For Release: 5 November 2020

TI Fluid Systems plc

Q3 2020 Trading Update

TI Fluid Systems plc, a leading global manufacturer of highly engineered automotive fluid storage, carrying and delivery systems for light vehicles issues a trading update for the third quarter and nine months ended 30 September 2020.

Summary

- Group Q3 revenues continued to outperform global light vehicle production volumes by 2.2%, despite Q3 revenues decreasing 5.1% year over year (down 1.3% at constant currency)
- Results supported by strong performances in the Asia Pacific region and FTDS segment
- All production facilities in every region remain open and continue to support customer production demands
- Continued business resilience demonstrating effective cost flexibility, free cash generation, balance sheet strength and liquidity
- Further progress with respect to electrification strategy, with the launch of thermal management products on Volkswagen's newly released ID.3 and ID.4 battery electric vehicles ("BEVs") and additional new BEV business wins at accretive value per vehicle content
- 2020 full year guidance reinstated with an expectation of consistent year over year market outperformance and positive adjusted operating margins and free cash generation
- Commitment to resume annual dividend payments in accordance with policy as well as expectation of a 2020 interim dividend in Q1 2021 based on the strength of the Group's financial position and prospects

Q3 Trading Results

Overall, global light vehicle production volumes trended better in Q3 2020 compared to H1 2020 with OEM production activity resuming in all regions following the COVID-19 related factory shutdowns in H1. Q3 2020 Group revenue is recovering and decreased by 5.1% year over year compared to an H1 2020 revenue decrease of 30.7%. At constant currency, revenue declined 1.3% compared to a global light vehicle production decrease of 3.5%, representing an outperformance of 220 bps for the quarter.

By region, on a constant currency basis, Europe and Africa revenue decreased 11.4% compared to the same quarter last year with continued weakness in Europe markets. North America had a marginal increase of 0.8% compared to the same quarter last year while Asia Pacific demonstrated solid revenue growth of 10.7% year over year.

By division, on a constant currency basis, year over year, FCS Q3 revenue declined 3.8% while FTDS Q3 revenue increased 1.9%, benefitting mainly from new business launches particularly in the Asia Pacific region.

Nine months ended 30 September 2020

The Group achieved revenue of €1,950.7 million in the nine months ended September 2020, a decrease of 22.5% year over year. At constant currency, revenue declined 21.5% compared to the same period last year despite global light vehicle production declining by 23.2% year over year. This 2020 year to date revenue outperformance of 170 bps was mainly driven by solid performance in the Asia Pacific region where the Group continues to benefit from new business launches.

€m	**9 months ended September 2019**	**9 months ended September 2020**	**% Change**	**% Change at constant currency**
Group Revenue	**2,516.6**	**1,950.7**	-22.5%	**-21.5%**
By Region				
Europe and Africa	1,016.6	727.4	-28.5%	**-28.2%**
Asia Pacific	737.0	680.7	-7.6%	**-5.6%**
North America	708.6	515.6	-27.2%	**-27.2%**
Latin America	54.4	27.0	-50.4%	**-35.1%**
By Segment				
Fluid Carrying Systems (“FCS”)	1,428.0	1076.9	-24.6%	**-23.3%**
Fuel Tank and Delivery Systems (“FTDS”)	1,088.6	873.8	-19.7%	**-19.1%**

Source: October IHS Markit and company estimates

Revenue by Region

In Europe and Africa, revenue decreased 28.2% year over year at constant currency while volumes decreased 28.6%. This revenue outperformance of 40 bps was due to new business launches in both divisions offsetting the impact of lower volumes.

In Asia Pacific, revenue decreased 5.6% compared to last year at constant currency while volumes decreased 17.8%. The region achieved strong revenue outperformance of 1220 bps compared to the market. The double digit outperformance was driven by the continued success of our new business launches in fuel tanks, particularly in China where the Group is benefiting from the automotive megatrends of reduced evaporative emissions and increased fuel efficiency.

In North America, revenue decreased 27.2% year over year at constant currency while volumes decreased 26.5%. The region’s revenue growth was 70 bps below market growth. Revenue was impacted unfavourably by the lower volumes for the region as a result of the customer shutdowns earlier in the year and also certain platforms reaching end of production.

Revenue by Segment

FCS revenue decreased 23.3% compared to last year at constant currency broadly in line with market performance. The overall decrease in revenue was mainly driven by lower volumes in Europe and North America regions where the segment is weighted more.

FTDS revenue decreased 19.1% year over year at constant currency and outperformed the market by 410 bps. Strong performance in FTDS is mainly driven by new business launches in Asia Pacific partially offset by some programmes reaching the end of life in North America.

Financial Position

The Group continues to demonstrate the resilience of its business model and ability to generate solid adjusted cash flow during these unprecedented times. Net debt is expected to continue to reduce and liquidity strengthen as light vehicle production volumes increase over time, with net leverage expected to also go down steadily as earnings normalise. This dynamic provides the Group with a solid platform and sufficient financial capacity from which to continue our focus on investment to support growth and positive returns.

The Group is pleased to announce that on 30 September 2020 it successfully completed the amendment and extension of its existing credit and debt facilities, moving maturity dates out to 2024. Completing this transaction maintains existing levels of liquidity and increases flexibility to support the Group's continued resilience through all economic cycles and execution of its electrification growth strategies.

COVID-19 Response

In response to the ongoing global COVID-19 pandemic, the Group has continued to take steps to protect and prioritise the safety of our employees, their families and our communities. Health and safety remains our number one priority. This response includes the donation of protective face masks, hand sanitation supplies and other personal protection equipment to support communities in areas we operate. We also are proud to supply our 'one size fits all' air flex tube solution for the Ford/ 3M powered air-purifying respiratory systems (PAPR) helping to meet the need for protective equipment for front line health care workers in the United States.

The Group is also following detailed health and safety protocols with enhanced workplace and manufacturing measures such as temperature checks, protective facial coverings, social distancing, improved hygiene procedures and modified work proximities and altered shift patterns.

We believe that these efforts have greatly limited the impact of COVID-19 infection across our employees and has enabled all of the Group's production facilities to safely re-open and remain operational.

Electrification Strategy Progress

We are pleased to see the continued results of the successful execution of our organic growth strategy and focus on BEVs. We have launched into production a range of products for thermal fluid management on Volkswagen's newly introduced ID.3 and ID.4 BEVs. In addition to supplying Volkswagen various thermal coolant assemblies, the Group is also proud to be the sole supplier of the cabin comfort Co_2 heat pump valve unit assembly on this BEV platform, an exciting new technology which delivers increased operating efficiency and supports extended driving range over that of a traditional refrigeration based cabin comfort system. We look forward to the success of these vehicles and our growing content in this important strategic BEV segment.

As further evidence of the Group's positive transition to electrification, we are excited to see the continued growth in our awarded value per vehicle ("VPV") for BEVs. VPVs for new BEV business wins have increased from an average of €120 per vehicle and a maximum of €400 per vehicle in 2018, to an average of €135 per vehicle and maximum of €480 per vehicle in 2020, clearly illustrating the upside contribution to the Group's growth provided by the transition to electrification.

The Group also continues to win new business awards for BEV programs with a wide range of global and regional OEMs across all three major light vehicle production regions. These continued wins further demonstrate our ability to meet the fluid handling and thermal management needs of all propulsion modes including electrification. As mentioned previously in our half year results for 2020 the Group has a significant representation of thermal product content on key BEVs launching over the next three years.

2020 Outlook

Following the strong performance in the third quarter, we believe that we now have sufficient visibility to provide guidance for our full year 2020 expectations. The Group's extensive cost reduction and cash preservation activities continue to support the optimization of returns in the current depressed volume environment, and we expect our fixed cost reduction and restructuring actions to provide ongoing competitiveness and the ability to return to double digit profitability at lower overall light vehicle production levels.

For 2020, excluding the impact of currency movements, we expect revenue to continue to outperform global light vehicle production volume levels with outperformance to be in line with the prior year 2019 outperformance of approximately 2.0%.

Despite the extremely challenging environment, our operating flexibility is expected to deliver a full year Adjusted EBIT margin in the mid-single digit range. Additionally, we expect Adjusted Free Cash Flow conversion to remain solid and to be in the high double digit millions.

We expect full year net debt to decrease from the prior year 2019 level of €738 million.

Dividend Update

As announced, the Group has initiated the restructuring of the business and continues to deliver strong adjusted free cash flow despite the pandemic and unprecedented challenging market conditions. The Group expects to repay any previously received UK employee furlough payments by the end of 2020.

In light of the unprecedented conditions and associated uncertainty resulting from COVID-19, and the Group's 2020 H1 results, the Board did not declare an interim dividend for the 2020 financial year. However the Board is mindful of the importance of dividends to the Group's shareholders and, given the continued strength of cash generation and greater confidence in the outlook, is committed to reinstating dividend payments.

As such, in March 2021, the Board intends to recommend a final 2020 dividend based on the 2020 full year results, subject to there being no significant deterioration in market conditions. Any such final dividend would be recommended in accordance with the Company's existing dividend policy of paying 30% of Adjusted Net Income, which the Board currently believes is both affordable and sustainable, and will be subject to shareholder approval at the Company's 2021 AGM.

In addition, and in light of the exceptional performance during the past several months, the Board also anticipates being in a position to declare a 2020 interim dividend in Q1 2021 based on the strength of the Group's financial position and prospects. A final decision on the amount and timing of any such interim dividend will be communicated at the time of the Group's full year trading update in January 2021.

The Group continues to remain confident in its business model, cost flexibility, solid cash generation, experienced management team, and successful transition to electrification.

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: 1616526

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

Enquiries

TI Fluid Systems plc
David J Royce
Investor Relations
Tel: +1-248-376-8624

FTI Consulting
Richard Mountain
Nick Hasell
Tel: +44 (0) 20 3727 1340

Cautionary Statement

This announcement 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 announcement. 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 announcement should be construed as a profit forecast.