



# 2017 First-Quarter Earnings Conference Call May 2, 2017





# 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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» *Business Update*

*James Kamsickas*

*President and  
Chief Executive Officer*

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» *Financial Review*

*Jonathan Collins*

*Executive Vice President  
and Chief Financial Officer*





# Q1 Highlights

## » Delivered Strong Financial Results

- Sales of \$1.7 billion
  - 17% YOY sales growth, 12% organic
- Adjusted EBITDA of \$205 million
  - 12.1% Margin
- Diluted Adjusted EPS of \$0.63
  - 85% increase over prior year

## » Completed Acquisitions

- Brevini
- US Manufacturing

## » Won *Automotive News* PACE Award

## » Received Significant Customer Recognition



# Customer Centricity



## Enterprise Strategy

SHIFTING INTO  
**VERDRIVE** >>>

Strengthen  
Customer  
Centricity **2**

**1**  
Leverage  
the Core

- » Operational Excellence
- » Design & Engineering
- » Manufacturing
- » Purchasing
- » Aftermarket
- » Acquisitions

Commercialize  
New  
Technology **4**

Expand  
Global  
Markets **3**

Accelerate  
Hybridization &  
Electrification **5**

## Awards and Recognition



Off-Highway  
Buyer Guide  
Award  
  
Spicer® 990  
Steer Axle

Partner-Level  
Supplier  
  
Crescentino, Italy  
and Gravataí, Brazil

Best  
Supplier

Excellence in  
Continuous  
Improvement

Excellent  
Launch  
Performance  
Award  
  
Valve Seals

Excellence  
Award  
  
Guiscard, France



Supplier  
Excellence  
Award  
  
Cambridge,  
ONT

Logistics  
Performance  
Award

Top Supplier  
Award  
  
Gravataí Brazil

2017 PACE  
Award Winner  
  
Multi-layer Steel  
Transmission  
Pump Gasket

Outstanding  
Provider  
  
Power  
Electronics  
Cooler

Silver  
Award  
Outstanding  
quality, cost,  
and delivery  
performance

Customer Recognition Across End Markets and All Four Dana Business Units



# Dana Earns *Automotive News* PACE Award



**2017 PACE AWARD**  
Multi-Layer Steel  
Transmission  
Pump Gasket



- » Dana named PACE Award Finalist for sixth consecutive year
- » Only supplier to achieve three product nominations in 2017



Innovation and Technology Driving Exceptional Customer Satisfaction



# USM Acquisition Completed

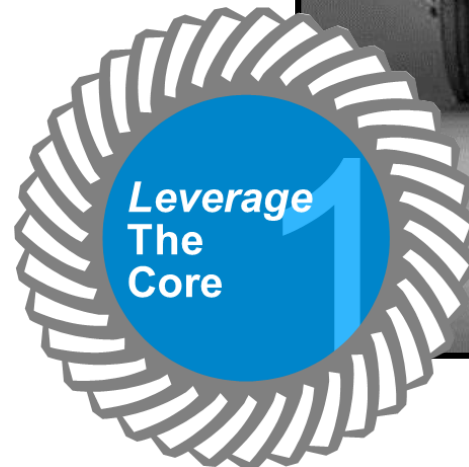
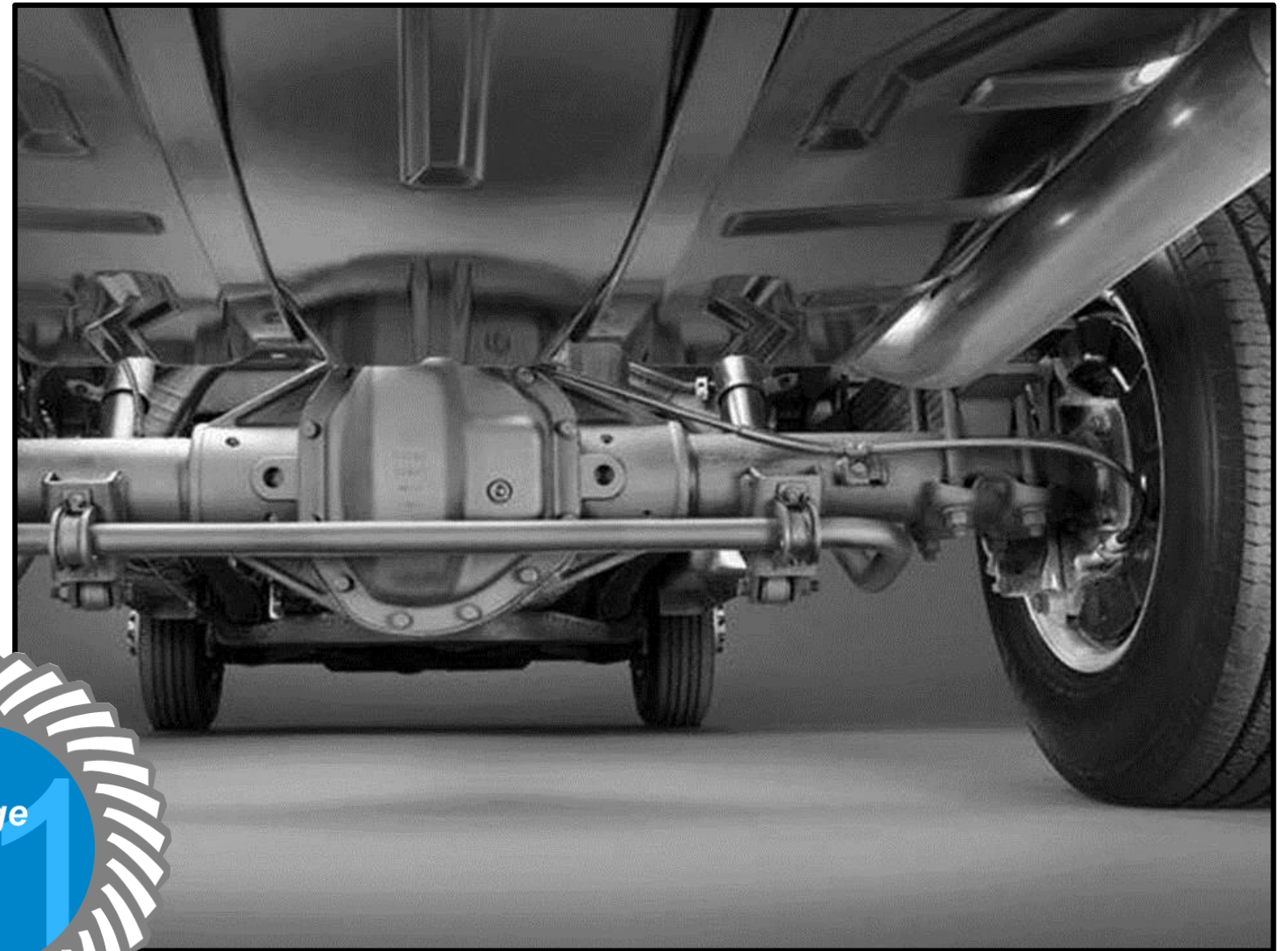


## Transaction Overview

- » Dana acquired USM's facility in Warren, MI
  - Transaction closed in Q1 2017
- » Cash consideration of \$100M
- » Forward multiple of approximately 5x

## Strategic Rationale

- » Strengthens Dana's global supply chain
- » Increases sales penetration with OEMs
- » Access to proprietary processes and patents
- » Technology applicable to all Dana's markets
- » Enhances competitive position



Warren, Michigan 



# Market Overview



## North America

- » North American economic growth expected to reach about 2% in 2017
- » Light-vehicle production volume is expected to be flat to slightly down in 2017
- » Class 8 truck production expected to be about 200K units in 2017



## South America

- » Brazilian economic recession has likely bottomed
- » Brazil truck production has increased 3% YOY in Q1 offset by lower bus production
- » Argentinian economy is expected to grow by 3% in 2017



## Europe

- » Eurozone growth projected to remain challenged due to financial market instability and uncertainty about Brexit
- » Euro remains stable yet weak against the U.S. dollar
- » Agriculture equipment markets expected to be stable



## Asia Pacific

- » Economic growth in India is expected, though commercial-truck sector may lag due to sluggish exports
- » Chinese growth will be restrained due to continued government reforms and lower stimulus
- » Low single-digit growth expected in light-vehicle market





# Business Overview



## Light Vehicle Driveline

- » Key light-truck inventories in North America remain stable
- » Toyota Hilux sales remain strong in South America
- » Jeep<sup>®</sup> Wrangler launch readiness proceeding as planned
- » Broke ground on new gear manufacturing facility in Hungary
- » Completed USM acquisition; integration on-track



## Off-Highway Drive and Motion

- » Favorable product mix in first quarter
- » Some optimism returning in the mining market
- » Completed Brevini acquisition
  - Integration and synergy attainment on-track
  - Commenced Dana/Brevini customer cross-selling



## Commercial Vehicle Driveline

- » Class 8 customer share stable
- » Launched integrated air disc brake solution in North America
- » New Technology: Compact<sup>™</sup> Series Plus driveshaft
- » Integration of SIFCO acquisition is nearly complete



## Power Technologies

- » Record quarter for sales and earnings
- » Strong Q1 demand in NA, EU, and China; outlook is cautious
- » Victor Reinz<sup>®</sup> brand reintroduced to North American Aftermarket
  - Customer response has been very positive





# Financial Review

2017 First Quarter



# 2017 Financial Results



- 12% organic sales growth driven primarily by converted backlog and market demand improvements
- Business acquisitions contributed an incremental \$80M of sales
- Significant margin expansion due to strong conversion on higher volumes and continued cost management
- Diluted Adjusted EPS growth primarily due to higher earnings
- Improved operating cash flow from Adj. EBITDA growth was offset by higher capital spending required to deliver backlog

## Changes from Prior Year

(\$ in millions)

	<u>Q1 '17</u>	<u>Q1 '16</u>	<u>Change</u>
<b>Sales</b>	\$ 1,701	\$ 1,449	\$ 252
<b>Adjusted EBITDA</b>	205	148	57
<b>Margin</b>	12.1%	10.2%	+190bps
<b>EBIT</b>	129	96	33
<b>Interest Expense, Net</b>	24	24	-
<b>Income Tax Expense</b>	30	24	6
<b>Net Income</b> (attributable to Dana)	75	45	30
<b>Diluted Adjusted EPS</b>	\$ 0.63	\$ 0.34	\$ 0.29
<b>Cash Flow From Operations</b>	11	(27)	38
<b>Capital Spending</b>	96	71	25
<b>Free Cash Flow</b>	(85)	(98)	13

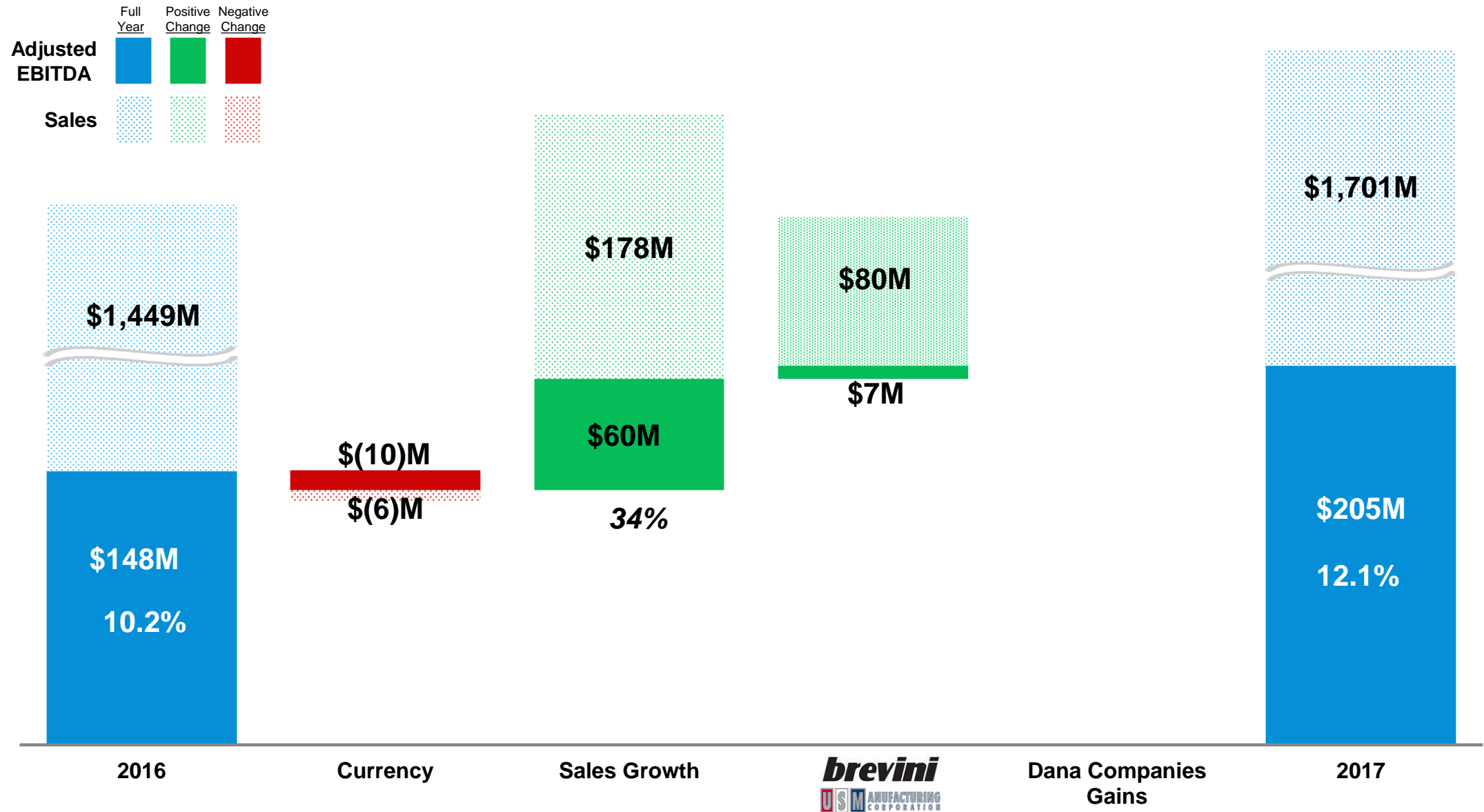
See appendix for comments regarding the presentation of non-GAAP measures





# 2017 Q1 Sales and Profit Change

- FX translation was a modest headwind to sales while transactions adversely impacted profit
- Strong conversion on sales growth reflects continued improvements in overall cost structure
- Business acquisitions that closed in Q1, Brevini and USM, contributed to sales and profit growth



**17% sales growth delivered +190 bps growth**

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



# 2017 Q1 Cash Flow



- » Cash flow from operations improved by \$38M due largely to Adj. EBITDA growth, which was partially offset by one-time impact of \$25M due to the settlement of payables from Dana to USM at closing
- » Capital spending has increased to deliver backlog

## First-Quarter Changes from Prior Year

(\$ in millions)

	<u>2017A</u>	<u>2016A</u>	<u>Change</u>
<b>Adjusted EBITDA</b>	\$ 205	\$ 148	\$ 57
<b>Interest, net</b>	(23)	(33)	10
<b>Taxes</b>	(19)	(19)	–
<b>Restructuring</b>	(14)	(3)	(11)
<b>Pension, net</b>	(2)	(7)	5
<b>Transaction Costs<sup>1</sup></b>	(13)	(3)	(10)
<b>Inter-Co. FX Hedge Settlements</b>	1	(9)	10
<b>USM Settlement of Trade Obligations</b>	(25)	–	(25)
<b>Working Capital / Other<sup>2</sup></b>	(99)	(101)	2
<b>Cash Flow from Operations</b>	11	(27)	38
<b>Capital Spending</b>	(96)	(71)	(25)
<b>Free Cash Flow</b>	\$ (85)	\$ (98)	13

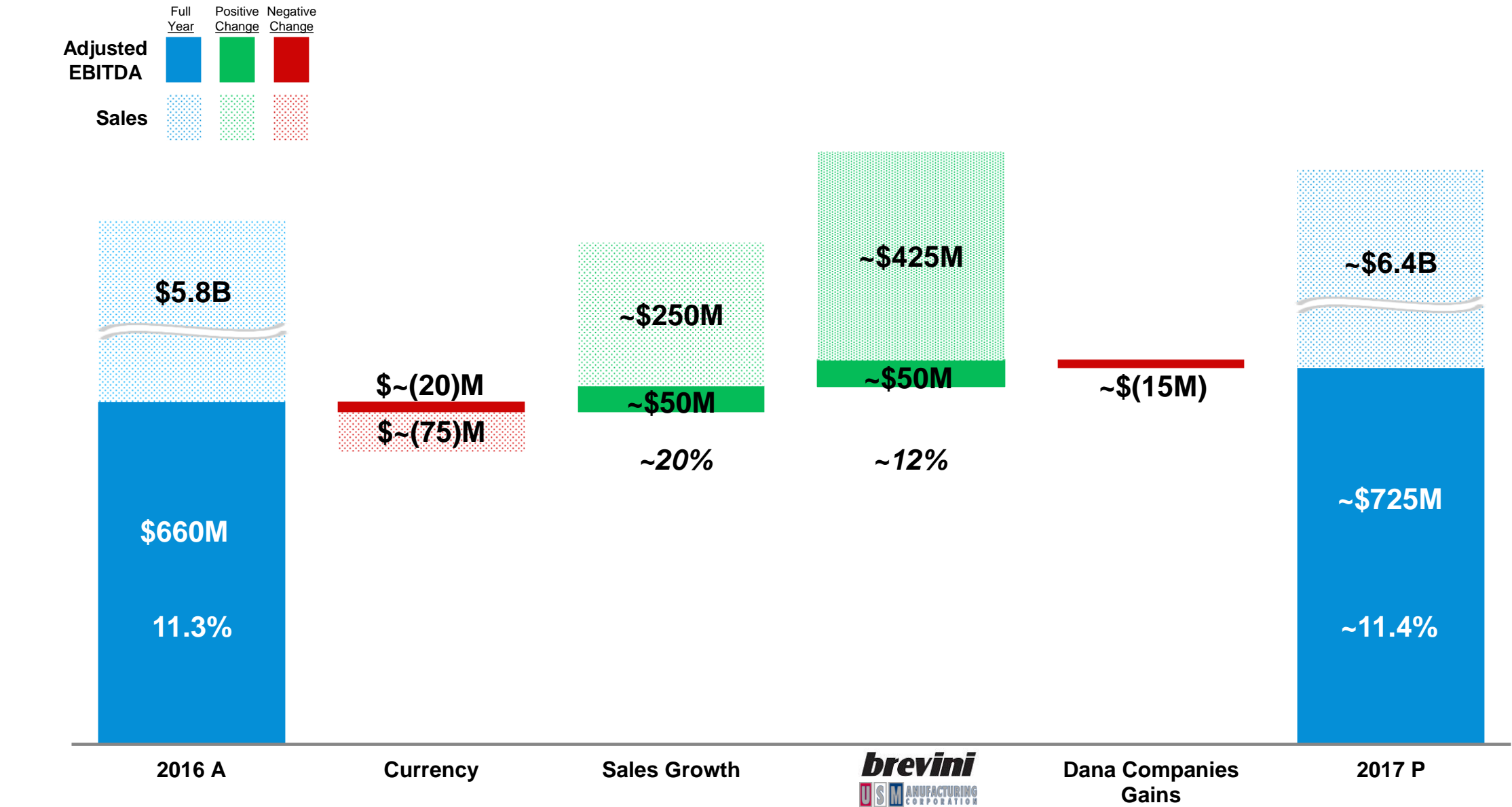
<sup>1</sup> Include costs associated with business acquisitions and divestitures as well as distressed supplier costs. <sup>2</sup> Changes in working capital relating to interest, taxes, restructuring and transactions costs are included in those respective categories. See appendix for comments regarding the presentation of non-GAAP measures





# 2017 FY Sales and Profit Growth

- Foreign currency is expected to remain a headwind to both sales and profit in the balance of the year
- A combination of backlog conversion and continued market demand improvements are expected to deliver incremental sales and profit growth
- Brevini acquisition, which closed February 1st, projected to add ~\$350M to sales and ~\$35M to Adjusted EBITDA
- USM acquisition, which closed March 1st, projected to add ~\$75M to sales and ~\$15M to Adjusted EBITDA
- 2016 results included gains in Dana Companies, a subsidiary that was divested last year



**Profitable organic and inorganic growth**

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



# 2017 Cash Flow



Free cash flow expected to remain in line with prior year as Adjusted EBITDA growth is offset by increased investments in restructuring and capital spending

~1/4 of consideration paid at closing for USM (~\$25M) is included in operating vs. investing cash flow as payables from Dana to USM were settled and as a result is lowering FCF

## Full Year Changes from Prior Year

(\$ in millions)

	<u>2017P</u>	<u>2016A</u>	<u>Change</u>
<b>Adjusted EBITDA</b>	\$ ~725	\$ 660	\$ ~65
<b>Interest, net</b>	~(95)	(100)	~5
<b>Taxes</b>	~(80)	(89)	~10
<b>Restructuring</b>	~(50)	(15)	~(35)
<b>Transaction Costs<sup>1</sup></b>	~(15)	(9)	~(5)
<b>Pension, net</b>	~(5)	(16)	~10
<b>Inter-Co. FX Hedge Settlements</b>	–	(21)	~20
<b>USM Settlement of Trade Obligations</b>	~(25)	–	~(25)
<b>Working Capital / Other<sup>2</sup></b>	~(25)	(26)	
<b>Cash Flow from Operations</b>	~430	384	~45
<b>Capital Spending</b>	~(370)	(322)	~(45)
<b>Free Cash Flow</b>	\$ ~60	\$ 62	

<sup>1</sup> Include costs associated with business acquisitions and divestitures as well as distressed supplier costs. <sup>2</sup> Changes in working capital relating to interest, taxes, restructuring and transactions costs are included in those respective categories. See appendix for comments regarding the presentation of non-GAAP measures





# Leverage and Liquidity

- Net leverage is expected to remain below two turns and liquidity expected to remain above \$1B
- Effectively swapped \$300M 6.00% coupon senior notes due 2023 to EUR yielding an effective rate of 3.91%
- Issued \$400M of 5.75% coupon senior unsecured notes due 2025; swapped to EUR yielding an effective rate of 3.85%
- Proceeds of recent notes used to refinance local debt in Italy (acquired via Brevini) and Brazil as well as tender for \$100M of 5.375% senior unsecured notes due 2021 (remaining \$350M callable at par in 2019)

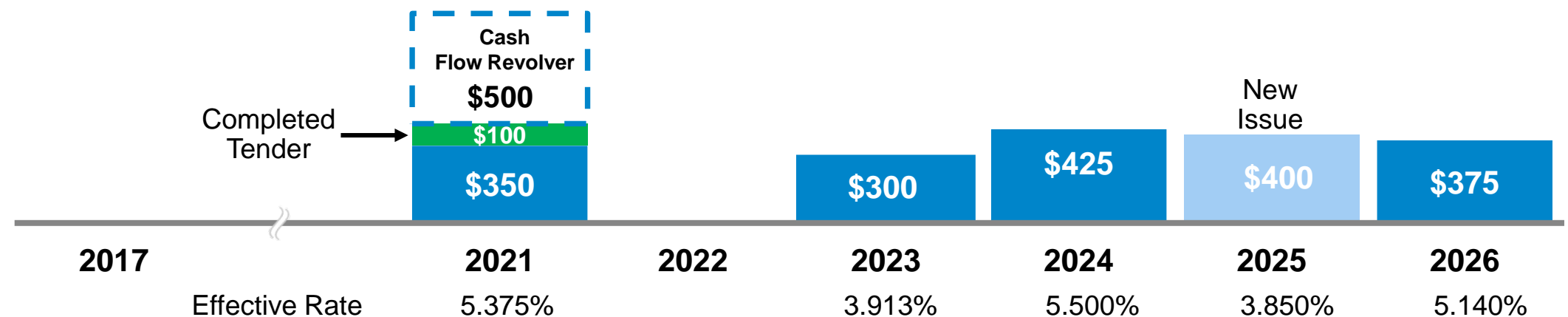
## Leverage and Liquidity

(\$ in millions)

	2016A	2017P
<b>Total Debt</b>	\$ 1,685	\$~1,900
<b>Less: Cash / Equivalents<sup>1</sup></b>	731	~550
<b>Net Debt</b>	954	~1,350
<b>LTM EBITDA</b>	660	~725
<b>Net Leverage</b>	1.4x	~1.9x
<b>Revolver Capacity</b>	478	~475
<b>Total Liquidity</b>	\$ 1,209	\$ ~1,025

<sup>1</sup>Includes marketable securities and excludes deposits to support obligations

## Debt Maturity



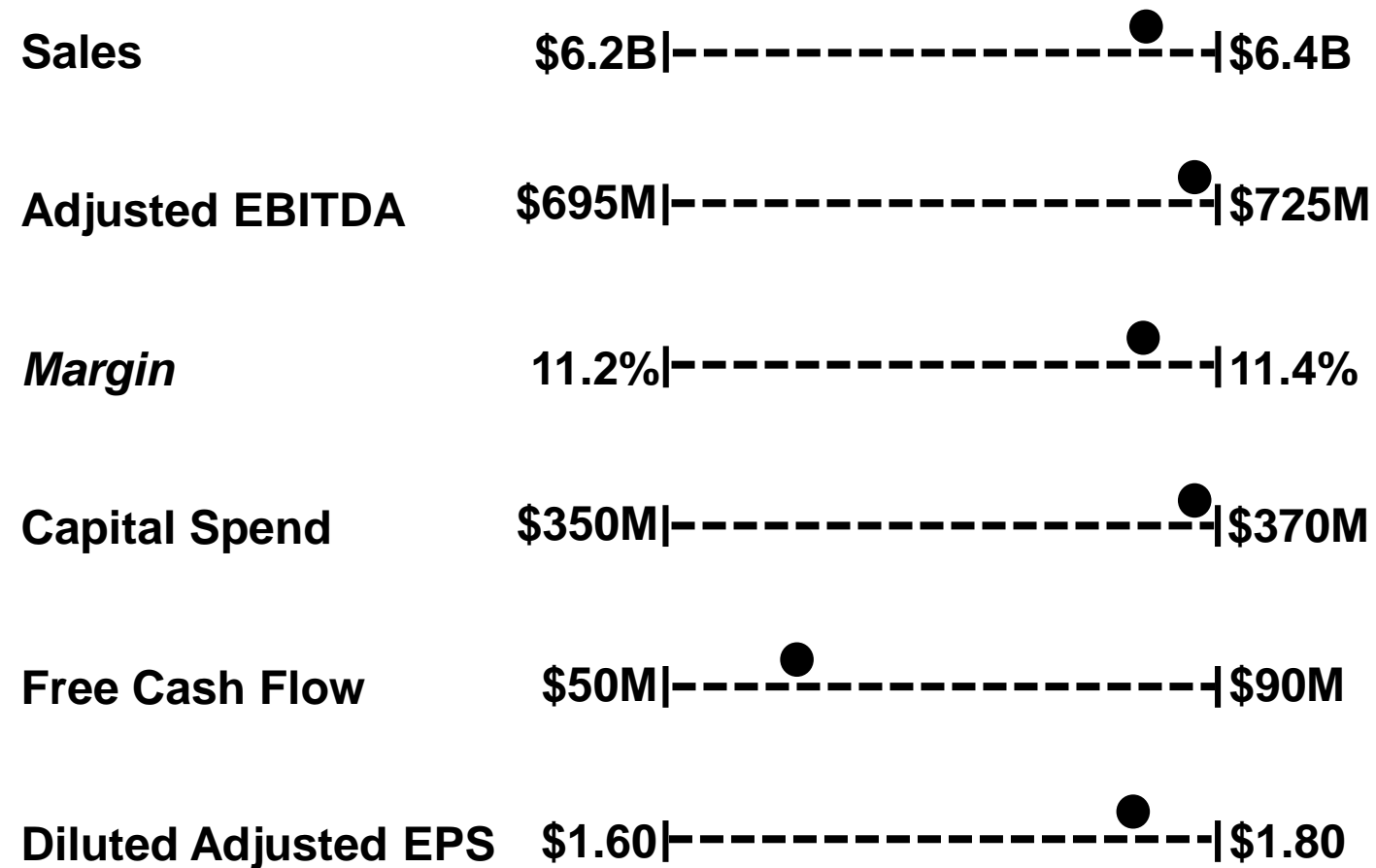


# 2017 Financials



- » Guidance ranges for key financial metrics remain unchanged
- » USM acquisition will likely drive performance to the higher end of sales and profit ranges while constraining cash flow through higher capital spending and payable settlement at closing

## Guidance



**Confirming guidance as impact of USM remains within range**

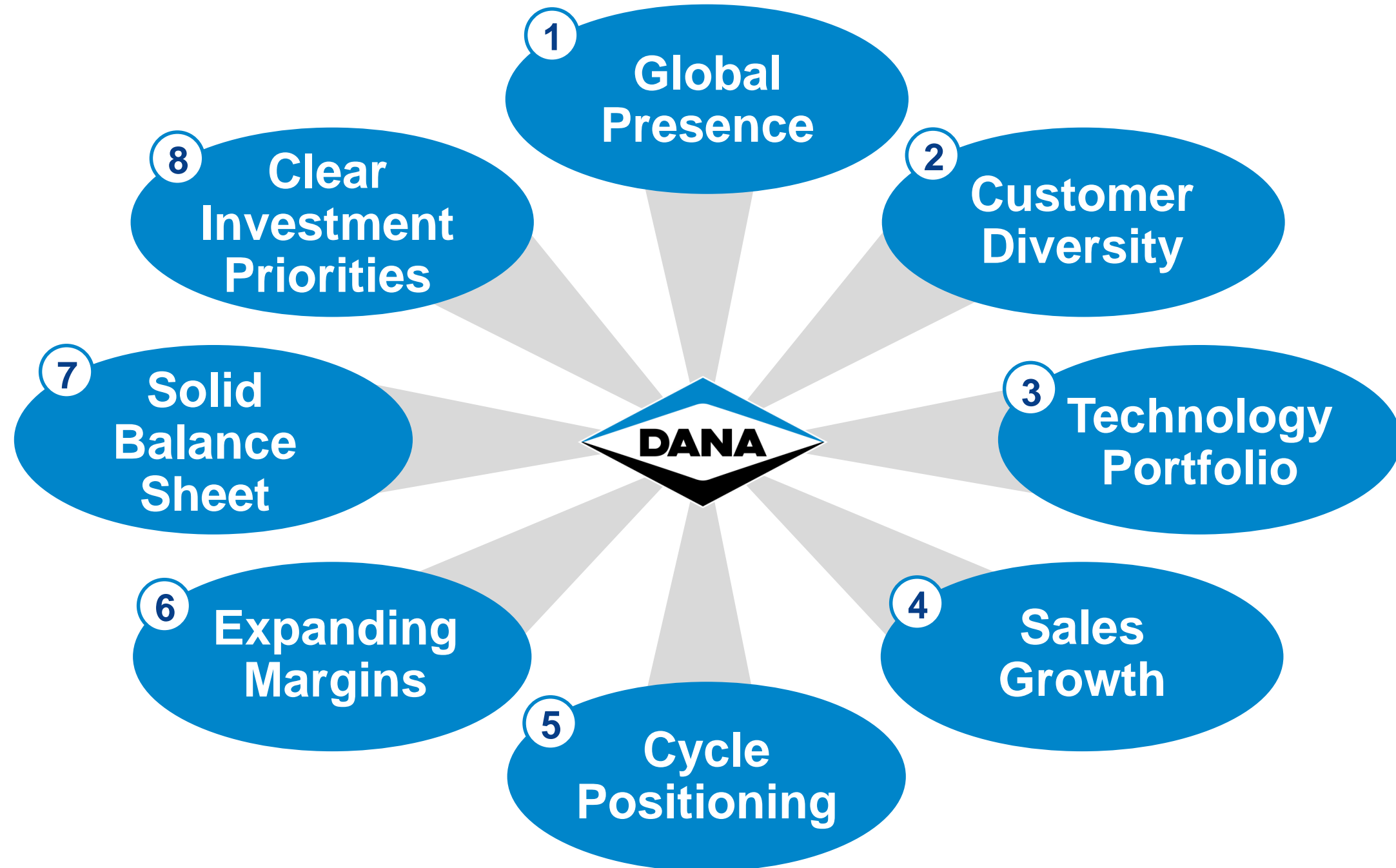
See appendix for comments regarding the presentation of non-GAAP measures

---| Guidance range





# Investment Highlights





# Appendix





# 2017 Forecast Assumptions

## Key Production Assumptions

Units (000)	2016 Actuals	2017 Outlook
<b>North America</b>		
Lights Truck (Full Frame)	4,450	4,200 – 4,300
Light Vehicle Engines	15,849	15,800 – 16,200
Medium Truck (Class 5-7)	233	235 – 250
Heavy Truck (Class 8)	228	190 – 210
Agricultural Equipment	53	50 – 60
Construction/Mining Equipment	150	150 – 160
<b>Europe (Incl. Eastern Europe)</b>		
Light Trucks	9,313	9,300 – 9,500
Light Vehicle Engines	23,364	23,800 – 24,300
Medium/Heavy Truck	471	440 – 470
Agricultural Equipment	193	190 – 210
Construction/Mining Equipment	290	290 – 310
<b>South America</b>		
Light Trucks	980	1,000 – 1,050
Light Vehicle Engines	2,141	2,000 – 2,100
Medium/Heavy Truck	70	75 – 85
Agricultural Equipment	29	25 – 35
Construction/Mining Equipment	10	10 – 15
<b>Asia Pacific</b>		
Light Trucks	27,488	26,500 – 27,500
Light Vehicle Engines	50,524	50,000 – 51,500
Medium/Heavy Truck	1,661	1,450 – 1,550
Agricultural Equipment	648	680 – 720
Construction/Mining Equipment	396	380 – 410

## Key Financial Assumptions

### Currency

Euro / USD	1.05 - 1.10
USD / CAD	0.75 - 0.80
USD / BRL	3.50 - 4.00
USD / ARS	17.00 - 19.00
USD / MXN	20.00 - 22.00
GBP / USD	1.20 - 1.30

### Taxes

Effective Tax Rate (Dil. Adj EPS)	~29%
Cash Tax Rate	~26%

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

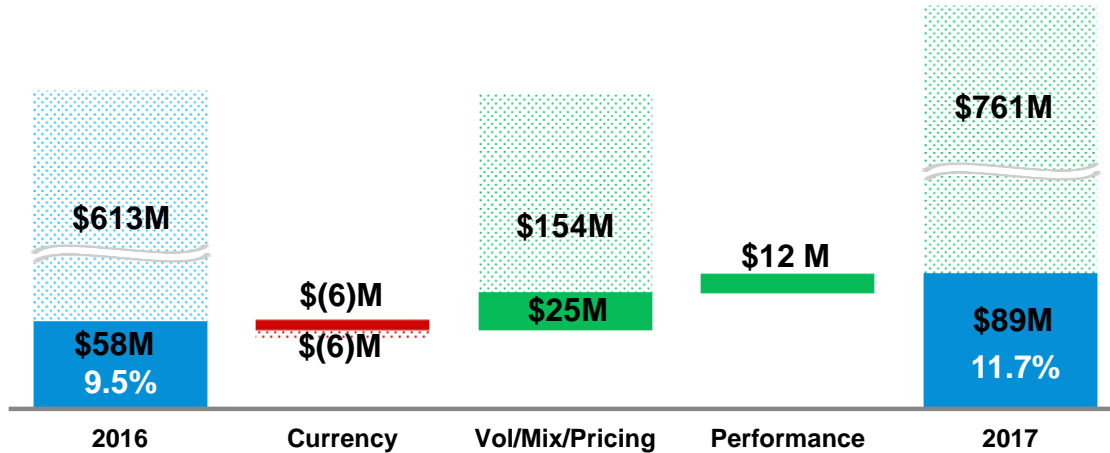




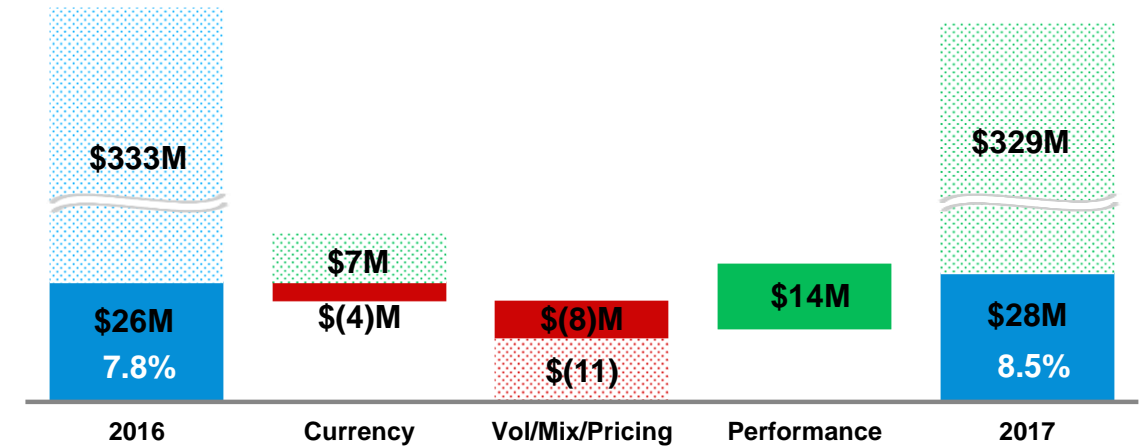
# Q1 Sales and Profit Change by Segment



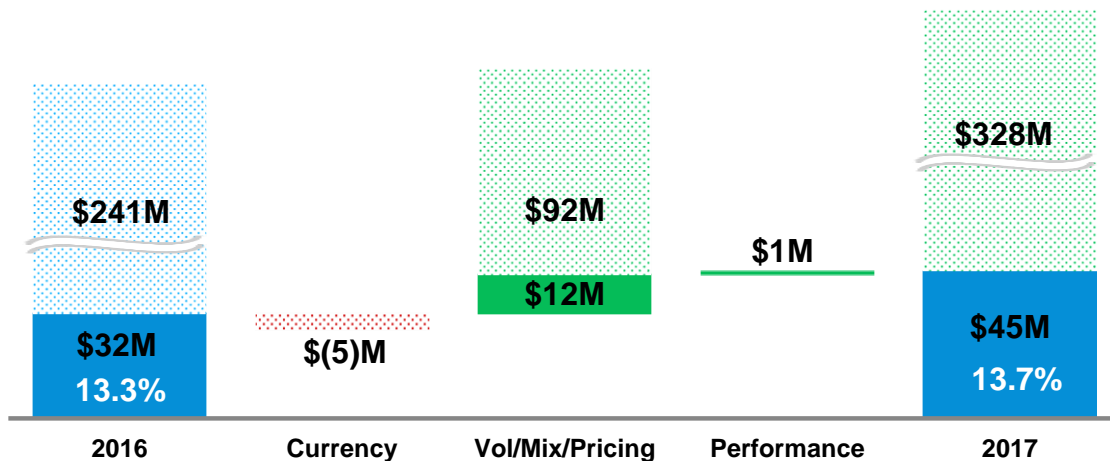
## Light Vehicle Driveline



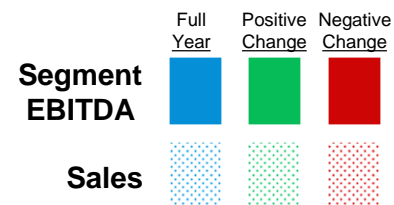
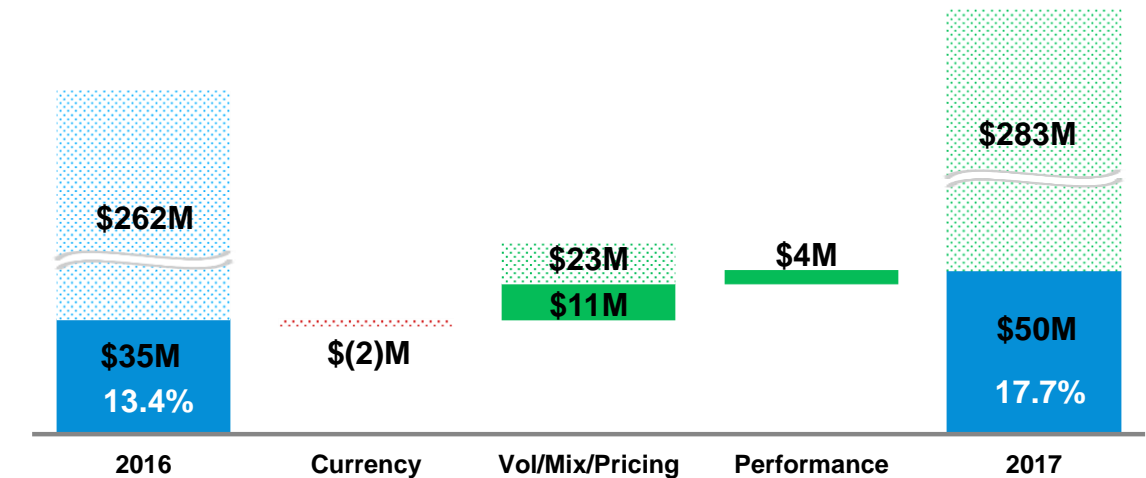
## Commercial Vehicle Driveline



## Off-Highway Drive and Motion



## Power Technologies



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



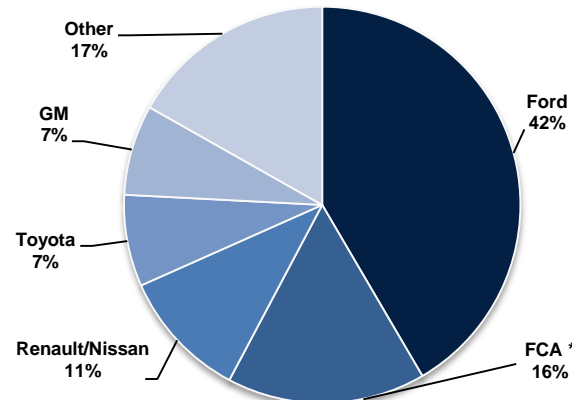
# Segment Profiles



## Customer Sales

### Light Vehicle Driveline

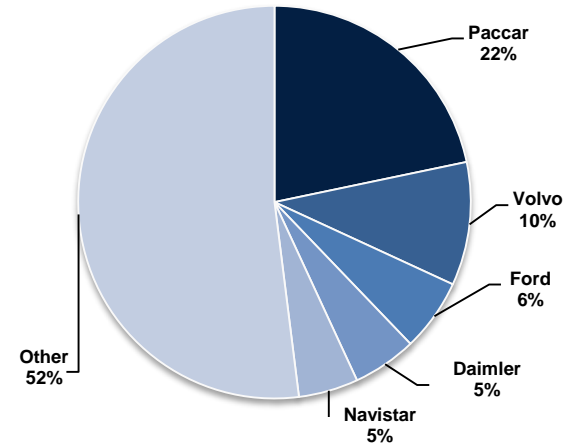
Year to Date 3/31/2017



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

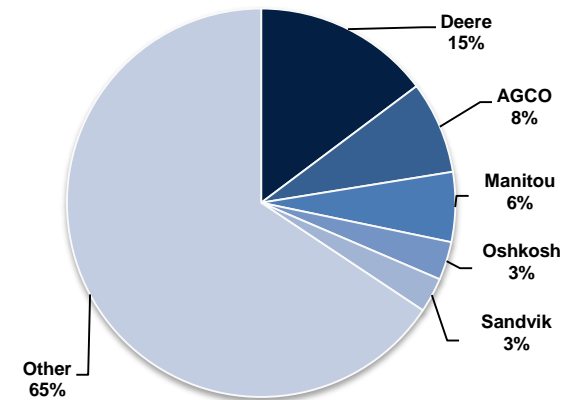
### Commercial Vehicle Driveline

Year to Date 3/31/2017



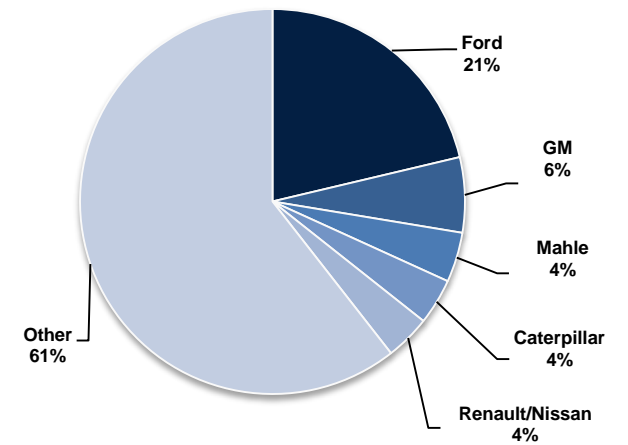
### Off-Highway Driveline

Year to Date 3/31/2017

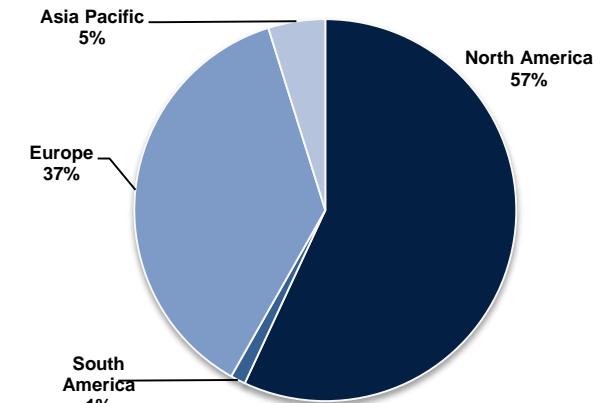
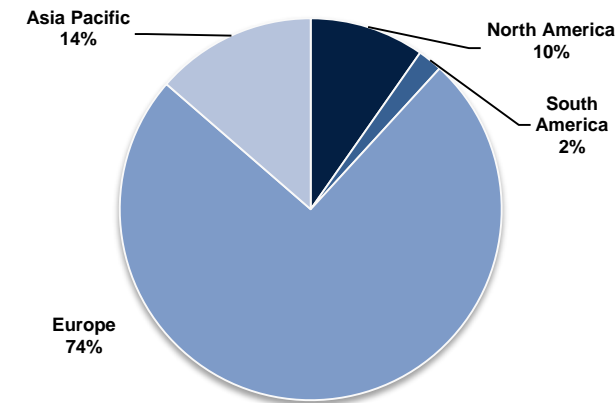
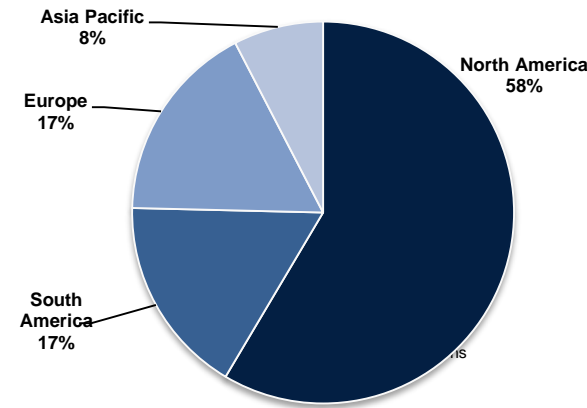
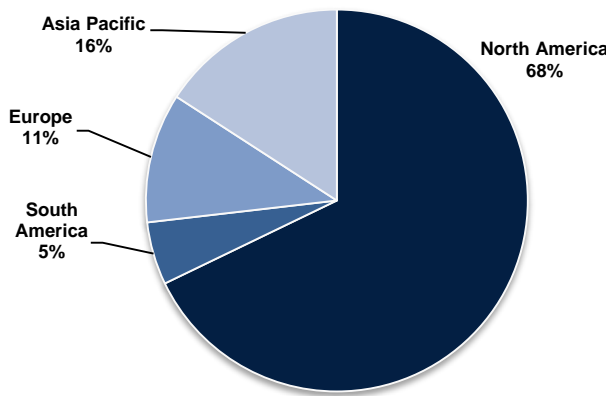


### Power Technologies

Year to Date 3/31/2017



## Regional Sales



## Performance

\$ Millions

	Q1	
	2017	2016
Sales	\$761	\$613
Segment EBITDA	\$89	\$58
EBITDA Margin	11.7%	9.5%

	Q1	
	2017	2016
Sales	\$329	\$333
Segment EBITDA	\$28	\$26
EBITDA Margin	8.5%	7.8%

	Q1	
	2017	2016
Sales	\$328	\$241
Segment EBITDA	\$45	\$32
EBITDA Margin	13.7%	13.3%

	Q1	
	2017	2016
Sales	\$283	\$262
Segment EBITDA	\$50	\$35
EBITDA Margin	17.7%	13.4%



# Diluted Adjusted EPS



**DANA INCORPORATED**  
**Diluted Adjusted EPS (Unaudited)**  
**For the Three Months Ended March 31, 2017 and 2016**

(In millions, except per share amounts)

	Three Months Ended March 31,	
	2017	2016
<b>Net income attributable to parent company</b>	\$ 75	\$ 45
Items impacting income before income taxes:		
Restructuring charges	2	1
Amortization of intangibles	3	2
Strategic transaction expenses	11	2
Acquisition related inventory adjustments	6	
Other items		(2)
Items impacting income taxes:		
Net income tax expense on items above	(5)	
Tax effects of legal entity restructuring		3
<b>Adjusted net income</b>	<u>\$ 92</u>	<u>\$ 51</u>
Diluted shares - as reported	<u>146</u>	<u>150</u>
Adjusted diluted shares	<u>146</u>	<u>150</u>
<b>Diluted adjusted EPS</b>	\$ 0.63	\$ 0.34



# Segment Data



## DANA INCORPORATED

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

(In millions)	Three Months Ended	
	March 31,	
	2017	2016
<b>Sales</b>		
Light Vehicle	\$ 761	\$ 613
Commercial Vehicle	329	333
Off-Highway	328	241
Power Technologies	283	262
<b>Total Sales</b>	<u>\$ 1,701</u>	<u>\$ 1,449</u>
<b>Segment EBITDA</b>		
Light Vehicle	\$ 89	\$ 58
Commercial Vehicle	28	26
Off-Highway	45	32
Power Technologies	50	35
<b>Total Segment EBITDA</b>	212	151
Corporate expense and other items, net	(7)	(3)
<b>Adjusted EBITDA</b>	<u>\$ 205</u>	<u>\$ 148</u>

## DANA INCORPORATED

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

(In millions)	Three Months Ended	
	March 31,	
	2017	2016
<b>Segment EBITDA</b>	\$ 212	\$ 151
Corporate expense and other items, net	(7)	(3)
<b>Adjusted EBITDA</b>	205	148
Depreciation	(49)	(41)
Amortization of intangibles	(3)	(2)
Restructuring	(2)	(1)
Stock compensation expense	(4)	(2)
Strategic transaction expenses	(11)	(2)
Acquisition related inventory adjustments	(6)	
Other items	(1)	(4)
Distressed supplier costs		(1)
Amounts attributable to previously divested/closed operations		1
Interest expense	(27)	(27)
Interest income	3	3
Income before income taxes	105	72
Income tax expense	30	24
Equity in earnings of affiliates	5	
<b>Net income</b>	<u>\$ 80</u>	<u>\$ 48</u>







# 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.

