



TI Fluid Systems plc

2017 Results Presentation for TI Fluid Systems plc
20 March 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 preliminary results announcement for the year ended 31 December 2017.

Agenda

1. Key Highlights for 2017 – Bill Kozyra

2. Financial Performance – Tim Knutson

3. Q&A

2017 Business Highlights

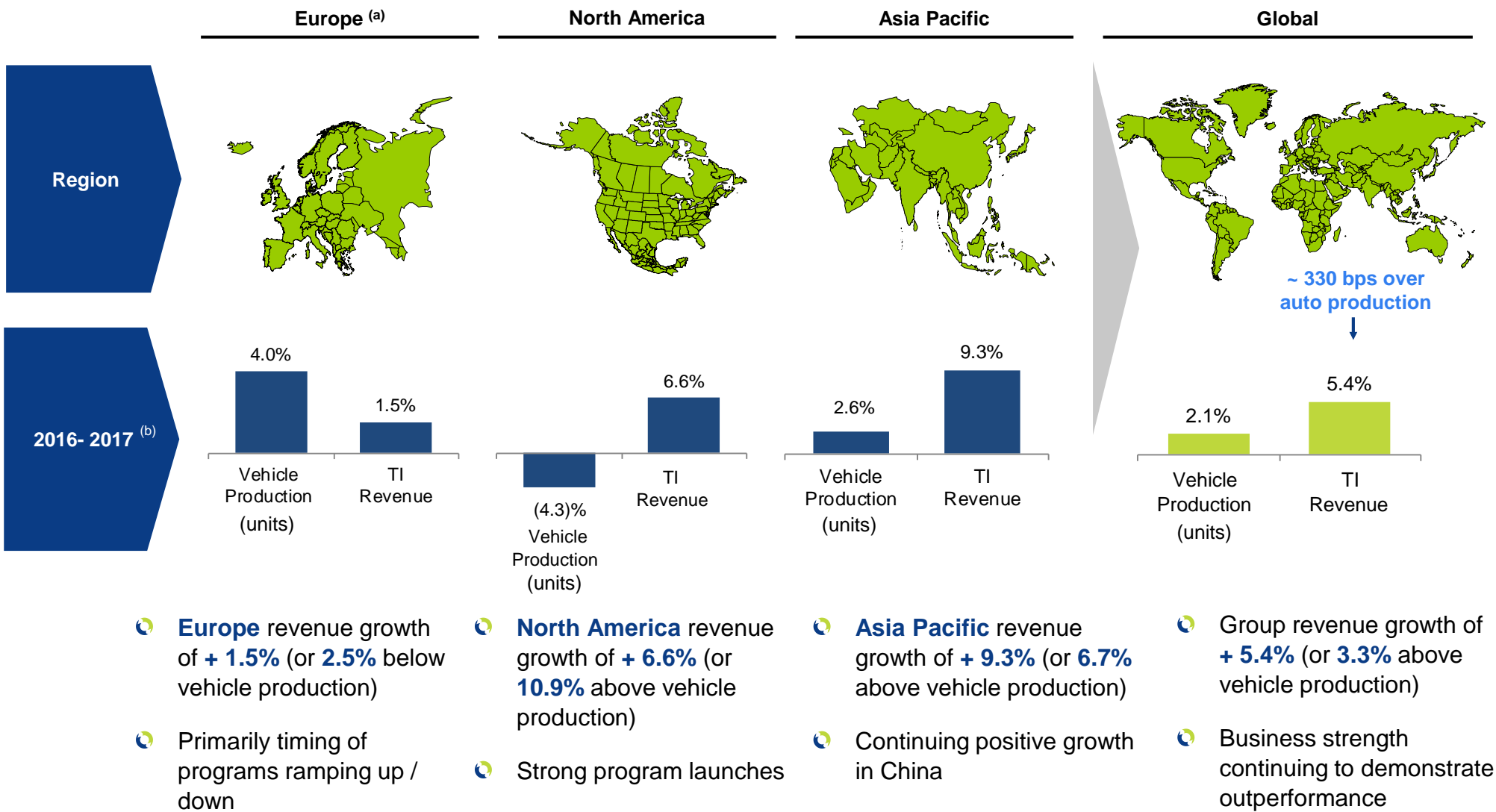
- 🌐 **Successful completion of IPO in October 2017** with a premium listing on the London Stock Exchange and inclusion in the FTSE 250 index
 - 🌐 Proceeds facilitated deleveraging to 1.8 x net debt / Adj. EBITDA^(a) at 2017 year end
- 🌐 **Strong revenue - YoY growth of + 5.4% or + 330 bps** above auto production (at constant currency)
 - 🌐 Encouraging industry outlook for continued global automotive volume growth supporting our revenue performance
 - 🌐 Strong focus and confidence building on the growing trend towards HEV / EV
 - 🌐 Strong customer relationships and business diversification
 - 🌐 Continue to be a leading Tier 1 supplier of highly engineered automotive fluid systems with clear competitive advantages
- 🌐 **Profitability and cash flow**
 - 🌐 **Adj. EBIT margin**^(b) expansion to 11.0% (+ 20 bps YoY)
 - 🌐 **Adj. Free Cash Flow**^(c) of €119m
 - 🌐 Cost control, margins, cash flow generation and capital allocation remain key priorities
- 🌐 **Strong performance confirms confidence in our business model and outlook**

(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), exceptional administrative expenses, net foreign exchange losses and (gains) and other reconciling items

(b) 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

(c) Adj. 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

Global Vehicle Production 2016 - 2017



(a) Europe vehicle production units include Africa and the Middle East

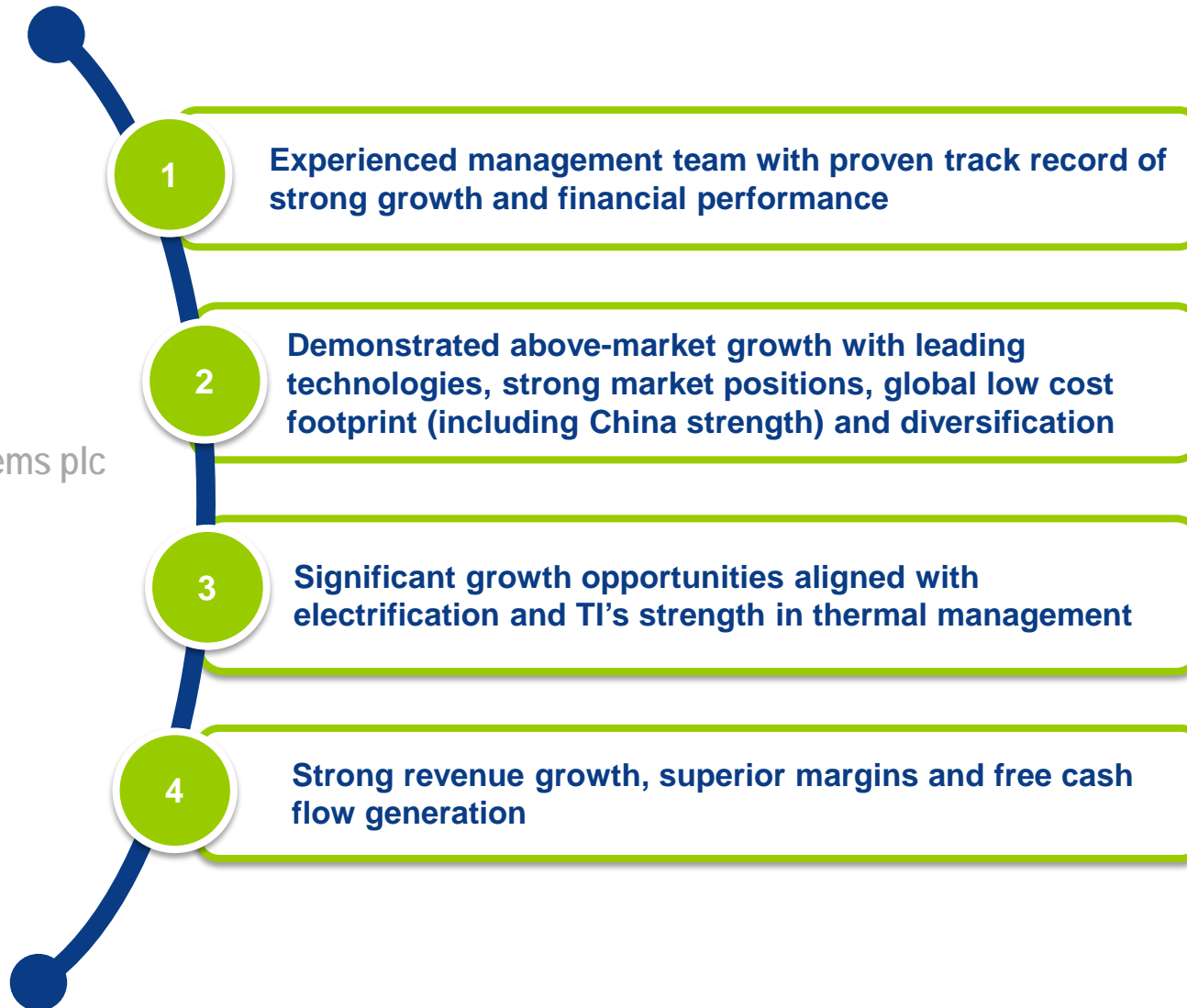
(b) Revenue at constant currency

Source: February 2018 IHS Markit and company estimates

HEV / EV – Momentum Building on Content Opportunities

- **Confidence increasing with the level and enthusiasm of our key customer interactions on Hybrid Electric Vehicles (“HEV”) and Electric Vehicles (“EV”)**
 - **We have been awarded several** low volume **HEV / EV programs** at premium North American, German and Chinese OEMs
 - Demonstrating recognition of our strong product and system capabilities
 - Recent HEV / EV awards and quotations in process continue to support our expected addressable market increases
 - We are intensely engaged on multiple levels with **leading OEMs focused on large volume EV programs**
 - **Exciting vehicle platform opportunities** where significant nylon and strong content per vehicle ranges can be confirmed
 - **Requests for nylon content are increasing** as OEMs refine their design specifications
 - **These are solid trends for TI Fluid Systems** and expect positive business award updates during 2018

Key Investment Proposition



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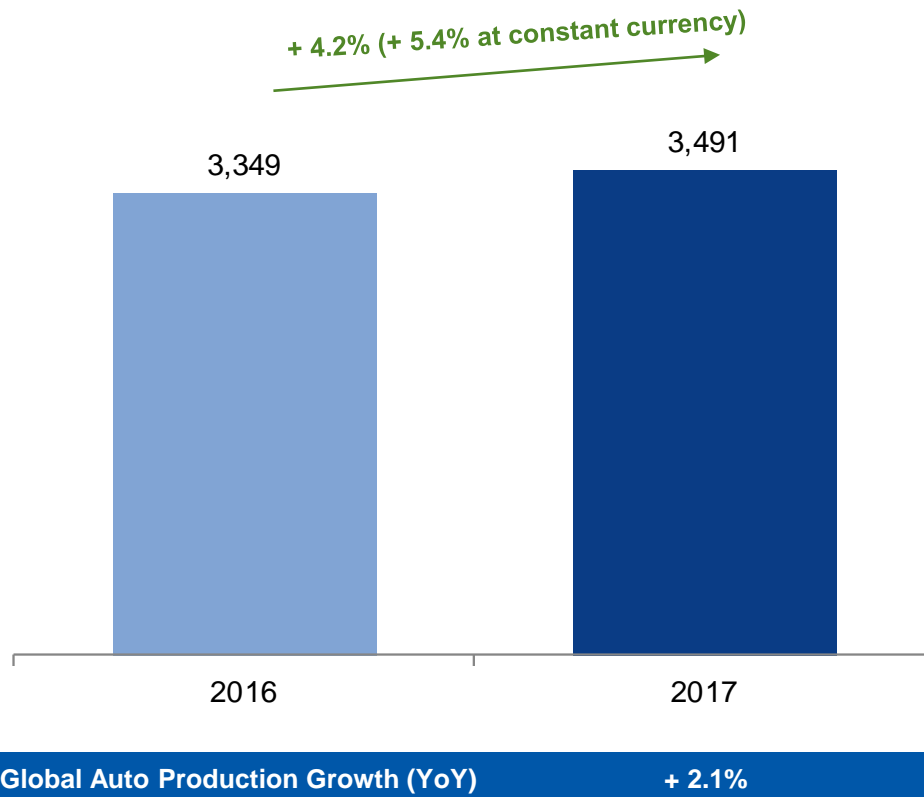
2017: IPO Expectations vs. Actual

€m	IPO Expectations	2017	Delivered
Revenue Growth	<ul style="list-style-type: none"> Revenue growth of ~ 3% - 4% (at constant currency) above global automotive production growth 	3.3%	✓
Adj. EBIT	<ul style="list-style-type: none"> Full year margins in line with 2016 levels 	11.0%	✓
Capex and Capitalised Intangibles	<ul style="list-style-type: none"> Capex and capitalised intangible requirements of ~ 4% - 5% of revenue 	4.1%	✓
Cash Interest	<ul style="list-style-type: none"> Interest expense reduction from repricing and deleveraging 	88	✓
Net Leverage	<ul style="list-style-type: none"> Targeting net leverage ratio of ~ 2.0 x LTM Adj. EBITDA 	1.8x	✓
Dividend Policy	<ul style="list-style-type: none"> Targeting payout of approximately 30%^(a) 	1.31 euro cents per share	✓

(a) 30% of Adj. Net Income; 2017 final dividend has been prorated for post IPO period

Solid revenue growth across regions in 2017

Group Revenue (€m)



Key Comments

- Solid revenue growth of + 4.2% at reported rates or + **5.4%** YoY at constant currency
- Strong regional growth primarily driven by:
 - Asia Pacific - new business wins and favourable growth in China
 - North America - many program launches
 - Europe – ramp timing
- Solid H1 and H2 growth:^(a)
 - H1 YoY revenue growth of + **7.1%**
 - H2 YoY revenue growth of + **3.7%**
 - Tooling and program timing impacts

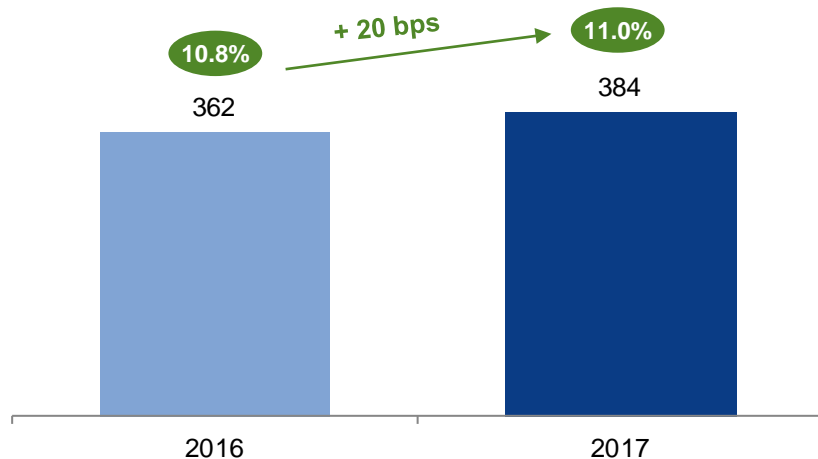
(a) Revenue at constant currency

Source: February 2018 IHS Markit and company estimates

Adj. EBIT and Adj. EBITDA Margin Expansion

Consistency in Adj. EBIT margins

Adj. EBIT (€m)

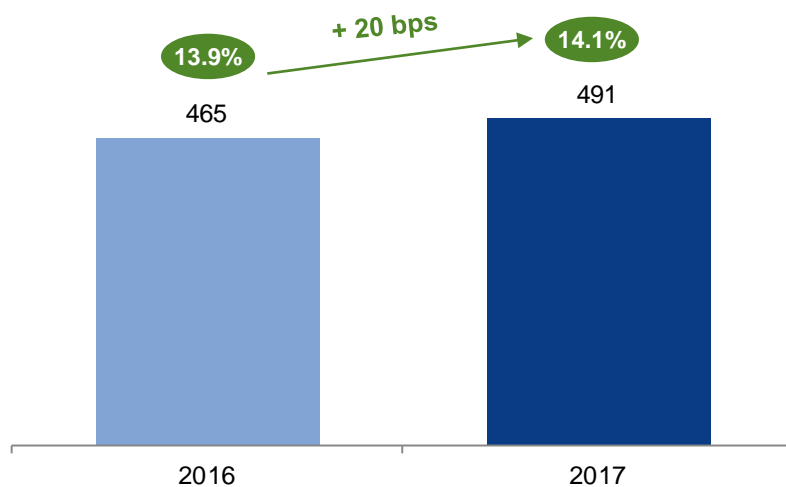


Key Comments

Adj. EBIT

- 2017 YoY Adj. EBIT growth of €22M or 5.9%
- Adj. EBIT margin expansion of **+ 20 bps** to **11.0%**

Adj. EBITDA (€m)



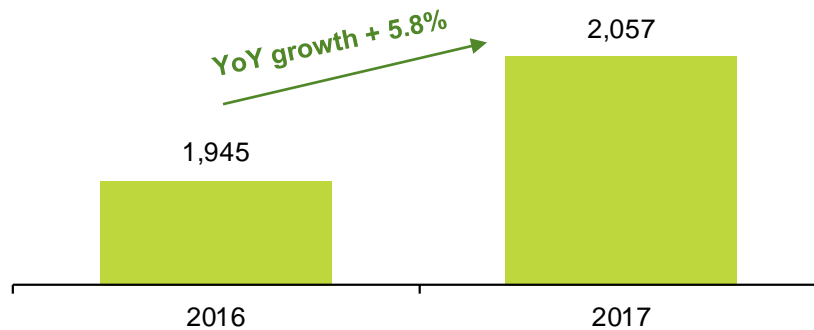
Adj. EBITDA

- 2017 YoY Adj. EBITDA growth of €26M or 5.6%
- Adj. EBITDA margin expansion of **+ 20 bps** to **14.1%**

Segment Revenue and Adj. EBIT Margins

Positive growth and margin consistency

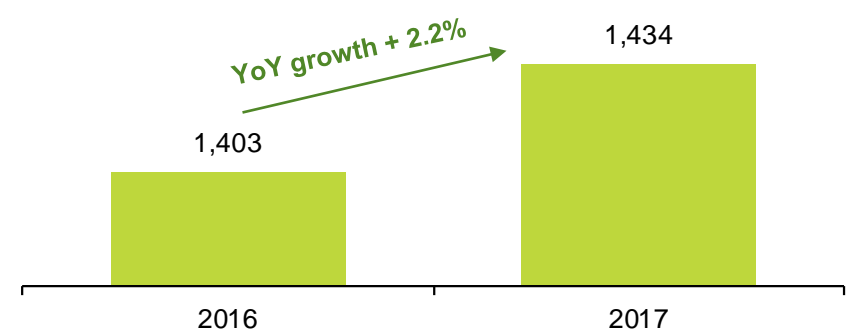
FCS Revenue (€m)



Adj. EBIT Margin	2016	2017
	13.5%	13.2%

- Revenue growth of + **5.8%**
 - At constant currency, YoY growth of + **6.9%**
- Adj. EBIT margin slightly below last year with ramp up costs mostly offset by performance

FTDS Revenue (€m)



Adj. EBIT Margin	2016	2017
	7.1%	7.8%

- Revenue growth of + **2.2%**
 - At constant currency, YoY growth of + **3.3%**
- Adj. EBIT margin + **70 bps** increase with performance and leveraging fixed cost

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

Adj. Basic EPS of 26.2 euro cents and proposed dividend of 1.31 euro cents per share

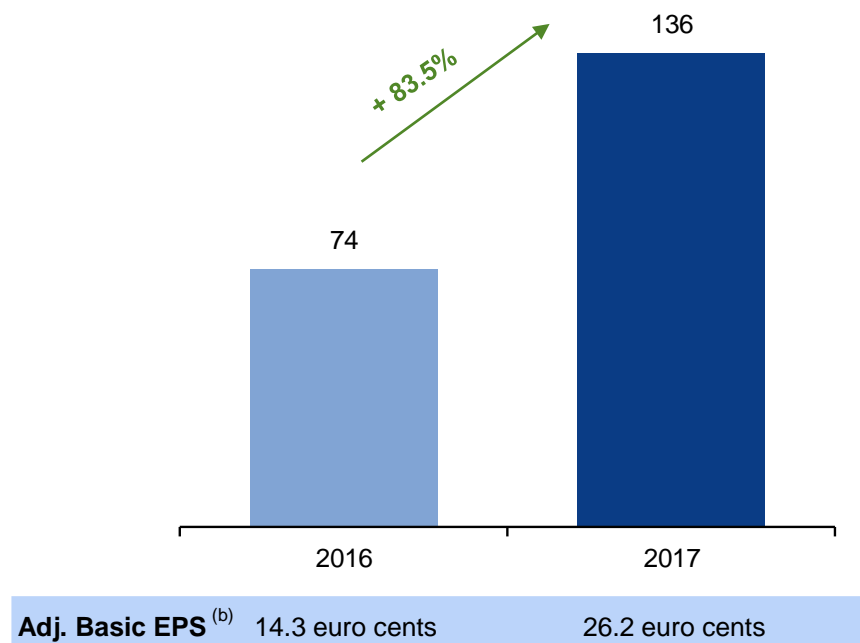
Adj. Net Income Reconciliation (€m)

	2016	2017
Adj. EBITDA	465	491
Net Finance Expense before exceptional items	(105)	(89)
Income Tax before exceptional items	(89)	(68)
D&A	(195)	(195)
Non-controlling interests	(2)	(3)
Adj. Net Income ^(a)	74	136

Dividend (€m)

- Dividend proposal of **1.31 euro cents** per share ^(c)
- Policy of ~ **30% of Adj. Net Income**
- Pro rata 2/12 months
- Payout of **€6.8m** on 519.4m shares

Adj. Net Income (€m)



Adj. Basic EPS ^(b) 14.3 euro cents 26.2 euro cents

(a) Adj. Net Income defined as Adj. EBITDA less net finance expense (before exceptional items), income tax (before exceptional items), depreciation (including PP&E impairment), amortisation (including intangible impairment) and non controlling interests
 (b) Adj. Basic EPS defined as Adj. Net Income divided by the number of shares in issue at the current balance sheet date
 (c) Dividend subject to approval at the Annual General Meeting on 17 May 2018. EUR to GBP exchange rate to be set on the record date

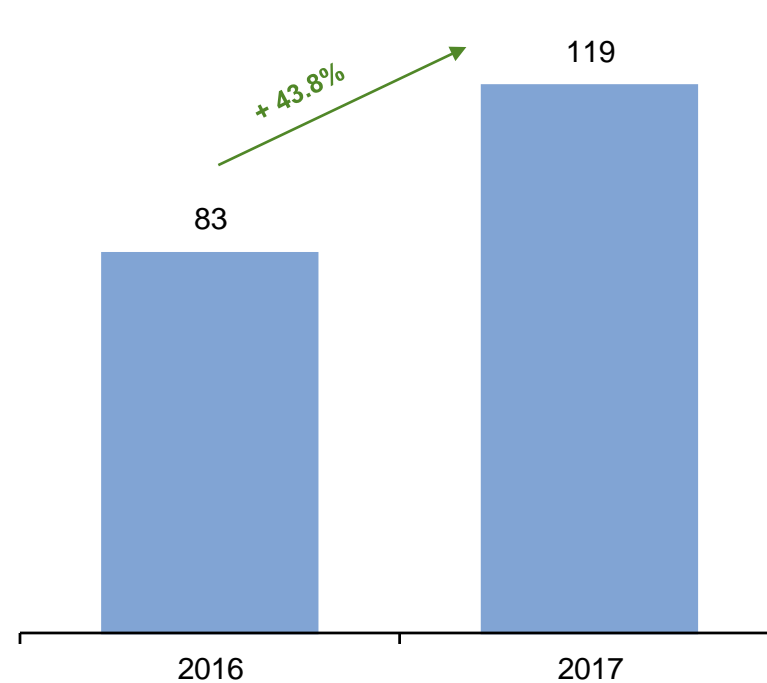
Adj. Free Cash Flow Growth – Business Model Strength

Strong Adj. Free Cash Flow growth

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

	2016	2017
Adj. EBITDA	465	491
Cash Interest	(96)	(88)
Cash Tax	(84)	(89)
Working Capital, Provisions and Other	(77)	(74)
PP&E	(110)	(119)
Intangibles	(27)	(25)
IPO Cash Costs	12	22
Adj. Free Cash Flow	83	119

Adj. Free Cash Flow (€m)^(a)



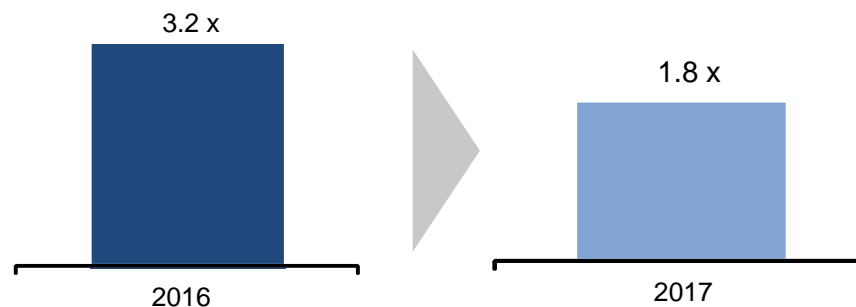
(a) Adj. Free Cash Flow defined as cash generated from operating activities, less cash used by Investing activities, adjusted for acquisitions and cash payments related to IPO costs

Strong Capital Structure post IPO / Performance Strong Position

Capital Structure Evolution

€m	Interest Rate	2016	2017
Financial Liabilities			
Secured Term Loan	LIBOR+ 2.5% ^(b) Euribor + 2.75%	1,319	1,025
Unsecured Notes	8.75%	427	184
Finance Leases and Other		5	4
Unamortised Fees		(52)	(31)
Total		1,699	1,181
Cash and Cash Equivalents^(a)		(199)	(290)
Net Debt		1,500	891
Net Debt / Adj. EBITDA LTM		3.2x	1.8x

Leverage Evolution (Net Debt / 2017 Adj. EBITDA)



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

(b) On 23 January 2018, the Group met criteria to further reduce the interest rate on the US term loan by 0.25% p.a. to US\$ LIBOR (minimum 0.75% p.a.) +2.5% p.a., and the Euro term loan by 0.25% p.a. to EURIBOR (minimum 0.75% p.a.) +2.75% p.a.

Outlook

€m	2016	2017	Outlook
Sales Growth	3,349 ~ 5% above auto production (at constant currency)	3,491 ~ 3% above auto production (at constant currency)	➔
Adj. EBIT Margin	10.8%	11.0%	➔
Adj. Free Cash Flow	83	119	➔
Net Leverage	3.2 x LTM Adj. EBITDA	1.8 x LTM Adj. EBITDA	➔
Dividend Payout Ratio	-	30% of Adj. Net Income	➔

Q&A



TI Fluid Systems plc



Appendix

High Level Income Statement

Adjustments to EBITDA and EBIT – non cash and non operational

Income Statement Summary

€m	2016	2017
Revenue	3,349	3,491
Adj. EBIT	362	384
<i>Adj. EBIT %</i>	10.8%	11.0%
PPA	(92)	(88)
D&A	195	195
Adj. EBITDA	465	491
<i>Adj. EBITDA %</i>	13.9%	14.1%
Tax	(89)	(43)
Finance expense	(105)	(115)
D&A	(195)	(195)
Exceptional Items ^(a)	(23)	(40)
Net FX Gains/ (Losses)	(2)	25
Other Reconciling Items	(7)	(7)
Profit for the Year	44	115

Comments

- Adjustments primarily relate to certain non cash and non operational expenses
- Exceptional items** - primarily IPO costs and historical equity related incentives
- Net FX gains / losses** - primarily FX impact from US to UK inter-company loans in USD
- PPA** - depreciation and amortisation arising on the Bain and Millennium acquisitions

(a) 2017 exceptional items includes 2017 IPO costs (€27M), historical equity related schemes (€11M) and other (€2M)

Adj. Effective Tax Rate

Adj. Effective Tax Rate ~ 29%

Effective Tax Rate Adjustments			Comments
€m	2016	2017	
Profit before Income Tax	133	158	<ul style="list-style-type: none"> Adjusted effective tax rate - approximately 29%
UK losses	132	117	
Adj. Profit before Income Tax	265	275	<ul style="list-style-type: none"> Adjustments to reported profit before tax - relate to expenses in the UK that are either not deductible or not tax effected because of the UK loss position
Income tax before exceptional items	(89)	(68)	
Prior year tax provisions / adjustments	(1)	(11)	
Adj. Income Tax before exceptional items	(90)	(79)	<ul style="list-style-type: none"> Adjustments include FX gains / losses, interest expense, exceptional items and other operating costs
Adj. Effective Tax Rate	34%	29%	<ul style="list-style-type: none"> Adjustments to income tax before exceptional items - relate to changes arising in the year affecting items originally provided for in prior periods

Profit for the Year to Adj. Net Income Reconciliation

Adj. Net Income Reconciliation

€m	2016	2017
Profit for the year	44	115
Non-controlling interests	(2)	(3)
Net FX (gains) / losses	2	(25)
Exceptional Items	23	41
Other reconciling items	7	7
Adj. Net Income	74	136

Comments

- 🌐 **Profit for the year adjusted for one time expenses**
 - 🌐 **Net FX gains / losses** - primarily FX impact from US to UK inter-company loans in USD translated to Euros
 - 🌐 **Exceptional items:**
 - 🌐 Administrative expenses €40M
 - 🌐 Finance costs €26M
 - 🌐 Bond call premium and consent fees
 - 🌐 Unamortised issuance fees expensed on voluntary repayment of borrowings
 - 🌐 Income tax benefit due to US tax reform (€25)M