

METHODE ELECTRONICS INC

Form 10-K

June 21, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended April 28, 2018

Commission File Number 0-2816

METHODE ELECTRONICS, INC.

(Exact name of Registrant as specified in its charter)

Delaware 36-2090085

(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

7401 West Wilson Avenue

Chicago, Illinois 60706-4548

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number (including area code): (708) 867-6777

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Name of each exchange on which registered
Common Stock, \$0.50 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, an emerging growth company, or a smaller reporting company.

Large Accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of common stock, \$0.50 par value, held by non-affiliates of the Registrant on October 28, 2017, based upon the average of the closing bid and asked prices on that date as reported by the New York Stock Exchange, was \$1.5 billion.

Registrant had 37,005,449 shares of common stock, \$0.50 par value, outstanding as of June 19, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the annual shareholders' meeting to be held September 13, 2018 are incorporated by reference into Part III of this Form 10-K.

METHODE ELECTRONICS, INC.

FORM 10-K

April 28, 2018

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PART I

Item 1. Business

Methode Electronics, Inc. was incorporated in 1946 as an Illinois corporation and reincorporated in Delaware in 1966. As used herein, “we,” “us,” “our,” the “Company” or “Methode” means Methode Electronics, Inc. and its subsidiaries.

We are a global manufacturer of component and subsystem devices with manufacturing, design and testing facilities in Belgium, Canada, China, Egypt, Germany, India, Italy, Lebanon, Malta, Mexico, Singapore, Switzerland, the United Kingdom and the United States. Our primary manufacturing facilities are located in Shanghai, China; Cairo, Egypt; Mriehel, Malta; Monterrey and Fresnillo, Mexico; and Nelson, British Columbia, Canada. We design, manufacture and market devices employing electrical, radio remote control, electronic, wireless, sensing and optical technologies. Our corporate headquarters is located in Chicago, Illinois. Our components are found in the primary end-markets of the aerospace, appliance, automotive, construction, consumer and industrial equipment, communications (including information processing and storage, networking equipment and wireless and terrestrial voice/data systems), medical, rail and other transportation industries.

We maintain our financial records on the basis of a fifty-two or fifty-three week fiscal year ending on the Saturday closest to April 30. Fiscal 2018, fiscal 2017 and fiscal 2016 all represented fifty-two weeks of results.

Segments. Our business is managed, and our financial results are reported, on a segment basis, with those segments being Automotive, Interface, Power Products and Other.

The Automotive segment supplies electronic and electro-mechanical devices and related products to automobile original equipment manufacturers ("OEMs"), either directly or through their tiered suppliers. Our products include integrated center consoles, hidden switches, ergonomic switches, transmission lead-frames, light-emitting diode ("LED") based lighting and sensors, which incorporate magneto-elastic sensing and other technologies that monitor the operation or status of a component or system.

The Interface segment provides a variety of copper and fiber-optic interface and interface solutions for the aerospace, appliance, commercial food service, construction, consumer, material handling, medical, military, mining, point-of-sale and telecommunications markets. Solutions include conductive polymers, industrial safety radio remote controls, optical and copper transceivers and solid-state field-effect consumer touch panels. Services include the design and installation of fiber-optic and copper infrastructure systems and manufacturing active and passive optical components. Through fiscal 2018, the interface segment included our Methode Development Company business, which provided conductive ink products for the automotive market. The business was shuttered at the end of fiscal 2018 due to a management-driven strategic change in direction. Through fiscal 2017, the Interface segment included our Connectivity business, which provided solutions for computer and networking markets, including connectors and custom cable assemblies. This business was shuttered at the end of fiscal 2017 due to market conditions.

The Power Products segment manufactures braided flexible cables, current-carrying laminated busbars and devices, custom power-product assemblies, such as our PowerRail® solution, high-current low-voltage flexible power cabling systems and powder-coated busbars that are used in various markets and applications, including aerospace, computers, industrial, power conversion, military, telecommunications and transportation.

The Other segment is primarily made up of our medical device business, Dabir Surfaces, our surface support technology aimed at pressure injury prevention. Methode is developing the technology for use by patients who are immobilized or otherwise at risk for pressure injuries, including patients undergoing long-duration surgical procedures. Through fiscal 2017, the Other segment included our Active Energy Solutions business, which provided

inverters, battery systems and insulated-gate bipolar transistor solutions. Due to market conditions, this business was shuttered at the end of fiscal 2017.

Financial results by segment are summarized in Note 12 to our consolidated financial statements.

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Sales. The following table reflects the percentage of net sales of the segments of the Company for the last three fiscal years.

	Year Ended					
	April 28, 2018		April 29, 2017		April 30, 2016	
Automotive	80.3%	77.5%	76.0%			
Interface	12.7%	15.6%	17.4%			
Power Products	7.0%	6.9%	6.6%			
Other	—%	—%	—%			

The majority of our sales activities are directed by sales managers who are supported by field application engineers and other engineering personnel who work with customers to design our products into their systems. Our field application engineers also help us identify emerging markets and new products. Our products are sold through in-house sales staff and independent manufacturers' representatives with offices throughout the world. Information about our sales and operations in different geographic regions is summarized in Note 12 to our consolidated financial statements. Sales are made primarily to OEMs, either directly or through their tiered suppliers, as well as to selling partners and distributors.

Sources and Availability of Materials. The principal materials that we purchase include application-specific integrated circuits, coil and bar stock, ferrous and copper alloy sheets, glass, LED displays, plastic molding materials, precious metals, and silicon die castings. All of these items are available from several suppliers and we generally rely on more than one supplier for each item. We normally do not carry inventories of raw materials or finished products in excess of those reasonably required to meet production and shipping schedules. In fiscal 2018, the Company experienced increased costs for copper. We did not experience any significant price increases in fiscal 2017 or fiscal 2016. We experienced some lower costs for certain commodities, primarily the cost of resin-based products, in fiscal 2016.

Patents. The Company has been granted a number of patents in the U.S., Europe and Asia and has additional domestic and international patent applications pending related to our products and manufacturing processes. The Company's existing patents expire on various dates from 2018 to 2036. The Company seeks patents in order to protect the Company's interest in certain products and technologies, including our TouchSensor, magnetic torque sensing, medical devices and high-power distribution products. We do not believe any single patent is material to our business, nor would the expiration or invalidity of any patent have a material adverse effect on our business or our ability to compete.

Seasonality. A significant portion of our business is dependent upon the automotive sales and vehicle production schedules of our customers. The automotive market is cyclical and depends on general economic conditions, interest rates, fuel prices and consumer spending patterns.

Material Customers. During the fiscal year ended April 28, 2018, shipments to General Motors Corporation ("GM") and Ford Motor Company ("Ford"), or their tiered suppliers, represented 43.3% and 12.3%, respectively, of consolidated net sales. In general, these sales were for component parts used in particular vehicle models of the OEMs. Typically, our Ford and GM supply arrangements for each component part include a blanket purchase order and production releases. In general, a blanket purchase order is issued for each Ford or GM part as identified by the customer part number. Each such Ford or GM blanket purchase order accounted for less than 10.0% of our fiscal 2018 consolidated net sales. Each blanket purchase order includes standard terms and conditions, including price. In certain circumstances, we supply Ford or GM the requirements for a particular customer vehicle model for the life of the model, which can vary from three to seven years. Both Ford and GM order parts using production releases approved under the relevant blanket purchase order. The production releases are submitted by the various Ford or GM plants

and include information regarding part quantities and delivery specifications.

Backlog. Our backlog of orders was approximately \$249.2 million on April 28, 2018, and \$203.2 million on April 29, 2017. We expect that most of the backlog at April 28, 2018 will be shipped within fiscal 2019.

Competitive Conditions. The markets in which we operate are highly competitive and characterized by rapid changes due to technological improvements and developments. We compete with a large number of other manufacturers in each of our product areas; many of these competitors have greater resources and sales. Price, service and product performance are significant elements of competition in the sale of our products.

Research and Development. We maintain a research and development program involving a number of professional employees who devote a majority of their time to the enhancement of existing products and to the development of new products and processes. Research and development costs primarily relate to product engineering and design and development expenses

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and are classified as a component of our costs of goods sold on the Company's Consolidated Statements of Income. Expenditures for such activities amounted to \$37.9 million for fiscal 2018 and \$27.8 million for both fiscal 2017 and fiscal 2016.

Environmental Matters. Compliance with foreign, federal, state and local provisions regulating the discharge of materials into the environment has not materially affected our capital expenditures, earnings or our competitive position. Currently, we do not have any material environmental-related lawsuits or material administrative proceedings pending against us. Further information as to environmental matters affecting us is presented in Note 8 to our consolidated financial statements.

Employees. At April 28, 2018 and April 29, 2017, we had 5,056 and 4,464 employees, respectively. We also, from time to time, employ part-time employees and hire independent contractors. Our employees from our Malta and Mexico facilities, which account for approximately 60% of our total number of employees, are represented by collective bargaining agreements. We have never experienced a work stoppage and we believe that our employee relations are good.

Segment Information and Foreign Sales. Information about our operations by segment and different geographic region is summarized in Note 12 to our consolidated financial statements.

Available Information. We are subject to the informational requirements of the Securities Exchange Act of 1934 ("Exchange Act") and file periodic reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). Such reports may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549, or by calling the SEC at (800) SEC-0330. In addition, the SEC maintains an Internet site (www.sec.gov) that contains periodic reports, proxy and information statements and other information regarding Methode.

Our Company website address is www.methode.com. We use our website as a channel of distribution for important company information. Important information, including press releases, investor presentations and financial information regarding our Company, is routinely posted and accessible on the Investor Relations subpage of our website. We make available, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC. Also posted on our website are the Company's Corporate Governance Guidelines, Code of Business Conduct, Anti-Corruption Policy and the charters of the Audit Committee, Compensation Committee, Nominating and Governance Committee and Technology Committee. Copies of these documents are also available free of charge by sending a request to Methode Electronics, Inc., 7401 West Wilson Avenue, Chicago, Illinois 60706, Attention: Investor Relations Department. Information on our website is not incorporated into this Form 10-K or our other securities filings and is not a part of them.

Certifications. As required by the rules and regulations of the New York Stock Exchange ("NYSE"), we delivered to the NYSE a certification signed by our Chief Executive Officer, Donald W. Duda, certifying that Mr. Duda was not aware of any violation by the Company of the NYSE's corporate governance listing standards as of September 15, 2017.

As required by the rules and regulations of the SEC, the Sarbanes-Oxley Act Section 302 certifications regarding the quality of our public disclosures are filed as exhibits to this annual report on Form 10-K.

Item 1A. Risk Factors

Certain statements in this report are forward-looking statements that are subject to certain risks and uncertainties. We undertake no duty to update any such forward-looking statements to conform to actual results or changes in our expectations. Our business is dependent upon two large automotive customers and specific makes and models of automobiles. Our results will be subject to many of the same risks that apply to the automotive, appliance, computer and communications industries, such as general economic conditions, interest rate fluctuations, consumer spending patterns and technological changes. Other factors which may result in materially different results for future periods include the following risk factors. Additional risks and uncertainties not presently known or that our management currently believe to be insignificant may also adversely affect our financial condition or results of operations. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this report because these factors could cause our actual results and condition to differ materially from those projected in forward-looking statements. The forward-looking statements in this report are subject to the safe harbor protection provided under the securities laws and are made as of the date of this report.

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Our business is dependent on two large automotive customers. If we were to lose either of these customers or experienced a significant decline in the volume or price of products purchased by these customers, or if either of the customers declared bankruptcy, our future results could be adversely affected.

During the year ended April 28, 2018, shipments to GM and Ford, or their tiered suppliers, represented 43.3% and 12.3%, respectively, of our consolidated net sales. The sales to GM primarily consisted of integrated center consoles for use in trucks and SUV's, and a shift in consumer preference for smaller or more fuel efficient vehicles could adversely affect our operating results. The supply arrangements with these customers generally provide for supplying the customers' requirements for particular models, rather than for manufacturing a specific quantity of products. Such supply arrangements cover a period from one year to the life of the model, which is generally three to seven years. Therefore, the loss of a Ford or GM supply arrangement for a model or a significant decrease in demand for one or more of these models could have a material adverse impact on our results of operations and financial condition. We also compete to supply products for successor models and are subject to the risk that Ford or GM will not select us to produce products on any such model, which could have a material adverse impact on our results of operations and financial condition. The Company, from time to time, provides price concessions in connection with the awarding of new business.

Because we derive a substantial portion of our revenues from customers in the automotive, appliance, computer and communications industries, we are susceptible to trends and factors affecting those industries.

Our components are found in the primary end-markets of the automotive, communications (including information processing and storage, networking equipment, wireless and terrestrial voice/data systems), aerospace, rail and other transportation industries, appliances, consumer and industrial equipment markets, and medical device markets. Key economic and market conditions which could impact the automotive industry include availability of affordable financing, fuel costs, consumer confidence and unemployment levels. Factors negatively affecting these industries also negatively affect our business, financial condition and operating results. Any adverse occurrence, including industry slowdown, recession, rising interest rates, political instability, costly or constraining regulations, armed hostilities, terrorism, excessive inflation, prolonged disruptions in one or more of our customers' production schedules or labor disturbances, that results in significant decline in the volume of sales in these industries, or in an overall downturn in the business and operations of our customers in these industries, could materially adversely affect our business, financial condition and operating results.

Our ability to market our automotive products is subject to a lengthy sales cycle, which requires significant investment prior to significant sales revenues, and there is no assurance that our products will be implemented in any particular vehicle.

The sales cycle for our automotive products, our largest industry segment, is lengthy because an automobile manufacturer must develop a high degree of assurance that the products it buys will meet customer needs, interface as easily as possible with the other parts of a vehicle and with the automobile manufacturer's production and assembly process, and have minimal warranty, safety and service problems. As a result, from the time that a manufacturer develops a strong interest in our products, it normally will take several years before our products are available to consumers in that manufacturer's vehicles.

In the automotive components industry, products typically proceed through five stages of research and development. Initial research on the product concept comes first, to assess its technical feasibility and economic costs and benefits. This stage often includes development of an internal prototype for the component supplier's own evaluation. If the product appears feasible, the component supplier manufactures a functioning prototype to demonstrate and test the product's features. These prototypes are then marketed and sold to automotive companies for testing and evaluation. If an automobile manufacturer shows interest in the product, it typically works with the component supplier to refine the product, then purchases second and subsequent generation engineering prototypes for further evaluation. Finally, the automobile manufacturer either decides to purchase the component for a production vehicle or terminates the program.

The time required to progress through these five stages to commercialization varies widely. Generally, the more a component must be integrated with other vehicle systems, the longer the process takes. Further, products that are installed by the factory usually require extra time for evaluation because other vehicle systems are affected, and a decision to introduce the product into the vehicle is not easily reversed. Because our automotive products affect other vehicle systems and are a factory-installed item, the process usually takes several years from conception to commercialization.

While we currently have active development programs with various OEMs for a variety of our products, no assurance can be given that our products will be implemented in any particular vehicles. During this development process, we derive minimal funding from prototype sales but generally obtain no significant revenue until mass production begins, which could

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have a material adverse effect on our liquidity. If our products are not selected after a lengthy development process, our results of operations and financial condition could be adversely affected.

Other automotive products that we develop are also likely to have a lengthy sales cycle. Because such technology is new and evolving, and because customers will likely require that any new product we develop pass certain feasibility and economic viability tests before committing to purchase, it is expected that any new products we develop will take some years before they are sold to customers, if at all.

Our inability to effectively manage the timing, quality and cost of new program launches could adversely affect our financial performance.

In connection with the awarding of new business, we obligate ourselves to deliver new products and services that are subject to our customers' timing, performance and quality demands. Additionally, we must effectively coordinate the activities of numerous suppliers in order for the program launches of certain of our products to be successful. Given the complexity of new program launches, we may experience difficulties managing product quality, timeliness and associated costs. In addition, new program launches require a significant ramp up of costs; however, our sales related to these new programs generally are dependent upon the timing and success of our customers' introduction of new vehicles. Our inability to effectively manage the timing, quality and costs of these new program launches could adversely affect our financial condition, operating results and cash flows.

We are subject to continuing pressure to lower our prices.

Over the past several years we have experienced, and we expect to continue to experience, pressure to lower our prices. The Company, from time to time, provides price concessions in connection with the awarding of new business. In order to maintain our profitability, we must strive to increase volumes and reduce our costs. Continuing pressures to reduce our prices could have a material adverse effect on our financial condition, results of operations and cash flows.

A significant fluctuation between the U.S. dollar and other currencies could adversely impact our operating results.

Although our financial results are reported in U.S. dollars, a significant portion of our sales and operating costs are realized in other currencies, mainly in Europe and China. Our profitability is affected by movements of the U.S. dollar against other currencies in which we generate revenue and incur expenses, particularly the euro and Chinese yuan. Significant fluctuations in relative currency values, in particular an increase in the value of the U.S. dollar against foreign currencies, could have an adverse effect on our profitability and financial condition.

A significant portion of our business activities are conducted in foreign countries, exposing us to additional risks that may not exist in the United States.

International operations represent a significant portion of our business. Sales outside the United States represent a material amount of our net sales, and we expect net sales outside the United States to continue to represent a significant portion of our total net sales. Outside of the United States, we operate manufacturing facilities in Belgium, Canada, China, Egypt, Malta and Mexico.

Our international operations subject us to extensive domestic and foreign regulations and expose us to a variety of domestic and foreign political, economic and other risks, including: changes in foreign or domestic government leadership; changes in foreign or domestic laws or regulations impacting our overall business model or restricting our ability to manufacture, purchase or sell our products; changes in domestic or foreign tax laws; changes in international trade and investment policies, including restrictions or taxes on the repatriation of dividends or other funds, new or higher tariffs, duties or customs (for example, on products imported from Mexico or China), new barriers to entry or

domestic preference procurement requirements and changes to, or withdrawals from, free trade agreements; changes in foreign currency exchange rates and interest rates; economic downturns in foreign countries or geographic regions where we have significant operations, such as Mexico and China; significant changes in conditions in the countries in which we operate with the effect of competition from new market entrants and, in the United Kingdom, with passage of a referendum to discontinue membership in the European Union; impact of compliance with U.S. and other foreign countries' export controls and economic sanctions; liabilities resulting from U.S. and foreign laws and regulations, including those related to the Foreign Corrupt Practices Act and certain other anti-corruption laws; differing labor regulations and union relationships; logistical and communications challenges; and differing protections for our intellectual property.

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Any of these factors may have an adverse effect on our international operations which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Our Dabir Surfaces medical device products are emerging technologies. Our ability to successfully market and sell these products will depend on acceptance by the medical community.

We continue to develop our Dabir Surfaces medical device products, which are included in several ongoing clinical research and product evaluation studies. We will not be successful in marketing and selling these products to the medical community if we are unable to demonstrate the clinical efficacy, cost effectiveness and distinctive benefits of the products or if our customers prefer competitive products.

Disruption of our supply chain could have an adverse effect on our business, financial condition and results of operations.

Our ability, and that of our suppliers, business partners and contract manufacturers, to make, move and sell products is critical to our success. Damage or disruption to our or their manufacturing or distribution capabilities due to weather, including any potential effects of climate change, natural disaster, fire or explosion, terrorism, pandemics, strikes, repairs or enhancements at our facilities, or other reasons, could impair our ability to manufacture or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, as well as require additional resources to restore our supply chain.

Changes in our effective tax rate may harm our results of operations.

A number of factors may increase our effective tax rate, which could reduce our net income, including:

- the jurisdictions in which profits are determined to be earned and taxed;
- the resolution of issues arising from tax audits;
- changes in the valuation of our deferred tax assets and liabilities, and in deferred tax valuation allowances;
- adjustments to income taxes upon finalization of tax returns;
- increases in expenses not deductible for tax purposes, including write-offs of acquired in-process research and development and impairments of goodwill and intangible assets;
- changes in available tax credits;
- changes in tax laws or interpretation, including changes in the U.S. to the taxation of non-U.S. income and expenses;
- and
- changes in U.S. generally accepted accounting principles ("U.S. GAAP").

We are dependent on the availability and price of materials.

We require substantial amounts of materials, including application-specific integrated circuits, coil and bar stock, ferrous and copper alloy sheets, glass, LED displays, plastic molding materials, precious metals, and silicon die castings. The availability and prices of materials may be subject to curtailment or change due to, among other things, new laws or regulations, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and worldwide price levels. Any change in the availability of, or price for, these materials could materially adversely affect our results of operations and financial condition.

Our gross margins are subject to fluctuations due to many factors.

A number of factors may impact our gross margins, including the following:

- geographical and vertical market pricing mix;
- changes in the mix of our prototyping and production-based business;
- competitive pricing dynamics and customer mix;

pricing concessions; and
various manufacturing cost variables including product yields, package and assembly costs, provisions for excess and
obsolete inventory and the absorption of manufacturing overhead.

Any significant decrease in our gross margins could adversely affect our business, financial condition and results of operations.

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Should a catastrophic event or other significant business interruption occur at any of our facilities, we could face significant reconstruction or remediation costs, penalties, third party liability and loss of production capacity, which could adversely affect our business.

Weather conditions, natural disasters or other catastrophic events could cause significant disruptions in operations, including, specifically, disruptions at our manufacturing facilities or those of our major suppliers or customers. In turn, the quality, cost and volumes of the products we produce and sell could be unexpectedly, negatively affected, which will impact our sales and profitability.

War, terrorism, geopolitical uncertainties, public health issues, and other business interruptions have caused and could cause damage or disruption to international commerce and the global economy, and thus could have a strong negative effect on us, our suppliers, logistics providers, manufacturing partners and customers. Our business operations could be subject to interruption by power shortages, terrorist attacks and other hostile acts, labor disputes, public health issues, and other events beyond our control. Such events could decrease demand for our products or make it difficult or impossible for us to produce and deliver products to our customers, or to receive components from our suppliers, thereby creating delays and inefficiencies in our supply chain. Should major public health issues, including pandemics, arise, we could be negatively affected by more stringent employee travel restrictions, additional limitations in freight services, governmental actions limiting the movement of products between regions, and disruptions in the operations of our manufacturing partners and component suppliers. The majority of our research and development activities, our corporate headquarters, information technology systems, and other critical business operations, including certain component suppliers and manufacturing partners, are in locations that could be affected by natural disasters. In the event of a natural disaster, losses could be incurred and significant recovery time could be required to resume operations and our financial condition and operating results could be materially adversely affected. While we may purchase insurance policies to cover the direct economic impact experienced following a natural disaster occurring at one of our own facilities, there can be no assurance that such insurance policies will cover the full extent of our financial loss nor will they cover losses which are not economic in nature such as, for example, our reputation as a reliable supplier.

We may be unable to keep pace with rapid technological changes, which could adversely affect our business.

The technologies relating to some of our products have undergone, and are continuing to undergo, rapid and significant changes. Specifically, end-markets for electronic components and assemblies are characterized by technological change, frequent new product introductions and enhancements, changes in customer requirements and emerging industry standards. These changes could render our existing products unmarketable before we can recover any or all of our research, development and other expenses. Furthermore, the life cycles of our products vary, may change and are difficult to estimate. If we are unable, for technological or other reasons, to develop and market new products or product enhancements in a timely and cost-effective manner, our business, financial condition and operating results could be materially adversely affected.

Our information technology (“IT”) systems could be breached.

We face certain security threats relating to the confidentiality and integrity of our IT systems. Despite implementation of security measures, our IT systems may be vulnerable to damage from computer viruses, cyber attacks and other unauthorized access, and these security breaches could result in a disruption to our operations. A material network breach of our IT systems could involve the theft of our and our customers' intellectual property or trade secrets which may be used by competitors to develop competing products. To the extent that any security breach results in a loss or damage to data, or inappropriate disclosure of confidential or proprietary information, it could cause significant damage to our reputation, affect our customer relations, lead to claims against us, increase our costs to protect against future damage and could result in a material adverse effect on our business and financial position.

Products we manufacture may contain design or manufacturing defects that could result in reduced demand for our products or services and liability claims against us.

Despite our quality control and quality assurance efforts, defects may occur in the products we manufacture due to a variety of factors, including design or manufacturing errors, component failure or counterfeit parts. Product defects may result in delayed shipments and reduced demand for our products. We may be subject to increased costs due to warranty claims on defective products. Product defects may result in product liability claims against us where defects cause, or are alleged to cause, property damage, bodily injury or death. We may be required to participate in a recall involving products that are, or are alleged to be, defective. We carry insurance for certain legal matters involving product liability, however, we do not have coverage for all costs related to product defects or recalls and the costs of such claims, including costs of defense and settlement, may exceed our available coverage.

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Our technology-based business and the markets in which we operate are highly competitive. If we are unable to compete effectively, our sales could decline.

The markets in which we operate are highly competitive and characterized by rapid changes due to technological improvements and developments. We compete with a large number of other manufacturers in each of our product areas; many of these competitors have greater resources and sales. Price, service and product performance are significant elements of competition in the sale of our products. Competition may intensify further if more companies enter the markets in which we operate. Our failure to compete effectively could materially adversely affect our business, financial condition and operating results.

If we are unable to protect our intellectual property or we infringe, or are alleged to infringe, on another person's intellectual property, our business, financial condition and operating results could be materially adversely affected.

We have numerous United States and foreign patents and license agreements covering certain of our products and manufacturing processes. Our ability to compete effectively with other companies depends, in part, on our ability to maintain the proprietary nature of our technology. Although we have been awarded, have filed applications for, or have been licensed under numerous patents in the United States and other countries, there can be no assurance concerning the degree of protection afforded by these patents or the likelihood that pending patents will be issued. The loss of certain patents and trade secrets could adversely affect our sales, margins or profitability.

We have and may become involved in litigation in the future to protect our intellectual property or because others may allege that we infringe on their intellectual property. These claims and any resulting lawsuit could subject us to liability for damages and invalidate our intellectual property rights. If an infringement claim is successfully asserted by a holder of intellectual property rights, we may be required to cease marketing or selling certain products, pay a penalty for past infringement and spend significant time and money to develop a non-infringing product or process or to obtain licenses for the technology, process or information from the holder. We may not be successful in the development of a non-infringing alternative, or licenses may not be available on commercially acceptable terms, if at all, in which case we may lose sales and profits. In addition, any litigation could be lengthy and costly and could materially adversely affect us even if we are successful in the litigation.

Any decision to strategically divest one or more current businesses or our inability to capitalize on prior or future acquisitions may adversely affect our business.

We have completed acquisitions and divestitures in the past and we may continue to seek acquisitions to grow our businesses. We may also divest operations to focus on our core businesses. We may fail to derive significant benefits from such transactions. Also, if we fail to achieve sufficient financial performance from an acquisition, certain long-lived assets, such as property, plant and equipment and intangible assets, could become impaired and result in the recognition of an impairment loss.

The success of our acquisitions depends on our ability to:

- successfully execute the integration or consolidation of the acquired operations into our existing businesses;
- develop or modify the financial reporting and information systems of the acquired entity to ensure overall financial integrity and adequacy of internal control procedures;
- finance the acquisition;
- identify and take advantage of cost reduction opportunities; and
- further penetrate new and existing markets with the product capabilities we may acquire.

Integration of acquisitions may take longer than we expect and may never be achieved to the extent originally anticipated. Acquisitions may also increase our debt levels. This could result in lower than expected business growth

or higher than anticipated costs. In addition, acquisitions or strategic divestitures may:

- cause a disruption in our ongoing business;
- cause dilution of our stock;
- distract our managers; or
- unduly burden other resources in our company.

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We may be required to recognize additional impairment charges on assets, such as goodwill, intangible assets and property, plant and equipment, which could be material to our financial statements.

Pursuant to U.S. GAAP, we are required to make periodic assessments of goodwill, intangible assets and other long-lived assets to determine if they are impaired. Disruptions to our business, end-market conditions, protracted economic weakness, unexpected significant declines in the operating results of reporting units, divestitures and enterprise value declines may result in impairment charges to goodwill and other asset impairments. Future impairment charges could substantially affect our reported results in these periods.

We cannot guarantee that the newly acquired Pacific Insight Electronics Corp. ("Pacific Insight") or Procoplast S.A. ("Procoplast") businesses will be successful or that we can implement and profit from any new applications of the acquired technology.

We acquired Pacific Insight on October 3, 2017 and Procoplast on July 27, 2017. As a result of these acquisitions, we now manufacture LED-based lighting in North America and automotive assemblies on mainland Europe, which are expected to aid in our expansion in the automotive sector. The markets for the products these companies produce are competitive and rapidly changing. If we do not keep pace with technological innovations in the industry, our products may not be competitive and our revenue and operating results may suffer. Furthermore, while we intend to expand these businesses by integrating the acquired technologies into additional automotive and other applications, we can make no guarantee that such ventures will be successful or profitable.

Our long-term incentive plan could require significant adjustments to compensation expense in our condensed consolidated statements of income if management changes its determinations on the probability of meeting certain performance levels. The adjustments could be material to the financial statements.

In the third quarter of fiscal 2018, management determined that it is not probable that the Company will meet the target level of performance for fiscal 2020 under its long-term incentive plan. Based on the new expectations, the Company believes it is now probable that it will achieve the threshold level for our fiscal 2020 EBITDA. As a result, the Company recorded a reversal of RSA compensation expense relating to prior periods of \$6.0 million.

In future periods, if management makes a determination that exceeding the threshold level is probable for fiscal 2020, a catch-up adjustment to compensation expense will be recorded in that period, which could be material to the financial statements. Such determination could be based on a number of factors, including an accretive acquisition or a favorable change in expectations regarding Dabir Surfaces' fiscal 2020 revenues and resultant EBITDA.

Regulations related to the use of conflict-free minerals may increase our costs and expenses, and an inability to certify that our products are conflict-free may adversely affect customer relationships.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve the transparency and accountability of the use by public companies in their products of minerals mined in certain countries and to prevent the sourcing of such "conflict" minerals. As a result, the SEC enacted annual disclosure and reporting requirements for public companies that use these minerals in their products, which apply to us. Under the rules, we are required to conduct due diligence to determine the source of any conflict minerals used in our products and to make annual disclosures which began in May 2014. Because our supply chain is broad-based and complex, we may not be able to easily verify the origins for all minerals used in our products. In addition, the rules may reduce the number of suppliers who provide components and products containing conflict-free minerals and thus may increase the cost of the components used in manufacturing our products and the costs of our products to us. Any increased costs and expenses may have a material adverse impact on our financial condition and results of operations. Further, if we are unable to certify that our products are conflict free, we may face challenges with our customers, which may place us at a competitive disadvantage, and our reputation may be harmed.

Item 1B. Unresolved Staff Comments

None

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Item 2. Properties

We operate the following manufacturing and other facilities, all of which we believe to be in good condition and adequate to meet our current and reasonably anticipated needs:

Location	Use	Owned/ Leased	Approximate Square Footage
Corporate:			
Chicago, Illinois	Corporate Headquarters	Owned	15,000
Automotive Segment:			
Monterrey, Mexico	Manufacturing	Leased	241,000
Mriehel, Malta	Manufacturing	Leased	226,090
Carthage, Illinois	Manufacturing	Owned	134,889
Cairo, Egypt	Manufacturing	Leased	120,954
Fresnillo, Mexico	Manufacturing	Leased	120,000
Lontzen, Belgium	Manufacturing	Owned	102,257
Shanghai, China	Manufacturing	Leased	94,643
Nelson, Canada	Manufacturing and Design Center	Owned	66,000
McAllen, Texas	Warehousing	Leased	65,303
Southfield, Michigan	Sales and Engineering Design Center	Owned	64,000
Lontzen, Belgium	Warehousing	Owned	51,128
Zhenjiang, China	Manufacturing	Leased	23,560
Bangalore, India	Engineering Design Center	Leased	14,465
Wixom, Michigan	Sales and Engineering Design Center	Leased	9,000
Burnaby, Canada	Sales and Administrative	Leased	7,000
Beirut, Lebanon	Engineering Design Center	Leased	5,112
Gau-Algesheim, Germany	Sales and Engineering Design Center	Leased	4,047
London, UK	Sales and Administrative	Leased	1,629
Lontzen, Belgium	Administrative	Leased	1,100
Interface Segment:			
Chicago, Illinois	Manufacturing	Owned	55,000
Monterrey, Mexico	Manufacturing	Leased	45,657
Mriehel, Malta	Manufacturing	Leased	32,500
Oklahoma City, Oklahoma	Manufacturing/Design Center	Leased	26,132
Wheaton, Illinois	Manufacturing	Leased	22,500
Shanghai, China	Manufacturing	Leased	9,000
Milan, Italy	Sales and Design	Leased	8,600
Harkinggen, Switzerland	Sales and Engineering Design Center	Leased	4,166
Hong Kong	Sales and Administrative	Leased	1,885
Singapore	Sales and Administrative	Leased	1,250
Taiwan	Sales and Administrative	Leased	581
Power Products Segment:			
Shanghai, China	Manufacturing	Leased	54,643
Rolling Meadows, Illinois	Manufacturing	Owned	52,000
Mriehel, Malta	Manufacturing	Leased	40,700
San Jose, California	Prototype and Design Center	Leased	2,925

Other Segment:
Chicago, Illinois

Manufacturing

Owned 48,000

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Item 3. Legal Proceedings

As of April 28, 2018, we were not involved in any material legal proceedings or any administrative or judicial proceedings with governmental authorities pertaining to the discharge of materials into the environment.

Item 4. Mine Safety Disclosures

Not Applicable

Executive Officers of the Registrant

Name	Age	Offices and Positions Held and Length of Service as Officer
Donald W. Duda	62	Chief Executive Officer since 2004 and President and Director since 2001.
Ronald L.G. Tsoumas	57	Chief Financial Officer of the Company since 2018; prior thereto, served as Controller for Methode since 2007.
Timothy R. Glandon	54	Vice President since 2006; General Manager, North American Automotive, from 2006 to 2015.
Andrea J. Barry	55	Chief Human Resources Officer of the Company since 2017; prior thereto, served as CHRO for Wirtz Beverage Group from 2013 to 2016.
Joseph E. Khoury	54	Senior Vice President since 2015; prior thereto, Vice President and General Manager, European Operations since 2004.

All executive officers are elected by the Board of Directors and serve a term of one year or until their successors are duly elected and qualified.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange. The following is a tabulation of high and low sales prices for the periods presented and cash dividends declared per share.

	High	Low	Dividends Declared Per Share
Fiscal Year Ended April 28, 2018			
First Quarter	\$44.95	\$36.05	\$ 0.09
Second Quarter	46.75	36.75	0.09
Third Quarter	48.44	39.00	0.11
Fourth Quarter	42.10	36.95	0.11
Fiscal Year Ended April 29, 2017			
First Quarter	\$35.91	\$27.13	\$ 0.09
Second Quarter	37.11	29.85	0.09
Third Quarter	44.05	30.25	0.09
Fourth Quarter	46.40	40.75	0.09

On June 14, 2018, the Board of Directors declared a dividend of \$0.11 per share of common stock, payable on July 27, 2018, to holders of record on July 13, 2018. As of June 19, 2018, the number of record holders of our

common stock was 411.

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Item 6. Selected Financial Data

The following selected financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Company’s consolidated financial statements and related notes included elsewhere in this report. The Consolidated Statements of Income data for fiscal 2018, fiscal 2017 and fiscal 2016, and the Consolidated Balance Sheets data as of April 28, 2018 and April 29, 2017, are derived from, and are qualified by reference to, the Company’s audited consolidated financial statements included elsewhere in this report. The Consolidated Statements of Income data for fiscal 2015 and fiscal 2014, and the Consolidated Balance Sheets data as of April 30, 2016, May 2, 2015 and May 3, 2014 are derived from audited consolidated financial statements not included in this report.

(In Millions, Except Percentages and Per Share Amounts)	Fiscal Year Ended				May 3, 2014 (53 weeks) (5)	
	April 28, 2018 (1)	April 29, 2017 (2)	April 30, 2016 (3)	May 2, 2015 (4)		
Income Statement Data:						
Net Sales	\$908.3	\$816.5	\$809.1	\$881.1	\$772.8	
Income before Income Taxes	123.8	115.9	110.9	120.8	75.9	
Income Tax Expense (Benefit)	66.6	23.0	26.3	19.8	(20.3)	
Net Income	57.2	92.9	84.6	101.1	96.1	
Per Common Share:						
Basic Net Income	1.54	2.49	2.21	2.61	2.53	
Diluted Net Income	1.52	2.48	2.20	2.58	2.51	
Dividends	0.40	0.36	0.36	0.36	0.30	
Book Value	16.82	14.53	12.61	11.82	10.21	
Long-term Debt	53.4	27.0	57.0	5.0	48.0	
Retained Earnings	472.0	427.0	358.6	356.5	269.2	
Fixed Assets, Net	162.2	90.6	93.0	93.3	101.2	
Total Assets	915.9	704.0	655.9	604.1	575.5	
Return on Average Equity	9.8	% 18.6	% 18.2	% 23.5	% 28.2	%
Pre-tax Income as a Percentage of Sales	13.6	% 14.2	% 13.7	% 13.7	% 9.8	%
Net Income as a Percentage of Sales	6.3	% 11.4	% 10.5	% 11.5	% 12.4	%

(1) Fiscal 2018 includes \$8.1 million of pre-tax legal expense relating to the Hetronic litigation. See Note 9 to our consolidated financial statements for more information. Fiscal 2018 also includes pre-tax acquisition expenses of \$6.8 million related to the acquisitions of Procoplast and Pacific Insight, income of \$7.3 million for an international government grant for maintaining certain employment levels during the period and a \$6.0 million compensation expense reversal related to the re-estimation of RSA compensation expense based upon threshold levels of performance. The results for fiscal 2018 also includes a provisional estimated net income tax charge of \$53.7 million as a result of the Tax Cuts and Jobs Act ("U.S. Tax Reform") and a tax benefit of \$9.8 million for foreign investment tax credits.

(2) Fiscal 2017 includes \$11.0 million of pre-tax legal expense relating to the Hetronic litigation. See Note 9 to our consolidated financial statements for more information. Fiscal 2017 also includes pre-tax exit costs for two reporting units of \$2.3 million, pre-tax acquisition expenses of \$1.5 million, primarily related to a potential acquisition we elected not to undertake, and income of \$4.5 million for an international government grant for maintaining certain

employment levels during the period. The results for fiscal 2017 include a tax benefit of \$4.0 million for foreign investment tax credits, partially offset by a tax expense of \$1.7 million on a dividend between foreign entities.

(3) Fiscal 2016 includes \$9.9 million of pre-tax legal expense relating to the Hetronic litigation.

(4) Fiscal 2015 includes a \$5.0 million tax benefit related to the release of a valuation allowance against deferred tax assets in Malta. Fiscal 2015 also includes a goodwill pre-tax impairment charge of \$11.1 million, a pre-tax gain on the sale of a business of \$7.7 million and \$3.1 million of pre-tax legal expense relating to the Hetronic litigation.

(5) Fiscal 2014 includes a \$31.7 million tax benefit related to the release of a valuation allowance against deferred tax assets in the U.S. Fiscal 2014 also includes an intangible asset pre-tax impairment charge of \$1.7 million and a pre-tax gain on the sale of one of the Company's investments of \$3.2 million.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are a global manufacturer of component and subsystem devices with manufacturing, design and testing facilities in Belgium, Canada, China, Egypt, Germany, India, Italy, Lebanon, Malta, Mexico, Singapore, Switzerland, the United Kingdom and the United States. Our primary manufacturing facilities are located in Shanghai, China; Cairo, Egypt; Mriehel, Malta; Monterrey and Fresnillo, Mexico; and Nelson, British Columbia, Canada. We design, manufacture and market devices employing electrical, radio remote control, electronic, wireless, sensing and optical technologies. Our business is managed on a segment basis, with those segments being Automotive, Interface, Power Products and Other. For more information regarding the business and products of these segments, see "Item 1. Business."

Our components are found in the primary end-markets of the aerospace, appliance, automotive, construction, consumer and industrial equipment, communications (including information processing and storage, networking equipment and wireless and terrestrial voice/data systems), medical, rail and other transportation industries.

Recent Transactions

On July 27, 2017, we acquired 100% of the stock of Procoplast for \$22.2 million in cash, net of cash acquired. The business, located near the Belgian-German border, is an independent manufacturer of automotive assemblies. The accounts and transactions of Procoplast have been included in the Automotive segment in the consolidated financial statements from the effective date of the acquisition.

On October 3, 2017, Methode acquired 100% of the outstanding common shares of Pacific Insight in a cash transaction for \$108.7 million, net of cash acquired. Pacific Insight, headquartered in Vancouver, British Columbia, Canada, is a global solutions provider offering design, development, manufacturing and delivery of lighting and electronic products and full-service solutions to the automotive and commercial vehicle markets. Its technology in LED-based ambient and direct lighting will expand our presence within the automotive interior, as well as augment our efforts in overhead console and other areas. The accounts and transactions of Pacific Insight have been included in the Automotive segment in the consolidated financial statements from the effective date of the acquisition. For more information regarding the acquisitions of Procoplast and Pacific Insight, see "Note 2. Acquisitions."

Plan to Repurchase Common Stock

In September 2015, the Board of Directors authorized the repurchase of up to \$100 million of the Company's outstanding common stock through September 1, 2017. The Company purchased no outstanding common stock during the fiscal year ended April 28, 2018, which leaves the total repurchased under the plan at 2,277,466 shares of outstanding common stock for \$71.9 million. The plan expired on September 1, 2017.

Hetronic Germany-GmbH Matters

For several years, Hetronic Germany-GmbH and Hydronic-Steuersysteme-GmbH (the "Fuchs companies") served as our distributors for Germany, Austria and other central and eastern European countries pursuant to their respective intellectual property licenses and distribution and assembly agreements. We became aware that the Fuchs companies and their managing director, Albert Fuchs, had materially violated those agreements. As a result, we terminated all of our agreements with the Fuchs companies. On June 20, 2014, we filed a lawsuit against the Fuchs companies in the Federal District Court for the Western District of Oklahoma alleging material breaches of the distribution and assembly agreements and seeking damages, as well as various forms of injunctive relief. The defendants have filed

counterclaims alleging breach of contract, interference with business relations and business slander, and an affiliated company has filed a suit in front of the European Union Intellectual Property Office seeking to invalidate the company's NOVA trademark in the EU. On April 2, 2015, we amended our complaint against the Fuchs companies to add additional unfair competition and Lanham Act claims and to add additional affiliated parties. As of April 28, 2018, discovery has been closed, and the parties are briefing summary judgment.

We incurred legal fees of \$8.1 million, \$11.0 million and \$9.9 million in fiscal 2018, fiscal 2017 and fiscal 2016, respectively, related to the lawsuits. These amounts are included in the selling and administrative expenses in the Interface segment.

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Results of Operations

Results of Operations for the Fiscal Year Ended April 28, 2018, as Compared to the Fiscal Year Ended April 29, 2017.

Consolidated Results

Below is a table summarizing results for the fiscal years ended:

(Dollars in Millions)	April 28, 2018	April 29, 2017	Net Change (\$)	Net Change (%)	
Net Sales	\$908.3	\$816.5	\$ 91.8	11.2	%
Cost of Products Sold	668.7	598.2	70.5	11.8	%
Gross Profit	239.6	218.3	21.3	9.8	%
Selling and Administrative Expenses	115.7	105.2	10.5	10.0	%
Amortization of Intangibles	5.6	2.3	3.3	143.5	%
Interest (Income) Expense, Net	0.9	(0.4)	1.3	N/M	*
Other Income, Net	(6.4)	(4.7)	(1.7)	36.2	%
Income Tax Expense	66.6	23.0	43.6	189.6	%
Net Income	\$57.2	\$92.9	\$ (35.7)	(38.4)	%

Percent of sales:	April 28, 2018	April 29, 2017		
Net Sales	100.0 %	100.0 %		
Cost of Products Sold	73.6 %	73.3 %		
Gross Margins	26.4 %	26.7 %		
Selling and Administrative Expenses	12.7 %	12.9 %		
Amortization of Intangibles	0.6 %	0.3 %		
Interest (Income) Expense, Net	0.1 %	— %		
Other Income, Net	(0.7)%	(0.6)%		
Income Tax Expense	7.3 %	2.8 %		
Net Income	6.3 %	11.4 %		

*N/M equals non-meaningful

Net Sales. Consolidated net sales increased by \$91.8 million, or 11.2%, to \$908.3 million for the fiscal year ended April 28, 2018, from \$816.5 million for the fiscal year ended April 29, 2017. The Automotive segment net sales increased \$96.5 million, or 15.3%, to \$728.7 million for the fiscal year ended April 28, 2018, from \$632.2 million for the fiscal year ended April 29, 2017. Automotive segment net sales for fiscal 2018 included \$80.8 million from our newly acquired businesses, Pacific Insight and Procoplast. The Interface segment net sales decreased \$11.6 million, or 9.1%, to \$115.8 million for the fiscal year ended April 28, 2018, compared to \$127.4 million for the fiscal year ended April 29, 2017. The Power Products segment net sales increased \$6.9 million, or 12.3%, to \$63.2 million for the fiscal year ended April 28, 2018, compared to \$56.3 million for the fiscal year ended April 29, 2017. Translation of foreign operations' net sales for the fiscal year ended April 28, 2018 increased net sales by \$13.1 million, or 1.4%, compared to the average currency rates in the fiscal year ended April 29, 2017, primarily due to the strengthening of the euro and Chinese yuan as compared to the U.S. dollar.

Cost of Products Sold. Consolidated cost of products sold increased \$70.5 million, or 11.8%, to \$668.7 million for the fiscal year ended April 28, 2018, compared to \$598.2 million for the fiscal year ended April 29, 2017. Consolidated cost of products sold as a percentage of net sales increased to 73.6% for fiscal 2018, compared to 73.3% for fiscal 2017. The Automotive segment cost of products sold for fiscal 2017 included \$1.0 million of commodity pricing adjustments and the favorable reversal of accruals of \$1.0 million related to resolved customer commercial issues. The Automotive segment costs

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of products sold as a percentage of net sales for fiscal 2018 increased primarily due to unfavorable sales mix related to our newly acquired businesses, the inclusion of \$0.8 million of purchase accounting adjustments related to our new acquisitions, pricing reductions on certain products and the unfavorable currency impact due to the strengthening of the Mexican peso during the period as compared to the U.S. dollar. The Interface segment cost of products sold as a percentage of net sales decreased, primarily due to favorable sales mix, partially offset with lower sales volumes. The Power Products segment cost of products sold as a percentage of net sales decreased primarily due to higher sales volumes, partially offset by the higher cost of copper. The Other segment experienced lower costs of products sold primarily due to a shuttered business which was closed at the end of fiscal 2017, partially offset with increased research and development initiatives for the medical devices business.

Gross Profit. Consolidated gross profit increased \$21.3 million, or 9.8%, to \$239.6 million for the fiscal year ended April 28, 2018, as compared to \$218.3 million for the fiscal year ended April 29, 2017. Gross margins as a percentage of net sales decreased to 26.4% for the fiscal year ended April 28, 2018, compared to 26.7% for the fiscal year ended April 29, 2017. The Automotive segment gross margins as a percentage of net sales for fiscal 2017 were favorably impacted by \$1.0 million of commodity pricing adjustments and the reversal of accruals of \$1.0 million related to resolved customer commercial issues. The Automotive segment gross margins as a percentage of net sales for fiscal 2018 were adversely impacted by unfavorable sales mix related to our new acquisitions, \$0.8 million of one-time purchase accounting adjustments and the unfavorable currency impact due to the strengthening of the Mexican peso during the period as compared to the U.S. dollar. The Interface segment gross margins as a percentage of net sales for fiscal 2018 increased primarily due to favorable sales mix, partially offset with lower sales volumes and price reductions on certain products. The Power Products segment gross margins as a percentage of net sales increased primarily due to higher sales volumes, partially offset by the higher cost of copper.

Selling and Administrative Expenses. Selling and administrative expenses increased \$10.5 million, or 10.0%, to \$115.7 million for the fiscal year ended April 28, 2018, compared to \$105.2 million for the fiscal year ended April 29, 2017. Selling and administrative expenses as a percentage of net sales decreased to 12.7% for the fiscal year ended April 28, 2018 from 12.9% for the fiscal year ended April 29, 2017. Fiscal 2017 included \$3.7 million of selling and administrative expenses from businesses that were closed at the end of fiscal 2017. Fiscal 2018 includes \$9.4 million of selling and administrative expenses from our newly acquired businesses, as well as \$6.0 million of fees related to the acquisitions. Selling and administrative expenses for fiscal 2018 also increased due to higher wages of \$8.0 million and higher travel expense of \$1.5 million. Legal fees decreased by \$2.8 million, mostly due to the decrease in Hetric-related legal fees in fiscal 2018. The stock award amortization expense for fiscal 2018 was \$4.0 million, which includes a reversal of expense of \$6.0 million relating to prior periods (See Note 6, "Common Stock and Stock-based Compensation"). The stock award amortization expense for fiscal 2017 was \$12.4 million.

Amortization of Intangibles. Amortization of intangibles increased \$3.3 million, or 143.5%, to \$5.6 million for the fiscal year ended April 28, 2018, compared to \$2.3 million for the fiscal year ended April 29, 2017. The increase is due to the amortization expense related to our newly acquired businesses.

Interest (Income) Expense, Net. Interest (income) expense, net was an expense of \$0.9 million for the fiscal year ended April 28, 2018, compared to interest income of \$0.4 million for the fiscal year ended April 29, 2017. This change is primarily due to the increased debt levels during the period.

Other Income, Net. Other income, net increased \$1.7 million to \$6.4 million for the fiscal year ended April 28, 2018, compared to \$4.7 million for the fiscal year ended April 29, 2017. During fiscal 2018, the Company recorded a gain of \$1.6 million related to the sale of exclusive rights for a licensing agreement. Fiscal 2018 and fiscal 2017 include \$7.3 million and \$4.5 million, respectively, for an international government grant for maintaining certain employment levels during those periods. All other amounts for both fiscal 2018 and fiscal 2017 relate to currency rate fluctuations. The functional currencies of our foreign operations are the British pound, Canadian dollar, Chinese yuan, euro, Indian rupee, Mexican peso, Singapore dollar and Swiss franc. Some foreign operations have transactions denominated in currencies other than their functional currencies, primarily sales in U.S. dollars and euros, creating exchange rate sensitivities.

Income Tax Expense. Income tax expense increased \$43.6 million, or 189.6%, to \$66.6 million for the fiscal year ended April 28, 2018, compared to \$23.0 million for the fiscal year ended April 29, 2017. The Company's effective tax rate increased to 53.8% for the fiscal year ended April 28, 2018, compared to 19.9% for the fiscal year ended April 29, 2017. The change in the effective tax rate was primarily due to the enactment of U.S. Tax Reform, partially offset by foreign investment tax credits. Of the total income tax expense of \$66.6 million recorded during fiscal 2018, \$53.7 million relates to U.S. Tax Reform. This can be further broken down into a provisional estimate of \$48.5 million for a one-time repatriation tax and \$5.2 million for the re-measurement of U.S. deferred tax assets in the consolidated financial statement. The results for fiscal 2018 include a tax benefit of \$9.8 million for foreign investment tax credits, compared to \$4.0 million in fiscal 2017. In addition, there were favorable tax impacts primarily related to changes in foreign tax rates in fiscal 2018. For further details, regarding the impacts of U.S. Tax Reform during fiscal 2018, refer to Note 5, "Income Taxes."

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Net Income. Net income decreased \$35.7 million, or 38.4%, to \$57.2 million for the fiscal year ended April 28, 2018, compared to \$92.9 million for the fiscal year ended April 29, 2017. Net income for fiscal 2018 was unfavorably impacted by increased tax expense due to the enactment of U.S. Tax Reform, higher intangible asset amortization, customer pricing reductions, acquisition fees and purchase accounting adjustments, increased research and development initiatives for the medical devices business, higher wages and higher interest expenses. These were partially offset by lower stock award amortization related to our long-term incentive program, increased government grants, increased sales volumes from our new acquisitions and the gain on the sale of a licensing agreement. Net income for fiscal 2017 was favorably impacted due to adjustments for commodity pricing and the reversal of accruals related to resolved customer commercial issues.

Operating Segments

Automotive Segment Results

Below is a table summarizing results for the fiscal years ended:

(Dollars in Millions)	April 28, 2018	April 29, 2017	Net Change (\$)	Net Change (%)	
Net Sales	\$728.7	\$632.2	\$ 96.5	15.3	%
Cost of Products Sold	527.1	449.4	77.7	17.3	%
Gross Profit	201.6	182.8	18.8	10.3	%
Selling and Administrative Expenses	45.3	34.5	10.8	31.3	%
Income from Operations	\$156.3	\$148.3	\$ 8.0	5.4	%
Percent of sales:	April 28, 2018	April 29, 2017			
Net Sales	100.0 %	100.0 %			
Cost of Products Sold	72.3 %	71.1 %			
Gross Margins	27.7 %	28.9 %			
Selling and Administrative Expenses	6.2 %	5.5 %			
Income from Operations	21.4 %	23.5 %			

Net Sales. Automotive segment net sales increased \$96.5 million, or 15.3%, to \$728.7 million for the fiscal year ended April 28, 2018, from \$632.2 million for the fiscal year ended April 29, 2017. Net sales increased in North America by \$48.0 million, or 13.0%, to \$417.4 million for the fiscal year ended April 28, 2018, compared to \$369.4 million for the fiscal year ended April 29, 2017. North American Automotive sales included \$54.4 million from our newly acquired business, Pacific Insight, which was acquired in the second quarter of fiscal 2018. Other North American sales increased for our user interface assemblies due to new program launches in fiscal 2018. Sales declined for our integrated center stack products primarily due to pricing reductions, partially offset by higher sales volumes. Sales for our transmission lead-frame assemblies decreased due to a combination of pricing reductions and lower sales volumes in fiscal 2018, compared to fiscal 2017. Net sales increased in Europe by \$61.4 million, or 40.4%, to \$213.3 million for the fiscal year ended April 28, 2018, compared to \$151.9 million for the fiscal year ended April 29, 2017. The increase in the European sales includes \$26.4 million from our newly acquired business, Procoplast, which was acquired in the first quarter of fiscal 2018. Other European sales increased primarily due to increased customer funded tooling and design fees, favorable currency rate fluctuations and higher sales volumes of hidden switches and sensor products. Net sales in Asia decreased \$12.9 million, or 11.6%, to \$98.0 million for the fiscal year ended April 28, 2018, compared to \$110.9 million for the fiscal year ended April 29, 2017, primarily due to lower sales of our transmission lead-frame assemblies due to a combination of pricing reductions and lower sales volumes. We also experienced lower sales volumes for our steering angle sensor products, as the products approach end of production.

Translation of foreign operations' net sales increased reported net sales by \$13.1 million, or 1.8%, for the fiscal year ended April 28, 2018, compared to the average currency rates for the fiscal year ended April 29, 2017, primarily due to the strengthening of the euro and Chinese yuan as compared to the U.S. dollar.

Cost of Products Sold. Automotive segment cost of products sold increased \$77.7 million, or 17.3%, to \$527.1 million for the fiscal year ended April 28, 2018, from \$449.4 million for the fiscal year ended April 29, 2017. The Automotive segment

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cost of products sold as a percentage of net sales increased to 72.3% for the fiscal year ended April 28, 2018, compared to 71.1% for the fiscal year ended April 29, 2017. The cost of products sold as a percentage of sales increased primarily due to unfavorable sales mix related to our newly acquired businesses, the inclusion of \$0.8 million of purchase accounting adjustments related to our new acquisitions, pricing reductions on certain products and the strengthening of the Mexican peso during the period as compared to the U.S. dollar. The results for fiscal 2017 include a favorable \$1.0 million of commodity pricing adjustments and a favorable reversal of accruals of \$1.0 million related to resolved customer commercial issues.

Gross Profit. Automotive segment gross profit increased \$18.8 million, or 10.3%, to \$201.6 million for the fiscal year ended April 28, 2018, as compared to \$182.8 million for the fiscal year ended April 29, 2017. The Automotive segment gross margins as a percentage of net sales decreased to 27.7% for the fiscal year ended April 28, 2018, as compared to 28.9% for the fiscal year ended April 29, 2017. Gross margins as a percentage of net sales decreased primarily due to unfavorable sales mix related to our newly acquired businesses, the inclusion of \$0.8 million of purchase accounting adjustments related to our new acquisitions, pricing reductions on certain products and the strengthening of the Mexican peso during the period as compared to the U.S. dollar. The results for fiscal 2017 include a favorable \$1.0 million of commodity pricing adjustments and the reversal of accruals of \$1.0 million related to resolved customer commercial issues.

Selling and Administrative Expenses. Selling and administrative expenses increased \$10.8 million, or 31.3%, to \$45.3 million for the fiscal year ended April 28, 2018, compared to \$34.5 million for the fiscal year ended April 29, 2017. Selling and administrative expenses as a percentage of net sales were 6.2% for the fiscal year ended April 28, 2018, compared to 5.5% for the fiscal year ended April 29, 2017. Fiscal 2018 includes \$12.7 million related to our newly acquired businesses. The \$12.7 million includes \$3.4 million of intangible asset amortization expense. Excluding the activity from our newly acquired businesses, selling and administrative expenses decreased \$1.9 million due primarily to lower stock award amortization expense for our long-term incentive program, partially offset with increased severance and travel expense.

Income from Operations. Automotive segment income from operations increased \$8.0 million, or 5.4%, to \$156.3 million for the fiscal year ended April 28, 2018, compared to \$148.3 million for the fiscal year ended April 29, 2017. Income from operations for fiscal 2018 increased due to sales and income from operations from our newly acquired businesses and lower stock award amortization expense, partially offset with pricing reductions, the strengthening of the Mexican peso as compared to the U.S. dollar, higher intangible asset amortization expense and higher severance and travel expenses. Net income for fiscal 2017 was favorably impacted due to adjustments for commodity pricing and the reversal of accruals related to resolved customer commercial issues.

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Interface Segment Results

Below is a table summarizing results for the fiscal years ended:

(Dollars in Millions)	April 28, 2018	April 29, 2017	Net Change (\$)	Net Change (%)
Net Sales	\$115.8	\$127.4	\$ (11.6)	(9.1)%
Cost of Products Sold	90.5	100.8	(10.3)	(10.2)%
Gross Profit	25.3	26.6	(1.3)	(4.9)%
Selling and Administrative Expenses	20.3	27.5	(7.2)	(26.2)%
Income (Loss) from Operations	\$5.0	\$(0.9)	\$ 5.9	N/M *
Percent of sales:	April 28, 2018	April 29, 2017		
Net Sales	100.0 %	100.0 %		
Cost of Products Sold	78.2 %	79.1 %		
Gross Margins	21.8 %	20.9 %		
Selling and Administrative Expenses	17.5 %	21.6 %		
Income (Loss) from Operations	4.3 %	(0.7)%		

* N/M equals non-meaningful

Net Sales. Interface segment net sales decreased \$11.6 million, or 9.1%, to \$115.8 million for the fiscal year ended April 28, 2018, from \$127.4 million for the fiscal year ended April 29, 2017. Net sales decreased in North America by \$12.5 million, or 12.7%, to \$85.6 million for the fiscal year ended April 28, 2018, compared to \$98.1 million for the fiscal year ended April 29, 2017. North American net sales decreased by \$14.4 million due to our Connectivity business. The Company exited this business at the end of fiscal 2017 due to adverse business conditions. Excluding the \$14.4 million of lower sales for Connectivity, North American sales increased by \$1.2 million due to increased sales volumes of radio remote control and data solutions products. Net sales in Europe increased \$2.4 million, or 9.3%, to \$28.2 million for the fiscal year ended April 28, 2018 compared to \$25.8 million for the fiscal year ended April 29, 2017, primarily due to higher sales volumes of radio remote control products, partially offset with lower sales volumes and price reductions on certain of our data solutions products. Net sales in Asia decreased \$1.5 million, or 42.9%, to \$2.0 million for the fiscal year ended April 28, 2018, compared to \$3.5 million for the fiscal year ended April 29, 2017, primarily due to lower sales volumes of legacy products.

Cost of Products Sold. Interface segment cost of products sold decreased \$10.3 million, or 10.2%, to \$90.5 million for the fiscal year ended April 28, 2018, compared to \$100.8 million for the fiscal year ended April 29, 2017. Interface segment cost of products sold as a percentage of net sales decreased to 78.2% for the fiscal year ended April 28, 2018, compared to 79.1% for the fiscal year ended April 29, 2017. The decrease is primarily due to favorable sales mix, partially offset with lower sales volumes. The lower sales volumes are primarily from our Connectivity business unit, which was closed at the end of fiscal 2017.

Gross Profit. Interface segment gross profit decreased \$1.3 million, or 4.9%, to \$25.3 million for the fiscal year ended April 28, 2018, compared to \$26.6 million for the fiscal year ended April 29, 2017. Gross margins as a percentage of net sales increased to 21.8% for the fiscal year ended April 28, 2018, from 20.9% for the fiscal year ended April 29, 2017. The increase is primarily due to favorable sales mix, partially offset with lower sales volumes and price reductions on certain products. The lower sales volumes are primarily from our Connectivity business unit that was closed at the end of fiscal 2017.

Selling and Administrative Expenses. Selling and administrative expenses decreased \$7.2 million, or 26.2%, to \$20.3 million for the fiscal year ended April 28, 2018, compared to \$27.5 million for the fiscal year ended April 29, 2017. Selling and administrative expenses as a percentage of net sales decreased to 17.5% for the fiscal year ended April 28, 2018, from 21.6% for the fiscal year ended April 29, 2017. Fiscal 2017 included \$3.4 million of selling and administrative expenses for

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our Connectivity business. Excluding the lower expenses related to the Connectivity business, fiscal 2018 benefitted from lower legal expenses and the lower stock award amortization expense for our long-term incentive program. Income (Loss) from Operations. Interface segment income (loss) from operations was income of \$5.0 million for the fiscal year ended April 28, 2018, compared to a loss of \$0.9 million for the fiscal year ended April 29, 2017, primarily due to lower expenses related to the Connectivity business, lower legal expenses, lower stock award amortization expense for our long-term incentive program and a favorable sales mix, partially offset with lower sales volumes.

Power Products Segment Results

Below is a table summarizing results for the fiscal years ended:

(Dollars in Millions)	April 28, 2018	April 29, 2017	Net Change (\$)	Net Change (%)	
Net Sales	\$ 63.2	\$ 56.3	\$ 6.9	12.3	%
Cost of Products Sold	46.0	41.2	4.8	11.7	%
Gross Profit	17.2	15.1	2.1	13.9	%
Selling and Administrative Expenses	3.2	3.6	(0.4)	(11.1)%	
Income from Operations	\$ 14.0	\$ 11.5	\$ 2.5	21.7	%
Percent of sales:	April 28, 2018	April 29, 2017			
Net Sales	100.0 %	100.0 %			
Cost of Products Sold	72.8 %	73.2 %			
Gross Margins	27.2 %	26.8 %			
Selling and Administrative Expenses	5.1 %	6.4 %			
Income from Operations	22.2 %	20.4 %			

Net Sales. Power Products segment net sales increased \$6.9 million, or 12.3%, to \$63.2 million for the fiscal year ended April 28, 2018, compared to \$56.3 million for the fiscal year ended April 29, 2017. Net sales increased in North America by \$0.5 million, or 2.1%, to \$24.1 million for fiscal 2018, compared to \$23.6 million for fiscal 2017. Net sales in Europe increased \$3.9 million, or 54.9%, to \$11.0 million for the fiscal year ended April 28, 2018, compared to \$7.1 million for the fiscal year ended April 29, 2017, primarily due to higher sales volumes of our power connector product. Net sales in Asia increased \$2.5 million, or 9.8%, to \$28.1 million for the fiscal year ended April 28, 2018, compared to \$25.6 million for the fiscal year ended April 29, 2017, due primarily to higher sales volumes of busbar products.

Cost of Products Sold. Power Products segment cost of products sold increased \$4.8 million, or 11.7%, to \$46.0 million for the fiscal year ended April 28, 2018, compared to \$41.2 million for the fiscal year ended April 29, 2017. The Power Products segment cost of products sold as a percentage of net sales decreased to 72.8% for the fiscal year ended April 28, 2018, from 73.2% for the fiscal year ended April 29, 2017. The decrease primarily relates to higher sales volumes, partially offset by the higher cost of copper.

Gross Profit. Power Products segment gross profit increased \$2.1 million, or 13.9%, to \$17.2 million for the fiscal year ended April 28, 2018, compared to \$15.1 million for the fiscal year ended April 29, 2017. Gross margins as a percentage of net sales increased to 27.2% for the fiscal year ended April 28, 2018 from 26.8% for the fiscal year ended April 29, 2017. The increase primarily relates to higher sales volumes, partially offset by the higher cost of copper.

Selling and Administrative Expenses. Selling and administrative expenses decreased \$0.4 million, or 11.1%, to \$3.2 million for the fiscal year ended April 28, 2018, compared to \$3.6 million for the fiscal year ended April 29, 2017. Selling and administrative expenses as a percentage of net sales decreased to 5.1% for the year ended April 28, 2018, from 6.4% for the year ended April 29, 2017, due to lower stock award amortization expense for our long-term incentive program and lower legal expenses.

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Income From Operations. Power Products segment income from operations increased \$2.5 million, or 21.7%, to \$14.0 million for the fiscal year ended April 28, 2018, compared to \$11.5 million for the fiscal year ended April 29, 2017, due primarily to increased sales volumes, lower stock award amortization expense for our long-term incentive program and lower legal expenses, partially offset with the higher cost of copper.

Other Segment Results

Below is a table summarizing results for the fiscal years ended:

(Dollars in Millions)	April 28, 2018	April 29, 2017	Net Change (\$)	Net Change (%)
Net Sales	\$ 0.3	\$ 0.3	\$ —	— %
Cost of Products Sold	3.8	6.5	(2.7)	(41.5)%
Gross Profit	(3.5)	(6.2)	2.7	(43.5)%
Selling and Administrative Expenses	7.9	6.2	1.7	27.4 %
Loss from Operations	\$(11.4)	\$(12.4)	\$ 1.0	(8.1)%

Net Sales. The businesses in this segment were medical devices and inverters and battery systems. The inverters and battery systems business was shuttered at the end of fiscal 2017 due to adverse business conditions. Both businesses had minimal net sales in the fiscal years ended April 28, 2018 and April 29, 2017, respectively, due to newly launched products.

Cost of Products Sold. Other segment cost of products sold was \$3.8 million for the fiscal year ended April 28, 2018, compared to \$6.5 million for the fiscal year ended April 29, 2017. The decrease primarily relates to the shuttered business that was closed at the end of fiscal 2017. The decrease was partially offset by the vertical manufacturing integration of some key components in medical device products and research efforts to expand the product offerings.

Gross Profit. The Other segment gross profit was a loss of \$3.5 million and \$6.2 million for the fiscal years ended April 28, 2018 and April 29, 2017, respectively. The decreased loss primarily relates to the shuttered business, partially offset with increased research and development initiatives for medical devices.

Selling and Administrative Expenses. Selling and administrative expenses increased \$1.7 million, or 27.4%, to \$7.9 million for the fiscal year ended April 28, 2018, compared to \$6.2 million for the fiscal year ended April 29, 2017. Fiscal 2017 includes \$0.3 million of selling and administrative expenses for our inverter and battery systems business, which was closed at the end of fiscal 2017. The increase in fiscal 2018 is primarily due to higher investment in sales and marketing, clinical resources and professional services in our medical device business, partially offset with lower selling and administrative expenses related to the shuttered business.

Loss From Operations. The Other segment loss from operations decreased \$1.0 million to \$11.4 million for the fiscal year ended April 28, 2018, compared to \$12.4 million for the fiscal year ended April 29, 2017. The decreased loss relates to the closure of the inverter and battery system business at the end of fiscal 2017, partially offset by higher outside professional fees, research and development and marketing expenses in fiscal 2018.

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Results of Operations for the Fiscal Year Ended April 29, 2017, as Compared to the Fiscal Year Ended April 30, 2016.

Consolidated Results

Below is a table summarizing results for the fiscal years ended:

(Dollars in Millions)	April 29, 2017	April 30, 2016	Net Change (\$)	Net Change (%)	
Net Sales	\$816.5	\$809.1	\$ 7.4	0.9	%
Cost of Products Sold	598.2	596.2	2.0	0.3	%
Gross Profit	218.3	212.9	5.4	2.5	%
Selling and Administrative Expenses	105.2	100.8	4.4	4.4	%
Amortization of Intangibles	2.3	2.4	(0.1)	(4.2)	%
Interest Income, Net	(0.4)	(0.7)	0.3	(42.9)	%
Other Income, Net	(4.7)	(0.5)	(4.2)	840.0	% *
Income Tax Expense	23.0	26.3	(3.3)	(12.5)	%
Net Income	\$92.9	\$84.6	\$ 8.3	9.8	%
Percent of sales:	April 29, 2017	April 30, 2016			
Net Sales	100.0 %	100.0 %			
Cost of Products Sold	73.3 %	73.7 %			
Gross Margins	26.7 %	26.3 %			
Selling and Administrative Expenses	12.9 %	12.5 %			
Amortization of Intangibles	0.3 %	0.3 %			
Interest Income, Net	— %	(0.1)%			
Other Income, Net	(0.6)%	(0.1)%			
Income Tax Expense	2.8 %	3.3 %			
Net Income	11.4 %	10.5 %			

*N/M equals non meaningful

Net Sales. Consolidated net sales increased \$7.4 million, or 0.9%, to \$816.5 million for the fiscal year ended April 29, 2017, from \$809.1 million for the fiscal year ended April 30, 2016. The Automotive segment's net sales increased \$17.9 million, or 2.9%, to \$632.2 million for fiscal 2017, from \$614.3 million for fiscal 2016. The Interface segment's net sales decreased \$13.4 million, or 9.5%, to \$127.4 million for fiscal 2017, compared to \$140.8 million for fiscal 2016. The Power Products segment's net sales increased \$2.8 million, or 5.2%, to \$56.3 million for fiscal 2017, compared to \$53.5 million for fiscal 2016. Translation of foreign operations' net sales for fiscal 2017 decreased net sales by \$5.5 million, or 0.7%, compared to the average currency rates in fiscal 2016, primarily due to the strengthening of the U.S. dollar compared to the Chinese yuan and the euro.

Cost of Products Sold. Consolidated cost of products sold increased \$2.0 million, or 0.3%, to \$598.2 million for the fiscal year ended April 29, 2017, compared to \$596.2 million for the fiscal year ended April 30, 2016. Consolidated cost of products sold as a percentage of net sales decreased to 73.3% for fiscal 2017, compared to 73.7% for fiscal 2016. The Automotive, Interface and Power Products segments were all favorably impacted by commodity pricing of raw materials and a favorable currency impact on material purchases and labor costs. The Automotive segment was favorably impacted by both commodity pricing adjustments of \$1.0 million and \$1.0 million for the reversal of

accruals related to customer commercial issues resolved in fiscal 2017. The fiscal 2017 cost of goods sold was negatively impacted by \$2.2 million due to exit costs for our Connectivity and Active Energy Solutions reporting units. Both businesses were shuttered due to market conditions. The Power Products segment experienced favorable change in cost of goods sold as a percentage of sales, primarily due to

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implemented overhead cost reductions in the U.S. and China. In fiscal 2016, the Interface segment experienced additional costs of \$1.0 million, as well as inefficiencies, related to the move of the radio remote control operation from the Philippines to Egypt.

Gross Profit. Consolidated gross profit increased \$5.4 million, or 2.5%, to \$218.3 million for the fiscal year ended April 29, 2017, as compared to \$212.9 million for the fiscal year ended April 30, 2016. Gross margins as a percentage of net sales increased to 26.7% for the fiscal year ended April 29, 2017, compared to 26.3% for the fiscal year ended April 30, 2016. The Automotive segment was favorably impacted by both commodity pricing adjustments of \$1.0 million and \$1.0 million for the reversal of accruals related to customer commercial issues resolved in fiscal 2017. The Automotive, Interface and Power Products segments were all favorably impacted by commodity pricing of raw materials and a favorable currency impact on material purchases and labor costs. The Power Products segment experienced favorable gross margins as a percentage of sales primarily due to implemented overhead cost reductions in the U.S. and China. The fiscal 2017 gross margins were negatively impacted by exit costs related to the closure of our Connectivity and Active Energy Solutions reporting units. In fiscal 2016, the Interface segment experienced additional costs of \$1.0 million, as well as inefficiencies, related to the move of the radio remote control operation from the Philippines to Egypt.

Selling and Administrative Expenses. Selling and administrative expenses increased \$4.4 million, or 4.4%, to \$105.2 million for the fiscal year ended April 29, 2017, compared to \$100.8 million for the fiscal year ended April 30, 2016. Selling and administrative expenses as a percentage of net sales increased to 12.9% for the fiscal year ended April 29, 2017, from 12.5% for the fiscal year ended April 30, 2016. In fiscal 2017, expenses increased for stock award amortization expenses by \$5.0 million, legal and other professional fees by \$1.6 million and fees related to acquisition activity, primarily for a potential acquisition we elected not to undertake, by \$1.5 million, partially offset by selling and fringe related expenses of \$2.3 million and lower travel expenses of \$1.5 million.

Interest Income, Net. Interest income, net decreased \$0.3 million, to \$0.4 million for the fiscal year ended April 29, 2017, compared to \$0.7 million for the fiscal year ended April 30, 2016. The decrease is primarily due to increased average debt levels during fiscal 2017 as compared to fiscal 2016.

Other Income, Net. Other income, net increased \$4.2 million to \$4.7 million for the fiscal year ended April 29, 2017, compared to \$0.5 million for the fiscal year ended April 30, 2016. Fiscal 2017 includes \$4.5 million for an international government grant for maintaining certain employment levels during the period. All other amounts for both fiscal 2017 and fiscal 2016 relate to currency rate fluctuations. The functional currencies of these operations are the British pound, Chinese yuan, euro, Indian rupee, Mexican peso, Singapore dollar and Swiss franc. Some foreign operations have transactions denominated in currencies other than their functional currencies, primarily sales in U.S. dollars and euros, creating exchange rate sensitivities.

Income Tax Expense. Income tax expense decreased \$3.3 million, or 12.5%, to \$23.0 million for the fiscal year ended April 29, 2017, compared to \$26.3 million for the fiscal year ended April 30, 2016. The Company's effective tax rate decreased to 19.9% in fiscal 2017, compared to 23.8% in fiscal 2016. The results for fiscal 2017 include a tax benefit of \$4.0 million for foreign investment tax credits, partially offset by a tax expense of \$1.7 million on a dividend between foreign entities

Net Income Attributable to Methode Electronics, Inc. Net income attributable to Methode Electronics, Inc. increased \$8.3 million, or 9.8%, to \$92.9 million for the fiscal year ended April 29, 2017, compared to \$84.6 million for the fiscal year ended April 30, 2016, primarily due to higher sales volumes, the favorable impact of commodity pricing adjustments and resolved customer commercial issues, favorable commodity pricing of raw materials and the favorable currency impact on both the purchase of certain raw materials and labor costs in our foreign operations, an international government grant, lower travel expenses and lower tax expenses. Net income was unfavorably impacted

by higher stock award amortization expense, exit costs, increased legal, acquisitions related expenses and professional fees.

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Operating Segments

Automotive Segment Results

Below is a table summarizing results for the fiscal years ended:

(Dollars in Millions)	April 29, 2017	April 30, 2016	Net Change (\$)	Net Change (%)	
Net Sales	\$632.2	\$614.3	\$ 17.9	2.9	%
Cost of Products Sold	449.4	443.6	5.8	1.3	%
Gross Profit	182.8	170.7	12.1	7.1	%
Selling and Administrative Expenses	34.5	33.9	0.6	1.8	%
Income from Operations	\$148.3	\$136.8	\$ 11.5	8.4	%
Percent of sales:	April 29, 2017	April 30, 2016			
Net Sales	100.0	% 100.0	%		
Cost of Products Sold	71.1	% 72.2	%		
Gross Margins	28.9	% 27.8	%		
Selling and Administrative Expenses	5.5	% 5.5	%		
Income from Operations	23.5	% 22.3	%		

Net Sales. Automotive segment net sales increased \$17.9 million, or 2.9%, to \$632.2 million for the fiscal year ended April 29, 2017, from \$614.3 million for the fiscal year ended April 30, 2016. Net sales increased in North America by \$28.5 million, or 8.4%, to \$369.4 million for fiscal 2017, compared to \$340.9 million for fiscal 2016. Sales volumes increased for our GM Center Console program (with the launch of new platforms in the fourth quarter of fiscal 2016), user interface assemblies, and for transmission lead-frame assemblies. Sales volumes decreased \$2.3 million for the Ford Center Console program. North American sales were negatively impacted by pricing concessions on certain products. Net sales decreased in Europe by \$7.8 million, or 4.9%, to \$151.9 million in fiscal 2017, compared to \$159.7 million in fiscal 2016, primarily due to lower sales volumes of ignition switch products and decreased sales of customer funded tooling and design and development services. Europe experienced higher sales volumes of certain Integrated Center Panels and steering wheel switch products. Net sales in Asia decreased \$2.8 million, or 2.5%, to \$110.9 million in fiscal 2017, compared to \$113.7 million in fiscal 2016. The Asian sales were negatively impacted by \$3.7 million due to the strengthening of the U.S. dollar as compared to the Chinese yuan. Sales volumes increased for linear position sensor products and transmission lead-frame assemblies, partially offset by lower sales volumes of steering-angle sensor products. Translation of foreign operations' total Automotive net sales for the fiscal year ended April 29, 2017 decreased by \$5.5 million, or 0.9%, in fiscal 2017, compared to the average currency rates in fiscal 2016, primarily due to the strengthening of the U.S. dollar compared to the euro and the Chinese yuan.

Cost of Products Sold. Automotive segment cost of products sold increased \$5.8 million, or 1.3%, to \$449.4 million for the fiscal year ended April 29, 2017, from \$443.6 million for the fiscal year ended April 30, 2016. The Automotive segment cost of products sold as a percentage of net sales decreased to 71.1% in fiscal 2017, compared to 72.2% in fiscal 2016. The results for fiscal 2017 include \$1.0 million of commodity pricing adjustments and the reversal of accruals of \$1.0 million related to resolved customer commercial issues. In addition, the decrease is due to favorable commodity pricing of raw materials and the favorable currency impact on both the purchase of certain raw

materials and labor costs, primarily in Mexico and China. Fiscal 2016 was favorably impacted by \$1.3 million due to a refund of import duties from prior periods.

Gross Profit. Automotive segment gross profit increased \$12.1 million, or 7.1%, to \$182.8 million for the fiscal year ended April 29, 2017, as compared to \$170.7 million for the fiscal year ended April 30, 2016. The Automotive segment gross margins as a percentage of net sales increased to 28.9% for the fiscal year ended April 29, 2017, as compared to 27.8% for the fiscal year ended April 30, 2016. The gross profit for fiscal 2017 was favorably impacted by \$1.0 million for commodity pricing adjustments and the reversal of accruals of \$1.0 million related to resolved customer commercial issues. In addition, gross profit was favorably impacted due to favorable commodity pricing of raw materials and the favorable currency impact on

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both the purchase of certain raw materials and labor costs, primarily in Mexico and China. Fiscal 2016 was favorably impacted by \$1.3 million due to a refund of import duties from prior periods.

Selling and Administrative Expenses. Selling and administrative expenses increased \$0.6 million, or 1.8%, to \$34.5 million for the fiscal year ended April 29, 2017, compared to \$33.9 million for the fiscal year ended April 30, 2016. Selling and administrative expenses as a percentage of net sales remained constant at 5.5% for the fiscal year ended April 29, 2017, compared to the fiscal year ended April 30, 2016. The increase in expenses in fiscal 2017 is primarily due to higher stock award amortization expense, partially offset with lower bonus, commission and travel expenses.

Income from Operations. Automotive segment income from operations increased \$11.5 million, or 8.4%, to \$148.3 million for the fiscal year ended April 29, 2017, compared to \$136.8 million for the fiscal year ended April 30, 2016. Income from operations increased in fiscal 2017 due to increased sales volumes, commodity pricing adjustments and a one-time reversal of accruals related to resolved customer commercial issues, favorable commodity pricing of raw materials and the favorable currency impact on both the purchase of certain raw materials and labor costs in our foreign operations and lower bonus and travel expenses. Income from operations was negatively impacted in fiscal 2017 due to higher stock award amortization expenses.

Interface Segment Results

Below is a table summarizing results for the fiscal years ended:

(Dollars in Millions)	April 29, 2017	April 30, 2016	Net Change (\$)	Net Change (%)
Net Sales	\$127.4	\$140.8	\$(13.4)	(9.5)%
Cost of Products Sold	100.8	107.9	(7.1)	(6.6)%
Gross Profit	26.6	32.9	(6.3)	(19.1)%
Selling and Administrative Expenses	27.5	30.2	(2.7)	(8.9)%
Income (Loss) from Operations	\$(0.9)	\$2.7	\$(3.6)	N/M *
Percent of sales:	April 29, 2017	April 30, 2016		
Net Sales	100.0 %	100.0 %		
Cost of Products Sold	79.1 %	76.6 %		
Gross Margins	20.9 %	23.4 %		
Selling and Administrative Expenses	21.6 %	21.4 %		
Income (Loss) from Operations	(0.7)%	1.9 %		

*N/M equals non meaningful

Net Sales. Interface segment net sales decreased \$13.4 million, or 9.5%, to \$127.4 million for the fiscal year ended April 29, 2017, from \$140.8 million for the fiscal year ended April 30, 2016. Net sales decreased in North America by \$12.8 million, or 11.5%, to \$98.1 million in fiscal 2017, compared to \$110.9 million in fiscal 2016, primarily due to lower sales volumes of data solutions and appliance products. In addition, North American sales are down due to pricing concessions for certain data solutions products. Net sales in Europe decreased \$0.5 million, or 1.9%, to \$25.8 million in fiscal 2017, compared to \$26.3 million in fiscal 2016, primarily due to lower sales volumes of our data

solutions products. Net sales in Asia decreased \$0.1 million, or 2.8%, to \$3.5 million in fiscal 2017, compared to \$3.6 million in fiscal 2016, primarily due to slightly lower sales volumes of legacy products.

Cost of Products Sold. Interface segment cost of products sold decreased \$7.1 million, or 6.6%, to \$100.8 million for the fiscal year ended April 29, 2017, compared to \$107.9 million for the fiscal year ended April 30, 2016. Interface segment cost of products sold as a percentage of net sales increased to 79.1% for the fiscal year ended April 29, 2017, compared to

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76.6% for the fiscal year ended April 30, 2016. The increase is primarily due to lower sales volumes, specifically data solutions products. Cost of products sold for fiscal 2017 includes exit costs of \$1.1 million for our Connectivity reporting unit. The business was shuttered at the end of fiscal 2017 due to market conditions. The fiscal 2017 cost of goods sold was favorably impacted due to favorable commodity pricing of raw materials and a favorable currency impact on both the purchase of certain raw materials and labor costs, primarily in Mexico. Fiscal 2016 was unfavorably impacted due to additional costs and inefficiencies experienced related to the move of the radio remote control operation from the Philippines to Egypt. The Company experienced moving costs, severance and redundant staffing of \$1.0 million in addition to the manufacturing inefficiencies.

Gross Profit. Interface segment gross profit decreased \$6.3 million, or 19.1%, to \$26.6 million for the fiscal year ended April 29, 2017, compared to \$32.9 million for the fiscal year ended April 30, 2016. Gross margins as a percentage of net sales decreased to 20.9% for the fiscal year ended April 29, 2017, from 23.4% for the fiscal year ended April 30, 2016. The decrease is primarily due to lower sales volumes, specifically data solutions products. Gross profit was also negatively impacted by \$1.1 million of exit costs. Gross profit was favorably impacted due to commodity pricing of raw materials and a favorable currency impact on both the purchase of certain raw materials and labor costs in our foreign operations, primarily in Mexico. Fiscal 2016 was unfavorably impacted due to moving costs, severance and redundant staffing related to the move from the Philippines to Egypt.

Selling and Administrative Expenses. Selling and administrative expenses decreased \$2.7 million, or 8.9%, to \$27.5 million for the fiscal year ended April 29, 2017, compared to \$30.2 million for the fiscal year ended April 30, 2016. Selling and administrative expenses as a percentage of net sales increased to 21.6% for the fiscal year ended April 29, 2017, from 21.4% for the fiscal year ended April 30, 2016. The decrease in selling and administrative expenses is primarily due to lower compensation, travel and advertising expenses, partially offset by increased legal fees and stock award amortization expenses.

Income/(loss) from Operations. Interface segment income/(loss) from operations decreased \$3.6 million, or 133.3%, to a loss of \$0.9 million for the fiscal year ended April 29, 2017, compared to income of \$2.7 million for the fiscal year ended April 30, 2016, primarily due to lower sales volumes, exit costs, higher legal fees and higher stock award amortization expense, partially offset with favorable commodity pricing of raw materials and the currency impact of labor related expenses, lower compensation related expenses, lower travel expenses and lower advertising expenses.

Power Products Segment Results

Below is a table summarizing results for the fiscal years ended:

(Dollars in Millions)	April 29, 2017	April 30, 2016	Net Change (\$)	Net Change (%)	
Net Sales	\$ 56.3	\$ 53.5	\$ 2.8	5.2	%
Cost of Products Sold	41.2	40.5	0.7	1.7	%
Gross Profit	15.1	13.0	2.1	16.2	%
Selling and Administrative Expenses	3.6	3.6	—	—	%
Income from Operations	\$ 11.5	\$ 9.4	\$ 2.1	22.3	%

Percent of sales:

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	April 29, 2017		April 30, 2016	
Net Sales	100.0	%	100.0	%
Cost of Products Sold	73.2	%	75.7	%
Gross Margins	26.8	%	24.3	%
Selling and Administrative Expenses	6.4	%	6.7	%
Income from Operations	20.4	%	17.6	%

Net Sales. Power Products segment net sales increased \$2.8 million, or 5.2%, to \$56.3 million for the fiscal year ended April 29, 2017, compared to \$53.5 million for the fiscal year ended April 30, 2016. Net sales decreased in North

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America by \$3.2 million, or 11.9%, to \$23.6 million in fiscal 2017, compared to \$26.8 million in fiscal 2016, primarily due to lower sales volumes of busbar products. Net sales in Europe decreased \$0.4 million, or 5.3%, to \$7.1 million in fiscal 2017, compared to \$7.5 million in fiscal 2016, primarily due to lower sales of bypass switches, partially offset by higher sales volumes of busbar products. Net sales in Asia increased \$6.4 million, or 33.3%, to \$25.6 million in fiscal 2017, compared to \$19.2 million in fiscal 2016, due to higher sales volumes of PowerRail® and other busbar products.

Cost of Products Sold. Power Products segment cost of products sold increased \$0.7 million, or 1.7%, to \$41.2 million for the fiscal year ended April 29, 2017, compared to \$40.5 million for the fiscal year ended April 30, 2016. The Power Products segment cost of products sold as a percentage of net sales decreased to 73.2% for the fiscal year ended April 29, 2017, from 75.7% for the fiscal year ended April 30, 2016. The decrease primarily relates to higher sales volumes, favorable commodity pricing and implemented overhead cost reductions in the U.S. and China. In addition, our China operation experienced a favorable currency impact for both material and labor expenses due to the weakening Chinese yuan.

Gross Profit. Power Products segment gross profit increased \$2.1 million, or 16.2%, to \$15.1 million in fiscal 2017, compared to \$13.0 million in fiscal 2016. Gross margins as a percentage of net sales increased to 26.8% for the fiscal year ended April 29, 2017 from 24.3% for the fiscal year ended April 30, 2016. The increase primarily relates to higher sales volumes, favorable commodity pricing and implemented overhead cost reductions in the U.S. and China. In addition, our China operation experienced a favorable currency impact for both material and labor expenses due to the weakening Chinese yuan.

Selling and Administrative Expenses. Selling and administrative expenses remained constant at \$3.6 million for both the fiscal year ended April 29, 2017 and the fiscal year ended April 30, 2016. Selling and administrative expenses as a percentage of net sales decreased to 6.4% for the fiscal year ended April 29, 2017, from 6.7% for the fiscal year ended April 30, 2016, primarily due to higher sales volumes.

Income From Operations. Power Products segment income from operations increased \$2.1 million, or 22.3%, to \$11.5 million for the fiscal year ended April 29, 2017, compared to \$9.4 million for the fiscal year ended April 30, 2016, due to increased sales volumes, overhead cost reductions and the favorable currency impact on material purchases.

Other Segment Results

Below is a table summarizing results for the fiscal years ended:

(Dollars in Millions)	April 29, 2017	April 30, 2016	Net Change (\$)	Net Change (%)	
Net Sales	\$0.3	\$0.3	\$ —	—	%
Cost of Products Sold	6.5	4.3	2.2	51.2	%
Gross Profit	(6.2)	(4.0)	(2.2)	55.0	%
Selling and Administrative Expenses	6.2	4.8	1.4	29.2	%
Loss from Operations	\$(12.4)	\$(8.8)	\$(3.6)	40.9	%

Percent of sales:

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	April 29, 2017	April 30, 2016
Net Sales	100.0 %	100.0 %
Cost of Products Sold	2,166.7%	1,433.3%
Gross Margins	(2,066.7)%	(1,333.3)%
Selling and Administrative Expenses	2,066.7%	1,600.0%
Loss from Operations	(4,133.3)%	(2,933.3)%

Net Sales. The reporting units in this segment (including medical devices, inverters and battery systems) had minimal net sales in fiscal 2017 and fiscal 2016 due to the products being newly launched.

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Cost of Products Sold. Other segment cost of products sold was \$6.5 million for the fiscal year ended April 29, 2017, compared to \$4.3 million for the fiscal year ended April 30, 2016. Cost of products sold for fiscal 2017 includes exit costs of \$1.2 million for our Active Energy Solutions (inverters and battery systems) reporting unit. The business was shuttered at the end of fiscal 2017 due to market conditions. In addition to the exit costs, the increase primarily relates to research and development initiatives for the medical device business.

Gross Profit. The Other segment gross profit was a loss of \$6.2 million and \$4.0 million for the fiscal years ended April 29, 2017 and April 30, 2016, respectively. Gross profit was negatively impacted by \$1.2 million of exit costs for our Active Energy Solutions reporting unit. In addition to the exit costs, the increased loss primarily relates to research and development initiatives for the medical device business.

Selling and Administrative Expenses. Selling and administrative expenses increased \$1.4 million, or 29.2%, to \$6.2 million for the fiscal year ended April 29, 2017, compared to \$4.8 million for the fiscal year ended April 30, 2016. The increase primarily is due to higher outside professional fees and marketing expenses related to new product introductions for our medical device business.

Loss From Operations The Other segment loss from operations increased \$3.6 million to \$12.4 million for the fiscal year ended April 29, 2017, compared to \$8.8 million for the fiscal year ended April 30, 2016. The increased loss relates to exit costs for our Active Energy Solutions reporting unit and higher outside professional fees, research and development costs and marketing expenses during fiscal 2017 for our medical device business.

Financial Condition, Liquidity and Capital Resources

We believe our current world-wide cash balances, together with expected future cash flows to be generated from operations and our committed credit facility, will be sufficient to support current operations. A significant amount of cash and expected future cash flows are located outside of the U.S. Of the \$246.1 million of cash and cash equivalents as of April 28, 2018, \$239.3 million was held in subsidiaries outside the U.S. Other than specifically identified amounts, foreign earnings continue to be indefinitely reinvested outside the U.S. and therefore not available to fund our domestic operations.

We are party to a Credit Agreement with Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, Wells Fargo Bank, National Association, as L/C Issuer, and the Lenders named therein (the "Credit Agreement"). The Credit Agreement has a maturity date of November 18, 2021. The credit facility is in the maximum principal amount of \$150.0 million, with an option to increase the principal amount by up to an additional \$100.0 million, subject to customary conditions and approval of the lender(s) providing new commitment(s). The credit facility is available for general corporate purposes, including working capital and acquisitions. The credit facility provides for variable rates of interest based on the type of borrowing and the Company's debt to EBITDA financial ratio. The Credit Agreement is guaranteed by the Company's wholly-owned U.S. subsidiaries. The Credit Agreement contains customary representations and warranties, financial covenants, restrictive covenants and events of default. At April 28, 2018, the interest rate on the credit facility was 1.25% plus LIBOR and we were in compliance with the covenants of the agreement. During the year ended April 28, 2018, we had \$80.0 million of borrowings and payments of \$78.9 million, which includes interest of \$1.9 million, under this credit facility. As of April 28, 2018, there were outstanding balances against the credit facility of \$30.0 million. We believe the fair value approximates the carrying amount as of April 28, 2018.

Methode's newly acquired subsidiary, Pacific Insight, is party to two separate credit agreements, one with the Bank of Montreal and one with Roynat. The credit agreement with the Bank of Montreal has a maturity date of December 21, 2019 and provides a credit facility in the maximum principal amount of C\$10.0 million, with an option to increase the principal amount by up to an additional C\$5.0 million. Availability under the facility is determined based upon a percentage of eligible accounts receivable and finished goods inventory balances. Funds are available in either

Canadian or U.S. currency and any borrowings are fully secured by a mix of current and long-lived assets. Interest is calculated at either the Canadian Dollar Offered Rate plus 1.25%, the Federal Funds Rate plus 1.25% or LIBOR plus 1.75%. As of April 28, 2018, there were no outstanding balances against this credit facility and Pacific Insight was in compliance with the covenants of the agreement.

The credit agreement between Pacific Insight and Roynat has a maturity date of May 24, 2020 and provides a credit facility in the maximum principal amount of \$10.0 million, with an option to increase the principal amount by up to an additional \$3.5 million. The interest rate on the credit facility is 2.25% plus LIBOR. During the seven-month period that Methode has owned Pacific Insight, we have had no borrowings and repayments of \$0.4 million under this credit facility. As of April 28, 2018, there were outstanding balances against the credit facility of \$3.6 million, of which \$0.7 million is due within the next twelve months, and Pacific Insight was in compliance with the covenants of the agreement. All borrowings under this

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credit facility are fully secured by real estate owned by Pacific Insight. We believe the fair value approximates the carrying amount as of April 28, 2018.

Excluding credit facilities, the Company also holds debt that was assumed in the acquisitions of Procoplast and Pacific Insight. As of April 28, 2018, Procoplast holds short-term debt totaling \$3.6 million, with a weighted average interest rate of 1.65%. As of April 28, 2018, Procoplast holds long-term debt that consists of nineteen notes totaling \$20.5 million, with a weighted-average interest rate of 1.46% and maturities ranging from 2019 to 2031. Pacific Insight holds debt in the form of an interest-free loan from the Canadian government that matures in 2019. As of April 28, 2018, the \$0.1 million remaining liability for this debt is classified as short-term.

Operating cash flow is summarized below (in millions):

	Fiscal Year Ended		
	April 28, 2018	April 29, 2017	April 30, 2016
Net Income	\$57.2	\$ 92.9	\$ 84.6
Depreciation and Amortization	28.1	24.3	23.9
Changes in Operating Assets and Liabilities	42.8	19.3	(12.7)
Other Non-cash Items	(10.3)	8.7	14.9
Cash Flow from Operations	\$117.8	\$ 145.2	\$ 110.7

Operating Activities — Fiscal 2018 Compared to Fiscal 2017

Net cash provided by operating activities decreased \$27.4 million to \$117.8 million for fiscal 2018, compared to \$145.2 million for fiscal 2017, primarily due to a decrease in our net income, adjusted for depreciation, amortization, deferred tax expense, stock-based compensation and the provision for bad debt, partially offset by the changes in operating assets and liabilities. The change in deferred tax expense resulted primarily from the re-measurement of deferred tax assets due to the enactment of U.S. Tax Reform. For fiscal 2018, net changes in operating assets and liabilities resulted in cash provided of \$42.8 million, primarily due to an increase in accounts payable and other expenses, a decrease in prepaid expenses and other assets and the timing of receivable collections, partially offset by an increase in inventory levels. The change in accounts payable and other expenses was driven by the enactment of U.S. Tax Reform, specifically from the deemed repatriation of foreign earnings. Any taxes stemming from the deemed repatriation of foreign earnings are payable over an eight-year period. For fiscal 2017, net changes in operating assets and liabilities resulted in cash provided of \$19.3 million, primarily due to an increase in accounts payable and other expenses, a decrease in inventory levels and the timing of receivable collections, partially offset by an increase in prepaid expenses.

Operating Activities — Fiscal 2017 Compared to Fiscal 2016

Net cash provided by operating activities increased \$34.5 million to \$145.2 million for fiscal 2017, compared to \$110.7 million for fiscal 2016, primarily due to higher net income, the changes in deferred income taxes and the changes in operating assets and liabilities. The net changes in assets and liabilities resulted in the decreased cash use of \$32.0 million, to cash provided of \$19.3 million in fiscal 2017, compared to cash use of \$12.7 million in fiscal 2016. The decreased cash use in fiscal 2017 compared to fiscal 2016 is primarily driven by lower inventory balances and the timing of payments to suppliers.

Investing Activities — Fiscal 2018 Compared to Fiscal 2017

Net cash used in investing activities increased by \$157.3 million, to \$179.0 million in fiscal 2018, compared to \$21.7 million in fiscal 2017, due primarily to the acquisition of Pacific Insight for \$108.7 million, net of cash received, the purchase of property, plant and equipment for \$47.7 million and the acquisition of Procoplast for \$22.2 million, net of cash received.

Investing Activities — Fiscal 2017 Compared to Fiscal 2016

Net cash used in investing activities increased by \$0.1 million, to \$21.7 million in fiscal 2017, compared to \$21.6 million in fiscal 2016. Purchases of property, plant and equipment decreased by \$0.8 million, to \$22.4 million in fiscal 2017, compared to \$23.2 million in fiscal 2016. Purchases for both periods primarily relate to equipment purchases for new product launches and the replacement of some older equipment. We sold buildings for \$0.7 million and \$1.6 million in fiscal 2017 and fiscal 2016, respectively.

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Financing Activities — Fiscal 2018 Compared to Fiscal 2017

Net cash used in financing activities decreased \$34.3 million to \$12.7 million in fiscal 2018, compared to \$47.0 million in fiscal 2017. During fiscal 2018, the Company had borrowings against credit facilities of \$80.0 million, compared to no borrowings during fiscal 2017. During fiscal 2018, the Company had repayments of borrowings against credit facilities of \$77.4 million, compared to \$30.0 million during fiscal 2017. We paid dividends of \$14.7 million and \$13.7 million in fiscal 2018 and fiscal 2017, respectively. The Company had no repurchases of common stock during fiscal 2018, compared to \$9.8 million for the repurchase of common stock during fiscal 2017. Fiscal 2018 included \$0.3 million of taxes paid related to net share settlement of equity awards, compared to \$1.1 million during fiscal 2017. There were \$0.3 million of proceeds from the exercise of stock options in fiscal 2018 and \$2.7 million in fiscal 2017. Fiscal 2017 included \$4.9 million of excess tax benefit on equity shares issued and on stock options exercised during that period. Pursuant to the adoption of ASU No. 2016-09 on April 30, 2017, going forward the Company will no longer separately report the tax benefit on equity shares issued and stock option exercises as a separate line item in the financing activities section of the condensed consolidated statements of cash flows. That activity will now run through the operating activities section of the Condensed Consolidated Statements of Cash Flows as a change in operating assets and liabilities.

Financing Activities — Fiscal 2017 Compared to Fiscal 2016

Net cash used in financing activities increased \$18.3 million to \$47.0 million in fiscal 2017, compared to \$28.7 million in fiscal 2016. In fiscal 2017, the Company had net repayments against the credit facility of \$30.0 million and in fiscal 2016, the Company had net borrowings of \$52.0 million. We paid dividends of \$13.7 million and \$13.5 million, in fiscal 2017 and 2016, respectively. In September 2015, the board of directors authorized the repurchase of up to \$100.0 million of the Company's outstanding stock through September 1, 2017. During fiscal 2017 and fiscal 2016, the Company repurchased shares worth \$9.8 and \$62.3 million, respectively, under the plan. Fiscal 2017 and fiscal 2016 includes \$1.1 million and \$7.7 million, respectively, of taxes paid related to net share settlement of equity awards. There were proceeds from the exercise of stock options of \$2.7 million in fiscal 2017 and \$0.6 million in fiscal 2016. Fiscal 2017 and fiscal 2016 includes \$4.9 million and \$2.2 million, respectively, of excess tax benefit on equity shares issued and stock options exercised during those periods.

Contractual Obligations

The following table summarizes contractual obligations and commitments, as of April 28, 2018 (in millions):

	Payments Due By Period				
	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Capital Leases	\$2.9	\$0.9	\$1.8	\$0.2	\$—
Operating Leases	20.3	6.7	10.9	1.9	0.8
Long-term Debt	51.0	0.8	36.3	8.5	5.4
Purchase Obligations	119.5	119.1	0.4	—	—
Deferred Compensation	7.5	1.2	2.2	1.3	2.8
Total	\$198.3	\$127.8	\$49.8	\$11.7	\$9.0

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, other than the operating leases and purchase obligations noted in the preceding table.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our judgments and estimates used in the preparation of our consolidated financial statements.

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Revenue Recognition. We recognize revenue on product sales when (i) persuasive evidence of an agreement exists, (ii) the price is fixed or determinable, (iii) delivery has occurred or services have been rendered, and (iv) collection of the sales proceeds is reasonably assured. Revenue from our product sales not requiring installation, net of trade discounts and estimated sales allowances, is recognized when title passes, which is generally upon shipment. We do not have any additional obligations or customer acceptance provisions after shipment of such products. We handle returns by replacing, repairing or issuing credit for defective products when returned. The Company collects and remits taxes assessed by different governmental authorities that are both imposed on and concurrent with a revenue-producing transaction between the Company and the Company's customers. These taxes may include, but are not limited to, sales, use, value-added, and some excise taxes. The Company reports the collection of these taxes on a net basis (excluded from revenues).

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. The amount of the allowance is based on the age of unpaid amounts, information about the creditworthiness of customers, and other relevant information. Estimates of uncollectible amounts are revised each reporting period, and changes are recorded in the period they become known. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Our revenues and accounts receivable are concentrated in a relatively small number of customers within the automotive industry. A significant change in the liquidity or financial position of any one of these customers or a deterioration in the economic environment of the automotive industry, in general, could have a material adverse impact on the collectability of our accounts receivable and our future operating results, and additional allowances for doubtful accounts may be required.

Allowance for Excess and Obsolete Inventory. Inventories are valued at the lower of cost or market value and have been reduced by allowances for excess and obsolete inventories. The estimated allowances are based on our review of inventories on hand compared to estimated future usage and sales, using assumptions about future product life cycles, product demand and market conditions. If actual product life cycles, product demand and market conditions are less favorable than those projected by us, inventory write-downs may be required.

Goodwill and Other Intangibles. Goodwill represents the excess of cost over fair market value of identifiable net assets acquired through business purchases. We review goodwill for impairment on an annual basis or more frequently if indicators of impairment are identified.

We evaluate goodwill using a qualitative assessment to determine whether it is more likely than not that the fair value of any reporting unit is less than its carrying amount. If we determine that the fair value of the reporting unit may be less than its carrying amount, we evaluate goodwill using a quantitative impairment test. Otherwise, we conclude that no impairment is indicated and we do not perform the quantitative impairment test.

Our qualitative screen includes an assessment of certain factors including, but not limited to, the results of prior year fair value calculations, the movement of our share price and market capitalization, the reporting unit and overall financial performance, and macroeconomic and industry conditions. We consider the qualitative factors and weight of the evidence obtained to determine if it is more likely than not that the reporting units' fair value is less than the carrying amount. Although we believe the factors considered in the impairment analysis are reasonable, significant changes in any one of the assumptions used could produce a different result. If, after assessing the qualitative factors, we were to determine that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then we would perform a quantitative impairment test. We may also elect to proceed directly to the quantitative impairment analysis without considering such qualitative factors.

For the quantitative analysis, fair values are primarily established using a discounted cash flow methodology (specifically, the income and market approach). The determination of discounted cash flows is based on our long-range forecasts and requires assumptions related to revenue and operating income growth, asset-related expenditures, working capital levels, and other market participant assumptions. The revenue growth rates included in the forecasts are our best estimates based on current and anticipated market conditions, and the profitability assumptions are projected based on current and anticipated cost structures. Long-range forecasting involves uncertainty which increases with each successive period. Key assumptions, such as revenue growth rates and profitability, especially in the outer years, involve a greater degree of uncertainty.

In the fiscal 2018 first quarter, the Company early adopted ASU No. 2017-04 (issued by the FASB in January 2017), "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" on a prospective basis. This

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removed Step 2 of the goodwill impairment test, which required a hypothetical purchase price allocation. Under the new guidance, a goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value.

Income Taxes. As part of the process of preparing our Consolidated Financial Statements, we are required to calculate income taxes in each of the jurisdictions in which we operate. The process involves determining actual current tax expense, along with assessing temporary differences resulting from the differing treatment of items for book and tax purposes. These temporary differences result in deferred tax assets and liabilities, which are included in our Consolidated Balance Sheets. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We have considered future taxable income and tax planning strategies in assessing the need for the valuation allowance.

The tax laws of Malta provide for investment tax credits of 30% of certain qualified expenditures. Unused credits were \$29.3 million as of April 28, 2018, of which \$27.6 million can be carried forward indefinitely and \$1.7 million expires in 2020.

Contingencies. We are subject to various investigations, claims and legal and administrative proceedings covering a wide range of matters that arise in the ordinary course of business activities. A significant amount of judgment and use of estimates is required to quantify our ultimate exposure in these matters. For those matters that we can estimate a range of loss, we have established reserves at levels within that range to provide for the most likely scenario based upon available information. The valuation of reserves for contingencies is reviewed on a quarterly basis to ensure that the Company is properly reserved. Reserve balances are adjusted to account for changes in circumstances for ongoing issues and the establishment of additional reserves for emerging issues. While we believe that the current level of reserves is adequate, changes in the future could impact these determinations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Certain of our foreign operations enter into transactions in currencies other than their functional currency, primarily the U.S. dollar and the euro. A 10% change in foreign currency exchange rates from balance sheet date levels could have impacted our income before income taxes by \$1.9 million and \$13.1 million at April 28, 2018 and April 29, 2017, respectively. We also have foreign currency exposure arising from the translation of our net equity investment in our foreign operations to U.S. dollars. We generally view our investments in foreign operations with functional currencies other than the U.S. dollar as long-term. The currencies to which we are exposed are the British pound, Chinese yuan, euro, Indian rupee, Mexican peso, Singapore dollar and Swiss franc. A 10% change in foreign currency exchange rates from balance sheet date levels could have impacted our net foreign investments by \$49.3 million at April 28, 2018 and \$41.1 million at April 29, 2017.

We are exposed to market risk from changes in interest rates. The interest rate risk for our credit agreements, under which we had \$33.6 million of net borrowings at April 28, 2018, is variable and is determined based on LIBOR. We estimate that a one percentage point change in interest rates would not have a material impact on our results of operations for fiscal 2018 based upon our current and expected levels of debt.

Item 8. Financial Statements and Supplementary Data

See Item 15 for an Index to Financial Statements and Financial Statement Schedule. Such Financial Statements and Schedule are incorporated herein by reference.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this annual report on Form 10-K, we performed an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of our “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Our disclosure controls and procedures are designed to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in

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the SEC's applicable rules and forms. As a result of this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of April 28, 2018 based on the guidelines established in Internal Control — Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Our internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. GAAP. Management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Pacific Insight and Procoplast which are included in the 2018 consolidated financial statements of the Company and constituted 10.2% and 4.3% of total and net assets, respectively, as of April 28, 2018 and 8.9% and 8.8% of revenues and net income, respectively, for the fiscal year then ended.

Based on the results of our evaluation, our management concluded that our internal control over financial reporting was effective as of April 28, 2018. Management reviewed the results of its assessment with the Audit Committee. Our independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on our internal control over financial reporting. This report is included on page F-2 of this annual report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that was conducted during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by a management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding our directors will be included under the captions “Proposal One: Election of Directors” and “Corporate Governance” in the definitive proxy statement for our 2018 annual meeting to be held on September 13, 2018, and is incorporated herein by reference. Information regarding our executive officers is included under a separate caption in Part I hereof, and is incorporated herein by reference, in accordance with General Instruction G(3) to Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K. Information regarding compliance with Section 16(a) of the Exchange Act and information regarding our Audit Committee will be included under the captions “Section 16(a) Beneficial Ownership Reporting

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Compliance” and “Audit Committee Matters,” respectively, in the definitive proxy statement for our 2018 annual meeting and is incorporated herein by reference.

We have adopted a Code of Business Conduct (the “Code”) that applies to our directors, our principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions, as well as other employees. The Code is publicly available on our website at www.methode.com. If we make any substantive amendments to the Code or grant any waiver, including any implicit waiver, from a provision of the Code to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, we will disclose the nature of such amendment or waiver on our website or in a report on Form 8-K in accordance with applicable rules and regulations.

Item 11. Executive Compensation

Information regarding the above will be included under the caption “Compensation Discussion and Analysis,” “Compensation Committee Report,” “Executive Compensation” and “Director Compensation” in the definitive proxy statement for our 2018 annual meeting to be held on September 13, 2018, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding the above will be included under the caption “Security Ownership” in the definitive proxy statement for our 2018 annual meeting to be held on September 13, 2018, and is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides information about the Company's equity compensation plans as of April 28, 2018. All outstanding awards relate to the Company's common stock. Shares issued under all of the following plans may be from the Company's treasury, newly issued or both.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity Compensation Plans Approved by Security Holders	496,540	⁽¹⁾ \$ 34.33	1,089,122
Equity Compensation Plans Not Approved by Security Holders	—	—	—
Total	496,540	\$ 34.33	1,089,122

⁽¹⁾ Includes 114,168 stock options with a weighted average exercise price of \$35.85 and 382,372 restricted stock units which may be issued for no consideration following vesting upon the applicable delivery date.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding the above will be included under the caption “Corporate Governance” in the definitive proxy statement for our 2018 annual meeting to be held on September 13, 2018, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information regarding the above will be included under the caption “Audit Committee Matters” in the definitive proxy statement for our 2018 annual meeting to be held on September 13, 2018, and is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The documents included in the following indexes are filed as part of this annual report on Form 10-K.

(1) (2) The response to this portion of Item 15 is included in this report under the captions “Financial Statements” and “Financial Statement Schedule” below, which is incorporated herein by reference.

(3) See “Index to Exhibits” immediately following the financial statement schedule.

(b) See “Index to Exhibits” immediately following the financial statement schedule.

(c) See “Financial Statements” and “Financial Statement Schedule.”

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

METHODE
ELECTRONICS, INC.
(Registrant)

By: /s/ RONALD L.G. TSOUMAS
Ronald L.G. Tsoumas
Chief Financial Officer
(Principal Accounting and
Financial Officer)

Dated: June 21, 2018

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report annual report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s / WALTER J. ASPATORE Walter J. Aspatore	Chairman of the Board	June 21, 2018
/s / CHRISTOPHER J. HORNUNG Christopher J. Hornung	Vice Chairman of the Board	June 21, 2018
/s/ DONALD W. DUDA Donald W. Duda	Chief Executive Officer, President & Director (Principal Executive Officer)	June 21, 2018
/s / RONALD L.G. TSOUMAS Ronald L.G. Tsoumas	Chief Financial Officer	June 21, 2018
/s / MARTHA GOLDBERG ARONSON Martha Goldberg Aronson	Director	June 21, 2018
/s/ BRIAN J. CADWALLADER Brian J. Cadwallader	Director	June 21, 2018
/s/ DARREN M. DAWSON Darren M. Dawson	Director	June 21, 2018
/s / ISABELLE C. GOOSSEN Isabelle C. Goossen	Director	June 21, 2018
/s / PAUL G. SHELTON Paul G. Shelton	Director	June 21, 2018
/s / LAWRENCE B. SKATOFF Lawrence B. Skatoff	Director	June 21, 2018

METHODE ELECTRONICS, INC. AND SUBSIDIARIES

FORM 10-K

ITEM 15 (a) (1) and (2)

(1) Financial Statements

The following consolidated financial statements of Methode Electronics, Inc. and Subsidiaries are included in Item 8:

Report of Independent Registered Public Accounting Firm F-1

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting F-2

Consolidated Balance Sheets — April 28, 2018 and April 29, 2017 F-3

Consolidated Statements of Income — Years Ended April 28, 2018, April 29, 2017 and April 30, 2016 F-4

Consolidated Statements of Comprehensive Income — Years Ended April 28, 2018, April 29, 2017 and April 30, 2016 F-5

Consolidated Statements of Shareholders' Equity — Years Ended April 28, 2018, April 29, 2017 and April 30, 2016 F-6

Consolidated Statements of Cash Flows — Years Ended April 28, 2018, April 29, 2017 and April 30, 2016 F-7

Notes to Consolidated Financial Statements F-8

(2) Financial Statement Schedule

Schedule II — Valuation and Qualifying Accounts F-39

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are immaterial and, therefore, have been omitted.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Methode Electronics, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Methode Electronics, Inc. and subsidiaries (the Company) as of April 28, 2018 and April 29, 2017, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended April 28, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at April 28, 2018 and April 29, 2017, and the results of its operations and its cash flows for each of the three years in the period ended April 28, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of April 28, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated June 21, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1966.

Chicago, Illinois

June 21, 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Methode Electronics, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Methode Electronics, Inc. and subsidiaries' internal control over financial reporting as of April 28, 2018, based on criteria established in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Methode Electronics, Inc. and subsidiaries' (the Company) maintained, in all material respects, effective internal control over financial reporting as of April 28, 2018, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Pacific Insight and Procoplast which are included in the 2018 consolidated financial statements of the Company and constituted 10.2% and 4.3% of total and net assets, respectively, as of April 28, 2018 and 8.9% and 8.8% of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Pacific Insight and Procoplast.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2018 consolidated financial statements of the Company and our report dated June 21, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance

with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Chicago, Illinois

June 21, 2018

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions, except share and per share data)

	April 28, 2018	April 29, 2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 246.1	\$ 294.0
Accounts Receivable, Less Allowance (2018 - \$0.5 and 2017 - \$0.6)	202.6	165.3
Inventories:		
Finished Products	15.4	10.9
Work in Process	14.6	8.7
Materials	54.1	38.3
Total Inventories	84.1	57.9
Prepaid and Refundable Income Taxes	2.4	0.6
Prepaid Expenses and Other Current Assets	14.8	12.5
TOTAL CURRENT ASSETS	550.0	530.3
PROPERTY, PLANT AND EQUIPMENT		
Land	0.8	0.6
Buildings and Building Improvements	69.2	48.2
Machinery and Equipment	364.7	287.9
Property, Plant and Equipment, Gross	434.7	336.7
Less: Allowances for Depreciation	272.5	246.1
PROPERTY, PLANT AND EQUIPMENT, NET	162.2	90.6
OTHER ASSETS		
Goodwill	59.2	1.6
Other Intangibles, Less Accumulated Amortization	61.0	6.6
Cash Surrender Value of Life Insurance	8.2	7.8
Deferred Income Taxes	42.3	40.4
Pre-production Costs	20.5	15.5
Other	12.5	11.2
TOTAL OTHER ASSETS	203.7	83.1
TOTAL ASSETS	\$ 915.9	\$ 704.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 89.5	\$ 75.3
Salaries, Wages and Payroll Taxes	22.8	18.7
Other Accrued Expenses	21.6	17.7
Short-term Debt	4.4	—
Income Tax Payable	18.7	12.7
TOTAL CURRENT LIABILITIES	157.0	124.4
LONG-TERM DEBT	53.4	27.0
LONG-TERM INCOME TAX PAYABLE	42.6	—
OTHER LIABILITIES	4.6	2.6
DEFERRED INCOME TAXES	18.3	—
DEFERRED COMPENSATION	10.0	8.9
SHAREHOLDERS' EQUITY		
Common Stock, \$0.50 par value, 100,000,000 shares authorized, 38,198,353 shares and 38,133,925 shares issued as of April 28, 2018 and April 29, 2017, respectively	19.1	19.1
Additional Paid-in Capital	136.5	132.2

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Accumulated Other Comprehensive Loss	13.9	(25.7)
Treasury Stock, 1,346,624 shares as of April 28, 2018 and April 29, 2017	(11.5)	(11.5)
Retained Earnings	472.0	427.0
TOTAL EQUITY	630.0	541.1
TOTAL LIABILITIES AND EQUITY	\$915.9	\$704.0

See notes to consolidated financial statements.

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share data)

	Fiscal Year Ended		
	April 28, 2018	April 29, 2017	April 30, 2016
Net Sales	\$908.3	\$ 816.5	\$ 809.1
Cost of Products Sold	668.7	598.2	596.2
Gross Profit	239.6	218.3	212.9
Selling and Administrative Expenses	115.7	105.2	100.8
Amortization of Intangibles	5.6	2.3	2.4
Income from Operations	118.3	110.8	109.7
Interest (Income) Expense, Net	0.9	(0.4)	(0.7)
Other Income, Net	(6.4)	(4.7)	(0.5)
Income before Income Taxes	123.8	115.9	110.9
Income Tax Expense	66.6	23.0	26.3
Net Income	\$57.2	\$ 92.9	\$ 84.6
Basic and Diluted Income per Share:			
Basic	\$1.54	\$ 2.49	\$ 2.21
Diluted	\$1.52	\$ 2.48	\$ 2.20
Cash Dividends per Share:			
Common Stock	\$0.40	\$ 0.36	\$ 0.36

See notes to consolidated financial statements.

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

	Fiscal Year Ended		
	April 28, 2018	April 29, 2017	April 30, 2016
Net Income	\$57.2	\$ 92.9	\$ 84.6
Other Comprehensive Income (Loss):			
Foreign Currency Translation Adjustments	39.6	(17.3)	(0.1)
Total Comprehensive Income	96.8	75.6	84.5

See notes to consolidated financial statements.

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended April 28, 2018, April 29, 2017 and April 30, 2016

(in millions, except share data)

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Treasury Stock	Retained Earnings	Non-Controlling Interest	Total Shareholders' Equity
Balance as of May 2, 2015	39,702,036	\$ 19.9	\$ 102.2	\$ (8.3)	\$(11.5)	\$ 356.5	\$ 0.2	\$ 459.0
Earned Portion of Restricted Stock Awards	430,245	0.1	—	—	—	—	—	0.1
Stock Award and Stock Option Amortization Expense	—	—	7.4	—	—	—	—	7.4
Exercise of Options	47,002	0.1	0.5	—	—	(7.7)	—	(7.1)
Purchase of Common Stock	(1,997,298)	(1.0)	—	—	—	(61.3)	—	(62.3)
Tax Benefit from Stock Option Exercises	—	—	2.2	—	—	—	—	2.2
Foreign Currency Translation Adjustments	—	—	—	(0.1)	—	—	(0.2)	(0.3)
Net Income for Year	—	—	—	—	—	84.6	—	84.6
Cash Dividends on Common Stock	—	—	—	—	—	(13.5)	—	(13.5)
Balance as of April 30, 2016	38,181,985	\$ 19.1	\$ 112.3	\$ (8.4)	\$(11.5)	\$ 358.6	\$ —	\$ 470.1
Earned Portion of Restricted Stock Awards	146,192	0.1	—	—	—	(1.2)	—	(1.1)
Stock Award and Stock Option Amortization Expense	—	—	12.4	—	—	—	—	12.4
Exercise of Options	147,829	0.1	2.6	—	—	—	—	2.7
Purchase of Common Stock	(342,081)	(0.2)	—	—	—	(9.6)	—	(9.8)
Tax Benefit from Stock Option Exercises	—	—	4.9	—	—	—	—	4.9
Foreign Currency Translation Adjustments	—	—	—	(17.3)	—	—	—	(17.3)
Net Income for Year	—	—	—	—	—	92.9	—	92.9
Cash Dividends on Common Stock	—	—	—	—	—	(13.7)	—	(13.7)
Balance as of April 29, 2017	38,133,925	\$ 19.1	\$ 132.2	\$ (25.7)	\$(11.5)	\$ 427.0	\$ —	\$ 541.1
Earned Portion of Restricted Stock Awards	51,095	—	—	—	—	(0.2)	—	(0.2)
Stock Award and Stock Option Amortization Expense	—	—	4.0	—	—	—	—	4.0
Exercise of Options	13,333	—	0.3	—	—	—	—	0.3
Adoption of ASU 2016-09	—	—	—	—	—	2.7	—	2.7
Foreign Currency Translation Adjustments	—	—	—	39.6	—	—	—	39.6
Net Income for Year	—	—	—	—	—	57.2	—	57.2
Cash Dividends on Common Stock	—	—	—	—	—	(14.7)	—	(14.7)
Balance as of April 28, 2018	38,198,353	\$ 19.1	\$ 136.5	\$ 13.9	\$(11.5)	\$ 472.0	\$ —	\$ 630.0

See notes to consolidated financial statements.

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Fiscal Year Ended		
	April 28, 2018	April 29, 2017	April 30, 2016
OPERATING ACTIVITIES:			
Net Income	\$57.2	\$92.9	\$84.6
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Gain on Sale of Fixed Assets	—	—	(0.7)
Gain on Sale of Licensing Agreement	(1.6)	—	—
Provision for Depreciation	22.5	22.0	21.5
Amortization of Intangible Assets	5.6	2.3	2.4
Stock-based Compensation	4.0	12.4	7.4
Provision for Bad Debt	—	0.2	—
Change in Deferred Income Taxes	(12.7)	(3.9)	8.2
Changes in Operating Assets and Liabilities:			
Accounts Receivable	2.8	5.6	(6.0)
Inventories	(7.2)	7.4	4.5
Prepaid Expenses and Other Assets	7.4	(4.8)	0.1
Accounts Payable and Other Expenses	39.8	11.1	(11.3)
NET CASH PROVIDED BY OPERATING ACTIVITIES	117.8	145.2	110.7
INVESTING ACTIVITIES:			
Purchases of Property, Plant and Equipment	(47.7)	(22.4)	(23.2)
Acquisition of Businesses	(130.9)	—	—
Acquisition of Technology Licenses	(0.7)	—	—
Sale of Business/Investment/Property	0.3	0.7	1.6
NET CASH USED IN INVESTING ACTIVITIES	(179.0)	(21.7)	(21.6)
FINANCING ACTIVITIES:			
Taxes Paid Related to Net Share Settlement of Equity Awards	(0.3)	(1.1)	(7.7)
Purchase of Common Stock	—	(9.8)	(62.3)
Proceeds from Exercise of Stock Options	0.3	2.7	0.6
Tax Benefit from Stock Option Exercises	—	4.9	2.2
Cash Dividends	(14.7)	(13.7)	(13.5)
Proceeds from Borrowings	81.4	—	71.0
Repayment of Borrowings	(79.4)	(30.0)	(19.0)
NET CASH USED IN FINANCING ACTIVITIES	(12.7)	(47.0)	(28.7)
Effect of Foreign Currency Exchange Rate Changes on Cash	26.0	(10.3)	(0.7)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(47.9)	66.2	59.7
Cash and Cash Equivalents at Beginning of Year	294.0	227.8	168.1
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$246.1	\$294.0	\$227.8

See notes to consolidated financial statements.

METHODE ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in millions, except per share data)

1. Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts and operations of Methode Electronics, Inc. and its subsidiaries. As used herein, “we,” “us,” “our,” the “Company” or “Methode” means Methode Electronics, Inc. and its subsidiaries.

Financial Reporting Periods. We maintain our financial records on the basis of a fifty-two or fifty-three weeks fiscal year ending on the Saturday closest to April 30. Fiscal 2018, fiscal 2017 and fiscal 2016 represent fifty-two weeks of results.

Cash Equivalents. All highly liquid investments with a maturity of three months or less when purchased are classified in the Consolidated Balance Sheets as cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts. We carry accounts receivable at their face amounts less an allowance for doubtful accounts. On a regular basis, we record an allowance for uncollectible receivables based upon past transaction history with customers, customer payment practices and economic conditions. Actual collection experience may differ from the current estimate of net receivables. A change to the allowance for uncollectible amounts may be required if a future event or other change in circumstances results in a change in the estimate of the ultimate collectability of a specific account. We do not require collateral for our accounts receivable balances. Accounts are written off against the allowance account when they are determined to be no longer collectible.

Inventories. Inventories are stated at the lower-of-cost (first-in, first-out method) or market, including direct material costs and direct and indirect manufacturing costs.

Property, Plant and Equipment. Properties are stated on the basis of cost. We amortize such costs by annual charges to income, computed on the straight-line method using estimated useful lives of 5 to 40 years for buildings and improvements and 3 to 15 years for machinery and equipment for financial reporting purposes. Accelerated methods are generally used for income tax purposes.

Income Taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Revenue Recognition. We recognize revenue on product sales when i) persuasive evidence of an agreement exists, ii) the price is fixed or determinable, iii) delivery has occurred or services have been rendered, and iv) collection of the sales proceeds is reasonably assured. Revenue from our product sales not requiring installation, net of trade discounts and estimated sales allowances, is recognized when title passes, which is generally upon shipment. We do not have any additional obligations or customer acceptance provisions after shipment of such products. We handle returns by replacing, repairing or issuing credit for defective products when returned. Return costs were not significant in fiscal 2018, fiscal 2017 or fiscal 2016.

The Company collects and remits taxes assessed by different governmental authorities that are both imposed on and concurrent with a revenue-producing transaction between the Company and the Company’s customers. These taxes

may include, but are not limited to, sales, use, value-added, and some excise taxes. The Company reports the collection of these taxes on a net basis (excluded from revenues).

Shipping and Handling Fees and Costs. Shipping and handling fees billed to customers are included in net sales, and the related costs are included in cost of products sold.

Foreign Currency Translation. The functional currencies of the majority of our foreign subsidiaries are their local currencies. The results of operations of these foreign subsidiaries are translated into U.S. dollars using average exchange rates during the year, while the assets and liabilities are translated using period-end exchange rates. Adjustments from the translation process are classified as a component of shareholders' equity. Exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the foreign subsidiary are included in the Consolidated

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in millions, except per share data)

Statements of Income in other income. In fiscal 2018, we had foreign exchange losses of \$2.6 million. In fiscal 2017 and fiscal 2016, we had foreign exchange gains of \$0.4 million and \$0.5 million, respectively.

Long-Lived Assets. We continually evaluate whether events and circumstances have occurred which indicate that the remaining estimated useful lives of our intangible assets, excluding goodwill, and other long-lived assets, may warrant revision or that the remaining balance of such assets may not be recoverable. In the event that the undiscounted cash flows resulting from the use of the asset group is less than the carrying amount, an impairment loss equal to the excess of the asset's carrying amount over its fair value is recorded.

Business Combinations. The purchase price of an acquired business is allocated to its identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the amount allocated to the assets and liabilities, if any, is recorded as goodwill. Determining the fair values of assets acquired and liabilities assumed requires management's judgment, the utilization of independent appraisal firms and often involves the use of significant estimates and assumptions with respect to the timing and amount of future cash flows, market rate assumptions, actuarial assumptions, and appropriate discount rates, among other items.

Goodwill and Other Intangibles. Goodwill represents the excess of cost over fair market value of identifiable net assets acquired through business purchases. We review goodwill for impairment on an annual basis or more frequently if indicators of impairment are identified.

We evaluate goodwill using a qualitative assessment to determine whether it is more likely than not that the fair value of any reporting unit is less than its carrying amount. If we determine that the fair value of the reporting unit may be less than its carrying amount, we evaluate goodwill using a quantitative impairment test. Otherwise, we conclude that no impairment is indicated and we do not perform the quantitative impairment test.

Our qualitative screen includes an assessment of certain factors including, but not limited to, the results of prior year fair value calculations, the movement of our share price and market capitalization, the reporting unit and overall financial performance, and macroeconomic and industry conditions. We consider the qualitative factors and weight of the evidence obtained to determine if it is more likely than not that the reporting units' fair value is less than the carrying amount. Although we believe the factors considered in the impairment analysis are reasonable, significant changes in any one of the assumptions used could produce a different result. If, after assessing the qualitative factors, we were to determine that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then we would perform a quantitative impairment test. We may also elect to proceed directly to the quantitative impairment analysis without considering such qualitative factors.

For the quantitative analysis, fair values are primarily established using a discounted cash flow methodology (specifically, the income and market approach). The determination of discounted cash flows is based on our long-range forecasts and requires assumptions related to revenue and operating income growth, asset-related expenditures, working capital levels, and other market participant assumptions. The revenue growth rates included in the forecasts are our best estimates based on current and anticipated market conditions, and the profitability assumptions are projected based on current and anticipated cost structures. Long-range forecasting involves uncertainty which increases with each successive period. Key assumptions, such as revenue growth rates and profitability, especially in the outer years, involve a greater degree of uncertainty.

In the fiscal 2018 first quarter, the Company early adopted ASU No. 2017-04 (issued by the FASB in January 2017), "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" on a prospective basis. This removed Step 2 of the goodwill impairment test, which required a hypothetical purchase price allocation. Under the new guidance, a goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value.

Research and Development Costs. Costs associated with the enhancement of existing products and the development of new products are charged to expense when incurred. Research and development expenses primarily relate to product engineering and design and development expenses and are classified as a component of our cost of goods sold on the Company's Consolidated Statements of Income. Research and development costs were \$37.9 million for the fiscal year ended April 28, 2018 and \$27.8 million for both the fiscal years ended April 29, 2017 and April 30, 2016.

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Stock-Based Compensation. See Note 4, Shareholders' Equity for a description of our stock-based compensation plans.

Use of Estimates. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Value of Other Financial Instruments. The carrying values of our short-term financial instruments, including cash and cash equivalents, accounts receivable and accounts payable, approximate their fair values because of the short maturity of these instruments. We have no material assets or liabilities measured at fair value on a recurring basis.

Recently Issued Accounting Pronouncements

In February 2018, the FASB issued ASU No. 2018-02, "Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The amendments in this update are intended to address a specific consequence of U.S. Tax Reform by allowing a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from U.S. Tax Reform's reduction of the U.S. federal corporate income tax rate. The ASU is effective for all entities for annual periods beginning after December 15, 2018, with early adoption permitted, and is to be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate is recognized. Management does not expect this ASU to have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting." The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendments are effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The standard will be effective for us in fiscal years beginning April 29, 2018. This ASU is not expected to have a material effect on the Company's financial statements. If, in the future, Methode makes modifications to its existing share-based payment awards, those modifications will need to be evaluated based on the criteria detailed in this ASU and accounted for accordingly.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments." The amendments in this update provide guidance on eight specific cash flow presentation issues that have developed due to diversity in practice. The issues include, but are not limited to, debt prepayment or extinguishment costs, contingent consideration payments made after a business combination, and proceeds from the settlement of insurance claims. The amendments in this ASU, where practicable, are to be applied retrospectively. The standard will be effective for us in fiscal years beginning April 29, 2018. We do not believe this pronouncement will have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." The core principle is that a company should recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting revenue gross versus net)," which clarifies gross versus net revenue reporting when another party is involved in the transaction. In April 2016, the FASB issued ASU No. 2016-10, "Identifying Performance

Obligations and Licensing," which amends the revenue guidance on identifying performance obligations and accounting for licenses of intellectual property. The standards will be effective for us in the fiscal year beginning April 29, 2018.

We have evaluated the impact this guidance will have on our consolidated financial statements. Our evaluation process has been conducted by our project management team, in conjunction with third-party consultants who have assisted in the process. Our project management team has analyzed the impact of these standards by reviewing our current accounting policies and practices and our customer contracts and arrangements to identify potential differences that would result from the application of this standard. The main types of provisions that have been evaluated which could impact the allocation and timing of revenue include contractually guaranteed price reductions and over-time recognition of revenue due to the manufacturing of goods with no alternative use in which the Company has a right to payment. The contractually guaranteed price reductions could result in revenue being deferred as it relates to those material rights, which would be a change from

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current practice. Also, the over-time recognition of revenue could result in accelerated revenue recognition for products where revenue is currently being recognized upon transfer of title at either shipment or delivery.

After performing both quantitative and qualitative analyses of the potential impacts discussed above, the Company does not expect the impact of this standard to be material upon adoption. The Company will continue to monitor the effect of the standard on our ongoing financial reporting.

Further, the Company concluded that pre-production engineering and engineering costs do not represent a promised good or service under ASC 606. This conclusion will result in a change from current accounting practices, in which these activities are treated as revenue generating activity. Going forward, the Company will recognize customer reimbursements related to pre-production costs as net within the cost of products sold line item. Given that tooling sales were only \$10.4 million for both fiscal 2017 and 2018, this change in accounting treatment will have an immaterial impact on the financial statements on a go-forward basis.

We intend to elect the accounting policy election to treat shipping and handling costs as fulfillment activities, rather than performance obligations. Further, we will elect the practical expedient for significant financing components for all contracts under twelve months. We will adopt the standard utilizing the modified retrospective method. We expect enhanced disclosures and controls beginning in the first quarter of fiscal 2019.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (ASC 842)," which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASC 842 supersedes the previous leases standard, ASC 840 Leases. The amendments in this update are effective for fiscal years beginning after December 15, 2018, which is our fiscal 2020, beginning on April 28, 2019. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities." The new standard requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. The amendments in this update are effective for fiscal years beginning after December 15, 2017, which is our fiscal 2019, beginning on April 29, 2018. We do not expect any impact from the adoption of this guidance on our consolidated financial statements.

Recently Adopted Accounting Pronouncements

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles-Goodwill and Other (Topic 350).” The amendments in this ASU simplify goodwill impairment testing by removing the requirement of Step 2 to determine the implied fair value of the goodwill of a business which fails Step 1. The effects of this update result in the amount by which a carrying amount exceeds the business' fair value to be recognized as an impairment charge in the period identified. The standard is effective for us for annual and interim goodwill impairment tests in fiscal years beginning May 3, 2020, with early adoption permitted. The Company has adopted this ASU on a prospective basis effective as of April 30, 2017 and has concluded that this pronouncement has no material impact on its consolidated financial statements. In January 2017, the FASB issued ASU No. 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business.” The amendments in this update clarify the definition of a business, with the objective of assisting entities with

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evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The clarified definition requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. To be considered a business, an asset must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The amendments are effective for us in fiscal years beginning April 29, 2018, with early adoption permitted. The Company has adopted this ASU effective as of April 30, 2017 on a prospective basis and has concluded that this pronouncement has no material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 impacts the timing of when excess tax benefits are recognized by eliminating the delay in the recognition of a tax benefit until the tax benefit is realized through a reduction to income taxes payable. The amendments in this update are effective for annual periods beginning after December 15, 2016, which is our fiscal 2018, which began on April 30, 2017. The Company applied the modified retrospective transition method and recognized an increase to deferred tax assets and retained earnings of \$2.7 million as of April 30, 2017 to recognize excess tax benefits that had been previously delayed. On a prospective basis, all excess tax benefits and tax deficiencies are recognized as income tax expense or benefit in the statement of operations. As a result of applying the modified retrospective transition method, prior periods were not adjusted. Further, the Company will continue to estimate the number of awards that are expected to vest.

In September 2015, the FASB issued ASU No. 2015-16, "Business Combinations Simplifying the Accounting for Measurement-Period Adjustments." The standard requires that an acquirer recognize measurement-period adjustments in the period in which the adjustments are determined. The income effects of such measurement-period adjustments are to be recorded in the same period's financial statements but calculated as if the accounting had been completed as of the acquisition date. The impact of measurement-period adjustments to earnings that relate to prior period financial statements are to be presented separately on the income statement or disclosed by line item. The Company has adopted this ASU effective April 30, 2017 on a prospective basis. The adoption of this standard did not have a material impact on our consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." This ASU requires an entity to measure inventory at the lower of cost or net realizable value, rather than at the lower of cost or market. The Company has adopted this ASU effective April 30, 2017 on a prospective basis. The adoption of this standard did not have a material impact on our consolidated financial statements.

2. Acquisitions

Fiscal 2018 Acquisitions

Procoplast S.A.

On July 27, 2017, we acquired 100% of the stock of Procoplast for \$22.2 million in cash, net of cash acquired. The business, located near the Belgian-German border, is an independent manufacturer of automotive assemblies. The accounts and transactions of Procoplast have been included in the Automotive segment in the consolidated financial statements from the effective date of the acquisition. For goodwill impairment testing purposes, Procoplast will be

included in the Company's European Automotive reporting unit.

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During the fourth quarter of fiscal 2018, the Company completed the allocation of the purchase price to the assets acquired and liabilities assumed. Based on the final allocation, goodwill decreased \$1.3 million from the preliminary amount reported in the Company's condensed consolidated financial statements at January 27, 2018. The final allocation of the purchase price to the fair values of the assets acquired and liabilities assumed were:

(Dollars in Millions)

Cash	\$1.3
Accounts Receivable	7.4
Inventory	3.5
Intangible Assets	19.2
Goodwill	6.8
Pre-production Costs	2.3
Property, Plant and Equipment	23.8
Accounts Payable	(4.9)
Salaries, Wages and Payroll Taxes	(0.8)
Other Accrued Expenses	(0.7)
Income Taxes Payable	(0.6)
Short-term Debt	(3.2)
Other Liabilities	(2.1)
Long-term Debt	(20.6)
Deferred Income Tax Liability	(7.9)
Total Purchase Price	\$23.5

The Company's condensed consolidated statements of income for the three and nine months ended January 27, 2018 were prepared based on provisional amounts for other income and income tax expense. During the fourth quarter of fiscal 2018, the Company recognized measurement period adjustments to these provisional amounts. These adjustments were included in earnings for the three months ended April 28, 2018. If the Company had completed the purchase price allocation as of the acquisition date and recognized these measurement period adjustments in its condensed consolidated statements of income for the three and nine months ended January 27, 2018, the impact would have been a decrease to other income of \$0.2 million and \$0.5 million, respectively, and a decrease to income tax expense of \$0.1 million and \$0.2 million, respectively.

The following table presents details of the intangible assets acquired:

(Dollars in Millions)	Fair Value at Date of Acquisition	Amortization Period
Customer Relationships and Agreements - Significant Customer	\$ 12.3	17.0 years
Customer Relationships and Agreements - All Other Customers	2.8	11.5 years
Technology Licenses	2.1	8.5 years
Trade Names	2.0	8.5 years
Total	\$ 19.2	

Acquisition-related costs of \$1.3 million were incurred in relation to the acquisition of Procoplast for the fiscal year ended April 28, 2018, of which \$1.1 million have been reported in selling and administrative expenses and \$0.2

million have been reported in costs of products sold on the consolidated statements of income.

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Pacific Insight Electronics Corp.

On October 3, 2017, we acquired 100% of the outstanding common shares of Pacific Insight in a cash transaction for \$108.7 million, net of cash acquired. Pacific Insight, headquartered in Vancouver, British Columbia, Canada, is a global solutions provider offering design, development, manufacturing and delivery of lighting and electronic products and full-service solutions to the automotive and commercial vehicle markets, and has manufacturing facilities in both Canada and Mexico. Its technology in LED-based ambient and direct lighting will expand our presence within the automotive interior, as well as augment our efforts in overhead console and other areas. The accounts and transactions of Pacific Insight have been included in the Automotive segment in the consolidated financial statements from the effective date of the acquisition. For goodwill impairment testing purposes, Pacific Insight will be included in the Company's North American Automotive reporting unit.

During the fourth quarter of fiscal 2018, the Company completed the allocation of the purchase price to the assets acquired and liabilities assumed. Based on the final allocation, goodwill increased \$1.9 million from the preliminary amount reported in the Company's condensed consolidated financial statements at January 27, 2018. The final allocation of the purchase price to the fair values of the assets acquired and liabilities assumed were:

(Dollars in Millions)

Cash	\$4.9
Accounts Receivable	18.3
Inventory	13.0
Prepaid Expenses and Other Current Assets	0.3
Income Taxes Receivable	1.2
Intangible Assets	40.1
Goodwill	50.4
Pre-production Costs	0.8
Property, Plant and Equipment	13.2
Accounts Payable	(7.9)
Salaries, Wages and Payroll Taxes	(0.8)
Other Accrued Expenses	(2.9)
Short-term Debt	(0.8)
Long-term Debt	(3.4)
Deferred Income Tax Liability	(12.8)
Total Purchase Price	\$113.6

The Company's provisional amounts were prepared based on estimated amounts for depreciation of fixed assets, amortization of intangibles and income tax expense. During the fourth quarter of fiscal 2018, the Company recognized insignificant measurement period adjustments to these provisional amounts.

The following table presents details of the intangible assets acquired:

(Dollars in Millions)	Fair Value at Date of Acquisition	Amortization Period
Customer Relationships and Agreements - Automotive	\$ 22.6	11.0 years
Customer Relationships and Agreements - Commercial	9.6	13.0 years

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Trade Names	6.2	7.5 years
Technology Licenses	1.7	5.5 years
Total	\$ 40.1	

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The Company's results of operations for the fiscal year ended April 28, 2018 included approximately seven months of the operating results of Pacific Insight, which were comprised of revenues of \$54.4 million and net income of \$1.5 million.

The following table presents the unaudited pro forma results for the fiscal years ended April 28, 2018 and April 29, 2017. The unaudited pro forma financial information combines the results of operations of Methode and Pacific Insight as though the companies had been combined as of the beginning of fiscal 2017, and the pro forma information is presented for information purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at such time. The unaudited pro forma results presented below primarily include amortization charges for acquired intangible assets, depreciation adjustments for property, plant and equipment that has been revalued, adjustments for certain acquisition-related charges, and related tax effects.

(Dollars in Millions)	Year Ended	
	April 28, 2018	April 29, 2017
Revenues	\$947.3	\$ 910.0
Net Income	\$62.2	\$ 97.6

Acquisition-related costs of \$5.5 million were incurred in relation to the acquisition of Pacific Insight for the year ended April 28, 2018, of which \$4.9 million have been reported in selling and administrative expenses and \$0.6 million have been reported in costs of products sold on the consolidated statements of income.

3. Intangible Assets and Goodwill

For goodwill, the Company performs impairment reviews by reporting unit. At the beginning of the fourth quarter of fiscal 2018, the Company performed a quantitative goodwill impairment test on our North American Automotive and European Automotive reporting units in the Automotive segment, Power Systems Group in the Power Products segment and Hetronic in our Interface segment. In determining the estimated fair values of the reporting units, the Company was required to estimate a number of factors, including future cash flows, operating results, discount rates and market conditions. On the basis of these estimates, the analysis indicated the following:

	Fair Value of Reporting Unit	Carrying Value of Reporting Unit	Excess (Deficiency)
North American Automotive	\$ 708.5	\$ 215.3	\$ 493.2
European Automotive	\$ 386.5	\$ 302.1	\$ 84.4
Power Systems Group	\$ 44.0	\$ 13.1	\$ 30.9
Hetronic	\$ 77.5	\$ 32.0	\$ 45.5

Since the fair value of each reporting unit listed above exceeded the reporting unit carrying value, there were no goodwill impairment losses reported in the fiscal year ended April 28, 2018.

At the beginning of the fourth quarter of fiscal 2017, we performed a qualitative goodwill screening test of goodwill impairment on our Power Systems Group in the Power Products segment and Hetronic in our Interface segment. We considered the qualitative factors and weighed the evidence obtained and we determined that it is more likely than not that the fair value of the two reporting units is greater than the carrying value, and therefore concluded that the assets were not impaired.

At the beginning of the fourth quarter of fiscal 2016, we performed "step one" of the goodwill test on our two reporting units with goodwill. Based on this test, we determined that the fair value for these reporting units exceeded their carrying values by approximately 135% and 163%. Therefore, management concluded, based on the results, that goodwill was not impaired for either of the reporting units.

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As part of the acquisitions of Procoplast and Pacific Insight in fiscal 2018, the Company recorded estimated goodwill of \$6.8 million and \$50.4 million, respectively, of which none is expected to be deductible for income taxes. The following table shows the roll-forward of goodwill.

	Automotive	Interface	Power Products	Total
Balance as of May 2, 2015	\$ —	\$ 0.7	\$ 1.0	\$ 1.7
Goodwill Acquired	—	—	—	—
Impairment	—	—	—	—
Foreign Currency Translation	—	—	—	—
Balance as of April 30, 2016	—	0.7	1.0	1.7
Goodwill Acquired	—	—	—	—
Impairment	—	—	—	—
Foreign Currency Translation	—	(0.1)	—	(0.1)
Balance as of April 29, 2017	—	0.6	1.0	1.6
Goodwill Acquired	57.2	—	—	57.2
Impairment	—	—	—	—
Foreign Currency Translation	0.3	0.1	—	0.4
Balance as of April 28, 2018	\$ 57.5	\$ 0.7	\$ 1.0	\$ 59.2

Intangible Assets

The fair value of our indefinite-lived trade names are estimated and compared to the carrying value. We estimate the fair value of the intangible assets using the relief-from-royalty method, which requires assumptions related to projected revenues from our annual operating budgets; assumed royalty rates that could be payable if we did not own the trademarks; and a discount rate which are considered level 3 inputs in the fair value hierarchy. An impairment loss would be recognized if the estimated fair value of the indefinite-lived intangible asset is less than its carrying value. The fair values of the trademarks tested exceeded their carrying value by approximately 44%, 28% and 17% for fiscal 2018, fiscal 2017 and fiscal 2016, respectively.

As part of the acquisitions of Procoplast and Pacific Insight in fiscal 2018, the Company acquired estimated intangible assets of \$19.2 million and \$40.1 million, respectively. The following tables present details of the Company's identifiable intangible assets:

	As of April 28, 2018			Wtd. Avg. Remaining
	Gross	Accumulated Amortization	Net	Amortization Periods (Years)
Customer Relationships and Agreements	\$64.4	\$ 18.1	\$46.3	12.3
Trade Names, Patents and Technology Licenses	37.7	23.0	14.7	5.3
Total	\$102.1	\$ 41.1	\$61.0	

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	As of April 29, 2017			
	Gross	Accumulated Amortization	Net	Wtd. Avg. Remaining Amortization Periods (Years)
Customer Relationships and Agreements	\$ 16.3	\$ 15.6	\$0.7	6.8
Trade Names, Patents and Technology Licenses	25.8	19.9	5.9	1.4
Covenants Not to Compete	0.1	0.1	—	0.4
Total	\$42.2	\$ 35.6	\$6.6	

The estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows:

2019	\$7.5
2020	\$5.5
2021	\$5.4
2022	\$5.4
2023	\$5.4

As of April 28, 2018 and April 29, 2017, the trade names, patents and technology licenses included \$1.8 million of trade names that are not subject to amortization.

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4. Shareholders' Equity

Plan to Repurchase Common Stock

In September 2015, the Board of Directors authorized the repurchase of up to \$100.0 million of the Company's outstanding common stock through September 1, 2017. The Company purchased and retired no shares of outstanding common stock in fiscal 2018, 280,168 shares of outstanding common stock for \$9.8 million in fiscal 2017 and 1,997,298 shares for \$62.3 million in fiscal 2016, for a total under the repurchase plan of 2,277,466 shares for \$71.9 million. The program expired on September 1, 2017.

Dividends

We paid dividends totaling \$14.7 million, \$13.7 million and \$13.5 million during fiscal 2018, 2017 and 2016, respectively.

2014 Incentive Plan

On July 15, 2014, our Board of Directors, on the recommendation of our Compensation Committee, adopted the Methode Electronics, Inc. 2014 Omnibus Incentive Plan (the "2014 Incentive Plan"). The stockholders approved the 2014 Incentive Plan in September 2014. The 2014 Incentive Plan provides for discretionary grants of stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units and performance units to key employees and directors.

The 2014 Incentive Plan is intended to align the interests of our eligible directors and employees with the interests of our shareholders, recognize the contributions made by our directors and employees, provide additional incentives to our directors and employees to promote the success of our businesses, and improve our ability to attract and retain qualified employees and directors.

The number of shares of our common stock that may be issued under the 2014 Incentive Plan is 3,000,000, less one share for every one share of common stock issued or issuable pursuant to awards made after May 3, 2014 under the 2007 Stock Plan or 2010 Stock Plan. Awards that may be settled only in cash will not reduce the number of shares available for issuance under the 2014 Incentive Plan.

Shares issuable under the 2014 Incentive Plan may be authorized but unissued shares or treasury shares. If any award granted under the 2014 Incentive Plan (or, after May 3, 2014, an award under the 2007 Stock Plan or 2010 Stock Plan) expires, terminates, is forfeited or canceled, is settled in cash in lieu of shares of common stock, or is exchanged for a non-stock award under certain circumstances, the shares subject to the award will again be available for issuance under the 2014 Incentive Plan. As of April 28, 2018, there were 1,186,034 shares available for award under the 2014 Incentive Plan.

Restricted Stock Awards ("RSAs")

In fiscal 2016, the Compensation Committee of the Board of Directors authorized a new long-term incentive program (the "LTIP") for key employees consisting of performance-based RSAs and time-based restricted stock units ("RSUs"). Additionally, in fiscal 2018, the Compensation Committee awarded a maximum of 128,738 RSAs to additional key members of management under the LTIP.

In the aggregate, the number of RSAs earned will vary based on performance relative to established goals for fiscal 2020 EBITDA, with 50% of the target shares earned for threshold performance (representing 390,413 shares), 100%

of the target shares earned for target performance (representing 780,825 shares) and 150% of the target shares earned for maximum performance (representing 1,171,238 shares). Prior to the third quarter of fiscal 2018, the Company had been recording the RSA compensation expense based on target performance.

Per ASC 718 accounting guidance, management is required in each reporting period to determine the fiscal 2020 EBITDA level that is "probable" (70% confidence) for which a performance condition will be achieved. During the third quarter of fiscal 2018, management determined that, mainly due to lower projections for our Dabir business, it is currently not

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probable that the Company will meet the fiscal 2020 target consolidated EBITDA performance level of \$221.0 million. The adverse timing of revenue is a result of hospital adoption patterns (initial care setting penetration and expansion) being slower and more gradual than originally planned for our Dabir Surfaces business. In the third quarter of fiscal 2018, the Company began recording the RSA compensation expense based on the threshold EBITDA performance level of \$198.9 million. As a result, the Company recorded a \$6.0 million compensation expense reversal in the third quarter of fiscal 2018 related to prior periods for these performance-based RSAs. This reversal of compensation expense had the effect of increasing basic and diluted earnings per share for fiscal 2018 by \$0.12. At the threshold level of performance, the expected expense for the RSAs is \$12.2 million through fiscal 2020. In the fiscal year ended April 28, 2018, the Company recorded a net reversal of expense of \$2.0 million related to the RSAs based on threshold levels. These amounts are inclusive of the \$6.0 million compensation expense reversal discussed above. During the fiscal year ended April 29, 2017, the Company recorded \$5.7 million in compensation expense related to the RSAs, based on target levels. During the fiscal year ended April 30, 2016, the Company recorded \$2.8 million in compensation expense related to the RSAs, based on target levels.

In future reporting periods, if management makes a determination that exceeding the threshold level is probable for fiscal 2020, an appropriate adjustment to compensation expense will be recorded in that period. In addition, if management makes a determination that it is not probable the Company will meet the threshold level for fiscal 2020, a reversal of compensation expense will be recorded in that period. The adjustments could be material to the financial statements.

Restricted Stock Units

In fiscal 2018, the Compensation Committee awarded 30,925 RSUs to Methode management. In the aggregate, the Company has granted 638,925 RSUs to key employees, of which 382,372 are still outstanding. The RSUs are subject to a vesting period, with 30% which vested on April 28, 2018, 30% vesting on April 27, 2019 and 40% vesting on May 2, 2020. The total expense for the RSUs is expected to be \$18.4 million through fiscal 2020. During the fiscal years ended April 28, 2018, April 29, 2017 and April 30, 2016, the Company recorded \$5.0 million, \$5.5 million and \$2.8 million, respectively, of compensation expense related to the RSUs.

Director Awards

During fiscal 2018, the Company issued 24,000 shares of common stock to our independent directors, all of which vested immediately upon grant. We recorded \$1.0 million of compensation expense related to these shares during the fiscal year ended April 28, 2018.

METHODE ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in millions, except per share data)

The following table summarizes the RSA and RSU activity for fiscal 2016, fiscal 2017 and fiscal 2018 under the 2014 Incentive Plan:

	RSA Shares	RSU Shares
Unvested and Unissued at May 2, 2015	—	—
Awarded	1,185,000	576,000
Vested	(24,000)	—
Forfeited and Canceled	—	—
Unvested and Unissued at April 30, 2016	1,161,000	576,000
Awarded	99,000	32,000
Vested	(27,000)	(11,333)
Forfeited and Canceled	(64,500)	(28,667)
Unvested and Unissued at April 29, 2017	1,168,500	568,000
Awarded	152,738	30,925
Vested	(24,000)	(160,553)
Forfeited and Canceled	(126,000)	(56,000)
Unvested and Unissued at April 28, 2018	1,171,238	382,372

Grant Fiscal Year	Number of Shares Unvested	Vesting Period	Weighted Average Value	Probable Unearned Compensation Expense at April 28, 2018	Target Unearned Compensation Expense at April 28, 2018
2016, 2017 and 2018	363,413	(1) Five-year RSA cliff, performance-based	\$ 34.11	\$ 5.5	\$ 11.0
2016, 2017 and 2018	382,372	Five-year RSU, 30% in fiscal 2018, 30% in fiscal 2019 and 40% in fiscal 2020	\$ 35.85	\$ 5.1	\$ 5.1

(1) RSA shares based on fiscal 2020 EBITDA threshold levels

2010 Stock Plan

The 2010 Stock Plan permits a total of 2,000,000 shares of our common stock to be awarded to participants in the form of nonqualified stock options, incentive stock options, restricted stock awards, restricted stock units, stock appreciation rights, and performance share units. The 2010 Stock Plan is designed to allow for "performance-based compensation" under Section 162(m) of the Internal Revenue Code of 1986, as amended. As such, qualified awards payable pursuant to the 2010 Stock Plan should be deductible for federal income tax purposes under most circumstances. In the event of a change in control, the vesting of all outstanding option awards will be accelerated. With the approval of the 2014 Incentive Plan, no further awards shall be granted under the 2010 Stock Plan.

Stock Options Awarded Under the 2010 Stock Plan

There were no options awarded in fiscal 2016, fiscal 2017 or fiscal 2018 under the 2010 Stock Plan. The previously awarded stock options have a ten-year term and vested 33.3% each year over a three-year period. The exercise price

is the closing price on the date granted.

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in millions, except per share data)

The following tables summarize the stock option activity and related information for fiscal 2018, 2017 and 2016 for the stock options granted under the 2010 Stock Plan:

	Summary of Option Activity	
	Shares	Wtd. Avg. Exercise Price
Outstanding at May 2, 2015	242,667	\$ 24.50
Awarded	—	—
Exercised	(18,668)	12.96
Canceled	(26,667)	32.07
Outstanding at April 30, 2016	197,332	24.55
Awarded	—	—
Exercised	(125,332)	17.40
Canceled	—	—
Outstanding at April 29, 2017	72,000	37.01
Awarded	—	—
Exercised	—	—
Canceled	—	—
Outstanding at April 28, 2018	72,000	\$ 37.01

Options Outstanding
at April 28, 2018

Shares	Exercise Price	Avg. Remaining Life (Years)
72,000	\$ 37.01	6.3

Options Exercisable
at April 28, 2018

Shares	Exercise Price	Avg. Remaining Life (Years)
72,000	\$ 37.01	6.3

The options outstanding had an intrinsic value of \$0.3 million at April 28, 2018. The intrinsic value represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of fiscal 2018 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on April 28, 2018.

We estimated the fair value of these stock options on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	2010 Stock Plan Fiscal 2015 Awards	
Average Expected Volatility	51.00	%
Average Risk-free Interest Rate	1.00	%
Dividend Yield	1.66	%

Expected Life of Options (in years) 4.12
Weighted-average Grant-date Fair Value \$ 14.99

Expected volatility was based on the monthly changes in our historical common stock prices over the expected life of the award. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant corresponding to the expected life of the options. Our dividend yield is based on the average dividend yield for the previous two years from the date of grant. The expected life of options is based on historical stock option exercise patterns and the terms of the options.

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in millions, except per share data)

Restricted Stock and Restricted Stock Units Awarded Under the 2010 Stock Plan

During fiscal 2012, our Compensation Committee awarded 100,000 shares of common stock subject to performance-based restricted stock awards ("RSAs") to certain non-executive members of management. The performance measure was the Company's internal enterprise value at the end of fiscal 2015. The internal enterprise value was equal to the product of (i) fiscal 2015 EBITDA and (ii) 7.5 (the historic multiple of EBITDA), subject to an adjustment for cash, short-term investments, debt, preferred stock, certain equity issuances, certain acquisitions and the changes in the dividend rate. The restricted stock awards vested one-third as of the end of fiscal 2015, one-third as of the end of fiscal 2016 and the final one-third as of the end of fiscal 2017, based on the enterprise value as of the end of fiscal 2015, to the extent the performance goals have been achieved and provided the employee remained employed. The Company exceeded the targeted internal enterprise value measure for fiscal 2015.

During fiscal 2011, our Compensation Committee awarded 320,000 shares of common stock subject to time-based restricted stock units to certain executive officers. The restricted stock units vested 20% each year on the last day of our fiscal year and were fully vested on the last day of fiscal 2015, provided the executive remained employed. The shares of common stock underlying the vested RSUs will not be delivered to the employee until after the employee terminates employment from the Company. As of April 28, 2018, 210,000 shares of common stock have not yet been delivered to the employees, due to their continued employment with the Company.

The following table summarizes the RSA activity for fiscal years 2018, 2017 and 2016 under the 2010 Stock Plan:

	RSA Shares
Unvested and Unissued at May 2, 2015	66,667
Awarded	—
Vested	(33,333)
Forfeited and Canceled	—
Unvested and Unissued at April 30, 2016	33,334
Awarded	—
Vested	(33,334)
Forfeited and Canceled	—
Unvested and Unissued at April 29, 2017	—
Awarded	—
Vested	—
Forfeited and Canceled	—
Unvested and Unissued at April 28, 2018	—

2007 Stock Plan

The 2007 Stock Plan permitted a total of 1,250,000 shares of our common stock to be awarded to participants. Shares issued under the Stock Plan may be either authorized but unissued shares, or treasury shares. With the approval of the 2014 Incentive Plan, no further awards shall be granted under the 2007 Stock Plan.

Stock Options Awarded Under the 2007 Stock Plan

There were no shares awarded for the 2007 Stock Plan in fiscal 2018, fiscal 2017 or fiscal 2016. The stock options awarded under the 2007 Stock Plan have a ten-year term. The exercise price is the closing price on the date granted.

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in millions, except per share data)

The following tables summarize the stock option activity and related information for the stock options granted under the 2007 Stock Plan for fiscal year 2018, 2017 and 2016:

	Summary of Option Activity	
	Shares	Wtd. Avg. Exercise Price
Outstanding at May 2, 2015	108,000	\$ 24.21
Awarded	—	—
Exercised	(28,334)	10.99
Canceled	—	—
Outstanding at April 30, 2016	79,666	28.91
Awarded	—	—
Exercised	(22,497)	21.52
Canceled	—	—
Outstanding at April 29, 2017	57,169	31.82
Awarded	—	—
Exercised	(13,333)	24.67
Canceled	(1,668)	37.01
Outstanding at April 28, 2018	42,168	\$ 33.87
Options Outstanding at April 28, 2018		