Q2 2023 Earnings Call

AUGUST 3, 2023

Forward-looking statements

Safe Harbor Statement

Statements included in this presentation that are not a description of historical facts are forward-looking statements. Words or phrases such as “believe,” “may,” “could,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “seek,” “plan,” “expect,” “should,” “would” or similar expressions are intended to identify forward-looking statements, and are based on Rogers’ current beliefs and expectations. This release contains forward-looking statements regarding 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 those indicated by the forward-looking statements. Other risks and uncertainties that could cause such results to differ include: the duration and impacts of the coronavirus global pandemic and efforts to contain its transmission and distribute vaccines, including the effect of these factors on our business, suppliers, customers, end users and economic conditions generally; continuing disruptions to global supply chains and our ability, or the ability of our suppliers, to obtain necessary product components; 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 (U.S.) and abroad, particularly in China, South Korea, Germany, the United Kingdom, Hungary and Belgium, where we maintain significant manufacturing, sales or administrative operations; the trade policy dynamics between the U.S. and China reflected in trade agreement negotiations and the imposition of tariffs and other trade restrictions, including trade restrictions on Huawei Technologies Co., Ltd. (Huawei); fluctuations in foreign currency exchange rates; our ability to develop innovative products and the extent to which our products are incorporated into end-user products and systems and the extent to which end-user products and systems incorporating our products achieve commercial success; the ability and willingness of our sole or limited source suppliers to deliver certain key raw materials, including commodities, to us in a timely and cost-effective manner; intense global competition affecting both our existing products and products currently under development; business interruptions due to catastrophes or other similar events, such as natural disasters, war, including the ongoing conflict between Russia and Ukraine, terrorism or public health crises; the impact of sanctions, export controls and other foreign asset or investment restrictions; failure to realize, or delays in the realization of anticipated benefits of acquisitions and divestitures due to, among other things, the existence of unknown liabilities or difficulty integrating acquired businesses; our ability to attract and retain management and skilled technical personnel; our ability to protect our proprietary technology from infringement by third parties and/or allegations that our technology infringes third party rights; changes in effective tax rates or tax laws and regulations in the jurisdictions in which we operate; failure to comply with financial and restrictive covenants in our credit agreement or restrictions on our operational and financial flexibility due to such covenants; the outcome of ongoing and future litigation, including our asbestos-related product liability litigation or risks arising from the terminated DuPont Merger; changes in environmental laws and regulations applicable to our business; and disruptions in, or breaches of, our information technology systems. Should any risks and uncertainties develop into actual events, these developments could have a material adverse effect on the Company. 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 and Additional Information

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 operating income, which the Company defines as operating income excluding acquisition-related amortization of intangible assets and discrete items, which are acquisition and related integration costs, dispositions, gains or losses on the sale or disposal of property, plant and equipment, restructuring, severance, impairment and other related costs, non-routine shareholder advisory costs, (income) costs associated with terminated merger, UTIS fire and recovery charges and the related income tax effect on these items (collectively, "discrete items");
(2) Adjusted operating margin, which the Company defines as adjusted operating income as a percentage of total net sales;
(3) Adjusted operating expenses, which the Company defines as operating expenses excluding acquisition-related amortization of intangible assets and discrete items;
(4) Adjusted net income, which the Company defines as net income (loss) excluding amortization of acquisition intangible assets, pension settlement charges and discrete items;
(5) Adjusted earnings per diluted share, which the Company defines as earnings per diluted share excluding amortization of acquisition intangible assets, pension settlement charges and discrete items, divided by adjusted weighted average shares outstanding – diluted;
(6) Adjusted EBITDA, which the Company defines as net income (loss) excluding interest expense, net, income tax expense (benefit), depreciation and amortization, stock-based compensation expense, pension settlement charges and discrete items;
(7) Adjusted EBITDA Margin, which the Company defines as the percentage that results from dividing Adjusted EBITDA by total net sales;
(8) Free Cash Flow, which the Company defines as net cash provided (used) by operating activities less non-acquisition capital expenditures.

Management believes adjusted operating income, adjusted operating margin, adjusted operating expenses, adjusted net income, adjusted earnings per diluted share, adjusted EBITDA and adjusted EBITDA margin are 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 potential variability across periods based on the timing, frequency and magnitude of such items. As a result, management believes that these measures enhance the ability of investors to analyze trends in the Company's business and evaluate the Company's performance relative to peer companies. Management also believes free cash flow is useful to investors as an additional way of viewing the Company's liquidity and provides a more complete understanding of factors and trends affecting the Company's cash flows. However, non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation from, or as alternatives to, financial measures prepared in accordance with GAAP. In addition, these non-GAAP financial measures may differ from, and should not be compared to, 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 below.

Introductions

Colin Gouveia

President &
Chief Executive Officer

Ram Mayampurath

Senior Vice President &
Chief Financial Officer

Our Path Forward

Achieving Breakthrough Growth and Profitability

ELEVATE *2025+*

- *Financial Performance*
- *Opportunity Funnel Leads To Increased Design Wins*
- *Commercialization Of Innovation Pipeline*

ACCELERATE *2024 - 2025*

- *Secular Market Trends*
- *Commercial Excellence*
- *Secured Design Wins Begin To Ramp*
- *Scale The Organization*

RESTORE *2023*

- *Cost Improvement*
- *Margin Focus*
- *Bolster Organization*

Power Substrate Capacity Expansion in China

Highlights:

- *Significant increase in curamik® substrate capacity to support growing demand for silicon carbide (SiC) power semiconductor devices*
- *New capacity will serve EV and renewable energy markets, similar to existing flagship factory in Germany*
- *Continuing 'local for local' footprint strategy with factory in China*
    - *Shorter lead times and deeper technical collaborations with domestic and western OEMs operating in Asia*
- *Investment already incorporated into 2023 capital expenditure guidance provided in February*

Results Overview

Q2 2023 SUMMARY

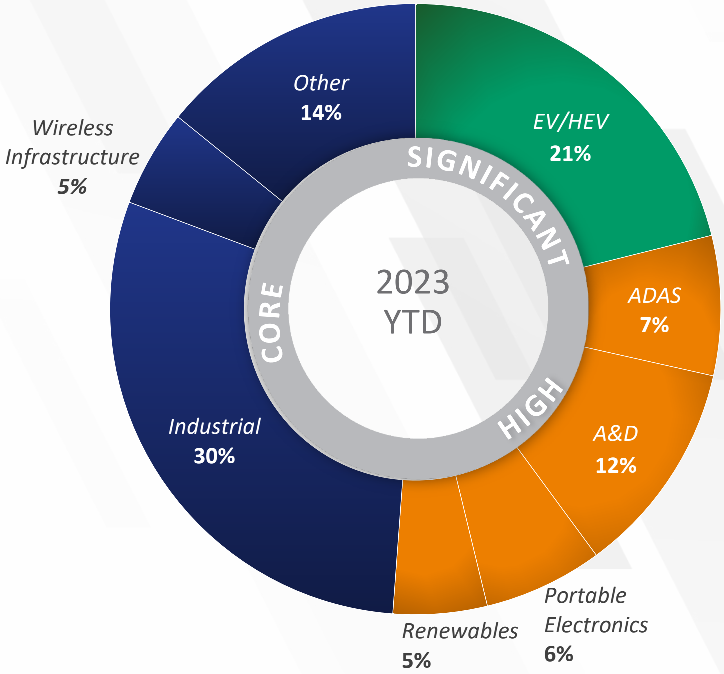
HIGHLIGHTS

- Continued execution on profitability improvement actions
- Gross margin of 34.5% improved 180 bps versus the prior quarter
- Higher sales in the portable electronics and Aerospace and Defense (A&D) markets
- New design wins in EV and A&D markets

CHALLENGES

- Continued weakness in global economy
- Manufacturing activity declining in most regions and higher inflation and interest rates are impacting consumers
- Some EV customers facing manufacturing challenges, resulting in delayed production ramps

REVENUE BY MARKET SEGMENT



Percentages may not add due to rounding

New ESG Report Supplement

Highlights:

- *An update to Rogers 2021 ESG Report*
- *Covers the period from Jan 1 to Dec 31, 2022*
- *Features third-party verification of greenhouse gas emissions for 2021 and 2022*
- *Includes extended reporting of employee health and safety metrics*

Rogers 2023 supplement and 2021 ESG report are available on Rogers' website

Q2 2023 Financial Highlights

($ in millions, except EPS)	Q2-2023	Q1-2023
Net sales	**$230.8**	**$243.8**
Gross margin	**$79.6**	**$79.7**
Gross margin %	34.5%	32.7%
Operating income	**$27.9**	**($0.3)**
Operating margin %	12.1%	-0.1%
Adjusted operating income*	**$31.0**	**$25.5**
Adjusted operating margin %*	13.4%	10.5%
Net income	**$17.9**	**($3.5)**
Net income % of net sales	7.7%	-1.4%
Adjusted EBITDA*	**$43.7**	**$35.1**
Adjusted EBITDA margin %*	18.9%	14.4%
EPS	**$0.96**	**($0.19)**
Adjusted EPS*	**$1.07**	**$0.87**

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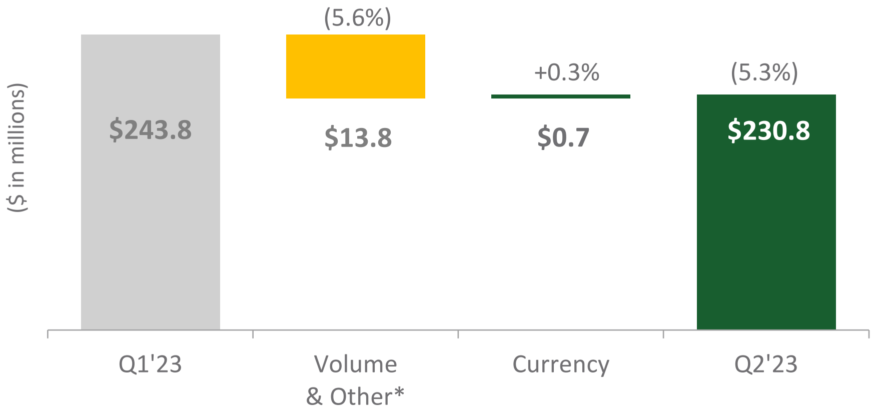
*See Appendix for reconciliation of non-GAAP measures.

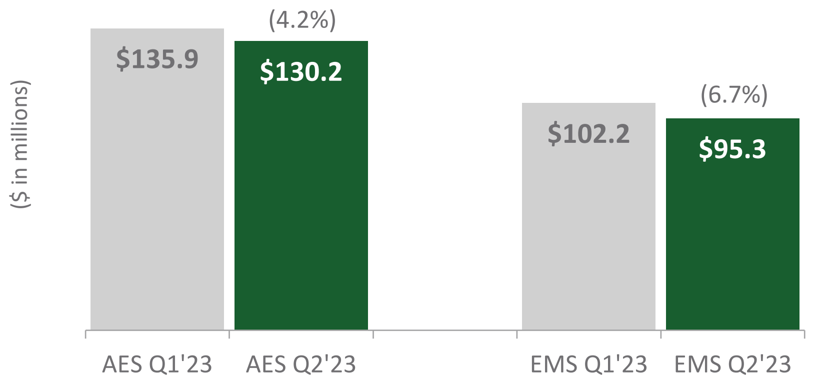
Q2 2023 Revenue Results

Consolidated Revenue QoQ



- Revenues of $230.8 million decreased 5.3% versus Q1’23
- Declines in general industrial, consumer, EV/HEV and ADAS markets contributed to QoQ declines
- Favorable currency impact primarily from Euro and partially offset by RMB sales

Revenue by Operating Segment QoQ**



- AES: Lower EV/HEV and ADAS sales, partially offset by higher A&D and industrial market sales. $0.6 million favorable foreign currency impact.
- EMS: Lower general industrial and consumer market sales, partially offset by higher portable electronics and A&D revenue. $0.1 million favorable foreign currency impact.

*Volume & Other of $13.8 million represents change in volume, price and mix excluding the impact of FX.

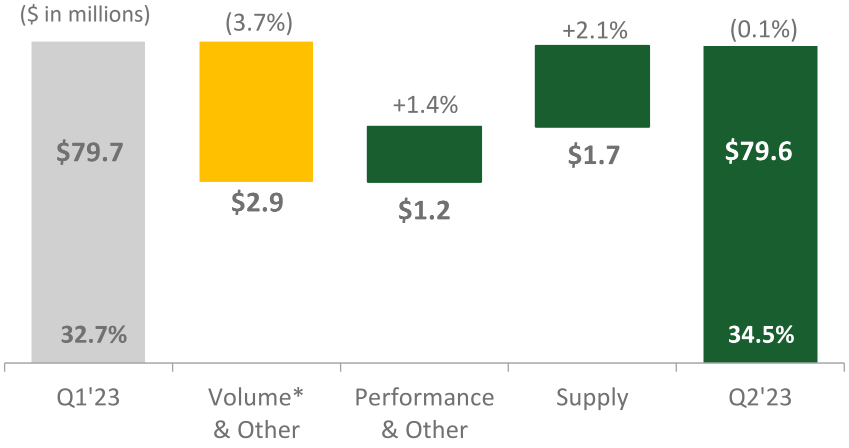
Note: Percentages and dollars may not add due to rounding

**“Other” business unit not included

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

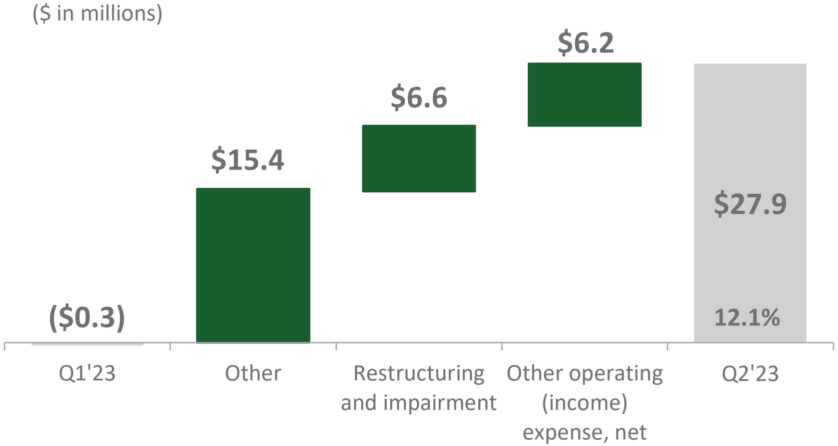
Q2 2023 Gross Margin and Operating Income Results

Q2 Gross Margin



- Volume decline across all business segments partially offset by favorable mix
- Favorable operational performance driven by better factory productivity within EMS
- Improved supply performance due to lower logistics cost and favorable material procurement

Q2 Operating Income QoQ



- Lower operating expenses, including non-routine shareholder advisory costs incurred in the prior quarter
- Lower restructuring and impairment charges
- Other operating income increased from insurance recoveries related to fire at South Korea facility in 2021

*Volume & Other of $2.9 million represents change in sales volume, price, mix and FX.
Note: percentages and dollars may not add due to rounding

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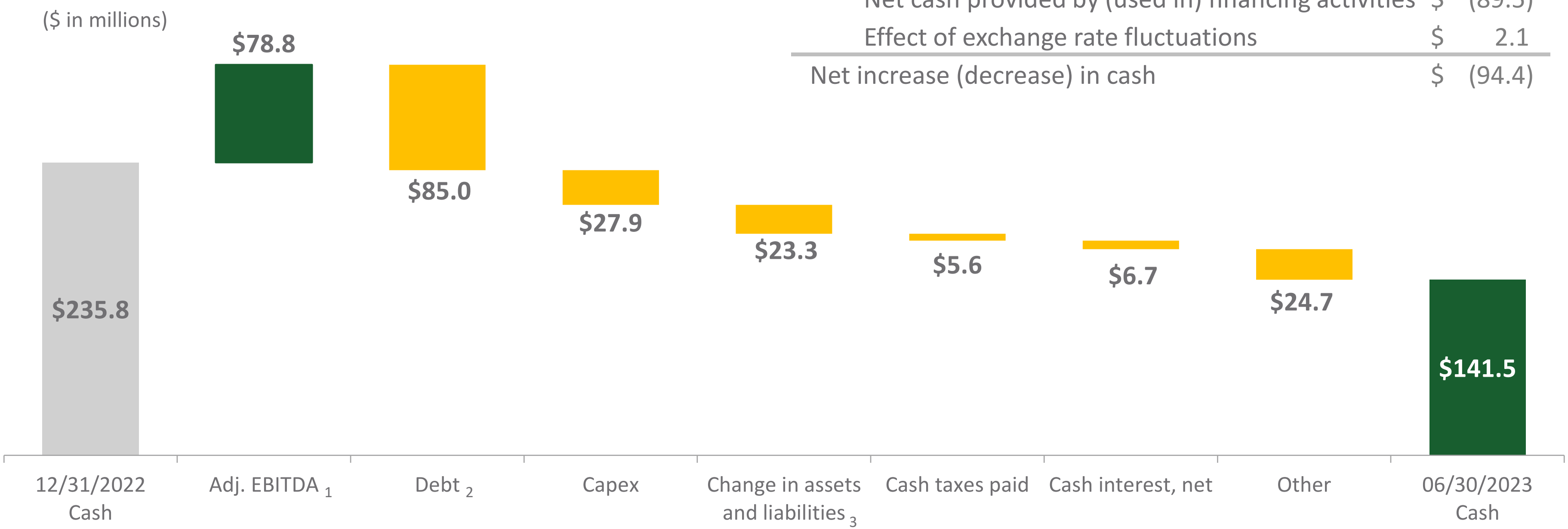
Cash Utilization

Net cash provided by operating activities	$	**17.5**
Net cash used in investing activities	$	(24.6)
Net cash provided by (used in) financing activities	$	(89.5)
Effect of exchange rate fluctuations	$	2.1
Net increase (decrease) in cash	$	(94.4)



1 - See reconciliation of adjusted EBITDA to GAAP net income in the appendix.
2 - Represents proceeds from borrowings under revolving credit facility less repayment of debt principal and finance lease obligations.
3 - Change in assets and liabilities per the statements of cash flows.
Note: dollars may not add due to rounding.

Q3 2023 Guidance

Net sales	$230M - $240M
Gross Margin	34.0% - 35.0%
EPS	$1.20 - $1.40
Adjusted EPS*	$1.05 - $1.25

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

Appendix

Q2 2023: Adjusted operating expenses reconciliation*

($ in millions)	Q1-23($)	Q1-23(%)	Q2-23($)	Q2-23(%)
GAAP operating expenses	$ 80.0	32.8%	$ 51.7	22.4%
Acquisitions and divestiture related costs:				
Acquisition and related integration costs	$ (0.1)	(0.0%)	$ (0.0)	(0.0%)
Dispositions	$ (1.2)	(0.5%)	$ (0.1)	(0.0%)
Loss/(gain) on sale or disposal of assets	$ 0.0	0.0%	$ 0.5	0.2%
Restructuring, business realignment and other cost saving initiatives:				
Restructuring, severance, impairment and other related costs	$ (11.9)	(4.9%)	$ (4.6)	(2.0%)
Non-routine shareholder advisory costs	$ (7.6)	(3.1%)	$ (0.1)	(0.0%)
(Income) costs associated with terminated merger	$ (1.9)	(0.8%)	$ (1.5)	(0.7%)
Utis fire (recovery)/charges	$ 0.2	0.1%	$ 5.9	2.6%
Total discrete items	$ (22.5)	(9.2%)	$ 0.2	0.1%
Operating expenses adjusted for discrete items	$ 57.5	23.6%	$ 51.9	22.5%
Acquisition intangible amortization	$ (3.3)	(1.4%)	$ (3.3)	(1.4%)
Adjusted operating expenses	$ 54.2	22.2%	$ 48.6	21.1%

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Note: percentages and dollars may not add due to rounding.
*GAAP 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 condensed consolidated statements of operations.

Q2 2023: Adjusted operating income and margin reconciliation

($ in millions)	Q1-23($)	Q1-23(%)	Q2-23($)	Q2-23(%)
GAAP operating income (loss) and margin	$ (0.3)	(0.1%)	$ 27.9	12.1%
Acquisitions and divestiture related costs:				
Acquisition and related integration costs	$ 0.1	0.0%	$ 0.0	0.0%
Dispositions	$ 1.2	0.5%	$ 0.1	0.0%
Loss/(gain) on sale or disposal of assets	$ (0.0)	(0.0%)	$ (0.5)	(0.2%)
Restructuring, business realignment and other cost saving initiatives:				
Restructuring, severance, impairment and other related costs	$ 11.9	4.9%	$ 4.6	2.0%
Non-routine shareholder advisory costs	$ 7.6	3.1%	$ 0.1	0.0%
(Income) costs associated with terminated merger	$ 1.9	0.8%	$ 1.5	0.7%
Utis fire (recovery)/charges	$ (0.2)	(0.1%)	$ (5.9)	(2.6%)
Total discrete items	$ 22.5	9.2%	$ (0.2)	(0.1%)
Operating income and margin adjusted for discrete items	$ 22.2	9.1%	$ 27.7	12.0%
Acquisition intangible amortization	$ 3.3	1.4%	$ 3.3	1.4%
Adjusted operating margin	$ 25.5	10.5%	$ 31.0	13.4%

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

Q2 2023: Adjusted EBITDA and adjusted EBITDA margin reconciliation

($ in millions)	Q1-23($)	Q2-23($)
GAAP net income	$ (3.5)	$ 17.9
Interest expense, net	$ 3.5	$ 2.8
Income tax expense	$ (0.1)	$ 7.3
Depreciation	$ 11.3	$ 10.4
Amortization	$ 3.3	$ 3.3
Stock-based compensation expense	$ 2.1	$ 5.0
Acquisitions and divestiture related costs:		
Acquisition and related integration costs	$ 0.1	$ 0.0
Dispositions	$ 1.2	$ 0.1
Loss/(gain) on sale or disposal of assets	$ (0.0)	$ (0.5)
Restructuring, business realignment and other cost saving initiatives:		
Restructuring, severance, impairment and other related costs	$ 8.6	$ 2.3
Non-routine shareholder advisory costs	$ 7.6	$ 0.1
(Income) costs associated with terminated merger	$ 1.3	$ 1.0
Utis fire (recovery)/charges	$ (0.2)	$ (5.9)
Adjusted EBITDA	$ 35.1	$ 43.7
Divided by Total Net Sales	$ 243.8	$ 230.8
Adjusted EBITDA Margin	14.4%	18.9%

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

Q2 2023: Adjusted net income reconciliation

($ in millions)	Q1-23($)	Q1-23(%)	Q2-23($)	Q2-23(%)
GAAP Net Income	$ (3.5)	(1.4%)	$ 17.9	7.7%
Acquisitions and divestiture related costs:				
Acquisition and related integration costs	$ 0.1	0.0%	$ 0.0	0.0%
Acquisition intangible amortization	$ 3.3	1.4%	$ 3.3	1.4%
Dispositions	$ 1.2	0.5%	$ 0.1	0.0%
Loss/(gain) on sale or disposal of assets	$ (0.0)	(0.0%)	$ (0.5)	(0.2%)
Restructuring, business realignment and other cost saving initiatives:				
Restructuring, severance, impairment and other related costs	$ 11.9	4.9%	$ 4.6	2.0%
Non-routine shareholder advisory costs	$ 7.6	3.1%	$ 0.1	0.0%
(Income) costs associated with terminated merger	$ 1.9	0.8%	$ 1.5	0.7%
Utis fire (recovery)/charges	$ (0.2)	(0.1%)	$ (5.9)	(2.6%)
Income tax effect of non-GAAP adjustments and intangible amortization	$ (6.1)	(2.5%)	$ (1.0)	(0.4%)
Adjusted net income	$ 16.2	6.6%	$ 20.0	8.7%

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

Q2 2023: Adjusted earnings per share reconciliation

	Q1-23($)	Q2-23($)
GAAP earnings per diluted share	$ (0.19)	$ 0.96
Acquisitions and divestiture related costs:		
Acquisition and related integration costs	$ 0.00	$ 0.00
Dispositions	$ 0.05	$ 0.00
Loss/(gain) on sale or disposal of assets	$ (0.00)	$ (0.02)
Restructuring, business realignment and other cost saving initiatives:		
Restructuring, severance, impairment and other related costs	$ 0.49	$ 0.18
Non-routine shareholder advisory costs	$ 0.31	$ 0.00
(Income) costs associated with terminated merger	$ 0.08	$ 0.06
Utis fire (recovery)/charges	$ (0.01)	$ (0.25)
Impact of including dilutive securities	$ (0.00)	$ -
Total discrete items	$ 0.92	$ (0.01)
Earnings per diluted share adjusted for discrete items	$ 0.73	$ 0.94
Acquisition intangible amortization	$ 0.14	$ 0.13
Adjusted earnings per diluted share	$ 0.87	$ 1.07

Note: dollars may not add due to rounding.

Q2 2023: Free cash flow reconciliation

($ in millions)	Q1-23($)	Q2-23($)
Net cash provided by operating activities	$ 1.8	$ 15.7
Non-acquisition capital expenditures	$ (16.4)	$ (11.5)
Free cash flow	$ (14.6)	$ 4.2

Note: dollars may not add due to rounding.
*Free cash flow defined as net cash provided by operating activities less non-acquisition capital expenditures per condensed consolidated statements of cash flows.

Q3 2023: Guidance Reconciliation

	Q3-23
GAAP earnings per diluted share	$1.20 – $1.40
Discrete items*	$(0.28)
Acquisition intangible amortization	$0.13
Adjusted earnings per diluted share	$1.05 - $1.25

**Discrete items includes expected net gain on assets held for sale*

Note: dollars may not add due to rounding.