ROGERS CORPORATION

Q3 2019 Earnings Call

October 30, 2019

Forward-looking statements

Safe Harbor Statement

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

Non-GAAP Information

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

(1) Adjusted net income, which the Company defines as net income excluding amortization of acquisition-related intangible assets and discrete items, such as restructuring, severance, impairments and other related costs, acquisition and related integration costs, asbestos litigation-related charges, purchase accounting inventory adjustments and transition services related to asset acquisition (collectively, “Discrete Items”)
(2) Adjusted earnings per diluted share, which the Company defines as earnings per diluted share excluding acquisition-related amortization of intangible assets and Discrete items;
(3) Adjusted operating expenses, which the Company defines as operating expenses excluding acquisition-related amortization of intangible assets and Discrete Items;
(4) Adjusted operating income, which the Company defines as operating income excluding acquisition-related amortization of intangible assets and Discrete Items;
(5) Adjusted operating margin, which the Company defines as operating margin excluding acquisition-related amortization of intangible assets and Discrete Items;
(6) Adjusted EBITDA, which the Company defines as net income excluding interest expense, income tax expense, depreciation and amortization, stock-based compensation and Discrete Items; and
(7) Adjusted EBITDA margin, which the Company defines as net income margin excluding interest expense, income tax expense, depreciation and amortization, stock-based compensation and Discrete Items.
(8) Free Cash Flow, which the Company defines as net cash provided from operating activities less non-acquisition capital expenditures per the Statement of Cash Flows

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

Introductions

Bruce Hoechner
President &
Chief Executive Officer

Mike Ludwig
Senior Vice President &
Chief Financial Officer

Bob Daigle
Senior Vice President &
Chief Technology Officer

Q3 2019 Summary

Results

- Quarterly net sales of $222M
- Gross margin of 35.6%
- Quarterly adjusted EPS* of $1.51 per diluted share

Highlights

- Advanced Connectivity: Seasonal strength in portable electronics
- Advanced Mobility: ADAS demand remains solid
- Gross margin improvement and effective management of operating expenses

Challenges

- Soft near-term wireless infrastructure demand. Trade tensions driving uncertainty and increased competitive intensity.
- Continuing weakness in general industrial and automotive markets
- Lower demand slowing PES margin improvements

Long-term Advanced Connectivity & Advanced Mobility outlook remains strong

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

Growth Driver Update

Advanced Connectivity

Wireless Infrastructure: 5G

- China Mobile targeting deployments in 340 cities by the end of 2020
- Approximately 600K 5G base stations deployments expected globally in 2020

Emerging Opportunity: Low Earth Orbit (LEO)

- High speed internet provided via satellite networks
- Rogers content opportunity in receivers on Earth



Advanced Mobility

EV/HEV

- Global sales expected to increase at ~30% CAGR through 2025[1]
- Volkswagen targeting annual EV sales of 3 million vehicles per year by 2025
- Daimler stops internal combustion engine development to focus on EVs



1 - IHS Global Light Vehicle Forecast June 2019.

Advanced Connectivity Solutions (ACS)

Q3 2019 Update

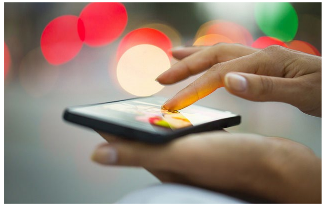
- Net sales of $79.0M, down 15% over Q2 2019
- Lower 4G and 5G demand. Trade tensions driving uncertainty and increased competitive intensity.
- ADAS demand remains solid
- Strong growth in Aerospace & Defense

Strategy

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

Expected long-term 5G and ADAS growth opportunities remain strong

Elastomeric Material Solutions (EMS)



Q3 2019 Update

- Net sales of $94.9M, up 1% over Q2 2019
- Seasonal strength in portable electronics
- Weaker general industrial demand
- Improved margin from product mix and operational initiatives

Strategy

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

Focused on growth opportunities in Advanced Connectivity and Advanced Mobility

Power Electronics Solutions (PES)

Q3 2019 Update

- Net sales of $43.1M, down 17% over Q2 2019
- Weak industrial power and vehicle electrification market demand
- EV/HEV lower due to soft vehicle demand
- Progress in operating performance offset by lower demand

Strategy

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

Strong outlook for Advanced Mobility demand
Focused on improving operating performance

Rogers Vision for 2020

Strategic Elements

Market-Driven Organization	Innovation Leadership
Synergistic M&A	Operational Excellence

Financial Objectives

Organic growth: **7-10%**

$1.2B Revenues

15% Total growth

Synergistic M&A growth: **5-8%**

20% Adjusted operating margin*

Near-Term Headwinds Moderating Strong Secular Growth Trends
Increasing Uncertainty of Attaining 2020 Targets

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

Financial overview

Mike Ludwig, Sr. Vice President and Chief Financial Officer

Q3 2019 Financial highlights

($ in millions, except EPS)	Q3-2019	Q2-2019	Q3-2018
Net sales	$221.8	$242.9	$226.9
Gross margin	$78.9	$85.8	$79.1
Gross margin %	35.6%	35.3%	34.9%
Operating income	$29.9	$33.2	$29.6
Operating margin %	13.5%	13.7%	13.1%
Adjusted operating income*	$36.2	$41.7	$38.6
Adjusted operating margin %*	16.3%	17.2%	17.0%
Net income	$23.4	$24.3	$19.7
Net income % of net sales	10.5%	10.0%	8.7%
Adjusted EBITDA*	$47.4	$53.1	$50.2
Adjusted EBITDA margin %*	21.4%	21.9%	22.1%
EPS	$1.25	$1.30	$1.06
Adjusted EPS*	$1.51	$1.64	$1.42

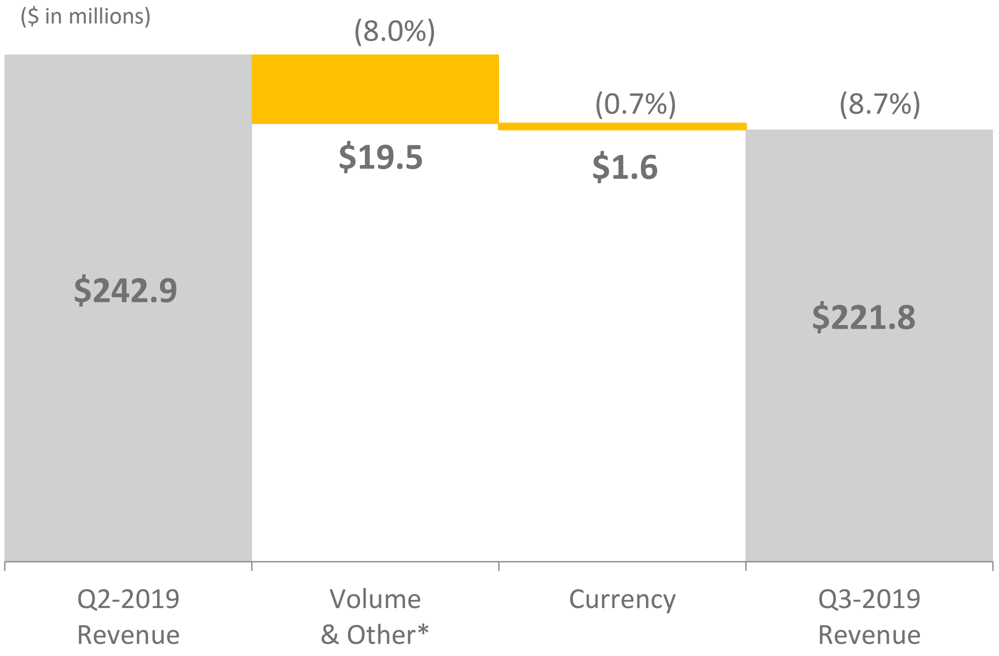
Gross Margin percentage improved sequentially; Adjusted EPS* exceeded guidance

*See reconciliations to adjusted metrics in the appendix: adjusted operating income to operating income, adjusted operating margin to operating margin, adjusted EBITDA to net income and adjusted earnings per diluted share to earnings per diluted share. Adjusted EBITDA for the third quarter of 2018 has been recast to reflect the add-back of stock-based compensation expense.

Revenue bridge vs prior quarter

Q3-2019 Update

- Revenues of $222 million or 8.7% decrease sequentially
- Volume & Other decline due to soft demand in ACS & PES businesses
- Weaker CNY contributes to unfavorable currency impact



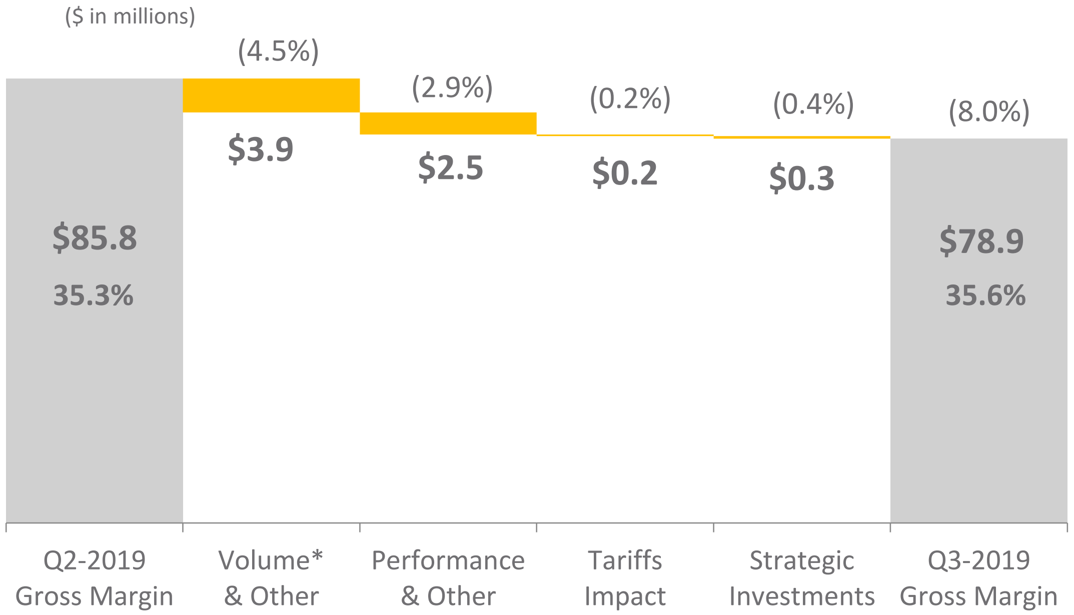
Soft demand in Wireless Infrastructure, Industrial & Conventional Automotive markets

*Volume & Other of ($19.5) million represents change in volume, price and mix excluding the impact of FX.

Gross margin bridge vs prior quarter

Q3-2019 Update

- ACS and PES volumes decline partially offset by favorable mix profile
- Performance shortfall due to lower ACS and PES throughput
- Tariffs increased sequentially to 106 basis points in Q3
- Carrying costs in anticipation of next 5G rollout



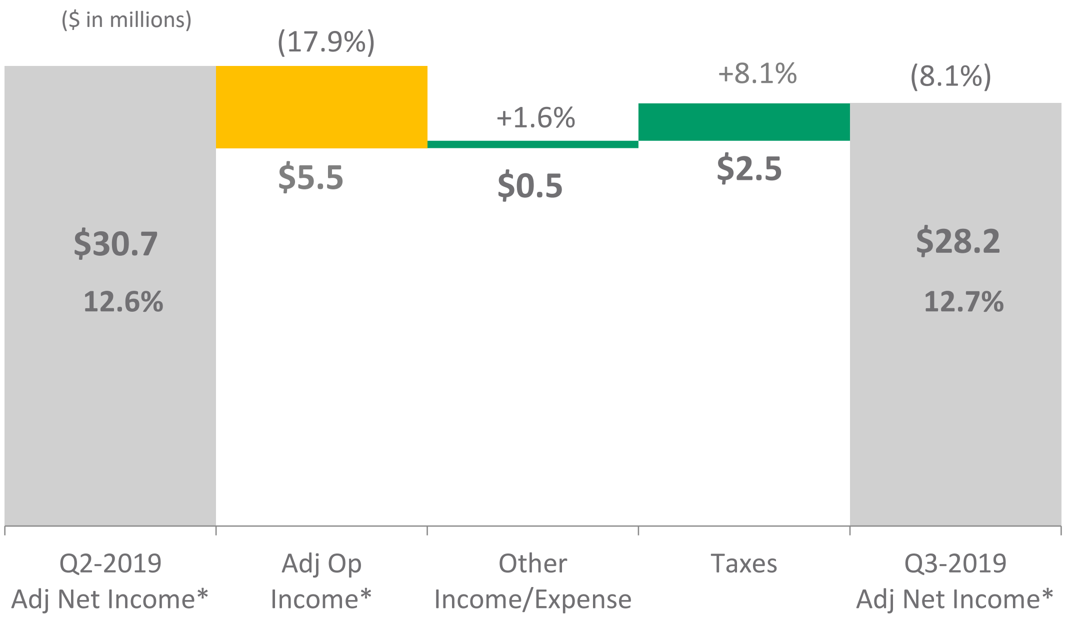
Gross margin percentage improved despite lower volumes and tariff headwinds

*Volume & Other of ($3.9) million represents change in sales volume, price, mix and FX.

Adjusted net income* bridge vs prior quarter

Q3-2019 Update

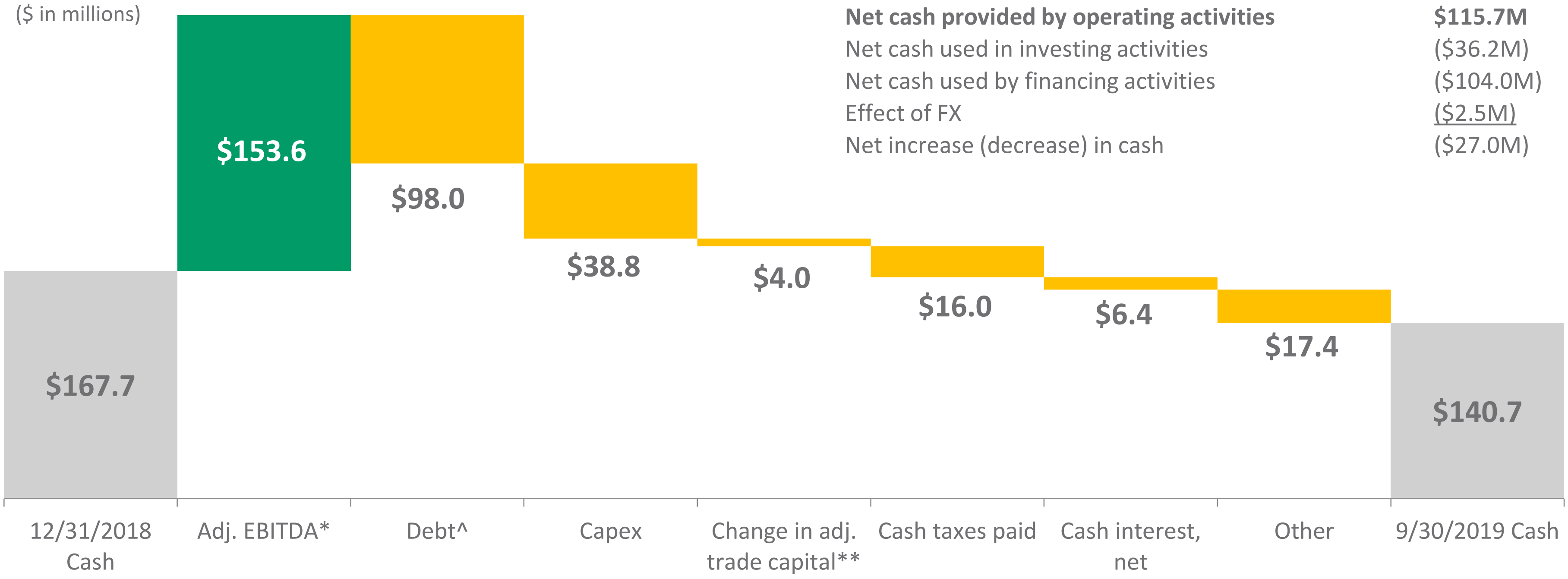
- Adjusted Op Income* negatively impacted by lower revenues; partially offset by decrease in operating expense
- Other income/expense benefit from derivatives and lower interest expense
- GAAP tax rate 18.6% vs. 22.9% in Q2



Lower tax rate partially offsetting impact of lower Adjusted Operating Income

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

Cash utilization



Net cash provided by operating activities	**$115.7M**
Net cash used in investing activities	($36.2M)
Net cash used by financing activities	($104.0M)
Effect of FX	($2.5M)
Net increase (decrease) in cash	($27.0M)

Strong adjusted EBITDA* performance funded Debt repayment and Capex investment

*See reconciliations of adjusted EBITDA to net income in the appendix. **Change in Adjusted Trade Capital represents change in assets and liabilities, per the statement of cash flows. ^Repayment of debt principal and finance lease obligations is $98.3 million per statement of cash flows. Finance lease obligations of approximately $0.3 million included in "Other" category.

Q4-2019 guidance

($ in millions, except EPS)

Net sales	$200M - $210M
Gross Margin	33.0% - 34.0%
EPS (Includes non-cash pension termination charge*)	($1.43) – ($1.28)
Adjusted EPS**	$1.00 - $1.15

*Expected non-cash pre-tax charge of $52 million to $56 million associated with the termination of the Rogers Corporation Defined Benefit Pension Plan
**See reconciliation of adjusted earnings per diluted share to earnings per diluted share in the appendix.

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Appendix

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Q3-2019: Adjusted operating income and operating margin reconciliation

($ in millions)	Q3-18($)	Q3-18(%)	Q2-19($)	Q2-19(%)	Q3-19($)	Q3-19(%)
Operating income and operating margin	$29.6	13.1%	$33.2	13.7%	$29.9	13.5%
Restructuring, severance, impairment and other related costs	$2.7	1.2%	$3.7	1.5%	$1.3	0.6%
Acquisition and related integration costs	$0.8	0.3%	$0.3	0.1%	$0.5	0.2%
Purchase accounting inventory adjustment	$0.3	0.1%	-	-	-	-
Asbestos-related charges	-	-	$0.1	0.0%	-	-
Transition services, net	$0.7	0.3%	$0.0	0.0%	$0.1	0.0%
Total discrete items	$4.5	1.9%	$4.1	1.7%	$1.9	0.8%
Operating income and operating margin, adjusted for discrete items	$34.2	15.1%	$37.3	15.4%	$31.8	14.3%
Acquisition intangible amortization	$4.4	1.9%	$4.4	1.8%	$4.4	2.0%
Adjusted operating income and operating margin	$38.6	17.0%	$41.7	17.2%	$36.2	16.3%

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

Q3-2019: Adjusted EBITDA and adjusted EBITDA margin reconciliation

($ in millions)	Q3-18($)	Q3-18(%)	Q2-19($)	Q2-19(%)	Q3-19($)	Q3-19(%)
Net Income	$19.7	8.7%	$24.3	10.0%	$23.4	10.5%
Interest expense, net	$2.0	0.9%	$2.0	0.8%	$1.8	0.8%
Income tax expense	$8.9	3.9%	$7.2	3.0%	$5.3	2.4%
Depreciation	$8.8	3.9%	$7.7	3.2%	$7.6	3.4%
Amortization	$4.4	2.0%	$4.4	1.8%	$4.4	2.0%
Stock-based compensation expense	$2.7	1.2%	$3.7	1.5%	$3.2	1.4%
Restructuring, severance, impairment and other related costs	$2.7	1.2%	$3.7	1.5%	$1.3	0.6%
Acquisition and related integration costs	$0.9	0.4%	$0.3	0.1%	$0.5	0.2%
Purchase accounting inventory adjustment	$0.3	0.1%	-	-	-	-
Asbestos-related charges	-	-	$0.1	0.0%	-	-
Transition services lease income	($0.2)	(0.1%)	($0.3)	(0.1%)	($0.1)	0.0%
Adjusted EBITDA*	$50.2	22.1%	$53.1	21.9%	$47.4	21.4%

Note: percentages and dollars may not add due to rounding

*Adjusted EBITDA for the third quarter of 2018 has been recast to reflect the add-back of stock-based compensation expense.

Q3-2019: Adjusted EPS reconciliation

	Q3-18 ($)	Q2-19 ($)	Q3-19 ($)
GAAP earnings per diluted share	$1.06	$1.30	$1.25
Restructuring, severance, impairment and other related costs	$0.11	$0.15	$0.05
Acquisition and related integration costs	$0.04	$0.01	$0.02
Acquisition inventory step-up	$0.02	-	-
Transition services, net	$0.03	-	$0.01
Total discrete items	$0.19	$0.16	$0.08
Earnings per diluted share adjusted for discrete items	$1.24	$1.46	$1.33
Acquisition intangible amortization	$0.18	$0.18	$0.18
Adjusted earnings per diluted share	$1.42	$1.64	$1.51

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

Q3-2019: Adjusted net income reconciliation

($ in millions)	Q3-18 ($)	Q3-18(%)	Q2-19 ($)	Q2-19(%)	Q3-19 ($)	Q3-19(%)
Net Income	$19.7	8.7%	$24.3	10.0%	$23.4	10.5%
Restructuring, severance, impairment and other related costs	$2.7	1.2%	$3.7	1.5%	$1.3	0.6%
Acquisition and related integration costs	$0.8	0.3%	$0.3	0.1%	$0.5	0.2%
Purchase accounting inventory adjustment	$0.3	0.1%	-	-	-	-
Asbestos-related charges	-	-	$0.1	0.0%	-	-
Transition services, net	$0.7	0.3%	-	-	$0.1	0.0%
Acquisition intangible amortization	$4.4	1.9%	$4.4	1.8%	$4.4	2.0%
Income tax effect of non-GAAP adjustments and intangible amortization	($2.1)	(0.9%)	($2.1)	(0.9%)	($1.5)	(0.6%)
Adjusted net income	$26.5	11.7%	$30.7	12.6%	$28.2	12.7%

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

Q3-2019: Adjusted operating expenses reconciliation*

($ in millions)	Q3-18($)	Q3-18(%)	Q2-19($)	Q2-19(%)	Q3-19($)	Q3-19(%)
Operating expenses	$49.5	21.8%	$52.6	21.7%	$49.0	22.1%
Restructuring, severance, impairment and other related costs	($2.7)	(1.2%)	($3.7)	(1.5%)	($1.3)	(0.6%)
Acquisition and related integration costs	($0.8)	(0.4%)	($0.3)	(0.1%)	($0.5)	(0.2%)
Asbestos-related charges	-	-	($0.1)	(0.0%)	-	-
Transition services, net	($0.7)	(0.3%)	-	-	($0.1)	0.0%
Total discrete items	($4.2)	(1.9%)	($4.1)	(1.7%)	($1.9)	(0.8%)
Operating expenses, adjusted for discrete items	$45.3	19.9%	$48.5	20.0%	$47.1	21.2%
Acquisition intangible amortization	($4.4)	(1.9%)	($4.4)	(1.8%)	($4.4)	(2.0%)
Adjusted operating expenses	$40.9	18.0%	$44.1	18.2%	$42.7	19.2%

Note: percentages and dollars may not add due to rounding
*Operating expenses include (i) selling, general and administrative expenses, (ii) research and development expenses, (iii) restructuring and impairment charges and (iv) other operating (income) expense, net per statement of operations.

Q3-2019: Free Cash Flow reconciliation*

($ in millions)	Q3-18($)	Q2-19($)	Q3-19($)	YTD-19($)
Net cash provided by operating activities	$10.6	$50.5	$48.2	$115.7
Capital expenditures	($16.4)	($11.4)	($14.8)	($38.8)
Free cash flow	($5.8)	$39.1	$33.4	$76.8

Note: percentages and dollars may not add due to rounding
*Free cash flow defined as net cash provided from operating activities less non-acquisition capital expenditures per Statements of Cash Flows

Q4-2019 guidance reconciliation

	Q4-19 ($)
GAAP earnings per diluted share	($1.43) – ($1.28)
Discrete items (Includes non-cash pension termination charge*)	$2.25
Acquisition intangible amortization	$0.18
Adjusted earnings per diluted share	$1.00 - $1.15

Note: percentages and dollars may not add due to rounding.
*Expected non-cash pre-tax charge of $52 million to $56 million associated with the termination of the Rogers Corporation Defined Benefit Pension Plan