



MTS Completes Acquisition Of E2M Technologies B.V.

November 26, 2018

EDEN PRAIRIE, Minn., Nov. 26, 2018 /PRNewswire/ -- MTS Systems Corporation (Nasdaq: MTSC), a leading global supplier of high-performance test systems and sensors, announced today that it closed on the acquisition of E2M Technologies B.V. ("E2M") on November 21, 2018.

- Significantly expands MTS Test and Simulation technology and product offerings for human-rated simulation systems
- Brings key regulatory approvals and customers in high-growth flight simulation and entertainment markets
- Provides compelling financial profile to enhance MTS revenue growth, margins, earnings and free cash generation



E2M is a leader in high-quality, durable, electrically-driven motion systems, serving primarily the human-rated entertainment and training simulation markets. Key product applications include high-technology motion simulators for the amusement park industry and flight simulators for certified pilot training, both of which offer substantial growth opportunities for the future.

E2M has utilized its unique design capabilities and outstanding force and motion technologies to systematically gain the required regulatory and customer quality approvals for demanding human-rated motion systems, including motion platforms for "Level D" flight simulators for pilot training, and for key customers in the burgeoning theme park and vehicle simulator industries. Due to the exceptional value, quality and reliability of its motion platforms, E2M has developed a premium customer base and is poised to substantially exceed market growth rates.

The newly acquired business will be reported as part of the MTS Test segment, which will be renamed "Test and Simulation" to reflect the growth in simulation applications across all MTS market sectors. Once integrated into the MTS Test and Simulation segment, E2M, with its exceptional electric force simulation and motion technical expertise, will leverage MTS' global sales and service network to support continued exciting growth within its core markets of entertainment, certified flight and general motion simulation. From a technology standpoint, E2M's electric actuation expertise will accelerate the development of electric force simulation and motion solutions in the MTS Test and Simulation's core markets of material, aerospace, civil infrastructure and automotive testing and simulation. In addition to gaining access to exciting adjacent simulation markets and advancing key electric motion technologies, MTS also gains an expanded local engineering and manufacturing base in its European market and a proven leadership team in E2M.

E2M is expected to contribute nearly \$30 million in incremental revenues in fiscal 2019 and double-digit growth thereafter. The acquisition is expected to be neutral to earnings in year one exclusive of transaction costs and is expected to provide immediate accretion to gross margins and Adjusted EBITDA margins for the Test and Simulation segment. MTS funded the approximate \$80 million purchase price for this acquisition using primarily its revolving credit facility. Given the record backlog position of MTS at the end of fiscal 2018, and the expected incremental Adjusted EBITDA generation of E2M, MTS expects rapid strengthening of its balance sheet following this acquisition, with a forecasted year-over-year net reduction in leverage by the end of fiscal 2019.

"We are very excited about adding E2M Technologies to our company, as we accelerate our growth in electric motion and simulation technologies and broaden our market exposure. E2M motion systems offer unprecedented replication of real-world environments in human-capable systems, providing a safe, effective, and highly efficient way to train pilots, as well as locomotive, ship and mass transit operators, and even vehicle drivers for new ground vehicle systems. These markets, along with the rapid expansion in number, scale and sophistication of amusement parks globally, provide outstanding growth opportunities for our company. We also place a strong emphasis on the talent and demonstrated capabilities of the acquired company's management team. E2M's strong technology position and track record for outstanding growth and profitability with extremely demanding customers world-wide is a testament to their leadership and the entrepreneurial spirit of the organization. With this cultural match to MTS, we are confident that the financial return of this investment will not only be met, but greatly surpassed in the future," stated Dr. Jeffrey Graves, President and Chief Executive Officer of MTS.

"MTS' renowned engineering expertise, exceptional brand, and global footprint, when combined with E2M's superb electric motion technology and strong adjacent market positions, offer exceptional growth opportunities for the combined entity. MTS' broad array of products and technologies and global sales and service enables E2M to provide its customers better service and support, and we are excited to work together," stated Jan van Bekkum, co-founder and Chief Executive Officer of E2M.

CONFERENCE CALL

As announced on November 12, 2018, a conference call will be held on November 27, 2018 (tomorrow), at 10:00 a.m. ET (9:00 a.m. CT) to discuss the MTS Fourth Quarter and Full-Year Fiscal 2018 results. The management team will also discuss this acquisition. Dr. Jeff Graves, President and Chief Executive Officer, and Brian Ross, Senior Vice President and Chief Financial Officer, will host the call, which will include a question and answer session after prepared remarks.

Call toll free +1-855-719-5012 (international toll +1-334-323-0522) and reference the conference pass code 1982047. Telephone replay will be available at 1:00 p.m. ET following the call until 1:00 p.m. ET, December 4, 2018. Call toll free +1-888-203-1112 and reference the conference pass code 1982047.

A transcript of the call can also be accessed from the MTS website at <http://investor.mts.com> beginning on November 28, 2018.

ABOUT E2M TECHNOLOGIES B.V.

E2M Technologies B.V., headquartered in Amsterdam, Netherlands, was founded in 2007 and designs, develops, and manufactures durable, high fidelity electric motion and force simulation mechanisms for the certified flight, general simulation, and entertainment industries. E2M provides the complete motion control systems including the platform (with electric actuation), electronic control hardware and controlling software. Additional information on E2M can be found at www.e2mtechnologies.eu.

ABOUT MTS SYSTEMS CORPORATION

MTS Systems Corporation's testing hardware, software and services solutions help customers accelerate and improve their design, development and manufacturing processes and are used for determining the mechanical behavior of materials, products and structures. MTS' high-performance sensors provide measurements of vibration, pressure, position, force and sound in a variety of applications. MTS had 3,400 employees as of September 29, 2018 and revenue of \$778 million for the fiscal year ended September 29, 2018. Additional information on MTS can be found at www.mts.com.

FORWARD-LOOKING STATEMENTS

This release contains "forward-looking statements" made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995 that are subject to certain risks and uncertainties, as well as assumptions, that could cause actual results to differ materially from historical results and those presently anticipated or projected. Words such as "may," "will," "should," "expects," "intends," "projects," "plans," "believes," "estimates," "targets," "anticipates," and similar expressions identify forward-looking statements in this release. Such statements include, but are not limited to, statements about future financial and operating results, plans, objectives, expectations and intentions, statements about the expected impact of the acquisition of E2M and the opportunities and outlook for the Sensors and Test and Simulation segments, and other statements that are not historical facts. These statements are based on MTS' current expectations and beliefs and are subject to a number of risks, uncertainties and assumptions that could cause actual results to differ materially from those described in the forward-looking statements. Risks, uncertainties and assumptions that could cause MTS' actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to, those described in the "Risk Factors" section of MTS' most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") and updated in any subsequent Quarterly Reports on Form 10-Q and other filings with the SEC. The reports referenced above are available on MTS' website at www.mts.com or on the SEC's website at www.sec.gov. Forward-looking statements speak only as of the date on which statements are made, and MTS undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made to reflect the occurrence of unanticipated events or circumstances.

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