



# Q1 2019 Earnings Call

April 30, 2019



# Forward-looking statements

## Safe Harbor Statement

This presentation contains forward-looking statements, which concern our plans, objectives, outlook, goals, strategies, future events, future net sales or performance, capital expenditures, future restructuring, plans or intentions relating to expansions, business trends and other information that is not historical information. All forward-looking statements are based upon information available to us on the date of this release and are subject to risks, uncertainties and other factors, many of which are outside of our control, which could cause actual results to differ materially from the results discussed in the forward-looking statements. Risks and uncertainties that could cause such results to differ include: failure to capitalize on, volatility within, or other adverse changes with respect to the Company's growth drivers, including advanced mobility and advanced connectivity, such as delays in adoption or implementation of new technologies; uncertain business, economic and political conditions in the United States and abroad, particularly in China, South Korea, Germany, Hungary and Belgium, where we maintain significant manufacturing, sales or administrative operations; the ongoing trade policy dispute between the United States and China, as well as adverse changes in trade policy, tariff regulation or other trade restrictions; fluctuations in foreign currency exchange rates; the results of our research and development efforts; adverse competitive developments; business development transactions and related integration considerations, including failure to realize, or delays in the realization of anticipated benefits of such transactions; the outcome of ongoing and future litigation, including our asbestos-related product liability litigation; inability to obtain raw materials, including commodities, from single or limited source suppliers in a timely and cost effective manner; uncertainties with regard to the timing, expense and cash outlays associated with the termination and settlement of the Rogers Corporation Defined Benefit Pension Plan; and changes in laws and regulations applicable to our business. For additional information about the risks, uncertainties and other factors that may affect our business, please see our most recent annual report on Form 10-K and any subsequent reports filed with the Securities and Exchange Commission, including quarterly reports on Form 10-Q. Rogers Corporation assumes no responsibility to update any forward-looking statements contained herein except as required by law.

## Non-GAAP Information

This presentation includes the following financial measures that are not presented in accordance with generally accepted accounting principles in the United States of America ("GAAP"):

- (1) Adjusted net income, which the Company defines as net income excluding acquisition-related amortization of intangible assets and discrete items, such as restructuring expenses, asbestos litigation-related charges, gain from antitrust litigation settlement, acquisition and related integration costs, change in foreign jurisdiction tax regulation on equity awards attributable to a prior period, transition services related to the asset acquisition, and gains or losses on asset or business dispositions (collectively, "Discrete Items")
- (2) Adjusted earnings per diluted share, which the Company defines as earnings per diluted share excluding acquisition-related amortization of intangible assets and Discrete Items;
- (3) Adjusted operating expenses, which the Company defines as operating expenses excluding acquisition-related amortization of intangible assets and Discrete Items;
- (4) Adjusted operating income, which the Company defines as operating income excluding acquisition-related amortization of intangible assets and Discrete Items;
- (5) Adjusted operating margin, which the Company defines as operating margin excluding acquisition-related amortization of intangible assets and Discrete Items;
- (6) Adjusted EBITDA, which the company defines as net income excluding interest expense, income tax expense, depreciation and amortization, stock-based compensation and Discrete Items; and
- (7) Adjusted EBITDA margin, which the Company defines as net income margin excluding interest expense, income tax expense, depreciation and amortization, and Discrete Items.

Management believes each of these measures is useful to investors because they allow for comparison to the Company's performance in prior periods without the effect of items that, by their nature, tend to obscure the Company's core operating results due to the potential variability across periods based on the timing, frequency and magnitude of such items. As a result, management believes that adjusted net income, adjusted earnings per diluted share, adjusted operating expenses, adjusted EBITDA, adjusted operating income, adjusted operating margin and adjusted EBITDA margin enhance the ability of investors to analyze trends in the Company's business and evaluate the Company's performance relative to peer companies. However, non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation from, or solely as alternatives to, financial measures prepared in accordance with GAAP. In addition, these non-GAAP financial measures may differ from similarly named measures used by other companies. Reconciliations of the differences between these non-GAAP financial measures and their most directly comparable financial measures calculated in accordance with GAAP are set forth at the end of this document.

# Introductions



**Bruce Hoechner**

President &  
Chief Executive Officer



**Mike Ludwig**

Senior Vice President &  
Chief Financial Officer



**Bob Daigle**

Senior Vice President &  
Chief Technology Officer

# Q1-2019 Summary

## Results

- Record quarterly net sales of \$239.8M
- Gross margin of 35.6%
- Record quarterly adjusted EPS\* of \$1.85 per diluted share

## Highlights

- Advanced Connectivity: Acceleration in 5G deployments and strong 4G demand
- Advanced Mobility: Rebound in ADAS and growth in power semiconductor substrates for EV/HEV
- Multiple capacity expansion projects underway

## Challenges

- PES business challenges impacting gross margin
- EV/HEV demand robust; capacity constraints in PES limiting near-term growth

**Strength in key Advanced Connectivity and Advanced Mobility markets  
Capacity expansion projects continue**

\*See reconciliations to adjusted metrics in the appendix: earnings per diluted share to adjusted earnings per diluted share.

# Market Drivers

## Advanced Connectivity

- 5G wireless infrastructure
- 4G wireless infrastructure
- Portable electronics

TODAY's  
Growth applications



## Advanced Mobility

- EV/HEV power modules
- EV batteries
- Vehicle electrification
- Advanced driver assistance systems (ADAS)

A history of enabling innovation  
for today's and tomorrow's solutions



TOMORROW's  
Emerging market opportunities

## Internet of Things (IoT)

## Low Earth Orbit (LEO) Broadband

## Semi & Fully Autonomous Vehicles

## Vehicle-to-Vehicle Communications

# Advanced Connectivity Solutions (ACS)



## Q1 2019 Update

- Net sales of \$80.5M, up 11% over Q4 2018
- Accelerating 5G wireless infrastructure demand
- Strong demand in 4G
- Return to growth in ADAS applications

## Strategy

- Leveraging innovation to capitalize on market opportunities in key areas:
  - Wireless infrastructure
  - Automotive safety sensors
- Investing in capacity and capabilities to capitalize on projected market growth

**Well-positioned to capitalize on strong 5G and ADAS growth**

# Power Electronics Solutions (PES)



## Q1 2019 Update

- Net sales of \$59.8M, up 5% over Q4 2018
- Strength in power semiconductor substrates for EV/HEV and renewable energy
- Business challenged by capacity constraints
- Efforts underway to add capacity and address margin challenges

## Strategy

- Leverage our proven technology to capitalize on strong market growth opportunities in Advanced Mobility applications
  - Invest in capacity to support accelerating demand for EV/HEV applications
  - Execute on business improvement initiatives to increase profitability

**Substantial demand for Advanced Mobility applications  
Focusing on capacity expansion and operational execution**

# Elastomeric Material Solutions (EMS)



## Q1 2019 Update

- Net sales of \$92.8M, up 5% over Q4 2018
- Double digit growth in automotive (EV/HEV) and mass transit
- Steady growth in general industrial
- Continued focus on optimizing recent acquisitions

## Strategy

- Continue focus on applications in key markets of EV/HEV, portable electronics and general industrial
- Optimize acquisitions to expand profitable growth
- Increase international revenues

**Focusing on growth opportunities in Advanced Connectivity and Advanced Mobility**

# Rogers Vision for 2020

## Strategic Elements

Market-Driven Organization

Innovation Leadership

Synergistic M&A

Operational Excellence



## Financial Objectives

Organic growth:  
7-10%

**\$1.2B**  
Revenues  
**15%**  
Total growth

Synergistic M&A growth:  
5-8%

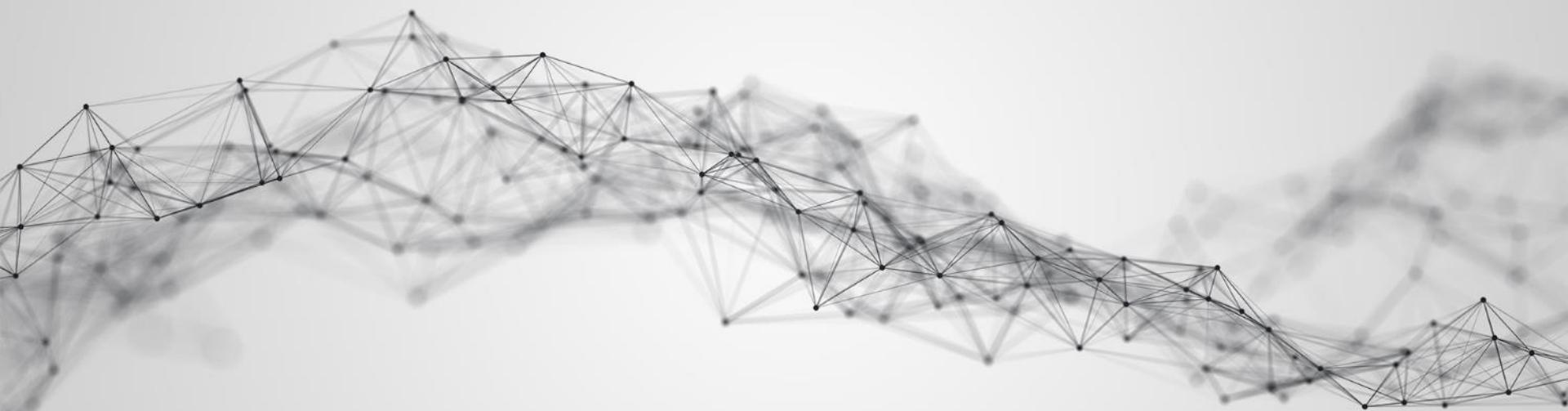
**20%**  
Adjusted operating margin\*

**Capitalize on strong tailwinds in Advanced Connectivity and Advanced Mobility applications to drive profitable growth**

\*The Company is unable to provide a reconciliation of this measure to operating margin, the most directly comparable GAAP measure, without unreasonable efforts because the nature and amount of the potential adjustments in 2020 are not presently identifiable or calculable.

# Financial overview

Mike Ludwig, Sr. Vice President and Chief Financial Officer



# Q1 2019 Financial highlights

(\$ in millions, except EPS)	Q1-2019	Q4-2018	Q1-2018
Net sales	\$239.8	\$222.9	\$214.6
Gross margin	\$85.4	\$78.4	\$76.6
Gross margin %	35.6%	35.2%	35.7%
Operating income	\$32.8	\$26.8	\$31.0
Operating margin %	13.7%	12.0%	14.5%
Adjusted operating income*	\$41.0	\$35.6	\$33.0
Adjusted operating margin %*	17.1%	16.0%	15.4%
Net income	\$28.4	\$24.5	\$26.1
Net income % of net sales	11.8%	11.0%	12.2%
Adjusted EBITDA*	\$53.1	\$46.7	\$44.1
Adjusted EBITDA margin %*	22.2%	20.9%	20.6%
EPS	\$1.52	\$1.31	\$1.40
Adjusted EPS*	\$1.85	\$1.67	\$1.48

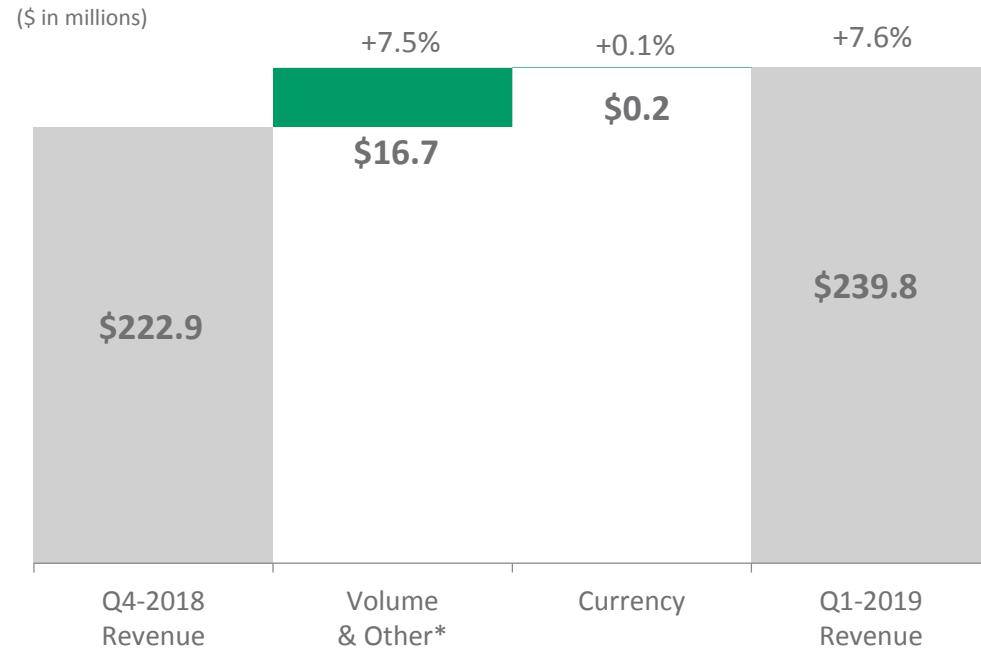
Achieved record quarterly net sales and adjusted EPS;  
Gross margin % improved sequentially

\*See reconciliations to adjusted metrics in the appendix: adjusted operating income to operating income, adjusted operating margin to operating margin, adjusted EBITDA to net income and adjusted earnings per diluted share to earnings per diluted share.

# Revenue bridge vs prior quarter

## Q1-2019 Update

- Revenues of \$240 million or 7.6% increase sequentially
- Volume & other impact driven by strong performance in all segments
- Favorable currency of 0.1% as Renminbi appreciation offsets weaker Euro



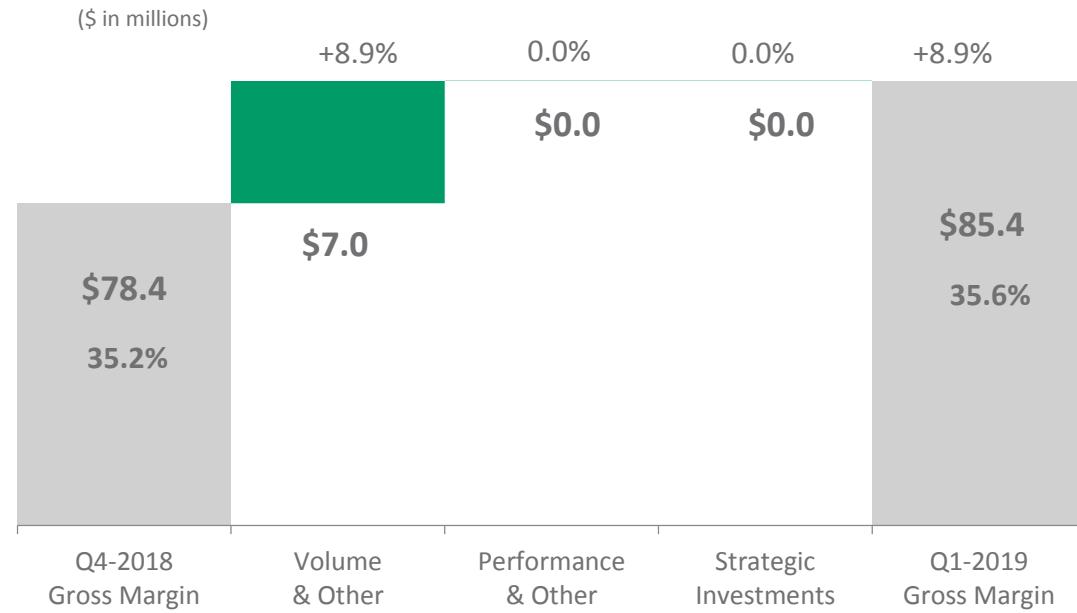
**Strong volume performance across all segments**

\*Volume & Other of \$16.7 million represents change in volume, price and mix excluding the impact of FX.

# Gross margin bridge vs prior quarter

## Q1-2019 Update

- Volume & other benefit from strong demand across all segments
- ACS performance improvements offset by PES operational challenges

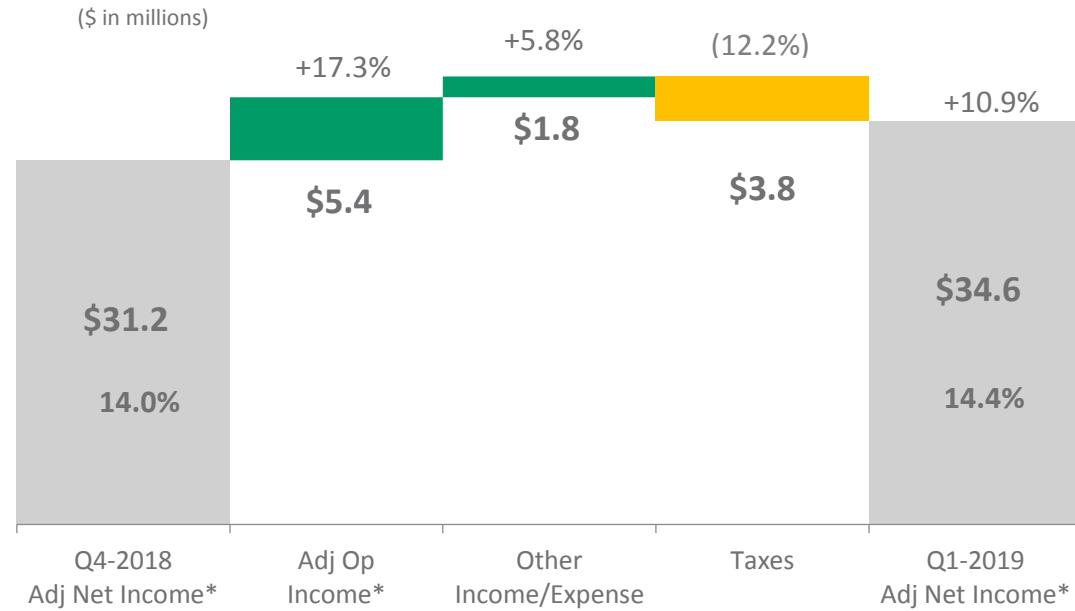


Volume & portfolio mix drove gross margin % improvement

# Adjusted net income\* bridge vs prior quarter

## Q1-2019 Update

- Adjusted Op Income\* positively impacted by higher revenue
- Other income/expense favorably impacted by currencies and commodities gain
- GAAP tax rate 14.2% vs. 3.6% in Q4

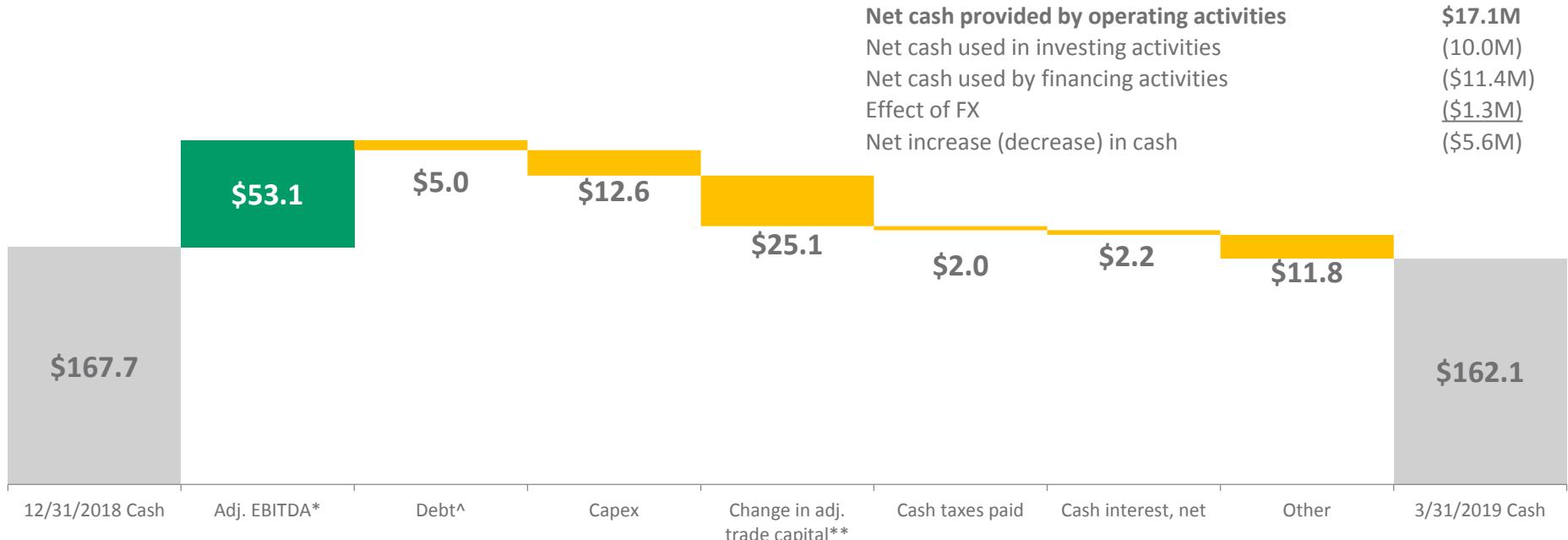


**Volume and Other Income benefit drove higher adjusted Net Income**

\*Reconciliation of adjusted net income to net income and adjusted operating income to operating income is included in the appendix.

# Cash utilization

(\$ in millions)



**Cash utilization impacted by trade capital, capex and debt repayment**

\*See reconciliations of adjusted EBITDA to net income in the appendix. \*\*Change in Adjusted Trade Capital represents change in assets and liabilities, per the statement of cash flows. ^Repayment of debt principal and finance lease obligations \$5.1 million per statement of cash flows. Finance lease obligations of approximately \$0.1 million included in "Other" category.

# Q2-2019 guidance

(\$ in millions, except EPS)

Net sales                    \$240M - \$250M



Gross Margin                35.0% - 36.0%



EPS                          \$1.16 - \$1.31



Adjusted EPS\*              \$1.47 - \$1.62

\*See reconciliation of adjusted earnings per diluted share to earnings per diluted share in the appendix.

A large, abstract network graph is positioned in the background, consisting of numerous small black dots connected by thin gray lines, forming a complex web-like structure that curves across the frame.

# Appendix



# Q1-2019: Adjusted operating income and operating margin reconciliation

(\$ in millions)	Q1-18(\$)	Q1-18(%)	Q4-18(\$)	Q4-18(%)	Q1-19(\$)	Q1-19(%)
Operating income and operating margin	\$31.0	14.5%	\$26.8	12.0%	\$32.8	13.7%
Restructuring, severance, impairment and other related costs	\$1.4	0.7%	\$2.7	1.2%	\$1.9	0.8%
Acquisition and related integration costs	\$0.4	0.2%	\$0.4	0.2%	\$0.5	0.2%
Change in foreign jurisdiction tax regulation on equity awards attributable to a prior period	-	-	-	-	\$0.5	0.2%
Asbestos-related charge	-	-	\$0.7	0.3%	-	-
Gain from antitrust litigation settlement	(\$3.6)	(1.7%)	(\$1.3)	(0.6%)	-	-
Loss on sale of long-lived assets	-	-	-	-	\$0.3	0.1%
Transition services, net	-	-	\$1.9	0.9%	\$0.6	0.3%
Total discrete items	(\$1.8)	(0.8%)	\$4.4	2.0%	\$3.8	1.6%
Operating income and operating margin, adjusted for discrete items	\$29.2	13.6%	\$31.1	14.0%	\$36.6	15.3%
Acquisition intangible amortization	\$3.8	1.8%	\$4.4	2.0%	\$4.4	1.8%
Adjusted operating income and operating margin	\$33.0	15.4%	\$35.6	16.0%	\$41.0	17.1%

Note: percentages and dollars may not add due to rounding.

# Q1-2019: Adjusted EBITDA and adjusted EBITDA margin reconciliation

(\$ in millions)	Q1-18(\$)	Q1-18(%)	Q4-18(\$)	Q4-18(%)	Q1-19(\$)	Q1-19(%)
Net Income	\$26.1	12.2%	\$24.5	11.0%	\$28.4	11.8%
Interest expense, net	\$1.2	0.6%	\$2.1	1.0%	\$1.9	0.8%
Income tax expense	\$4.8	2.2%	\$0.9	0.4%	\$4.7	2.0%
Depreciation	\$7.3	3.4%	\$10.3	4.6%	\$8.5	3.6%
Amortization	\$3.8	1.8%	\$4.4	2.0%	\$4.5	1.9%
Stock-based compensation expense	\$2.7	1.3%	\$2.7	1.2%	\$2.5	1.0%
Restructuring, severance, impairment and other related charges	\$1.4	0.7%	\$2.7	1.2%	\$1.9	0.8%
Acquisition and related integration costs	\$0.4	0.2%	\$0.4	0.2%	\$0.5	0.2%
Change in foreign jurisdiction tax regulation on equity awards attributable to a prior period	-	-	-	-	\$0.5	0.2%
Gain from antitrust litigation settlement	(\$3.6)	(1.7%)	(\$1.3)	(0.6%)	-	-
Asbestos-related charge	-	-	\$0.7	0.3%	-	-
Loss on sale of long-lived assets	-	-	-	-	\$0.3	0.1%
Transition services lease income	-	-	(\$0.7)	(0.3%)	(\$0.6)	(0.3%)
Adjusted EBITDA*	\$44.1	20.6%	\$46.7	20.9%	\$53.1	22.2%

Note: percentages and dollars may not add due to rounding

\*Adjusted EBITDA has been retrospectively restated for all periods presented to reflect the add-back of stock-based compensation expense..

# Q1-2019: Adjusted EPS reconciliation

	Q1-18 (\$)	Q4-18 (\$)	Q1-19 (\$)
GAAP earnings per diluted share	\$1.40	\$1.31	\$1.52
Restructuring, severance, impairment and other related costs	\$0.06	\$0.11	\$0.07
Acquisition and related integration costs	\$0.02	\$0.02	\$0.02
Change in foreign jurisdiction tax regulation on equity awards attributable to a prior period	-	-	\$0.02
Gain from antitrust litigation settlement	(\$0.15)	(\$0.06)	-
Loss on sale of long-lived assets	-	-	\$0.01
Asbestos-related charge	-	\$0.03	-
Transition services, net		\$0.08	\$0.03
Total discrete items	(\$0.07)	\$0.18	\$0.15
Earnings per diluted share adjusted for discrete items	\$1.33	\$1.49	\$1.67
Acquisition intangible amortization	\$0.15	\$0.18	\$0.18
Adjusted earnings per diluted share	\$1.48	\$1.67	\$1.85

Note: percentages and dollars may not add due to rounding.

# Q1-2019: Adjusted net income reconciliation

(\$ in millions)	Q4-18 (\$)	Q4-18 (%)	Q1-19 (\$)	Q1-19(%)
Net Income	\$24.5	11.0%	\$28.4	11.8%
Restructuring, severance, impairment and other related costs	\$2.7	1.2%	\$1.9	0.8%
Acquisition and related integration costs	\$0.4	0.2%	\$0.5	0.2%
Change in foreign jurisdiction tax regulation on equity awards attributable to a prior period	-	-	\$0.5	0.2%
Transition services, net	\$1.9	0.9%	\$0.6	0.3%
Asbestos-related charge	\$0.7	0.3%	-	-
Gain from antitrust litigation settlement	(\$1.3)	(0.6%)	-	-
Loss on sale of long-lived assets	-	-	\$0.3	0.1%
Acquisition intangible amortization	\$4.4	2.0%	\$4.4	1.8%
Income tax effect of non-GAAP adjustments and intangible amortization	(\$2.1)	(0.9%)	(\$2.0)	(0.8%)
Adjusted net income	\$31.2	14.0%	\$34.6	14.4%

Note: percentages and dollars may not add due to rounding.

# Q1-2019: Adjusted operating expenses reconciliation\*

(\$ in millions)	Q4-18(\$)	Q4-18(%)	Q1-19(\$)	Q1-19(%)
Operating expenses	\$51.6	23.2%	\$52.6	21.9%
Restructuring, severance, impairment and other related costs	(\$2.7)	(1.2%)	(\$1.9)	(0.8%)
Acquisition and related integration costs	(\$0.4)	(0.2%)	(\$0.5)	(0.2%)
Change in foreign jurisdiction tax regulation on equity awards attributable to a prior period	-	-	(\$0.5)	(0.2%)
Asbestos-related charge	(\$0.7)	(0.3%)	-	-
Gain from antitrust litigation settlement	\$1.3	0.6%	-	-
Loss on sale of long-lived assets	-	-	(\$0.3)	(0.1%)
Transition services, net	(\$1.9)	(0.9%)	(\$0.6)	(0.3%)
Total discrete items	(\$4.4)	(2.0%)	(\$3.8)	(1.6%)
Operating expenses, adjusted for discrete items	\$47.2	21.2%	\$48.8	20.3%
Acquisition intangible amortization	(\$4.4)	(2.0%)	(\$4.4)	(1.8%)
Adjusted operating expenses	\$42.8	19.2%	\$44.4	18.5%

Note: percentages and dollars may not add due to rounding

\*Operating expenses include (i) selling, general and administrative expenses, (ii) research and development expenses, (iii) restructuring and impairment charges and (iv) other operating (income) expense, net per statement of operations.

## Q2-2019: Guidance reconciliation

	Q2-19 (\$)
GAAP earnings per diluted share	\$1.16 - \$1.31
Discrete items	\$0.13
Acquisition intangible amortization	\$0.18
Adjusted earnings per diluted share	\$1.47 - \$1.62

Note: percentages and dollars may not add due to rounding.