# Adient Investor Meeting

May 2018

*Improving the experience of a world in motion*

# Important information

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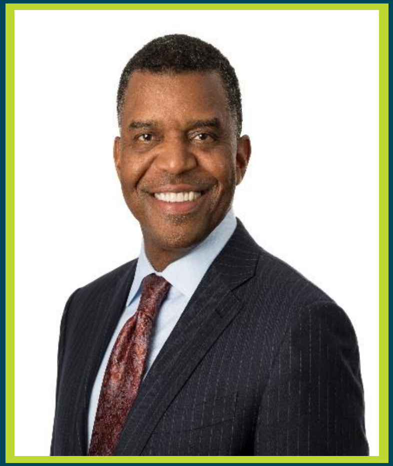
# Today's presenters and meeting agenda

**Bruce McDonald**
**Chairman & CEO, Adient**

> Adient's value creation opportunity



**Byron Foster**
**EVP Seat Structures & Mechanisms (SS&M), Adient**

> SS&M update – moving the business forward

# Adient today

ADIENT

**#1** Adient is the largest global automotive seating supplier, supporting all major automakers in the differentiation of their vehicles through superior quality, technology and performance

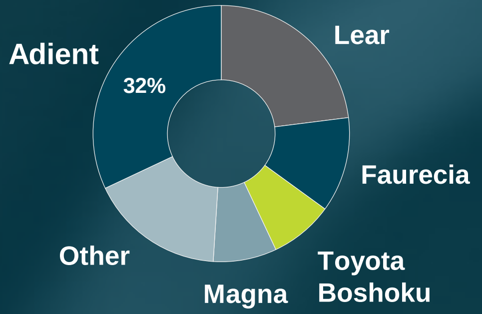
## FY 2017

**~$16.2B**
Consolidated revenue

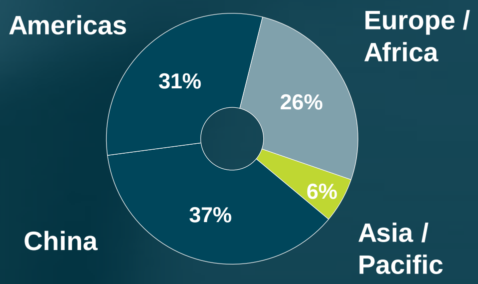
**~$8.7B**
Unconsolidated seating revenue

**~$8.6B**
Unconsolidated interiors revenue

## Global market share*




## Revenue by geography*




We supply one out of every three automotive seats worldwide

**25M+**
seat systems per year

**NYSE: ADNT**

*Adient share includes non-consolidated revenue (mkt share based on CY17). Revenue by geography based on FY2017 (consolidated and non-consolidated). Source: management estimates

# Adient's value creation journey

Pre-2016 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021

**Business unit of Johnson Controls, plc**

**ADNT** Successfully executed spin-off
"Day 1" trading NYSE 10/31/16

**FY17** Strong execution in first fiscal year as independent company

Reignited Adient's growth engine

**FY18** Operational issues highlighting the need for fundamental changes to the business

**Focused execution of value creation drivers**

- Transformation of Seat Structures & Mechanisms
- Leveraging China JV strength
- Capitalizing on growth tailwinds
- Increased cash flow conversion; capital allocation

**Adient expects to take a number of near & long-term actions to drive shareholder value**

# Adient's compelling investment opportunity

**Adient is a critical supplier in automotive seating**
**supplying approximately one out of every three automotive seats worldwide**

**Today's valuation impacted by:**

- Significant operational challenges
- Underappreciation of China operations
- Modest consolidated top-line growth
- Burdened cash generation driven by operational challenges, elevated restructuring and becoming Adient costs

**Future valuation driven by:**

- Demonstrating significant operational improvement in Seat Structures & Mechanisms
- Ability to leverage strength of China
- Strong three-year backlog, fueling top-line growth beginning in FY19
- Significantly improved cash generation driven by improved operating results, lower restructuring, and runoff of becoming Adient costs

# Adient's near and long-term value drivers

ADIENT

| TODAY | FY18 & beyond | | | |
|---|---|---|---|---|
| | **Transformation of core business** | **Utilization of China JV strength** | **Incremental benefits from growth tailwinds** | **Cash generation & capital allocation** |
| > A critical supplier in automotive seating (supplying one out of every three automotive seats worldwide)<br>> Supporting the world's largest automotive manufacturers<br>> Operational challenges<br>> Modest consolidated top-line growth<br>> Strength of China operations underappreciated | > SS&M | > Realize value from overcapitalized balance sheets<br>> Potential enabler to SS&M turnaround<br>> Opportunity to monetize non-core assets | > Strong backlog fuels consolidated top line growth in FY19 & beyond<br>> Robust growth (in excess of vehicle production) expected to continue in China<br>> Adjacent market growth (Adient Aerospace) | > Improved FCF generation (runoff of elevated restructuring & "becoming ADNT")<br>> Benefit of improved operating results (reversal of recent setbacks)<br>> Continued equity income growth (strong cash conversion)<br>> Disciplined capital allocation strategy of returning cash to shareholders |
| **Challenges reflected in ADNT's valuation** | **Key tenets (building blocks) for significant value creation**<br>**Significant upside to valuation with successful execution** | | | |

# Meeting agenda

> Adient's value creation opportunity

> SS&M update – moving the business forward

# Byron Foster: 20 years with Adient / Johnson Controls

## Adient's Executive Vice President, leading the company's Seat Structures & Mechanisms business and its turnaround initiative

> Prior to this position, responsible for Adient's global seating business in the Americas, Europe and Asia Pacific, leading the just-in-time (JIT) manufacturing, foam and trim businesses

> Between 2012 and 2015, served as group vice president and general manager of Customer Groups and Strategy, developing relationships with OEM customers and driving profitable growth strategies

> Responsible for global Metals business from 2011-2012, following the acquisition of KEIPER and C.R. Hammerstein

> Joined Johnson Controls in 1997

> Before joining Johnson Controls, worked as senior associate at Booz Allen Hamilton

> Master's degree in management from Northwestern University's Kellogg School of Management and a bachelor's degree in business administration from the University of Michigan

# Recap from FY18 Q2 earnings call

- Launched comprehensive strategic assessment of SS&M with three objectives:
  - Stabilize the business and drive rapid near-term improvements
  - Revisit strategic importance of SS&M and align on long-term vision for the segment
  - Identify potential restructuring opportunities to improve long-term value creation
- Efforts to stabilize the business are on track; Adient is confident it will deliver significant improvement as it progresses through the balance of the year
  - Adjusted-EBITDA improved sequentially in Q2 vs. Q1; significant second half improvement is expected with the positive momentum anticipated to carry into FY19
- Adient continues to believe in the strategic importance of SS&M
  - Supports customers that source complete seats
  - Significant growth opportunity in China
- Beyond 2020, earning appropriate financial returns will require fundamental changes (restructuring, less vertical integration, better utilization of China JV strength, improved commercial discipline)

Today we will go into more detail on findings of recent strategic assessment and turnaround plan

# How did we get here?

**Aggressive go-to-market strategy coupled with macroeconomic issues led to current financial challenges**

1. Launched a completely new mechanisms portfolio (once every 20-30 years event) – which required new process technology
2. 2-3x typical launch load in 2017-2018 (largest launch load in company history) – with many very complex global structures launches
3. Challenges with steel supply in Europe drove downstream operational implications and increasing steel prices impacted material cost
4. These issues led to a burdened organization focused on firefighting which compromised our typical process discipline

# We continue to believe that SS&M is a key part of Adient's portfolio

ADIENT

### Access to OEMs who source complete seat

Adient has valuable customer relationships who source the entire seating system together

### Better enterprise performance

Better performance is observed when Adient wins both JIT and SS&M business

### Capability for new mobility and system sourcing trends

SS&M critical capability for new mobility; some evidence of sourcing trending to full seat

### Support for profitable China business

Maintains strong China business through expertise outside of China

# However, our view on the business has shifted

| | ADIENT SS&M today | ADIENT SS&M future plans |
|---|---|---|
| Products | • Aim to have top performing and engineered product in all categories | • Focus innovation efforts on designs that are low cost or have high profitability upside |
| Platforms | • Investing in SS&M for growth | • Set strict thresholds for platform profitability<br>• Be willing to proactively engage early on and walk away if need be |
| OEMs | • Actively meet needs of all OEMs<br>• Accept design / engineering changes typically at Adient's risk | • Focus on supporting complete seat business<br>• Set clear expectations for cost recovery with OEMs<br>• Be more proactive and diligent in managing change |
| Plants | • Aim for full vertical integration<br>• Decisions driven by legacy network structure, concerns for restructuring costs | • Pursue selective outsourcing<br>• Strategically align footprint with business needs and actively manage network to avoid hold up risk |

# Our plans to get there

**Selective participation and cost fit for purpose**

**Next Gen Operations**

*(AMS, lean, & Industry 4.0)*

**Commercial advantage**

*(focus, approach, & negotiation discipline*

**Supply chain excellence**

*(network, buying & planning, tools)*

**Programs & engineering**

*(complexity mgmt., risk mgmt. & accountability*

***Comprehensive business management system***

***Right team, accountability and a winning culture***

# Our transformation efforts are addressing each strategic pillar

## Selective participation

1. TBL prioritization
2. Low tonnage stamping
3. Commercial negotiations
4. Plant network optimization

## Next Gen operations

5. Alagon stabilization
6. Rockenhausen stabilization
7. Mor stabilization
8. Hilchenbach stabilization
9. Ramos stabilization
10. Athens stabilization
11. EU CI enhancement
12. NA CI enhancement
13. Industry 4.0

## Commercial advantage

14. Recliner pricing
15. Steel terms
16. Commercial negotiations (consists of multiple initiatives)

## Supply chain excellence

17. Steel demand management
18. Premium freight improvement
19. EU Steel mini-PMO
20. Direct procurement optimization
21. Planning & S&OP

## Programs & engineering

22. ECR Recovery
23. Program process adherence
24. Testing/Prototyping
25. Engineering resourcing
26. VAVE
27. Development team resourcing
28. System level risk mitigation
29. Enhanced Critical Care reviews
30. Complexity reduction
31. Program IT upgrade

Short term stabilization (dark circles: 1–3, 5–12, 14–19, 22–29)

Long term improvements (green circles: 4, 13, 20, 21, 30, 31)

# Focus on the right opportunities: We have put in place clear boundaries for new business acquisitions

## Selective participation

### Revenue Targets
6 year average program lifecycle with reduced annual targets per year

### EBIT Targets
Clear EBIT margin targets, higher than metals profitability pre-spin

## Selective participation

***Goal:***
*Commercialize most attractive profitable programs to drive future growth within business constraints*

## Program launch constraints

### Capital Expenditure
Reducing CapEx over next few years

### Engineering
Specific Engineering Equivalent Units (hours/intensity) against programs <1 year to SOP

### SDT Capacity
Deploy experienced Sr. PMs to commercialize new programs

**Constraints to evolve over time as business conditions change**

# Fix the plants:
# Focusing on most unprofitable plants to drive rapid cost takeout

## North American plants

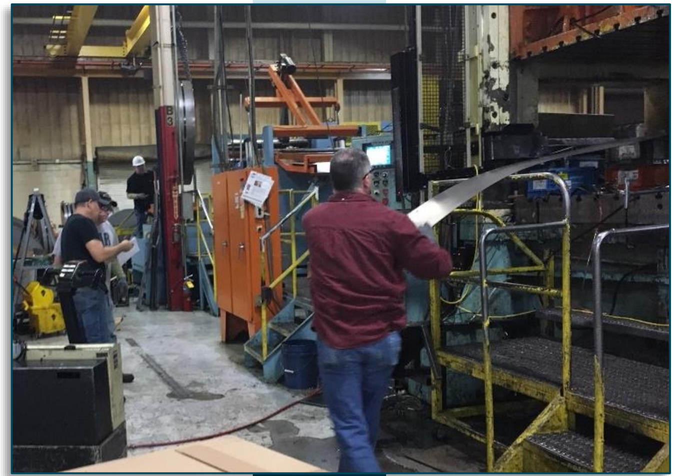

## European plants


Operations on track
Continuous improvement focus
Intervention underway
Closures announced

# Fix the plants: Interventions have already shown success at key plants

## 1 Athens

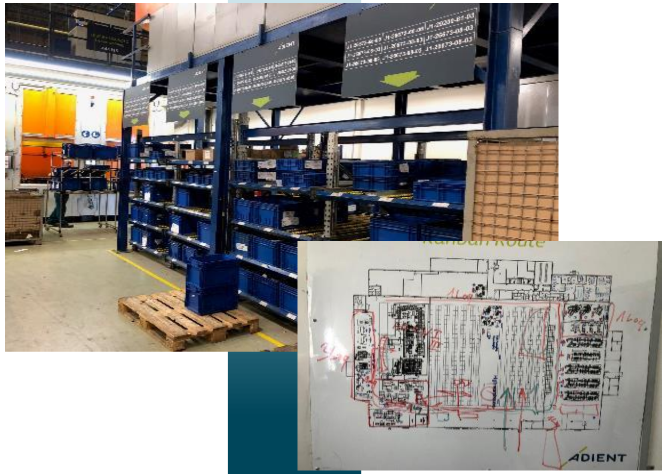
Implemented new change over standard work



**~25%** reduction in average C/O time

## 2 Mor

Improved material provisioning at laser welding



**~5%** increase in welding output

## 3 Ramos

Launched set of initiatives to increase press up time

**~15%** increase in stamping MU

# Manage the launches: Reviewed all near-term program launches against expanded evaluation criteria to identify high focus programs

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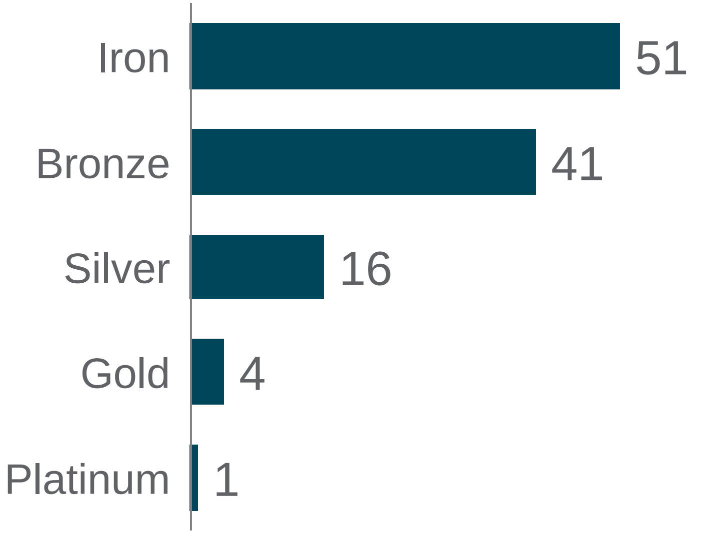
## Reviewed 113 near-term program launches...

**113** Programs preparing for launch in near term
*(SOP scheduled between today and EOY 2019)*




## ...against expanded set of 12 assessment criteria...

| | | |
|---|---|---|
| Existing | 1 | Days late |
| | 2 | Program category |
| | 3 | Qualitative risk R/Y/G by PM |
| | 4 | Most recent update in System |
| Fin. | 5 | Size ($ rev) |
| | 6 | Margin @ plan vs today (delta) |
| Team | 7 | PM tenure/performance |
| | 8 | Number of programs run by same PM |
| Operational | 9 | Supplier (riskiness and dependency) |
| | 10 | Engineering risk assessment |
| | 11 | Plant >3 launches in the quarter |
| | 12 | Near-term launch in challenged plant |

## ...identified 26 focus programs

**8** NA programs

**18** EU programs

# Discipline across multiple elements, process of management system required to enable operational improvements

## Five key elements of management system to optimize

| | | |
|---|---|---|
| 1 | *Decision rights* | • Definition of accountabilities for each role and decision<br>• Optimizes ownership of processes by individuals |
| 2 | *Reporting* | • Collation of results to inform decisions; single source of truth<br>• Allows tracking of outcomes, identification of misses |
| 3 | *Performance management* | • Ongoing discussion of outcomes between decision makers<br>• Drives accountability, clear escalation path to course correct |
| 4 | *Compensation* | • Financial incentives for decision makers<br>• Aligned incentives optimize behaviors to achieve targets |
| 5 | *Information & Tools* | • Visibility and access to data and IT systems<br>• Critical to making informed, data-driven decisions |

# We have a comprehensive set of KPIs to track our progress and react quickly if certain measures vary from plan

## 1 Global SS&M scorecard

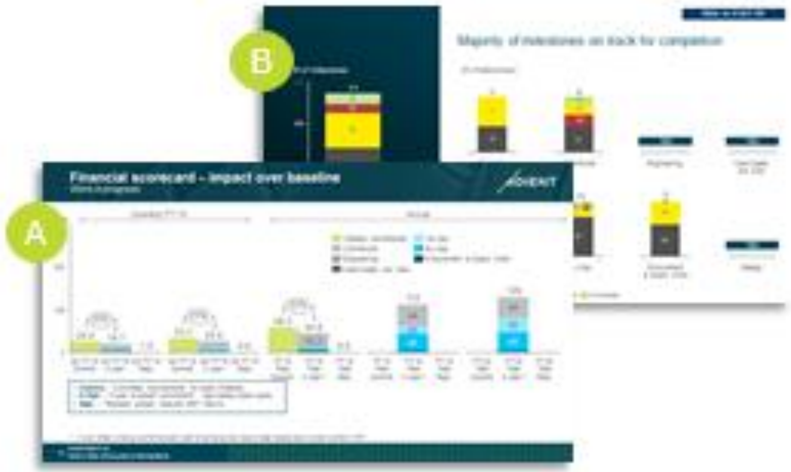
Key business metrics reported monthly, measured against targets and visualized with monthly trend data

- A Summary of YTD & monthly performance vs. targets
- B Monthly trends, targets, and outlook by topic (Business results, Ops, P&SCM, Programs, Commercial)


## 2 Transformation scorecard

Transformation progress reporting, from initiative development, to milestone completion and impact tracking

- A Committed, planned, and realized impacts by quarter (FY'18) and year
- B Milestones on-track, off-track, and completed



# We've enhanced the operating model and infused it with a high-talent team

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**New reporting structure**

Strengthens the leadership team by driving **end-to-end accountability** and allows us to bring in the best talent, both from inside Adient as well as outside

**High-performing team**

We've infused the business with the best talent, across the operation and from the top down - - more to come

| | | |
|---|---|---|
| **6 of 9**<br>SS&M Leaders are new | **3 of 6**<br>Program excellence directors are new | **7 of 21**<br>Plant managers are new |

# SS&M strategy is a significant change, requiring a multi-year journey

| | | |
|---|---|---|
| 1 | Selective participation focused on profitability and strategic fit | → Typical program lifespan of 5-7 years – will take time to cycle out unprofitable programs |
| 2 | Simplification of the plant network & supply chain to attack fixed costs | → Executing restructuring is a multi-year effort, to be balanced with customer commitments |
| 3 | Improved commercial, operational and launch discipline | → Stabilization efforts bearing immediate fruit, but will take time for full benefits to take hold |

# Summary

- Adient intends to take a variety of near and longer-term actions that, when executed, are expected to drive significant value for ADNT. These include:
  - Ability to recapture lost SS&M profitability since spin
  - Opportunity to change the composition of the SS&M business over time:
    - Smaller size
    - Less tier 2 business and more discipline around economic profit opportunity
    - Lower capital expenditures to support new business / growth (SS&M capital expenditures represented ~45% of ADNT's capital spend in FY17)
- Continued growth and value creation from ADNT's China businesses
- Ability to grow cash flow substantially with improved operating results
  - FCF generation driving disciplined capital allocation strategy including return of capital to shareholders

# APPENDIX AND ADDITIONAL INFORMATION

# Non-GAAP financial measurements

- Adjusted EBITDA, Adjusted EBITDA margin, and Adjusted SG&A, as well as other measures presented on an adjusted basis are not recognized terms under GAAP and do not purport to be alternatives to the most comparable GAAP amounts. Since all companies do not use identical calculations, our definition and presentation of these measures may not be comparable to similarly titled measures reported by other companies.
- Adjusted EBITDA, Adjusted EBITDA margin, and Adjusted SG&A are measures used by management to evaluate the operating performance, and liquidity of the company and its business segments to forecast future periods.
  - Adjusted EBITDA is defined as income before income taxes and noncontrolling interests, excluding net financing charges, qualified restructuring and impairment costs, restructuring related-costs, incremental "Becoming Adient" costs, separation costs, net mark-to-market adjustments on pension and postretirement plans, transaction gains/losses, purchase accounting amortization, depreciation, stock-based compensation and other non-recurring items ("Adjusted EBITDA"). Adjusted EBITDA margin is Adjusted EBITDA as a percentage of net sales.
  - Certain corporate-related costs are not allocated to the business segments in determining Adjusted EBITDA.
  - Adjusted SG&A is defined as SG&A excluding restructuring, purchase accounting amortization, expenses associated with becoming an independent company, other significant non-recurring items, and net mark-to-market adjustments on pension and postretirement plans.
  - Management uses these measures to evaluate the performance of ongoing operations separate from items that may have a disproportionate impact on any particular period. These measures are also used by securities analysts, institutional investors and other interested parties in the evaluation of companies in our industry

# Segment performance

(in $ millions)

Segment Performance

| Q1 2017 | Seating | SS&M | Interiors | Corporate / Recon Items | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ 3,692 | $ 671 | $ - | $ (337) | $ 4,026 |
| Adjusted EBITDA | 364 | 7 | 30 | (31) | N/A |
| Adjusted EBITDA margin | 9.9% | 1.0% | N/A | N/A | N/A |
| Equity Income | 60 | 9 | 30 | (5) | 94 |
| Depreciation | 49 | 34 | - | - | 83 |
| Capex | 111 | 71 | - | 25 | 207 |

| Q1 2018 | Seating | SS&M | Interiors | Corporate / Recon Items | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ 3,796 | $ 718 | $ - | $ (310) | $ 4,204 |
| Adjusted EBITDA | 355 | (82) | 25 | (31) | N/A |
| Adjusted EBITDA margin | 9.4% | -11.4% | N/A | N/A | N/A |
| Equity Income | 72 | 12 | 25 | (13) | 96 |
| Depreciation | 52 | 41 | - | 3 | 96 |
| Capex | 72 | 71 | - | - | 143 |

| Q2 2017 | Seating | SS&M | Interiors | Corporate / Recon Items | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ 3,825 | $ 756 | $ - | $ (380) | $ 4,201 |
| Adjusted EBITDA | 398 | 40 | 22 | (39) | N/A |
| Adjusted EBITDA margin | 10.4% | 5.3% | N/A | N/A | N/A |
| Equity Income | 62 | 10 | 22 | (5) | 89 |
| Depreciation | 42 | 34 | - | 5 | 81 |
| Capex | 40 | 53 | - | 2 | 95 |

| Q2 2018 | Seating | SS&M | Interiors | Corporate / Recon Items | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ 4,132 | $ 797 | $ - | $ (333) | $ 4,596 |
| Adjusted EBITDA | 411 | (34) | 12 | (26) | N/A |
| Adjusted EBITDA margin | 9.9% | -4.3% | N/A | N/A | N/A |
| Equity Income | 73 | 8 | 12 | (8) | 85 |
| Depreciation | 53 | 45 | - | 3 | 101 |
| Capex | 58 | 65 | - | - | 123 |

| Q3 2017 | Seating | SS&M | Interiors | Corporate / Recon Items | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ 3,620 | $ 713 | $ - | $ (326) | $ 4,007 |
| Adjusted EBITDA | 413 | 31 | 19 | (39) | N/A |
| Adjusted EBITDA margin | 11.4% | 4.3% | N/A | N/A | N/A |
| Equity Income | 70 | 9 | 19 | (7) | 91 |
| Depreciation | 45 | 37 | - | 2 | 84 |
| Capex | 59 | 56 | - | - | 115 |

| Q4 2017 | Seating | SS&M | Interiors | Corporate / Recon Items | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ 3,605 | $ 670 | $ - | $ (296) | $ 3,979 |
| Adjusted EBITDA | 403 | 4 | 22 | (39) | N/A |
| Adjusted EBITDA margin | 11.2% | 0.6% | N/A | N/A | N/A |
| Equity Income | 72 | 9 | 22 | 145 | 248 |
| Depreciation | 47 | 40 | - | 2 | 89 |
| Capex | 81 | 79 | - | - | 160 |

# SG&A performance

| (in $ millions) | Adjusted SG&A YoY Q2 |
|---|---|
| Reported Q2 FY 17 Selling, general and administrative costs | $ 178 |
| Separation costs [1] | - |
| Becoming Adient [1] | (10) |
| Purchase accounting amortization [2] | (4) |
| Other non-recurring items [3] | - |
| Adjusted SG&A Q2 FY17 | $ 164 |
| Growth [4] | 27 |
| FX | 12 |
| Acquisitions / JV Consolidations | 3 |
| Depreciation / Equity Based Comp | 3 |
| Closures / Other | 1 |
| Performance / temporary actions [5] | (43) |
| Adjusted SG&A Q2 FY18 | $ 167 |

| (in $ millions) | Adjusted SG&A YoY Q1 |
|---|---|
| Reported Q1 FY 17 Selling, general and administrative costs | $ 217 |
| Separation costs [1] | (10) |
| Becoming Adient [1] | (6) |
| Purchase accounting amortization [2] | (5) |
| Other non-recurring items [3] | (13) |
| Adjusted SG&A Q1 FY17 | $ 183 |
| Growth [4] | 36 |
| FX | 7 |
| Acquisitions / JV Consolidations | 7 |
| Depreciation / Equity Based Comp | 8 |
| Closures / Other | (4) |
| Performance / temporary actions [5] | (60) |
| Adjusted SG&A Q1 FY18 | $ 177 |

1. Reflects incremental expenses associated with becoming an independent company and expenses associated with the separation from JCI.
2. Reflects amortization of intangible assets including those related to partially owned affiliates recorded within equity income.
3. First quarter 2017 primarily consists of $12M of initial funding of the Adient foundation.
4. Second quarter of 2018: Engineering growth of $22 million, all other growth of $5 million. First quarter of 2018: Engineering growth of $27 million, all other growth of $9 million
5. Performance includes certain temporary actions that will not be part of the run rate of the business (~$20M in Q1 and Q2 FY18)