



2017 Fourth-Quarter and Full-Year  
Earnings Conference Call  
February 13, 2018



*People Finding A Better Way<sup>®</sup>*





# Safe Harbor Statement

Certain statements and projections contained in this presentation 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," 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 presentation speak only as of this date. Dana does not undertake any obligation to revise or update publicly any forward-looking statement for any reason.



# Agenda



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## » *Introduction*

### *Craig Barber*

*Senior Director,  
Investor Relations and  
Strategic Planning*

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## » *2017 Review*

### *James Kamsickas*

*President and  
Chief Executive Officer*

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## » *Financial Review*

### *Jonathan Collins*

*Executive Vice President  
and Chief Financial Officer*



# 2017 Year-End Review



sales  
**\$7.2** billion  
24% increase from prior year

adjusted EBITDA

**\$835** million

\$175M increase from prior year

margin

**11.6%**

30bps increase from prior year

diluted adjusted EPS

**\$2.52**

30% increase from prior year

recognition  
**37** customer and industry honors  
+12 increase from prior year

patents

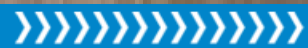
**>10K**

20% increase from prior year

inorganic growth

**4** acquisitions successfully integrated

\$500M sales increase from prior year





# Financial Review



# 2017 Results



- 27% sales growth in Q4 driven by backlog conversion, market demand, and acquisitions
- Full-year margin expansion on conversion of higher volume
- 2017 income tax expense includes a \$186 million charge related to the enactment of U.S. tax reform
- 2016 income tax benefit includes \$501 million related to the release of U.S. valuation allowance
- Full-year operating cash flow improves offsetting higher capital spending required to support sales backlog, driving higher free cash flow

## Changes from Prior Year

(\$ in millions except EPS)

	<u>Q4 '17</u>	<u>Q4 '16</u>	<u>Change</u>	<u>FY '17</u>	<u>FY '16</u>	<u>Change</u>
<b>Sales</b>	\$ 1,837	\$ 1,447	\$ 390	\$ 7,209	\$ 5,826	\$ 1,383
<b>Adjusted EBITDA</b>	197	166	31	835	660	175
<b>Margin</b>	10.7%	11.5%	-80bps	11.6%	11.3%	+30bps
<b>EBIT</b>	92	15	77	490	332	158
<b>Interest Expense, Net</b>	20	24	(4)	91	100	(9)
<b>Income Tax Expense (Benefit)</b>	189	(490)	679	283	(424)	707
<b>Net Income (Loss)</b> (attributable to Dana)	(104)	485	(589)	111	640	(529)
<b>Diluted Adjusted EPS</b>	\$ 0.62	\$ 0.59	\$ 0.03	\$ 2.52	\$ 1.94	\$ 0.58
<b>Operating Cash Flow</b>	193	202	(9)	554	384	170
<b>Capital Spending</b>	142	124	18	393	322	71
<b>Free Cash Flow</b>	51	78	(27)	161	62	99

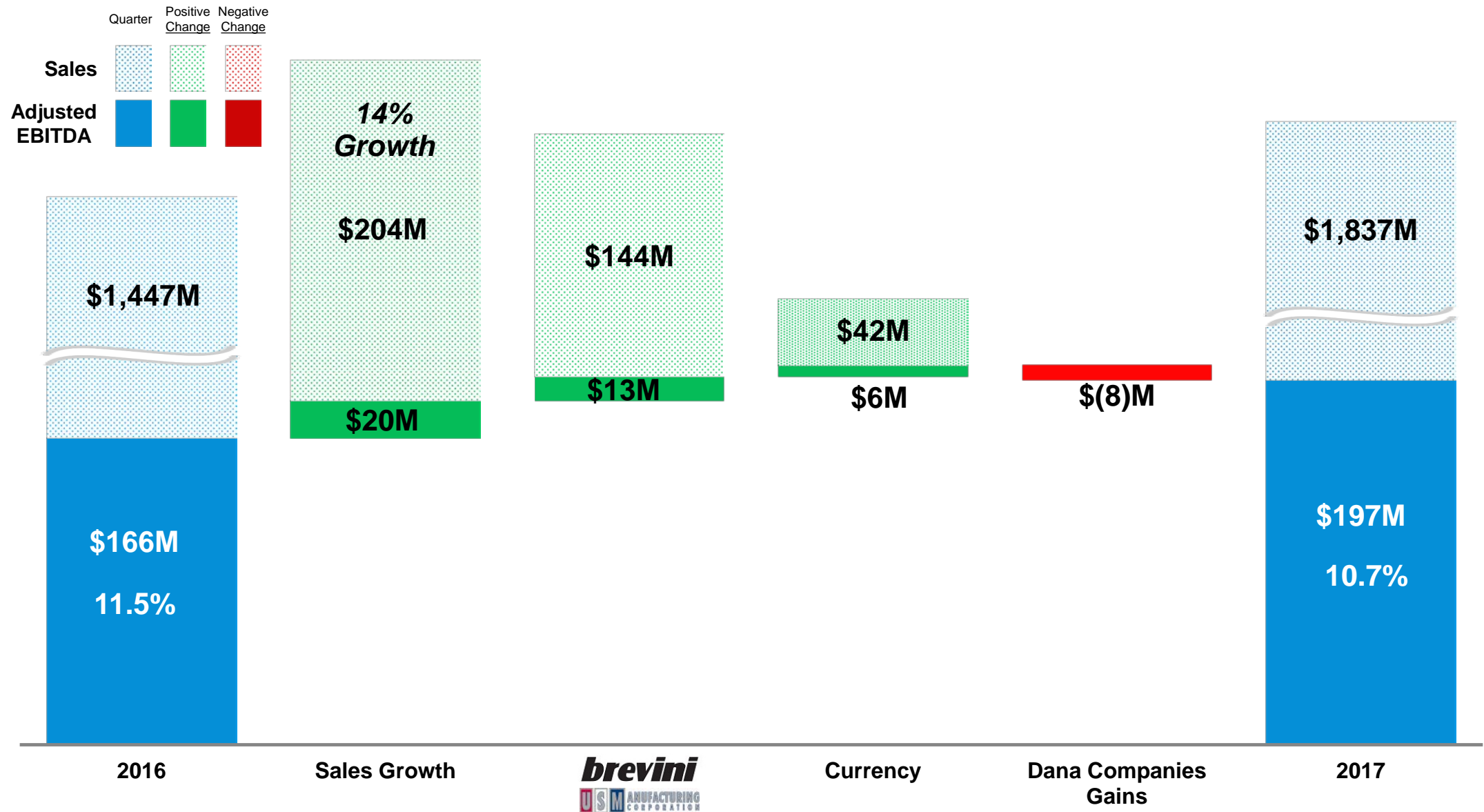
See appendix for comments regarding the presentation of non-GAAP measures





# 2017 Q4 Sales and Adj. EBITDA Changes

- 14% organic sales growth was a combination of converting backlog into sales and improved end-market demand
- Higher launch costs muted margin on sales growth
- Foreign currency provided tailwind to sales and profit
- Dana Companies gains reduced year-over-year comparison by \$8M
- Excluding impact of Dana Companies, 2016 Q4 margin was 10.9%



**Delivered 27% sales growth through heavy launch period**

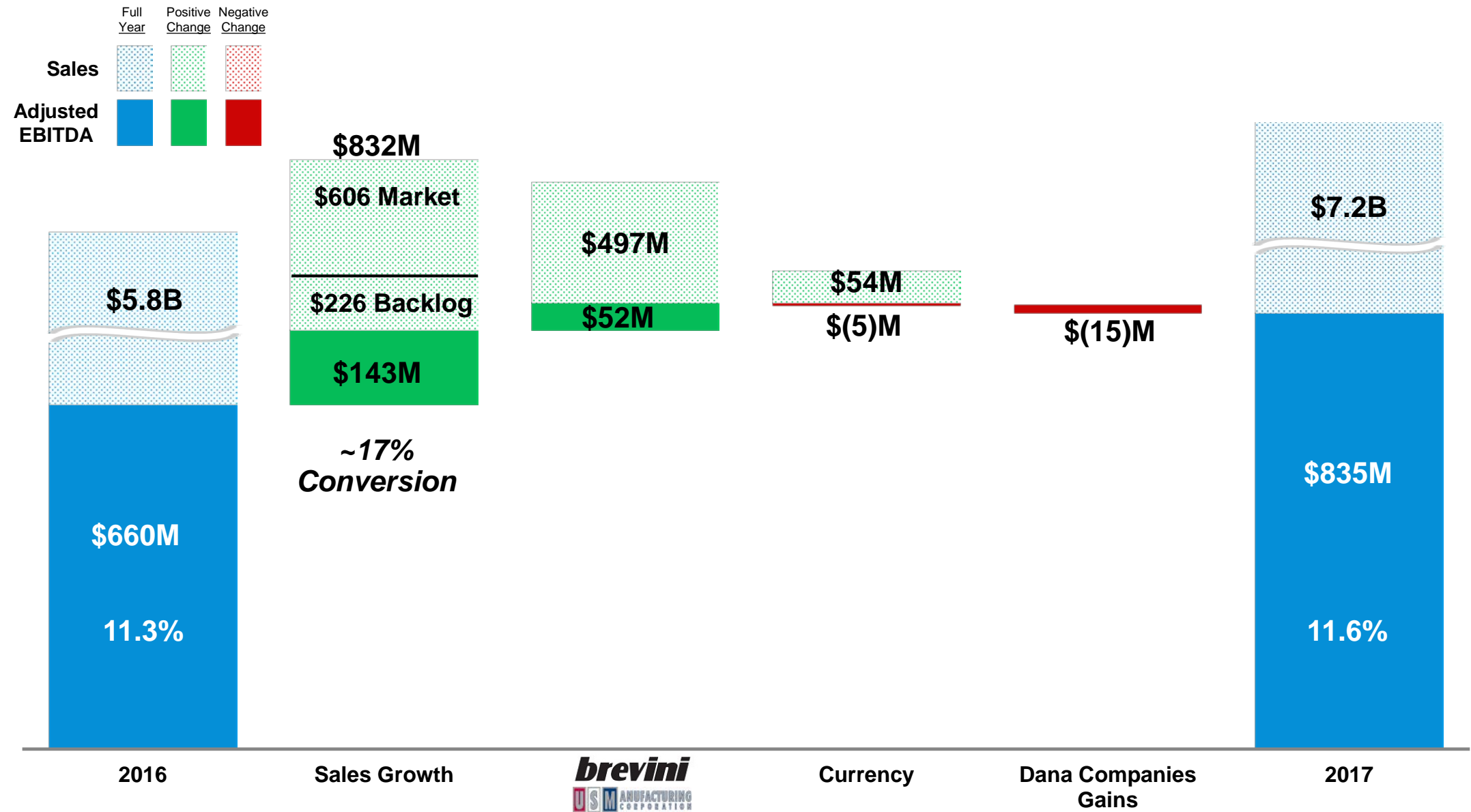
See appendix for comments regarding the presentation of non-GAAP measures





# 2017 FY Sales and Adj. EBITDA Changes

- ▶ Total sales growth of 24% driven by strong end market demand, conversion of backlog, and acquisitions
- ▶ Higher launch costs and incentive compensation expense muted margin on sales growth
- ▶ Acquisitions that closed in the first quarter of 2017 increased sales while compressing margins on a pre-synergy basis
- ▶ Foreign currency translation provided a modest benefit to sales while transaction losses compressed margins
- ▶ 2016 results included gains in Dana Companies, a subsidiary that was divested at the end of that year



**Delivered \$1.4B of sales and \$175M of profit growth**

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





# 2017 FY Free Cash Flow



- Free cash flow has improved from 1% to 2% of sales at peak capital spending level of 5.5% of sales
- Capital expenditures increased to support new business backlog
- Lower cash interest due to recent debt refinancing actions
- Higher transaction costs driven by recent acquisitions

## Full-Year Changes from Prior Year

(\$ in millions)

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Adjusted EBITDA</b>	\$ 835	\$ 660	\$ 175
<b>One Time Costs<sup>1</sup></b>	(57)	(24)	(33)
<b>Interest, net</b>	(94)	(100)	6
<b>Taxes</b>	(87)	(89)	2
<b>Working Capital / Other<sup>2</sup></b>	(43)	(63)	20
<b>Operating Cash Flow</b>	554	384	170
<b>Capital Spending</b>	(393)	(322)	(71)
<b>Free Cash Flow</b>	\$ 161	\$ 62	\$ 99
<b>% of Sales</b>	<b>2.2%</b>	<b>1.1%</b>	<b>+110bps</b>

**57% of profit growth converted to FCF at peak capital spending**

<sup>1</sup> Includes costs associated with business acquisitions, divestitures and restructuring. <sup>2</sup> 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



# 2018 FY Financial Guidance



- » Sales guidance exceeds prior long-term financial targets one year early largely due to pace of market recovery
- » Adjusted EBITDA guidance exceeds prior 2019 targets by \$15M while margin progresses nicely towards 12.8% target
- » Free cash flow guidance continues to progress towards 5% target as profits grow and capital expenditures return to ambient levels
- » Diluted adjusted EPS expected to benefit by \$0.10 as a result of U.S. tax reform

## Sales

~\$7.6B

+/- \$100M

+\$400M vs 2017, 6% growth

## Adjusted EBITDA

~\$935M

+/- \$25M, ~12.3% margin

+\$100M vs 2017, 12% growth

## Free Cash Flow

~3.5%

+130 bps vs 2017

## Diluted Adjusted EPS

~\$2.75

+/- \$0.15

+\$0.23 vs 2017

**Projecting significant increases to all key financial metrics**

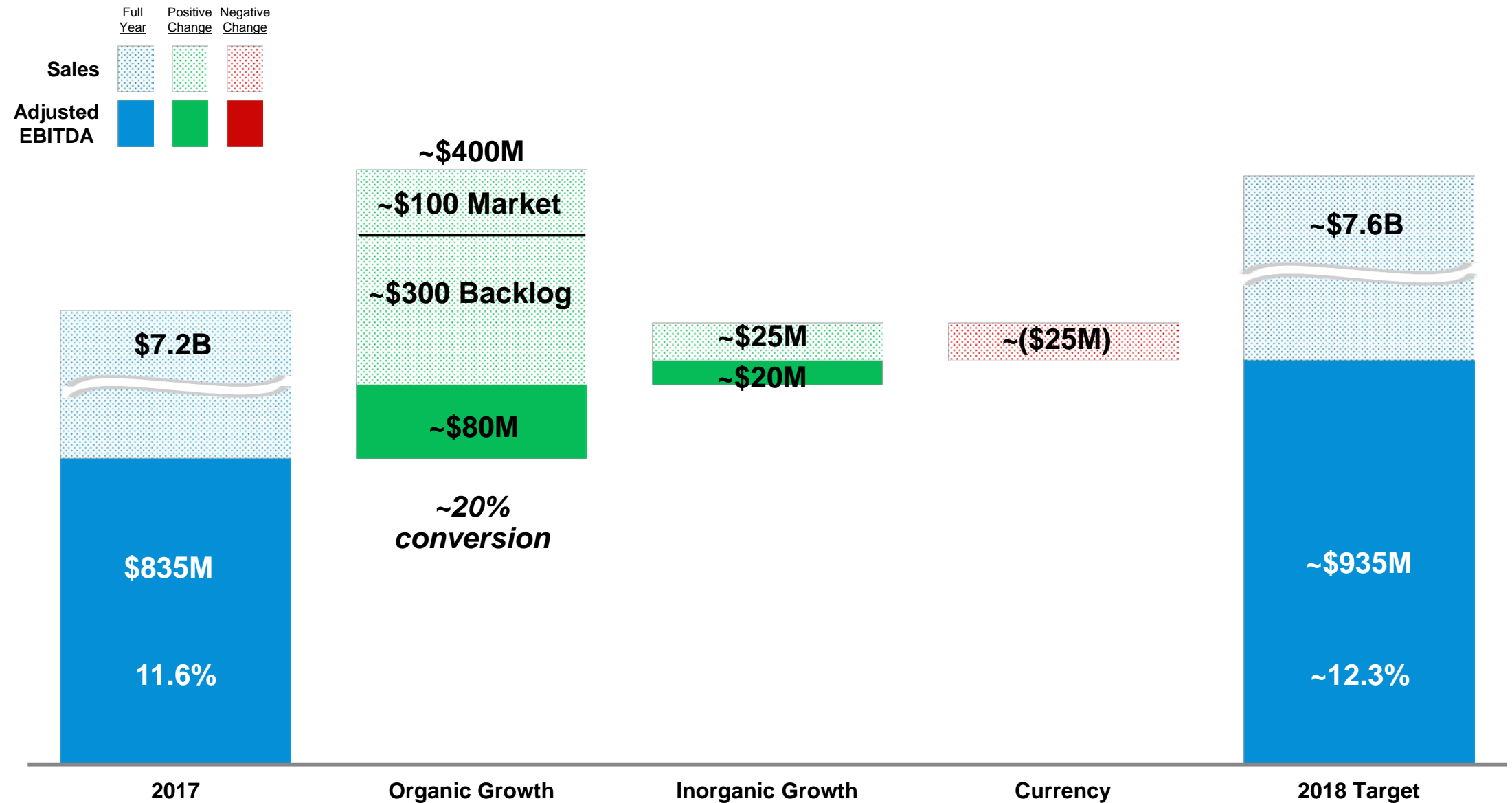
See appendix for comments regarding the presentation of non-GAAP measures





# 2018 FY Sales and Adj. EBITDA Changes

- » Sales growth of 6% driven by conversion of backlog and stable end-market demand
- » Acquisitions that closed in the first quarter of 2017, net of divestiture expected in 2018, will increase sales while expanding margins as cost synergies are realized
- » Foreign currency translation expected to cause a modest headwind to sales and a negligible impact on profit



**Improved conversion and M&A synergies drives +70bps margin**



# 2018 FY Free Cash Flow Growth Drivers



- Lower one-time costs as acquisition integration and restructuring actions are completed
- Cash tax increase includes the one-time tax impact of entity restructuring in a subsidiary
- Higher working capital use driven primarily by timing of new business ramp-up and 2017 incentive compensation payments
- Capital spending levels subside in the wake of major program launch activity

## Full-Year Changes from Prior Year

(\$ in millions)

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Adjusted EBITDA</b>	\$ ~935	\$ 835	\$ ~100
<b>One Time Costs<sup>1</sup></b>	~(30)	(57)	~30
<b>Interest, net</b>	~(90)	(94)	~5
<b>Taxes</b>	~(135)	(87)	~(50)
<b>Working Capital / Other<sup>2</sup></b>	~(100)	(43)	~(60)
<b>Operating Cash Flow</b>	~580	554	~25
<b>Capital Spending</b>	~(315)	(393)	~80
<b>Free Cash Flow</b>	\$~265	\$ 161	\$ ~105
	<b>% of Sales</b> ~3.5%	<b>2.2%</b>	<b>+130bps</b>

**Anticipating >100% profit growth conversion to FCF**

<sup>1</sup> Includes costs associated with business acquisitions and divestitures and restructuring. <sup>2</sup> 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





# 2019 FY Financial Targets

## Sales

~\$7.9B

+/- \$100M

+\$300M vs 2018T, 4% growth

## Adjusted EBITDA

>\$1B

+/- \$25M, ~12.8% margin

+\$65M vs 2018T, 7% growth

## Free Cash Flow

~5%

+150bps vs 2018T

## Diluted Adjusted EPS

~\$3.00

+/- \$0.15

+\$0.25 vs 2018T

**Projecting significant increases to all key financial metrics**

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

T=Target



- » Sales guidance exceeds prior long-term financial targets one year early largely due to pace of market recovery
- » Adjusted EBITDA guidance exceeds prior 2019 targets by \$15M while margin progresses nicely towards 12.8% target
- » Free cash flow guidance continues to progress towards 5% target as profits grow and capital expenditures return to ambient levels
- » Diluted adjusted EPS expected to benefit by \$0.10 as a result of U.S. tax reform

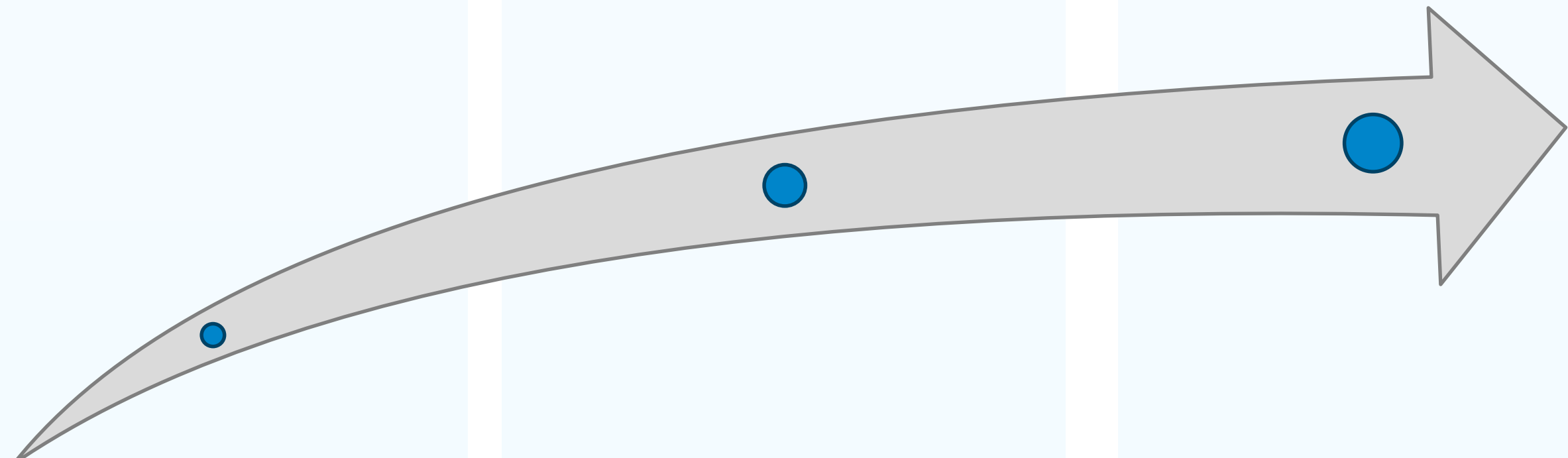
# Outlook



2016 - 2017

2018

2019



- » Introduced Enterprise Strategy: Shifting Into Overdrive
- » 4 businesses acquired and integrated
- » Profitable organic and inorganic growth of more than \$1B delivers 80 bps of margin expansion
- » \$750M of 3-year sales backlog

- » Acquisitions synergies recognized
- » Sales continue to grow as backlog is converted and markets grow
- » Margins to expand by 70bps on growth and acquisition synergies
- » FCF improves to ~3.5% of sales
- » 3-year sales backlog grows to \$800M

- » Sales growth expected to continue as markets remain strong and backlog continues to convert to sales
- » Margin to expand by 50bps on backlog conversion and market stability
- » FCF improves to ~5% of sales on profit growth and normalized capital expenditures of ~4% of sales

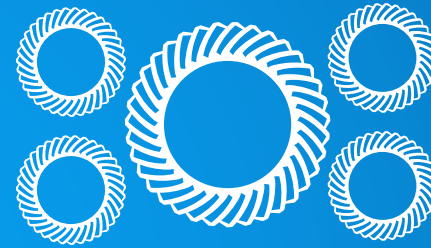




**Continued Strong  
Financial Results**



**Growing New  
Business Backlog**



**Advancing Enterprise  
Strategy**



**Increasing  
Shareholder Value**

*People Finding A Better Way<sup>®</sup>*



# Appendix







# 2018 Forecast Assumptions

## Key Production Assumptions

Units (000)	2017 Actuals	2018 Outlook
<b>North America</b>		
Light Trucks (Full Frame)	4,331	4,000 – 4,300
Light Vehicle Engines	14,828	14,800 – 15,100
Medium Truck (Class 5-7)	246	245 – 255
Heavy Truck (Class 8)	255	290 – 310
Agricultural Equipment	54	50 – 60
Construction/Mining Equipment	157	160 – 170
<b>Europe (Incl. Eastern Europe)</b>		
Light Trucks	10,276	10,600 – 10,900
Light Vehicle Engines	24,096	24,700 – 25,200
Medium/Heavy Truck	486	480 – 495
Agricultural Equipment	202	200 – 215
Construction/Mining Equipment	309	310 – 330
<b>South America</b>		
Light Trucks	1,235	1,300 – 1,500
Light Vehicle Engines	2,412	2,650 – 2,750
Medium/Heavy Truck	89	90 – 100
Agricultural Equipment	33	30 – 35
Construction/Mining Equipment	9	8 – 12
<b>Asia Pacific</b>		
Light Trucks	29,495	29,800 – 31,000
Light Vehicle Engines	52,543	52,500 – 53,500
Medium/Heavy Truck	2,039	1,850 – 2,050
Agricultural Equipment	653	650 – 680
Construction/Mining Equipment	441	445 – 465

## Key Financial Assumptions

### Currency

Euro / USD	1.15 - 1.25
USD / CAD	0.75 - 0.80
USD / BRL	3.30 - 3.50
USD / ARS	17.00 - 19.00
USD / MXN	17.50 – 19.50
GBP / USD	1.30 - 1.50

### Taxes

Effective Tax Rate (Dil. Adj EPS)	~28%
Cash Tax Rate	~25%

SOURCE: IHS Global Insight, ACT, PSR, Dana Estimates

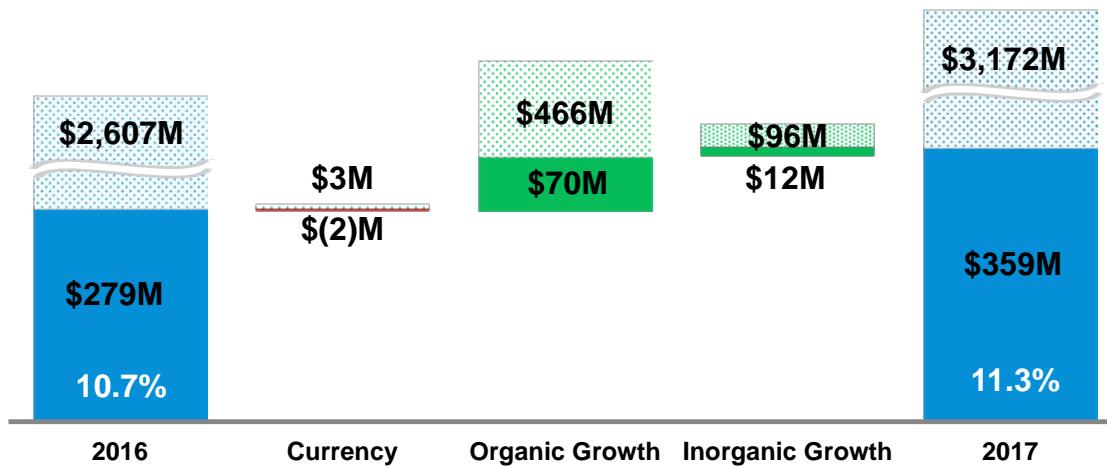




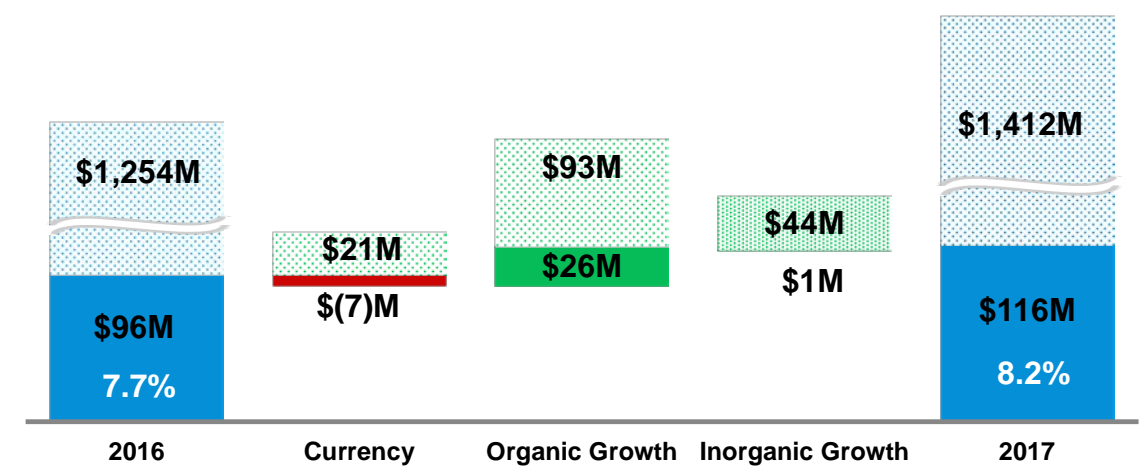
# 2017 FY Sales and EBITDA Changes by Segment



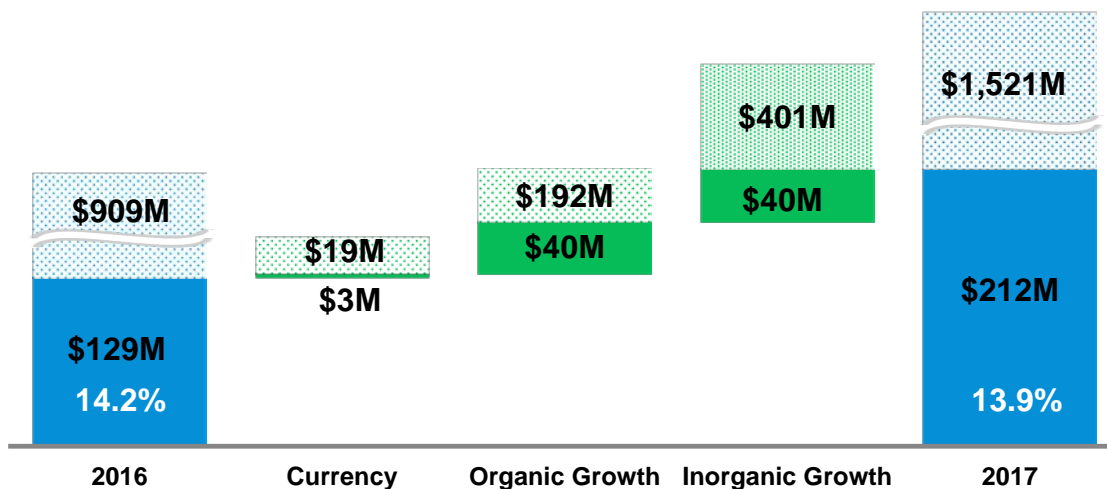
## Light Vehicle Driveline



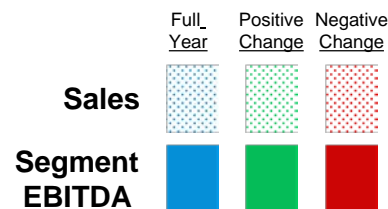
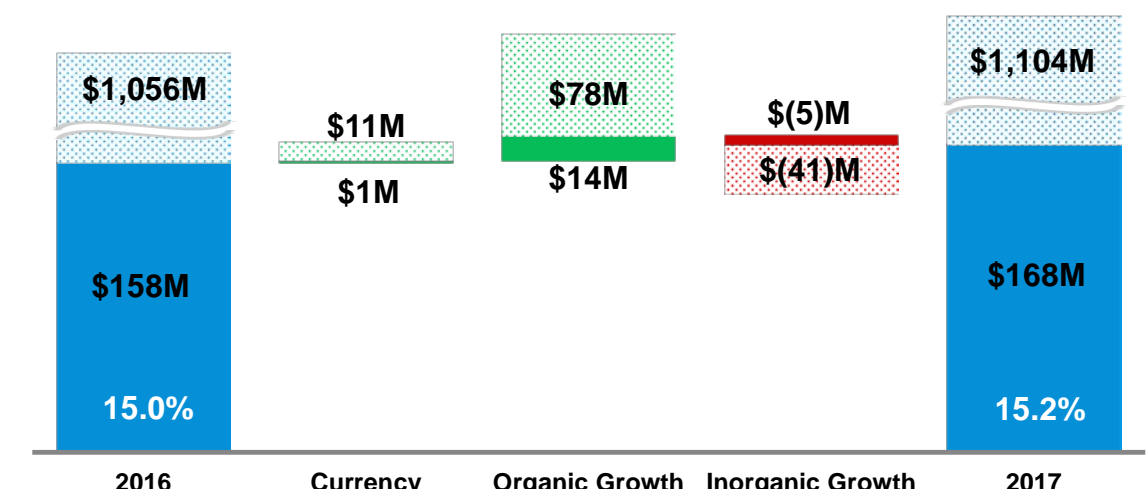
## Commercial Vehicle Driveline



## Off-Highway Drive and Motion



## Power Technologies



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



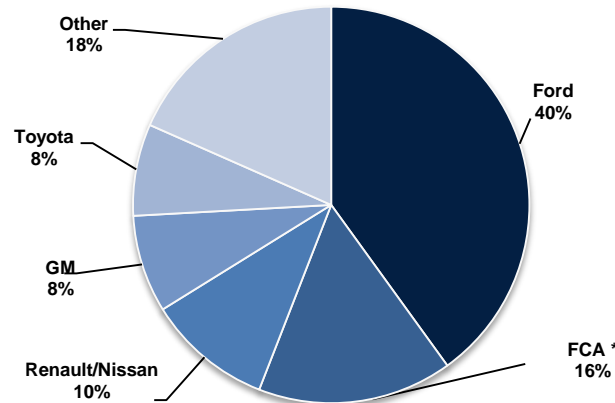
# Segment Profiles



Customer Sales

## Light Vehicle Driveline

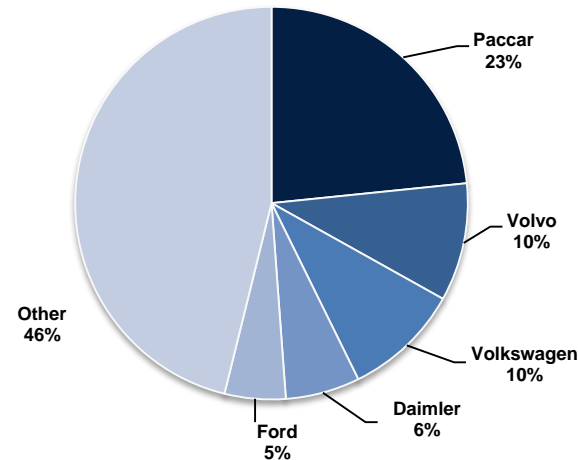
Year to Date 12/31/2017



\* Includes sales to Hyundai Mobis for driveline products that support FCA vehicles

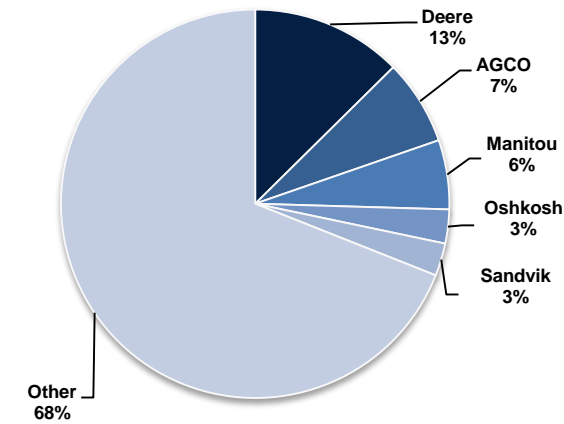
## Commercial Vehicle Driveline

Year to Date 12/31/2017



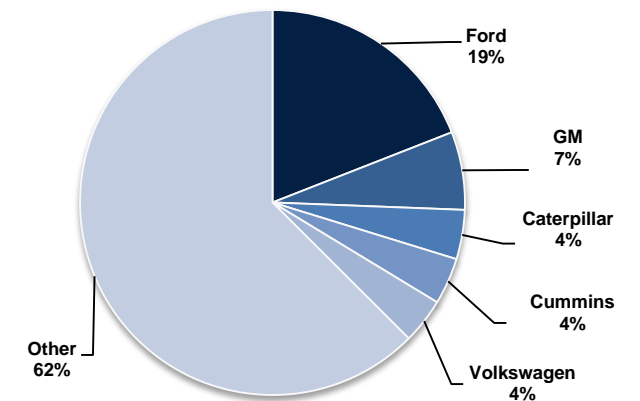
## Off-Highway Drive and Motion

Year to Date 12/31/2017

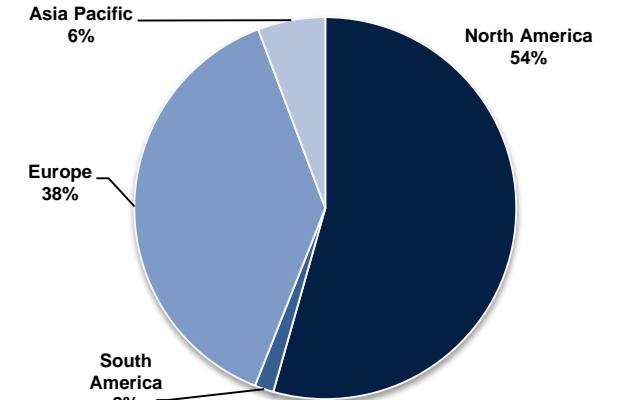
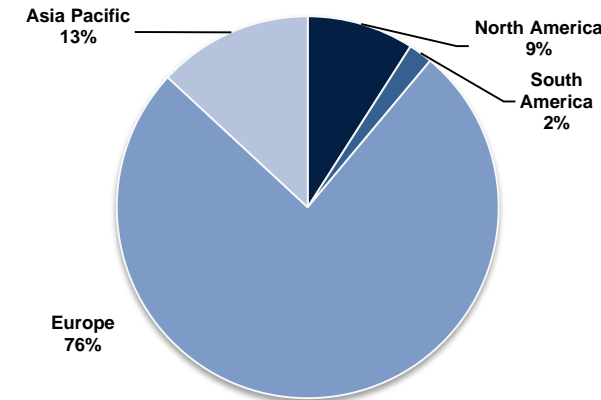
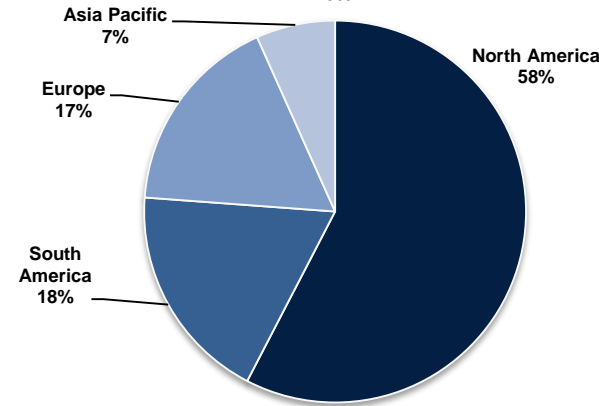
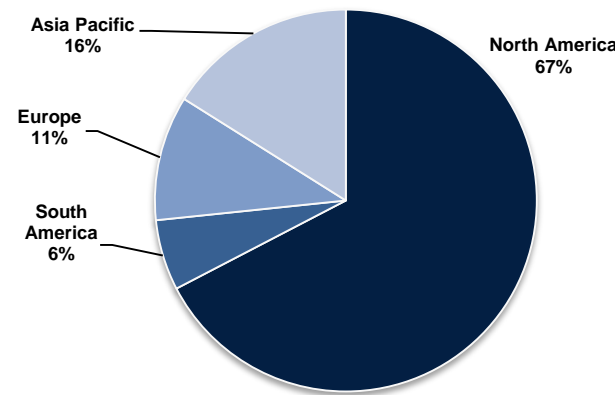


## Power Technologies

Year to Date 12/31/2017



Regional Sales



Performance

\$ Millions

	Q4		Year to Date	
	2017	2016	2017	2016
Sales	\$803	\$694	\$3,172	\$2,607
Segment EBITDA	\$86	\$77	\$359	\$279
EBITDA Margin	10.7%	11.1%	11.3%	10.7%

	Q4		Year to Date	
	2017	2016	2017	2016
Sales	\$355	\$278	\$1,412	\$1,254
Segment EBITDA	\$25	\$15	\$116	\$96
EBITDA Margin	7.0%	5.4%	8.2%	7.7%

	Q4		Year to Date	
	2017	2016	2017	2016
Sales	\$414	\$217	\$1,521	\$909
Segment EBITDA	\$55	\$32	\$212	\$129
EBITDA Margin	13.3%	14.7%	13.9%	14.2%

	Q4		Year to Date	
	2017	2016	2017	2016
Sales	\$265	\$258	\$1,104	\$1,056
Segment EBITDA	\$36	\$38	\$168	\$158
EBITDA Margin	13.6%	14.7%	15.2%	15.0%



# Diluted Adjusted EPS



## DANA INCORPORATED

### Diluted Adjusted EPS (Unaudited)

#### For the Three Months Ended December 31, 2017 and 2016

(In millions, except per share amounts)

	Three Months Ended	
	December 31,	
	2017	2016
<b>Net income attributable to parent company</b>	\$ (104)	\$ 485
Items impacting income before income taxes:		
Restructuring charges		13
Amortization of intangibles	3	2
Loss on disposal group held for sale	27	
Loss on sale of subsidiary		80
Strategic transaction expenses	5	7
Other items	2	
Items impacting income taxes:		
Net income tax benefits on items above	(1)	(33)
U.S. tax reform legislation	186	
Release of U.S. federal valuation allowance		(501)
Valuation allowance (release) provision, net	(27)	23
Other nonrecurring tax adjustments	8	9
Items impacting noncontrolling interests	(7)	
<b>Adjusted net income</b>	<b>\$ 92</b>	<b>\$ 85</b>
Diluted shares - as reported	145.4	145.3
Adjustment - common stock equivalents	2.2	
Adjusted diluted shares	<u>147.6</u>	<u>145.3</u>
<b>Diluted adjusted EPS</b>	<b>\$ 0.62</b>	<b>\$ 0.59</b>

## DANA INCORPORATED

### Diluted Adjusted EPS (Unaudited)

#### For the Year Ended December 31, 2017 and 2016

(In millions, except per share amounts)

	Year Ended	
	December 31,	
	2017	2016
<b>Net income attributable to parent company</b>	\$ 111	\$ 640
Items impacting income before income taxes:		
Restructuring charges	14	36
Amortization of intangibles	13	9
Loss on extinguishment of debt	19	17
Loss on disposal group held for sale	27	
Loss (income) on sale of subsidiary	(3)	80
Strategic transaction expenses	25	13
Acquisition related inventory adjustments	14	
Other items	8	(4)
Items impacting income taxes:		
Net income tax benefits on items above	(18)	(45)
U.S. tax reform legislation	186	
Release of U.S. federal valuation allowance		(501)
Valuation allowance (release) provision, net	(27)	23
Other nonrecurring tax adjustments	8	17
Items impacting noncontrolling interests	(7)	
<b>Adjusted net income</b>	<b>\$ 370</b>	<b>\$ 285</b>
Diluted shares - as reported	146.9	146.8
Adjusted diluted shares	<u>146.9</u>	<u>146.8</u>
<b>Diluted adjusted EPS</b>	<b>\$ 2.52</b>	<b>\$ 1.94</b>



# Segment Data



## DANA INCORPORATED Segment Sales and Segment EBITDA (Unaudited) For the Three Months Ended December 31, 2017 and 2016

(In millions)	Three Months Ended	
	December 31,	
	2017	2016
<b>Sales</b>		
Light Vehicle	\$ 803	\$ 694
Commercial Vehicle	355	278
Off-Highway	414	217
Power Technologies	265	258
<b>Total Sales</b>	<b>\$ 1,837</b>	<b>\$ 1,447</b>
<b>Segment EBITDA</b>		
Light Vehicle	\$ 86	\$ 77
Commercial Vehicle	25	15
Off-Highway	55	32
Power Technologies	36	38
<b>Total Segment EBITDA</b>	<b>202</b>	<b>162</b>
Corporate expense and other items, net	(5)	4
<b>Adjusted EBITDA</b>	<b>\$ 197</b>	<b>\$ 166</b>

## DANA INCORPORATED Segment Sales and Segment EBITDA For the Year Ended December 31, 2017 and 2016

(In millions)	Year Ended	
	December 31,	
	2017	2016
<b>Sales</b>		
Light Vehicle	\$ 3,172	\$ 2,607
Commercial Vehicle	1,412	1,254
Off-Highway	1,521	909
Power Technologies	1,104	1,056
<b>Total Sales</b>	<b>\$ 7,209</b>	<b>\$ 5,826</b>
<b>Segment EBITDA</b>		
Light Vehicle	\$ 359	\$ 279
Commercial Vehicle	116	96
Off-Highway	212	129
Power Technologies	168	158
<b>Total Segment EBITDA</b>	<b>855</b>	<b>662</b>
Corporate expense and other items, net	(20)	(2)
<b>Adjusted EBITDA</b>	<b>\$ 835</b>	<b>\$ 660</b>



# Segment Data Continued



## DANA INCORPORATED

### Reconciliation of Segment and Adjusted EBITDA to Net Income (Unaudited) For the Three Months Ended December 31, 2017 and 2016

(In millions)	Three Months Ended	
	December 31,	
	2017	2016
<b>Segment EBITDA</b>	\$ 202	\$ 162
Corporate expense and other items, net	(5)	4
<b>Adjusted EBITDA</b>	197	166
Depreciation	(58)	(44)
Amortization of intangibles	(3)	(2)
Restructuring charges, net		(13)
Stock compensation expense	(6)	(6)
Strategic transaction expenses	(5)	(7)
Loss on disposal group held for sale	(27)	
Loss on sale of subsidiaries		(80)
Other items	(6)	1
Earnings before interest and income taxes	92	15
Interest expense	(23)	(29)
Interest income	3	5
Earnings (loss) before income taxes	72	(9)
Income tax expense (benefit)	189	(490)
Equity in earnings of affiliates	7	8
<b>Net income (loss)</b>	<b>\$ (110)</b>	<b>\$ 489</b>

## DANA INCORPORATED

### Reconciliation of Segment and Adjusted EBITDA to Net Income For the Year Ended December 31, 2017 and 2016

(In millions)	Year Ended	
	December 31,	
	2017	2016
<b>Segment EBITDA</b>	\$ 855	\$ 662
Corporate expense and other items, net	(20)	(2)
<b>Adjusted EBITDA</b>	835	660
Depreciation	(220)	(173)
Amortization of intangibles	(13)	(9)
Restructuring charges, net	(14)	(36)
Stock compensation expense	(23)	(17)
Strategic transaction expenses	(25)	(13)
Acquisition related inventory adjustments	(14)	
Loss on disposal group held for sale	(27)	
Loss on sale of subsidiaries		(80)
Other items	(9)	
Earnings before interest and income taxes	490	332
Loss on extinguishment of debt	(19)	(17)
Interest expense	(102)	(113)
Interest income	11	13
Earnings before income taxes	380	215
Income tax expense (benefit)	283	(424)
Equity in earnings of affiliates	19	14
<b>Net income</b>	<b>\$ 116</b>	<b>\$ 653</b>





# Non-GAAP Financial Information

The preceding slides refer to Adjusted EBITDA, a non-GAAP financial measure which we have defined as net income before interest, taxes, depreciation, amortization, equity grant expense, restructuring expense 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 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. We believe this measure is useful to investors in evaluating the operational cash flow of the company inclusive of the spending required to maintain the operations. Free cash flow is neither 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 may not be comparable to similarly titled measures reported by other companies.

Please reference the “Non-GAAP financial information” accompanying our quarterly earnings conference call presentations on our website at [www.dana.com/investors](http://www.dana.com/investors) for reconciliations of adjusted EBITDA, diluted adjusted EPS and 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 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. 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.

