

October 27, 2021

Q3 2021

Supplemental Information

Non-GAAP Disclaimer

The financial results disclosed in this presentation include certain measures calculated and presented in accordance with GAAP. In addition to the GAAP results included in this presentation, Knowles has presented supplemental, non-GAAP gross profit, earnings before interest and income taxes, adjusted earnings before interest and income taxes, non-GAAP diluted earnings per share, and free cash flow to facilitate evaluation of Knowles' operating performance. These non-GAAP financial measures exclude certain amounts that are included in the most directly comparable GAAP measure. In addition, these non-GAAP financial measures do not have standard meanings and may vary from similarly titled non-GAAP financial measures used by other companies. Knowles believes that non-GAAP measures are useful as supplements to its GAAP results of operations to evaluate certain aspects of its operations and performance, and its management team primarily focuses on non-GAAP items in evaluating Knowles' performance for business planning purposes. Knowles believes that these measures assist it with comparing its performance between various reporting periods on a consistent basis, as these measures remove from operating results the impact of items that, in Knowles' opinion, do not reflect its core operating performance. Knowles believes that its presentation of these non-GAAP financial measures is useful because it provides investors and securities analysts with the same information that Knowles uses internally for purposes of assessing its core operating performance. For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures, see the reconciliation tables included in the third quarter 2021 earnings release.

Q3 '21 Financial Results

(continuing operations)

Quarter over year ago period <i>(in millions, except per share data)</i>	Q3FY21	Q2FY21	Q3FY20
Revenues	\$233.0	\$199.8	\$205.8
Gross profit <i>(as a % of revenues)</i>	\$96.9 41.6%	\$83.7 41.9%	\$75.2 36.5%
Non-GAAP gross profit <i>(as a % of revenues)</i>	\$97.5 41.8%	\$84.8 42.4%	\$75.6 36.7%
Diluted earnings per share	\$0.29	\$0.18	\$0.06
Non-GAAP diluted earnings per share	\$0.45	\$0.31	\$0.24

Q4 '21 Projections

(continuing operations)*

	GAAP	Adjustments	Non-GAAP
Revenues	\$230 million - \$235 million	—	\$230 million - \$235 million
Gross margin	39.0% - 41.0%	1.0%	40.0% - 42.0%
EPS (diluted)	\$0.32 - \$0.34	\$0.11	\$0.43 - \$0.45

*Projections as of 10/27/21; Q4 2021 GAAP results are expected to include approximately \$0.07 per share in stock-based compensation and \$0.04 per share in amortization of intangibles and debt discount. Q4 2021 GAAP guidance does not consider the impact of a potential positive adjustment to the valuation allowance for our U.S. subsidiary. The potential benefit would not impact non-GAAP results.

Historical Segment Data

Audio / Precision Devices

(Cont. Ops.; in \$ millions)

	Audio					Precision Devices				
	Quarter Ended					Quarter Ended				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Revenues	\$ 177.7	\$ 149.8	\$ 163.1	\$ 201.8	\$ 164.8	\$ 55.3	\$ 50.0	\$ 37.9	\$ 41.4	\$ 41.0
Gross profit	\$ 71.9	\$ 63.3	\$ 64.8	\$ 77.4	\$ 58.9	\$ 25.6	\$ 20.8	\$ 13.7	\$ 15.1	\$ 16.7
Stock-based compensation expense	0.2	0.2	0.2	0.3	0.3	0.1	0.1	0.1	—	—
Production transfer costs	—	—	—	—	—	—	—	—	0.1	—
Other	—	—	—	—	—	0.3	0.7	—	—	—
Non-GAAP gross profit	\$ 72.1	\$ 63.5	\$ 65.0	\$ 77.7	\$ 59.2	\$ 26.0	\$ 21.6	\$ 13.8	\$ 15.2	\$ 16.7
<i>Non-GAAP gross profit as % of revenues</i>	40.6%	42.4%	39.9%	38.5%	35.9%	47.0%	43.2%	36.4%	36.7%	40.7%
Research and development expenses	\$ 19.4	\$ 22.0	\$ 20.9	\$ 20.3	\$ 19.5	\$ 2.6	\$ 2.5	\$ 2.4	\$ 2.0	\$ 2.1
Stock-based compensation expense	(1.1)	(1.5)	(1.5)	(1.2)	(1.2)	(0.1)	(0.1)	—	—	—
Intangibles amortization expense	(1.4)	(1.3)	(1.5)	(1.3)	(1.4)	(0.1)	(0.1)	—	—	—
Other	—	(0.1)	—	—	—	—	—	—	—	—
Non-GAAP research and development expenses	\$ 16.9	\$ 19.1	\$ 17.9	\$ 17.8	\$ 16.9	\$ 2.4	\$ 2.3	\$ 2.4	\$ 2.0	\$ 2.1
<i>Non-GAAP research and development expenses as % of revenues</i>	9.5%	12.8%	11.0%	8.8%	10.3%	4.3%	4.6%	6.3%	4.8%	5.1%
Selling and administrative expenses	\$ 12.0	\$ 13.3	\$ 13.4	\$ 12.4	\$ 14.0	\$ 9.2	\$ 8.7	\$ 7.0	\$ 7.6	\$ 6.7
Stock-based compensation expense	(0.8)	(0.9)	(1.4)	(0.7)	(0.7)	(0.5)	(0.4)	(0.7)	(0.3)	(0.2)
Intangibles amortization expense	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.5)	(1.2)	(0.5)	(0.6)	(0.6)
Other	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	—	—	—	—	—
Non-GAAP selling and administrative expenses	\$ 9.6	\$ 10.7	\$ 10.3	\$ 10.0	\$ 11.6	\$ 7.2	\$ 7.1	\$ 5.8	\$ 6.7	\$ 5.9
<i>Non-GAAP selling and administrative expenses as % of revenues</i>	5.4%	7.1%	6.3%	5.0%	7.0%	13.0%	14.2%	15.3%	16.2%	14.4%
Operating expenses	\$ 35.4	\$ 35.4	\$ 34.5	\$ 32.2	\$ 41.1	\$ 11.8	\$ 11.2	\$ 9.4	\$ 9.6	\$ 8.9
Stock-based compensation expense	(1.9)	(2.4)	(2.9)	(1.9)	(1.9)	(0.6)	(0.5)	(0.7)	(0.3)	(0.2)
Intangibles amortization expense	(2.7)	(2.6)	(2.8)	(2.6)	(2.7)	(1.6)	(1.3)	(0.5)	(0.6)	(0.6)
Impairment charges	(4.0)	—	—	—	(7.6)	—	—	—	—	—
Restructuring charges	—	(0.1)	(0.2)	0.5	—	—	—	—	—	(0.1)
Other	(0.3)	(0.5)	(0.4)	(0.4)	(0.4)	—	—	—	—	—
Non-GAAP operating expenses	\$ 26.5	\$ 29.8	\$ 28.2	\$ 27.8	\$ 28.5	\$ 9.6	\$ 9.4	\$ 8.2	\$ 8.7	\$ 8.0
<i>Non-GAAP operating expenses as % of revenues</i>	14.9%	19.9%	17.3%	13.8%	17.3%	17.4%	18.8%	21.6%	21.0%	19.5%
Earnings before interest and income taxes	\$ 36.6	\$ 28.0	\$ 30.4	\$ 45.4	\$ 17.8	\$ 14.0	\$ 9.8	\$ 4.5	\$ 5.5	\$ 8.0
Stock-based compensation expense	2.1	2.6	3.1	2.2	2.2	0.7	0.6	0.8	0.3	0.2
Intangibles amortization expense	2.7	2.6	2.8	2.6	2.7	1.6	1.3	0.5	0.6	0.6
Impairment charges	4.0	—	—	—	7.6	—	—	—	—	—
Restructuring charges	—	0.1	0.2	(0.5)	—	—	—	—	—	0.1
Production transfer costs	—	—	—	—	—	—	—	—	0.1	—
Other	0.3	0.5	0.4	0.4	0.4	0.3	0.7	—	—	—
Adjusted earnings before interest and income taxes	\$ 45.7	\$ 33.8	\$ 36.9	\$ 50.1	\$ 30.7	\$ 16.6	\$ 12.4	\$ 5.8	\$ 6.5	\$ 8.9
<i>Adjusted earnings before interest and income taxes as % of revenues</i>	25.7%	22.6%	22.6%	24.8%	18.6%	30.0%	24.8%	15.3%	15.7%	21.7%

Reconciliation of Segment EBIT to Consolidated Net Earnings

Audio / Precision Devices

(Cont. Ops.; in \$ millions)

	Quarter Ended				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Earnings before interest and income taxes					
Audio	\$ 36.6	\$ 28.0	\$ 30.4	\$ 45.4	\$ 17.8
Precision Devices	14.0	9.8	4.5	5.5	8.0
Total segments	50.6	37.8	34.9	50.9	25.8
Corporate expense / other	14.1	14.9	15.7	14.6	13.2
Interest expense, net	4.2	4.1	4.0	3.9	4.7
Earnings before income taxes	32.3	18.8	15.2	32.4	7.9
Provision for income taxes	4.6	1.4	2.7	2.8	2.3
Net earnings	\$ 27.7	\$ 17.4	\$ 12.5	\$ 29.6	\$ 5.6

Free Cash Flow

Free Cash Flow (in \$ millions)	YTD Q3FY21	Q3FY21	Q2FY21	Q1FY21
Cash flow provided by operating activities	\$ 116.6	\$ 55.6	\$ 21.3	\$ 39.7
Less: Capital expenditures	(28.2)	(12.2)	(10.8)	(5.2)
Free cash flow	\$ 88.4	\$ 43.4	\$ 10.5	\$ 34.5