



# J. P. Morgan Auto Conference

August 2022



# Important Information



Adient has made statements in this document that are forward-looking and, therefore, are subject to risks and uncertainties. All statements in this document other than statements of historical fact are statements that are, or could be, deemed “forward- looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In this document, statements regarding Adient’s expectations for its deleveraging activities, the timing, benefits and outcomes of those activities, as well as its future financial position, sales, costs, earnings, cash flows, other measures of results of operations, capital expenditures or debt levels and plans, objectives, market position, outlook, targets, guidance or goals are forward-looking statements. Words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “should,” “forecast,” “project,” “plan” or “commit” or terms of similar meaning are also generally intended to identify forward-looking statements. Adient cautions that these statements are subject to numerous important risks, uncertainties, assumptions and other factors, some of which are beyond Adient’s control, that could cause Adient’s actual results to differ materially from those expressed or implied by such forward-looking statements, including, among others, risks related to: the Ukraine conflict and widespread COVID lockdowns in China and their impact on regional, global economies and additional pressure on supply chains and vehicle production, the effects of local and national economic, credit and capital market conditions on the economy in general, and other risks and uncertainties, the continued financial and operational impacts of and uncertainties relating to the COVID-19 pandemic on Adient and its customers, suppliers, joint venture partners and other parties, work stoppages, including due to supply chain disruptions and similar events, energy and commodity (particularly steel) prices, the availability of raw materials and component products (including components required by our customers for the manufacture of vehicles (i.e., semiconductors)), whether deleveraging activities may yield additional value for shareholders at all or on the same or different terms as those described herein, the ability of Adient to execute its turnaround plan, automotive vehicle production levels, mix and schedules, as well as our concentration of exposure to certain automotive manufacturers, the ability of Adient to effectively launch new business at forecast and profitable levels, the ability of Adient to meet debt service requirements, the terms of future financing, the impact of tax reform legislation, uncertainties in U.S. administrative policy regarding trade agreements, tariffs and other international trade relations, general economic and business conditions, the strength of the U.S. or other economies, shifts in market shares among vehicles, vehicle segments or away from vehicles on which Adient has significant content, changes in consumer demand, global climate change and related emphasis on ESG matters by various stakeholders, currency exchange rates and cancellation of or changes to commercial arrangements, and the ability of Adient to identify, recruit, and retain key leadership. A detailed discussion of risks related to Adient’s business is included in the section entitled “Risk Factors” in Adient’s Annual Report on Form 10-K for the fiscal year ended September 30, 2021 filed with the U.S. Securities and Exchange Commission (the “SEC”) on November 23, 2021, Quarterly Report on Form 10-Q for the Quarterly Period ended December 31, 2021, filed with the SEC on February 4, 2022, Quarterly Report on Form 10-Q for the Quarterly Period ended March 31, 2022, filed with the SEC on May 5, 2022, Quarterly Report on Form 10-Q for the Quarterly Period ended June 30, 2022, filed with the SEC on August 5, 2022, and in subsequent reports filed with or furnished to the SEC, available at [www.sec.gov](http://www.sec.gov). Potential investors and others should consider these factors in evaluating the forward-looking statements and should not place undue reliance on such statements. The forward-looking statements included in this document are made only as of the date of this document, unless otherwise specified, and, except as required by law, Adient assumes no obligation, and disclaims any obligation, to update such statements to reflect events or circumstances occurring after the date of this document.

In addition, this document includes certain projections provided by Adient with respect to the anticipated future performance of Adient’s businesses. Such projections reflect various assumptions of Adient’s management concerning the future performance of Adient’s businesses, which may or may not prove to be correct. The actual results may vary from the anticipated results and such variations may be material. Adient does not undertake any obligation to update the projections to reflect events or circumstances or changes in expectations after the date of this document or to reflect the occurrence of subsequent events. No representations or warranties are made as to the accuracy or reasonableness of such assumptions, or the projections based thereon.

This document also contains non-GAAP financial information because Adient’s management believes it may assist investors in evaluating Adient’s on-going operations. Adient believes these non-GAAP disclosures provide important supplemental information to management and investors regarding financial and business trends relating to Adient’s financial condition and results of operations. Investors should not consider these non-GAAP measures as alternatives to the related GAAP measures. A reconciliation of non-GAAP measures to their closest GAAP equivalent are included in the appendix. Reconciliations of non-GAAP measures related to FY2022 guidance have not been provided due to the unreasonable efforts it would take to provide such reconciliations.



## 1. Driving forward with focus

- > Successfully executing Adient’s “back-to-basics” strategy
- > Strengthening our leading position with new business wins, including significant EV platform wins
- > Quickly becoming supplier of choice with our customers
- > Increasing the company’s commitment to ESG efforts

## 2. In addition to executing plans within our control, successfully managing through a challenging operating environment (driven by several macro pressures)

- > A turbulent production environment (driven by semiconductor supply chain disruptions) and inflationary pressures (commodities, freight, energy) continue to have a significant impact on the industry and Adient
- > Adient has executed several actions to mitigate these headwinds (including additional commercial solutions with our customers and self-help initiatives)

## 3. Adient is well positioned for future success

- > Core operations running extremely well (i.e., launch execution, lower ops waste, etc.)
- > Customer profitability processes deeply rooted (i.e., ES3 initiatives)
- > Balance sheet transformation solidly on track

## 4. Strong foundation expected to deliver improved earnings and cash flow in a flat to rising production environment

**Building a foundation for sustainable success**

# Well positioned entering FY2023



It appears one of two scenarios is likely to play out in FY23 \* ...

## Scenario 1

- Global vehicle production **exceeds** FY22, although still below pre-COVID volumes
- Customers continue trend of improving operating efficiencies (i.e., run at rate)

### Likely impact to Adient:

- Increased volume and more stable production expected to reduce temporary operating inefficiencies
- Result – improved earnings, margin, FCF vs. FY22

## Scenario 2

- **Relatively flat** y-o-y production (shift from supply constrained to demand constrained environment)
- Customers increase focus on improving their operating inefficiencies (i.e., run at rate)

### Likely impact to Adient:

- More stable production expected to reduce temporary operating inefficiencies
- Result – improved earnings, margin, FCF vs. FY22

> Adient operations performing well outside of temporary operating inefficiencies

- > Temporary operating inefficiencies impact on Adj.-EBITDA (excl. volume of ~\$400M and sticky costs of \$100M+) expected to total \$100M+ in FY22 primarily driven by customers not running at rate (OEM profits in 2022 driven via consumer pricing, not operational excellence)

> Adient has continued to execute actions to lower FCF breakeven

- > Capex reusability
- > Lower interest expense driven by debt paydown
- > Restructuring costs normalizing
- > Tax planning resulting in relatively flat cash taxes

**Actions taken to lower FCF breakeven combined with an expected improved operating environment in 2023 should translate into improved earnings (margin) and FCF in a flat to higher production environment**

\* - Likelihood of lower y-o-y production appears remote given reduced inventory levels, consumer demand, new product introductions

# Capital allocation priorities

Adient's capital allocation plan has prioritized deleveraging and will continue to do so until the company reaches its target leverage threshold (~1.5x - 2.0x net debt / adj.-EBITDA).

- > Opportunity to reach the target threshold within the planning horizon, depending on pacing of the recovery of automotive production, due to:
  - Significant progress made on voluntary debt repayments over the past 18 months and repayments enabled by proceeds received from the China transactions
  - ~\$840M repaid in FY21; ~\$860M repaid through the first three quarters of FY22
  - Improved EBITDA and FCF generation based on Adient's outlook for the business in the coming years

Adient's capital allocation plan continues to prioritize debt paydown, but as Adient approaches its target leverage threshold, the company will consider other capital allocation priorities including measured share repurchases and/or opportunistic bolt-on M&A

- > Important to note, Adient does not need to reach its target leverage threshold on an LTM basis before enhancing its capital allocation plan; however, additional clarity on forward earnings and cash flow are necessary

**Adient will take a balanced approach to its capital allocation priorities**