



2021 ANNUAL REPORT





Our Vision

“We aim to be a leading provider of **sensing** and **motion** devices as well as **connectivity** components, enabling an intelligent and seamless world.”

Our Values



Play to Win

- Be ambitious for customers and ourselves.
- Seize opportunities to create outcomes that benefit everyone.
- Be prepared to challenge in order to get the best results.
- Act with humility, intelligence and integrity at all times.



Responsiveness

- Be nimble and act fast, but never at the expense of quality.
- Take the time to understand our customers' needs.
- Respect the views and needs of others.
- Work with a sense of urgency that helps us exceed our customers' expectations.



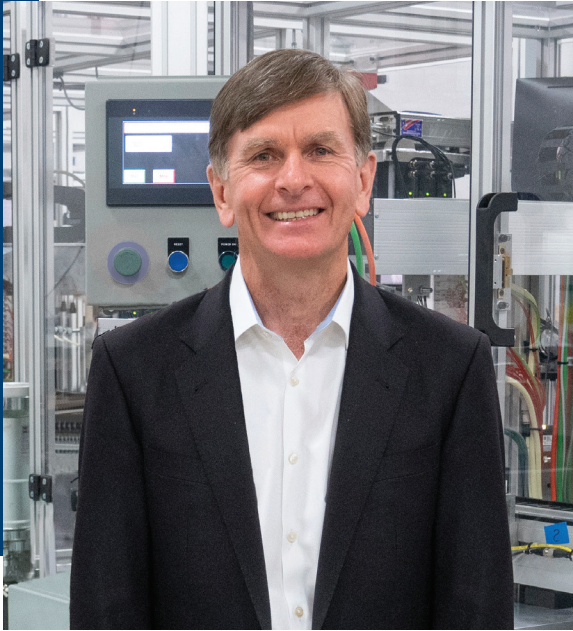
Simplicity

- Be straightforward and easy to deal with.
- Reduce bureaucracy and complexity to keep things simple.
- Use language our customers understand.
- Focus on delivering solutions efficiently and effectively, time after time.



Solution Oriented

- Stay curious and resourceful.
- Embrace the challenge of solving our customers' problems.
- Put yourself in the customers' shoes to understand their challenges.
- Find new and better ways of working together to deliver greater value.



“Thanks to the dedication, hard work, and adaptability of our teams, CTS was able to deliver strong financial results.”

— Kieran O’Sullivan

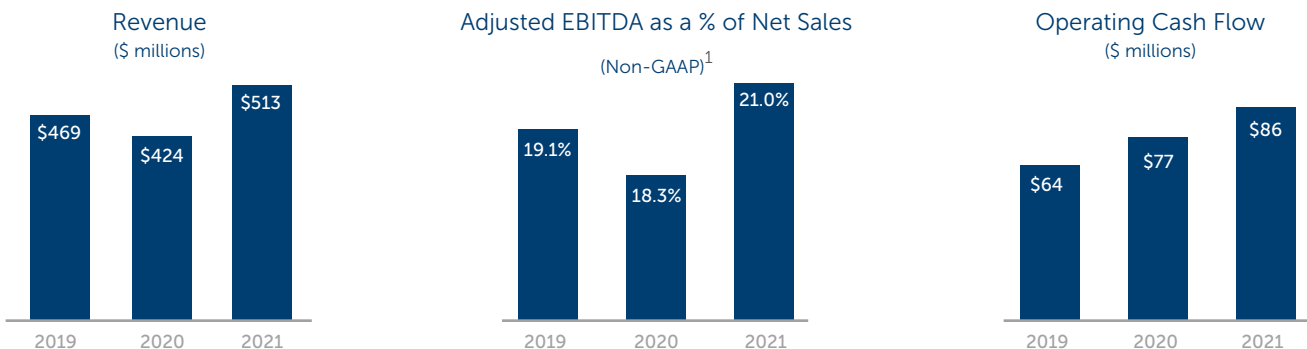
Chairman, President, and Chief Executive Officer

Dear Shareholders,

2021 was a defining period for CTS as we advanced our diversification strategy with non-transportation sales growing 25%. We also secured record new business awards, close to \$700 million, and delivered Operating Earnings and Adjusted EBITDA margins of 15% and 21%¹, respectively. Despite the pandemic and supply chain challenges, we persevered, effectively serving our customers while continuing to invest in our future, guided by our Focus 2025 initiative. The resilience of our employees shone through as we finished the year in a position of strength, with exciting opportunities ahead.

2021 Financial Results

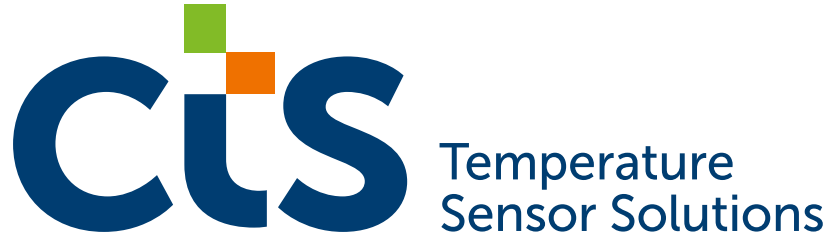
Thanks to the dedication, hard work, and adaptability of our teams, CTS was able to deliver strong financial results. Full-year sales were up 21% year-over-year to \$513 million. Sales to non-transportation end markets increased 25%, while sales into the transportation end market increased 18%, over 2020. Full-year gross margin rose 320 basis points to 36%, and full-year adjusted diluted earnings per share¹ increased 72% to \$1.93. Full-year operating cash flow was strong at \$86M.



TEWA



Temperature Sensors



Acquisitions Fueling Growth

We continue to adhere to our strategy to drive profitable growth around products that sense, connect and move.

In February 2022, we completed the acquisition of Tewa Temperature Sensors. Based in Poland, this acquisition grows our temperature sensing platform and expands our industrial applications, while strengthening our European presence and distribution capabilities.

Beyond our acquisition of Tewa, we continue to evaluate acquisition opportunities that complement our existing capabilities in the areas of ceramics, sensing technologies, and potentially for applications related to electric vehicle platforms. Our strong balance sheet provides us with a solid foundation to advance our diversification strategy.



TEMPERATURE SENSORS

Tewa offers a wide range of standard and customized high quality temperature sensors designed according to individual customer requirements and applications.

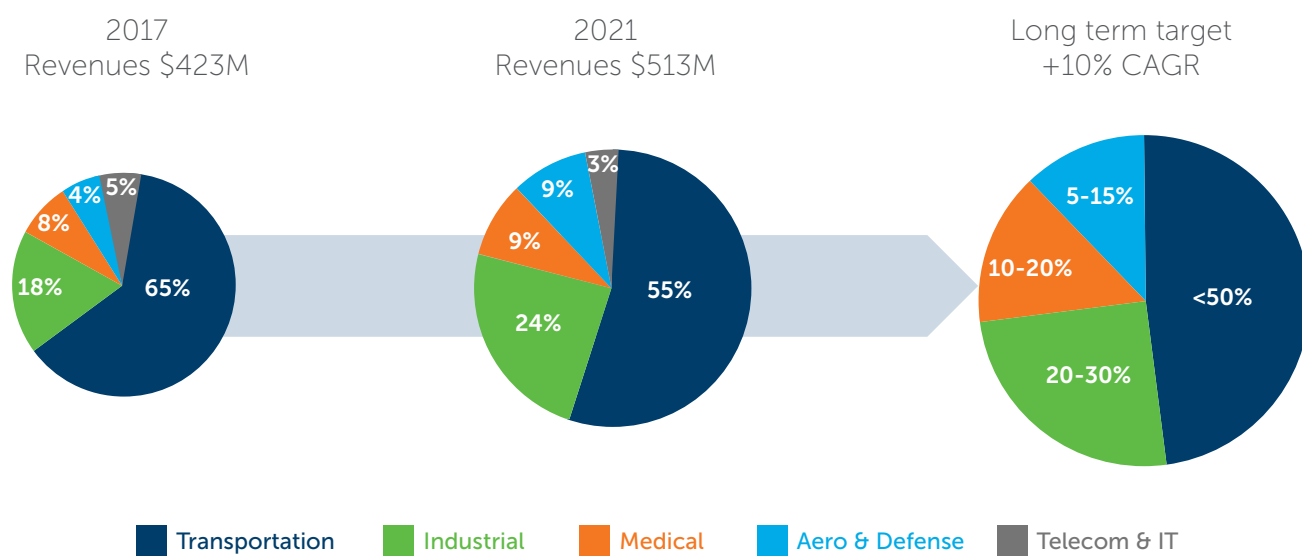


THERMISTORS

Tewa thermistors have many advantageous features compared to other temperature sensors. They continue to be among the most versatile portfolio of sensors for critical temperature sensing and control applications.

Creating Long-Term Value for Our Shareholders

We remain committed to our long-term strategy, which centers on diversifying our end market profile by expanding our range of technologies, products, customers, and geographic reach. We believe this diversification enhances the value creation opportunities for our shareholders, as well as the quality of our earnings. This past year we made good progress on our diversification efforts, increasing non-transportation sales to 45% of total 2021 sales, compared to 35% of total sales in 2017. Looking ahead, we will continue to focus on diversification through faster growth in non-transportation revenues, while continuing to strategically grow our transportation business. We are targeting an overall revenue growth rate of 10%, with a long-term goal of greater than 50% of total revenue coming from non-transportation end markets.



	2012 ²	2021	Long-Term Target
Revenue	\$304M	\$513M	+10% /yr
Gross Margin	30.1%	36.0%	34-38%
SG&A Expense	20.7%	16.1%	13-15%
R&D Expense	6.9%	4.7%	5-7%
CapEx	4.6%	3.0%	~4%

Our high performance, results driven, collaborative, and empowered culture as well as a global presence of manufacturing and engineering centers continue to be key drivers of our success. These advantages enable us to quickly support our customers wherever they may be. Our end-market exposure has helped us to navigate the dynamic macroeconomic trends of late, and we continue to maintain a disciplined approach to acquisitions in line with our strategic priorities and diversification goals.



Advancing ESG Initiatives

CTS is committed to ethical and sustainable environmental, social, and governance practices.

At CTS, our purpose is to enable an intelligent and seamless world. We understand that we have a responsibility to help shape not only a smarter future, but one that is sustainable for future generations. We work to build deeper relationships that enable our customers to deliver complex solutions with technologies that make their products more intelligent.

We support sustainable applications for the transportation end market where our products help reduce harmful emissions in commercial vehicles and support the electrification of passenger cars. In medical markets, CTS products enable less invasive health diagnostics through medical ultrasound and aid the targeted delivery of treatments to sites of disease.

Additionally, we expanded the role of our Nominating and Governance Committee (now the Nominating, Governance and Sustainability Committee) to include oversight of our sustainability initiatives and look forward to issuing our first sustainability report in 2023.

At CTS, we understand that our success depends on fostering an inclusive and empowered work environment where all employees are respected and treated equally. With a business spanning the globe, we strive for our facilities and workforce to reflect the diversity of our geographical footprint.

We take the importance of continuing to strengthen the diversity of our workforce seriously. Our Board of Directors is comprised of members who reflect a diverse set of skills, backgrounds, perspectives and experiences, and we are proud that more than 40% of our board is comprised of female and minority directors.



We are continuing our legacy of community outreach and support through the launch of CTS CARES - a global program designed to promote charitable giving and community involvement.

CTS products enable solutions that enhance and save lives every day. We pride ourselves on partnering to accelerate such important technological advances.





Key Trends Driving Long-Term Growth

The need for increased safety, electrification, automation, connectivity, and efficiency will continue to drive demand for CTS solutions. Our non-transportation markets are growing fast, where we leverage core technology and domain expertise to expand CTS' presence. By partnering with our customers to create new solutions, we ensure deeper penetration with current applications. Overall, we anticipate robust order levels in the first half of the year and remain cautious about the demand environment in the second half of 2022.

The pace of recovery in our transportation market remains pressured by ongoing supply challenges and inflation, which are expected to persist in 2022. Mobility is a fast-growing market, with vehicles requiring increased processing power and communications. Electrification is forecast to drive the penetration of electric vehicles from 6% today to greater than 30% globally by 2030. CTS' electrification growth is enabled by the expansion of our accelerator sensors, applying inductive technology, and expanding modular solutions as we also continue to advance passive safety sensors. More recently, we have developed advanced E-Brake products to satisfy the requirements of new electric vehicle architectures.

As our world becomes smarter and more connected, there is a growing need for more efficient and automated solutions. The medical field increasingly requires more portable and connected ultrasound products. Automation of medical procedures continues to advance with the growth of robotics. Physicians seek less invasive procedures to limit damage incurred during surgery, and enhancements in drug delivery techniques make treatment more effective and patient recovery less taxing. CTS technologies play an important role in this rapidly evolving space.

We are expanding CTS' customer base in defense, where we provide underwater sonar solutions. Our teams are also researching new applications for unmanned autonomous products.

The demand for our temperature products in industrial applications, both hot and cold, continues to expand globally, aided by our ceramic technology expertise. Additionally, the demand for microactuators in printing is growing, driven by the growth of online purchasing and the associated growth in packaging, warehousing, and logistics. We are confident that CTS will continue to innovate and grow, increasing revenues, expanding margins, and generating stronger cash flows as we leverage secular growth opportunities and seek meaningful M&A opportunities to advance our strategy.

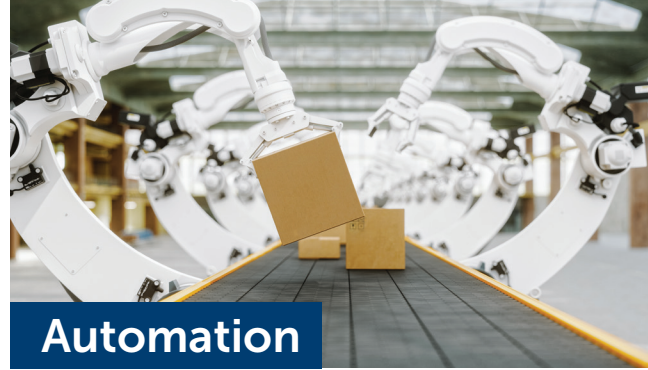
Looking Forward

With the full dedication and care of our leadership team and every CTS employee globally, we will continue to drive the company forward to deliver superior performance for our customers, shareholders, and employees. We will be guided by the Focus 2025 initiatives of profitable growth, customer focus, CTS operating systems, talent, and leadership development. I want to thank our valued customers, employees, shareholders, business partners, and the Board of Directors for their support this past year. I look forward to reporting on our progress and continued success next year.



Kieran O'Sullivan

Chairman, President, and Chief Executive Officer



¹From time to time, CTS may use non-GAAP financial measures in discussing CTS' business. These measures are intended to supplement, not replace, CTS' presentation of its financial results in accordance with U.S. GAAP. CTS' management believes that non-GAAP financial measures can be useful to investors in analyzing CTS' financial performance and results of operations over time. CTS recommends that investors consider both actual and adjusted measures in evaluating the performance of CTS with peer companies.

This letter to shareholders includes the non-GAAP financial measures of adjusted EBITDA and adjusted diluted earnings per share. These non-GAAP financial measures exclude the effect of certain expenses and income not related directly to the underlying performance of CTS' fundamental business operations. A reconciliation of each non-GAAP financial measure to its most directly comparable GAAP financial measure is set forth below.

CTS believes that adjusted EBITDA and adjusted diluted earnings per share provide useful information to investors regarding its operational performance because they enhance an investor's overall understanding of CTS' core financial performance and facilitate comparisons to historical results of operations, by excluding items that are not related directly to the underlying performance of CTS' fundamental business operations or were not part of CTS' business operations during a comparable period.

CTS believes that these non-GAAP financial measures are commonly used by financial analysts and others in the industries in which CTS operates, and thus further provide useful information to investors. Note that CTS' definitions of these non-GAAP financial measures may differ from those terms as defined or used by other companies.

Reconciliation of Net (Loss) Earnings to Adjusted EBITDA:

(\$ in millions)

	Full Year		
	2021	2020	2019
Net (loss) earnings	\$ (41.9)	\$ 34.7	\$ 36.1
Depreciation and amortization expense	26.9	26.7	24.6
Interest expense	2.1	3.3	2.6
Tax (benefit) expense	(19.0)	10.8	14.1
EBITDA	(31.8)	75.4	77.5
Adjustments to EBITDA:			
Restructuring charges	1.7	1.8	6.9
Environmental charges	2.3	2.8	2.3
Legal settlement	-	-	(0.5)
Transaction costs	-	0.3	0.7
Costs of tax improvement initiatives	-	-	0.1
Non-cash pension expense	132.4	2.5	0.8
Foreign currency loss (gain)	3.3	(5.3)	1.8
Total adjustments to EBITDA	139.7	2.1	12.0
Adjusted EBITDA	\$ 107.8	\$ 77.5	\$ 89.5
Net sales	\$ 512.9	\$ 424.1	\$ 469.0
Adjusted EBITDA as a % of net sales	21.0%	18.3%	19.1%

Reconciliation of Diluted (Loss) Earnings Per Share to Adjusted Diluted Earnings Per Share:

	Full Year		
	2021	2020	2019
Diluted (loss) earnings per share	\$ (1.30)	\$ 1.06	\$ 1.09
Tax affected adjustments to reported diluted (loss) earnings per share			
Restructuring charges	0.06	0.04	0.18
Environmental charges	0.05	0.07	0.05
Transaction costs	-	0.01	0.02
Non-cash pension expense	3.13	0.06	0.02
Foreign currency loss (gain)	0.10	(0.16)	0.05
Other discrete tax items	(0.11)	0.04	0.05
Adjusted diluted earnings per share	\$ 1.93	\$ 1.12	\$ 1.45

²2012 financials from continuing operations (Excluding EMS business)

Safe Harbor

This letter to shareholders contains statements that are, or may be deemed to be, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, any financial or other guidance, statements that reflect CTS' current expectations concerning future results and events, and any other statements that are not based solely on historical fact. Forward-looking statements are based on management's expectations, certain assumptions, and currently available information. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof and are based on various assumptions as to future events, the occurrence of which necessarily are subject to uncertainties. These forward-looking statements are made subject to certain risks, uncertainties and other factors, which could cause CTS' actual results, performance or achievements to differ materially from those presented in the forward-looking statements. Examples of factors that may affect future operating results and financial condition include, but are not limited to: the ultimate impact of the COVID-19 pandemic on CTS' business, results of operations or financial condition; changes in the economy generally and in respect to the business in which CTS operates; unanticipated issues in integrating acquisitions; the results of actions to reposition CTS' business; rapid technological change; general market conditions in the transportation industry, as well as conditions in the industrial, aerospace and defense, and medical markets; reliance on key customers; unanticipated public health crises, natural disasters or other events; environmental compliance and remediation expenses; the ability to protect CTS' intellectual property; pricing pressures and demand for CTS' products; and risks associated with CTS' international operations, including trade and tariff barriers, exchange rates and political and geopolitical risks including, without limitation, the current conflict between Russia and Ukraine. Many of these, and other, risks and uncertainties are discussed in further detail in Item 1A. of CTS' Annual Report on Form 10-K and other filings made with the U.S. Securities and Exchange Commission. CTS undertakes no obligation to publicly update its forward-looking statements to reflect new information or events or circumstances that arise after the date hereof, including market or industry changes.