



2020 Third-Quarter Earnings Conference Call

October 28, 2020

People Finding A Better Way[®]



Agenda



- *Introduction*

Craig Barber

*Senior Director,
Investor Relations and
Strategic Planning*

- *Business Review*

James Kamsickas

*Chairman and
Chief Executive Officer*

- *Financial Review*

Jonathan Collins

*Executive Vice President
and Chief Financial Officer*



Business Overview

Third Quarter Results

sales
\$2.0
billion

\$916M
increase
from prior quarter

adjusted free cash flow

\$261
million

\$394M
increase
from prior quarter

adjusted EBITDA

\$201
million

\$206M
increase
from prior quarter

margin

10.1%

1,060bps
increase
from prior quarter

diluted adjusted EPS

\$0.37

\$1.06
increase
from prior quarter

Key Highlights

- 1 Market rebound continues
- 2 New EV business win
- 3 Market expansion in EV's
- 4 EV software investment
- 5 Sustainability focus

POWERING INTO
e-DRIVE



1 End-Market Conditions

Light-Duty Market



- Light-truck demand stronger than expected
- Key vehicle inventories remain low
- N.A. and China have recovered fastest

Heavy-Duty Markets



- Class 8 demand strengthened
- Medium-duty demand improved
- Brazilian & Indian demand remains weak



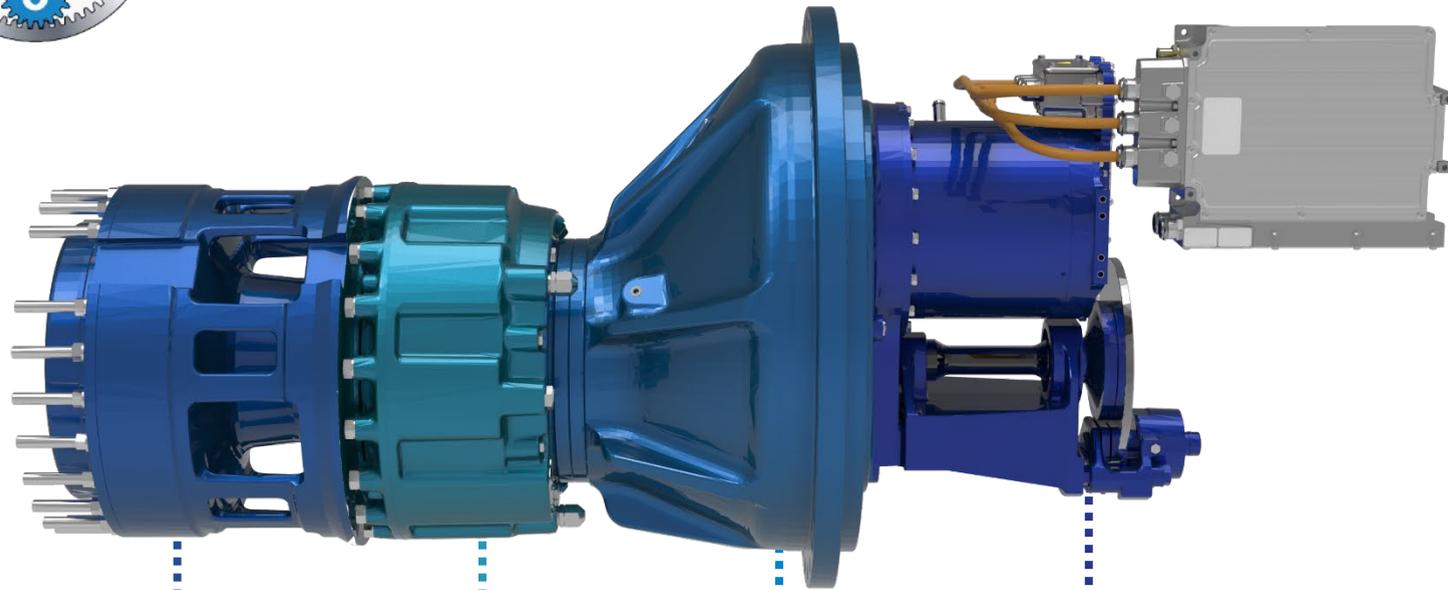
- Agriculture market improvement continued
- Construction equipment market stable
- Asia demand remains strong

Strong light-truck demand and improving heavy-vehicle volumes

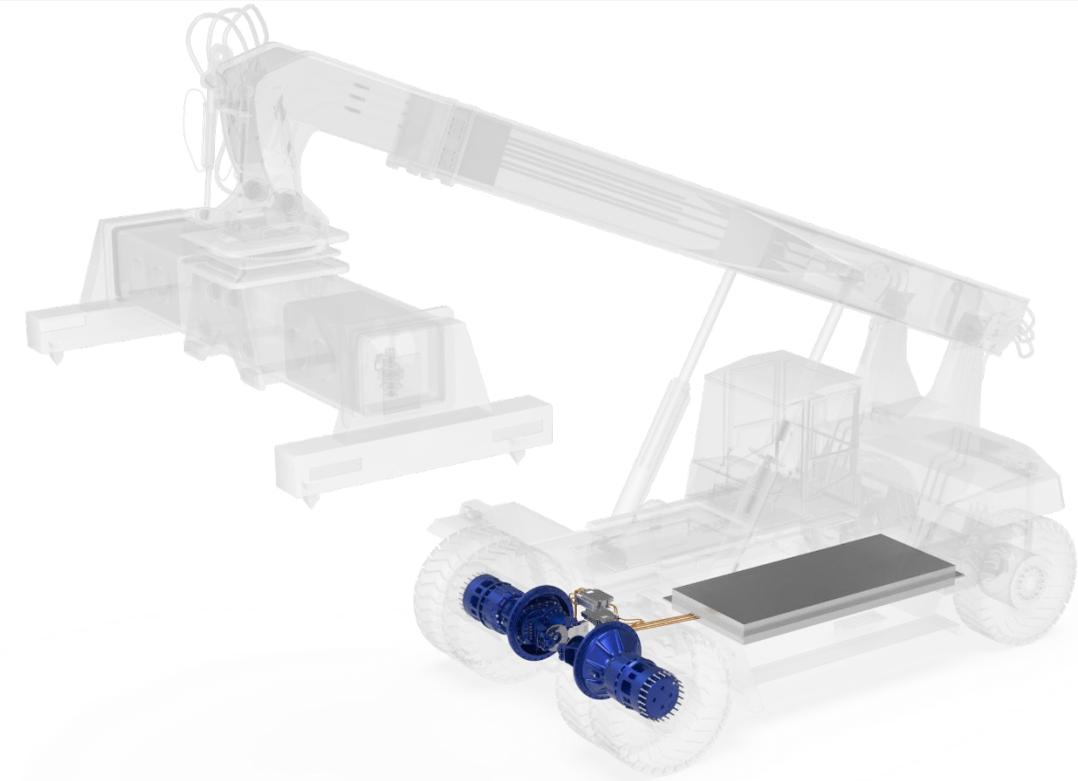
2 Off-Highway Electrification Integration



Program win driven by integration of acquired technology



FAIRFIELD + BREVINI + SPICER + TM4



- New program win – launching 2021
- New electric wheel drive design
- Combines technology from acquisitions
- Enables zero-emission vehicle
- Increased Dana content on vehicle by 4x

EV Customer Spotlight



**ZERO-EMISSION Class 8
Urban Delivery Truck**



**ZERO-EMISSION
Waste-Disposal Truck**



**ZERO-EMISSION
School Bus**





Software Engineering Investment



- 25+ years of innovation
- 100+ million miles experience
- 100+ thousand ECUs



Located in
North America



All Mobility Markets

CAPABILITIES



**Vehicle software
Platform design**




Electric control units



ISO 26262
TS 16949
ISO 14001



**Application engineering
services**

Dedicated Software Engineers
System, Control & Software Design
Production Electronics Design

Leader in operating software for medium- and heavy-vehicle markets

5 Sustainability Goal:



Energy Efficiency



Renewable Energy



Waste Elimination



Water Conservation



Dana to reduce total annual GHG emissions by >50% by 2035

- Reduction of 300,000+ metric tons of GHG, annually



Financial Review

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2020 Q3 Financial Results

- 85% sequential sales growth driven by the economic recovery following production shutdowns as the result of the global pandemic
- Lower diluted adjusted EPS primarily due to lower earnings
- Capital expenditures flexed down to lower rate while protecting new product launch capabilities
- Adj. FCF higher compared with prior year as lower profit was offset by improved working capital, and lower capital spending, interest and taxes

Changes from Prior Quarter and Prior Year					
	(\$ in millions except EPS)				
	<u>Q3 '20</u>	<u>Q2 '20</u>	<u>Prior Quarter Change</u>	<u>Q3 '19</u>	<u>Prior Year Change</u>
Sales	\$ 1,994	\$ 1,078	\$ 916	\$ 2,164	\$ (170)
Adjusted EBITDA	201	(5)	206	250	(49)
Margin	10.1%	(0.5)%	1,060 bps	11.6%	(150) bps
EBIT	89	(112)	201	137	(48)
Interest Expense, Net	35	30	5	28	7
Income Tax Expense	16	34	(18)	5	11
Net Income (Loss) (attributable to Dana)	45	(174)	219	111	(66)
Diluted Adjusted EPS	\$ 0.37	\$ (0.69)	\$ 1.06	\$ 0.74	\$ (0.37)
Operating Cash Flow	321	(75)	396	231	90
Capital Spending	60	58	2	108	(48)
Adjusted Free Cash Flow	261	(133)	394	125	136

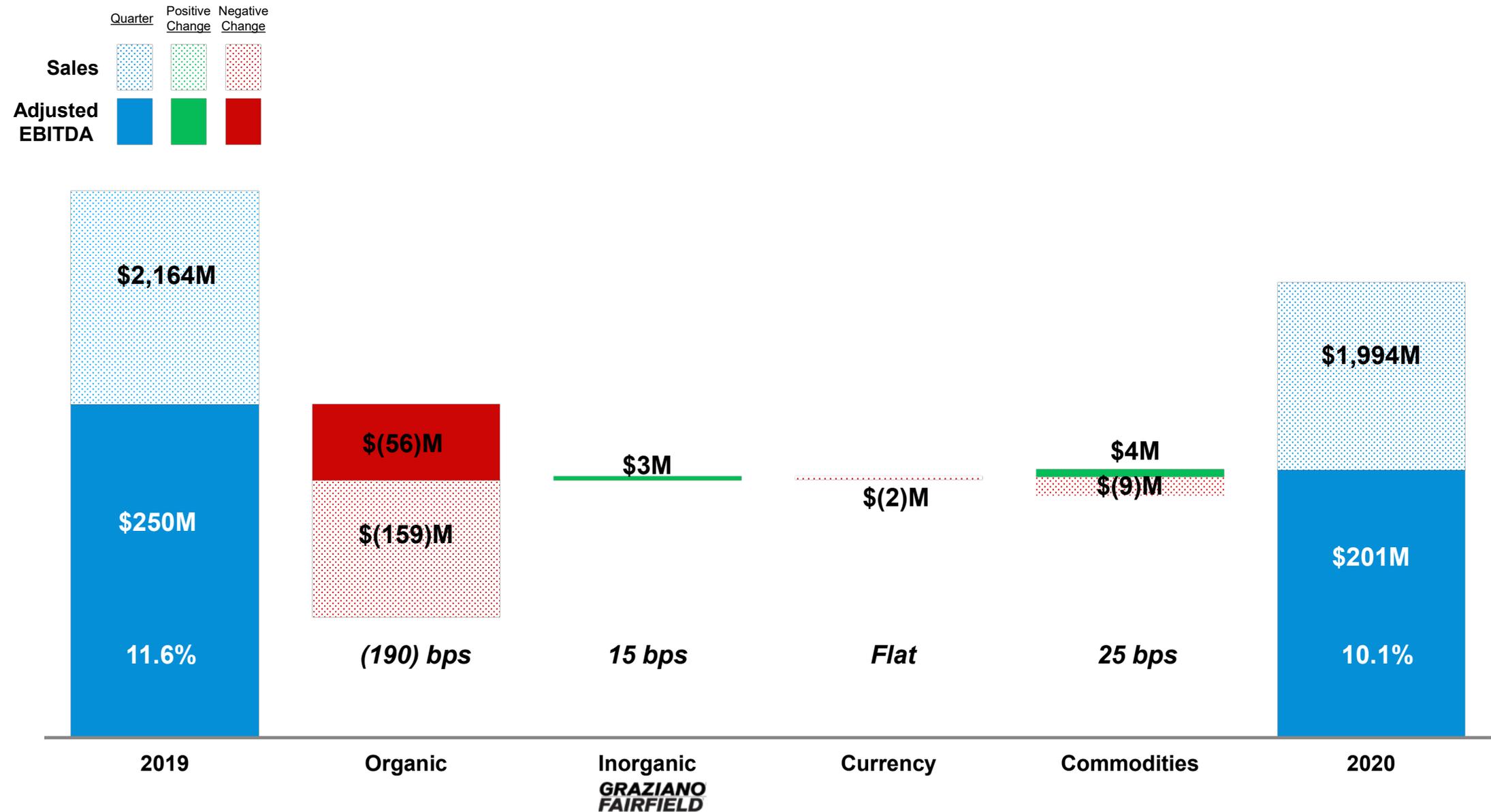
Significantly improved sequential financial results as global production restarted





2020 Q3 Sales and Profit Changes

- Organic decline driven by global production shutdowns due to the COVID-19 pandemic
- Rapid increase in demand for light trucks drove higher premium costs and inefficiencies driving higher decremental margin
- Currency translation was a slight headwind to sales primarily due to the weakening of the Brazilian real, mostly offset by a stronger euro compared with the U.S. dollar
- Lower commodity costs modestly increased profit margins



See appendix for comments regarding the presentation of non-GAAP measures

Sales returned to >90% of prior year levels on improved end market conditions





2020 Q3 and YTD Free Cash Flow

- Q3 adj. FCF generation driven primarily by earnings and working capital improvements
- Year-over-year improvement in adj. FCF attributable to working capital improvement and lower capital spending
- Q3 2020 also benefited from lower one-time costs, interest and taxes

Changes from Prior Year

(\$ in millions)

	<u>Q3 '20</u>	<u>Q3 '19</u>	<u>Change</u>	<u>YTD '20</u>
Adjusted EBITDA	\$ 201	\$ 250	\$ (49)	\$ 401
One-time Costs¹	(9)	(20)	11	(30)
Interest, net	(8)	(15)	7	(61)
Taxes	(15)	(30)	15	(37)
Working Capital / Other²	152	48	104	(78)
Capital Spending	(60)	(108)	48	(181)
Adj. Free Cash Flow	261	125	136	14

¹ Includes costs associated with business acquisitions and divestitures and restructuring. ² Changes in working capital relating to interest, taxes, restructuring, and transaction costs are included in those respective categories. See appendix for comments regarding the presentation of non-GAAP measures.

Significant adjusted free cash flow generation in Q3 leading to positive YTD results

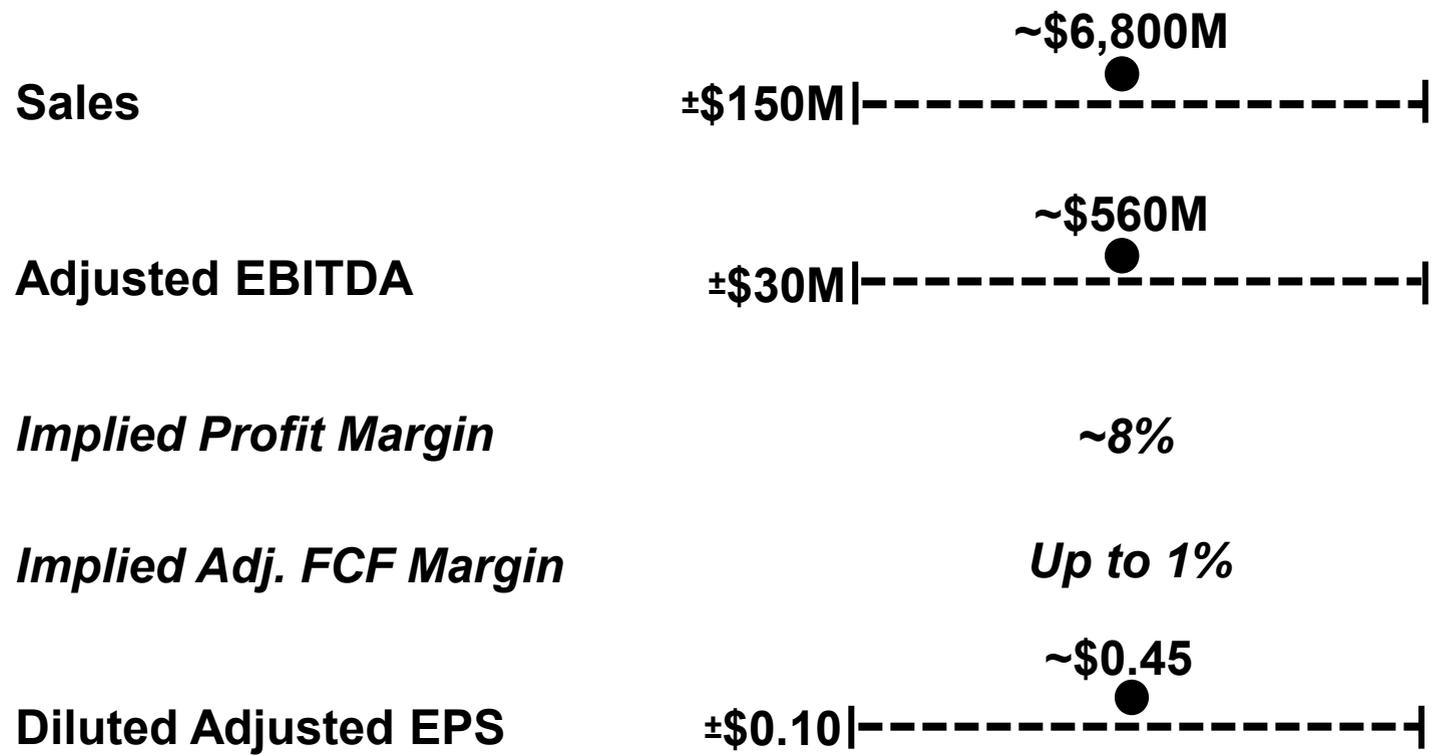




2020 FY Financial Guidance

Guidance Ranges

- Providing guidance for key financial metrics as end-market dynamics have stabilized
- Sales guidance implies lower sequential sales in Q4, which is in line with a normal seasonal cadence
- Anticipate higher than normal YoY decremental margins in Q4 as a result of Brazilian indirect tax recovery in Q4 of 2019
- Anticipate positive adj. FCF in Q4 and FY



See appendix for comments regarding the presentation of non-GAAP measures

|---| Guidance range

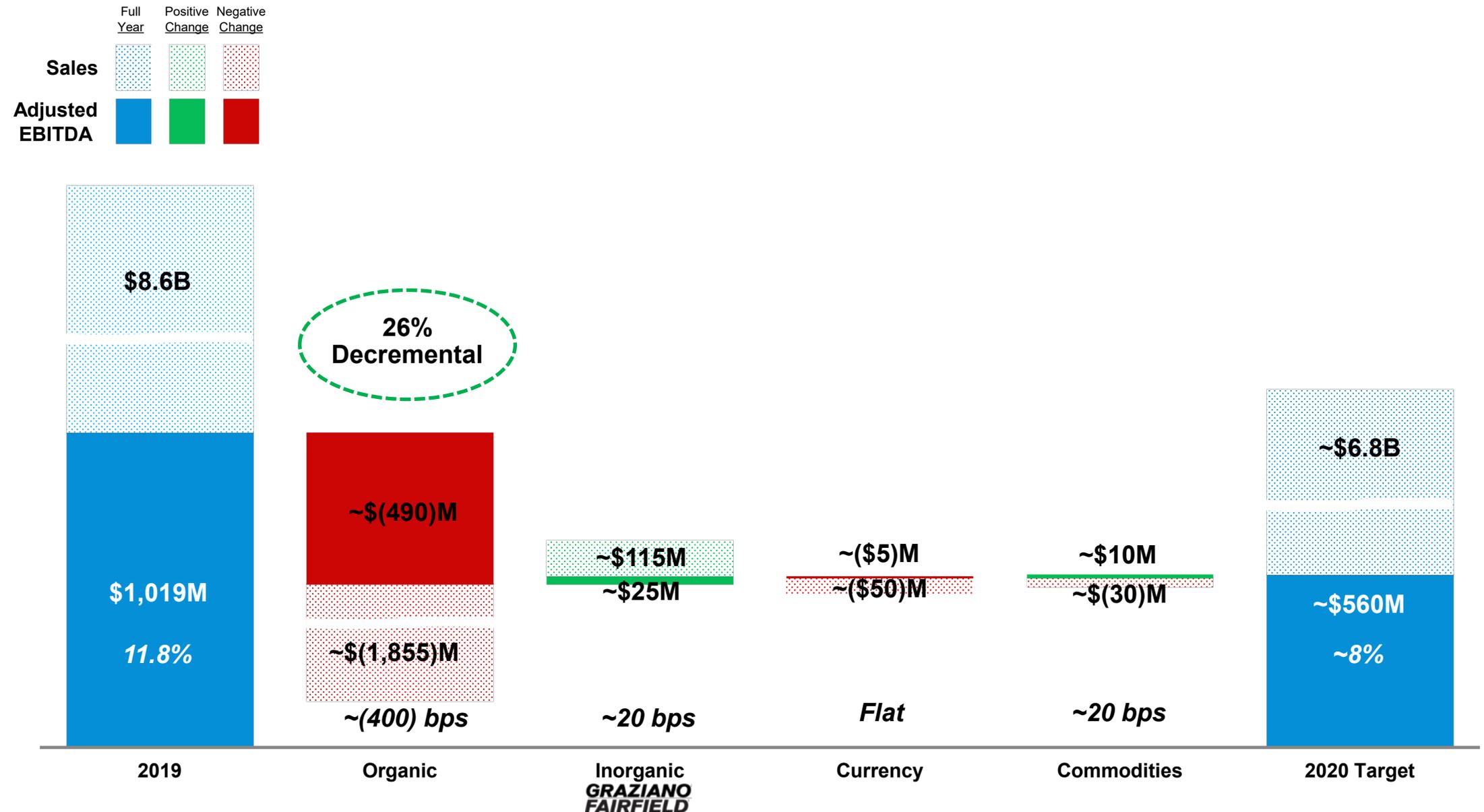
Providing guidance as end-market conditions stabilize





2020 FY Sales and Profit Changes

- Impact of global COVID-19 pandemic driving lower sales and profit
- Continued cost management yielding mid-20s% decremental margins
- Graziano & Fairfield acquired in March 2019; sales shown through February, profit includes full-year synergies
- Currency headwinds driven by the Brazilian real, South African rand and partially tempered by the euro
- Commodity costs continue to moderate



See appendix for comments regarding the presentation of non-GAAP measures

Anticipate decremental margins on organic sales change in the mid-twenties





2020 FY Adjusted Free Cash Flow

- Modest source of cash from working capital on a FY basis as sales increase in H2 driving rebuild of net trade balances
- Aggressive management of capital spend driving free cash flow benefit while continuing to support new business launches

Changes from Prior Year

(\$ in millions)

	<u>2020T</u>	<u>2019A</u>	<u>Change</u>
Adjusted EBITDA	\$ ~560	\$ 1,019	\$ ~(460)
One-time Costs¹	~(40)	(81)	~40
Interest, net	~(115)	(107)	~(5)
Taxes	~(80)	(125)	~45
Working Capital / Other²	~25	(8)	~30
Capital Spending	~(300)	(426)	~130
Adj. Free Cash Flow	\$ ~50	\$ 272	\$ ~(220)

¹ Includes costs associated with business acquisitions and divestitures and restructuring. ² Changes in working capital relating to interest, taxes, restructuring, and transaction costs are included in those respective categories. See appendix for comments regarding the presentation of non-GAAP measures.

Cash impact of profit decline partially offset by capex, 1X costs, taxes, and WC



End-Market Outlook



Light Vehicle Market



Commercial Vehicle Market



Off-Highway Equipment Market

- Light-truck demand expected to remain strong for our key platforms
- New product launches for Bronco and Bronco Sport will drive growth
- Class 8 and medium-duty demand expected to strengthen
- New business from EV programs beginning middle of next year
- Expect continued improvement in agriculture equipment demand
- Construction equipment market poised for rebound due to low equipment inventory levels

Anticipate strong profit and cash conversion on improving market conditions





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Appendix



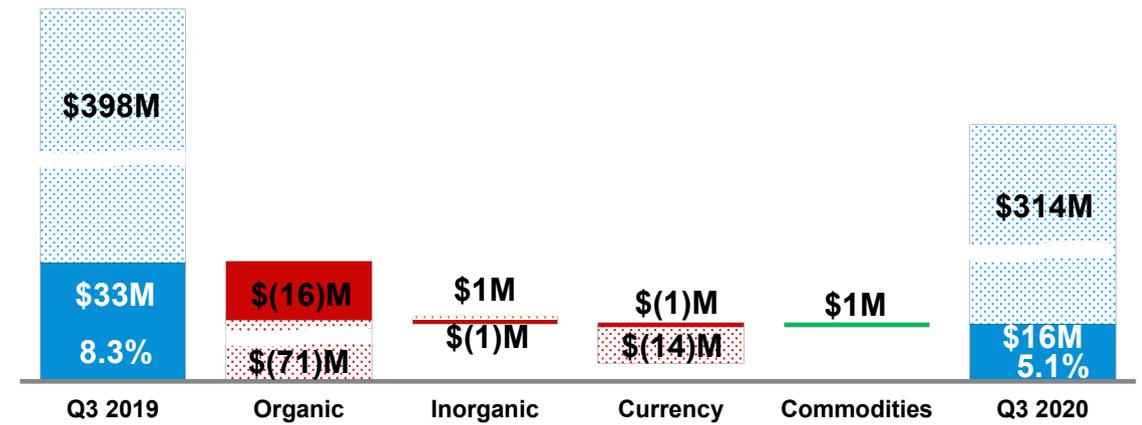
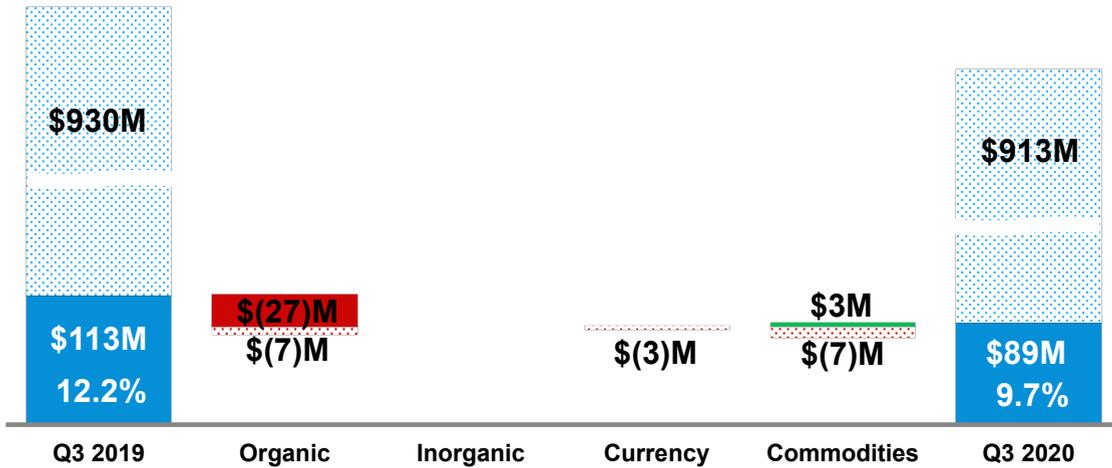
2020 Q3 Sales and Profit Change by Segment



Light Vehicle Drive Systems



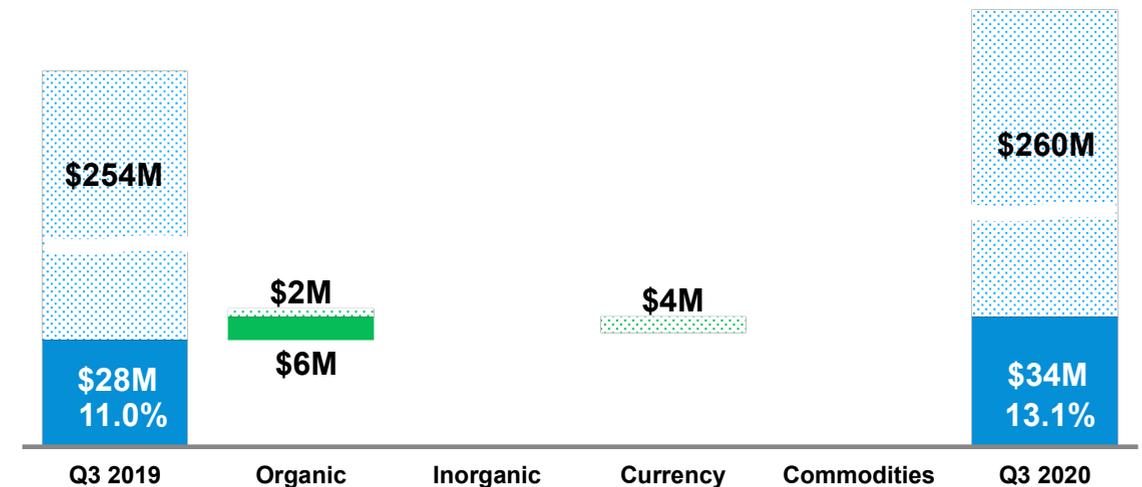
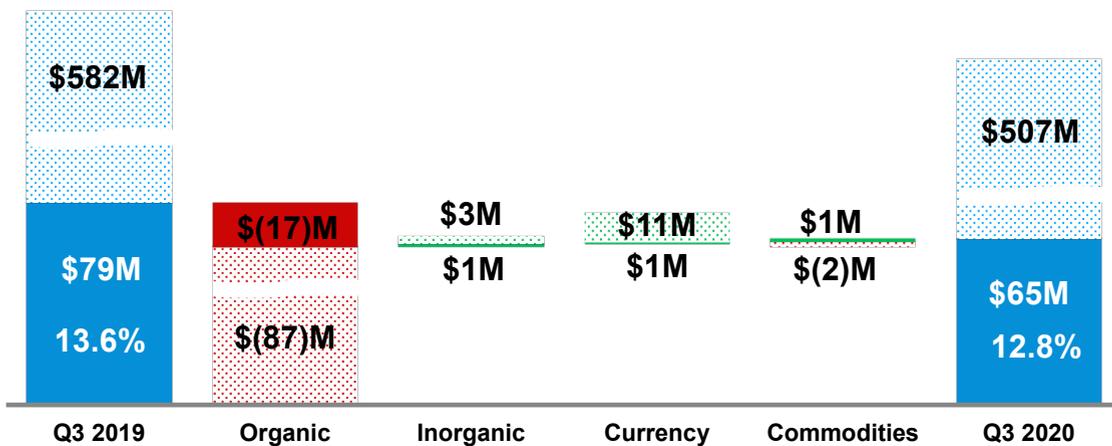
Commercial Vehicle Drive and Motion Systems



Off-Highway Drive and Motion Systems



Power Technologies



See appendix for comments regarding the presentation of non-GAAP measures

Segment Profiles

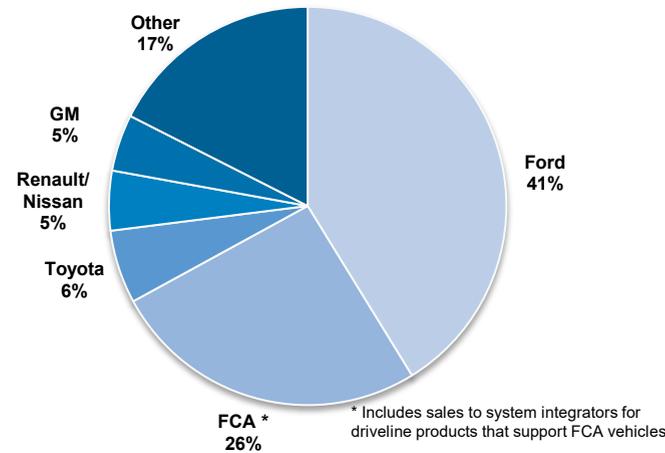


Customer Sales

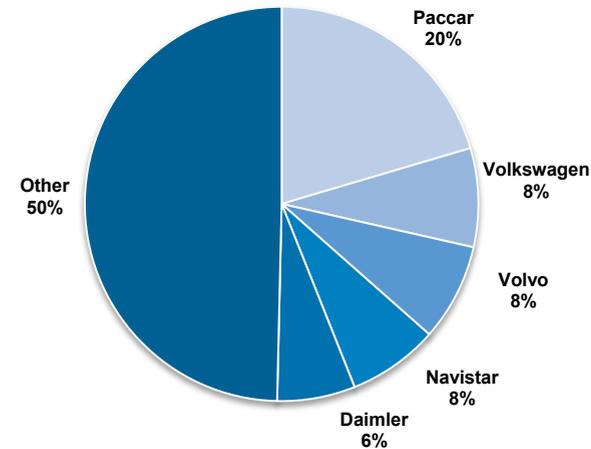
Regional Sales

Performance

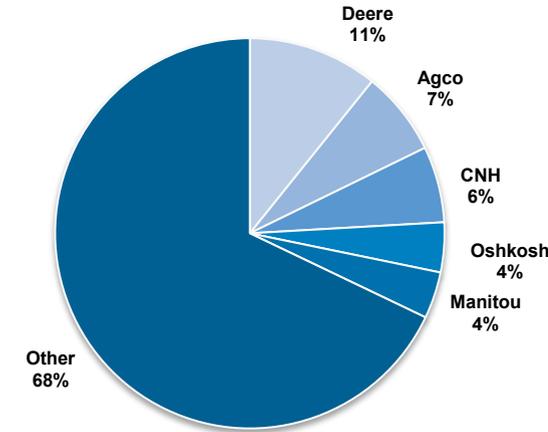
Light Vehicle Drive Systems
Year to Date 9/30/2020



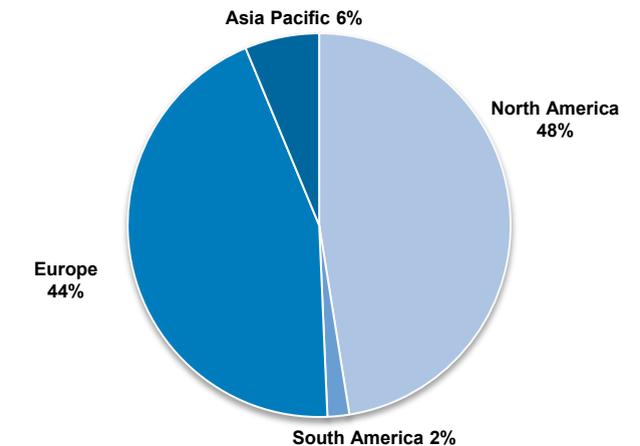
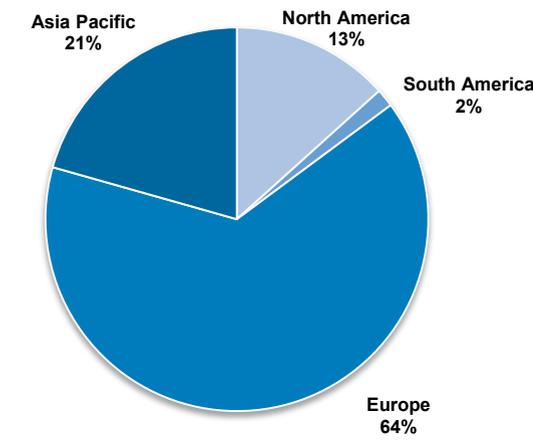
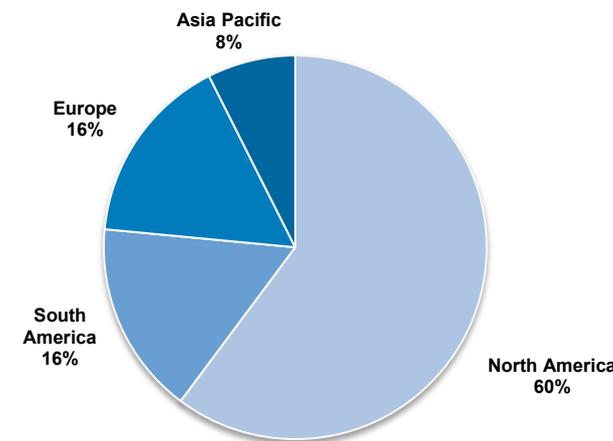
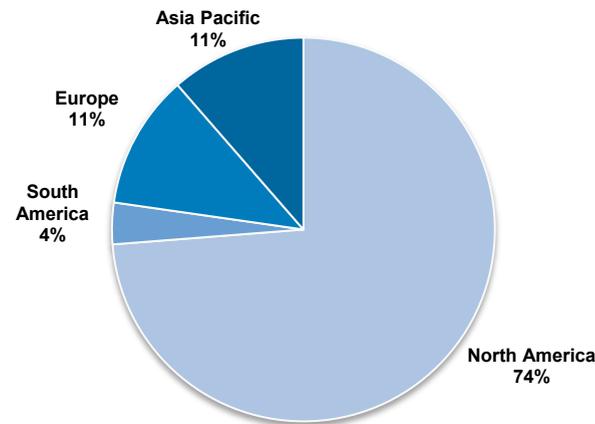
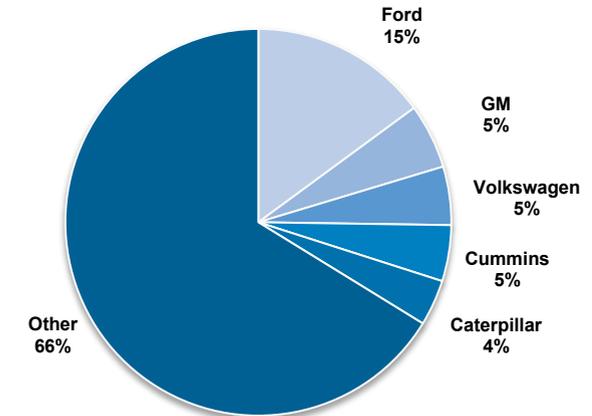
Commercial Vehicle Drive and Motion Systems
Year to Date 9/30/2020



Off-Highway Drive and Motion Systems
Year to Date 9/30/2020



Power Technologies
Year to Date 9/30/2020



	Q3		Year to Date	
	2020	2019	2020	2019
	Sales	\$913	\$930	\$2,058
Segment EBITDA	\$89	\$113	\$140	\$333
EBITDA Margin	9.7%	12.2%	6.8%	12.1%

	Q3		Year to Date	
	2020	2019	2020	2019
	Sales	\$314	\$398	\$847
Segment EBITDA	\$16	\$33	\$29	\$115
EBITDA Margin	5.1%	8.3%	3.4%	9.1%

	Q3		Year to Date	
	2020	2019	2020	2019
	Sales	\$507	\$582	\$1,440
Segment EBITDA	\$65	\$79	\$175	\$264
EBITDA Margin	12.8%	13.6%	12.2%	14.6%

	Q3		Year to Date	
	2020	2019	2020	2019
	Sales	\$260	\$254	\$653
Segment EBITDA	\$34	\$28	\$63	\$90
EBITDA Margin	13.1%	11.0%	9.6%	11.3%

Diluted Adjusted EPS



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Diluted Adjusted EPS (Unaudited)

For the Three Months Ended September 30, 2020 and 2019

(In millions, except per share amounts)

	Three Months Ended	
	September 30,	
	2020	2019
Net income attributable to parent company	\$ 45	\$ 111
Items impacting income before income taxes:		
Restructuring charges	3	5
Amortization	5	4
Strategic transaction expenses	4	8
Acquisition related inventory adjustments		3
Pension settlement charges		2
Other items		2
Items impacting income taxes:		
Net income tax expense on items above	(3)	(5)
Tax benefit attributable to utilization of federal tax credits, state tax law changes and valuation allowance adjustments	(1)	(22)
Adjusted net income	<u>\$ 53</u>	<u>\$ 108</u>
Diluted shares - as reported	145.2	144.8
Adjusted diluted shares	<u>145.2</u>	<u>144.8</u>
Diluted adjusted EPS	\$ 0.37	\$ 0.74

DANA INCORPORATED

Diluted Adjusted EPS (Unaudited)

For the Nine Months Ended September 30, 2020 and 2019

(In millions, except per share amounts)

	Nine Months Ended	
	September 30,	
	2020	2019
Net income (loss) attributable to parent company	\$ (71)	\$ 141
Items impacting income before income taxes:		
Restructuring charges	21	23
Amortization	13	12
Strategic transaction expenses	15	32
Acquisition related inventory adjustments		12
Non-income tax legal judgment		(6)
Impairment of goodwill	31	
Pension settlement charges		260
Write-off deferred financing costs	5	
Loss on deal contingent forward		13
Items impacting income taxes:		
Net income tax expense on items above	(14)	(24)
Tax expense (benefit) attributable to utilization of federal tax credits, state tax law changes and valuation allowance adjustments	22	(116)
Adjusted net income	<u>\$ 22</u>	<u>\$ 347</u>
Diluted shares - as reported	144.9	144.8
Adjusted diluted shares	<u>144.9</u>	<u>144.8</u>
Diluted adjusted EPS	\$ 0.15	\$ 2.40

Segment Data



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Segment Sales and Segment EBITDA (Unaudited)

For the Three Months Ended September 30, 2020 and 2019

(In millions)	Three Months Ended	
	September 30,	
	2020	2019
Sales		
Light Vehicle	\$ 913	\$ 930
Commercial Vehicle	314	398
Off-Highway	507	582
Power Technologies	260	254
Total Sales	<u>\$ 1,994</u>	<u>\$ 2,164</u>
Segment EBITDA		
Light Vehicle	\$ 89	\$ 113
Commercial Vehicle	16	33
Off-Highway	65	79
Power Technologies	34	28
Total Segment EBITDA	<u>204</u>	<u>253</u>
Corporate expense and other items, net	(3)	(3)
Adjusted EBITDA	<u>\$ 201</u>	<u>\$ 250</u>

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Segment Sales and Segment EBITDA (Unaudited)

For the Nine Months Ended September 30, 2020 and 2019

(In millions)	Nine Months Ended	
	September 30,	
	2020	2019
Sales		
Light Vehicle	\$ 2,058	\$ 2,763
Commercial Vehicle	847	1,266
Off-Highway	1,440	1,808
Power Technologies	653	796
Total Sales	<u>\$ 4,998</u>	<u>\$ 6,633</u>
Segment EBITDA		
Light Vehicle	\$ 140	\$ 333
Commercial Vehicle	29	115
Off-Highway	175	264
Power Technologies	63	90
Total Segment EBITDA	<u>407</u>	<u>802</u>
Corporate expense and other items, net	(6)	(9)
Adjusted EBITDA	<u>\$ 401</u>	<u>\$ 793</u>

Segment Data Continued



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Reconciliation of Segment and Adjusted EBITDA to Net Income (Unaudited) For the Three Months Ended September 30, 2020 and 2019

(In millions)	Three Months Ended	
	September 30,	
	2020	2019
Segment EBITDA	\$ 204	\$ 253
Corporate expense and other items, net	(3)	(3)
Adjusted EBITDA	201	250
Depreciation	(88)	(82)
Amortization	(6)	(4)
Non-service cost components of pension and OPEB costs	(3)	(4)
Restructuring charges, net	(2)	(5)
Stock compensation expense	(2)	(5)
Strategic transaction expenses	(4)	(8)
Acquisition related inventory adjustments		(3)
Pension settlement charges, net		(2)
Other items	(7)	
Earnings before interest and income taxes	89	137
Interest income	3	3
Interest expense	38	31
Earnings before income taxes	54	109
Income tax expense	16	5
Equity in earnings of affiliates	7	8
Net income	\$ 45	\$ 112

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Reconciliation of Segment and Adjusted EBITDA to Net Income (Loss) (Unaudited) For the Nine Months Ended September 30, 2020 and 2019

(In millions)	Nine Months Ended	
	September 30,	
	2020	2019
Segment EBITDA	\$ 407	\$ 802
Corporate expense and other items, net	(6)	(9)
Adjusted EBITDA	401	793
Depreciation	(257)	(235)
Amortization	(15)	(12)
Non-service cost components of pension and OPEB costs	(8)	(19)
Restructuring charges, net	(21)	(23)
Stock compensation expense	(5)	(15)
Strategic transaction expenses	(15)	(32)
Impairment of goodwill	(51)	
Acquisition related inventory adjustments		(12)
Non-income tax legal judgment		6
Pension settlement charges, net		(260)
Other items	(5)	(9)
Earnings before interest and income taxes	24	182
Write-off deferred financing costs	(5)	
Interest income	7	8
Interest expense	99	92
Earnings (loss) before income taxes	(73)	98
Income tax expense (benefit)	34	(27)
Equity in earnings of affiliates	17	22
Net income (loss)	\$ (90)	\$ 147

DANA INCORPORATED

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	
	September 30,	
	2020	2019
Net cash provided by operating activities	\$ 321	\$ 231
Purchase of property, plant and equipment	(60)	(108)
Free cash flow	261	123
Discretionary pension contributions		2
Adjusted free cash flow	<u>\$ 261</u>	<u>\$ 125</u>

(In millions)	Nine Months Ended	
	September 30,	
	2020	2019
Net cash provided by operating activities	\$ 195	\$ 288
Purchase of property, plant and equipment	(181)	(298)
Free cash flow	14	(10)
Discretionary pension contributions		64
Adjusted free cash flow	<u>\$ 14</u>	<u>\$ 54</u>



Non-GAAP Financial Information

Adjusted EBITDA is 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 earnings 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 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 in accordance with 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 discretionary 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 in accordance with GAAP. Free cash flow and adjusted free cash flow may not be comparable to similarly titled measures reported by other companies.

The accompanying financial information provides reconciliations of adjusted EBITDA, diluted adjusted EPS, free cash flow and adjusted free cash flow to the most directly comparable financial measures calculated and presented in accordance with GAAP. We have not provided a reconciliation of our adjusted EBITDA and diluted adjusted EPS outlook to the most comparable GAAP measures of net income (loss) and diluted EPS. Providing net income (loss) 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 (loss) and diluted EPS, including restructuring actions, asset impairments and certain income tax adjustments. The accompanying reconciliations of these non-GAAP measures with the most comparable GAAP measures for the historical periods presented are indicative of the reconciliations that will be prepared upon completion of the periods covered by the non-GAAP guidance.