157	8,779
R&D grant reimbursements and grant income	(4,087)	—	(470)	(2)	(4,559)
ERP integration costs / IT transition costs	1,650	1,593	2,453	3,117	8,813
Stock-based compensation expense	4,060	4,417	1,534	2,855	12,866
Settlements, regulatory costs, and legal expenses related to antitrust class actions	1,248	6,060	1,549	3,039	11,896
Net foreign exchange (gain) loss	(7,521)	193	(2,218)	2,316	(7,230)
Plant start-up costs	753	1,361	305	(3,346)	(927)
(Gain) loss on write down and disposal of long-lived assets	511	312	788	49	1,660
(Gain) loss on early extinguishment of debt	—	—	15,988	(42)	15,946
<b>Adjusted EBITDA (non-GAAP)</b>	\$ 56,162	\$ 72,470	\$ 82,020	\$ 78,855	\$ 289,507
<i>Adjusted EBITDA Margin (Adjusted EBITDA/Net sales) (non-GAAP)</i>	17.1%	20.8%	23.4%	22.2%	20.9%
<b>Net Debt as of March 31, 2019</b>					86,552
<i>Leverage ratio (Net debt/Adjusted EBITDA) (non-GAAP)</i>					0.3

# Adjusted EBITDA Reconciliation

## Non-GAAP (Unaudited)

<i>(Amounts in thousands, except percentages)</i>	For the Quarters Ended				LTM
	Sep 2018	Dec 2018	Mar 2019	Jun 2019	Jun 2019
<b>Net Sales (GAAP)</b>	\$ 349,233	\$ 350,175	\$ 355,794	\$ 345,242	\$ 1,400,444
<b>Net income (GAAP)</b>	37,141	40,806	93,420	40,340	211,707
<b>Non-GAAP adjustments:</b>					
Income tax expense (benefit)	2,000	2,600	(48,660)	16,800	(27,260)
Interest expense, net	6,912	3,908	1,726	1,736	14,282
Depreciation and amortization	12,545	12,763	14,223	14,259	53,790
<b>EBITDA (non-GAAP)</b>	<b>58,598</b>	<b>60,077</b>	<b>60,709</b>	<b>73,135</b>	<b>252,519</b>
<b>Excluding the following items:</b>					
Equity (income) loss from equity method investments	(64)	296	3,003	250	3,485
Restructuring charges	—	1,718	7,157	2,208	11,083
R&D grant reimbursements and grant income	—	(470)	(2)	(35)	(507)
ERP integration costs / IT transition costs	1,593	2,453	3,117	1,215	8,378
Stock-based compensation expense	4,417	1,534	2,855	2,725	11,531
Settlements, regulatory costs, and legal expenses related to antitrust class actions	6,060	1,549	3,039	2,559	13,207
Net foreign exchange (gain) loss	193	(2,218)	2,316	(489)	(198)
Plant start-up costs	1,361	305	(3,346)	34	(1,646)
(Gain) loss on write down and disposal of long-lived assets	312	788	49	960	2,109
(Gain) loss on early extinguishment of debt	—	15,988	(42)	—	15,946
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$ 72,470</b>	<b>\$ 82,020</b>	<b>\$ 78,855</b>	<b>\$ 82,562</b>	<b>\$ 315,907</b>
<i>Adjusted EBITDA Margin (Adjusted EBITDA/Net sales) (non-GAAP)</i>	<i>20.8%</i>	<i>23.4%</i>	<i>22.2%</i>	<i>23.9%</i>	<i>22.6%</i>
<b>Net Debt as of June 30, 2019</b>					<b>94,789</b>
<i>Leverage ratio (Net debt/Adjusted EBITDA) (non-GAAP)</i>					<i>0.3</i>

# Adjusted EBITDA Reconciliation

## Non-GAAP (Unaudited)

	For the Quarters Ended				LTM
	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Sep 2019
<i>(Amounts in thousands, except percentages)</i>					
<b>Net Sales (GAAP)</b>	\$ 350,175	\$ 355,794	\$ 345,242	\$ 327,397	\$ 1,378,608
<b>Net income (loss) (GAAP)</b>	40,806	93,420	40,340	(15,260)	159,306
<b>Non-GAAP adjustments:</b>					
Income tax expense (benefit)	2,600	(48,660)	16,800	1,700	(27,560)
Interest expense, net	3,908	1,726	1,736	1,939	9,309
Depreciation and amortization	12,763	14,223	14,259	15,117	56,362
<b>EBITDA (non-GAAP)</b>	60,077	60,709	73,135	3,496	197,417
<b>Excluding the following items:</b>					
Equity (income) loss from equity method investments	296	3,003	250	(472)	3,077
Restructuring charges	1,718	7,157	2,208	2,920	14,003
R&D grant reimbursements and grant income	(470)	(2)	(35)	19	(488)
ERP integration costs / IT transition costs	2,453	3,117	1,215	1,508	8,293
Stock-based compensation expense	1,534	2,855	2,725	4,146	11,260
Settlements, regulatory costs, and legal expenses related to antitrust class actions	1,549	3,039	2,559	65,626	72,773
Net foreign exchange (gain) loss	(2,218)	2,316	(489)	(2,297)	(2,688)
Plant start-up costs	305	(3,346)	34	(34)	(3,041)
(Gain) loss on write down and disposal of long-lived assets	788	49	960	59	1,856
(Gain) loss on early extinguishment of debt	15,988	(42)	—	—	15,946
Contingent consideration fair value adjustment	—	—	—	32	32
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$ 82,020</b>	<b>\$ 78,855</b>	<b>\$ 82,562</b>	<b>\$ 75,003</b>	<b>\$ 318,440</b>
<i>Adjusted EBITDA Margin (Adjusted EBITDA/Net sales) (non-GAAP)</i>	23.4%	22.2%	23.9%	22.9%	23.1%
<b>Net Debt as of September 30, 2019</b>					<b>112,891</b>
<i>Leverage ratio (Net debt/Adjusted EBITDA) (non-GAAP)</i>					0.4

# Non-GAAP Financial Measures

## Non-GAAP Financial Measures

The Company has presented certain historical financial measures in this presentation that have not been prepared in accordance with GAAP, including adjusted net income, adjusted net income per share, adjusted EBITDA, adjusted gross margin, and adjusted selling, general and administrative expenses. The reconciliations of our non-GAAP financial measures to the most directly comparable GAAP financial measures have been included in this presentation. These non-GAAP financial measures are designed to complement the financial information presented in accordance with GAAP because management believes such measures are useful to investors for the reasons described below.

### Adjusted gross margin

Adjusted gross margin represents net sales less cost of sales excluding adjustments which are outlined in the quantitative reconciliation provided earlier in this presentation. Management uses Adjusted gross margin to facilitate our analysis and understanding of our business operations by excluding the items outlined in the quantitative reconciliation provided earlier in this presentation which might otherwise make comparisons of our ongoing business with prior periods more difficult and obscure trends in ongoing operations. The Company believes that Adjusted gross margin is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company. Adjusted gross margin should not be considered as an alternative to gross margin or any other performance measure derived in accordance with GAAP.

### Adjusted selling, general and administrative expenses

Adjusted selling, general and administrative expenses represents selling, general and administrative expenses excluding adjustments which are outlined in the quantitative reconciliation provided earlier in this presentation. Management uses Adjusted selling, general and administrative expenses to facilitate our analysis and understanding of our business operations by excluding the items outlined in the quantitative reconciliation provided earlier in this presentation which might otherwise make comparisons of our ongoing business with prior periods more difficult and obscure trends in ongoing operations. The Company believes that Adjusted selling, general and administrative expenses is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company. Adjusted selling, general and administrative expenses should not be considered as an alternative to selling, general and administrative expenses or any other performance measure derived in accordance with GAAP.

### Adjusted operating income

Adjusted operating income represents operating income, excluding adjustments which are outlined in the quantitative reconciliation provided earlier in this presentation. Management uses Adjusted operating income to facilitate our analysis and understanding of our business operations by excluding the items outlined in the quantitative reconciliation provided earlier which might otherwise make comparisons of our ongoing business with prior periods more difficult and obscure trends in ongoing operations. The Company believes that Adjusted operating income is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company and allows investors to monitor and understand changes in our ability to generate income from ongoing business operations. Adjusted operating income should not be considered as an alternative to operating income or any other performance measure derived in accordance with GAAP.

# Non-GAAP Financial Measures

## Continued

### **Adjusted net income and Adjusted net income per basic and diluted share**

Adjusted net income and Adjusted net income per basic and diluted share represent net income and net income per basic and diluted share, excluding adjustments which are more specifically outlined in the quantitative reconciliation provided earlier in this presentation. Management uses Adjusted net income and Adjusted net income per basic and diluted share to evaluate the Company's operating performance by excluding the items outlined in the quantitative reconciliation provided above which might otherwise make comparisons of our ongoing business with prior periods more difficult and obscure trends in ongoing operations. The Company believes that Adjusted net income and Adjusted net income per basic and diluted share are useful to investors because they provide a supplemental way to understand the underlying operating performance of the Company and allows investors to monitor and understand changes in our ability to generate income from ongoing business operations. Adjusted net income and Adjusted net income per basic and diluted share should not be considered as alternatives to net income, operating income, or any other performance measures derived in accordance with GAAP.

### **EBITDA and Adjusted EBITDA**

EBITDA represents net income before income tax expense, interest expense, net, and depreciation and amortization expense. We present EBITDA as a supplemental measure of our ability to service debt. We believe EBITDA is an appropriate supplemental measure of debt service capacity because cash expenditures on interest are, by definition, available to pay interest, and tax expense is inversely correlated to interest expense because tax expense goes down as deductible interest expense goes up; and depreciation and amortization are non-cash charges.

We also present Adjusted EBITDA, which is EBITDA excluding adjustments that are outlined in the quantitative reconciliation provided earlier in the presentation, as a supplemental measure of our performance and because we believe this measure is frequently used by securities analysts, investors, and other interested parties in the evaluation of companies in our industry. The items excluded from Adjusted EBITDA are excluded in order to better reflect our continuing operations.

In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by these types of adjustments. Adjusted EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net income (loss), operating income (loss) or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of our liquidity.

# Non-GAAP Financial Measures

## Continued

Our Adjusted EBITDA measure has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- it does not reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, our working capital needs;
- it does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and our Adjusted EBITDA measure does not reflect any cash requirements for such replacements;
- it is not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows;
- it does not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations;
- it does not reflect limitations on or costs related to transferring earnings from our subsidiaries to us; and
- other companies in our industry may calculate this measure differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA as supplementary information.