



Dana Incorporated Reports 2022 First-quarter Financial Results

April 27, 2022

Key Highlights

- Sales of \$2.48 billion, an increase of \$217 million
- Net income attributable to Dana of \$17 million
- Diluted EPS of \$0.12
- Adjusted net income attributable to Dana of \$23 million
- Adjusted EBITDA of \$170 million
- Diluted adjusted EPS of \$0.16
- Repurchased approximately 1.5 million shares of common stock during the first quarter of 2022

MAUMEE, Ohio, April 27, 2022 /PRNewswire/ -- Dana Incorporated (NYSE: DAN) today announced financial results for the first quarter of 2022.



"Dana saw continued sales growth in the first quarter despite record inflation, rising commodity costs, and ongoing global supply-chain disruptions," said James Kamsickas, Dana chairman and CEO. "As the entire mobility industry navigates soaring costs and geopolitical unrest that is greatly impacting the energy and transportation sectors, Dana continues to actively manage through these cost pressures as well as navigate through erratic and short notice customer demand changes. We continue to innovate and launch new products and deliver on our \$400 million of new business sales backlog that is coming online this year."

First-quarter 2022 Financial Results

Sales for the first quarter of 2022 totaled \$2.48 billion, compared with \$2.26 billion in the same period of 2021, representing a \$217 million improvement driven by strong customer demand in our heavy-vehicle markets and the recovery of commodity costs and inflation.

Adjusted EBITDA for the first quarter of 2022 was \$170 million, compared with \$234 million for the same period in 2021. Profit conversion on higher sales in the first quarter of 2022 was tempered by increased input costs and operational inefficiencies, primarily attributable to continued global supply-chain disruptions.

Adjusted net income attributable to Dana and diluted adjusted earnings per share were \$23 million and \$0.16 for the first quarter of 2022, compared with \$97 million and \$0.66 in the prior year.

Operating cash flow in the first quarter of 2022 was a use of \$121 million, compared with operating cash flow of \$27 million in the same period of 2021.

Free cash flow was a use of \$237 million, compared with a use of \$26 million in the first quarter of 2021. The higher free cash flow use in this year's first quarter was driven by lower earnings, higher working capital requirements, and elevated capital investment in support of awarded new business.

"External factors continue to pressure our margins and free cash flow as rapid inflation of energy, services, and labor are further driving up costs," said Timothy Kraus, Dana senior vice president and chief financial officer. "While we see some improvement late this year, we anticipate these factors will remain a profit headwind. We have adjusted our financial targets to better reflect the conditions across the mobility markets and continue to aggressively work to mitigate the impact of these challenges and position ourselves to capitalize on strong end-market demand and low vehicle inventories once the global environment stabilizes."

2022 Revised Financial Targets¹

- Sales of \$9.850 to \$10.350 billion;

- Adjusted EBITDA of \$770 to \$870 million, an implied adjusted EBITDA margin of approximately 8.1 percent at the midpoint of the range;
- Diluted adjusted EPS of \$1.05 to \$1.55;
- Operating cash flow of approximately 5.9 to 6.5 percent of sales; and
- Free cash flow of approximately 1.9 to 2.3 percent of sales.

¹Net income and diluted EPS guidance are not provided, as discussed below in Non-GAAP Financial Information.

Dana to Host Conference Call at 9 a.m. Wednesday, April 27

Dana will discuss its first-quarter results in a conference call at 9 a.m. EDT on Wednesday, April 27. Participants may listen to the audio portion of the conference call either through audio streaming online or by telephone. Slide viewing is available online via a link provided on the Dana investor website: www.dana.com/investors. U.S. and Canadian locations should dial 1-888-311-4590 and international locations should call 1-706-758-0054. Please enter conference I.D. 2565879 and ask for "Dana Incorporated's Financial Webcast and Conference Call." Phone registration will be available beginning at 8:30 a.m. EDT.

An audio recording of the webcast will be available after 5 p.m. EDT on April 27 by dialing 1-855-859-2056 (U.S. or Canada) or 1-404-537-3406 (international) and entering conference I.D. 2565879. A webcast replay will also be available after 5 p.m. EDT and may be accessed via Dana's investor website.

Non-GAAP Financial Information

This release refers to adjusted EBITDA, a non-GAAP financial measure which we have defined as net income before interest, income taxes, depreciation, amortization, equity grant expense, restructuring expense, non-service cost components of pension and other postretirement benefit costs, and other adjustments not related to our core operations (gain/loss on debt extinguishment, pension settlements, divestitures, impairment, etc.). Adjusted EBITDA is a measure of our ability to maintain and continue to invest in our operations and provide shareholder returns. We use adjusted EBITDA in assessing the effectiveness of our business strategies, evaluating and pricing potential acquisitions and as a factor in making incentive compensation decisions. In addition to its use by management, we also believe adjusted EBITDA is a measure widely used by securities analysts, investors, and others to evaluate financial performance of our company relative to other Tier 1 automotive suppliers. Adjusted EBITDA should not be considered a substitute for income before income taxes, net income or other results reported in accordance with GAAP. Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

Diluted adjusted EPS is a non-GAAP financial measure, which we have defined as adjusted net income divided by adjusted diluted shares. We define adjusted net income as net income (loss) attributable to the parent company, excluding any nonrecurring income tax items, restructuring charges, amortization expense, and other adjustments not related to our core operations (as used in adjusted EBITDA), net of any associated income tax effects. We define adjusted diluted shares as diluted shares as determined in accordance with GAAP based on adjusted net income. This measure is considered useful for purposes of providing investors, analysts, and other interested parties with an indicator of ongoing financial performance that provides enhanced comparability to EPS reported by other companies. Diluted adjusted EPS is neither intended to represent nor be an alternative measure to diluted EPS reported under GAAP.

Free cash flow is a non-GAAP financial measure which we have defined as net cash provided by (used in) operating activities less purchases of property, plant, and equipment. Adjusted free cash flow is a non-GAAP financial measure which we have defined as net cash provided by (used in) operating activities excluding voluntary pension contributions less purchases of property, plant, and equipment. We believe these measures are useful to investors in evaluating the operational cash flow of the company inclusive of the spending required to maintain the operations. Free cash flow and adjusted free cash flow are not intended to represent nor be an alternative to the measure of net cash provided by (used in) operating activities reported under GAAP. Free cash flow and adjusted free cash flow may not be comparable to similarly titled measures reported by other companies.

We have not provided reconciliations of preliminary and projected adjusted EBITDA and diluted adjusted EPS to the most comparable GAAP measures of net income and diluted EPS. Providing net income and diluted EPS guidance is potentially misleading and not practical given the difficulty of projecting event-driven transactional and other non-core operating items that are included in net income and diluted EPS, including restructuring actions, asset impairments, and income tax valuation adjustments. Reconciliations of these non-GAAP measures with the most comparable GAAP measures for historical periods are indicative of the reconciliations that will be prepared upon completion of the periods covered by the non-GAAP guidance. Please reference the "Non-GAAP Financial Information" accompanying our quarterly earnings conference call presentations on our website at www.dana.com/investors for our GAAP results and the reconciliations of these measures, were used, to the comparable GAAP measures.

Forward-Looking Statements

Certain statements and projections contained in this news release are, by their nature, forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on our current expectations, estimates, and projections about our industry and business, management's beliefs, and certain assumptions made by us, all of which are subject to change. Forward-looking statements can often be identified by words such as "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "may," "will," "should," "would," "could," "potential," "continue," "ongoing," and similar expressions, and variations or negatives of these words. These forward-looking statements are not guarantees of future results and are subject to risks, uncertainties, and assumptions that could cause our actual results to differ materially and adversely from those expressed in any forward-looking statement.

Dana's Annual Report on Form 10-K, subsequent Quarterly Reports on Form 10-Q, recent Current Reports on Form 8-K, and other Securities and Exchange Commission filings discuss important risk factors that could affect our business, results of operations and financial condition. The forward-looking statements in this news release speak only as of this date. Dana does not undertake any obligation to revise or update publicly any forward-looking statement for any reason.

About Dana Incorporated

Dana is a leader in the design and manufacture of highly efficient propulsion and energy-management solutions that power vehicles and machines in all mobility markets across the globe. The company is shaping sustainable progress through its conventional and clean-energy solutions that support nearly every vehicle manufacturer with drive and motion systems; electrodynamic technologies, including software and controls; and thermal, sealing, and digital solutions.

Based in Maumee, Ohio, USA, the company reported sales of \$8.9 billion in 2021 with 40,000 people in 31 countries across six continents. Founded in 1904, Dana was named one of "America's Most Responsible Companies 2022" by Newsweek for its emphasis on sustainability and social responsibility. The company is driven by a high-performance culture that focuses on valuing others, inspiring innovation, growing responsibly, and winning together, earning it global recognition as a top employer. Learn more at dana.com.

DANA INCORPORATED
Consolidated Statement of Operations (Unaudited)
For the Three Months Ended March 31, 2022 and 2021

(In millions, except per share amounts)	Three Months Ended	
	March 31,	
	2022	2021
Net sales	\$ 2,480	\$ 2,263
Costs and expenses		
Cost of sales	2,283	2,012
Selling, general and administrative expenses	130	119
Amortization of intangibles	4	4
Restructuring charges, net	(1)	1
Other income (expense), net	2	(19)
Earnings before interest and income taxes	66	108
Interest income	2	2
Interest expense	31	34
Earnings before income taxes	37	76
Income tax expense	18	22
Equity in earnings of affiliates	1	14
Net income	20	68
Less: Noncontrolling interests net income	4	1
Less: Redeemable noncontrolling interests net loss	(1)	(4)
Net income attributable to the parent company	<u>\$ 17</u>	<u>\$ 71</u>
Net income per share available to common stockholders		
Basic	\$ 0.12	\$ 0.49
Diluted	\$ 0.12	\$ 0.48
Weighted-average shares outstanding - Basic	144.2	144.9
Weighted-average shares outstanding - Diluted	145.3	146.4

DANA INCORPORATED
Consolidated Statement of Comprehensive Income (Unaudited)
For the Three Months Ended March 31, 2022 and 2021

(In millions)	Three Months Ended	
	March 31,	
	2022	2021
Net income	\$ 20	\$ 68
Other comprehensive income (loss), net of tax:		
Currency translation adjustments	39	(5)
Hedging gains and losses	(4)	(17)
Defined benefit plans	1	3
Other comprehensive income (loss)	36	(19)
Total comprehensive income	56	49
Less: Comprehensive (income) loss attributable to noncontrolling interests	(4)	1
Less: Comprehensive loss attributable to redeemable noncontrolling interests	1	3
Comprehensive income attributable to the parent company	<u>\$ 53</u>	<u>\$ 53</u>

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Consolidated Balance Sheet (Unaudited)
As of March 31, 2022 and December 31, 2021

(In millions, except share and per share amounts)	March 31,	December 31,
	2022	2021
Assets		

Current assets		
Cash and cash equivalents	\$	259 \$ 268
Marketable securities		19 17
Accounts receivable		
Trade, less allowance for doubtful accounts of \$7 in 2022 and \$7 in 2021		1,625 1,321
Other		250 220
Inventories		1,631 1,564
Other current assets		210 196
Total current assets		<u>3,994 3,586</u>
Goodwill		479 482
Intangibles		225 233
Deferred tax assets		603 580
Other noncurrent assets		128 131
Investments in affiliates		175 174
Operating lease assets		244 247
Property, plant and equipment, net		2,205 2,199
Total assets		<u>\$ 8,053 \$ 7,632</u>

Liabilities and equity

Current liabilities		
Short-term debt	\$	301 \$ 23
Current portion of long-term debt		8 8
Accounts payable		1,717 1,571
Accrued payroll and employee benefits		207 184
Taxes on income		55 41
Current portion of operating lease liabilities		39 43
Other accrued liabilities		293 304
Total current liabilities		<u>2,620 2,174</u>
Long-term debt, less debt issuance costs of \$25 in 2022 and \$26 in 2021		2,376 2,386
Noncurrent operating lease liabilities		211 209
Pension and postretirement obligations		390 398
Other noncurrent liabilities		269 292
Total liabilities		<u>5,866 5,459</u>
Commitments and contingencies		
Redeemable noncontrolling interests		200 198
Parent company stockholders' equity		
Preferred stock, 50,000,000 shares authorized, \$0.01 par value, no shares outstanding		- -
Common stock, 450,000,000 shares authorized, \$0.01 par value, 143,334,271 and 144,238,660 shares outstanding		2 2
Additional paid-in capital		2,431 2,427
Retained earnings		664 662
Treasury stock, at cost (13,466,902 and 11,661,591 shares)		(216) (184)
Accumulated other comprehensive loss		(949) (985)
Total parent company stockholders' equity		1,932 1,922
Noncontrolling interests		55 53
Total equity		<u>1,987 1,975</u>
Total liabilities, redeemable noncontrolling interests and equity		<u>\$ 8,053 \$ 7,632</u>

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Consolidated Statement of Cash Flows (Unaudited) For the Three Months Ended March 31, 2022 and 2021

(In millions)	Three Months Ended	
	March 31,	
	2022	2021
Operating activities		
Net income	\$ 20	\$ 68
Depreciation	91	88
Amortization	6	7
Amortization of deferred financing charges	1	2
Earnings of affiliates, net of dividends received	(1)	(14)
Stock compensation expense	4	5
Deferred income taxes	(25)	(6)
Pension expense, net	(1)	
Change in working capital	(211)	(133)
Other, net	(5)	10
Net cash provided by (used in) operating activities	<u>(121)</u>	<u>27</u>

Investing activities		
Purchases of property, plant and equipment	(116)	(53)
Acquisition of businesses, net of cash acquired		(17)
Purchases of marketable securities	(5)	(11)
Proceeds from sales and maturities of marketable securities	2	6
Other, net	2	2
Net cash used in investing activities	(117)	(73)
Financing activities		
Net change in short-term debt	278	(1)
Proceeds from long-term debt	2	2
Repayment of long-term debt	(3)	(1)
Deferred financing payments		(2)
Dividends paid to common stockholders	(14)	(14)
Distributions to noncontrolling interests	(1)	
Contributions from redeemable noncontrolling interests	2	1
Payments to acquire noncontrolling interests	(3)	
Repurchases of common stock	(25)	
Other, net	(7)	(1)
Net cash provided by (used in) financing activities	229	(16)
Net decrease in cash, cash equivalents and restricted cash	(9)	(62)
Cash, cash equivalents and restricted cash – beginning of period	287	567
Effect of exchange rate changes on cash balances	2	(12)
Cash, cash equivalents and restricted cash – end of period	\$ 280	\$ 493

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Reconciliation of Net Cash Provided By (Used In) Operating Activities to Free Cash Flow and Adjusted Free Cash Flow (Unaudited)

(In millions)	Three Months Ended	
	March 31,	
	2022	2021
Net cash provided by (used in) operating activities	\$ (121)	\$ 27
Purchase of property, plant and equipment	(116)	(53)
Free cash flow	(237)	(26)
Discretionary pension contributions		
Adjusted free cash flow	\$ (237)	\$ (26)

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Segment Sales and Segment EBITDA (Unaudited) For the Three Months Ended March 31, 2022 and 2021

(In millions)	Three Months Ended	
	March 31,	
	2022	2021
Sales		
Light Vehicle	\$ 985	\$ 991
Commercial Vehicle	463	349
Off-Highway	744	635
Power Technologies	288	288
Total Sales	\$ 2,480	\$ 2,263
Segment EBITDA		
Light Vehicle	\$ 31	\$ 100
Commercial Vehicle	10	15
Off-Highway	100	79
Power Technologies	29	41
Total Segment EBITDA	170	235
Corporate expense and other items, net		(1)
Adjusted EBITDA	\$ 170	\$ 234

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Reconciliation of Segment and Adjusted EBITDA to Net Income (Unaudited) For the Three Months Ended March 31, 2022 and 2021

(In millions)	Three Months Ended	
	March 31,	
	2022	2021
Segment EBITDA	\$ 170	\$ 235
Corporate expense and other items, net		(1)
Adjusted EBITDA	170	234
Depreciation	(91)	(88)
Amortization	(6)	(7)
Non-service cost components of pension and OPEB costs		(2)
Restructuring charges, net	1	(1)
Stock compensation expense	(4)	(5)
Strategic transaction expenses	(4)	(3)
Loss on investment in Hylion		(17)
Loss on disposal group held for sale		(7)
Other items		4
Earnings before interest and income taxes	66	108
Interest income	2	2
Interest expense	31	34
Earnings before income taxes	37	76
Income tax expense	18	22
Equity in earnings of affiliates	1	14
Net income	\$ 20	\$ 68

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Reconciliation of Net Income (Loss) Attributable to the Parent Company to Adjusted Net Income (Loss) Attributable to the Parent Company and Diluted Adjusted EPS (Unaudited) For the Three Months Ended March 31, 2022 and 2021

(In millions, except per share amounts)

	Three Months Ended	
	March 31,	
	2022	2021
Net income attributable to parent company	\$ 17	\$ 71
Items impacting income before income taxes:		
Amortization	5	5
Restructuring charges, net	(1)	1
Strategic transaction expenses	2	3
Loss on investment in Hylion		17
Loss on disposal group held for sale		5
Other items	2	
Items impacting income taxes:		
Net income tax expense on items above	(2)	(6)
Income tax expense attributable to various discrete tax matters		1
Adjusted net income attributable to the parent	\$ 23	\$ 97
Diluted shares - as reported	145.3	146.4
Adjusted diluted shares	145.3	146.4
Diluted adjusted EPS	\$ 0.16	\$ 0.66

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