



2019 Fourth-quarter and Full-year Earnings Conference Call

February 13, 2020



People Finding A Better Way[®]



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



- *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*



2019 Business Highlights

sales
\$8.6
billion

6%
increase
from prior year

3rd consecutive year of year-over-year sales growth

adjusted free cash flow
\$272
million

12%
increase
from prior year

adjusted EBITDA
\$1.0
billion

6%
increase
from prior year

**record adjusted EBITDA;
exceeded one billion dollars**

diluted adjusted EPS
\$3.06

4¢
increase
from prior year

1
\$25
million

acquisition cost synergies

2
>35

customer and industry honors

4
1

PACE award winner

1
5

electrodynamic acquisitions

3
6

additional facilities in asia

5
1st

full electric powertrain program award

\$700
million

new business backlog

POWERING INTO
e-DRIVE





Strategy Execution Delivering Results

Financial Performance from 2015 - 2019

sales
\$2.6
billion

↑ 42%

adj. EBITDA
\$367
million

↑ 56%

adj. free cash flow
\$126
million

↑ 86%

diluted adj.
earnings per share
\$1.32

↑ 76%

POWERING INTO
e-DRIVE



Leveraging Acquisitions

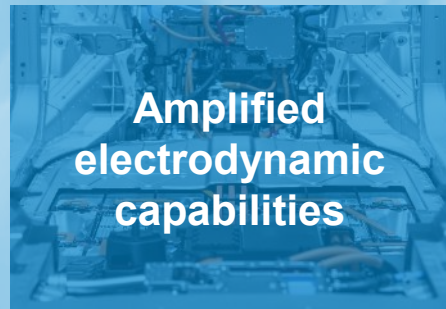
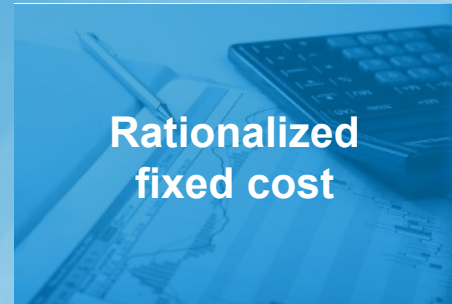


Acquisitions Driving Synergies and New Technology

Largest Acquisition in Dana Incorporated History

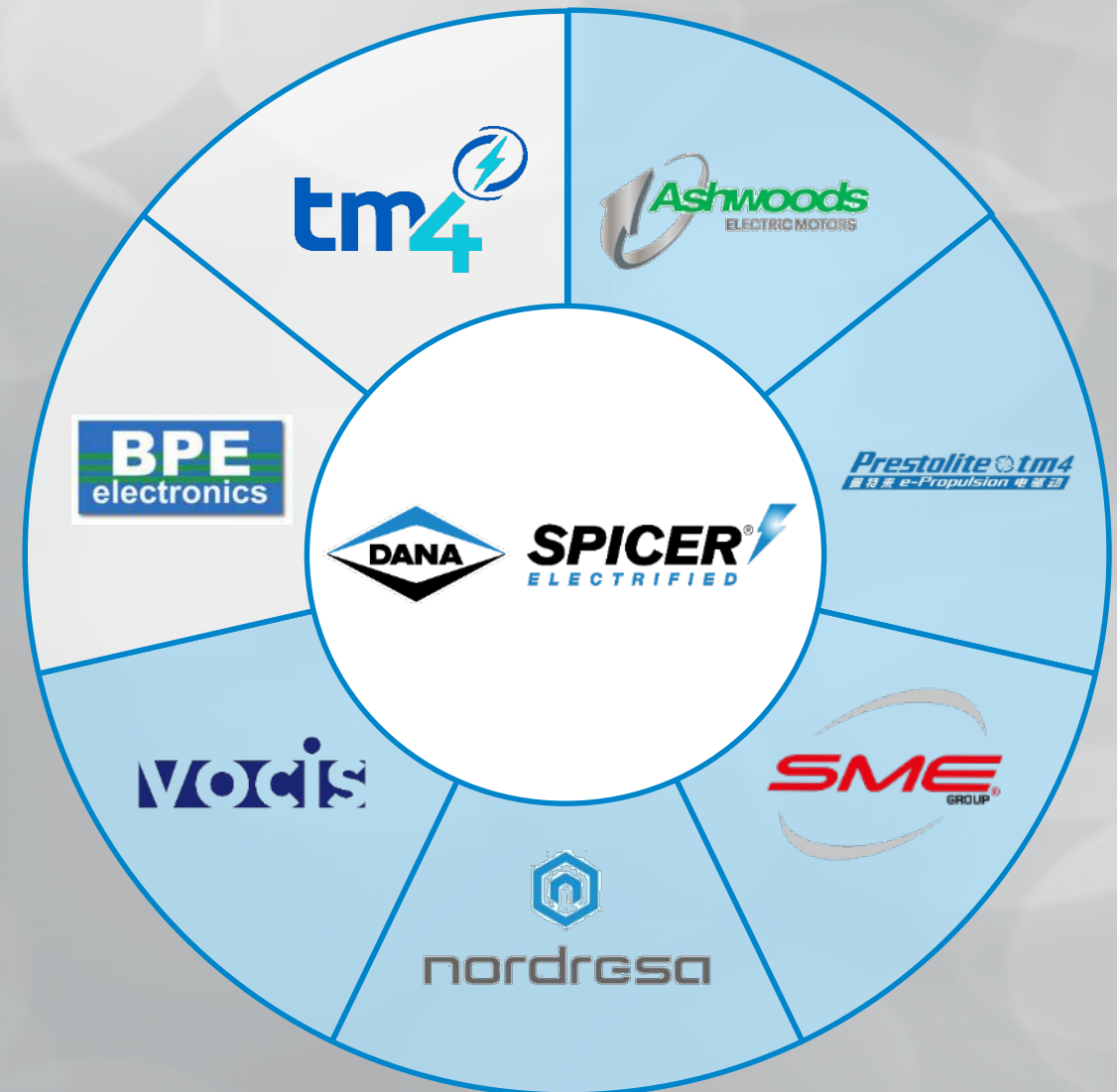
GRAZIANO®
Transmission Systems

FAIRFIELD®
Custom Gears and Drives



**Achieved \$25 Million in Cost Synergies in 2019
Targeting Additional \$15 Million in Synergies in 2020**

5 Electrodynamic Acquisitions in 2019

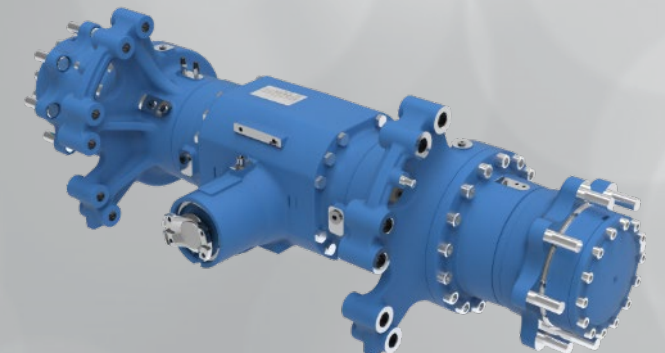


Customer Recognition



35+ customer honors in the last 12 months

New Business



27th Annual
SUPPLIER
of the
YEAR



CATERPILLAR
Supplier Quality
Excellence – Gold Level

Excellent
Supplier Award

PACCAR
Quality Achievement
Award

DAIMLER
Masters of Quality
Award

SANY
Best Innovation
Award

FCA
FIAT CHRYSLER AUTOMOBILES
2019 SUPPLIER
OF THE YEAR



HY HYSTER-YALE
GROUP
Above and Beyond Award

TOYOTA
Value Analysis
Recognition

Asia Penetration



Four-Year Organic and Inorganic Growth in Key Region



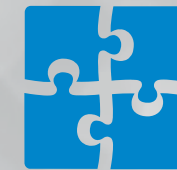
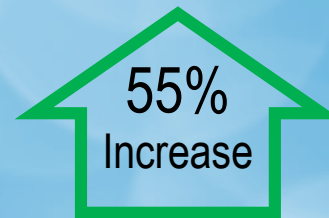
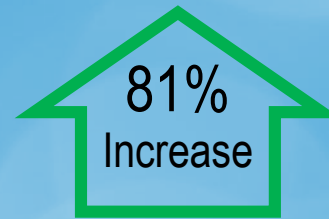
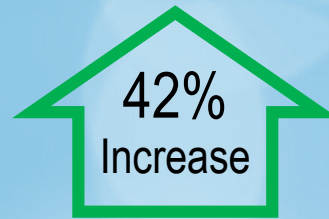
Facilities



People



Sales



Brands



Customers

BREVINITM
Motion Systems

TM4
Electrodynamic Products

GRAZIANO[®]
Transmission Systems

FAIRFIELD[®]
Custom Gears and Drives

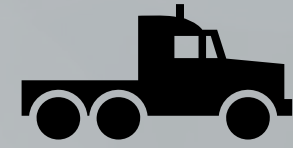


Technology Powering Growth

New Products Driving Growth in All Markets



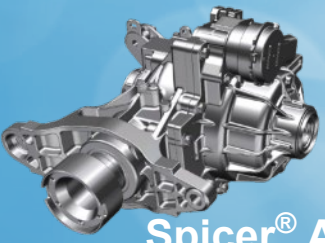
Jeep



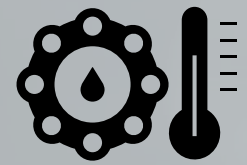
Rhombus
TireAnalytics



Automotive News
PACE
AWARD
Deloitte APMA
2020 FINALIST



Spicer® AdvanTEK®
Ultra™ axle system



WARDSAUTO™

Dana
technologies on
7 of 10
WARDS
10 Best Engines &
Propulsion Systems



SANDVIK



Spicer® TE50
Advanced Transmission

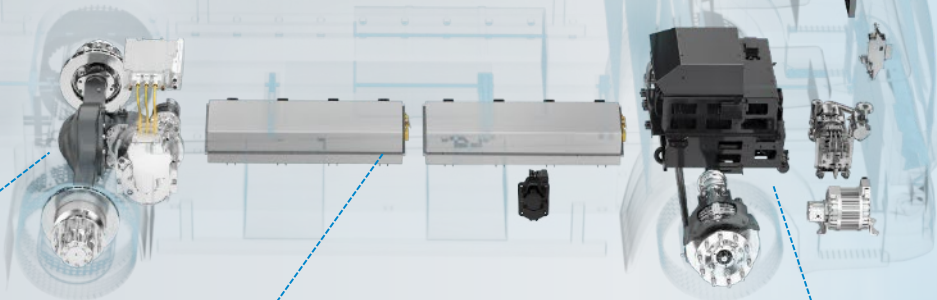




PACCAR Medium-duty Electric Truck Program

Complete Dana e-Powertrain:

- Electrodynamic components
- Vehicle integration
- Embedded software and controls



e-Drive Axle
Electric Motor,
Inverter, & Gears

Power Pack
Battery Modules, Thermal
Management, & Battery
Management System

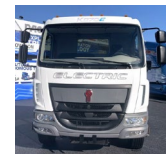
Power Cradle
Electric Charger,
Converter, & Auxiliaries



**Kenworth Announces Collaboration with Dana
on Electric Truck Powertrain Development**

*Kenworth Features K270E Battery Electric
Vehicle and Level 4 Autonomous T680
in PACCAR Booth at 2020 CES*

LAS VEGAS, Nevada – Kenworth and Dana

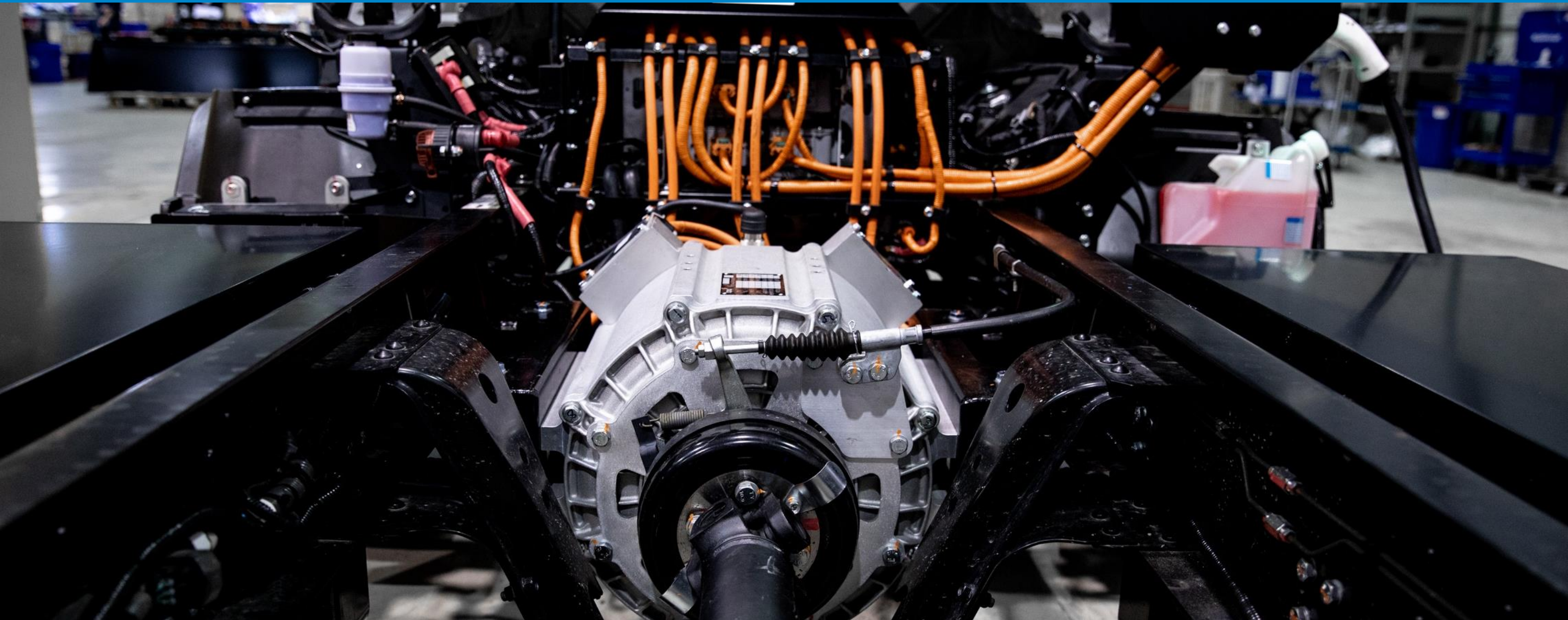


- **\$200M** incremental sales
- 3-year program, launching this year

Sustainability: Dana Leading the Charge



“Enabling our customers to achieve their sustainability objectives”

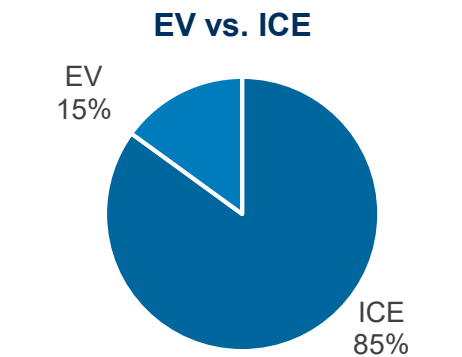
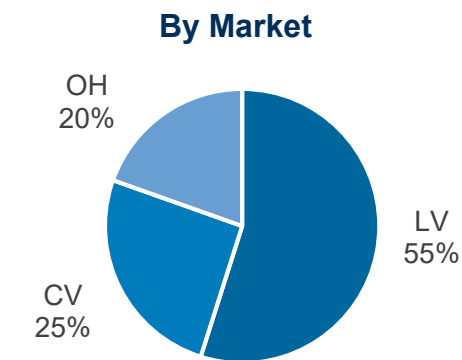
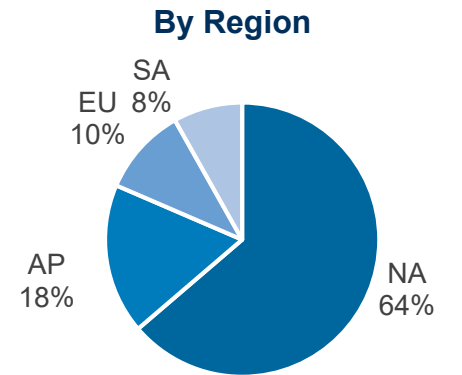
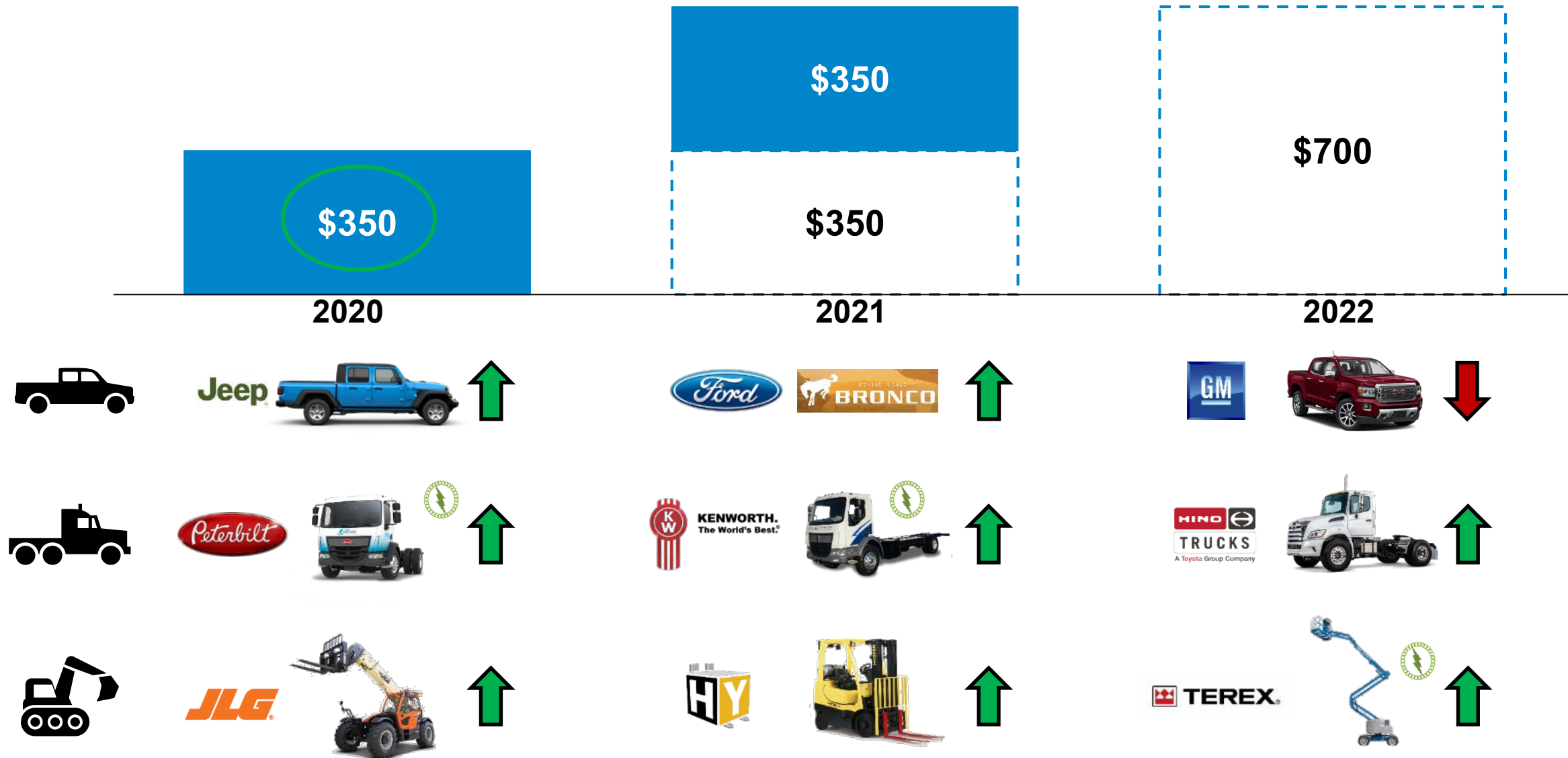


2020 – 2022 Sales Backlog*: \$700 Million



Strong Backlog with Electric-vehicle Growth

\$ in Millions



*Backlog includes booked incremental new business net of any lost replacement business

Economic Environment



Heavy Vehicle



Commodities



Trade Deals



Dana Facility Warren, Michigan - January 30, 2020



Financial Review

People Finding A Better Way[®]



2019 Financial Results



- 6% sales growth driven primarily by acquisitions and backlog conversion partially offset by lower end-market demand for heavy vehicles
- 2019 results included a one-time charge of \$259 million for discretionary pension transfers
- Income tax benefit due to foreign tax credits, foreign entity restructuring, and pension settlement in Q2
- Full-year adjusted free cash flow growth attributable to higher adjusted EBITDA and working capital partially offset by higher one-time costs associated with acquisitions

Changes from Prior Year

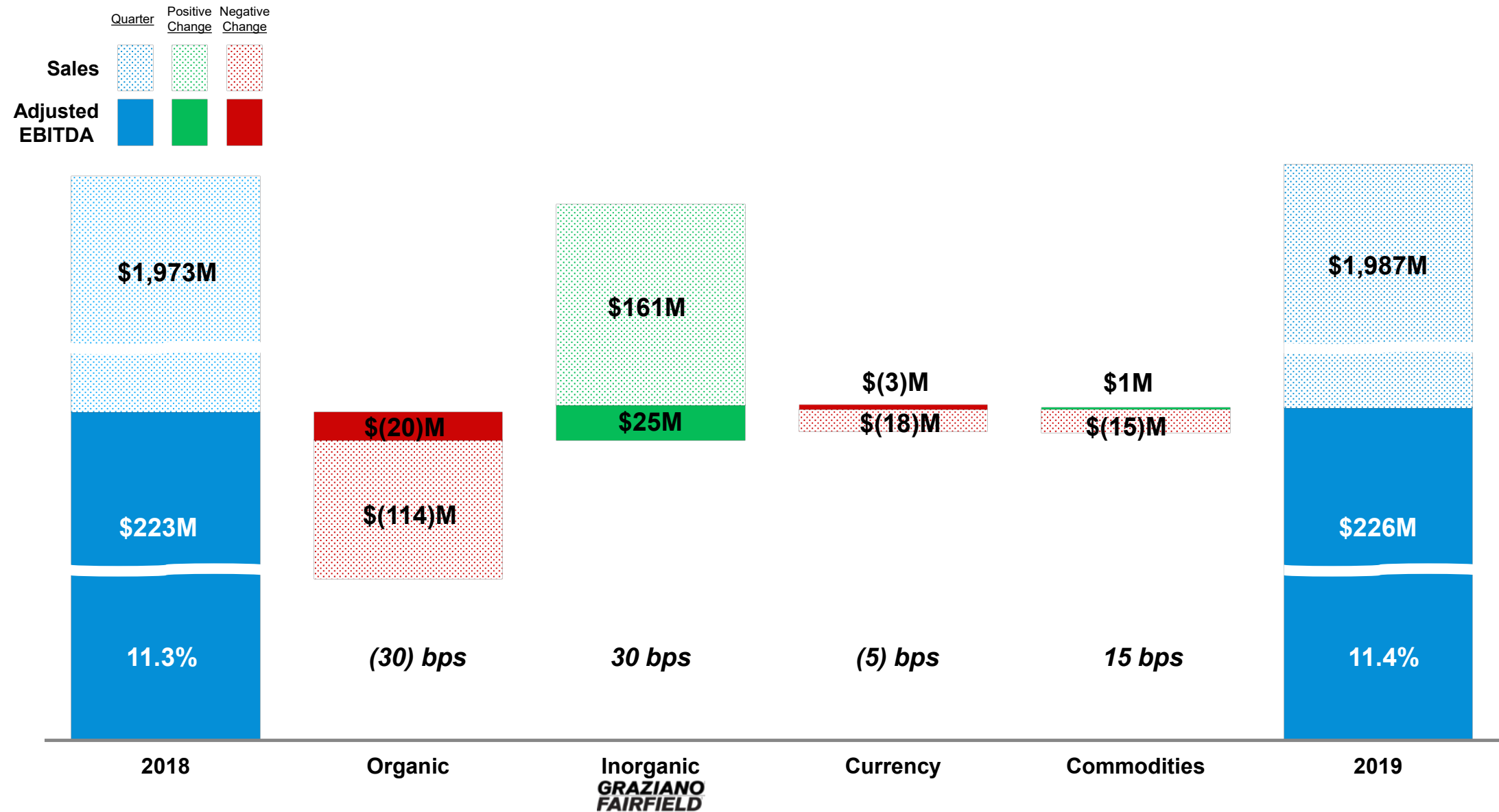
(\$ in millions except EPS)

	<u>Q4 '19</u>	<u>Q4 '18</u>	<u>Change</u>	<u>FY '19</u>	<u>FY '18</u>	<u>Change</u>
Sales	\$ 1,987	\$ 1,973	\$ 14	\$ 8,620	\$ 8,143	\$ 477
Adjusted EBITDA	226	223	3	1,019	957	62
Margin	11.4%	11.3%	10 bps	11.8%	11.8%	flat
EBIT	110	120	(10)	292	579	(287)
Interest Expense, Net	28	22	6	112	85	27
Income Tax Expense (Benefit)	(5)	3	(8)	(32)	78	(110)
Net Income (attributable to Dana)	85	100	(15)	226	427	(201)
Diluted Adjusted EPS	\$ 0.67	\$ 0.76	\$ (0.09)	\$ 3.06	\$ 3.02	\$ 0.04
Operating Cash Flow	349	331	18	637	568	69
Capital Spending	(128)	(90)	(38)	(426)	(325)	(101)
Adjusted Free Cash Flow	218	241	(23)	272	243	29

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

2019 Q4 Sales and Profit Changes

- 13th consecutive quarter of year-over-year sales growth
- Sales growth primarily from backlog and acquisitions offsetting weaker demand in heavy-vehicle markets
- Organic margin compression due to unfavorable end-market mix as higher margin off-highway demand declined
- Results benefited by \$17 million of prior indirect tax expense recovery in Brazil
- Currency translation was a headwind to sales primarily due to the weakening of the euro to the U.S. dollar
- Commodity costs continued to moderate reducing sales recoveries while benefiting adjusted EBITDA



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

Sales and profit results comparable with prior year





2019 Q4 Adjusted Free Cash Flow

- Lower cash generation driven by higher fourth-quarter capital expenditures to support new programs, partially offset by favorable working capital

Changes from Prior Year

(\$ in millions)

	<u>Q4 '19</u>	<u>Q4 '18</u>	<u>Change</u>
Adjusted EBITDA	\$ 226	\$ 223	\$ 3
One-time Costs¹	(14)	(15)	1
Interest, net	(41)	(32)	(9)
Taxes	(37)	(47)	10
Working Capital / Other²	214	202	10
Capital Spending	(128)	(90)	(38)
Adj. Free Cash Flow	\$ 218	\$ 241	\$ (23)
Margin	11.0%	12.2%	(120) bps

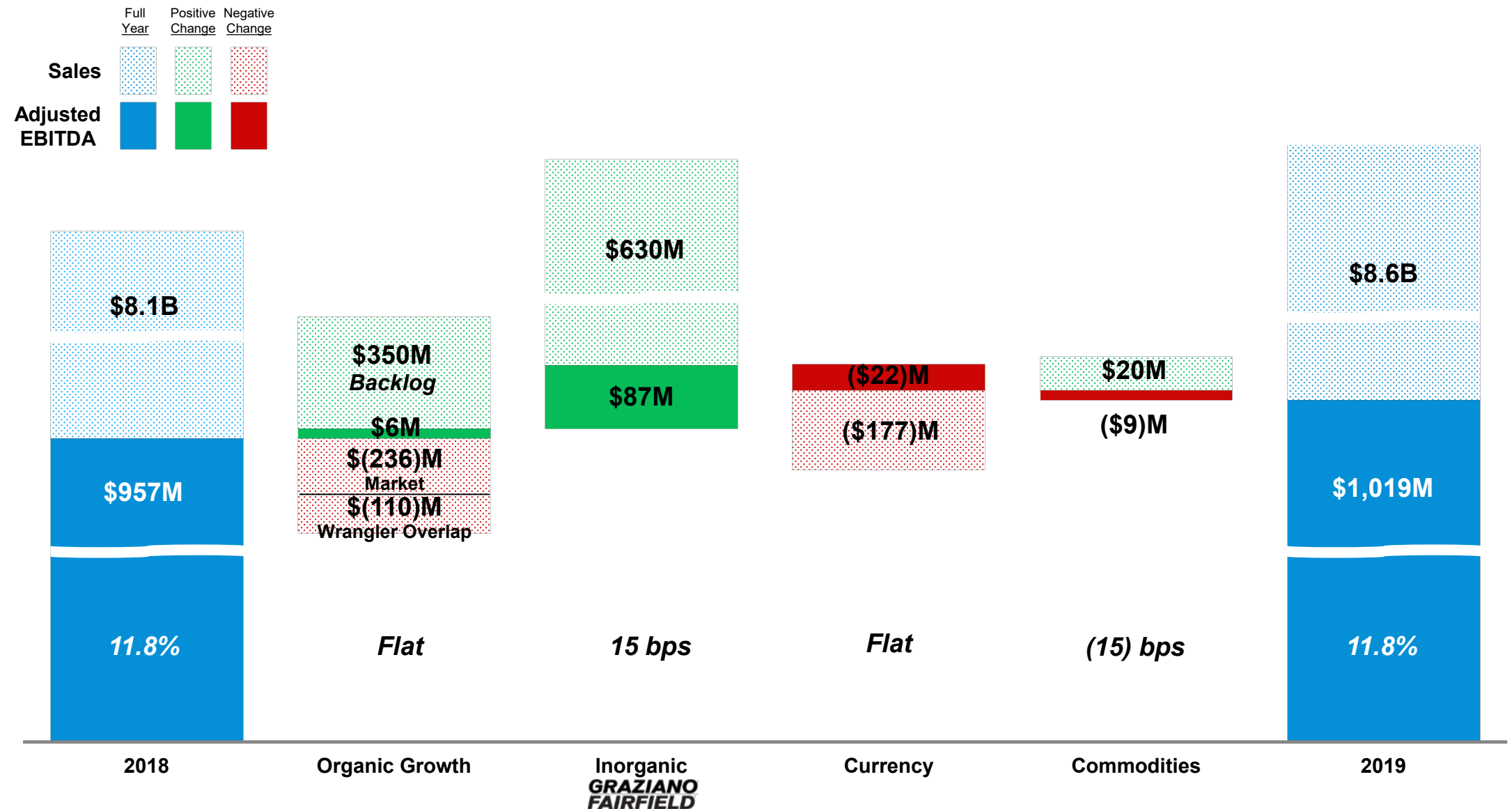
¹ Includes costs associated with business acquisitions and divestitures and restructuring. ² Changes in working capital relating to interest, taxes, restructuring, and transaction costs are included in those respective categories. See appendix for comments regarding the presentation of non-GAAP measures.

Seasonality of adjusted FCF comparable to prior year



2019 FY Sales and Profit Changes

- Strong backlog of \$350 million offset lower second-half end-market demand and Wrangler overlap in the first quarter
- Results benefited by \$17 million of prior indirect tax expense recovery in Brazil
- Graziano & Fairfield acquisition contributing 15 bps of margin improvement with \$25 million of synergies realized in 2019
- Currency translation was a headwind to sales primarily due to the weakening of the euro to the U.S. dollar
- Recovery of higher commodity prices benefited sales while elevated costs reduced profit and pressured margins



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

Delivered 6% sales and earnings growth





2019 FY Adjusted Free Cash Flow

- Higher cash generation driven by profit growth and lower capital requirements
- One-time cost and interest expense higher due to acquisitions and associated financing activities
- Cash taxes improved due to incentives and tax planning initiatives
- Reduced working capital requirements due to lower demand in heavy vehicle markets
- Capital spending increase due to acquisitions in 2019 and investment to support new programs

Changes from Prior Year

(\$ in millions)

	<u>FY '19</u>	<u>FY '18</u>	<u>Change</u>
Adjusted EBITDA	\$ 1,019	\$ 957	\$ 62
One-time Costs¹	(81)	(38)	(43)
Interest, net	(107)	(81)	(26)
Taxes	(125)	(145)	20
Working Capital / Other²	(8)	(125)	117
Capital Spending	(426)	(325)	(101)
Adj. Free Cash Flow	\$ 272	\$ 243	\$ 29
Margin	3.2%	3.0%	+20 bps

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.

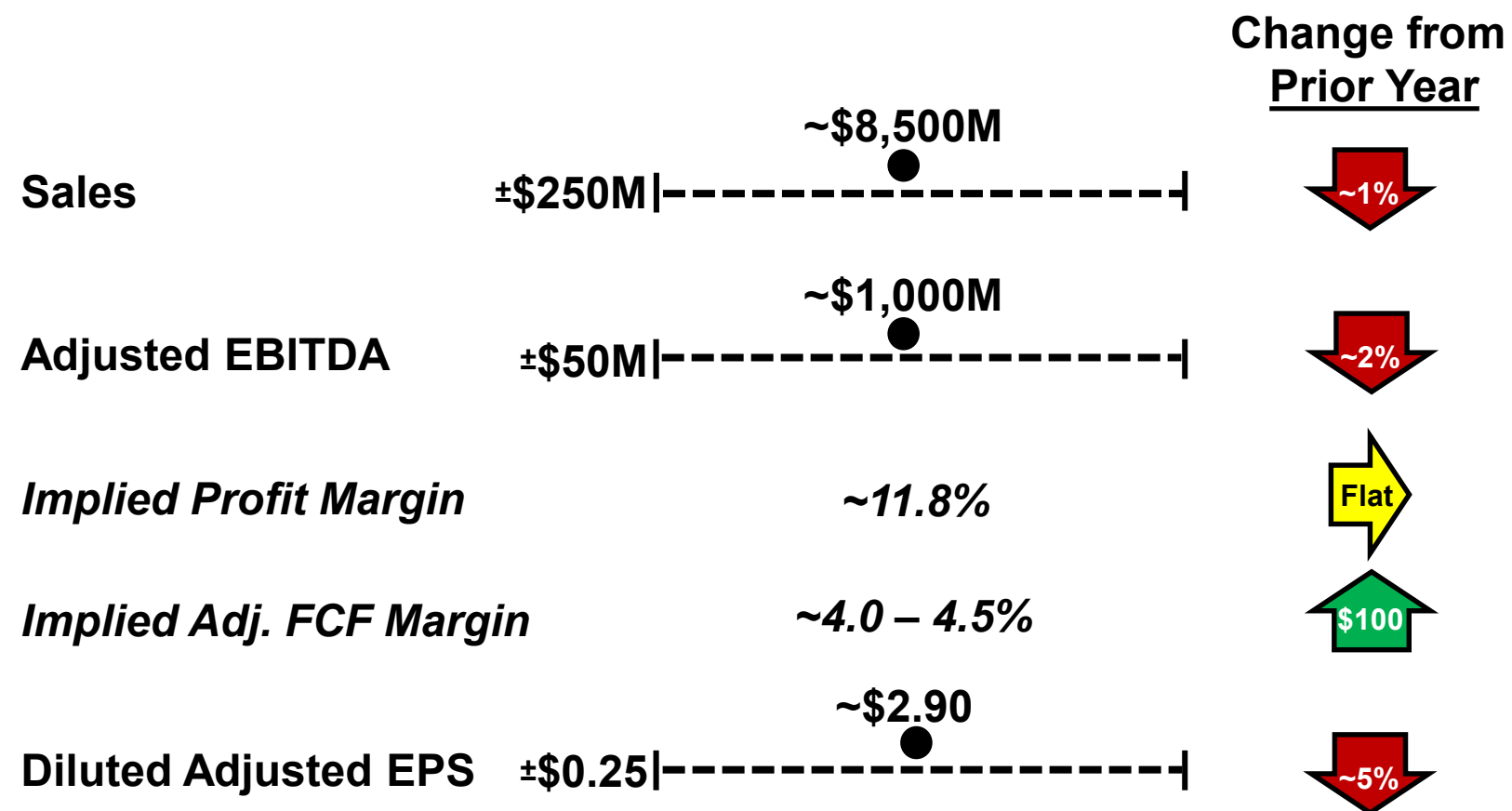
12% adjusted FCF growth despite acquisition integration costs



2020 FY Financial Guidance

Guidance Ranges

- Sales expected to be ~1% lower than 2019; essentially flat on a constant currency basis
- Adjusted EBITDA ~2% lower than 2019 on lower sales for flat profit margin
- Expecting ~\$100 million of Adj. FCF growth and >100 bps of margin expansion
- Diluted adjusted EPS guidance lower than prior year due to lower adjusted EBITDA and higher D&A



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

---| Guidance range

Expecting significant adj. free cash flow growth taking forward FCF yield >15%



2020 Market Demand Outlook



<u>Mobility Market</u>	<u>Primary Source</u>	<u>Core Segments</u>	<u>Sales Dist.</u>	<u>North America</u>	<u>Europe & Africa</u>	<u>South America</u>	<u>Asia Pacific</u>	<u>Dana Impact</u>
		Full Frame	52%	52%	30%	6%	12%	100%
		Medium Duty	20%	↓	→	↑	→	~(\$150)M
		Heavy Duty		↓	→	↑	→	
		Agriculture	28%	↓	→	→	↓	~(\$350)M
		Construction		↓	↓	↓	↓	
		Mining		↓	↓	→	↓	
Dana Impact			100%	↓	↓	↑	↓	~(\$500)M

Legend: YoY Δ

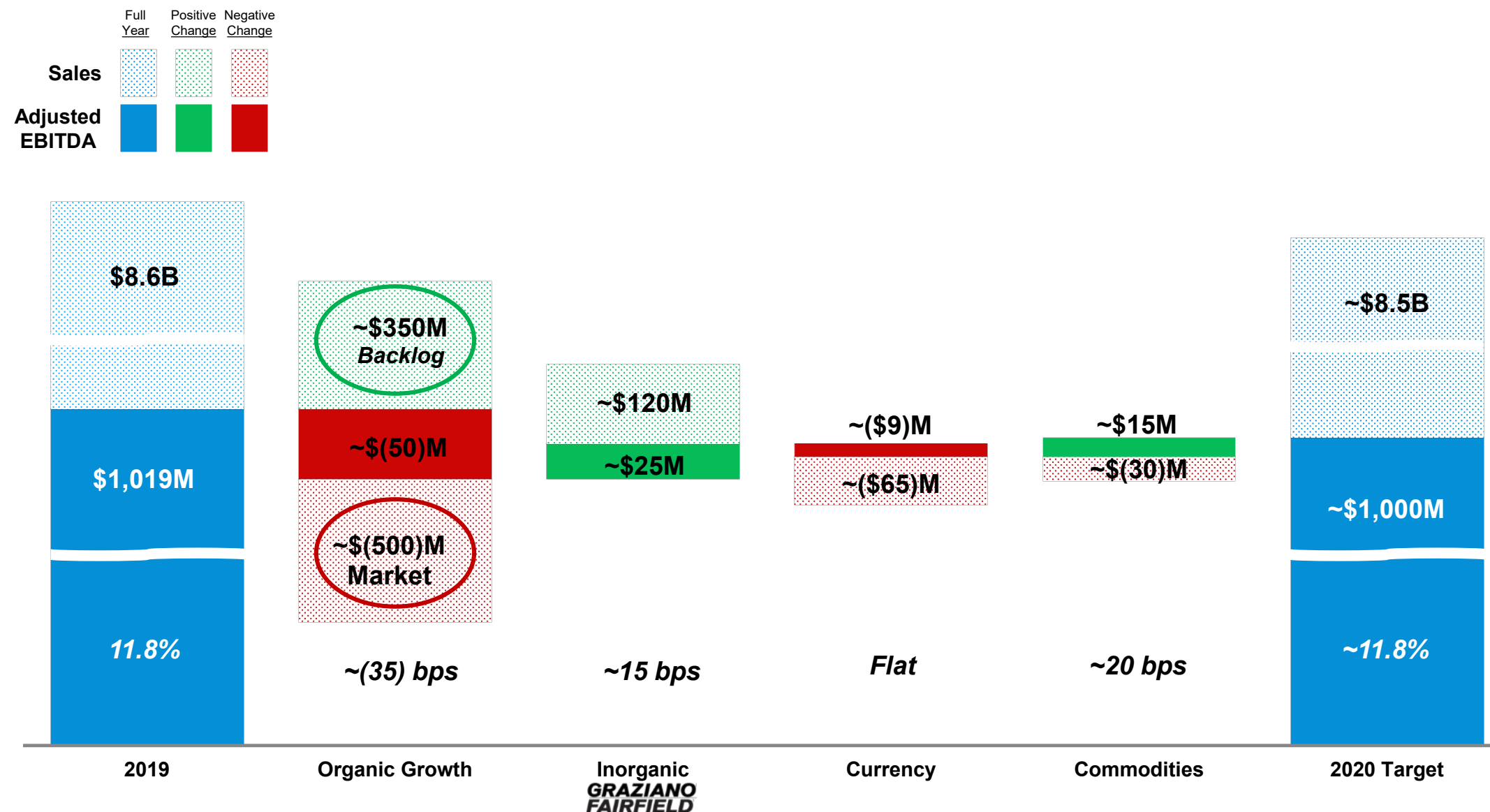
- >+10%
- 3% - 10%
- Flat
- (3%) - (10%)
- <(10%)

Sales distribution based on 2019 results



2020 FY Sales and Profit Changes

- Strong backlog offsetting majority of market impact; downward conversion of ~33% due to segment mix and 2019 prior indirect tax expense recovery in Brazil
- Graziano & Fairfield businesses acquired from Oerlikon on Feb. 28, 2019, will contribute 12 months in 2020 and include \$15 million of incremental cost synergies
- Strong USD driving currency headwind, particularly in H1
- Commodity costs continue to fall resulting in \$15 million profit tailwind and 20 bps of margin expansion



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

Maintaining profit margin on lower sales through cost synergies and commodities

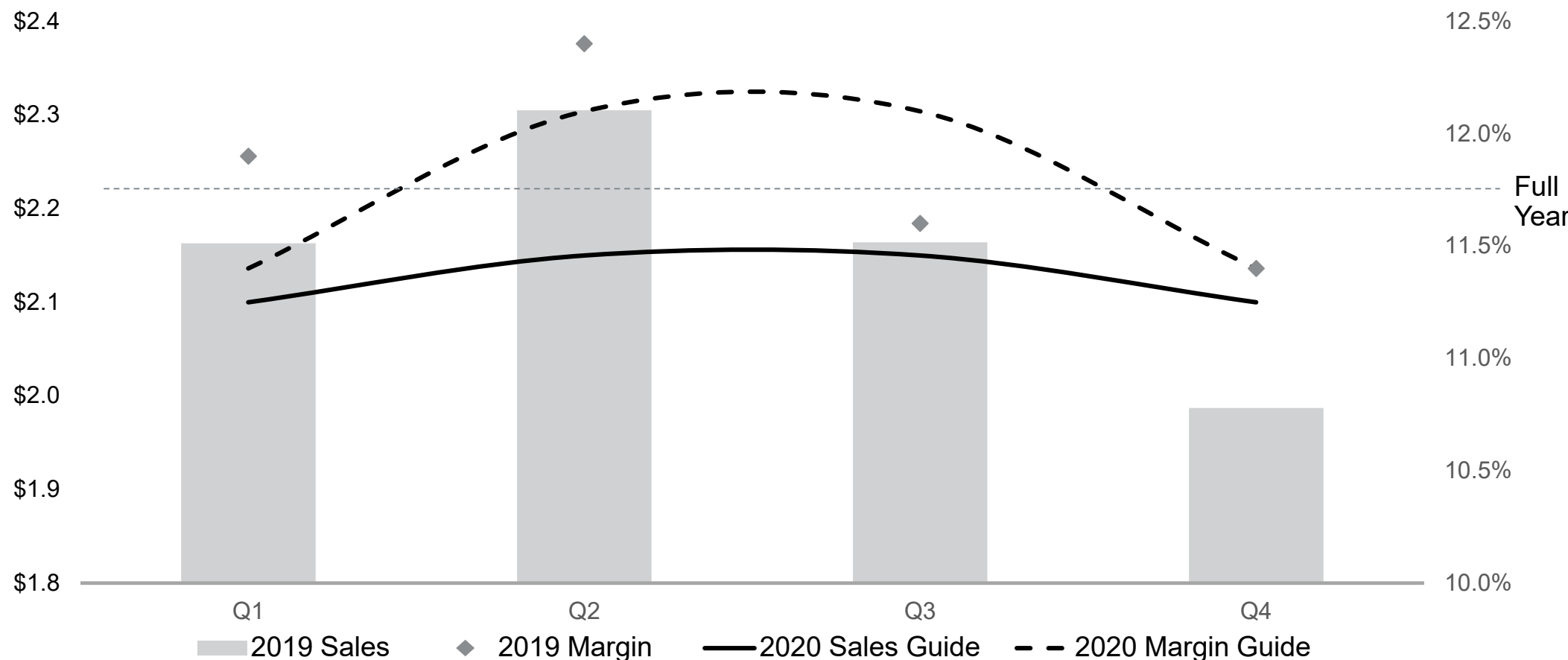




2020 Quarterly Progression

Sales and Profitability Phasing

(\$ in billions)



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

Anticipate similar sales and margin profile in H1 v. H2



- Q2 2019 represented high watermark driven by ODS acquisition and heavy-vehicle market strength
- H2 2019 sales began to fall as heavy-vehicle market demand declined
- Heavy-vehicle market demand expected to remain soft for the full year in 2020
- Q1 2020 expected to be nearly in line with prior year as 2 months of ODS acquisition and backlog largely offset heavy-vehicle market demand declines
- Profit margins will follow volume adjusted historical phasing profile with stronger Q2 and Q3



2020 FY Adjusted Free Cash Flow

- One-time costs significantly lower as acquisition and integration costs associated with ODS are complete
- Working capital requirements decrease on lower volumes
- Capital spending recedes and gravitates closer to long-term level of ~4%; 2020 outlook includes discretionary spending on electrification in advance of sales awards

Changes from Prior Year

(\$ in millions)

	<u>2020T</u>	<u>2019A</u>	<u>Change</u>
Adjusted EBITDA	\$ ~1,000	\$ 1,019	\$ ~(20)
One-time Costs¹	~(30)	(81)	~50
Interest, net	~(95)	(107)	~10
Taxes	~(135)	(125)	~(10)
Working Capital / Other²	~20	(8)	~30
Capital Spending	~(385)	(426)	~40
Adj. Free Cash Flow	\$ ~375	\$ 272	\$ ~100
Margin	~4.0 - 4.5%	3.2%	+100 bps

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.

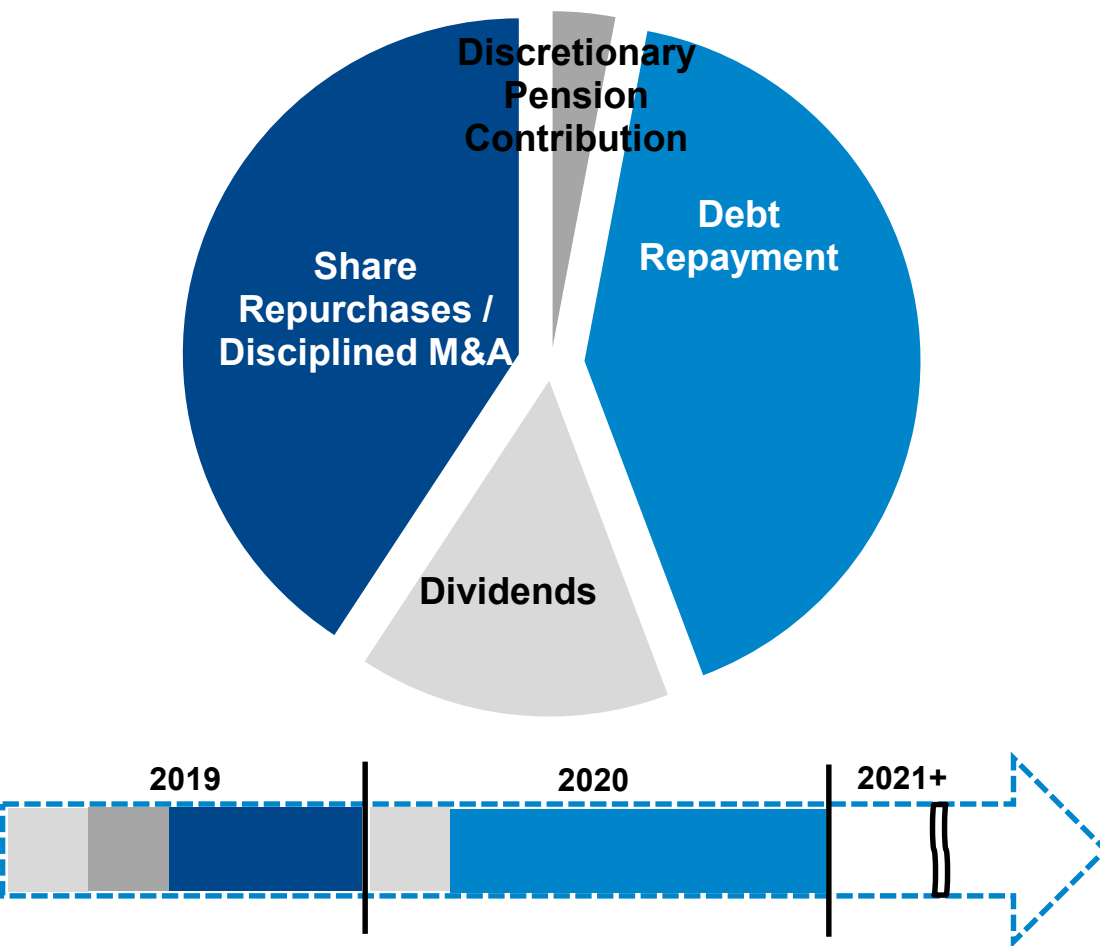
Adj. FCF expected to grow by ~\$100M on lower 1X costs and capital requirements



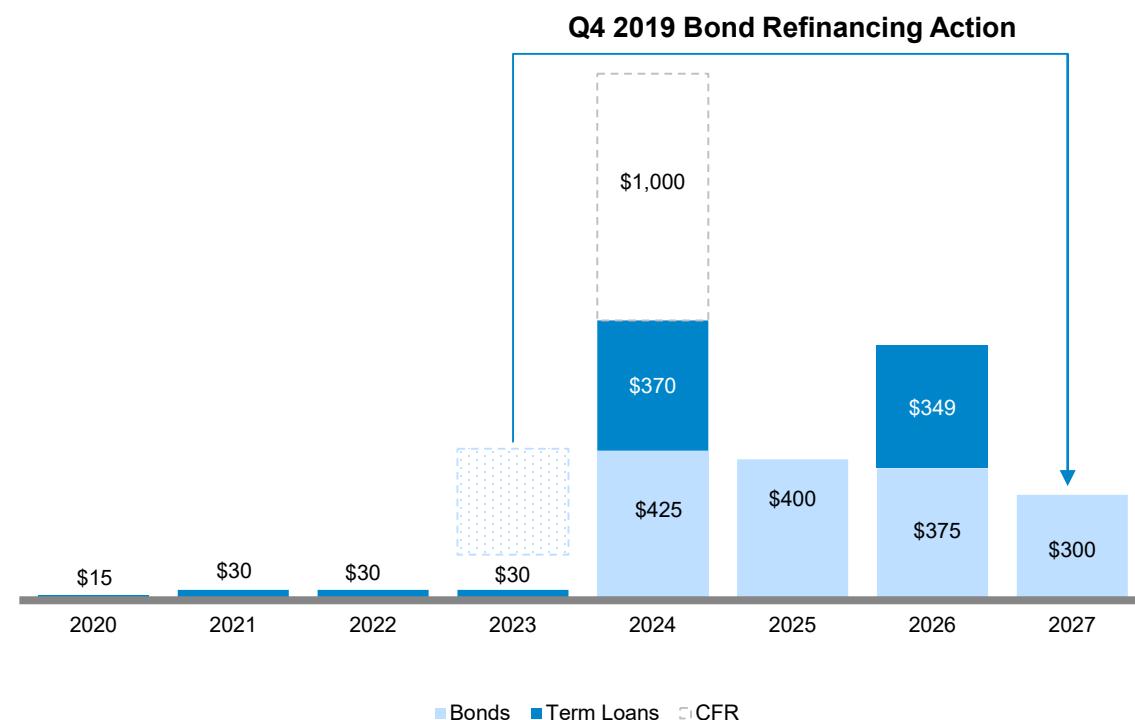
Capital Allocation

Illustrative Capital Allocation Priorities

5 Yr. Cumulative Adj. FCF Distribution



Debt Maturity Profile



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

- Continue to anticipate elevated Adj. FCF margins of 4 – 5% in 2020 – 2023
- 2020 allocation priority will be de-levering via Term Loan facility
- Attractive Adj. FCF profile and consistent de-levering will drive towards investment grade credit metrics
- Refinanced 2023 notes in Q4 lowering debt servicing costs and extending debt maturity profile
- No significant debt maturities for four years

Further strengthening balance sheet and enhancing shareholder return

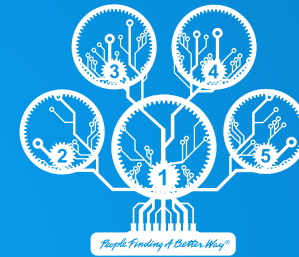




**Continued Strong
Financial Results**



**Solid New
Business Backlog**



**Advancing Enterprise
Strategy**



**Increasing
Shareholder Value**

People Finding A Better Way[®]



Appendix



2020 Forecast Assumptions

Key Production Assumptions

Units (000)	2019 Actuals	2020 Outlook
North America		
Light Trucks (Full Frame)	4,484	4,300 – 4,600
Light Vehicle Engines	14,547	15,400 – 15,700
Medium Truck (Class 5-7)	277	245 – 255
Heavy Truck (Class 8)	338	210 – 230
Agricultural Equipment	54	45 – 55
Construction/Mining Equipment	168	150 – 160
Europe (Incl. Eastern Europe)		
Light Trucks	10,760	10,500 – 11,500
Light Vehicle Engines	22,387	21,800 – 22,300
Medium/Heavy Truck	492	485 – 500
Agricultural Equipment	201	185 – 200
Construction/Mining Equipment	340	310 – 330
South America		
Light Trucks	1,278	1,300 – 1,500
Light Vehicle Engines	2,671	2,700 – 2,800
Medium/Heavy Truck	113	120 – 130
Agricultural Equipment	33	30 – 35
Construction/Mining Equipment	10	8 – 12
Asia Pacific		
Light Trucks	28,242	27,500 – 28,700
Light Vehicle Engines	48,366	47,000 – 48,000
Medium/Heavy Truck	1,926	1,800 – 2,000
Agricultural Equipment	631	580 – 620
Construction/Mining Equipment	472	450 – 470

Key Financial Assumptions

Currency

Euro / USD	1.05 - 1.15
USD / CAD	1.25 - 1.35
USD / BRL	3.90 - 4.30
USD / ARS	50.00 - 70.00
USD / MXN	18.00 - 20.00
GBP / USD	1.20 - 1.40

Taxes

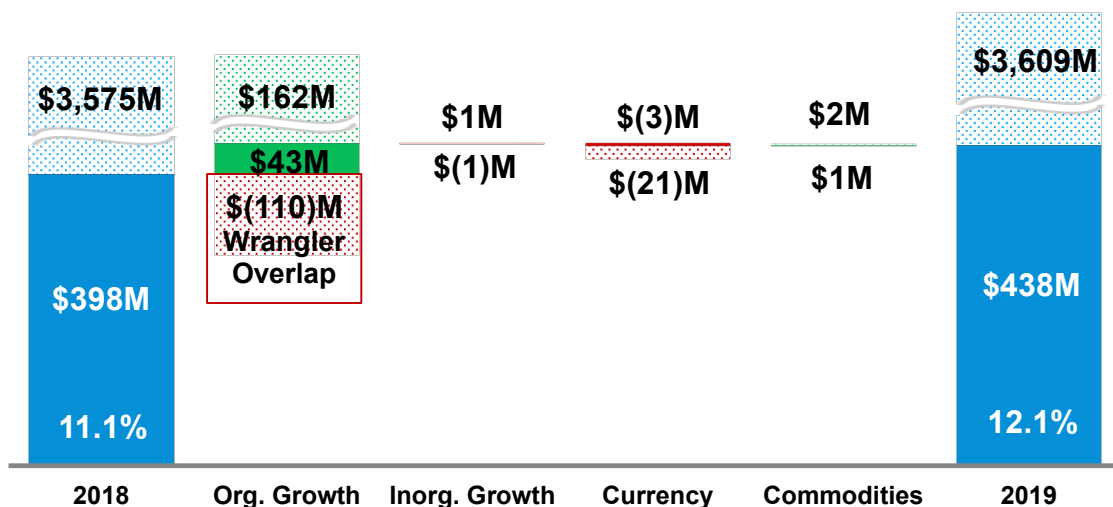
Effective Tax Rate (Dil. Adj. EPS)	~25%
Cash Tax Rate	~26%

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

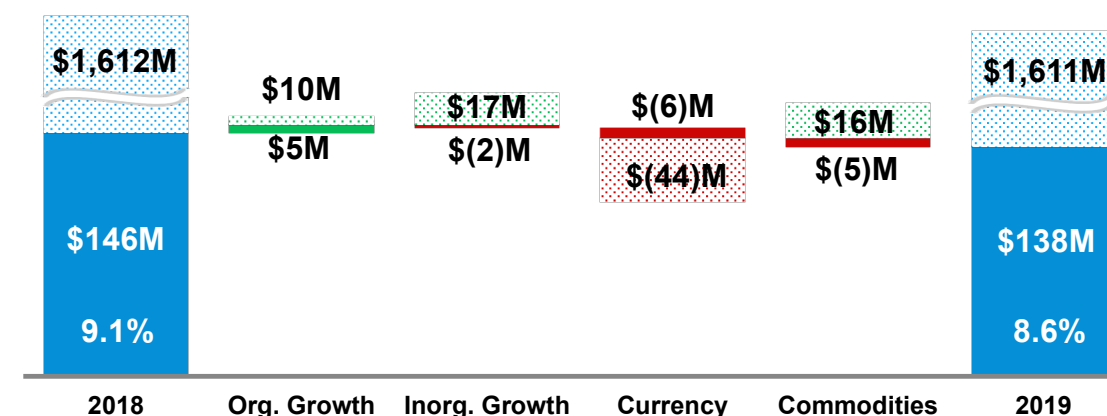
2019 Sales and Profit Change by Segment



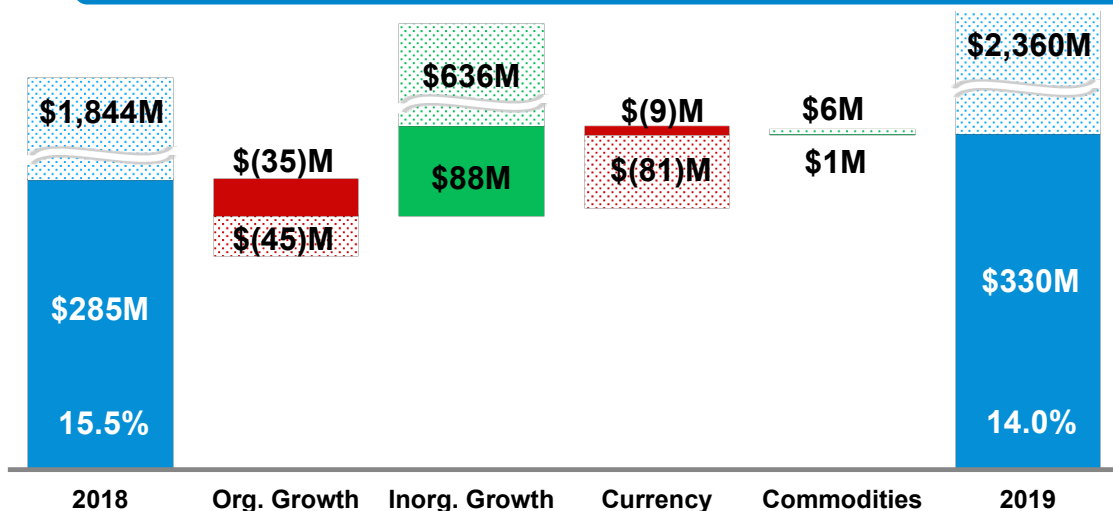
Light Vehicle Driveline



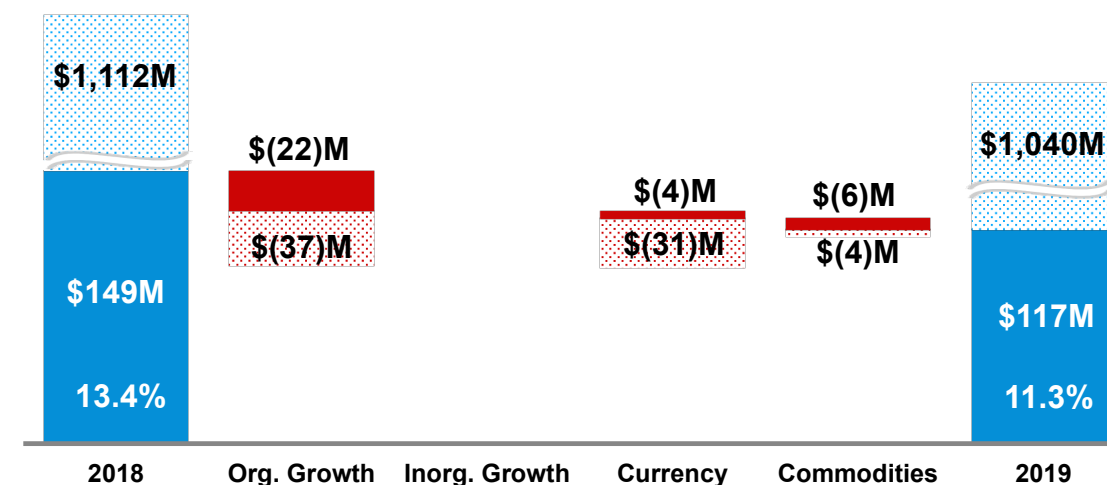
Commercial Vehicle Driveline



Off-Highway Drive and Motion



Power Technologies



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

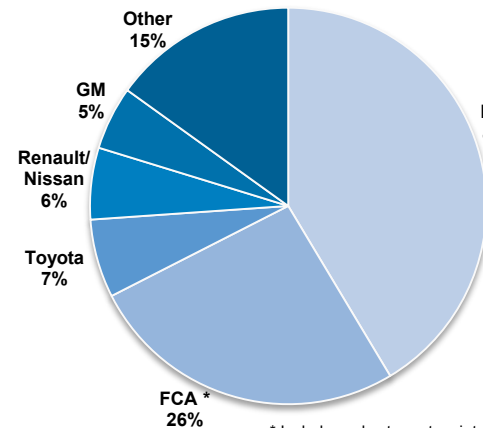
Segment Profiles



Customer Sales

Light Vehicle Driveline

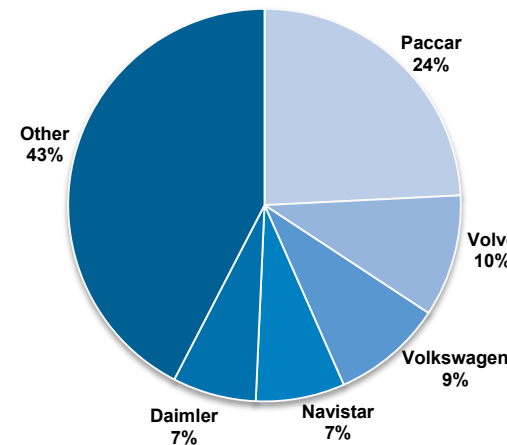
Year to Date 12/31/2019



* Includes sales to system integrators for driveline products that support FCA vehicles

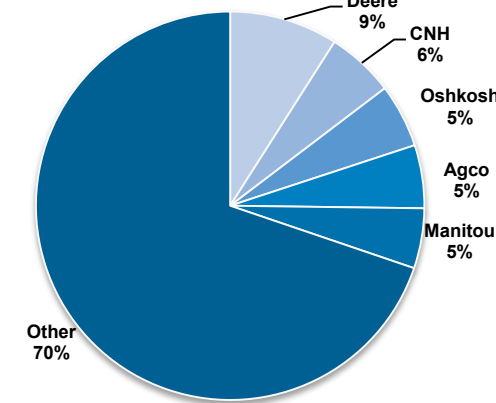
Commercial Vehicle Driveline

Year to Date 12/31/2019



Off-Highway Drive and Motion^

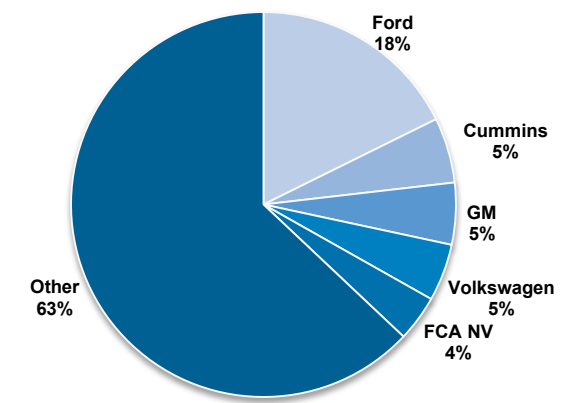
Year to Date 12/31/2019



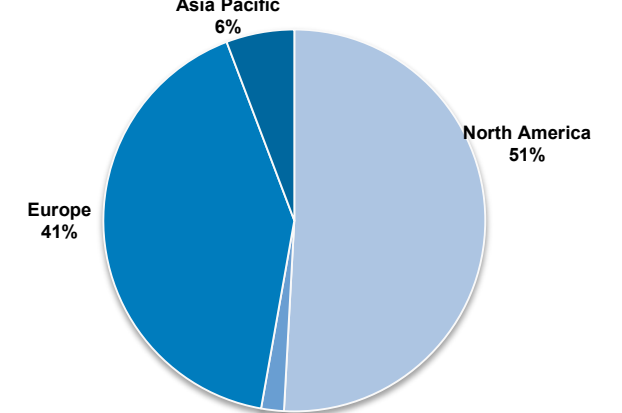
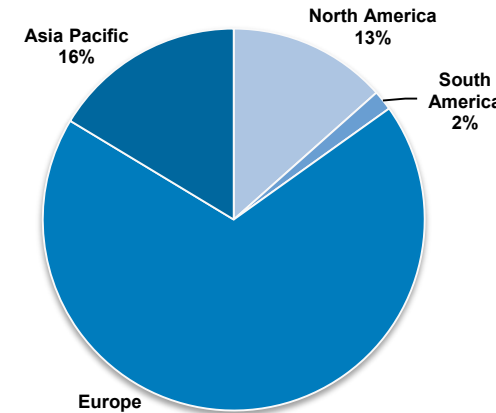
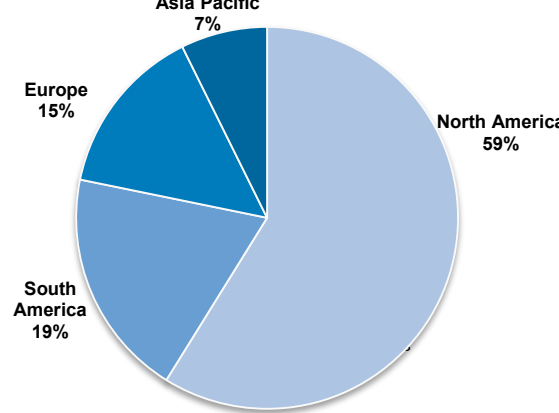
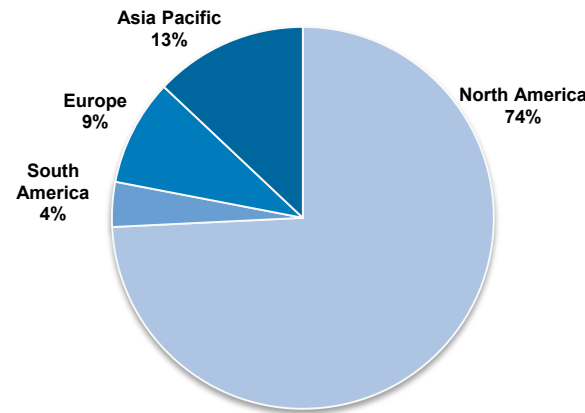
^ Estimates used for acquisition customer data

Power Technologies

Year to Date 12/31/2019



Regional Sales



\$ Millions

	Q4		FY	
	2019	2018	2019	2018
Sales	\$846	\$873	\$3,609	\$3,575
Segment EBITDA	\$105	\$101	\$438	\$398
EBITDA Margin	12.4%	11.6%	12.1%	11.1%

	Q4		FY	
	2019	2018	2019	2018
Sales	\$345	\$395	\$1,611	\$1,612
Segment EBITDA	\$23	\$32	\$138	\$146
EBITDA Margin	6.7%	8.1%	8.6%	9.1%

	Q4		FY	
	2019	2018	2019	2018
Sales	\$552	\$442	\$2,360	\$1,844
Segment EBITDA	\$66	\$65	\$330	\$285
EBITDA Margin	12.0%	14.7%	14.0%	15.5%

	Q4		FY	
	2019	2018	2019	2018
Sales	\$244	\$263	\$1,040	\$1,112
Segment EBITDA	\$27	\$32	\$117	\$149
EBITDA Margin	11.1%	12.2%	11.3%	13.4%

Performance

Diluted Adjusted EPS



DANA INCORPORATED
Diluted Adjusted EPS (Unaudited)
For the Three Months Ended December 31, 2019 and 2018

(In millions, except per share amounts)

	Three Months Ended December 31,	
	2019	2018
Net income attributable to parent company	\$ 85	\$ 100
Items impacting income before income taxes:		
Restructuring charges	6	8
Amortization	5	2
Strategic transaction expenses, net of transaction breakup fee income	9	5
Acquisition related inventory adjustments	1	
Gain on liquidation of foreign subsidiary	(12)	
Impairment of goodwill	6	
Amounts attributable to previously divested/closed operations	5	
Pension settlement charges	(1)	
Loss on extinguishment of debt	9	
Loss on deal contingent forward		8
Other items	(2)	3
Items impacting income taxes:		
Net income tax expense on items above	(3)	(3)
Tax benefit attributable to utilization of federal tax credits, state tax law changes and valuation allowance adjustments	(11)	(12)
Adjusted net income	<u>\$ 97</u>	<u>\$ 111</u>
Diluted shares - as reported	145.3	145.8
Adjusted diluted shares	<u>145.3</u>	<u>145.8</u>
Diluted adjusted EPS	\$ 0.67	\$ 0.76
As originally reported		\$ 0.71
Impact of adjustment for deal contingent forward		\$ 0.05

DANA INCORPORATED
Diluted Adjusted EPS (Unaudited)
For the Year Ended December 31, 2019 and 2018

(In millions, except per share amounts)

	Year Ended December 31,	
	2019	2018
Net income attributable to parent company	\$ 226	\$ 427
Items impacting income before income taxes:		
Restructuring charges	29	25
Amortization	17	10
Strategic transaction expenses, net of transaction breakup fee income	41	18
Acquisition related inventory adjustments	13	
Non-income tax legal judgment	(6)	
Gain on liquidation of foreign subsidiary	(12)	
Impairment of goodwill and indefinite-lived intangible asset	6	20
Amounts attributable to previously divested/closed operations	5	
Pension settlement charges	259	
Loss on extinguishment of debt	9	
Loss on deal contingent forward	13	8
Other items	(2)	6
Items impacting income taxes:		
Net income tax expense on items above	(27)	(18)
Tax benefit attributable to utilization of federal tax credits, state tax law changes and valuation allowance adjustments	(127)	(53)
Adjusted net income	<u>\$ 444</u>	<u>\$ 443</u>
Diluted shares - as reported	145.1	146.5
Adjusted diluted shares	<u>145.1</u>	<u>146.5</u>
Diluted adjusted EPS	\$ 3.06	\$ 3.02
As originally reported		\$ 2.97
Impact of adjustment for deal contingent forward		\$ 0.05

Segment Data



DANA INCORPORATED

Segment Sales and Segment EBITDA (Unaudited)

For the Three Months Ended December 31, 2019 and 2018

(In millions)	Three Months Ended	
	December 31,	
	2019	2018
Sales		
Light Vehicle	\$ 846	\$ 873
Commercial Vehicle	345	395
Off-Highway	552	442
Power Technologies	244	263
Total Sales	\$ 1,987	\$ 1,973
Segment EBITDA		
Light Vehicle	\$ 105	\$ 101
Commercial Vehicle	23	32
Off-Highway	66	65
Power Technologies	27	32
Total Segment EBITDA	221	230
Corporate expense and other items, net	5	(7)
Adjusted EBITDA	\$ 226	\$ 223

DANA INCORPORATED

Segment Sales and Segment EBITDA

For the Year Ended December 31, 2019 and 2018

(In millions)	Year Ended	
	December 31,	
	2019	2018
Sales		
Light Vehicle	\$ 3,609	\$ 3,575
Commercial Vehicle	1,611	1,612
Off-Highway	2,360	1,844
Power Technologies	1,040	1,112
Total Sales	\$ 8,620	\$ 8,143
Segment EBITDA		
Light Vehicle	\$ 438	\$ 398
Commercial Vehicle	138	146
Off-Highway	330	285
Power Technologies	117	149
Total Segment EBITDA	1,023	978
Corporate expense and other items, net	(4)	(21)
Adjusted EBITDA	\$ 1,019	\$ 957

Segment Data Continued



DANA INCORPORATED

Reconciliation of Segment and Adjusted EBITDA to Net Income (Unaudited) For the Three Months Ended December 31, 2019 and 2018

(In millions)	Three Months Ended	
	December 31,	
	2019	2018
Segment EBITDA	\$ 221	\$ 230
Corporate expense and other items, net	5	(7)
Adjusted EBITDA	226	223
Depreciation	(87)	(73)
Amortization	(5)	(2)
Non-service cost components of pension and OPEB costs	(4)	(5)
Restructuring charges, net	(6)	(8)
Stock compensation expense	(4)	(3)
Strategic transaction expenses, net of transaction fee breakup income	(9)	(5)
Acquisition related inventory adjustments	(1)	
Other items	(2)	(7)
Gain on liquidation of foreign entity	12	
Impairment goodwill of indefinite-lived intangible asset	(6)	
Amounts attributable to previously divested/closed operations	(5)	
Pension settlement charges	1	
Earnings before interest and income taxes	110	120
Loss on extinguishment of debt	(9)	
Interest expense	30	25
Interest income	2	3
Earnings before income taxes	73	98
Income tax expense (benefit)	(5)	3
Equity in earnings of affiliates	8	11
Net income	\$ 86	\$ 106

DANA INCORPORATED

Reconciliation of Segment and Adjusted EBITDA to Net Income For the Year Ended December 31, 2019 and 2018

(In millions)	Year Ended	
	December 31,	
	2019	2018
Segment EBITDA	\$ 1,023	\$ 978
Corporate expense and other items, net	(4)	(21)
Adjusted EBITDA	1,019	957
Depreciation	(322)	(260)
Amortization	(17)	(10)
Non-service cost components of pension and OPEB costs	(23)	(15)
Restructuring charges, net	(29)	(25)
Stock compensation expense	(19)	(16)
Strategic transaction expenses, net of transaction fee breakup income	(41)	(18)
Acquisition related inventory adjustments	(13)	
Non-income tax legal judgment	6	
Other items	(11)	(17)
Gain on disposal group held for sale		3
Gain on liquidation of foreign entity	12	
Impairment goodwill of indefinite-lived intangible asset	(6)	(20)
Amounts attributable to previously divested/closed operations	(5)	
Pension settlement charges	(259)	
Earnings before interest and income taxes	292	579
Loss on extinguishment of debt	(9)	
Interest expense	122	96
Interest income	10	11
Earnings before income taxes	171	494
Income tax expense (benefit)	(32)	78
Equity in earnings of affiliates	30	24
Net income	\$ 233	\$ 440

Cash Flow



DANA INCORPORATED
Reconciliation of Net Cash Provided by Operating Activities to
Free Cash Flow and Adjusted Free Cash Flow (Unaudited)

(In millions)	Three Months Ended	
	December 31,	
	2019	2018
Net cash provided by operating activities	\$ 349	\$ 331
Purchases of property, plant and equipment	(128)	(90)
Free cash flow	221	241
Discretionary pension contributions	(3)	
Adjusted free cash flow	<u>\$ 218</u>	<u>\$ 241</u>

(In millions)	Year Ended	
	December 31,	
	2019	2018
Net cash provided by operating activities	\$ 637	\$ 568
Purchases of property, plant and equipment	(426)	(325)
Free cash flow	211	243
Discretionary pension contributions	61	-
Adjusted free cash flow	<u>\$ 272</u>	<u>\$ 243</u>

(In millions)	2020
	Guidance
Net cash provided by operating activities	~ \$ 760
Purchases of property, plant and equipment	~ (385)
Free cash flow	375
Discretionary pension contributions	~ -
Adjusted free cash flow	<u>~ \$ 375</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.