

Q3 2021 Trading Update

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TI Fluid Systems PLC
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TI Fluid Systems plc Q3 2021 Trading Update

TI Fluid Systems plc, a leading global manufacturer of highly engineered automotive fluid storage, carrying, delivery and thermal management systems for light vehicles issues this trading update for the third quarter and nine months ended 30 September 2021.

Summary

- The Group's revenue for the nine months through September 2021 was up 11.7% at reported rates (13.7% at constant currency) compared to the same period last year and outperformed global light vehicle production growth by a robust 4.2% or 420 basis points (bps) at constant currency
- Q3 global light vehicle production volumes were down 19.7%, with the Group's revenue down 14.7% at constant currency compared to the same period last year and 14.4% at reported rates, outperforming global light vehicle production volumes by 500 bps at constant currency driven by fluid handling content on electric vehicles (EV) and higher content on hybrid electric vehicles (HEV)
- Good progress on EV business awards with incremental lifetime revenue of €232M in Q3, confirming the Group's strength in executing its electrification strategy
- Structural cost adjustment program in progress to respond to short-term market conditions and manage the transition to electrification
- Despite short-term market disruption, the Group continues to show resilience and expects to finish the year with continued outperformance of global light vehicle production and a high single digit Adjusted EBIT Margin at, or slightly above, 7%

Note: All production volume outperformance metrics herein are based on IHS Markit, October 2021, and Company estimates

Q3 Trading Results

Global light vehicle production volumes in Q3 2021 continue to be impacted by microchip shortages and supply chain disruptions and were down 19.7% compared to Q3 2020.

Additional to the production volume impact of the shortages and disruptions, customer releases (call offs) have been highly volatile with significant changes late in the order cycle which the Group is managing together with its customer base.

Overall, Q3 2021 Group revenue was lower by 14.4% year over year at reported rates, or 14.7% year over year at constant currency, due to the lower production volumes, which represented a robust outperformance of 500 bps compared to the change in global light vehicle production for the quarter.

We believe that our revenue outperformance is driven by our materializing electrification strategy.

By segment, on a constant currency basis, FCS Q3 year over year revenue declined by 12.3% while FTDS Q3 revenue declined 17.7%.

By region, on a constant currency basis, Q3 2021 revenue was lower by 12.5% in Europe and Africa, 20.4% in North America, and 13.1% in Asia Pacific.

Nine months ended 30 September 2021

The Group achieved revenue of €2,179.6 million in the nine months ended 30 September 2021, reflecting an 11.7% increase from the same period in 2020. On a constant currency basis, revenue increased by 13.7% year over year and outperformed global light vehicle production growth by 420 bps.

| €m | 9 months ended Sep 20 | 9 months ended Sep 21 | % Change | % Change at constant currency |
|---|--------------------------|--------------------------|----------|-------------------------------------|
| Group Revenue | 1,950.7 | 2,179.6 | 11.7% | 13.7% |
| By Segment | | | | |
| Fluid Carrying Systems ("FCS") | 1,076.9 | 1,186.8 | 10.2% | 12.8% |
| Fuel Tank and Delivery Systems ("FTDS") | 873.8 | 992.8 | 13.6% | 14.7% |
| By Region | | | | |
| Europe and Africa | 727.4 | 862.4 | 18.6% | 18.6% |
| Asia Pacific | 680.7 | 756.8 | 11.2% | 10.9% |
| North America | 515.6 | 525.1 | 1.8% | 8.4% |
| Latin America | 27.0 | 35.3 | 30.7% | 49.3% |

Revenue by Segment

FCS revenue increased by 12.8% at constant currency and outperformed the growth in global light vehicle volume production by 330 bps. The segment delivered double digit positive growth, primarily driven by execution of the electrification strategy and related program launches.

FTDS revenue increased by 14.7% at constant currency, an outperformance of 520 bps compared to global light vehicle production growth as the segment continues to benefit from business launches in Europe and North America as well as favourable mix.

Revenue by Region

In Europe and Africa, revenue increased by 18.6% year over year at constant currency and outperformed light vehicle production volume in that region by 1,170 bps, benefitting from new thermal EV and HEV business wins.

Asia Pacific revenue increased by 10.9% year over year at constant currency, outperforming light vehicle production volume growth in that region by 30 bps, reflecting by various disruptions to the supply chain in the region and cyclic programme ramp downs in China.

In North America revenue increased by 8.4% year over year at constant currency and outperformed light vehicle production volume growth in that region by 160 bps, mainly resulting from new business launches in FTDS.

Organisation

As previously announced, Hans Dieltjens assumed the role of Chief Executive Officer on 1 October 2021 following the retirement of Bill Kozyra.

Outlook

The Group's performance in Q3 2021 reflected lower global light production volumes combined with a high volatility of customer releases. It is expected that these challenges will continue through year end and into 2022 with global light vehicle production volumes now forecasted to return to pre-COVID levels in 2023.

IHS Markit's latest 2021 global light vehicle production volume forecast, as of October, indicates 74.8M units for the year down from the 82.0M units forecast in July, a 7.2M or 8.8% reduction.

In response to the well-publicised market issues, the Group has undertaken a range of actions at all levels of the organisation to offset the impacts of these market conditions.

Whilst we recognise the ongoing market risks, the Group continues to show resilience and expects to finish the year with a robust outperformance of global light vehicle production volume and deliver a high single digit Adjusted EBIT margin at, or slightly above, 7%. In addition, our earnings are expected to support the strong Adjusted Free Cash Flow generation rate seen historically albeit reflecting the effect of reduced revenue.

Trading update call

TI Fluid Systems plc is holding a call for analysts and investors at 09:00am UK time today.

Conference Call Dial-In Details:

UK: +44 (0)330 336 9105

Conference Code: 9626307

The audio recording will be available on www.tifluidsystems.com later today.

Enquiries

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