2018 Full Year Results Presentation

TI Fluid Systems plc

20 March 2019

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Disclaimer

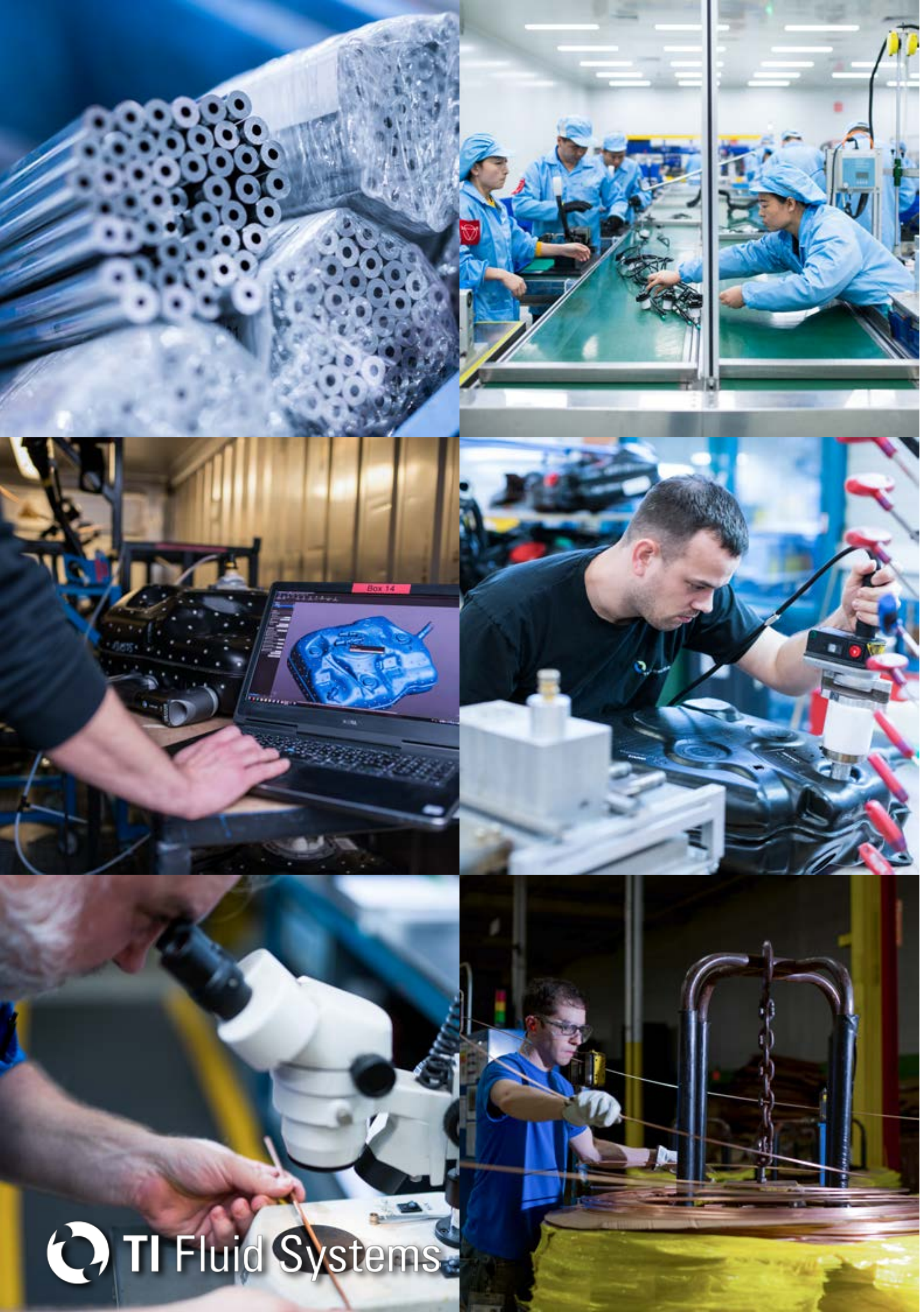
This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of TI Fluid Systems plc (the “Company”). The words “believe”, “expect”, “anticipate”, “intend”, “estimate”, “forecast”, “project”, “will”, “may”, “should” and similar expressions identify forward-looking statements. Others can be identified from the context in which they are made. By their nature, forward-looking statements involve risks and uncertainties, and such forward-looking statements are made only as of the date of this presentation. Accordingly, no assurance can be given that the forward-looking statements will prove to be accurate and you are cautioned not to place undue reliance on forward-looking statements due to the inherent uncertainty therein. Past performance of the Company cannot be relied on as a guide to future performance. Nothing in this presentation should be construed as a profit forecast.

The financial information in this presentation does not contain sufficient detail to allow a full understanding of the results of the Company. For more detailed information, please see the preliminary results announcement for the year ended 31 December 2018.

Agenda

1. Key Highlights for 2018 – Bill Kozyra
2. Financial Performance – Tim Knutson
3. Q & A

Key Highlights – Bill Kozyra



Key Highlights for 2018

✓ **Leading global supplier of automotive fluid systems with strong market positions across all key products**

✓ **Successfully executing Hybrid Electric Vehicle (HEV) and Electric Vehicle (EV) Strategy**

✓ **Continuing to grow revenue beyond global automotive production**

- ~ 3.1% above global automotive volume growth

✓ **Delivering solid margins and strong profitability**

- Broadly consistent YoY ~ 11% Adj. EBIT margins
- Increasing Adj. Net Income

✓ **Significant Adj. Free Cash Flow**

- €146 million in 2018 (2017: €119 million)

✓ **Business model creates attractive investment opportunity**

a) Adj. EBIT defined as Adj. EBITDA less depreciation (including PP&E impairment) amortisation (including intangible impairment) arising on tangible and intangible assets before adjusting for any purchase price adjustments to fair values arising on acquisitions

b) Adj. Free Cash Flow defined as cash generated from operating activities, less cash used by investing activities, adjusted for acquisitions, movements in financial assets at fair value through the profit or loss, cash payments related to IPO costs and cash received on settlement of derivatives

Presentation subject to rounding

EV Update

Key thermal fluid product awards validating Electric Vehicle ("EV") strategy

- Significant EV progress with successful thermal awards with two high volume European OEMs
    - Approx. 50% share of the design, engineering and supply of EV thermal management products
    - Lifetime revenue potential €700 million (based on customer planning volumes)
    - First generation – significant design and timing changes with regional sourcing expected to move to global sourcing
- Continue to win thermal business awards on available select EV platforms including Korean and Chinese OEMs
- Technology strength, global footprint and material capability (e.g. nylon), creating advanced system designs and light weight solutions for key OEMs
    - Successful completion of thermal system design project for European OEM
    - Focused on high nylon content and optimised fluid management

HEV Update

Well positioned as the Plug-In Hybrid Electric Vehicle ("PHEV") market accelerates growth

- PHEV tank share trending to more than 20% - better than existing plastic fuel tank market share
- Launch of high volume PHEV for European OEM in China in 2018
    - Lifetime volume of ~ 950k units
    - Content per vehicle ("CPV") of €275 - €300
    - Design and propriety manufacturing process provides structural integrity, handles increased pressure levels and reduces emissions
- Strong position with our PACE nominated pressurised tank technology as the market recognises our leading position, competitive strengths and global footprint

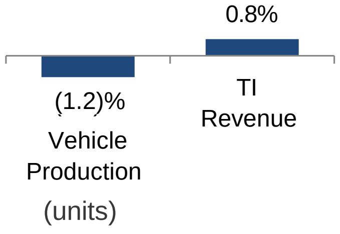
Based on customer planning volumes

Global Vehicle Production 2017 - 2018

Region

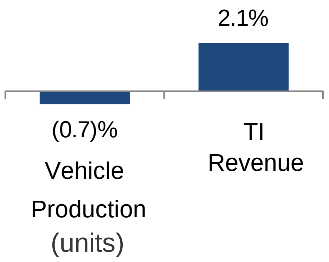
2017-2018 [b]

Europe [a]



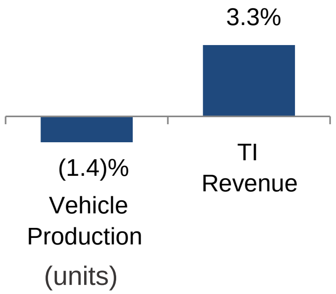
- **Europe** revenue growth of **+ 0.8%** (or **2.0%** above vehicle production)
- European emission testing standards impacted timing of new business launches
- Outperformance trend increased in H2 2018

North America



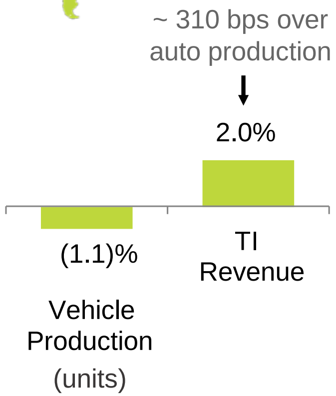
- North America revenue growth of **+ 2.1%** (or **2.8%** above vehicle production)
- Strong product launches in powertrain
- Outperformance trend reduced in H2 2018

Asia-Pacific



- **Asia Pacific** revenue growth of + **3.3%** (or **4.7%** above vehicle production)
- Continuing positive growth in China, particularly in FTDS

Global



- Group revenue growth of **+ 2.0%** (or **3.1%** above vehicle production)
- Business model continuing to demonstrate consistent outperformance

a) Europe vehicle production units include Africa and the Middle East
b) Revenue at constant currency

Source: February 2019 IHS Markit and company estimates

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Key Investment Propositions

Experienced management team with proven track record of strong growth and financial performance

Demonstrated above-market growth with leading technologies, strong market positions, global low cost footprint (including China strength) and diversification

Significant growth opportunities aligned with electrification and TI's strength in thermal management

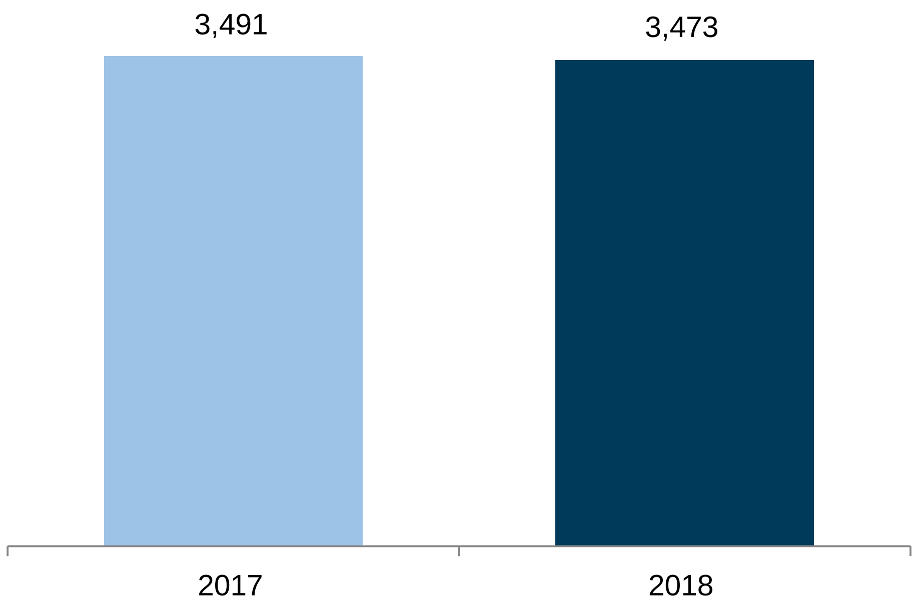
Strong revenue growth, superior margins and free cash flow generation

Financial Performance – Tim Knutson

Revenue Outperformance

Solid revenue growth across regions in 2018

Group Revenue (€m)



Global Auto Production Growth (YoY)	- 1.1%

Key Comments

- Solid revenue growth of **+ 2.0%** at constant currency (- 0.5% at reported rates)
  - Global light vehicle production level of **- 1.1%**
  - Revenue outperformance of **3.1%**
- Strong regional outperformance with balanced revenue:
  - Europe – **40%** of the Group's revenue with European emission testing standards impacting timing of new business launches
  - North America – **28%** of the Group's revenue benefited from strong program launches in powertrain
  - Asia Pacific – **30%** of the Group's revenue benefiting from new business in FTDS

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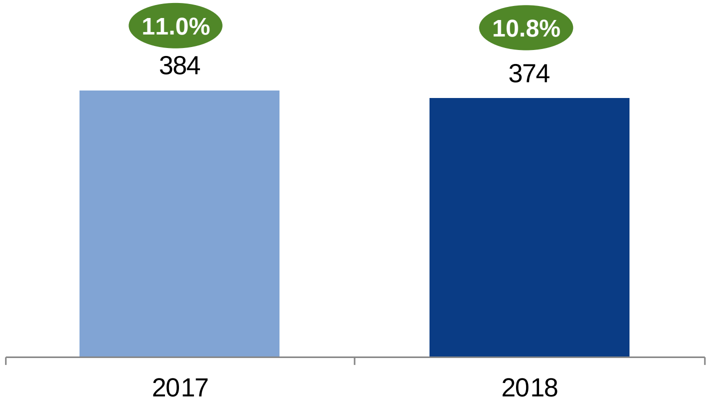
Source: February 2019 IHS Market and company estimates

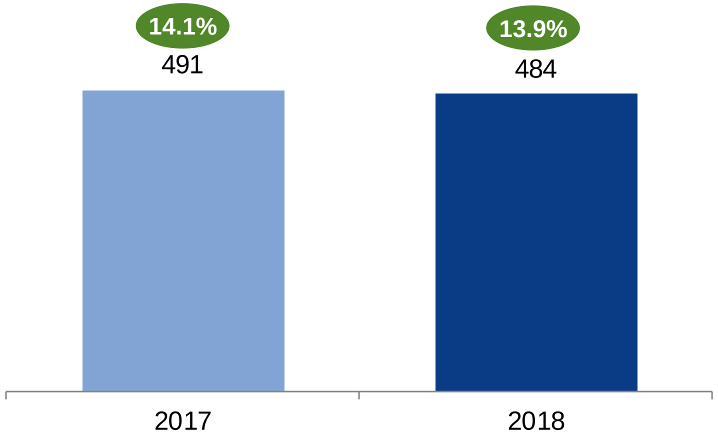
Adj. EBIT and Adj. EBITDA Margins

Consistency in Group Adj. EBIT margins

Adj. EBIT (€m)



Adj. EBITDA (€m)



Key Comments

- Adj. EBIT of €374m or **10.8%** margin
- Broadly consistent margin with prior year:
  - Continued market outperformance
  - High operating leverage and flexible cost structure
  - Ability to offset most impact of tariffs
- Adj. EBITDA[(a)] of €484m or **13.9%** margin
- Stable margins demonstrate strength of business model with ability to adjust costs in different volume environments

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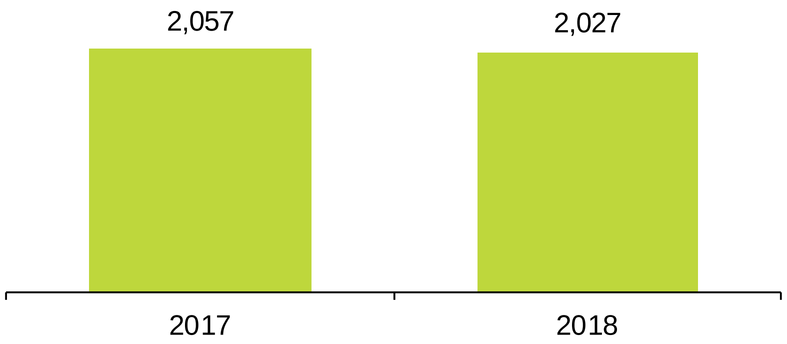
a) Adjusted EBITDA defined as profit for the period before income tax expense, net finance expense, depreciation, amortisation and impairment of PP&E and intangible assets, net foreign exchange gains/ losses and other reconciling items. Other reconciling items includes adjustments for restructuring costs, the Bain management fee and adjustment for associate income

Segment Revenue and Adj. EBIT Margins

Group margin stability driven by product diversification

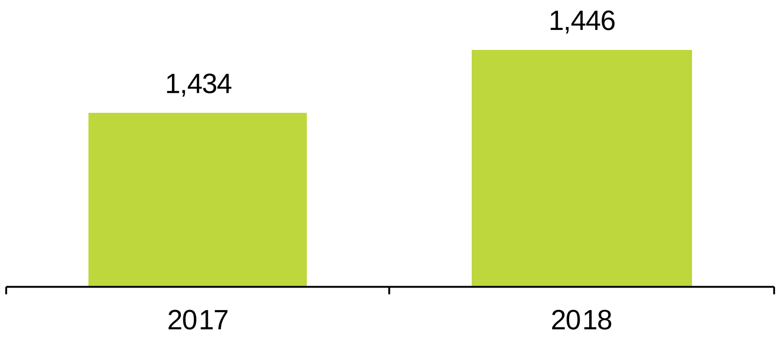
FCS Revenue (€m)



Adj. EBIT Margin	13.2%	11.9%

- Revenue growth of **+ 1.5%** at constant currency
  - At reported rates, YoY growth of -1.5%
- Strong Adj. EBIT margin at 11.9%
  - Margin reduction largely driven by the impact of start up / ramp timing

FTDS Revenue (€m)



Adj. EBIT Margin	7.8%	9.2%

- Revenue growth of **+ 2.8%** at constant currency
  - At reported rates, YoY growth of + 0.9 %
- Adj. EBIT margin increase of **+ 140 bps**
  - Strong operational performance and product mix benefits

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Adj. Net Income, Adj. Basic EPS and Dividend Per Share

Adj. Basic EPS of 29.9 euro cents and proposed dividend of 5.94 euro cents per share

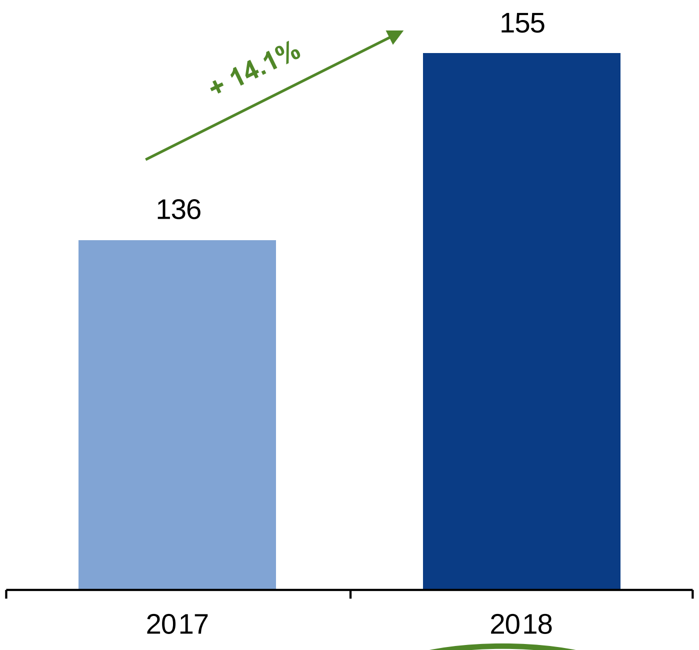
Adj. Net Income Reconciliation (€m)

	2017	2018
Profit for the period	**115**	**140**
Non Controlling Interests	(3)	(2)
Net FX gains	(25)	(1)
Exceptional Items	41	12
Other reconciling items	8	6
Adj. Net Income [(a)]	**136**	**155**

Dividend

- Dividend proposal of **5.94 euro cents** per share [(c)]
- Policy of ~ **30% of Adj. Net Income**
- Payout of **€30.9m**

Adj. Net Income (€m)



	2017	2018
Adj. Basic EPS [(b)]	26.2 euro cents	29.9 euro cents

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(a) Adjusted Net Income defined as Adjusted EBITDA less net finance expense before exceptional items, income tax expense before exceptional items, depreciation and amortisation (including PP&E and intangible impairments) and non-controlling interests share of profit
(b) Adjusted Basic EPS defined as Adjusted Net Income divided by the number of shares in issue at the current balance sheet date
(c) Dividend exchange rate of EUR to GBP set at ex-dividend date. Dividend payment date of 31 May 2019

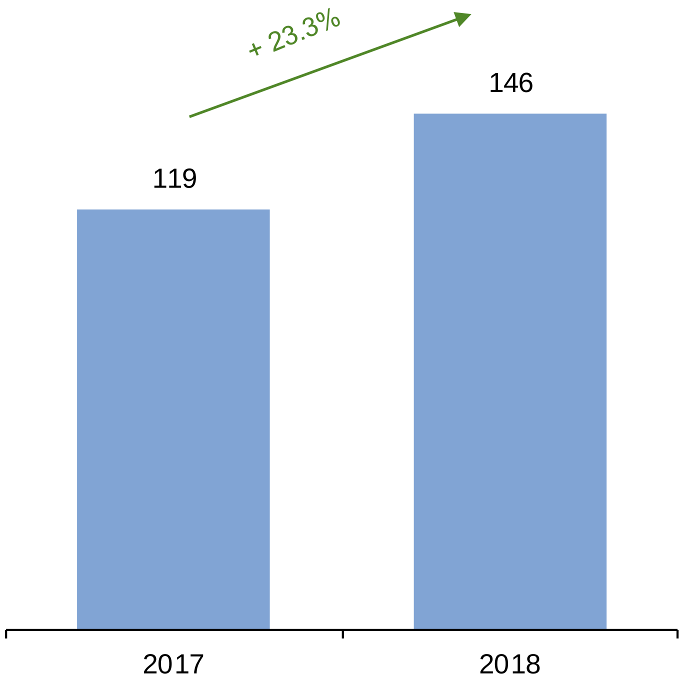
Adj. Free Cash Flow Growth – Solid Business Model

Strong Adj. Free Cash Flow growth

Adj. EBITDA to Adj. Free Cash Flow Reconciliation (€m)

	2017	2018
Adj. EBITDA	**491**	**484**
Cash Interest	(88)	(63)
Cash Tax	(89)	(88)
Working Capital, Provisions and Other	(51)	(32)
PP&E and Intangibles	(144)	(152)
Cash Received on Settlement of Derivatives	-	(3)
Adj. Free Cash Flow	**119**	**146**

Adj. Free Cash Flow (€m) [a]



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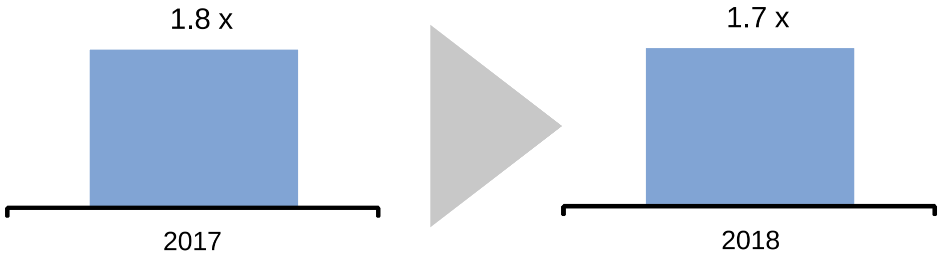
a) Adj. Free Cash Flow defined as cash generated from operating activities, less cash used by Investing activities, adjusted for acquisitions, movements in financial assets at fair value through the profit or loss, cash payments related to IPO costs and cash received on settlement of derivatives

Strong Capital Structure

Capital Structure Evolution

€m	Interest Rate	2017	2018
Financial Liabilities			
Secured Term Loan	US LIBOR+ 2.5% Euribor + 2.75%	1,025	1,205
Unsecured Notes	8.75%	184	-
Finance Leases and Other		3	2
Unamortised Fees		(31)	(24)
Total		**1,181**	**1,183**
Cash and Cash Equivalents (a)		**(290)**	**(361)**
Net Debt		**891**	**822**
Net Debt / Adj. EBITDA LTM		**1.8x**	**1.7x**

Leverage (Net Debt / Adj. EBITDA)



Key Comments

- Successfully completed re-financing in July 2018
- 8.75% Unsecured Notes Repayment
  - Repaid using cash and additional Secured Term Loan
    - Euro Term Loan increase of **€115m**
    - USD Term Loan increase of **$41m**
- Annual interest rate savings expected to be approximately **€10m**
- Extended revolving credit facilities maturities to 2023
- Pay down of $57m of USD Term Loan in March 2019
- Continue to deleverage through free cash flow generation

(a) Cash and cash equivalents includes financial assets at Fair Value Through Profit or Loss (“FVTPL”)
(b) On 16 July 2018, the Group successfully executed a repayment and modification of its external borrowings. The unsecured notes were repaid with cash and additional borrowings under the term loan. Interest rates and maturity rates of the term loan remain unchanged

Outlook

€m	2017	2018	Outlook
Revenue Growth Outperformance	3,491 ~ 3% above auto production (at constant currency)	3,473 ~ 3% above auto production (at constant currency)	
Adj. EBIT Margin	11.0%	10.8%	
Adj. Free Cash Flow	119	146	
Net Leverage [(a)]	1.8 x LTM Adj. EBITDA	1.7 x LTM Adj. EBITDA	
Dividend Payout Ratio	30% of Adj. Net Income	30% of Adj. Net Income	

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a) The preliminary impact of IFRS 16 is expected to improve Adjusted EBITDA, slightly improve Adjusted EBIT and increase net debt

Q & A

Appendix

High Level Income Statement

Adjustments to EBITDA and EBIT – non cash and non operational

Income Statement Summary

€m	2017	2018
Revenue	**3,491**	**3,473**
Adj. EBIT	**384**	**374**
Adj. EBIT %	*11.0%*	*10.8%*
PPA	(88)	(86)
D&A	195	197
Adj. EBITDA	**491**	**484**
Adj. EBITDA %	*14.1%*	*13.9%*
D&A	(195)	(197)
Exceptional Items	(40)	-
Net FX Gains	24	1
Other Reconciling Items [a]	(7)	(7)
Operating Profit	**273**	**281**
Net finance expense	(115)	(65)
Tax	(43)	(77)
Profit for the Period	**115**	**140**

Key Comments

- Adjustments primarily relate to certain non cash and non operational expenses
- **Purchase Price Accounting ("PPA")** - depreciation and amortisation arising on the fair value uplifts related to the Bain and Millennium acquisitions
- **Exceptional items –** IPO costs and restructuring
- **Net FX gains / losses** - primarily FX impact from US to UK inter-company loans in USD

(a) Other reconciling items include non-exceptional restructuring charges, the Bain Capital management charge in 2017 and adjustments for associate income

Adj. Effective Tax Rate

Adj. Effective Tax Rate ~ 32%

Effective Tax Rate Adjustments

€m	2017	2018
Profit before Income Tax	**158**	**217**
UK losses	117	63
Adj. Profit before Income Tax	**275**	**280**
Income tax before exceptional items	**(68)**	**(77)**
Prior year tax provisions / adjustments	(11)	(13)
Adj. Income Tax before exceptional items	**(79)**	**(90)**
Adj. Effective Tax Rate	***29%***	***32%***

Key Comments

- **Adjusted effective tax rate** - approximately 32%
- **Adjustments to reported profit before tax** – primarily relate to expenses in the UK that are either not deductible or not tax effected because of the UK loss position
  - Adjustments include FX gains/ losses, interest expense, exceptional items and other operating costs
- **Adjustments to income tax before exceptional items** – relate to changes arising in the year affecting items originally provided for in prior periods