

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS**

CITY OF CAPE CORAL MUNICIPAL
GENERAL EMPLOYEES' RETIREMENT
PLAN, Individually and on Behalf of All
Others Similarly Situated,

Plaintiff,

v.

METHODE ELECTRONICS, INC.,
DONALD W. DUDA, RONALD L.G.
TSOUMAS, and JOSEPH KHOURY,

Defendants.

Case No. 1:24-cv-9654

CLASS ACTION

JURY TRIAL DEMANDED

**CLASS ACTION COMPLAINT FOR VIOLATIONS
OF THE FEDERAL SECURITIES LAWS**

Plaintiff City of Cape Coral Municipal General Employees' Retirement Plan ("Plaintiff"), by and through its counsel, alleges the following based upon personal knowledge as to itself and its own acts, and upon information and belief as to all other matters, including the investigation of Plaintiff's counsel, which included, among other things, a review of Defendants' (defined below) United States Securities and Exchange Commission ("SEC") filings, wire and press releases published by Methode Electronics, Inc. ("Methode" or the "Company"), analyst reports and advisories about the Company, media reports concerning the Company, judicial filings and opinions, and other publicly available information. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

I. NATURE OF THE ACTION AND OVERVIEW

1. This is a federal securities class action on behalf of a class of all persons and entities who purchased or otherwise acquired Methode common stock between December 2, 2021, and March 6, 2024, inclusive (the “Class Period”), seeking to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), and SEC Rule 10b-5, promulgated thereunder.

2. Methode is a Delaware corporation with its principal executive offices in Chicago, Illinois. Methode designs, manufactures, and produces custom engineered solutions and other products for user interfaces, light-emitting diode (“LED”) lighting systems, and power distribution and sensor applications. The Company’s products are found in various end markets, such as transportation, cloud computing infrastructure, construction equipment, and consumer appliances. Methode reports its financials through four business segments: Automotive; Industrial; Interface; and Medical. As of the Company’s 2024 fiscal year-end, Methode’s Automotive segment is responsible for approximately 54% of the Company’s net sales, with its Industrial segment responsible for the bulk of the remaining net sales. Methode maintains manufacturing facilities worldwide, including in China, Egypt, Europe, Malta, Mexico, and the United States. A significant portion of the Company’s manufacturing operations take place in Monterrey, Mexico, where many of the Company’s Automotive, Industrial, and Interface products are manufactured. Methode’s common stock trades on the New York Stock Exchange under the ticker symbol “MEI.”

3. In 2010, Methode’s Automotive segment was awarded the center console program for General Motors Company (“GM”), which, after beginning in fiscal year 2013, was projected to add approximately \$100 million to Methode’s revenue each year thereafter. A substantial number of Methode’s center console stacks made under the GM program were manufactured in Monterrey, Mexico. The program award was critically important to Methode’s business,

operations, and prospects. In fiscal year 2016, at the peak of the program's production, Methode's sales to GM accounted for nearly 50% of the Company's consolidated net sales for the year.

4. By 2020, Methode began moving away from manufacturing traditional center console stack units to follow automotive trends that increasingly focused on integrating control functions into the vehicle's touch-screen display and relied less on traditional buttons and knobs. Accordingly, the Company began increasing its focus on producing such typically higher-margin products, especially related to electric vehicles ("EVs").

5. The Class Period begins on December 2, 2021, to coincide with the filing of the Company's second quarter 2022 financial results.¹ In connection with these results, Defendant Donald W. Duda, the Company's then-President and Chief Executive Officer, touted the "diversity of awards across key applications" and that "business awards over the last couple of years have put us on track in aggregate to replace the sales from the roll off of this truck [center console] program." In fact, Defendant Duda also explained to investors during the Company's investor earnings call that Methode "expect[s] that . . . as that [center console program] rolls off and other programs roll on, that our margins would improve."

6. Throughout the Class Period, Defendants repeatedly assured investors that Methode's Automotive segment was growing and acquiring new business, but failed to disclose that Methode could not adequately meet its customers' needs because the Company was saddled by operational inefficiencies in North America, including planning deficiencies, inventory shortages, and shipping delays. For example, on June 23, 2022, in connection with the announcement of the Company's fourth quarter and full fiscal year 2022 financial results,

¹ Methode operates on a 52- or 53-week fiscal year ending on the Saturday closest to April 30 (e.g., fiscal year 2021 ended on May 1, 2021, fiscal year 2022 ended on April 30, 2022, fiscal year 2023 ended on April 29, 2023, and fiscal year 2024 ended on April 27, 2024).

Defendant Duda announced the Company's "three-year organic sales compounded annual growth rate [(“CAGR”)] target of 6%," which "demonstrates that our business model is not just healthy, but as prospering from the strategic step that we have taken to grow the business."

7. Additionally, at an industry conference on August 10, 2022, Defendant Duda highlighted the Company's "vertically integrated manufacturing locations in North America" and around the world that provided a "cost-effective footprint . . . strategically located in proximity to key customers." Defendant Ronald L.G. Tsoumas, the Company's then-Chief Financial Officer, also explained that Methode was "investing a lot of capital to increase [its] capabilities and capacity . . . in all . . . geographic [regions]," signaling to investors that Methode's manufacturing facilities would be able to effectively produce the Company's new, in-demand, high-margin products pursuant to Methode's various business program awards.

8. Investors began to learn the truth about the significant problems in Methode's Automotive segment on March 9, 2023, when the Company announced its third quarter fiscal year 2023 financial results. The Company reported that its overall quarterly net sales decreased nearly 4% year-over-year, which was largely driven by a nearly 10% decline in quarterly Automotive net sales. The Company also cut its fiscal year 2023 net sales and diluted earnings per share ("EPS") guidance. On this news, the price of Methode common stock declined \$6.25 per share, or more than 13% over multiple trading sessions, from a close of \$47.61 per share on March 8, 2023, to close at \$41.36 per share on March 13, 2023.

9. On June 12, 2023, Methode preliminarily announced its fourth quarter and full fiscal year 2023 financial results. The Company revealed that it expected, *inter alia*, full fiscal year diluted EPS in the range between \$2.10 per share and \$2.14 per share, which was well-below Methode's revised profitability guidance announced the prior quarter. On this news, the price of

Methode common stock plummeted \$8.17 per share, or more than 18%, from a close of \$45.07 per share on June 12, 2023, to close at \$36.90 per share on June 13, 2023.

10. Ten days later, on June 22, 2023, Methode reported its fourth quarter and full fiscal year 2023 financial results, including full fiscal year diluted EPS of \$2.10 per share, at the bottom of its guidance range. On this news, the price of Methode common stock declined \$4.75 per share, or nearly 13% over multiple trading sessions, from a close of \$37.52 per share on June 21, 2023, to close at \$32.77 per share on June 23, 2023.

11. On July 14, 2023, the Company announced that it placed its then-Chief Operating Officer, Defendant Joseph Khoury, on leave as of July 10, 2023. On this news, the price of Methode common stock declined \$0.53 per share, or nearly 2%, from a close of \$33.80 per share on July 13, 2023, to close at \$33.27 per share on July 14, 2023.

12. On September 7, 2023, Methode reported its first quarter fiscal year 2024 financial results, including a 1.5% year-over-year decrease in quarterly net sales (when excluding the Company's acquisition of Nordic Lights Group Corporation). Defendant Duda revealed that the Company was experiencing "operational inefficiencies in [Methode's] North American Auto operations caused mainly by labor and vendor issues [that] led to planning deficiencies, inventory shortages, unrecoverable spot purchases and premium freight, and delayed shipments." Nevertheless, Defendant Duda assured investors that "[t]hese operational challenges have been identified and corrective action plans are already in place." Specifically, Defendant Duda explained that the operational challenges in Methode's North American Automotive segment started with "salaried personnel turnover, poor operational decisions and vendor issues." Defendant Duda explained, however, that "I have been and will continue to be personally involved with the efforts to correct the situation" and that "you have my personal commitment as the CEO

and as a shareholder, we will fix this.” On this news, the price of Methode common stock declined \$6.67 per share, or more than 22%, from a close of \$30.00 per share on September 6, 2023, to close at \$23.33 per share on September 7, 2023.

13. On December 7, 2023, the Company reported its second quarter fiscal year 2024 financial results, including a goodwill impairment of \$56.5 million in its North American and European Automotive segments. Methode further reported a year-over-year decrease in net sales and a quarterly loss from operations due to the goodwill impairment resulting from operational inefficiencies in its Automotive segment. The Company also revealed that it terminated Defendant Khoury’s employment. On this news, the price of Methode common stock declined \$2.26 per share, or more than 9%, from a close of \$24.39 per share on December 6, 2023, to close at \$22.13 per share on December 7, 2023.

14. Investors learned the full extent of Methode’s operational challenges on March 7, 2024, when the Company reported its third quarter fiscal year 2024 financial results. Critically, on the Company’s investor earnings call held that same day, Avinash Avula, the Company’s then-President and Chief Executive Officer, revealed a “\$21 million year-over-year” decrease in Methode’s quarterly net sales due to continued operational inefficiencies within the Automotive segment. The Company also suspended its financial guidance for fiscal years 2024 and 2025 (which included the Company’s three-year CAGR) and stated that “[a]ny and all previous guidance provided by the company should no longer be relied upon.” On this news, the price of Methode common stock declined \$6.55 per share, or more than 31%, from a close of \$21.04 per share on March 6, 2024, to close at \$14.49 per share on March 7, 2024.

15. This Complaint alleges that, throughout the Class Period, Defendants made materially false and/or misleading statements, as well as failed to disclose material adverse facts,

about the Company's business and operations. Specifically, Defendants misrepresented and/or failed to disclose that: (1) Methode's Automotive segment was not growing in the EV space to sufficiently replace the revenue that Methode was losing from the end of its GM center console program; (2) the Company's Automotive segment, particularly as it relates to Methode's operations in North America, was experiencing significant, ongoing operational inefficiencies that impaired the Company's ability to generate sustainable revenue growth and profitability; and (3) as a result, Defendants' representations about the Company's business, operations, and prospects were materially false and misleading and/or lacked a reasonable basis.

16. As a result of Defendants' wrongful acts and omissions, and the significant decline in the market value of the Company's common stock when the truth was revealed, Plaintiff and other members of the class have suffered significant damages.

II. JURISDICTION AND VENUE

17. Plaintiff's claims arise under Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a), and the rules and regulations promulgated thereunder, including SEC Rule 10b-5, 17 C.F.R. § 240.10b-5.

18. This Court has jurisdiction over the subject matter of this action under 28 U.S.C. § 1331 and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

19. Venue is proper in this District under Section 27 of the Exchange Act, 15 U.S.C. § 78aa, and 28 U.S.C. § 1391(b), because Methode is headquartered in this District and many of the acts and conduct that constitute the violations of law complained of herein, including the dissemination to the public of materially false and misleading information, occurred in this District.

20. In connection with the acts, conduct, and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce,

including the United States mails, interstate telephone communications, and the facilities of the national securities markets.

III. PARTIES

21. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein, purchased Methode common stock at artificially inflated prices during the Class Period and suffered damages as a result of the violations of the federal securities laws alleged herein.

22. Defendant Methode is a Delaware corporation with its principal executive offices at 8750 West Bryn Mawr Avenue, Suite 1000, Chicago, Illinois 60631-3518. Methode's common stock trades on the New York Stock Exchange under the ticker symbol "MEI."

23. Defendant Duda was the Company's President and Chief Executive Officer, and a Company director, until January 28, 2024.

24. Defendant Tsoumas was the Company's Chief Financial Officer until July 12, 2024.

25. Defendant Khoury was the Company's Chief Operating Officer until July 10, 2023.

26. Defendants Duda, Tsoumas, and Khoury are collectively referred to herein as the "Individual Defendants."

27. The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Methode's reports to the SEC, press releases, and presentations to securities analysts, money and portfolio managers, and institutional investors, i.e., the market. Each Individual Defendant was provided with copies of the Company's reports alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of the Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and/or were being concealed

from, the public, and that the positive representations that were being made were then materially false and/or misleading.

28. Methode and the Individual Defendants are collectively referred to herein as “Defendants.”

IV. SUBSTANTIVE ALLEGATIONS

A. Background

29. Methode designs, manufactures, and produces custom engineered solutions and products for user interfaces, LED lighting systems, and power distribution and sensor applications. The Company’s products are found in various end markets, such as transportation, cloud computing infrastructure, construction equipment, and consumer appliances. Methode maintains manufacturing facilities worldwide, including in China, Egypt, Europe, Malta, Mexico, and the United States. A significant portion of the Company’s manufacturing operations take place in Monterrey, Mexico, where many of the Company’s Automotive, Industrial, and Interface products are manufactured.

30. Methode reports its financials through four business segments: Automotive; Industrial; Interface; and Medical. The Company’s Automotive segment supplies, *inter alia*, electronic and electro-mechanical devices, overhead and center consoles, insert molded components, and LED-based lighting and sensors to automobile original equipment manufacturers (“OEMs”). Methode’s Automotive segment generates the majority of the Company’s total net sales, representing approximately 54% of total net sales as of 2024 fiscal year-end, approximately 62% of total net sales as of 2023 fiscal year-end, approximately 67% of total net sales as of 2022 fiscal year-end, and approximately 69% of total net sales as of 2021 fiscal year-end.

31. In 2010, Methode’s Automotive segment was awarded the center console program for GM, which, after beginning in fiscal year 2013, was projected to add approximately \$100

million in revenue per year starting in fiscal year 2014. A substantial number of Methode's center console stacks made under the GM program were manufactured in Monterrey, Mexico. The program award was critically important to Methode's business, operations, and prospects. In fiscal year 2016, at the peak of the program's production, Methode's sales to GM accounted for nearly 50% of the Company's consolidated net sales for the year.

32. By 2020, Methode began moving away from manufacturing traditional center console stack units to follow automotive trends, which increasingly focused on integrating control functions into the vehicle's touch-screen display and relied less on traditional buttons and knobs. Accordingly, the Company began increasing its focus on producing such typically-higher-margin products, especially for EVs.

B. Defendants' False and Misleading Statements

33. The Class Period begins on December 2, 2021, to coincide with the filing of the Company's second quarter 2022 financial results and Methode's related investor earnings call held that same day. In connection with Methode's results, Defendant Duda touted the Company's "diversity of awards across key applications," including in the traditional automotive market, EV applications, and cloud computing. Despite noting that Methode would begin losing "a small portion of the sales" from its legacy GM center console program, Defendant Duda emphasized that the Company's "business awards over the last couple of years have put us on track in aggregate to replace the sales from the roll off of this truck [center console] program." In fact, Defendant Duda explained to an analyst that Methode "expect[s] that . . . as that [center console program] rolls off and other programs roll on, that [its] margins would improve." Moreover, Defendant Duda reassured investors that, notwithstanding "ongoing supply chain disruptions," Defendants

were “working relentlessly with our customers to share in the absorption of these costs” and that “maybe we’ve reached in the U.S. a bottom” of the challenging supply-chain trend.

34. On June 23, 2022, the Company announced its fourth quarter and full fiscal year 2022 financial results. Defendant Duda underscored that Methode “booked another quarter of awards with over \$100 million in annual sales, with approximately 90% in EV applications, and delivered record sales for the full year.” The Company also reaffirmed its fiscal year 2023 diluted EPS guidance range between \$2.70 per share and \$3.10 per share.

35. During the accompanying investor earnings call held that same day, Defendant Duda noted “demand headwinds in North America and Europe due to program roll-offs” and “ongoing supply chain challenges,” but assured investors that the Company was continuing to work “relentlessly” and “diligently to mitigate these challenges.” Expressing confidence in Methode’s continued growth, Defendant Duda announced “a three-year organic sales [CAGR] target of 6%,” which, according to him, “demonstrates that our business model is not just healthy, but as prospering from the strategic step that we have taken to grow the business.” Similarly, Defendant Tsoumas assured investors that Methode’s fiscal 2023 financial guidance and three-year CAGR incorporated the Company’s “strong bookings” and “anticipated roll-off of the relevant programs,” including the Company’s GM center console program.

36. On August 10, 2022, Defendants Duda and Tsoumas presented at the JPMorgan Auto Conference. Defendant Duda discussed the Company’s “vertically integrated manufacturing locations in North America” and around the world that provided a “cost-effective footprint . . . strategically located in proximity to key customers.” Later in the presentation, Defendant Duda stressed the importance of Methode’s EV applications, highlighting that its “content in EV can be more than double our content on an internal combustion vehicle” as “EV is a definite organic

growth tailwind for Methode” and that, “[i]n addition to driving growth, our EV as well as our commercial vehicle businesses have helped further our customer diversification.”

37. In response to questioning about the Company’s three-year growth outlook, Defendant Tsoumas represented that Methode was “investing a lot of capital to increase [its] capabilities and capacity . . . in all . . . [its] geographic [regions].” In spite of this increased investment by the Company, Defendant Duda explained that Methode keeps it “cost of quality . . . low” at manufacturing facilities around the world, including in Monterrey, Mexico, which improves Methode’s profitability. In fact, according to Defendant Duda, the Company manufactures most of its products at the “low-cost” facilities—with approximately 68% of its Automotive products at such facilities—which Defendant Tsoumas noted provides “a free ride from a quality [standpoint].”

38. A few weeks later, on September 1, 2022, Methode announced its first quarter 2023 financial results and reaffirmed its fiscal year 2023 diluted EPS guidance range.

39. On the accompanying investor earnings call held that same day, Defendant Duda emphasized that Methode was continuing to see its “EV programs representing over 40% of the total dollar value” of its program awards. Accordingly, Defendant Duda asserted his continued confidence that “Methode is positioned to mitigate pressures and deliver sales and earnings growth for fiscal 2023.” Notably, Defendant Tsoumas explained that the “large automotive program roll off” would impact Methode’s full fiscal year net sales and profitability, but Defendant Duda stated that the Company “booked EV programs . . . that replaced that” from a revenue perspective. As he did during prior presentations, Defendant Duda again noted that Methode was still working “relentlessly” and “diligently to mitigate” ongoing supply-chain challenges.

40. On December 1, 2022, the Company issued its second quarter 2023 financial results. On the accompanying investor earnings call held that same day, Defendant Duda touted Methode's "strong sales in the quarter" and "record year for sales and continued growth in EV applications." Additionally, Defendant Duda reaffirmed the Company's "three-year organic sales [CAGR] target of 6%," but given the ongoing supply-chain and macroeconomic issues, Defendant Tsoumas announced that the Company lowered its fiscal year 2023 financial guidance to revenue between \$1.170 billion and \$1.20 billion, and diluted EPS between \$2.70 per share and \$2.90 per share.

41. Nevertheless, Defendant Tsoumas reassured investors that Methode's updated financial guidance "considers the anticipated roll-off of all relevant programs and reinforces that our organic growth strategy is putting the [C]ompany on a solid sales trajectory."

42. The above statements identified in ¶¶ 33-41 were materially false and misleading, and failed to disclose material adverse facts, about the Company's business and operations. Specifically, Defendants misrepresented and/or failed to disclose that: (1) Methode's Automotive segment was not growing in the EV space to sufficiently replace the revenue that Methode was losing from the end of its GM center console program; (2) the Company's Automotive segment, particularly as it relates to Methode's operations in North America, was experiencing significant, ongoing operational inefficiencies that impaired the Company's ability to generate sustainable revenue growth and profitability; and (3) as a result, Defendants' representations about the Company's business, operations, and prospects were materially false and misleading and/or lacked a reasonable basis.

C. The Truth Emerges

43. Investors began to learn the truth about the significant problems in Methode's Automotive segment on March 9, 2023, when the Company announced its third quarter fiscal year

2023 financial results. Methode reported a 4% year-over-year decrease to the Company's net sales, which was largely driven by a nearly 10% decline in quarterly Automotive net sales. The Company also cut its fiscal year 2023 financial guidance, expecting net sales between \$1.155 billion and \$1.180 billion (down from a range between \$1.170 billion and \$1.2 billion) and diluted EPS between \$2.50 per share and \$2.60 per share (down from a range between \$2.70 per share and \$2.90 per share). Defendant Duda, however, reaffirmed the Company's three-year organic sales growth outlook (indicating that the Company would make up sales in the coming quarters) and highlighted that Methode's "multiple years of strong awards. . . . will enable [the Company] to not only replace the sunseting console business, but to grow the business."

44. Defendant Duda also stressed that Methode "will be making investments and launching over 20 new programs in fiscal 2024" that will "include significant tooling and increased staffing." Defendant Tsoumas later explained that, with respect to the Company's increasing EV backlog, Methode was "investing for this organic growth in all three major locations on . . . three continents to support the OEMs in different locations."

45. Despite Defendants' attempt to instill investors with confidence regarding Methode's future growth, the price of Methode common stock declined \$6.25 per share, or more than 13% over multiple trading sessions, from a close of \$47.61 per share on March 8, 2023, to close at \$41.36 per share on March 13, 2023.

46. On June 12, 2023, Methode preliminarily announced its fourth quarter and full fiscal year 2023 financial results, revealing that it expected to report financial results that were below prior guidance. Specifically, the Company expected "diluted [EPS] in the range of \$2.10 [per share] to \$2.14 [per share]"—well-below the Company's revised diluted EPS guidance range shared the prior quarter. The Company's announcement also provided investors with their first

look at Methode's fiscal year 2024 financial guidance for net sales between \$1.15 billion and \$1.2 billion, and diluted EPS between \$1.55 per share and \$1.75 per share, as well as an update on Methode's expected fiscal year 2025 net sales between \$1.25 billion and \$1.35 billion. These results were significantly below investor expectations and, importantly, the updated fiscal year 2025 net sales guidance was well-below the oft-touted 6% three-year CAGR.

47. On this news, the price of Methode common stock plummeted \$8.17 per share, or more than 18%, from a close of \$45.07 per share on June 12, 2023, to close at \$36.90 per share on June 13, 2023.

48. Ten days later, on June 22, 2023, Methode reported its fourth quarter and full fiscal year 2023 financial results, with full fiscal year diluted EPS of \$2.10 per share, which was at the bottom of the Company's substantially reduced guidance range. Despite the Company's disappointing financial results, Defendant Duda commented that Methode's pipeline was "position[ing] us to deliver significant organic sales and earnings growth in fiscal 2025 over fiscal 2024."

49. On the accompanying investor earnings call held that same day, Defendant Duda assured investors that, despite being a sales headwind in fiscal 2024, Methode's "program roll-offs and program launches [would] become[] a tailwind" in fiscal 2025, leading to 11% organic growth in fiscal 2025. According to Defendant Duda, the expected turnaround in fiscal 2025 "demonstrates that our business model is healthy and is positioned to prosper from the strategic steps that we've taken to grow the business." However, despite noting the Company's "significant investment" in "over 20 new program launches," Defendant Duda revealed that increased costs associated with the Company's new programs "will continue throughout the year" before being absorbed by customers.

50. In response to an analyst's question about Defendants' upfront expenses for the new program launches, Defendant Duda noted that the expenses consisted mainly of equipment and labor costs, that "[t]he plant is probably 30% complete from an equipment standpoint," and the increased costs "will continue throughout the year." Defendant Duda further noted that, eventually, "those costs will start to be absorbed into the product launches," and, in fact, the increased costs are already "factored into the guidance."

51. Given the surprising increase in Methode's costs, the price of Methode common stock declined \$4.75 per share, or nearly 13% over multiple trading sessions, from a close of \$37.52 per share on June 21, 2023, to close at \$32.77 per share on June 23, 2023.

52. On July 14, 2023, the Company announced that it placed Defendant Khoury on leave as of July 10, 2023.

53. On this news, the price of Methode common stock declined \$0.53 per share, or nearly 2%, from a close of \$33.80 per share on July 13, 2023, to close at \$33.27 per share on July 14, 2023.

54. The Company explicitly acknowledged its operational challenges on September 7, 2023, when Methode reported its first quarter fiscal year 2024 financial results, including a 1.5% year-over-year decrease in quarterly net sales (when excluding the Company's acquisition of Nordic Lights Group Corporation). Defendant Duda revealed that the Company was experiencing "operational inefficiencies in [Methode's] North American Auto operations caused mainly by labor and vendor issues [that] led to planning deficiencies, inventory shortages, unrecoverable spot purchases and premium freight, and delayed shipments." While Defendant Duda assured investors that "[t]hese operational challenges have been identified and corrective action plans are already in place," he acknowledged that "[t]he residual effects will also impact our second quarter."

55. On the accompanying investor earnings call held that same day, Defendant Duda further explained that the operational challenges in Methode's North American Automotive segment started with "salaried personnel turnover, poor operational decisions and vendor issues," which then "had a domino effect" that led to many other issues. Defendant Duda also explained that while the Company's "Monterrey operation has historically manufactured with a low mix and a high volume of product," "[r]ecently, the operation has transitioned into a mode of higher mix and lower volume," and "[t]his transition, combined with the aforementioned issues, led to exposure of latent operating inefficiencies that our early warning detected but we failed to mitigate."

56. Notwithstanding these issues, Defendant Duda assured investors that Methode's "view on fiscal 2025 has not changed" and that he "ha[s] been and will continue to be personally involved with the efforts to correct the situation" and that investors "have [his] personal commitment as the CEO and as a shareholder, we will fix this."

57. Still, Defendant Tsoumas relayed to investors that Methode was reducing its full-year profitability guidance—slashing the Company's diluted EPS guidance almost in half—"predominantly related to the operational inefficiencies in North American auto" and a slowdown in the Company's sensor business.

58. On this news, the price of Methode common stock declined \$6.67 per share, or more than 22%, from a close of \$30.00 per share on September 6, 2023, to close at \$23.33 per share on September 7, 2023.

59. On December 7, 2023, the Company reported its second quarter fiscal year 2024 financial results, including a goodwill impairment of \$56.5 million in its North American and European Automotive segments. Methode also reported a nearly 9% year-over-year decrease in

net sales (including a nearly 22% decline in Methode's Automotive net sales) and a \$51.3 million quarterly loss from operations due to the goodwill impairment resulting from operational inefficiencies in its Automotive segments.

60. On the accompanying investor earnings call held that same day, Defendant Duda admitted that Defendants were previously "overly optimistic" about the magnitude of the Company's operational inefficiencies and that "these issues probably existed prior to this fiscal year" because, due to the turnover of salaried personnel, "there was a certain amount of knowledge that probably got lost at [the] end of COVID." As he had done previously, though, Defendant Duda again emphasized that the Company "firmly believe[s] that [its] business model is healthy and is positioned to prosper."

61. Also on December 7, 2023, the Company announced that it terminated Defendant Khoury's employment with Methode on December 5, 2023.

62. On this news, the price of Methode common stock declined \$2.26 per share, or more than 9%, from a close of \$24.39 per share on December 6, 2023, to close at \$22.13 per share on December 7, 2023.

63. Investors learned the full extent of Methode's operational challenges on March 7, 2024, when the Company issued its third quarter 2024 financial results. Methode revealed a \$20.6 million year-over-year quarterly net sales decrease and a net loss of \$11.6 million, which Avula, the Company's newly appointed Chief Executive Officer, attributed to "ongoing operational inefficiencies in the Automotive segment." The Company also suspended its financial guidance and stated that "[a]ny and all previous guidance provided by the [C]ompany should no longer be relied upon"—including its three-year growth outlook.

64. Defendants elaborated on these issues during the accompanying investor earnings call held that same day. Specifically, Avula disclosed that “lower sales, along with the continued operational inefficiencies in our North American auto operations drove the net loss in the quarter,” and that Methode “continue[d] to see increased costs related to [its] numerous new program launches, [and] some of these costs are driven by a lack of absorption due to customer program delays.” Similarly, Defendant Tsoumas reiterated that the Company’s issues are “high labor turnover, planning issues, leading to inventory shortages, leading to expedited incoming freight, sometimes outgoing freight, some short shipping premium freight, [and] inbound and spot purchases where our planning isn’t fully vetted.”

65. On this news, the price of Methode common stock declined \$6.55 per share, or more than 31%, from a close of \$21.04 per share on March 6, 2024, to close at \$14.49 per share on March 7, 2024.

D. Post-Class Period Events

66. On April 8, 2024, the Company announced that Defendant Tsoumas was retiring from his role as the Company’s Chief Financial Officer effective July 12, 2024.

67. Furthermore, on May 7, 2024, despite only becoming Methode’s Chief Executive Officer on January 29, 2024, the Company announced that Avula had resigned.

V. PLAINTIFF’S CLASS ACTION ALLEGATIONS

68. Plaintiff brings this class action under Rule 23 of the Federal Rules of Civil Procedure on behalf of a class of all persons and entities who purchased or otherwise acquired Methode common stock during the Class Period (the “Class”). Excluded from the Class are Defendants, their agents, directors and officers of Methode, and their families and affiliates.

69. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court.

70. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class, which predominate over questions which may affect individual Class members, include:

- a. Whether Defendants violated the Exchange Act;
- b. Whether Defendants omitted and/or misrepresented material facts;
- c. Whether Defendants' statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- d. Whether Defendants knew or recklessly disregarded that their statements were false and misleading;
- e. Whether the prices of Methode common stock were artificially inflated; and
- f. The extent of damage sustained by members of the Class and the appropriate measure of damages.

71. Plaintiff's claims are typical of those of the Class because Plaintiff and the Class sustained damages from Defendants' wrongful conduct.

72. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in securities class actions. Plaintiff has no interests that conflict with those of the Class.

73. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. Joinder of all Class members is impracticable.

VI. APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD-ON-THE-MARKET DOCTRINE

74. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

- a. Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- b. The omissions and misrepresentations were material;
- c. The Company's common stock traded in an efficient market;
- d. The misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of the Company's common stock; and
- e. Plaintiff and the Class purchased Methode common stock between the time the Company and the Individual Defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

75. At all relevant times, the market for the Company's common stock was efficient because: (1) as a regulated issuer, the Company filed periodic public reports with the SEC; and (2) the Company regularly communicated with public investors using established market communication mechanisms, including through regular disseminations of press releases on the major news wire services and through other wide-ranging public disclosures, such as communications with the financial press, securities analysts, and other similar reporting services.

VII. NO SAFE HARBOR

76. Defendants' "Safe Harbor" warnings accompanying any forward-looking statements issued during the Class Period were ineffective to shield those statements from liability. Defendants are liable for any false or misleading forward-looking statements pleaded because, at the time each forward-looking statement was made, the speaker knew the statement was false or misleading and the forward-looking statement was authorized and/or approved by an executive officer of Methode who knew that the forward-looking statement was false. None of the historic or present-tense statements made by Defendants were assumptions underlying or relating to any plan, projection, or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by Defendants expressly related to or stated to be dependent on those historic or present-tense statements when made.

VIII. LOSS CAUSATION/ECONOMIC LOSS

77. Defendants' wrongful conduct directly and proximately caused the economic loss suffered by Plaintiff and the Class. The prices of Company common stock significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses. As a result of their purchases of Methode common stock during the Class Period, Plaintiff and the Class suffered economic loss, i.e., damages, under the federal securities laws.

IX. ADDITIONAL SCIENTER ALLEGATIONS

78. During the Class Period, Defendants had both the motive and opportunity to commit fraud. They also had actual knowledge of the misleading nature of the statements they made, or acted in reckless disregard of the true information known to them at the time. In so doing, Defendants participated in a scheme to defraud and committed acts, practices, and participated in

a course of business that operated as a fraud or deceit on purchasers of Company common stock during the Class Period.

X. CLAIMS AGAINST DEFENDANTS

COUNT I

**Violations of Section 10(b) of the Exchange Act and
SEC Rule 10b-5 Promulgated Thereunder
Against Defendants Methode, Duda, and Tsoumas**

79. Plaintiff incorporates by reference the allegations in the preceding paragraphs.

80. During the Class Period, Defendants Methode, Duda, and Tsoumas carried out a plan, scheme, and course of conduct that was intended to and, throughout the Class Period, did: (1) deceive the investing public, including Plaintiff and the Class; and (2) cause Plaintiff and the Class to purchase Company common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan, and course of conduct, Defendants Methode, Duda, and Tsoumas, and each of them, took the actions set forth herein.

81. Defendants Methode, Duda, and Tsoumas: (1) employed devices, schemes, and artifices to defraud; (2) made untrue statements of material fact and/or omitted material facts necessary to make the statements not misleading; and (3) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially high market prices thereof in violation of Section 10(b) of the Exchange Act and SEC Rule 10b-5.

82. As a direct and proximate result of Defendants Methode's, Duda's, and Tsoumas's wrongful conduct, Plaintiff and the Class suffered damages in connection with their respective purchases of the Company's common stock during the Class Period.

COUNT II

**Violations of Section 20(a) of the Exchange Act
Against the Individual Defendants**

83. Plaintiff incorporates by reference the allegations in the preceding paragraphs.

84. The Individual Defendants acted as controlling persons of Methode within the meaning of Section 20(a) of the Exchange Act. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations, and/or intimate knowledge of the false statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control—and did influence and control, directly or indirectly—the decision-making of the Company, including the content and dissemination of the various false and/or misleading statements. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

85. In particular, each of the Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, are presumed to have had the power to control or influence the particular accounting practices giving rise to the securities violations as alleged herein, and exercised the same.

86. As described above, the Company and Defendants Duda and Tsoumas each violated Section 10(b) of the Exchange Act and SEC Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable under Section 20(a) of the Exchange Act. As a direct and proximate result

of this wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of Company common stock during the Class Period.

XI. PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

- a. Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- b. Awarding compensatory damages and equitable relief in favor of Plaintiff and other members of the Class against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- c. Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- d. Such other and further relief as the Court may deem just and proper.

XII. JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: October 7, 2024

Respectfully submitted,

**BERNSTEIN LITOWITZ BERGER
& GROSSMANN LLP**

/s/ Avi Josefson _____

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Municipal General Employees' Retirement Plan*

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*Counsel for Plaintiff City of Cape Coral
Municipal General Employees' Retirement Plan*

CERTIFICATION

City of Cape Coral Municipal General Employees' Retirement Plan ("Cape Coral" or "Plaintiff") declares, as to the claims asserted under the federal securities laws, that:

1. Plaintiff did not purchase the securities that are the subject of this action at the direction of Plaintiff's counsel or in order to participate in any private action.

2. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

3. Plaintiff's Class Period purchase and sale transactions in the Methode Electronics, Inc. securities that are the subject of this action are attached in Schedule A.

4. Plaintiff has full power and authority to bring suit to recover for the investment losses listed in the attached Schedule A.

5. Plaintiff has fully reviewed the Class Action Complaint for Violations of the Federal Securities Laws and authorizes its filing.

6. I, Brian Fenske, Chairman of the Board of Trustees, am authorized to make legal decisions, and execute this certification, on Plaintiff's behalf.

7. Plaintiff intends to actively monitor and vigorously pursue this action for the benefit of the class.

8. Plaintiff will endeavor to provide fair and adequate representation and work directly with the efforts of class counsel to ensure that the largest recovery for the class consistent with good faith and meritorious judgment is obtained.

9. Plaintiff has neither served nor sought to serve as a representative party for a class action filed under the federal securities laws during the three years prior to the date of this certification.

10. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the Court.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 2nd day of October 2024.

**City of Cape Coral Municipal General
Employees' Retirement Plan**

Signed by:
By:  _____
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Brian Fenske
Chairman of the Board of Trustees

SCHEDULE A

<u>Security</u>	<u>Buy/Sell</u>	<u>Date</u>	<u>Quantity</u>	<u>Price</u>
Common Stock	Buy	4/3/2023	1,550	\$43.40
Common Stock	Buy	9/26/2023	200	\$22.55