



TI Fluid Systems plc

2018 Half Year Results Presentation for TI Fluid Systems plc

8 August 2018

# 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 half year results announcement for the six months ended 30 June 2018.

**1. Key Highlights for 2018 Half Year Results – Bill Kozyra**

2. Financial Performance – Tim Knutson

3. Q&A

# 2018 Half Year Results - Key Highlights

## 🕒 Strong first half 2018 results

### ✓ Continuing to grow revenue faster than automotive production

- 🕒 ~ 3% above global automotive volume growth

### ✓ Delivering solid Adj. EBIT margins<sup>(a)</sup>

- 🕒 Consistent YoY 11.4% Adj. EBIT margins

### ✓ Increasing Adj. Net Income<sup>(b)</sup> and Adj. Cash Flow<sup>(c)</sup>

### ✓ Full year outlook is unchanged

## 🕒 Successfully executing Hybrid Electric Vehicle (HEV) / Electric Vehicle (EV) strategy creating further organic growth opportunities

- 🕒 Significant EV progress with successful thermal awards with high volume OEMs
- 🕒 Thermal fluid management clearly increasingly important across electric platforms
- 🕒 Technology leadership in pressurised tanks moving towards strong share position in Plug-in Hybrid Electric Vehicle (PHEV)
- 🕒 Our leading fluid management technology, product capability, long-standing strong customer relationships and global footprint are key success attributes

## 🕒 Very attractive investment opportunity versus industrial and automotive peer groups

(a) Adjusted EBIT defined as Adjusted EBITDA less depreciation (including PP&E impairment), amortisation (including intangible impairment) arising on tangible and intangible assets before adjusting for any purchase price adjustments ("PPA") to fair values arising on acquisitions  
(b) 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  
(c) Adjusted Free Cash Flow defined as cash generated from operating activities, less cash used by investing activities, adjusted for acquisitions and cash payments related to IPO costs



# Thermal Electric Vehicle Awards Update

## Thermal Awards <sup>(a)</sup> and expected orders with leading high volume OEMs for global EV platforms

### Successfully executing Thermal EV strategy with two key OEM wins

- Awards:** Anticipate approximately 50% share of the design, engineering and supply of EV thermal management products
- Lifetime Revenue Potential:** ~ €700 million (based on customer planning volumes)
- Material and Content:** Combination of traditional and lightweight material, including nylon
- Products:** First generation EV designs and variant values continuing to change



SOP: 2019 – 2021 | 10 year life <sup>(b)</sup>



SOP: 2020 – 2022 | 8 year life <sup>(b)</sup>

Approximately €700M lifetime revenue potential with these key two platforms

(a) Purchase orders received

(b) Start of Production ("SOP"). SOP and vehicle life subject to change

# Thermal Electric Vehicle Awards Update

## Thermal fluid line product awards and share expectations for two key OEM global EV platforms

### Key product variants

**Climate  
Control Lines  
(Cabin)**



**Battery  
Thermal Lines  
(Heating and Cooling)**



**Power Electronics /  
Motor Drive  
Thermal Lines**



### Reasons for success

- Deep, proven and longstanding relationships
- Experience / expertise in the design, manufacturing, materials of systems and specific components / variants
- Capability and capacity to provide nylon technology (including quick connectors) in each major region
- Global manufacturing footprint / vertical integration and fluid handling strengths

**Approximately 50% share for awarded & expected orders for key EV platforms**

# Thermal Electric Vehicle Strategy Validation

## Key thermal fluid product awards validating EV strategy

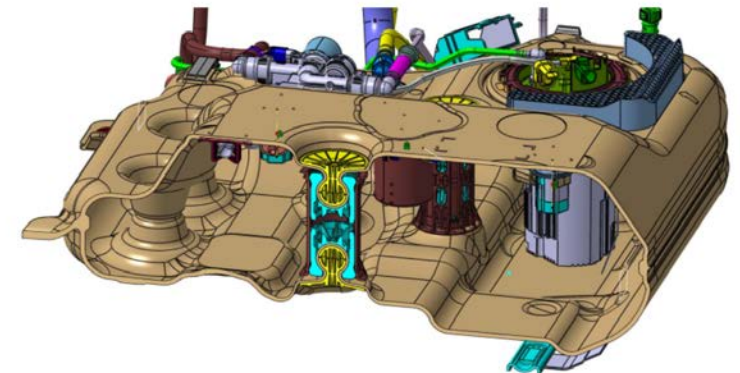
- EV thermal opportunities are aligned to our strengths in fluid management, competitive advantages and strategy:
  - Strong **OEM relationships**, competitive **global footprint** and fluid handling **expertise**
  - Substantial increase of **additional fluid handling** content required to thermally manage EVs
  - Light weight nylon lines** provide significant weight reduction (approximately 30% - 60%) over traditional rubber and aluminium materials
  - Vertical integration** capabilities are an advantage in each major region (e.g. nylon and quick connectors)
- Versus initially anticipated, first generation EV sourcing more fragmented with significant design changes and timing updates**
  - Geography – regional sourcing expected to move to global sourcing
  - Thermal architecture – individual thermal lines expected to move to additional integrated components and advanced systems
  - Nylon – solid level initially with significant opportunities to expand as designs change / next EV generations

**Awards validate growth opportunities with increasing addressable market and ability to obtain strong market share positions as EV market develops**

# Pressurised Fuel Tank for Plug-in Hybrid Vehicles

## Production launch of high volume PHEV for European OEM in China

- H2 2018 launching high volume PHEV fuel tank for a leading European OEM in China
- Pressurised plastic fuel tank design and proprietary manufacturing process:
  - Provides structural integrity when vehicle is operating in electric mode
  - Improves overall allowable pressure levels and fuel tank durability
  - Light weight plastic product reduces weight and improves emissions



**PHEV tank share trending to more than 20% --  
better than existing fuel tank market share**

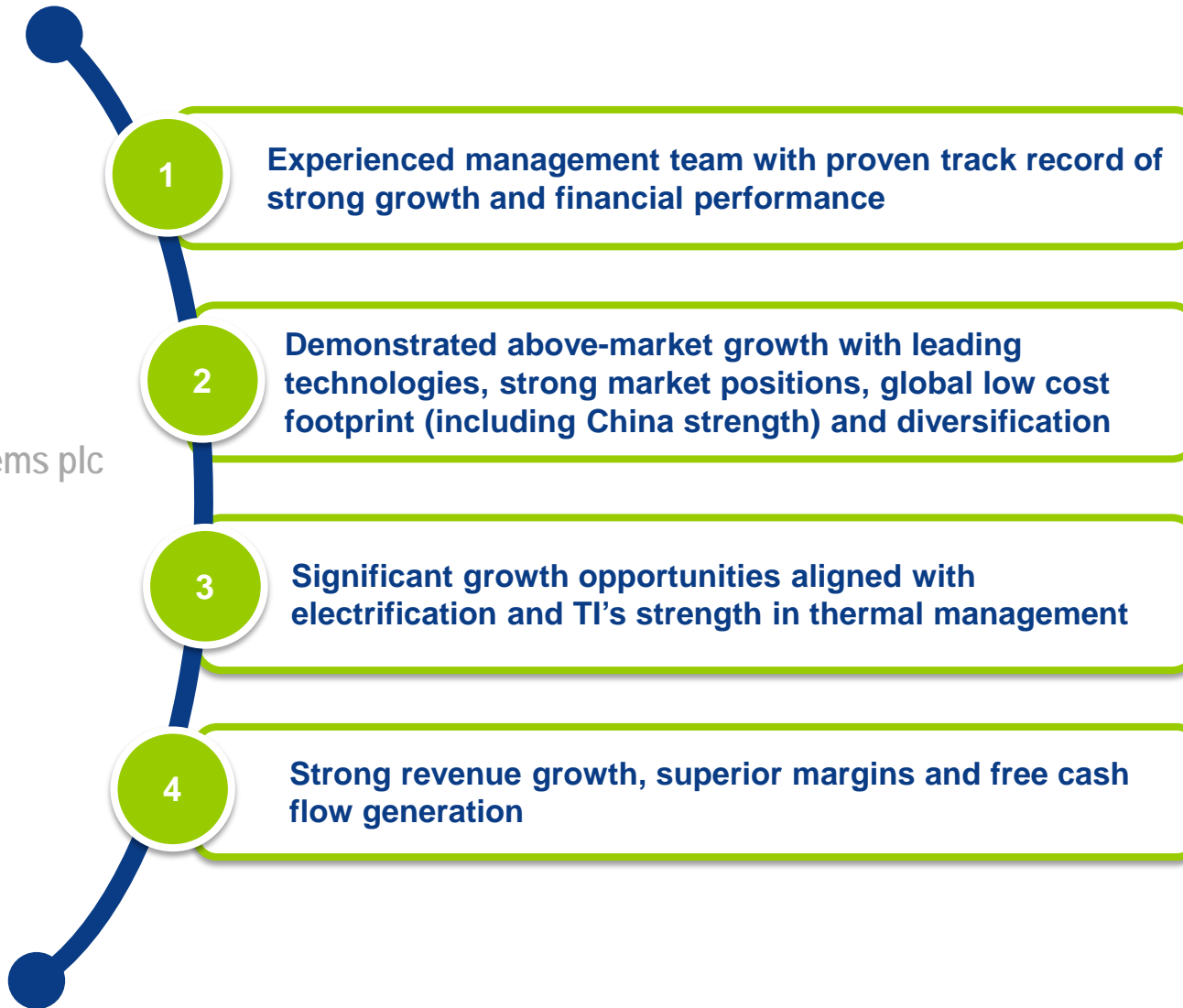
<b>SOP:</b>	<b>H2 2018</b>
<b>Program Life:</b>	<b>7 years<sup>(a)</sup></b>
<b>Lifetime Volume:</b>	<b>~ 950k units<sup>(a)</sup></b>
<b>PHEV Fuel Tank CPV :<sup>(b)</sup></b>	<b>~ €275 - €300</b>

(a) Customer provided lifetime volumes

(b) Content Per Vehicle



# Key Investment Proposition



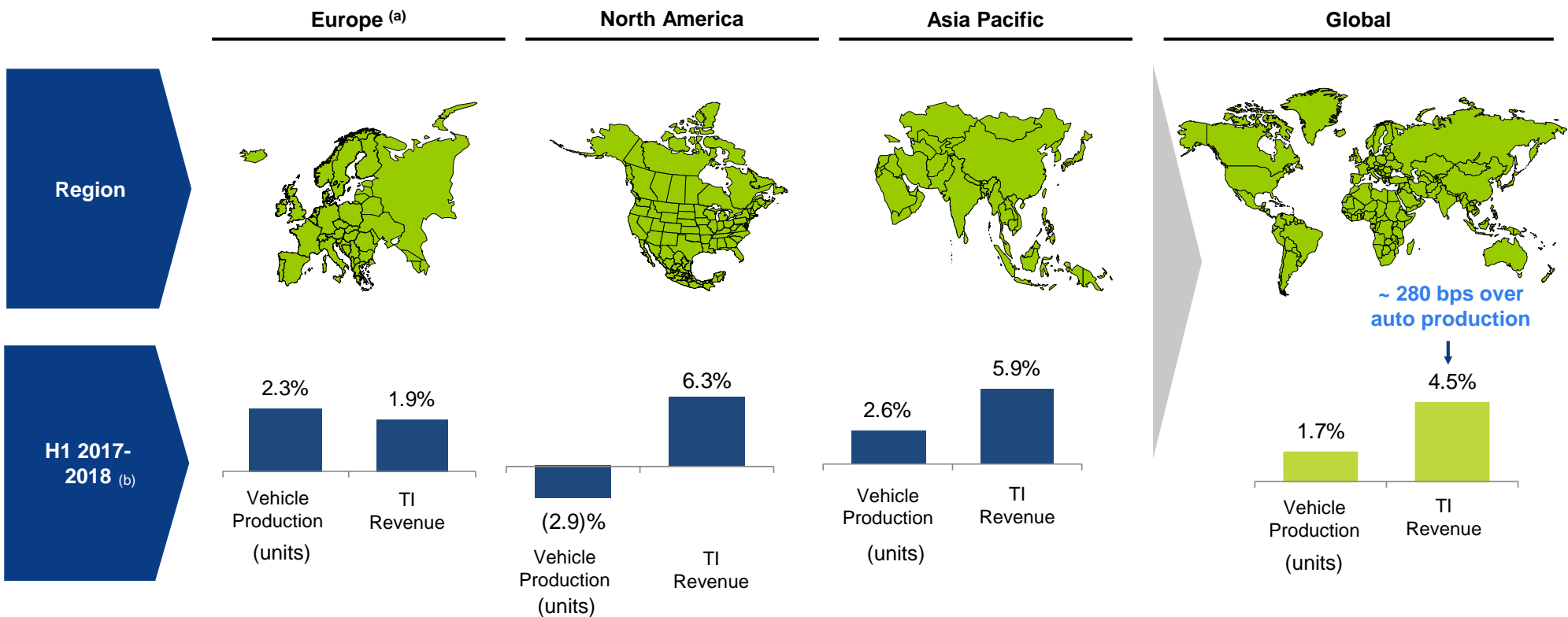
# Agenda

1. Key Highlights for 2017 – Bill Kozyra

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# Global Vehicle Production H1 2017 – H1 2018



- Europe revenue growth of **+ 1.9%** (or **0.4%** below vehicle production)

- Timing impact of programs ramping up / down

- North America revenue growth of **+ 6.3%** (or **9.2%** above vehicle production)

- Strong program launches

- Asia Pacific revenue growth of **+ 5.9%** (or **3.3%** above vehicle production)

- Positive growth in China with new business launches

- Group revenue growth of **+ 4.5%** (or **~ 3%** above vehicle production)

- Solid outperformance across group

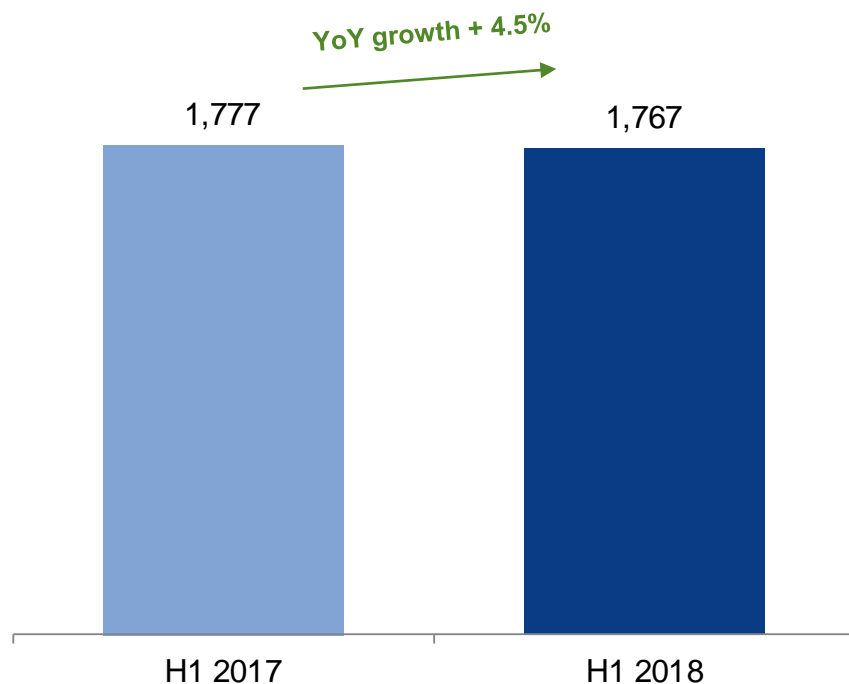
(a) Europe includes Africa and the Middle East  
 (b) Revenue at constant currency

Source: July 2018 IHS Markit and company estimates

# Revenue Outperformance

## Strong revenue growth across regions in the first half of 2018

### Group Revenue (€m)



Global Auto Production Growth (YoY) + 1.7%

### Key Comments

- Solid revenue growth of **+ 4.5%** at constant currency (- 0.5% at reported rates)<sup>(a)</sup>
  - Global light vehicle production growth of **+ 1.7%**
  - Revenue outperformance of **~ 3%**
- Strong regional outperformance with balanced revenue:
  - Europe – **42%** of the Group's revenue with some business ramp up / down impacts
  - North America – **28%** of the Group's revenue benefiting from program launches
  - Asia Pacific – **28%** of the Group's revenue benefiting from China new business
- Tooling impacts on revenue in H1 2018
  - Product revenue outperformance of **+ 3.3%** at constant currency

(a) Average H1 2018 key Euro exchange rates: US dollar 1.210, Chinese renminbi 7.707 and Korean won 1,303; 2017 US Dollar 1.083, Chinese renminbi 7.446 and Korean won 1.236

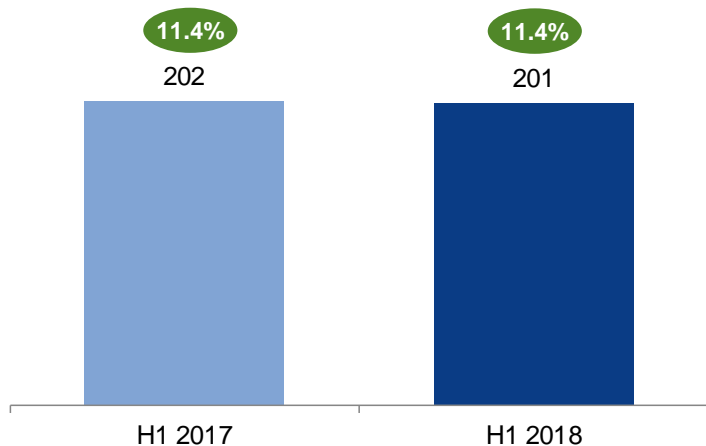
Source: July 2018 IHS Markit and company estimates



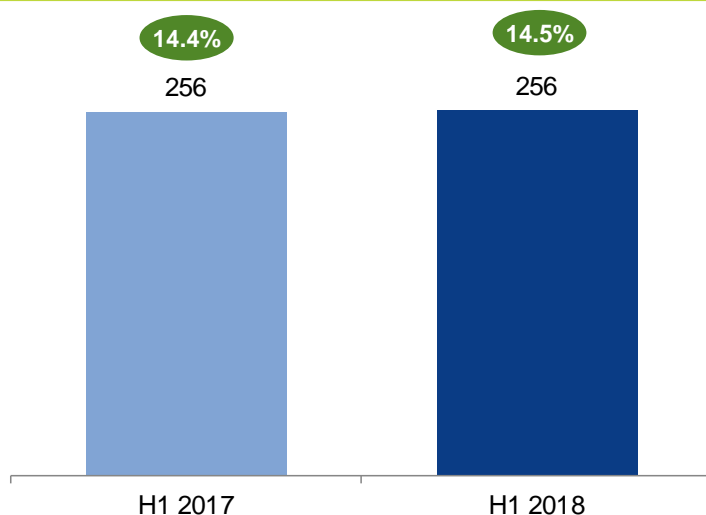
# Adj. EBIT and Adj. EBITDA Margin

## Consistency in Adj. EBIT margins

### Adj. EBIT (€m)



### Adj. EBITDA (€m)



### Key Comments

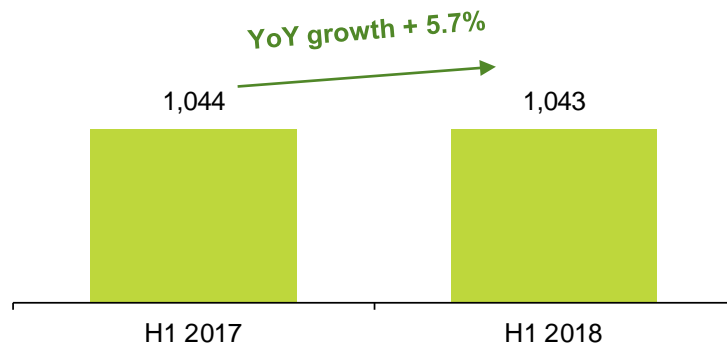
- Consistent margin performance as expected
- Adj. EBIT
  - H1 2018 Adj. EBIT growth FX impacted
  - Growth solid at constant currency
  - Adj. EBIT margin consistent at **11.4%**
- Adj. EBITDA<sup>(a)</sup>
  - H1 2018 Adj. EBITDA growth FX impacted
  - Growth solid at constant currency
  - Adj. EBITDA margin expansion of **+ 10 bps** to **14.5%**

(a) Adjusted EBITDA defined as profit for the period before income tax expense, net finance expense, depreciation (including PP&E impairment), amortisation (including intangible impairment), net foreign exchange gains/losses and other reconciling items

# Segment Revenue and Adj. EBIT Margins

## Revenue growth momentum continues with strong margins

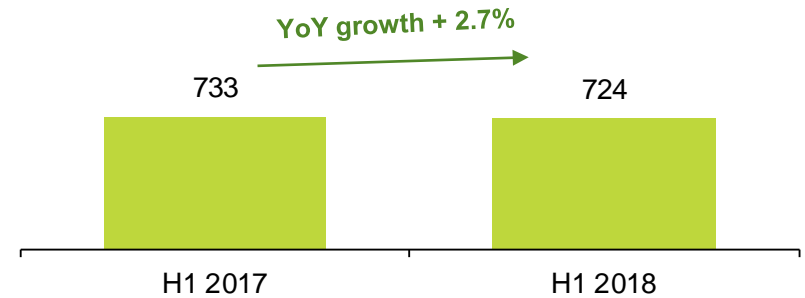
### FCS Revenue (€m)



Adj. EBIT Margin	H1 2017	H1 2018
	13.9%	12.6%

- Revenue growth of + **5.7%** at constant currency (and consistent at reported rates)
- Strong Adj. EBIT margin at **12.6%**
  - Margin contraction driven primarily by start ups and some material impacts

### FTDS Revenue (€m)



Adj. EBIT Margin	H1 2017	H1 2018
	7.8%	9.6%

- Revenue growth of + **2.7%** at constant currency (and -1.2% at reported rates)
- Adj. EBIT margin + **180 bps** increase
  - Benefit from new business launches and strong operational performance

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

## Adj. Basic EPS of 15.1 euro cents and proposed dividend of 3.02 euro cents per share

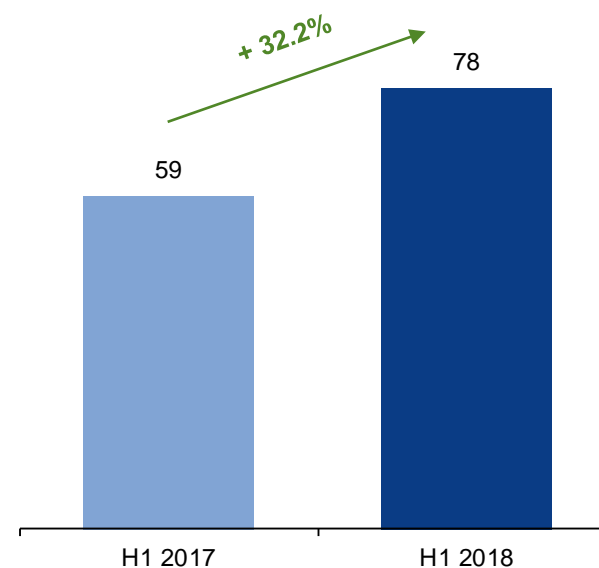
### Adj. Net Income Reconciliation (€m)

	H1 2017	H1 2018
<b>Profit for the period</b>	<b>71</b>	<b>76</b>
Net Controlling Interests	(2)	(1)
Net FX (gains) / losses	(24)	2
Exceptional Items	10	-
Other reconciling items	5	1
<b>Adj. Net Income <sup>(a)</sup></b>	<b>59</b>	<b>78</b>

### Dividend (€m)

- 🕒 Interim dividend proposal of **3.02 euro cents** per share <sup>(c)</sup>
- 🕒 ~ **30% of Adj. Net Income** dividend policy
- 🕒 Interim payout of **€15.7m** on 519.4m shares
- 🕒 Represents market convention of **one third** payment of expected full year dividend payout

### Adj. Net Income (€m)



**Adj. Basic EPS <sup>(b)</sup>** 11.4 euro cents      **15.1 euro cents**

(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 28 September 2018

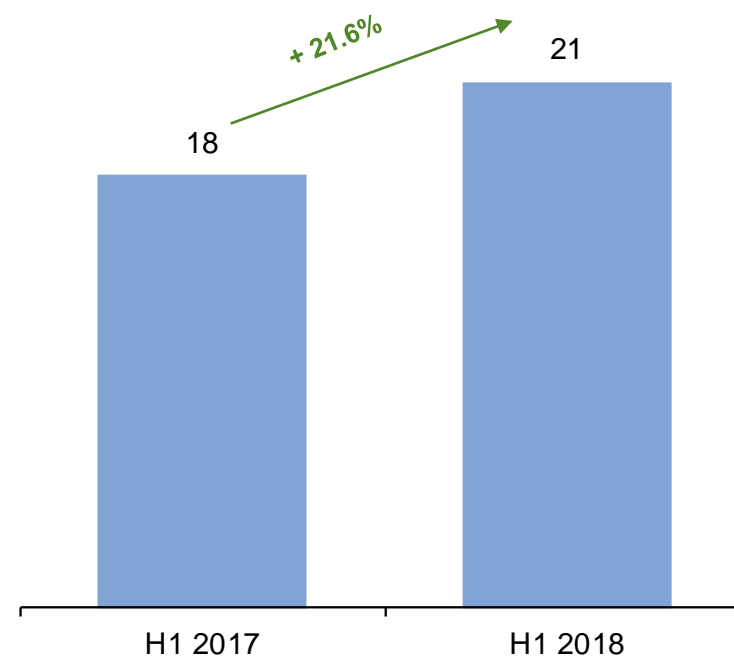
# Adj. Free Cash Flow Growth – Solid Business Model

## Strong Adj. Free Cash Flow growth

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

	H1 2017	H1 2018
<b>Adj. EBITDA</b>	<b>256</b>	<b>256</b>
Cash Interest	(43)	(29)
Cash Tax	(52)	(47)
Working Capital, Provisions and Other	(77)	(91)
PP&E and Intangibles	(67)	(72)
IPO Cash Costs	-	3
<b>Adj. Free Cash Flow</b>	<b>18</b>	<b>21</b>

### Adj. Free Cash Flow (€m)<sup>(a)</sup>



(a) Adjusted Free Cash Flow defined as cash generated from operating activities, less cash used by Investing activities, adjusted for acquisitions and cash payments related to IPO costs

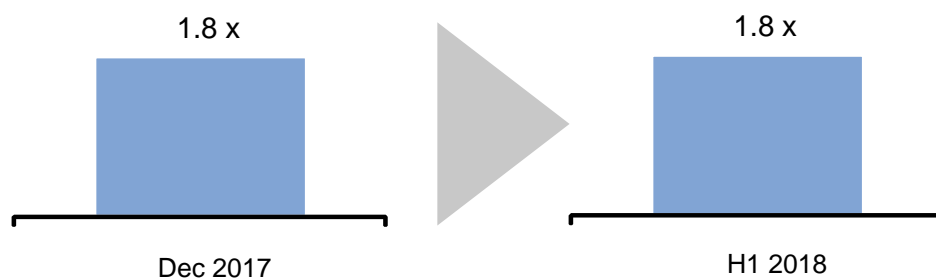


# Strong Capital Structure

## Capital Structure Evolution

€m	Interest Rate	Dec 2017	June 2018
<b>Financial Liabilities</b>			
Secured Term Loan	US LIBOR+ 2.5% Euribor + 2.75%	1,025	1,043
Unsecured Notes <sup>(b)</sup>	8.75%	184	189
Finance Leases and Other		3	2
Unamortised Fees		(31)	(28)
<b>Total</b>		<b>1,181</b>	<b>1,206</b>
<b>Cash and Cash Equivalents<sup>(a)</sup></b>		<b>(290)</b>	<b>(303)</b>
<b>Net Debt</b>		<b>891</b>	<b>903</b>
<b>Net Debt / Adj. EBITDA LTM</b>		<b>1.8x</b>	<b>1.8x</b>

## Consistent 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

(a) Cash and cash equivalents includes financial assets at Fair Value Through Profit and Loss ("FVTPL") of €3m

(b) On 16 July, 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

# Q&A



TI Fluid Systems plc



Appendix

# High Level Income Statement

## Adjustments to EBITDA and EBIT – mainly non cash and non operational

### Income Statement Summary

€m	H1 2017	H1 2018
<b>Revenue</b>	<b>1,777</b>	<b>1,767</b>
<b>Adj. EBIT</b>	<b>202</b>	<b>201</b>
<i>Adj. EBIT %</i>	<i>11.4%</i>	<i>11.4%</i>
PPA	(45)	(42)
D&A	99	98
<b>Adj. EBITDA</b>	<b>256</b>	<b>256</b>
<i>Adj. EBITDA %</i>	<i>14.4%</i>	<i>14.5%</i>
D&A	(99)	(98)
Exceptional Items	(10)	-
Net FX Gains / (Losses)	24	(2)
Other Reconciling Items <sup>(a)</sup>	(5)	(1)
<b>Operating Profit</b>	<b>167</b>	<b>155</b>
Finance expense	(48)	(31)
Tax	(47)	(48)
<b>Profit for the Period</b>	<b>71</b>	<b>76</b>

### 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** - H1 2017 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 ~ 30%

Effective Tax Rate Adjustments			Comments
€m	H1 2017	H1 2018	
Profit before Income Tax	119	124	<ul style="list-style-type: none"> <li>Adjusted effective tax rate - approximately 30% slightly reduced from H1 2017</li> </ul>
UK losses	29	36	
<b>Adj. Profit before Income Tax</b>	<b>148</b>	<b>160</b>	
Income tax before exceptional items	47	48	<ul style="list-style-type: none"> <li>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</li> </ul>
Prior year tax provisions / adjustments	(2)	1	
<b>Adj. Income Tax before exceptional items</b>	<b>45</b>	<b>49</b>	<ul style="list-style-type: none"> <li>Adjustments to income tax before exceptional items - relate to changes arising in the year affecting items originally provided for in prior periods</li> </ul>
<b>Adj. Effective Tax Rate</b>	<b>31%</b>	<b>30%</b>	