UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 8-K

CURRENT REPORT

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): July 30, 2020

MTS®

MTS SYSTEMS CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Minnesota	**000-02382**	**41-0908057**
(STATE OR OTHER JURISDICTION OF INCORPORATION)	(COMMISSION FILE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

14000 TECHNOLOGY DRIVE, EDEN PRAIRIE, MN 55344
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

(952) 937-4000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

N/A
(FORMER NAME OR FORMER ADDRESS, IF CHANGED SINCE LAST REPORT)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.25 par value	MTSC	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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 13(a) of the Exchange Act. ☐

Item 1.01 Entry into a Material Definitive Agreement

On July 30, 2020, MTS Systems Corporation (the “Company”) entered into a fifth amendment (the “Amendment”) to its Credit Agreement dated as of July 5, 2016 among the Company, the Company’s foreign subsidiaries from time to time party thereto, the lenders from time to time party thereto, and JP Morgan Chase Bank, N.A., as administrative agent (as amended, the “Credit Agreement”). The Credit Agreement provides for a senior secured credit facility.

The Amendment increases the maximum total leverage ratio to 6.0x through March 31, 2021 with step downs thereafter; provided, however, that if the Company makes any restricted payments or acquisitions, the lower maximum total coverage ratio (and subsequent step downs) in effect prior to the Amendment will then apply. In addition, the Amendment adjusts the minimum interest coverage ratio to maintain 3.0x through March 31, 2021 with subsequent increases thereafter. The Amendment also provides that the Adjusted LIBO Rate (as defined in the Credit Agreement) for Eurocurrency Borrowings (as defined in the Credit Agreement) will be not less than 0.75% per annum. Further, the applicable margin for loans under the revolving credit facility, as well as the commitment fee payable on the average daily amount of the available revolving commitment, was increased based on the addition of Category 5 to the following pricing grid:

	Total Leverage Ratio	Commitment Fee Rate	Eurocurrency Spread for Revolving Loans	ABR Spread for Revolving Loans	Performance and Commercial L/C Rate
Category 1:	< 2.50 to 1.00	0.20%	2.00%	1.00%	1.00%
Category 2:	≥ 2.50 to 1.00 but < 3.00 to 1.00	0.25%	2.25%	1.25%	1.125%
Category 3:	3.00 to 1.00 but < 3.50 to 1.00	0.30%	2.50%	1.50%	1.25%
Category 4:	3.50 to 1.00 but < 4.25 to 1.00	0.35%	2.75%	1.75%	1.375%
Category 5:	4.25 to 1.00	0.45%	3.25%	2.25%	1.50%

Finally, the Amendment prohibits the Company from drawing on the revolving credit facility if the Company has in excess of $125 million of cash and cash equivalents on hand. This Amendment was completed to maximize flexibility and available liquidity under the Company's current capital structure in the event it needs to access additional funds.

The financial institutions party to the Credit Agreement and the Amendment have performed and may continue to perform commercial banking and financial services for the Company for which they have received and will continue to receive customary fees.

The foregoing description of the Amendment does not purport to be complete and is qualified in its entirety by reference to the Amendment, a copy of which is filed as Exhibit 10.1 hereto and incorporated by reference in this Current Report on Form 8-K.

Item 2.02 Results of Operations and Financial Condition

On August 3, 2020, MTS Systems Corporation (the “Company”) issued a press release announcing the results of operations and financial condition for the fiscal quarter ended June 27, 2020, the third quarter of the Company’s 2020 fiscal year.

During a conference call scheduled to be held at 11:00 a.m. ET on August 4, 2020, the Company’s Interim President and Chief Executive Officer, Randy J. Martinez, and Executive Vice President and Chief Financial Officer, Brian T. Ross, will discuss the Company’s results for the fiscal quarter ended June 27, 2020.

Attached to this Current Report on Form 8-K as Exhibit 99.1 is a copy of the Company’s press release in connection with the announcement. The information in this Item 2.02, including Exhibit 99.1, is furnished pursuant to Item 2.02 and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities of that section, and shall not be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in such filing.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The discussion set forth in Item 1.01 is incorporated into this Item 2.03 by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

The following exhibits are being furnished herewith:

10.1	Amendment No. 5 to Credit Agreement, dated as of July 30, 2020, among MTS Systems Corporation, JP Morgan Chase Bank, N.A., as Administrative Agent and Swingline Lender, JP Morgan Chase Bank, N.A., U.S. Bank National Association and Wells Fargo Bank, National Association as Issuing Banks, and the Revolving Lenders party thereto.
99.1	Press Release dated August 3, 2020 announcing the results of operations and financial condition for the fiscal quarter ended June 27, 2020.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MTS SYSTEMS CORPORATION
(Registrant)

Date:	August 3, 2020	By:	/s/ BRIAN T. ROSS
			Brian T. Ross
			Executive Vice President and Chief Financial Officer

Exhibit 10.1

AMENDMENT NO. 5 TO CREDIT AGREEMENT

This Amendment No. 5 to Credit Agreement, dated as of July 30, 2020 (this "Amendment") is among MTS SYSTEMS CORPORATION, a Minnesota corporation (the "Company"), JPMORGAN CHASE BANK, N.A., as Administrative Agent (the "Administrative Agent") and as Swingline Lender (the "Swingline Lender"), JPMORGAN CHASE BANK, N.A., U.S. BANK NATIONAL ASSOCIATION and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Issuing Banks (collectively, the "Issuing Banks" and each, an "Issuing Bank"), and the Revolving Lenders party hereto. Capitalized terms not otherwise defined herein having the definitions provided therefor in the Credit Agreement referenced below.

W I T N E S S E T H:

WHEREAS, the Company, the Foreign Subsidiary Borrowers from time to time party thereto, the Lenders from time to time party thereto and the Administrative Agent are parties to that certain Credit Agreement, dated as of July 5, 2016 (as amended, restated, supplemented or otherwise modified from time to time prior to the date hereof, the "Credit Agreement"; the Credit Agreement, as amended by this Amendment, the "Amended Credit Agreement");

WHEREAS, the Company has requested that the Administrative Agent, the Swingline Lender, the Issuing Banks and the Required Revolving Lenders agree to certain amendments to the Credit Agreement; and

WHEREAS, the Administrative Agent, the Swingline Lender, the Issuing Banks and the Revolving Lenders party hereto have agreed to so amend the Credit Agreement upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties hereto agree as follows:

1. Amendments to the Credit Agreement. Effective as of the date of satisfaction of the conditions precedent set forth in Section 2 below (such date, the "Amendment No. 5 Effective Date"), the parties hereto agree that the Credit Agreement is hereby amended as follows:

(a) Section 1.01 of the Credit Agreement is amended to insert, in the appropriate alphabetical location, the following new definitions:

""Amendment No. 5 Effective Date" means July 30, 2020."

""Consolidated Cash Balance" means, at any time, (a) the aggregate amount of cash and cash equivalents, marketable securities, treasury bonds and bills, certificates of deposit, investments in money market funds, and commercial paper, in each case, held or owned by (either directly or indirectly), credited to the account of or would otherwise be required to be reflected as an asset on the balance sheet of the Company and its Subsidiaries less (b) Excluded Cash."

""Excluded Cash" means (a) any restricted cash or cash equivalents to pay royalty obligations, working interest obligations, suspense payments, severance taxes, payroll, payroll taxes, other taxes, employee wage and benefit payments and trust and fiduciary obligations or other obligations of the Company and its Subsidiaries to third parties and for which the Company and its Subsidiaries have issued checks or has initiated wires or ACH transfers (or, in the Company's discretion, will issue checks or initiate wires or ACH transfers within five (5) Business Days) in order to pay, and (b) any cash or cash equivalents constituting purchase price deposits held in escrow by an unaffiliated third party pursuant to a binding and enforceable purchase and sale agreement with an unaffiliated third party containing customary provisions regarding the payment and refunding of such deposits."

(b) The definition of "Adjusted LIBO Rate" appearing in Section 1.01 of the Credit Agreement is hereby amended to delete the phrase ", when used in reference to the Tranche B Term Loans," appearing therein.

(c) Clause (b) of the definition of "Applicable Rate" appearing in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(b) with respect to any Eurocurrency Revolving Loan, any ABR Revolving Loan or with respect to the commitment fees or commissions on outstanding performance and commercial Letters of Credit payable hereunder on any date, as the case may be, the applicable rate per annum set forth below under the caption "Commitment Fee Rate", "Eurocurrency Spread for Revolving Loans", "ABR Spread for Revolving Loans" or "Performance and Commercial L/C Rate", as the case may be, based upon the Total Leverage Ratio applicable on such date:

	Total Leverage Ratio	Commitment Fee Rate	Eurocurrency Spread for Revolving Loans	ABR Spread for Revolving Loans	Performance and Commercial L/C Rate
Category 1:	< 2.50 to 1.00	0.20%	2.00%	1.00%	1.00%
Category 2:	≥ 2.50 to 1.00 but < 3.00 to 1.00	0.25%	2.25%	1.25%	1.125%
Category 3:	3.00 to 1.00 but < 3.50 to 1.00	0.30%	2.50%	1.50%	1.25%
Category 4:	3.50 to 1.00 but < 4.25 to 1.00	0.35%	2.75%	1.75%	1.375%
Category 5:	4.25 to 1.00	0.45%	3.25%	2.25%	1.50%

For purposes of the foregoing,

(i) if at any time the Company fails to deliver the Financials on or before the date the Financials are due pursuant to Section 5.01, Category 5 shall be deemed applicable for the period commencing three (3) Business Days after the required date of delivery and ending on the date which is three (3) Business Days after the Financials are actually delivered, after which the Category shall be determined in accordance with the table above as applicable;

(ii) adjustments, if any, to the Category then in effect shall be effective three (3) Business Days after the Administrative Agent has received the applicable Financials (it being understood and agreed that each change in Category shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change); and

(iii) notwithstanding the foregoing, Category 5 shall be deemed to be applicable from and after the Amendment No. 5 Effective Date until the Administrative Agent's receipt of the applicable Financials for the Company's first fiscal quarter ending after the Amendment No. 5 Effective Date and adjustments to the Category then in effect shall thereafter be effected in accordance with the preceding paragraphs."

(d) Section 4.02 of the Credit Agreement is hereby amended to:

(i) insert the following new paragraph (c) immediately after paragraph (b) thereof:

"(c) The Consolidated Cash Balance on and as of the date of such Borrowing does not exceed $125,000,000, before and after giving effect to such Borrowing and to the application of the proceeds therefrom on or around such date, but in any event, not to exceed two Business Days after such date; provided that this paragraph (c) shall not apply to any Term Loan Borrowing."

and

(ii) replace the phrase "the matters specified in paragraphs (a) and (b) of this Section" appearing therein with the phrase "the matters specified in paragraphs (a), (b) and, if applicable, (c) of this Section".

(e) Section 6.12(a) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(a) Maximum Total Leverage Ratio. Except with the written consent of the Required Revolving Lenders, the Company will not permit the ratio (the "Total Leverage Ratio"), determined as of the end of each of its fiscal quarters ending on and after the Amendment No. 4 Effective Date, of (i) Consolidated Total Indebtedness to (ii) Consolidated EBITDA for the period of four (4) consecutive fiscal quarters ending with the end of such fiscal quarter, all calculated for the Company and its Subsidiaries on a consolidated basis, to be greater than the ratio set forth below opposite the day or the period in which such fiscal quarter ends:

Day or Period	Ratio
Amendment No. 4 Effective Date through June 30, 2020	5.00:1.00
September 30, 2020 through December 31, 2020	4.75:1.00
March 31, 2021 through September 30, 2021	4.25:1.00
December 31, 2021 and thereafter	3.75:1.00

Notwithstanding the foregoing, so long as (x) none of the Company or any Subsidiary shall make any Restricted Payment from and after the Amendment No. 5 Effective Date through and including June 30, 2021 and (y) none of the Company or any Subsidiary shall make any Permitted Acquisition or other acquisition from and after the Amendment No. 5 Effective Date through and including December 31, 2021 (any such action described in the foregoing clauses (x) and (y), a "Specified Event"), the Company will not permit the Total Leverage Ratio, determined as of the end of each of its fiscal quarters ending on and after the Amendment No. 5 Effective Date, to be greater than the ratio set forth below opposite the day or the period in which such fiscal quarter ends (for the avoidance of doubt, subject at all times to the immediately succeeding proviso, in lieu of the ratios set forth in the table above):

Day or Period	Ratio
September 30, 2020 through March 31, 2021	6.00:1.00
June 30, 2021	5.75:1.00
September 30, 2021 through December 31, 2021	5.50:1.00
March 31, 2022 through June 30, 2022	4.75:1.00
September 30, 2022	4.25:1.00
December 31, 2022 and thereafter	3.75:1.00

; provided that it is understood and agreed that, notwithstanding anything to the contrary contained in this Agreement or any other Loan Document, immediately upon the occurrence of any Specified Event following the Amendment No. 5 Effective Date, on and after the date of the occurrence of such Specified Event, the maximum Total Leverage Ratio permitted under this Section 6.12(a) shall be determined by the first table of ratios set forth in this Section 6.12(a) (and not, for the avoidance of doubt, the second table of ratios set forth in this Section 6.12(a) set forth immediately above this proviso, which second table of ratios shall be of no further force or effect)."

(f) Section 6.12(b) of the Credit Agreement is hereby amended to replace the grid set forth therein with the following:

“Day or Period	Ratio
Amendment No. 4 Effective Date through March 31, 2021	3.00:1.00
June 30, 2021 through September 30, 2021	3.25:1.00
December 31, 2021 and thereafter	3.50:1.00”

2. Conditions Precedent. The effectiveness of this Amendment is subject to the conditions precedent that the Administrative Agent shall have received:

(a) counterparts to (i) this Amendment, duly executed by each of the Company, the Administrative Agent, the Swingline Lender, each Issuing Bank and the Required Revolving Lenders and (ii) the Consent and Reaffirmation attached as Exhibit A hereto, duly executed by the Subsidiary Guarantors; and

(b) payment and/or reimbursement of the Administrative Agent’s and its affiliates’ reasonable fees and documented out-of-pocket expenses (including, to the extent invoiced no less than two (2) Business Days prior to the Amendment No. 5 Effective Date (except as otherwise reasonably agreed by the Company), reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent) in connection with this Amendment and any other Loan Documents.

3. Representations and Warranties. To induce the Administrative Agent, the Swingline Lender, the Issuing Banks and the Revolving Lenders party hereto to enter into this Amendment, the Company hereby represents and warrants to the Administrative Agent, the Swingline Lender, the Issuing Banks and the Revolving Lenders party hereto, that:

(a) This Amendment and the Credit Agreement as modified hereby constitute legal, valid and binding obligations of the Company, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors’ rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law; and

(b) As of the date hereof and immediately after giving effect to the terms of this Amendment, (i) no Default has occurred and is continuing, and (ii) the representations and warranties of the Company set forth in the Credit Agreement are true and correct in all material respects (provided that any representation or warranty that is qualified by materiality, Material Adverse Effect or similar language is true and correct in all respects), except to the extent that such representations and warranties specifically refer to an earlier date, in which case they were true and correct in all material respects (provided that any representation or warranty that is qualified by materiality, Material Adverse Effect or similar language was true and correct in all respects) as of such earlier date.

4. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference in the Credit Agreement to “this Agreement,” “hereunder,” “hereof,” “herein,” or words of like import, and each reference in any other Loan Document to the Credit Agreement (including, without limitation, by means of words like “thereunder,” “thereof,” and words of like import), shall mean and be a reference to the Credit Agreement as amended hereby, and this Amendment and the Credit Agreement shall be read together and construed as a single instrument referred to herein as the Amended Credit Agreement.

(b) Except as expressly amended hereby, the Credit Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby reaffirmed, ratified and confirmed.

(c) The liens and security interests in favor of the Administrative Agent for the benefit of the Secured Parties securing payment of the Secured Obligations (and all filings with any Governmental Authority in connection therewith) are in all respects continuing and in full force and effect with respect to all Secured Obligations.

(d) Except with respect to the subject matter hereof, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

(e) This Amendment is a Loan Document under (and as defined in) the Credit Agreement.

5. Miscellaneous.

(a) Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

(b) Headings. Section headings used herein are for convenience of reference only, are not part of this Amendment and shall not affect the construction of, or be taken into consideration in interpreting, this Amendment.

(c) Counterparts. This Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this Amendment and/or any document to be signed in connection with this Amendment and the transactions contemplated hereby shall be deemed to include Electronic Signatures (as defined below), deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be. As used herein, "Electronic Signatures" means any electronic symbol or process attached to, or associated with, any contract or other record and adopted by a person with the intent to sign, authenticate or accept such contract or record.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

MTS SYSTEMS CORPORATION, as the Company

By: /s/ BRIAN ROSS
Name: Brian Ross
Title: Chief Financial Officer

Signature Page to Amendment No. 5 to Credit Agreement

JPMORGAN CHASE BANK, N.A., individually as a Revolving Lender, as Swingline Lender, as an Issuing Bank and as Administrative Agent

By: /s/ KRYS SZREMSKI
Name: Krys Szremski
Title: Executive Director

Signature Page to Amendment No. 5 to Credit Agreement

BANK OF AMERICA, N.A., individually as a Revolving Lender

By: /s/ CHAD KARDASH
Name: Chad Kardash
Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Revolving Lender and as an Issuing Bank

By: /s/ SHARLYN REKENTHALER
Name: Sharlyn Rekenthaler
Title: Senior Vice President

Signature Page to Amendment No. 5 to Credit Agreement

U.S. BANK NATIONAL ASSOCIATION, individually as a Revolving Lender and as an Issuing Bank

By: /s/ TYRONE PARKER
Name: Tyrone Parker
Title: Vice President

HSBC BANK USA, NATIONAL ASSOCIATION , as a Revolving Lender

By: /s/ SHAUN KLEINMAN
Name: Shaun Kleinman
Title: Senior Vice President

EXHIBIT A

Consent and Reaffirmation

The undersigned hereby acknowledges receipt of a copy of the foregoing Amendment No. 5 to Credit Agreement with respect to that certain Credit Agreement, dated as of July 5, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among MTS Systems Corporation, a Minnesota corporation (the "Borrower"), the Foreign Subsidiary Borrowers from time to time party thereto, the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), which Amendment No. 5 is dated as of July 30, 2020 (the "Amendment") and is by and among the Borrower, the Revolving Lenders party thereto and the Administrative Agent. Capitalized terms used in this Consent and Reaffirmation and not defined herein shall have the meanings given to them in the Credit Agreement.

Without in any way establishing a course of dealing by the Administrative Agent or any Lender, the undersigned consents to the Amendment and reaffirms the terms and conditions of the Subsidiary Guaranty and any other Loan Document executed by it and acknowledges and agrees that the Subsidiary Guaranty and each and every such Loan Document executed by the undersigned in connection with the Credit Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed. All references to the Credit Agreement contained in the above-referenced documents shall be a reference to the Credit Agreement as so modified by the Amendment and as the same may from time to time hereafter be amended, modified or restated.

Dated July 30, 2020

[Signature Page Follows]

IN WITNESS WHEREOF, this Consent and Reaffirmation has been duly executed as of the day and year above written.

PCB PIEZOTRONICS, INC.

By: /s/ DAVID HORE

Name: David Hore

Title: President

Signature Page to Consent and Reaffirmation

Exhibit 99.1

MTS Systems Corporation
14000 Technology Drive
Eden Prairie, MN 55344-2290
Telephone 952-937-4000
Fax 952-937-4515

News Release

FOR IMMEDIATE RELEASE
August 3, 2020

MTS REPORTS FISCAL 2020 THIRD QUARTER FINANCIAL RESULTS

EDEN PRAIRIE, MN - August 3, 2020 - MTS Systems Corporation (Nasdaq: MTSC), a leading global supplier of advanced test systems, motion simulators and precision sensors, today reported financial results for its fiscal year 2020 third quarter ended June 27, 2020.

THIRD QUARTER FINANCIAL AND OPERATING HIGHLIGHTS

- Ø Positive operating cash flow of $16.0 million
- Ø Backlog of $451.4 million, an increase of 1.8% over prior year
- Ø Revenue of $196.2 million, a decline of 15.5% over prior year, reflecting the global impact of the COVID-19 pandemic
- Ø GAAP diluted earnings per share of $0.23, including $0.08 of discrete tax benefits
- Ø Adjusted diluted earnings per share of $0.44, including $0.26 of amortization expense
- Ø Subsequent to quarter end, amended revolving credit facility to enhance operating and financial flexibility

FINANCIAL TABLE

	Three Months Ended		Nine Months Ended	
(in thousands, except per share data - unaudited)	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Revenue	$ 196,225	$ 232,209	$ 613,531	$ 668,436
Revenue % increase (decrease)	(15.5)%	19.3%	(8.2)%	15.2%
Gross margin	33.4 %	36.6%	34.8 %	37.5%
Operating margin	6.4 %	9.9%	5.8 %	9.7%
Earnings before taxes	$ 3,351	$ 16,190	$ 8,737	$ 44,463
Net income	4,389	13,585	8,624	38,246
Diluted earnings per share	0.23	0.70	0.45	1.97
Adjusted diluted earnings per share[1]	0.44	0.71	1.08	2.07
Adjusted EBITDA[1]	28,800	35,357	89,954	103,013
Cash and cash equivalents, end of period	65,073	75,735		
Backlog, end of period	451,435	443,271		
Total debt, end of period	595,096	462,516		

[1] Refer to the "Non-GAAP Financial Measures" section below for discussion of the calculation of these non-GAAP financial measures.

EXECUTIVE COMMENTARY - RANDY J. MARTINEZ, INTERIM PRESIDENT AND CHIEF EXECUTIVE OFFICER

"During my first two months as MTS' Interim President and Chief Executive Officer, I have seen firsthand the critical role we play in building global infrastructure, supporting decarbonization efforts, and driving success for our customers. I am inspired by how our employees have continued this vital work during the last quarter despite the global pandemic.

Throughout the third quarter, we acted decisively to mitigate COVID-19’s impact on our business. We strengthened our financial position through restructuring and cost reduction initiatives, temporary curtailments in cash compensation for our Board of Directors and senior executives, and the suspension of dividend payments. More recently, we amended our revolving credit facility to maximize our liquidity position under our current capital structure. Importantly, we executed these initiatives while maintaining a safe work environment for our employees and business continuity for our customers.

We experienced softer demand as the pandemic forced many customers to temporarily shut down their operations and delay orders. This was partially offset by top-line contributions from our recent acquisition of the R&D entities in Denmark, which have shown strong momentum since the transaction was completed early in the second quarter of fiscal year 2020.

As we look to the fourth quarter, we expect to sustain our performance sequentially while recognizing improvements in our order profile. Despite continuing challenges posed by the pandemic, we remain confident that our differentiated technology, industry-leading engineering, deep customer relationships, global footprint and strong talent pool will drive future growth.

Our top priority remains protecting the well-being of our employees while providing a high-quality service to our valued customers. I am committed to executing on our strategic initiatives and returning MTS to strong profitability."

HIGHLIGHTS FOR THE 2020 THIRD FISCAL QUARTER

Revenue

Revenue was $196.2 million, down 15.5% compared to the same prior year period, due to declines in Test & Simulation and Sensors. Both businesses were negatively impacted by COVID-19 due to the closure of customer sites, travel restrictions and delayed customer spending. Test & Simulation revenue decreased primarily due to a decline in volume from softness in our ground vehicles and materials sectors, coupled with lower service volume. The decline was partially offset by top-line contributions from the acquisition of the R&D entities in Denmark (R&D) of $14.1 million, which was completed early in the second quarter of fiscal year 2020. Sensors revenue declined due to softness in all sectors except our test sector, which included the addition of Endevco, which closed during the fourth quarter of fiscal year 2019, and continued U.S. Department of Defense volume growth. Importantly, we had no material cancellations of orders or backlog in the third quarter.

Orders

Test & Simulation orders for the quarter were $80.9 million, down 22.1% compared to the same prior year period primarily driven by lower orders in our ground vehicles sector and lower services orders reflecting the global impact of COVID-19. The decrease was partly offset by the addition of wind energy orders from the acquisition of R&D.

Sensors orders for the quarter were $70.3 million, down 8.5% compared to the same prior year period primarily driven by lower orders in our position, industrial and systems sectors reflecting the global impact of COVID-19. The decrease was partially offset by growth in our test sector primarily driven by additional funding associated with the U.S. Department of Defense and the addition of orders from the acquisition of Endevco.

Backlog

Backlog remained strong at $451.4 million, which reflects an increase of 1.8% compared to the same prior year period. Sequentially, from the second quarter of fiscal year 2020, backlog was down 9.7% driven by revenue realized during the third quarter outpacing order bookings. Ending backlog for Test & Simulation and Sensors was $373.3 million and $78.1 million, respectively.

Net Income and Diluted Earnings Per Share

GAAP diluted earnings per share was $0.23 compared to $0.70 in the same prior year period on net income of $4.4 million and $13.6 million, respectively. The $0.47 decrease was primarily driven by a decline in gross profit as the result of lower revenue volume in both businesses reflecting the impact of COVID-19. Additionally, we had higher Test & Simulation restructuring costs from actions taken in the second and third quarters of fiscal year 2020 to manage and reduce operating costs, higher interest expense on increased debt levels, the R&D contingent consideration fair value adjustment and higher acquisition-related costs due to the R&D and Endevco acquisitions. The decline was partially offset by lower compensation expense in both businesses, cost containment measures and a reduction in the effective tax rate which includes $0.08 of discrete tax benefits in the third quarter of fiscal year 2020.

Third quarter of fiscal year 2020 and 2019 results include $0.21 and $0.01, respectively, of non-recurring costs associated with restructuring actions taken in fiscal year 2020, the R&D contingent consideration fair value adjustment, acquisition-related expenses, and E2M and Endevco acquisition inventory fair value adjustments. R&D was acquired early in the second quarter of fiscal year 2020, and E2M and Endevco were acquired in the first and fourth quarters of fiscal year 2019, respectively. Adjusting for these items, adjusted diluted earnings per share was $0.44 for the third quarter of fiscal 2020, and $0.71 for the same period in the prior year. A reconciliation of adjusted diluted earnings per share, a non-GAAP financial measure, to diluted earnings per share, the most directly comparable GAAP financial measure, is provided in Exhibits B and C of this earnings release.

Our diluted earnings per share and adjusted diluted earnings per share include the amortization of purchased intangible assets of $0.26 and $0.18 for the third quarter of fiscal year 2020 and 2019, respectively. We incurred pre-tax amortization expense of $6.3 million ($5.0 million post-tax) and $4.4 million ($3.5 million post-tax) for the third quarter of fiscal year 2020 and 2019, respectively, in relation to companies that we have acquired.

Adjusted EBITDA

Adjusted EBITDA declined to $28.8 million in the third quarter of fiscal year 2020, down 18.5% compared to the same prior year period. The decrease was primarily driven by a decline in gross profit from lower revenue in both businesses reflecting the impact of COVID-19, partially offset by lower compensation expense and cost containment measures. A reconciliation of Adjusted EBITDA, a non-GAAP financial measure, to net income, the most directly comparable GAAP financial measure, is provided in Exhibit D of this earnings release.

Coronavirus 2019 (COVID-19) Pandemic Update

The COVID-19 pandemic continues to create significant volatility, uncertainty and economic disruption resulting in an adverse impact on all facets of our business. We have taken swift action to mitigate impact and solidify our financial position. We are currently operating in all markets we serve as permitted, and our production capacity continues to recover as jurisdictions ease work restrictions throughout the world. However, restrictions on our employees' ability to access our customers, temporary closures of customer facilities and delays in customer spending have negatively impacted our sales and operating results for the third quarter of fiscal year 2020. Given the evolving nature of the pandemic, at this time, we cannot forecast with reasonable accuracy the pace of recovery across our end markets during the fourth quarter.

Cost Reductions and Restructuring Actions

As mentioned in our second quarter earnings release, we have taken swift cost reduction actions to provide an increased level of flexibility during these challenging times. We previously stated that we expect to realize at a minimum $10.0 million in cost savings from these actions in the second half of fiscal year 2020 and we have met or slightly exceeded the savings target for the third quarter of fiscal year 2020. We expect to see at least the same amount for the fourth quarter of fiscal year 2020 allowing us to achieve or slightly exceed our overall target of $10.0 million in cost savings.

Balance Sheet and Liquidity

During the quarter, our total debt balance decreased $5.5 million to $595.1 million as we continue to pay-down our outstanding debt balance. We ended the quarter with $65.1 million of cash on the balance sheet, leading to a net debt balance of $530.0 million. The ratio of interest-bearing debt to Adjusted EBITDA and the ratio of net interest-bearing debt to Adjusted EBITDA remain in full compliance with the debt covenant levels specified in our debt agreements and debt maturities not occurring until July 2023 and August 2027. On July 30, 2020, subsequent to quarter end, we amended our revolving credit facility to provide operational and financial flexibility as we navigate COVID-19 and continued macroeconomic uncertainty.

"Our recently amended credit facility has allowed us to nearly double our total liquidity position to approximately $180 million before considering any letters of credit," said Brian Ross, Executive Vice President and Chief Financial Officer. "Our financial position is sound, further supported by free cash flow generation during the third quarter. We remain focused on our financial priorities, including maximizing liquidity and effectively managing our cost infrastructure, and we will continue to engage our lenders to support our financial flexibility to navigate the near-term environment and position us to return to growth as the market recovery takes hold."

THIRD QUARTER CONFERENCE CALL

As announced on July 20, 2020, a conference call will be held on August 4, 2020 (tomorrow), at 11:00 a.m. ET (10:00 a.m. CT). Randy J. Martinez, Interim President and Chief Executive Officer, and Brian T. Ross, Executive Vice President and Chief Financial Officer, will host the call, which will include a question and answer session after prepared remarks.

Call toll free +1-800-353-6461 (international toll +1-334-323-0501) and reference the conference pass code 8588209. The conference call replay will be available at 1:00 p.m. ET following the call until 1:00 p.m. ET, August 11, 2020. Call toll free +1-888-203-1112 and reference the conference pass code 8588209.

A transcript of the call can also be accessed from the MTS website at http://investor.mts.com/events-and-presentations/presentations beginning on August 5, 2020.

ABOUT MTS SYSTEMS CORPORATION

MTS Systems Corporation's testing and simulation hardware, software and service 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 3,500 employees as of September 28, 2019 and revenue of $893 million for the fiscal year ended September 28, 2019. Additional information on MTS can be found at www.mts.com.

NON-GAAP FINANCIAL MEASURES

We believe that disclosing adjusted diluted earnings per share, which is diluted earnings per share excluding the impact from restructuring expenses, acquisition-related expenses and the acquisition inventory fair value adjustment is useful to investors as a measure of operating performance. We use this as one measure to monitor and evaluate operating performance. Adjusted diluted earnings per share is a financial measure that does not reflect United States Generally Accepted Accounting Principles (GAAP). We calculate this measure by adding back the after-tax effect of the restructuring expenses, acquisition-related expenses and the acquisition inventory fair value adjustment to net income and dividing the result by the diluted weighted average shares outstanding.

We believe that disclosing earnings before interest, taxes, depreciation and amortization (EBITDA), EBITDA excluding the impact from stock-based compensation, restructuring expenses, acquisition-related expenses and the acquisition inventory fair value adjustment (Adjusted EBITDA) and Adjusted EBITDA divided by revenue (Adjusted EBITDA margin) are useful to investors as a measure of leverage and operating performance. We use these measures to monitor and evaluate leverage and operating performance. EBITDA, Adjusted EBITDA and Adjusted EBITDA margin are financial measures that do not reflect GAAP. We calculate EBITDA by adding back interest, taxes, depreciation and amortization expense to net income. Adjusted EBITDA is calculated by adding back stock-based compensation, restructuring expenses, acquisition-related expenses and the acquisition inventory fair value adjustment to EBITDA. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenue.

We believe that disclosing free cash flow is useful to investors as a measure of operating performance. We use this measure as an indicator of our strength and ability to generate cash. Free cash flow is a financial measure that does not reflect GAAP. We calculate free cash flow as net cash provided by (used in) operating activities less purchases of property and equipment and businesses, net of cash acquired, plus cash proceeds from sales of property and equipment.

Investors should consider these non-GAAP financial measures in addition to, not as a substitute for or better than, financial measures prepared in accordance with GAAP. Reconciliations of the components of these measures to the most directly comparable GAAP financial measures are included in Exhibits B, C, D and E of this earnings release.

FORWARD-LOOKING STATEMENTS

This earnings 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 earnings release. Such statements include, but are not limited to, statements about future financial and operating results, plans, objectives, expectations and intentions, statements about the opportunities and outlook for our Sensors and Test & Simulation sectors, statements about the impact of COVID-19 and related economic uncertainty, and other statements that are not historical facts. These statements are based on our 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 our actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to, the currently-unknown impact of COVID-19 and related economic uncertainty and those described in the "Risk Factors" section of our 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 our 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 such statements are made, and we undertake 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.

INVESTOR RELATIONS CONTACT

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MTS SYSTEMS CORPORATION

Consolidated Statements of Income

(unaudited - in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Revenue				
Product	$ 175,223	$ 205,528	$ 537,304	$ 587,297
Service	21,002	26,681	76,227	81,139
Total revenue	196,225	232,209	613,531	668,436
Cost of sales				
Product	116,491	130,514	349,336	368,260
Service	14,239	16,592	50,850	49,418
Total cost of sales	130,730	147,106	400,186	417,678
Gross profit	65,495	85,103	213,345	250,758
Gross margin	33.4%	36.6%	34.8%	37.5%
Operating expenses				
Selling and marketing	26,857	33,321	89,707	98,805
General and administrative	19,692	20,621	67,382	63,804
Research and development	6,303	8,160	20,485	23,008
Total operating expenses	52,852	62,102	177,574	185,617
Income from operations	12,643	23,001	35,771	65,141
Operating margin	6.4%	9.9%	5.8%	9.7%
Interest income (expense), net	(8,846)	(6,687)	(25,975)	(20,873)
Other income (expense), net	(446)	(124)	(1,059)	195
Income before income taxes	3,351	16,190	8,737	44,463
Income tax provision (benefit)	(1,038)	2,605	113	6,217
Net income	$ 4,389	$ 13,585	$ 8,624	$ 38,246
Earnings per share				
Basic				
Earnings per share	$ 0.23	$ 0.70	$ 0.45	$ 1.99
Weighted average common shares outstanding	19,229	19,297	19,189	19,255
Diluted				
Earnings per share	$ 0.23	$ 0.70	$ 0.45	$ 1.97
Weighted average common shares outstanding	19,315	19,520	19,349	19,436
Dividends declared per share	$ —	$ 0.30	$ 0.60	$ 0.90

MTS SYSTEMS CORPORATION

Condensed Consolidated Balance Sheets

(unaudited - in thousands)

	June 27, 2020	September 28, 2019
ASSETS		
Current assets		
Cash and cash equivalents	$ 65,073	$ 57,937
Accounts receivable, net	118,686	121,260
Unbilled accounts receivable, net	91,787	80,331
Inventories, net	177,210	167,199
Prepaid expenses and other current assets	30,363	23,761
Total current assets	483,119	450,488
Property and equipment, net	100,160	101,083
Goodwill	465,978	429,039
Intangible assets, net	342,901	306,585
Other long-term assets	30,962	10,782
Total assets	$ 1,423,120	$ 1,297,977
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$ 27,000	$ —
Current maturities of long-term debt, net	2,830	27,969
Accounts payable	51,639	46,849
Advance payments from customers	64,980	70,520
Other accrued liabilities	95,935	106,238
Total current liabilities	242,384	251,576
Long-term debt, less current maturities, net	565,266	484,648
Other long-term liabilities	126,614	77,694
Total liabilities	934,264	813,918
Shareholders' equity		
Common stock, $0.25 par; 64,000 shares authorized: 19,220 and 19,124 shares issued and outstanding as of June 27, 2020 and September 28, 2019, respectively	4,805	4,781
Additional paid-in capital	187,128	182,422
Retained earnings	312,444	315,329
Accumulated other comprehensive income (loss)	(15,521)	(18,473)
Total shareholders' equity	488,856	484,059
Total liabilities and shareholders' equity	$ 1,423,120	$ 1,297,977

MTS SYSTEMS CORPORATION

Condensed Consolidated Statements of Cash Flows

(unaudited - in thousands)

	Three Months Ended		Nine Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cash Flows from Operating Activities				
Net income	$ 4,389	$ 13,585	$ 8,624	$ 38,246
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Stock-based compensation	119	2,609	5,214	7,298
Fair value adjustment to acquired inventory	—	157	1,140	1,141
Depreciation	5,218	5,236	17,287	15,485
Amortization	6,288	4,449	17,343	12,668
Accretion of contingent consideration	439	—	895	—
Contingent consideration fair value adjustment	1,301	—	1,301	—
(Gain) loss on sale or disposal of property and equipment	1,277	42	2,327	552
Amortization of debt issuance costs	776	708	2,220	2,807
Deferred income taxes	825	(187)	1,718	(1,430)
Other	366	370	128	1,457
Changes in operating assets and liabilities	(4,999)	(7,668)	(44,777)	(28,254)
Net Cash Provided by (Used in) Operating Activities	15,999	19,301	13,420	49,970
Cash Flows from Investing Activities				
Purchases of property and equipment	(4,863)	(8,028)	(21,144)	(17,377)
Proceeds from sale of property and equipment	—	—	—	10
Purchases of business, net of acquired cash	(1,164)	(1,700)	(49,268)	(83,526)
Other	87	—	87	(285)
Net Cash Provided by (Used in) Investing Activities	(5,940)	(9,728)	(70,325)	(101,178)
Cash Flows from Financing Activities				
Proceeds from issuance of long-term debt	—	—	58,576	80,391
(Payments on) proceeds from financing arrangements, net	(6,615)	(2,438)	22,168	(9,221)
Cash dividends	(5,719)	(5,375)	(17,205)	(16,099)
Proceeds from exercise of stock options and employee stock purchase plan	(1)	996	630	1,697
Payments to purchase and retire common stock	(303)	(986)	(1,176)	(1,384)
Net Cash Provided by (Used in) Financing Activities	(12,638)	(7,803)	62,993	55,384
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,070	(157)	1,048	(245)
Increase (decrease) in cash and cash equivalents during the period	(1,509)	1,613	7,136	3,931
Cash and cash equivalents balance, beginning of period	66,582	74,122	57,937	71,804
Cash and cash equivalents balance, end of period	$ 65,073	$ 75,735	$ 65,073	$ 75,735

Exhibit A

MTS SYSTEMS CORPORATION

Segment Financial Information

(unaudited - in thousands)

	Three Months Ended		Nine Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Test & Simulation Segment				
Revenue	$ 116,404	$ 148,328	$ 362,631	$ 424,920
Cost of sales	87,629	104,053	263,777	293,810
Gross profit	28,775	44,275	98,854	131,110
Gross margin	24.7%	29.8%	27.3%	30.9%
Operating expenses	29,067	32,851	92,955	99,671
Income (loss) from operations	$ (292)	$ 11,424	$ 5,899	$ 31,439
Sensors Segment				
Revenue	$ 80,222	$ 84,231	$ 251,955	$ 244,556
Cost of sales	43,502	43,424	137,463	124,916
Gross profit	36,720	40,807	114,492	119,640
Gross margin	45.8%	48.4%	45.4%	48.9%
Operating expenses	23,785	29,251	84,619	85,946
Income from operations	$ 12,935	$ 11,556	$ 29,873	$ 33,694
Intersegment Eliminations				
Revenue	$ (401)	$ (350)	$ (1,055)	$ (1,040)
Cost of sales	(401)	(371)	(1,054)	(1,048)
Gross profit	—	21	(1)	8
Income (loss) from operations	$ —	$ 21	$ (1)	$ 8
Total Company				
Revenue	$ 196,225	$ 232,209	$ 613,531	$ 668,436
Cost of sales	130,730	147,106	400,186	417,678
Gross profit	65,495	85,103	213,345	250,758
Gross margin	33.4%	36.6%	34.8%	37.5%
Operating expenses	52,852	62,102	177,574	185,617
Income from operations	$ 12,643	$ 23,001	$ 35,771	$ 65,141

Exhibit B

MTS SYSTEMS CORPORATION

Reconciliation of Adjusted Diluted Earnings Per Share
(unaudited - in thousands, except per share data)

	Three Months Ended					
	June 27, 2020			June 29, 2019		
	Pre-Tax	Tax	Net	Pre-Tax	Tax	Net
Net income	$ 3,351	$ (1,038)	$ 4,389	$ 16,190	$ 2,605	$ 13,585
Restructuring expenses [1]	2,745	615	2,130	—	—	—
Acquisition-related expenses [1]	1,243	268	975	98	21	77
Acquisition inventory fair value adjustment [1]	—	—	—	157	24	133
Contingent consideration fair value adjustment [1]	1,301	286	1,015	—	—	—
Adjusted net income [2]	$ 8,640	$ 131	$ 8,509	$ 16,445	$ 2,650	$ 13,795
Weighted average diluted common shares outstanding			19,315			19,520
Diluted earnings per share	$ 0.17	$ (0.06)	$ 0.23	$ 0.84	$ 0.14	$ 0.70
Impact of restructuring expenses	0.14	0.03	0.11	—	—	—
Impact of acquisition-related expenses	0.07	0.02	0.05	—	—	—
Impact of acquisition inventory fair value adjustment	—	—	—	0.01	—	0.01
Impact of contingent consideration fair value adjustment	0.07	0.02	0.05	—	—	—
Adjusted diluted earnings per share [2]	$ 0.45	$ 0.01	$ 0.44	$ 0.85	$ 0.14	$ 0.71

[1] In determining the tax impact of restructuring expenses, acquisition-related expenses, acquisition inventory fair value adjustment and contingent consideration fair value adjustment, we applied the statutory rate in effect for each jurisdiction where the expenses were incurred.

[2] Denotes non-GAAP financial measure.

Exhibit C

MTS SYSTEMS CORPORATION

Reconciliation of Adjusted Diluted Earnings Per Share

(unaudited - in thousands, except per share data)

	Nine Months Ended					
	June 27, 2020			June 29, 2019		
	Pre-Tax	Tax	Net	Pre-Tax	Tax	Net
Net income	$ 8,737	$ 113	$ 8,624	$ 44,463	$ 6,217	$ 38,246
Restructuring expenses [1]	8,883	2,403	6,480	130	33	97
Acquisition-related expenses [1]	4,867	1,043	3,824	1,133	238	895
Acquisition inventory fair value adjustment [1]	1,140	239	901	1,141	172	969
Contingent consideration fair value adjustment [1]	1,301	286	1,015	—	—	—
Adjusted net income [2]	$ 24,928	$ 4,084	$ 20,844	$ 46,867	$ 6,660	$ 40,207
Weighted average diluted common shares outstanding			19,349			19,436
Diluted earnings per share	$ 0.45	$ —	$ 0.45	$ 2.29	$ 0.32	$ 1.97
Impact of restructuring expenses	0.46	0.13	0.33	—	—	—
Impact of acquisition-related expenses	0.25	0.05	0.20	0.06	0.01	0.05
Impact of acquisition inventory fair value adjustment	0.06	0.01	0.05	0.06	0.01	0.05
Impact of contingent consideration fair value adjustment	0.07	0.02	0.05	—	—	—
Adjusted diluted earnings per share[2]	$ 1.29	$ 0.21	$ 1.08	$ 2.41	$ 0.34	$ 2.07

[1] In determining the tax impact of restructuring expenses, acquisition-related expenses, acquisition inventory fair value adjustment and contingent consideration fair value adjustment, we applied the statutory rate in effect for each jurisdiction where the expenses were incurred.

[2] Denotes non-GAAP financial measure.

Exhibit D

MTS SYSTEMS CORPORATION

Reconciliation of EBITDA and Adjusted EBITDA

(unaudited - in thousands)

	Three Months Ended		Nine Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Net income	$ 4,389	$ 13,585	$ 8,624	$ 38,246
Net income margin	*2.2%*	*5.9%*	*1.4%*	*5.7%*
Income tax provision	(1,038)	2,605	113	6,217
Interest expense, net	8,846	6,687	25,975	20,873
Depreciation	5,218	5,236	17,287	15,485
Amortization	6,288	4,449	17,343	12,668
EBITDA [1]	23,703	32,562	69,342	93,489
Stock-based compensation	119	2,609	5,214	7,298
Restructuring expenses [2]	2,932	—	9,070	130
Acquisition-related expenses [2]	745	29	3,887	955
Acquisition inventory fair value adjustment	—	157	1,140	1,141
Contingent consideration fair value adjustment	1,301	—	1,301	—
Adjusted EBITDA [1]	$ 28,800	$ 35,357	$ 89,954	$ 103,013
Adjusted EBITDA margin [1,3]	*14.7%*	*15.2%*	*14.7%*	*15.4%*

[1] Denotes non-GAAP financial measure.

[2] Restructuring and acquisition-related expenses were adjusted to exclude stock-based compensation that is otherwise included in the stock-based compensation line and interest expense that is otherwise included in the interest expense, net line.

[3] Adjusted EBITDA was divided by revenue when calculating the Adjusted EBITDA margin.

Exhibit E

MTS SYSTEMS CORPORATION

Reconciliation of Free Cash Flow

(unaudited - in thousands)

	Three Months Ended		Nine Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Net Cash Provided by (Used in) Operating Activities	$ 15,999	$ 19,301	$ 13,420	$ 49,970
Purchases of property and equipment	(4,863)	(8,028)	(21,144)	(17,377)
Proceeds from sale of property and equipment	—	—	—	10
Free cash flow[1]	$ 11,136	$ 11,273	$ (7,724)	$ 32,603

[1] Denotes non-GAAP financial measure.