

# TI Fluid Systems Investor Presentation

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Deutsche Bank Global Auto Industry Conference – June 17<sup>th</sup>, 2021



A close-up, monochromatic photograph of industrial machinery, specifically a dense array of metal pipes and fittings. The pipes are dark and highly reflective, with many curved and straight sections. The lighting creates strong highlights and deep shadows, emphasizing the metallic texture and complex geometry of the components. The background is blurred, focusing attention on the foreground pipes.

# Disclaimer

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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 results announcement for the year ended 31 December 2020.

# Agenda

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1

**TI Fluid Systems Overview – Bill Kozyra, CEO and President**

2

**Electrification Success – Hans Dieltjens, COO**

3

**Finance – Ron Hundzinski, CFO**

3

**Q & A**



# TI Fluid Systems Overview

# Key Investment Propositions

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Experienced management team with proven track record of strong growth and financial performance and support of the commitment to enhanced diversity and inclusivity



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 of HEVs and BEVs and TI's strength in thermal management systems and pressure resistant HEV fuel tanks



Strong revenue growth, superior margins and free cash flow generation



Awarded the London Stock Exchange Green Economy Mark recognizing the scale of environmental benefit TI Fluid Systems products provide to the global automotive market

**Sustainable business model – ‘doing what we said we would do’  
and making the world a cleaner place to live**

# About TI Fluid Systems

**TI Fluid Systems plc** has approximately **100 years** of automotive **fluid systems** expertise

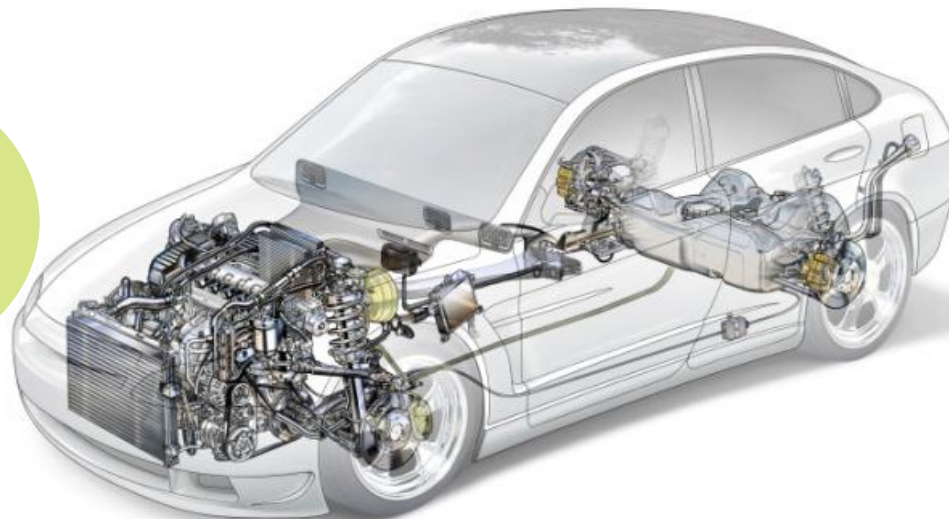
We have award-winning technologies and products aligned with automotive megatrends, including new product offerings designed for **hybrid electric vehicle (“HEV”)** and **battery electric vehicle (“BEV”)** applications

We are a **leading global supplier** of automotive **fluid storage, carrying and delivery** systems for the light vehicle automotive market, with **strong market shares** across all key products

We believe our **market diversity** is unparalleled and leading **competitive flexible cost structure** demonstrates the resilience of our business

2020  
Revenue  
**€2.8b**

2020  
Adj. EBIT  
margin  
**6.2%**



2020  
Adj. FCF  
**€148m**

2020  
Market  
Cap.  
**€1.3b**

# TI Fluid Systems Leadership Team

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**Bill Kozyra**  
CEO and President

Bill was appointed as CEO and President of TI Fluid Systems in June 2008. Prior to joining the Group, Bill held a number of senior executive positions, including that of President and CEO of Continental AG North America and senior roles at ITT Automotive and Bosch Braking Systems.

Bill has 43 years of automotive experience.



**Ron Hundzinski**  
Chief Financial Officer

Ron joined the Group in January 2020 as Chief Financial Officer. Prior to joining TI Fluid Systems, Ron was Executive Vice President – Finance of Tenneco. Prior to this position, Ron was CFO of BorgWarner.

Ron has 30 years of automotive experience.



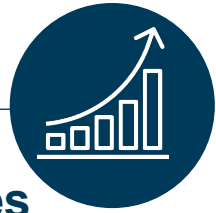
**Hans Dieltjens**  
Chief Operating Officer

Hans has been the Chief Operating Officer since 2021. Prior to this Hans served as the Executive VP of Fuel Tank & Delivery Systems since 2014. Previously, Hans held various senior level operational, technical and sales positions within the Group and at Hoogovens Aluminium Duffel and will transition to the role of CEO in Q4 2021 upon retirement of Bill Kozyra.

Hans has 25 years of automotive experience.



# Global Market and Technology Leader in Automotive Fluid Systems

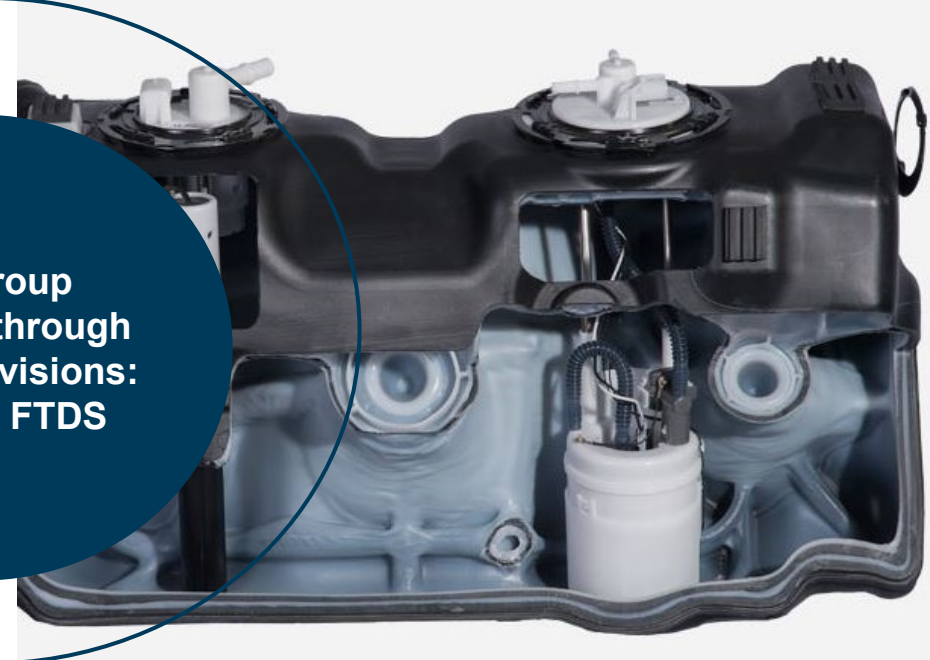


Focused on highly engineered fluid storage, carrying and delivery systems for light vehicles

Fluid Carrying Systems (“FCS”)  
54% of 2020 Revenue



Fuel Tank and Delivery Systems (“FTDS”)  
46% of 2020 Revenue



The Group  
operates through  
two key divisions:  
FCS and FTDS

Designs, engineers and manufactures brake and fuel lines, engine lines as well as thermal fluid products for vehicles, primarily with a **BEV strategic focus**

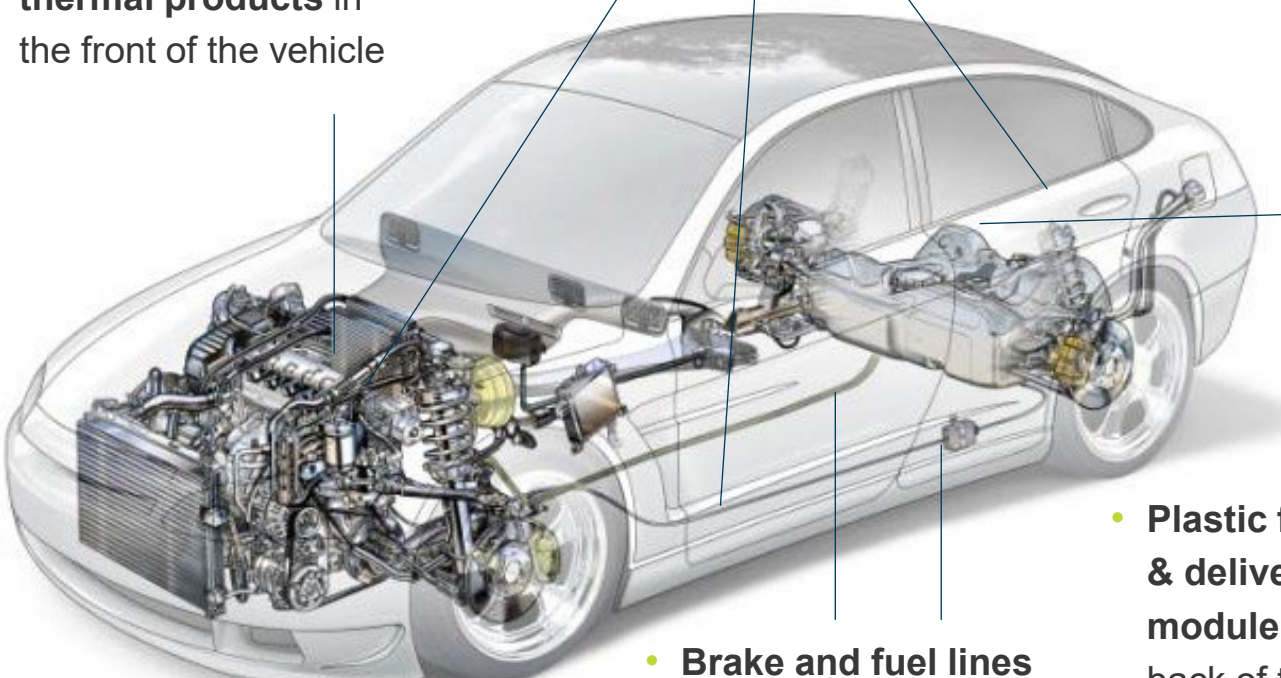
Designs, engineers and produces fuel tank systems and pump and module fuel delivery systems for vehicles, primarily with a **HEV strategic focus**



# Performance-Critical Products



## Performance-critical products that cannot be easily replaced

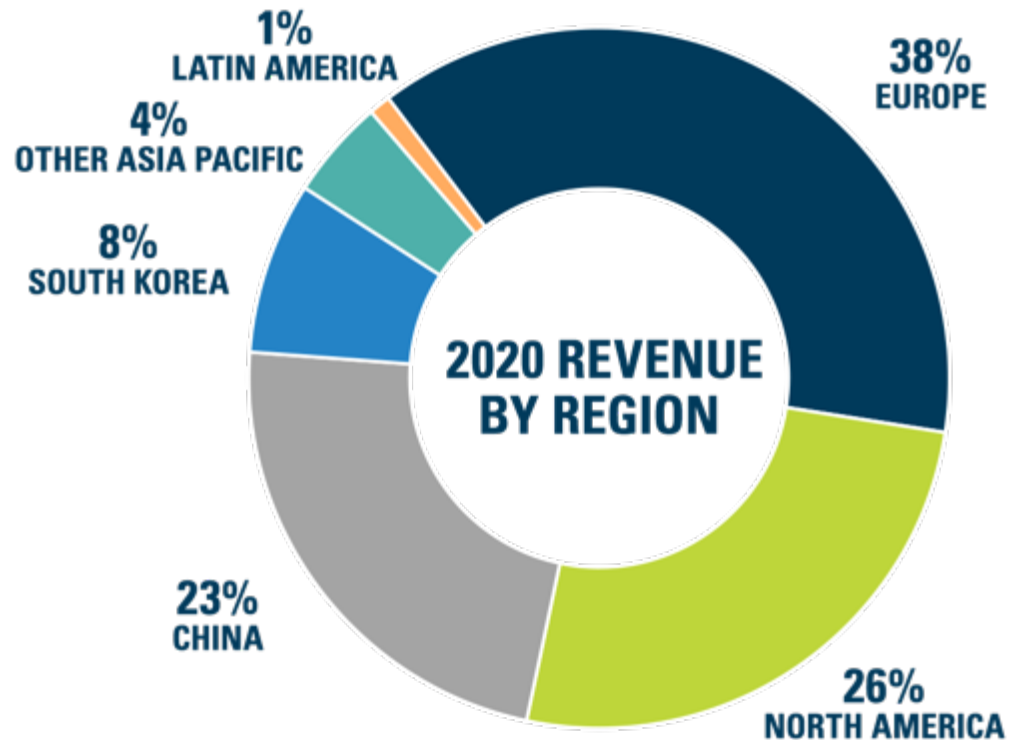
- **Engine lines and thermal products** in the front of the vehicle
  - **Thermal products** in the front (ICE/ HEV/ BEV), under and the back of the vehicle (HEV/ BEV)
  - **Design and engineered** specifically for each OEM using proven technology
  - **High quality** products designed to last the life of the vehicle
  - **Strong value add but relatively low cost** products compared to the price of a vehicle
  - **Component size varies depending on the size of the vehicle** i.e. larger vehicles such as an SUV typically require longer lines and a larger fuel tank system
  - Although, products are not visible in a vehicle, they are **performance-critical** and cannot be easily replaced
  - **Plastic fuel tank & delivery module** at the back of the vehicle
  - **Brake and fuel lines** under the vehicle
- 

# Geographical Revenue Diversity



Highly diversified revenue with no dependence on one geography

## 2020 Revenue by Geography



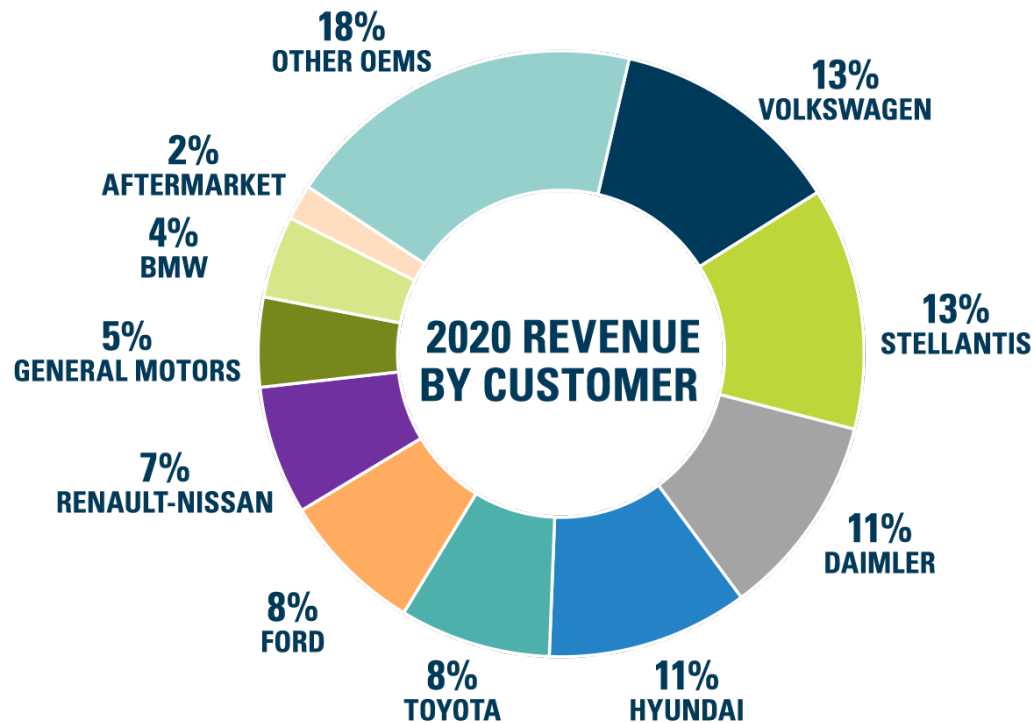
- **Highly diversified revenue** with no dependence on one geography
- 25,700 employees in **28 countries** across 5 continents
  - **Decentralised model** – primarily use local nationals with profit/ cash flow responsibility and strong regional/ global customer relationships
- **107 manufacturing locations** across the globe
- **4 global technology centres**
- **100% wholly-owned China** operations

# Highly Diversified Customer Base



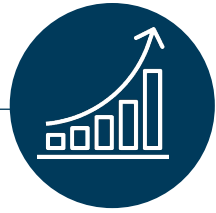
Highly diversified customer base with no single customer making up > 13% of revenue

## 2020 Revenue by Customer



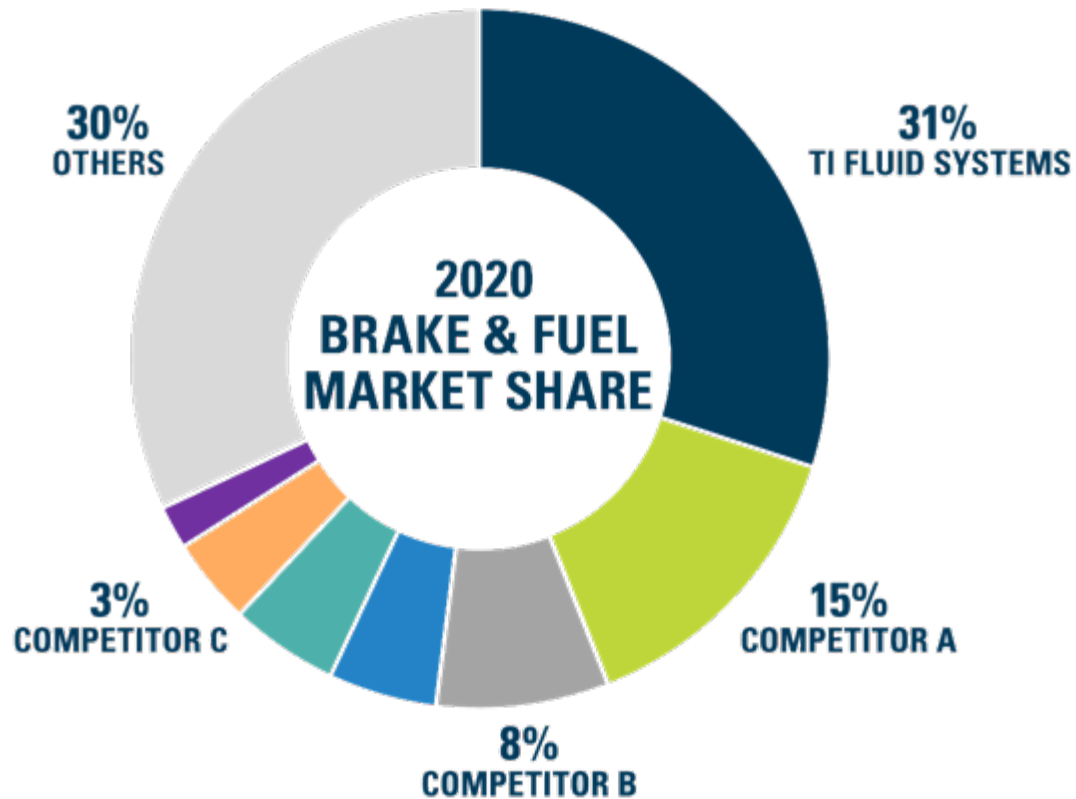
- **Highly diversified** customer base with no single customer making up > 15% of revenue facilitates revenue consistency
- OEM trend towards sourcing **global platform for existing ICE and new BEV programs**
- Multi-decade **trusted relationships**
- **Close engineering collaboration** early-on enables efficient design process and competitive advantages
- **Well established partner** to the OEMs for our products

# Brake and Fuel Lines Market Share



**TI Fluid Systems #1 global market position in brake and fuel lines**

## 2020 Brake and Fuel Market Share



- **#1 global market share position**
- Maintained for over a decade
- Strong relationships with OEMs on all levels (global, regional and local) built over decades
- Global engineering and footprint

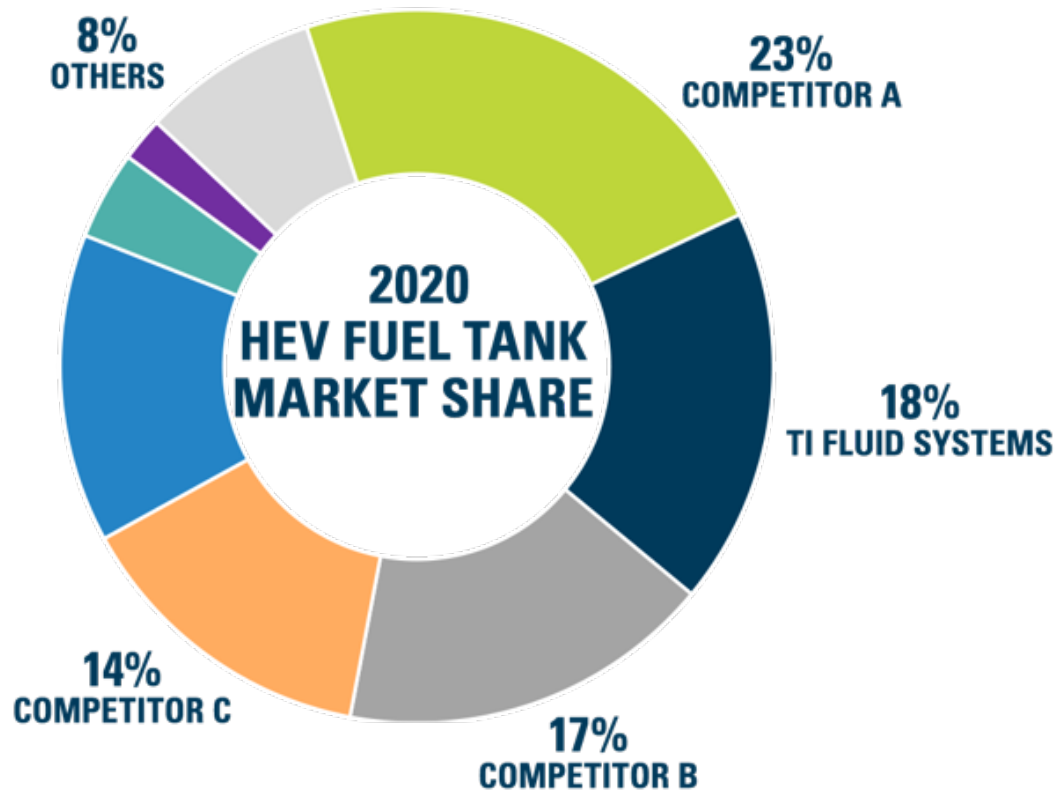


# Plastic Fuel Tanks HEV Market Share



TI Fluid Systems #2 global market position in HEV plastic tank systems

## 2020 HEV Fuel Tank Market Share



- **Over-indexed HEV fuel tank market share**
- Technology differentiation leading to further market share enhancements
- **PACE awarded TAPT process** used for pressure resistant HEV fuel tanks

# Global Low-Cost Manufacturing Footprint

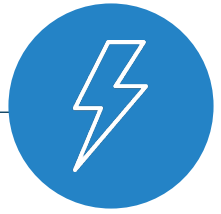


Optimised footprint with locations near customers for logistics advantage





# Electrification Success



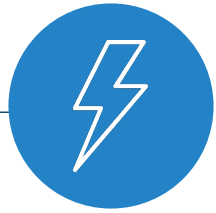
## TI Fluid Systems is:

- A worldwide leader on **fluid storage, delivery and carrying technology**
- Successful in **providing** thermal products **to the EV (HEV and BEV) markets**
- Using **existing know-how** and product line **capabilities and assets** to **pivot to EV without large investments**
- Continuing **strong customer relationships** based on a **100-year history** as a **leading automotive supplier**
- Leveraging **our focus on efficiency and integration** with **modular approach** to **thermal management** as a **key competitive advantage**
- **Winning key BEVs** coming to market – **strong market representation**

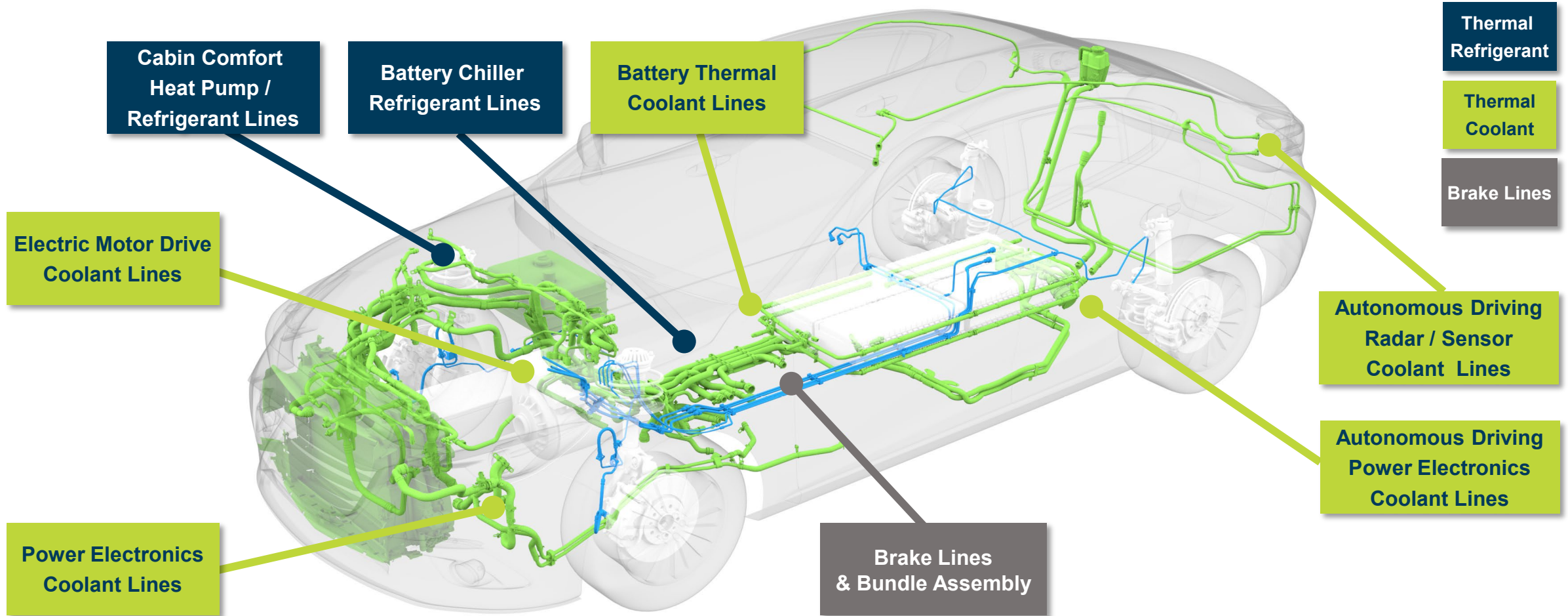




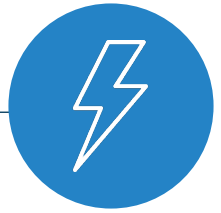
# Battery Electric and Autonomous Vehicle Product Areas



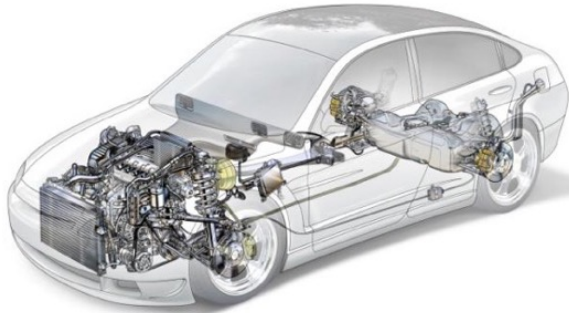
Electric and autonomous vehicles provide higher content growth opportunity



# Significant Revenue Opportunity with Vehicle Electrification



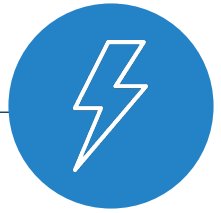
**Electrification offers content growth opportunity**



	<u>Available Content Per Vehicle</u>				
<b>Internal Combustion Engine Vehicle (ICE)</b>	€200	Brake and fuel lines	Integrated fuel tank system	Engine lines and other products	Climate Control Thermal Lines
	TI Average ICE CPV 2020 €56				
<b>Optimised ICE &amp; Hybrid Electric Vehicle (HEV)</b>	€250 - €700	Brake and fuel lines	Pressurised Fuel Tank System	Engine lines and other products	Climate Control Thermal Lines
		Battery Thermal Lines	Power Electronics Thermal Lines		
<b>Battery Electric Vehicle (BEV)</b>	€400+	Brake lines	Climate Control Thermal Lines	Battery Thermal Lines	Power Electronics Thermal Lines
	TI Average BEV CPV 2020 €135	Integrated Thermal Modules & Sub-systems		Autonomous Navigation Thermal Lines	Other Thermal System Products

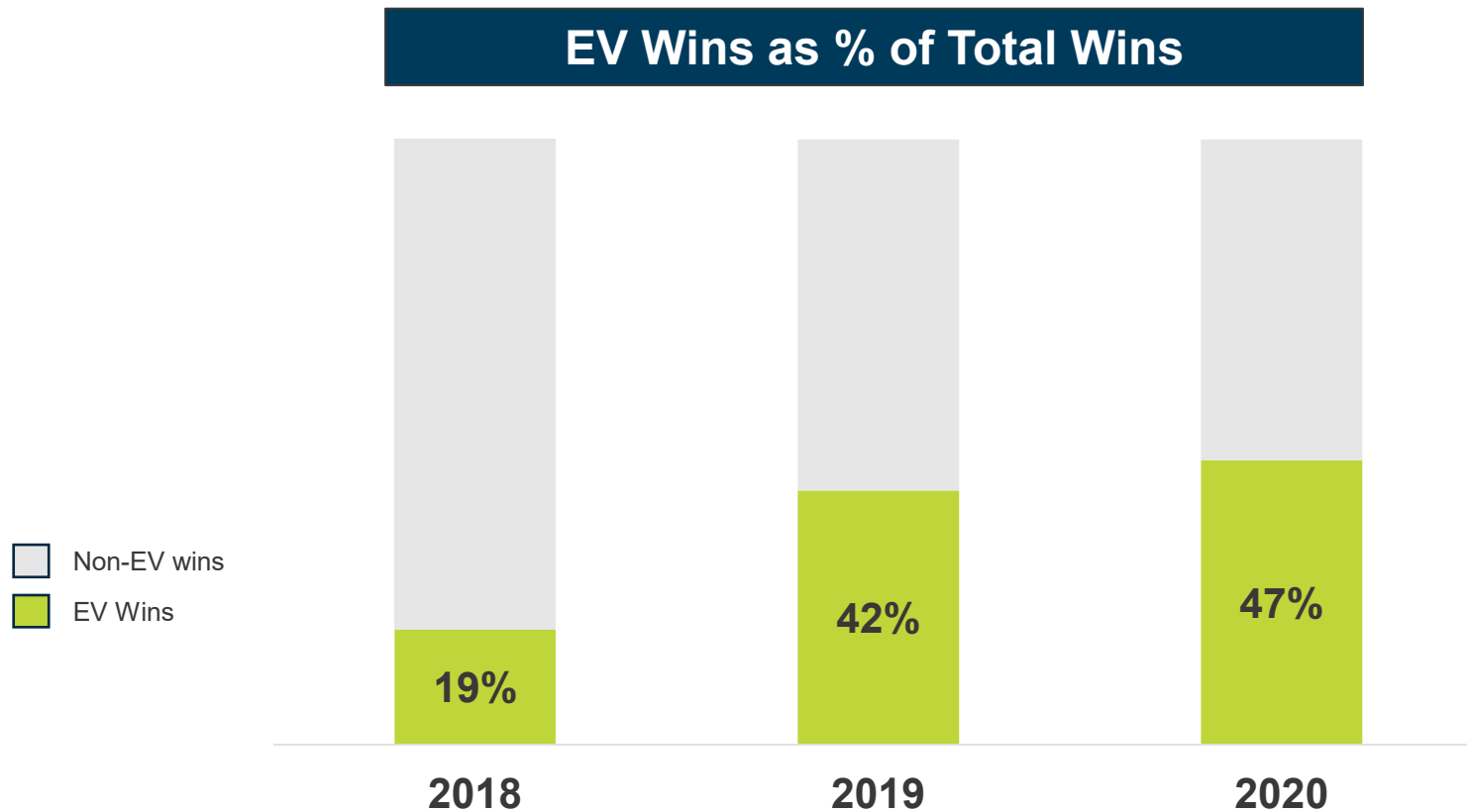
- Existing products
- Newer products
- Products launching
- Under development

# Significant New EV Business Wins



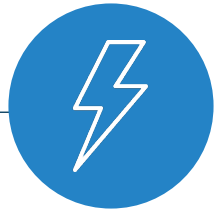
## New EV (HEV + BEV) Business Awards Progressing well

### EV Wins as % of Total Wins



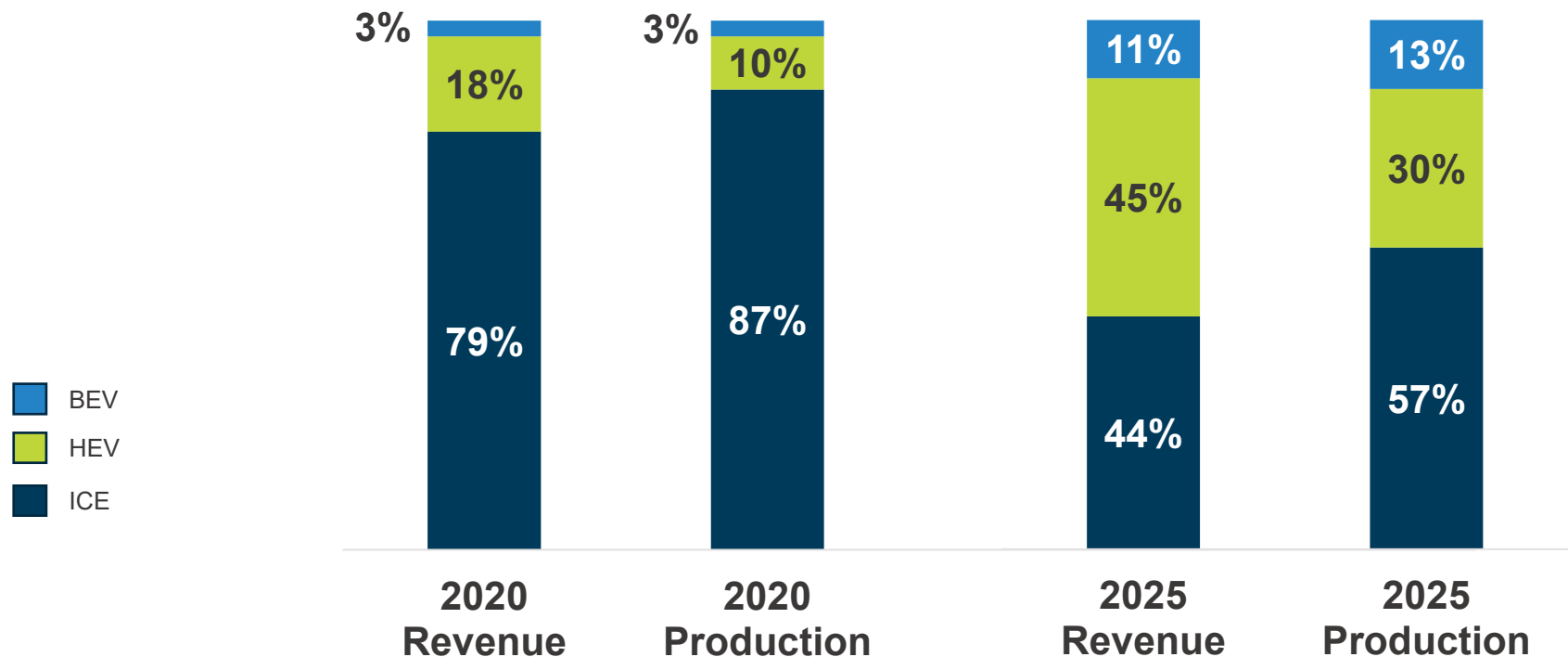
- Increasing momentum of new business awards on EV platforms
- HEV pressure resistant fuel tanks and electric propulsion thermal systems
- BEV thermal systems refrigerant and coolant cabin and propulsion systems

# Balancing Propulsion Revenue to Production Mix



## Executing the Strategy of Balanced Propulsion Mix

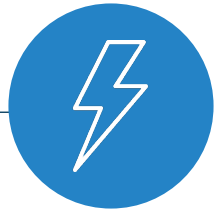
### TIFS Revenue Mix vs Production Type Mix



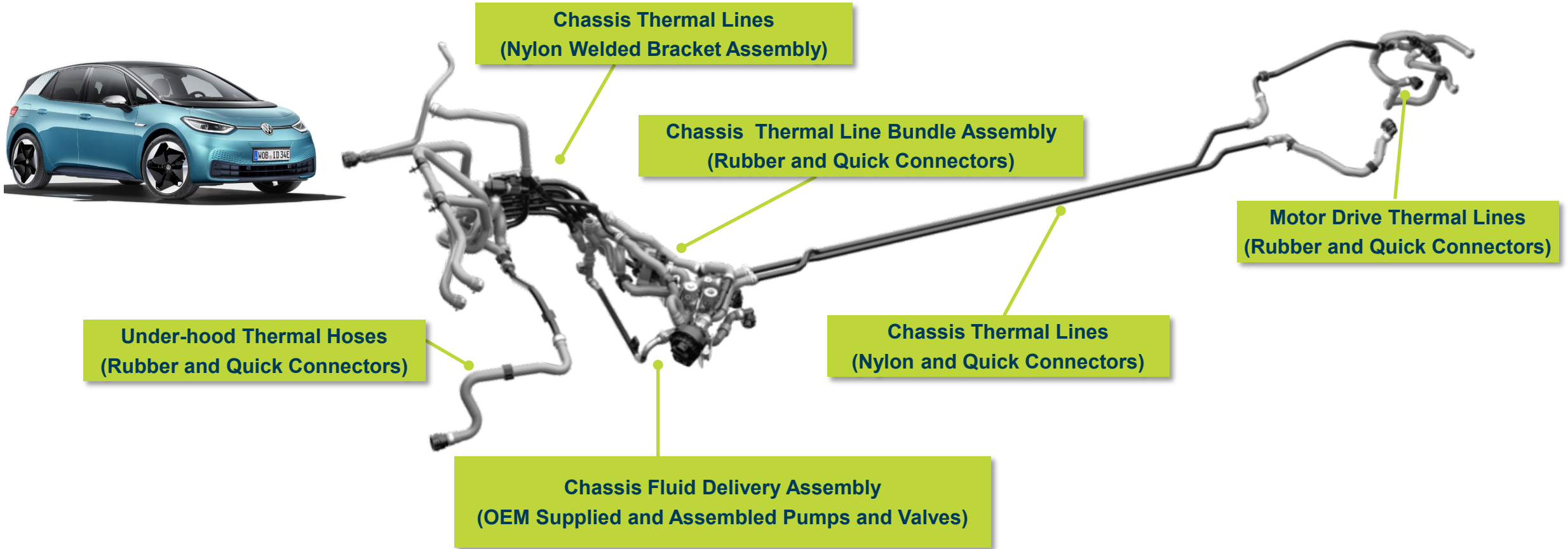
- Current and future revenue mix to propulsion type production balanced
- 'Agnostic' product portfolio supporting all propulsion types



# EV Technology: BEV Chassis Coolant Loop

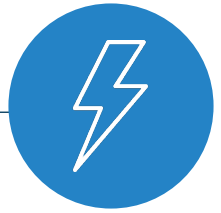


## VW MEB ID.3/ ID.4: BEV Thermal Systems

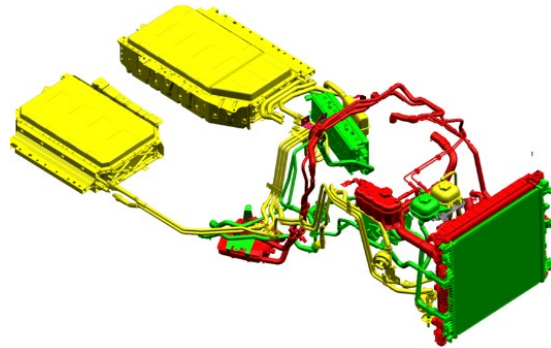


Under-hood bundle assembly and chassis thermal loop conversion to light weight nylon plastic materials

# EV Technology: HEV Thermal Lines and Pressure Resistant Fuel Tank



## Jeep Grand Cherokee PHEV: Coolant Thermal Systems



- Multi-material rubber, aluminum and plastic tube thermal assemblies
- Thermal fluid management of cabin, battery and power electronics for hybrid electric system

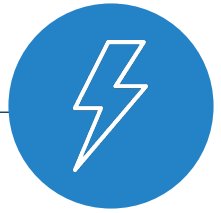
## Volkswagen Passat PHEV: Pressure Resistant Fuel Tank



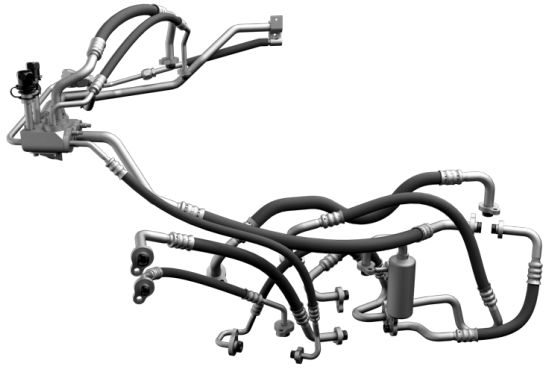
- Pressure resistant plastic fuel tank supporting in-tank pressure build up during pure electric propulsion
- Mechanical structural connection assembled during blow molding process increases durability and overall tank robustness

**Significant content per vehicle opportunity for TIFS on HEV platforms**

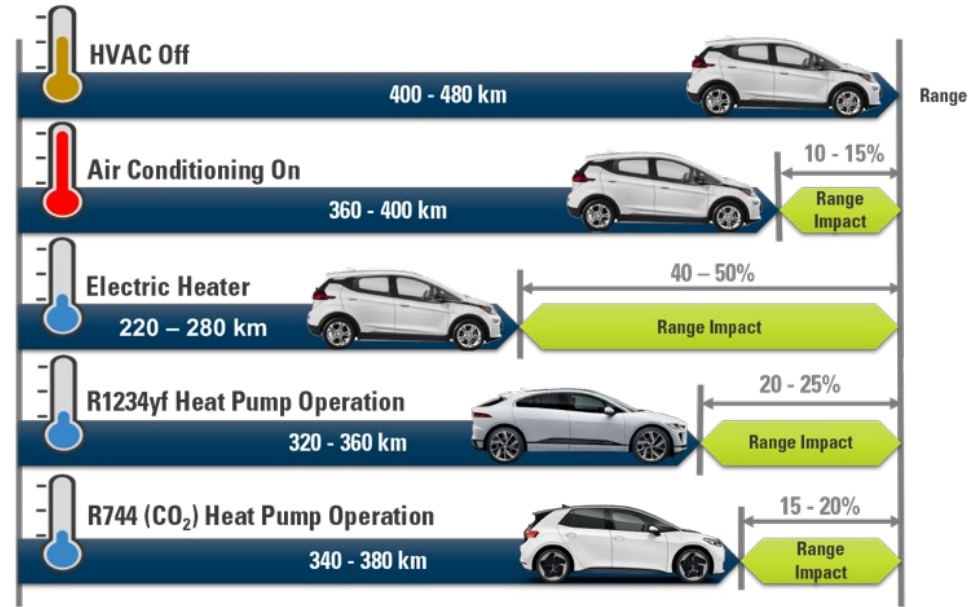
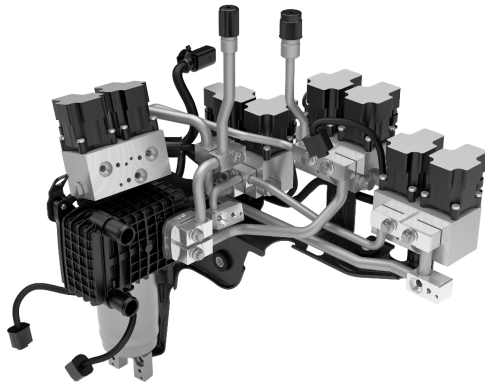
# EV Technology: BEV Cabin Comfort Heat Pump (Refrigerant)



R1234yf



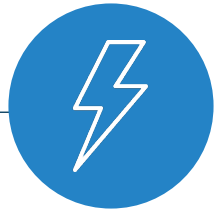
R744 (CO2)



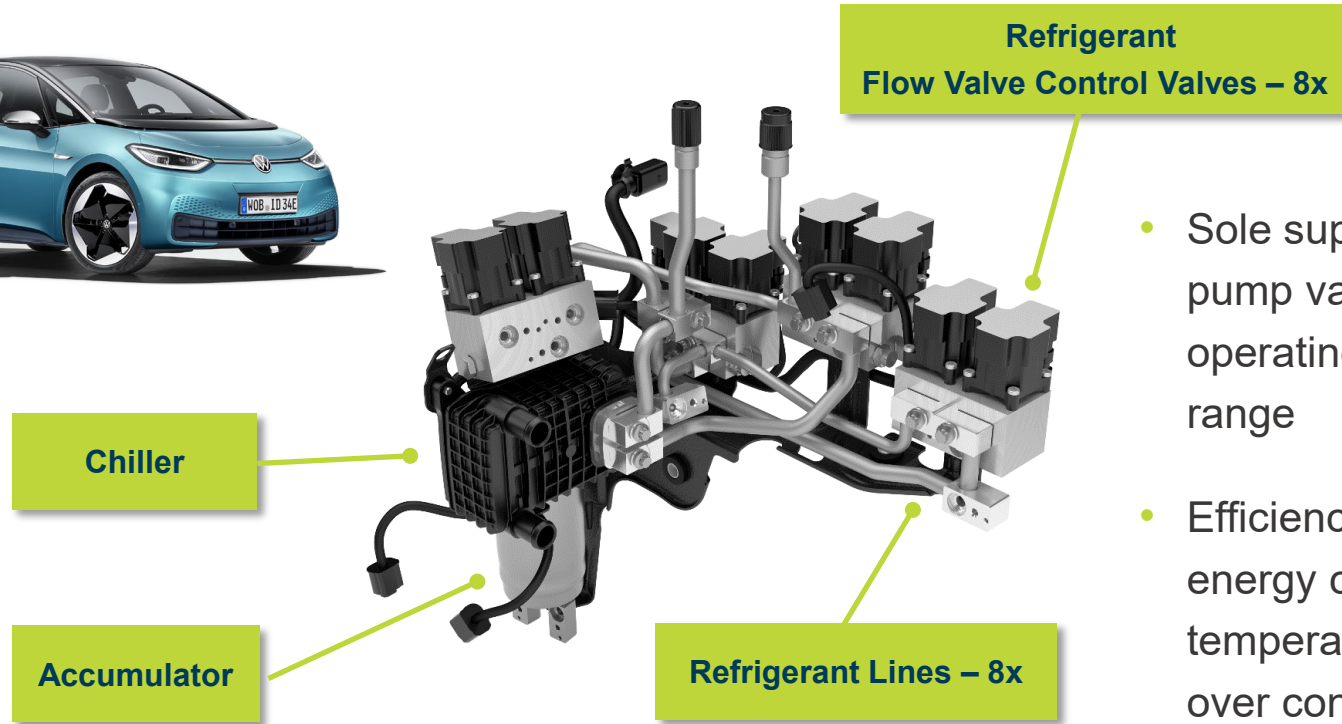
- New heat pump technology in R1234yf and CO<sub>2</sub> refrigerants offering efficiency in BEV cabin heating and cooling over traditional HVAC systems providing significant driving range impact
- TIFS has been awarded several heat pump assemblies across OEM groups and geographic regions

**Driving efficiency in Cabin Comfort – Heat Pump Technology**

# EV Technology: BEV Cabin Comfort Heat Pump



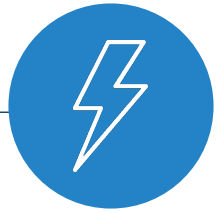
## VW MEB ID.3/ ID.4: BEV Heat Pump Valve Unit



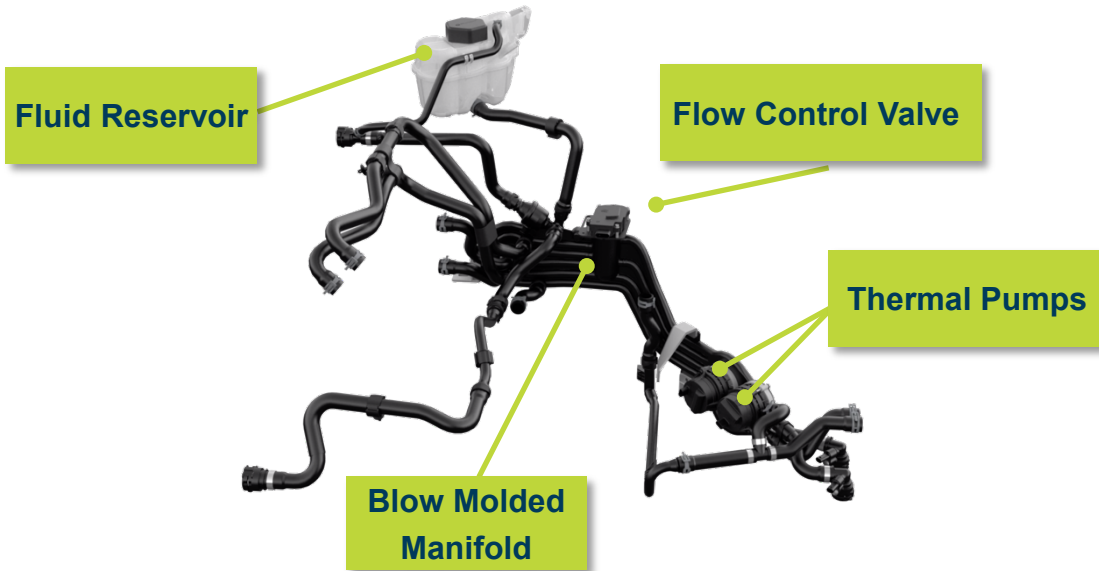
- Sole supplier of the BEV cabin comfort CO<sub>2</sub> heat pump valve unit assembly – delivering increased operating efficiency and supports extended driving range
- Efficiency of system driving significantly lower energy consumption especially at cold operating temperatures providing extended driving range over conventional cabin comfort heat systems

**Industry first high-volume application of optimized refrigerant fluid system for Cabin Comfort**

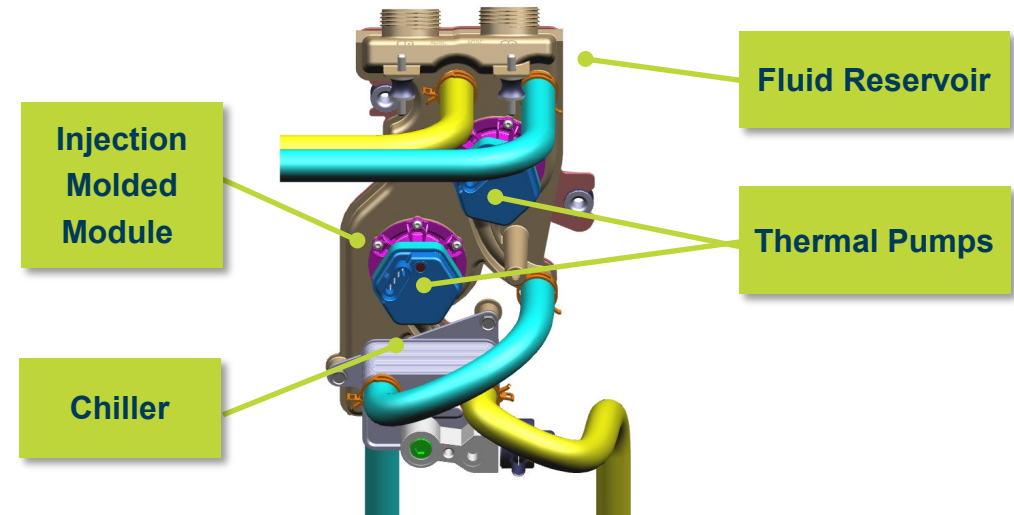
# EV Technology: BEV Integrated Manifolds and Modules



## Integrated Thermal Manifolds (ITMa)



## Integrated Thermal Module (ITMo)



- Leveraging blow molding / injection molding assets and component integration for thermal manifolds and modules
- Integrated solutions providing reduced part count and weight savings and flow efficiency improvements— modular integration

**Part count and weight reduction, with improved flow using integrated thermal assemblies**

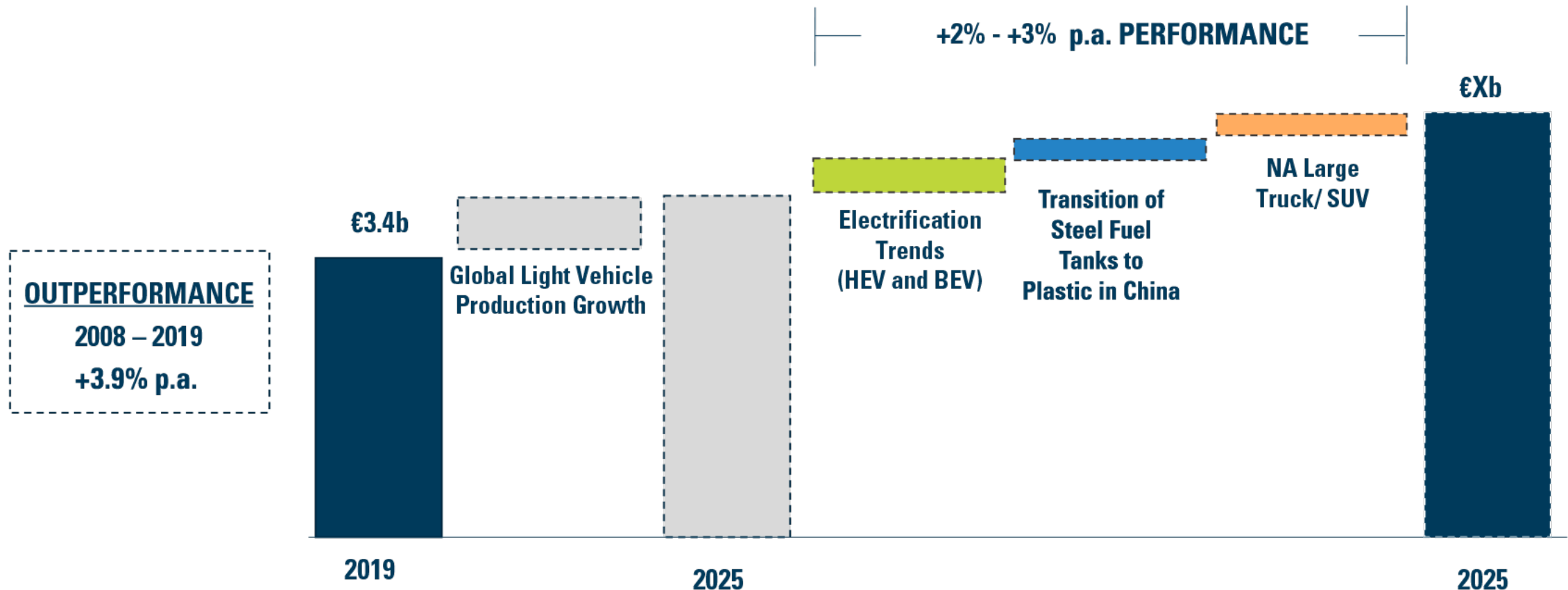


# Finance

# Revenue Outperformance



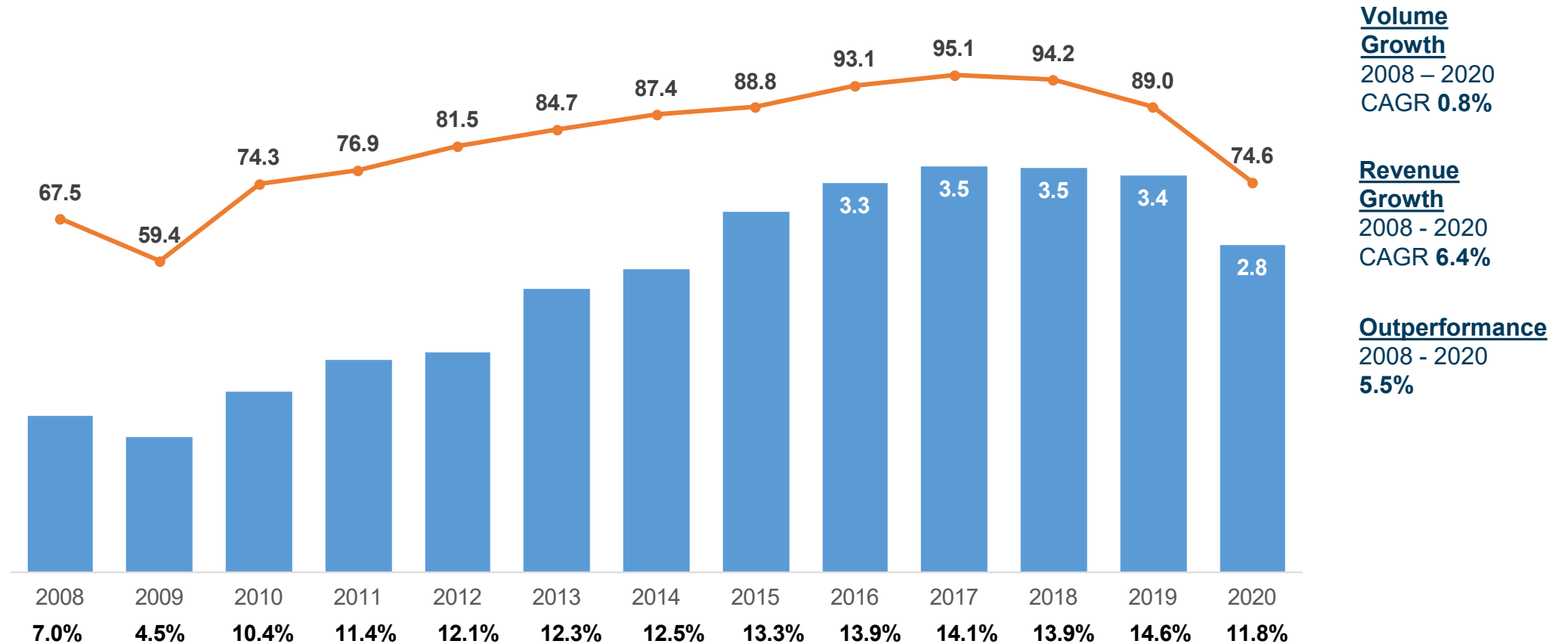
Historic performance and tailwinds supporting 2% - 3% p.a. revenue outperformance



# Proven Track Record of Growth and Financial Performance



Financial performance has been resilient through macro economic cycles

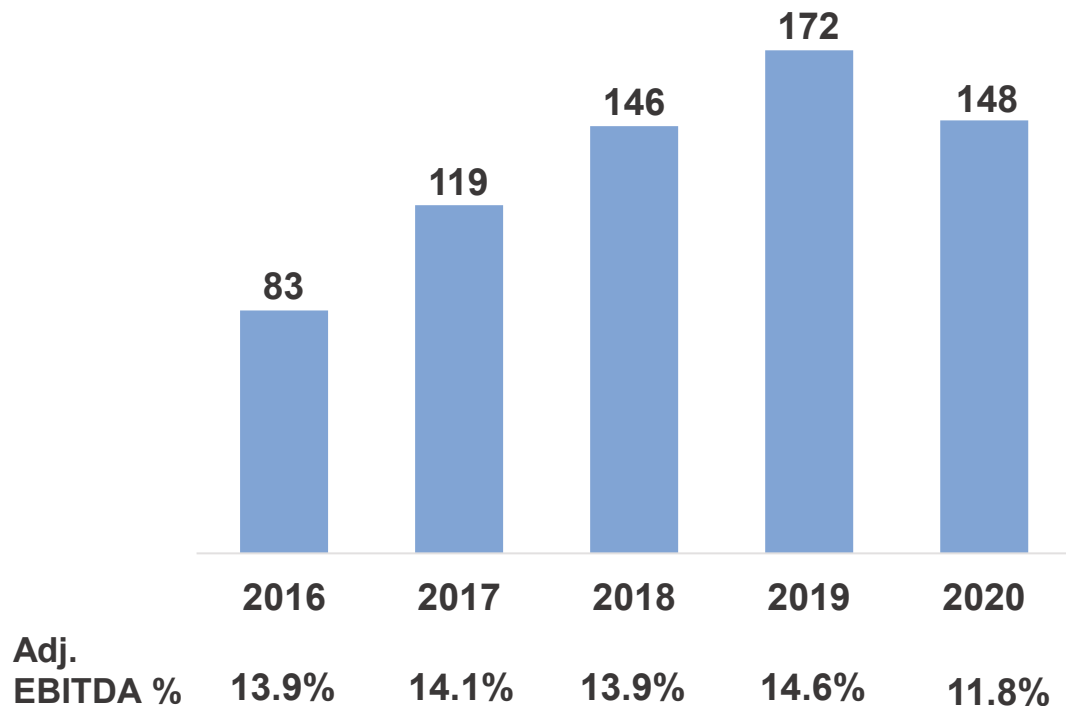


# Adj. Free Cash Flow Strength and Resilience



**Strong Adj. free cash flow generation despite challenging automotive volume environment**

## Adj. Free Cash Flow €m – Historical



- Proven strong cash flow resilience driven by:
  - Net pricing discipline to adjust for commodity cost changes
  - Cost levers that ensure Adj. EBITDA margin protection
  - Capex spend – focused on customer projects and driving efficiency
  - Disciplined approach to managing working capital

# Capital Allocation Priorities



Capital allocation priorities aligned with TI Fluid Systems' strategic objectives

## Net cash generated from operations

Capex & Capitalised R&D	Dividends	Deleveraging
Continue to invest ~ 4% - 5% of revenue to support organic growth	Target pay-out ratio of 30% of Adjusted Net Income	Target leverage levels in line with UK/ European peers
	Other Considerations	
	Continually assess other options that may benefit shareholders including M&A	

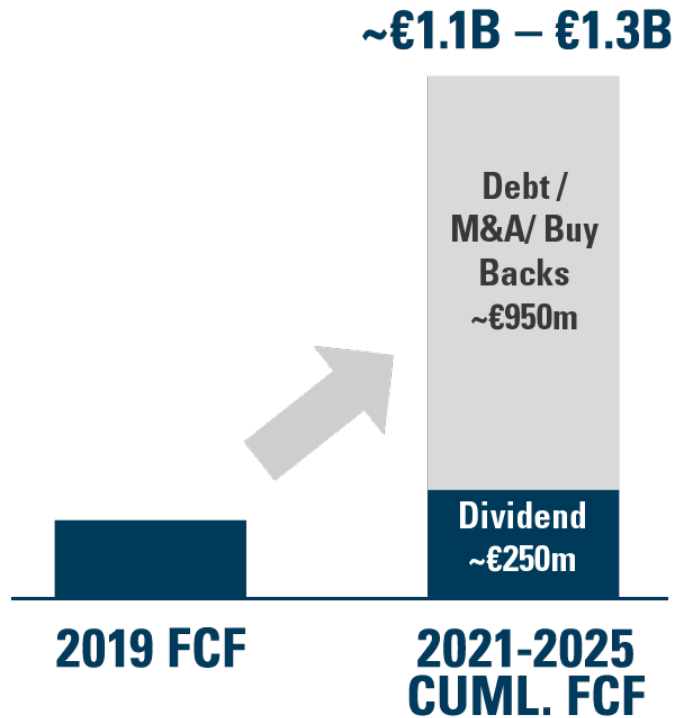


# Capital Allocation Opportunity



## Several opportunities available for capital allocation

### Adj. Free Cash Flow (FCF)



### Uses of Cash

- Over a billion Euro of cumulative Adjusted FCF over 5 years
- After dividend policy ~€950 of cash available for
  - Further deleveraging
  - M&A opportunities (non transformative, fluid handling space)
  - Possible share buy backs

# Medium to Long Term Company Focus



**TI Fluid Systems resilience is rooted in a combination of business model, cost structure and experienced management team**

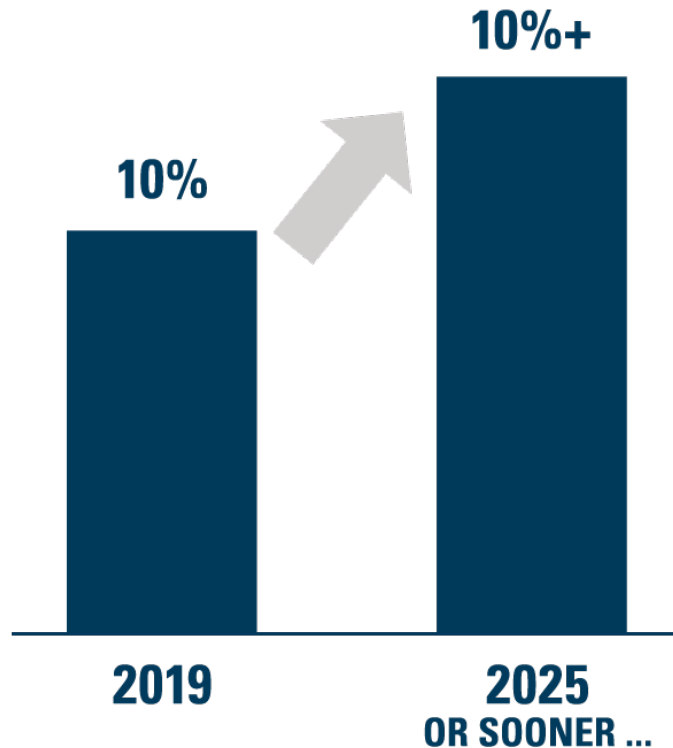
<b>CUSTOMER DIVERSITY</b>	<b>DOUBLE DIGIT PRODUCT MARGINS</b>	<b>STRONG FINANCIAL DISCIPLINE</b>
<b>REGIONAL DIVERSITY</b>	<b>LOW FIXED COSTS &lt; 15%</b>	
<b>VERTICAL INTEGRATION</b>	<b>LOW CAPEX 3% - 4%</b>	<b>PROACTIVE LOCALIZED MANAGEMENT DECISION MAKING</b>
	<b>LOW R&amp;D 2% - 3%</b>	
<b>GLOBAL FOOTPRINT</b>	<b>BEST COST FOOTPRINT 71% LCC</b>	<b>AUTOMOTIVE ECONOMIC CYCLE PLAYBOOK</b>
<b>SUCCESSFUL PIVOT TO EV</b>	<b>ADJ. NET DEBT LEVERAGE 1.0X – 1.5X</b>	
<b>BUSINESS MODEL</b>	<b>COST STRUCTURE</b>	<b>MANAGEMENT TEAM</b>

# Margin Expansion



## Financial discipline and revenue growth results in margin expansion

### Adj. EBIT Margin



### Adj. EBIT Margin Expansion

- Disciplined financial management controls
  - All customer quotations must pass certain hurdle rates
  - Net pricing under 1% p.a.
  - Fixed costs under 15% of revenue providing operational leverage
  - Incremental revenue converted at ~25% - 30%
  - Material and direct labor productivity management



# Appendix

# Full Year 2020: High Level Income Statement

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

Income Statement Summary		
€m	2019	2020
<b>Revenue</b>	<b>3,411</b>	<b>2,815</b>
<b>Adj. EBIT</b>	<b>340</b>	<b>173</b>
<i>Adj. EBIT %</i>	<i>10.0%</i>	<i>6.2%</i>
PPA	(72)	(55)
D&A	230	213
<b>Adj. EBITDA</b>	<b>498</b>	<b>331</b>
<i>Adj. EBITDA %</i>	<i>14.6%</i>	<i>11.7%</i>
D&A	(230)	(213)
Net FX Gains	1	27
Exceptional impairment	-	(305)
Other Reconciling Items <sup>(a)</sup>	(10)	(16)
<b>Operating Profit / (Loss)</b>	<b>259</b>	<b>(176)</b>
Net finance expense	(58)	(74)
Tax	(57)	2
Associate profit / (loss)	-	(4)
<b>Profit / (Loss) for the Period</b>	<b>145</b>	<b>(252)</b>

## 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 Capital and Millennium acquisitions
- **Exceptional impairment-** recognised in H1 2020 and relates to the likelihood of business performance in the medium term given the context of a prolonged period of light vehicle production recovery. This impairment had an associated deferred tax credit of €30 million
- **Net FX gains / losses** - primarily FX impact on unhedged 2020 US to UK inter-company loans in USD upon unwinding hedging program in March 2020