ADIENT

Nov. 30, 2020

# FY 2020 Fourth Quarter Earnings Call

# 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 future financial position, sales, costs, earnings, cash flows, other measures of results of operations, capital expenditures or debt levels and plans, objectives, outlook, targets, guidance or goals are forward-looking statements. Words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “should,” “forecast,” “project” or “plan” 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 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, the impact of tax reform legislation through the Tax Cuts and Jobs Act and/or under a new U.S. presidential administration, uncertainties in U.S. administrative policy regarding trade agreements, tariffs and other international trade relations including as may be impacted by the change in U.S. presidential administration, the ability of Adient to execute its turnaround plan, the ability of Adient to effectively launch new business at forecast and profitable levels, the ability of Adient to identify, recruit and retain key leadership, the ability of Adient to meet debt service requirements, the terms of financing, general economic and business conditions, the strength of the U.S. or other economies, automotive vehicle production levels, mix and schedules, energy and commodity prices, the availability of raw materials and component products, currency exchange rates and cancellation of or changes to commercial arrangements. 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, 2019 filed with the SEC on November 22, 2019 and subsequent quarterly reports on Form 10-Q filed with the SEC, available at 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 FY2020 guidance have not been provided due to the unreasonable efforts it would take to provide such reconciliations.

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# Agenda

## Introduction

**Mark Oswald**
*VP, Treasurer & Investor Relations*

## Business update

**Douglas Del Grosso**
*President and CEO*

## Financial review

**Jeffrey Stafeil**
*Executive VP and CFO*

## Q&A

# Q4 was a strong finish to a challenging year.

## Specific focus areas are driving improved results


## Key Q4FY20 Financial Metrics

Our focused priorities, combined with steady to increasing vehicle production, continue to drive improved business performance and underpin Adient's Q4 results.

| | |
|---|---|
| Consolidated Revenue | **$3.6B** **(down 8% y-o-y)** **Impacted by lower y-o-y global production volumes and Adient specific launches** |
| Adj. EBITDA | **$287M[1]** **(up $72m or 33% y-o-y)** |
| Cash | **$1,692M** **(at Sept. 30, 2020)** |

*1 – For Non-GAAP and adjusted results, see appendix for detail and reconciliation to U.S. GAAP*

## Liquidity and voluntary debt paydown

- **Total liquidity** at Sept. 30, 2020, of ~**$2.5B**
- During Q4, **cash proceeds from previously announced strategic actions** totaled ~$500M; dividends received from China JVs totaled ~$27M in Q4 (YTD dividends received total ~$275M, or ~115 % of FY19 seating adj. equity income)
- **Voluntary debt paydown:** With operations restarted and vehicle production trending higher, Adient began to paydown a portion of its outstanding debt ($103.5M in principal of Adient's 10-year 4.875 % senior unsecured notes repurchased through Sept. 30, 2020, using ~$100M in cash)

# We delivered on our commitments in FY20…

We are **focused** and **resilient**, executing plans to position Adient for long-term success.

## Successfully executed plans within our control.

Advanced the **improvement phase** of Adient's turnaround plan through specific focus areas:

- Launch management
- Operational improvement
- Cost reductions
- Commercial discipline

With operations stabilized and steadily improving, executed various **strategic actions**:

- **Portfolio adjustments** — Announced and closed strategic transactions with JV partner Yanfeng, sale of Adient's fabrics business, sale of RECARO Automotive Seating, and Adient Aerospace deconsolidation
- **Accelerated debt repayment**

## While managing through an unplanned obstacle

COVID-19 Pandemic

- Executed immediate actions, both structural and temporary, to protect the business long-term
- Executed actions to increase and protect Adient's liquidity
- Developed comprehensive return to work guidelines to ensure successful restart of operations and to protect the company's employees and customers
- Identified and executing structural cost reductions to reduce the company's breakeven point

## Driving long-term shareholder value by:

- Winning new and replacement business
- Becoming customers' preferred supplier
- Driving earnings growth
- Driving cash generation
- Strengthening the balance sheet

# With significant opportunity to build on our progress in FY21

## Key enablers of earnings growth in FY21

**FY2020 - FY2022: Improvement phase**

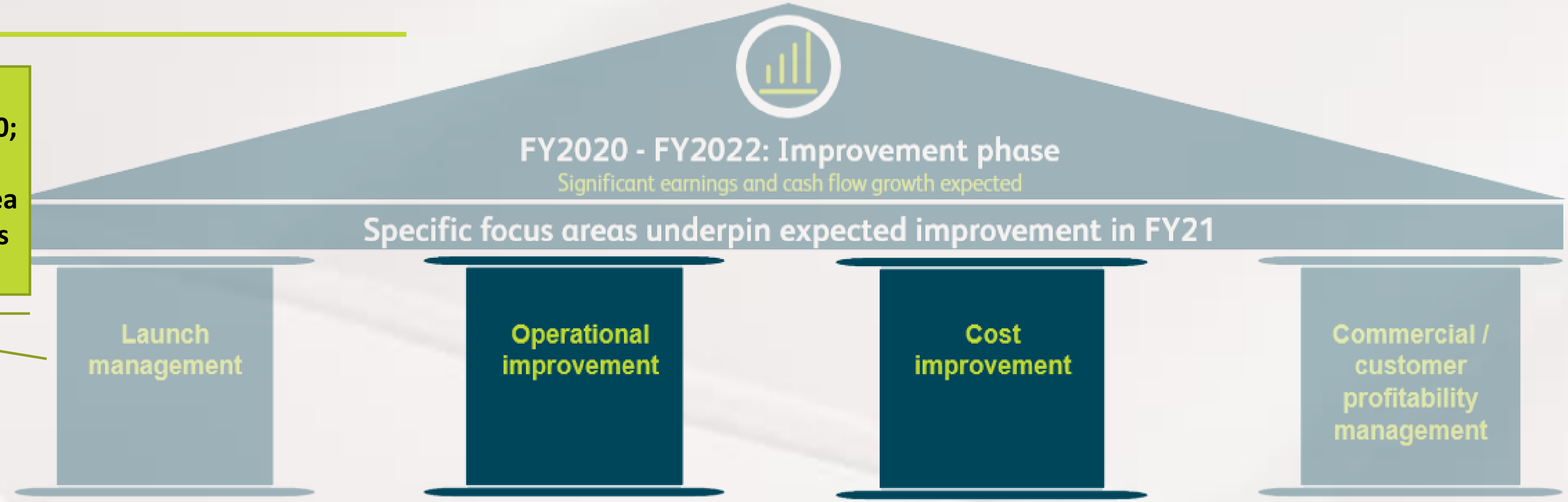
Significant earnings and cash flow growth expected

**Specific focus areas underpin expected improvement in FY21**

- Launch management
- Operational improvement
- Cost improvement
- Commercial / customer profitability management

# Building on our progress in FY21 — Launch, Operational & Cost Improvement

Significant progress made throughout FY20; launch management will remain a focus area to ensure best-in-class performance




## Operational & Cost Improvement focus areas:

- Align manufacturing footprint to sales projections
- Continue to improve capacity utilization (i.e. grow trim and foam to fill open capacity)
- Purchasing performance - matched pairs between purchasing & business unit to enhance cooperation and strategic alignment; make vs. buy decisions, etc.
- Design for manufacturing – engage plant teams in early design phase to reduce labor costs and improve quality
- Increase use of automation (where feasible) across network
- Upgrade technology as needed for cost and quality improvement

# Building on our progress in FY21 — Commercial / Customer Profitability Management

We are striving to become the supplier of choice for our customers.

- Know who we want to grow with – and grow with them
- Focus on **profitable** new and incumbent wins
- Continued laser focus on addressing “leakers & bleeders” (customers / platforms with unacceptable margin / return profiles)
- Leverage the VA/VE building blocks and take it to the next level – **Cost and Technology Optimization (CTO)**


- JD Power Results
- Market Research
- VAVE Workshops
- Warranty Analysis
- Benchmarking
- IIHS Rating

**Cost & Technology Optimization**

Leveraging the available knowledge to create opportunities and value for our customers to improve their market performance and increase Adient’s overall value-add

# SS&M progress update

SS&M operations made steady progress in FY20 and are on track to become free cash flow neutral exiting FY21. Adient reduced free cash flow burn by ~50 % in FY20 vs. FY19.

**Enablers of SS&M continued progress:**

- Targeted business selection (profitable / RoCE)
- Improving cost competitiveness by fixing underperforming plants, creating cost-efficient designs, and reducing the above-plant cost structure
- Focusing on asset utilization (supported in part by better make / buy decisions)
- Increasing free cash flow through improved earnings, making significant progress on asset utilization (reducing the need for capital spending), and reducing inventory across plants (focusing on lead time / supplier sourcing)

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# Strengthening our leading position

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- Extreme focus on capital allocation (return on capital employed – RoCE) underpins profitable new business wins
- Balance-in / balance-out (new programs rolling on, old programs rolling off) expected to contribute to Adient's long-term margin expansion

## Recent program wins:

1. Jeep Wrangler (replacement)
2. Jeep Gladiator (replacement)
3. Tesla Model Y (new)
4. Ford Transit (new)
5. Geely / Daimler Smart (new)
6. SAIC MG5 (replacement)
7. Ford Future EV (new)







7

Ford Future EV

# Launch status

- Previously highlighted Q4 launches (F-150, Mach E, Rogue) are underway and progressing smoothly
  - Second F-150 manufacturing location (Riverside, MO) well prepared for FY21 Q1 launch
- Strong focus on process discipline around launch readiness underpinning Adient's successful launch performance
- FY21 launch volume and complexity expected to be very manageable; successful launch performance in FY20 demonstrates Adient's launch capabilities

**Launch volume and complexity FY21 vs.FY20**

| | Volume | Complexity |
|---|---|---|
| **Americas** | ↑ | ↑ |
| **EMEA** | ↓ | ↓ |
| **China** | — | ↓ |
| **Asia** (excl. China) | ↑ | ↑ |



Key launches:
1. Ford F-150
2. Rav-4
3. Mustang Mach-E
4. Mercedes B-Class
5. Nissan Rogue



# 2021 Macro overview

- Adient's "self-help" initiatives, combined with an expected increase in global vehicle production, provides an encouraging backdrop for FY21
- Although current economic & industry conditions are providing a tailwind entering FY21, a number of negative factors will need to be managed

**Positive influences**

- Global monetary stimulus / positive economic growth
- Global vehicle production / strong mix
- Inventory rebuild
- Improving consumer demand
- COVID-19 treatments / progress on vaccines

**Headwinds**

- Resurgence in COVID-19 cases
- Material economics
- Labor shortages
- Supply side risk / premium freight

FY 2020
Fourth Quarter
and Full Year

# Financial Review

# FY 2020 Q4 key financials

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| *$ millions, except per share data* | As Reported | | As Adjusted [1] | | |
|---|---|---|---|---|---|
| | Q4 FY20 | Q4 FY19 | Q4 FY20 | Q4 FY19 | B/(W) |
| Consolidated Revenue | $ 3,597 | $ 3,921 | $ 3,597 | $ 3,921 | *-8%* |
| EBIT | $ 50 | $ 102 | $ 199 | $ 138 | *44%* |
| *Margin* | *1.4%* | *2.6%* | *5.5%* | *3.5%* | |
| EBITDA | N/A | N/A | $ 287 | $ 215 | *33%* |
| *Margin* | | | *8.0%* | *5.5%* | |
| *Memo: Equity Income [2]* | $ 79 | $ 66 | $ 88 | $ 74 | *19%* |
| Tax Expense (Benefit) | $ (18) | $ (2) | $ 1 | $ 13 | |
| *ETR* | *54.5%* | *NM* | *0.7%* | *14.1%* | |
| Net Income (Loss) | $ (36) | $ (4) | $ 109 | $ 59 | *85%* |
| EPS Diluted | $ (0.38) | $ (0.04) | $ 1.15 | $ 0.63 | *83%* |

Memo: Equity Income excluding Interiors up y-o-y (FY20 $88M vs FY19 $60M)

1 – On an adjusted basis, see appendix for detail and reconciliation to U.S. GAAP
2 – Equity income included in EBIT & EBITDA
NM - Measure not meaningful

# FY 2020 full year key financials

| *$ millions, except per share data* | As Reported FY20 | As Reported FY19 | As Adjusted [1] FY20 | As Adjusted [1] FY19 | As Adjusted [1] B/(W) |
|---|---|---|---|---|---|
| Consolidated Revenue | $ 12,670 | $ 16,526 | $ 12,670 | $ 16,526 | *-23%* |
| EBIT | $ (195) | $ 229 | $ 363 | $ 489 | *-26%* |
| *Margin* | *NM* | *1.4%* | *2.9%* | *3.0%* | |
| EBITDA | N/A | N/A | $ 673 | $ 787 | *-14%* |
| *Margin* | | | *5.3%* | *4.8%* | |
| *Memo: Equity Income [2]* | $ 22 | $ 275 | $ 265 | $ 286 | *-7%* |
| Tax Expense (Benefit) | $ 57 | $ 410 | $ 84 | $ 85 | |
| *ETR* | *-13.3%* | * | *56.4%* | *26.2%* | |
| Net Income (Loss) | $ (547) | $ (491) | $ (4) | $ 153 | *NM* |
| EPS Diluted | $ (5.83) | $ (5.25) | $ (0.04) | $ 1.63 | *NM* |

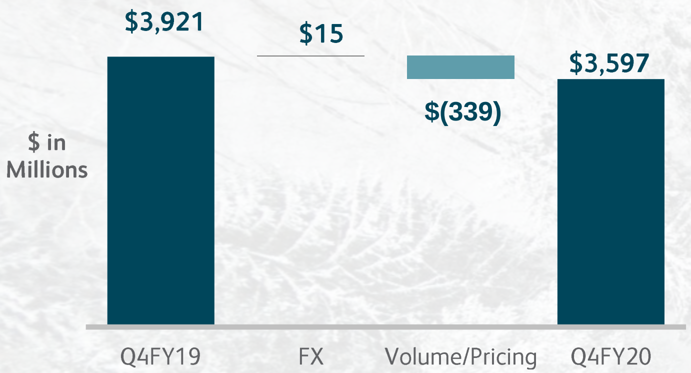
Memo: Equity Income excluding Interiors up y-o-y (FY20 $248M vs FY19 $242M)

1 – On an adjusted basis, see appendix for detail and reconciliation to U.S. GAAP
2 – Equity income included in EBIT & EBITDA
NM - Measure not meaningful

# Q4 2020 Revenue

## Consolidated and unconsolidated sales

### Consolidated sales




### Unconsolidated sales


**Year-over-year growth ~15%**

## Regional Performance

(consolidated sales y-o-y growth by region)[1]

| | Q4 | Q4 adj. for portfolio changes |
|---|---|---|
| **Americas** | -5% | -5% |
| **EMEA** | -10% | -9% |
| **Asia** | -17% | -15% |
| Note: China | 20% | 20% |
| Note: Asia excl. China | -28% | -26% |

**consolidated**

- Adient sales impacted by lower y-o-y global production volumes, Adient specific launches and recent portfolio adjustments
  - Americas impacted by temporary Ram Classic production downtime
  - Europe impacted by lower volumes and RECARO divestiture
  - Asia excluding China impacted by RECARO divestiture and Thailand and Japan export reductions

1 – Growth rates at constant foreign exchange

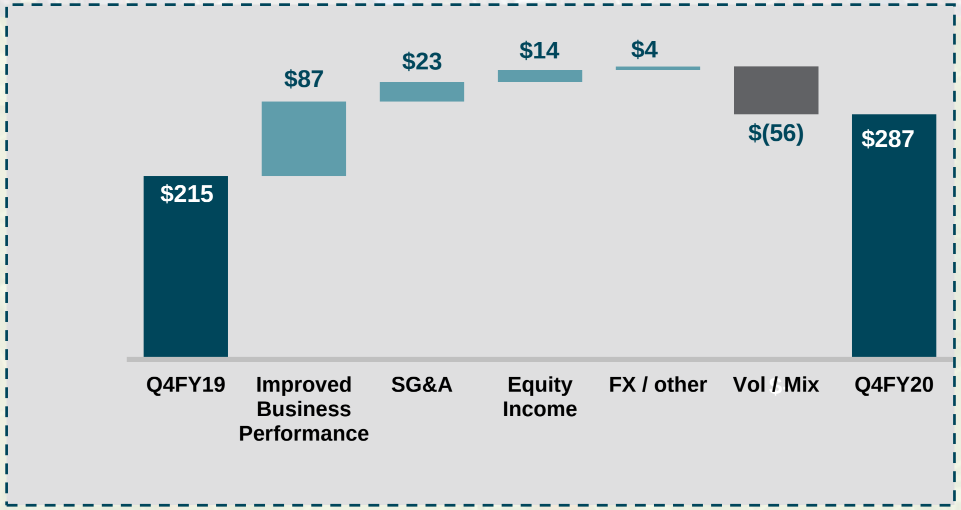
**unconsolidated**

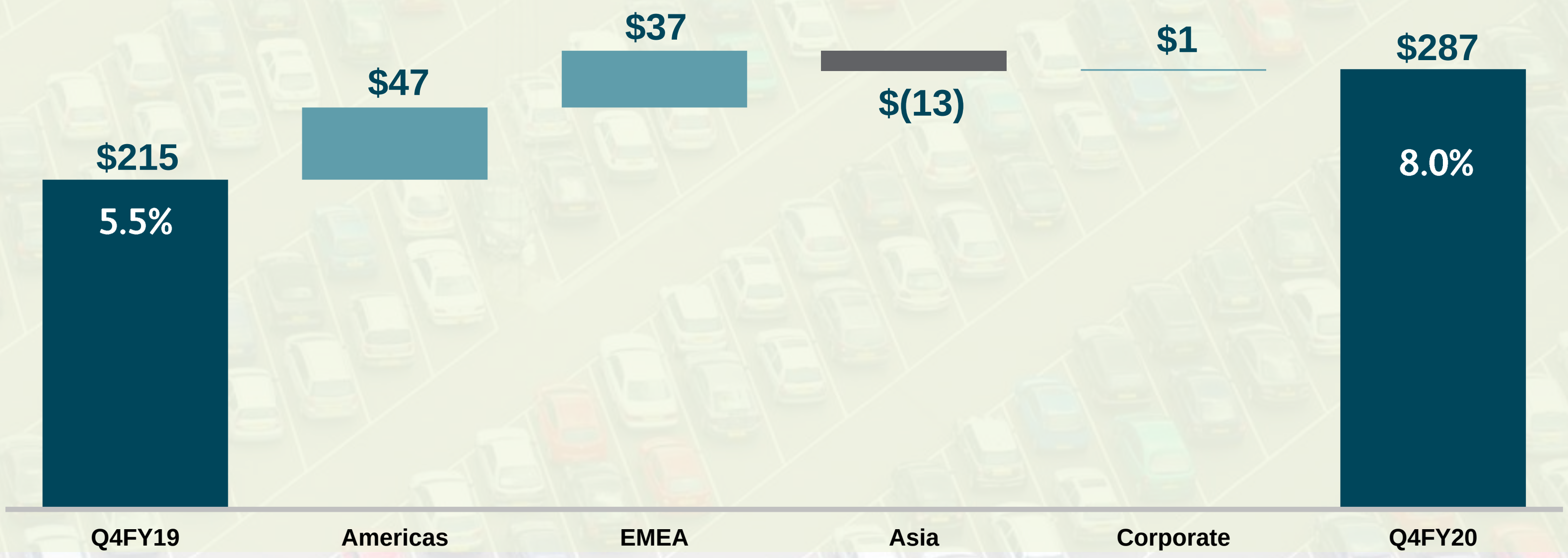
- China unconsolidated seating up 18% y-o-y (ex. FX), versus production up 11%
  - Adient's favorable exposure to premium OEMs and Japanese OEMs in China driving outperformance vs the market
  - China sales progressing in a positive direction
- Outside of China, unconsolidated sales are relatively in line with production

# Q4 FY20 Adjusted-EBITDA

- Q4FY20 Adj.-EBITDA of $287M, up $72M y-o-y. Primary drivers of the y-o-y performance included:
  - Improved business performance (labor & overhead, freight, lower launch and ops waste)
  - Lower SG&A costs primarily driven by improved performance, and divestiture / deconsolidation of certain non-core businesses (RECARO and Adient Aerospace)
- The positive benefits were partially offset by the impact of lower volumes & mix across Americas, EMEA, and Asia, and the absence of Interiors equity income resulting from the YFAI divestiture (Q4FY19 contained $14M of Interiors equity income)

$ in millions




Note: Corporate includes central costs that are not allocated back to the operations, currently including executive offices, communications, finance, corporate development, and legal

# Cash flow & total liquidity

## Free Cash Flow (1)

| (in $ millions) | FY20 Q4 FY20 | FY20 YTD | FY19 Q4 FY19 | FY19 YTD |
|---|---|---|---|---|
| Adjusted-EBITDA | $ 287 | $ 673 | $ 215 | $ 787 |
| (+/-) Net Equity in Earnings | (61) | 12 | (53) | (68) |
| (-) Restructuring | (23) | (93) | (19) | (132) |
| (+/-) Net Customer Tooling | 4 | 18 | 30 | 73 |
| (+/-) Trade Working Capital (Net AR/AP + Inventory) | 204 | (180) | (89) | (176) |
| (+/-) Accrued Compensation | 28 | (14) | (31) | 17 |
| (-) Interest paid | (59) | (207) | (55) | (137) |
| (-) Taxes paid | (19) | (98) | (14) | (102) |
| (+/-) Other | 157 | 135 | 18 | 46 |
| **Operating Cash flow** | $ 518 | $ 246 | $ 2 | $ 308 |
| (-) CapEx (2) | (68) | (326) | (118) | (468) |
| **Free Cash flow** | $ 450 | $ (80) | $ (116) | $ (160) |

1 – Free cash flow defined as operating cash flow less CapEx
2 - CapEx by segment for the quarter: Americas $27M, EMEA $34M, Asia $7M

## Cash & liquidity position

- Total liquidity of ~$2.5B at Sept. 30, 2020, comprised of cash on hand of $1,692M and $787M of undrawn capacity under the revolving line of credit
- Q4's cash balance includes ~$500M in proceeds from previously announced strategic transactions that closed during the quarter as well as ~$100M of cash used to voluntarily paydown a portion of Adient's debt

# Debt and capital structure

**Net Debt**

| (in $ millions) | September 30 2020 | September 30 2019 |
|---|---|---|
| Cash | $ 1,692 | $ 924 |
| Total Debt | 4,307 | 3,738 |
| Net Debt | $ 2,615 | $ 2,814 |

- Debt repayment is a priority in Adient's near-term capital allocation plans
- Adient began to voluntarily paydown a portion of its outstanding debt during Q4 ($103.5M in principal of Adient's 10-year 4.875 % senior unsecured notes were repurchased through Sept. 30, 2020, using $99.8M of cash)
- Significant opportunity exists for additional debt paydown in FY21

| *($ in millions)* Cash & Debt Profile | 9/30/2020 Amount |
|---|---|
| Cash & Cash Equivalents | $1,692 |
| ABL Revolver, incl. FILO due 2024 (1) | 0 |
| Term Loan B due 2024 | 790 |
| 9.00% Secured Notes due 2025 | 600 |
| 7.00% Secured Notes due 2026 | 800 |
| **Total Secured Debt** | **$2,190** |
| European Investment Bank Loan | 194 |
| 3.500% Notes (€1,000mm) due 2024 | 1,173 |
| 4.875% Notes due 2026 | 797 |
| Other Bank Borrowings | 8 |
| Deferred issuance costs | (55) |
| **Total Debt** | **$4,307** |

(1) Subject to ABL borrowing base availability. As of Sep 30, 2020, there were no draws outstanding and approximately $787 million was available under the ABL Credit Agreement.

FY2021

# Financial Outlook

# FY21 Outlook Summary

- Adient enters FY21 with positive momentum
- Continued improvement in the company's business performance is expected, underpinned by specific focus areas – primarily launch management, operational & cost improvement and customer profitability management
  - The trend of improved performance for the metals business is expected to be a key driver in earnings and margins growth in Americas and EMEA; on target to be FCF neutral exiting FY21
- Although vehicle production schedules have remained robust entering FY21, Adient assumes second half FY21 production will decline vs. first half production levels
- Adient consolidated sales expected to outpace global production; NA FY21 sales adversely impacted by Tesla insourcing and lower Nissan volumes
- Adient's "self-help" initiatives, combined with an expected increase in global vehicle production, provides an encouraging backdrop entering FY21

## Key assumptions

### Production

* Based on October IHS estimates

| (units in millions) | FY20 Actual | FY21 IHS FCST | y-o-y Δ | ADNT sales fcst. |
|---|---|---|---|---|
| **N. America** | 13.0 | 15.9 | 22% | 18% |
| **Europe** | 16.4 | 18.9 | 15% | 22% |
| **China** Note: PC only | 19.0 | 20.2 | 7% | 9%* |
| *Memo: Global* | *72.3* | *82.4* | *14%* | *17%* |

* Including unconsolidated sales forecast

### FX

| Key currencies | FY20 Average | FY21 Fcst | y-o-y Δ |
|---|---|---|---|
| **Euro** | €.89/ $ | € .85/ $ | 4% |
| **Chinese RMB** | ¥7.01/ $ | ¥6.81/ $ | 3% |

# FY21 Outlook – consolidated sales

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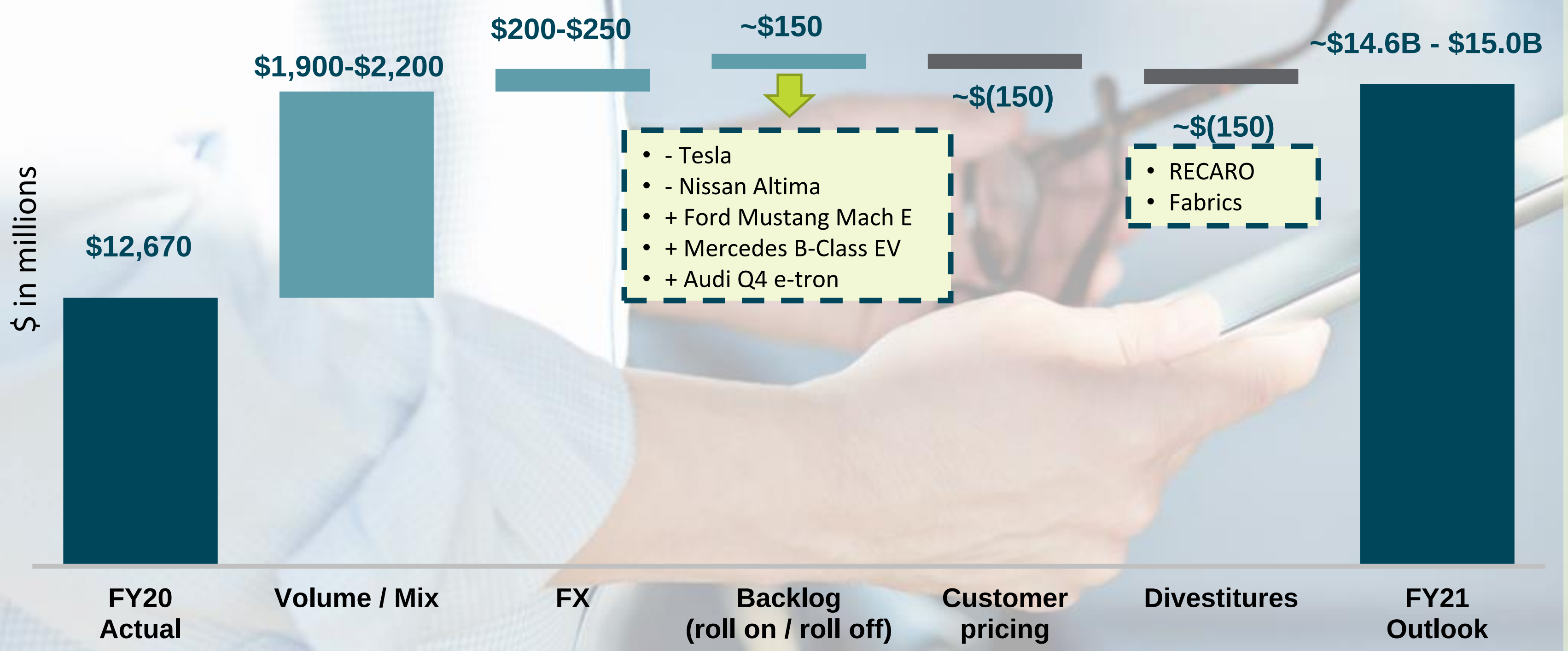


## Key takeaways:

- FY21 consolidated sales are expected to range between \$14.6B and \$15.0B, up ~17% y-o-y (global production up 14%)
  - Up ~18% excl. impact of portfolio adjustments in FY20
- Primary drivers of the y-o-y increase include:
  - Higher industry volumes in NA, Europe and China
  - Positive impact of foreign exchange
  - Net new business growth
- Partially offsetting the positive factors are the negative impact of portfolio adjustments completed in FY20 and customer pricing headwinds

# FY21 Outlook – adjusted EBITDA

Improved earnings expected in FY21 – driven by the combination of "self-help" initiatives and increased volumes

**$673M**

- Includes adj. equity income of $265M (including $17M related to YFAI)
- Consolidated adj. EBITDA of $408M
- (3.2% margin)

**FY20**

**Positive influences**

~$530M*

### Expected positive influences

- Volume & mix
- Operational / cost improvements
- SG&A savings
- Commercial / customer profitability actions

**Expected headwinds**

~$(150)M*

### Expected headwinds

- Material economics (primarily chemicals and steel)
- Launch costs
- Roll-off / portfolio adjustments
- Equity income (no interiors equity income)
- Non-recurring benefits achieved in FY20 (temp cost reductions)

**~$1,000M - $1,100M**

- Includes adj. equity income of $250M
- Consolidated adj. EBITDA of $800M at mid-point
- (5.4% margin at mid-point of revenue guide)

**FY21 est.**

*Assumes mid-point of outlook range

# FY21 Outlook – key financial metrics

| | FY21 Fcst | FY20 Actual | FY21 B/(W) FY20 [1] |
|---|---|---|---|
| Consolidated sales | ~ $14.6B – $15.0B | $12.7B | ~$2.1B |
| Adj.-EBITDA | ~ $1,000 – $1,100M | $673M | ~$380M |
| Equity income [2] (incl. in Adj. EBITDA) | ~ $250M | $248M | ~ flat |
| Interest expense | ~ $235M | $223M | ~ $(10)M |
| Cash tax | ~ $85M | $98M | ~ $13M |
| CapEx | ~ $320 - $340M | $326M | ~ flat |
| Free cash flow (operating cash flow less CapEx) | ~ $0M - $100M | $(80)M | ~ $130M |

**Key takeaways [1]:**

- Consolidated sales growth expected to outpace global vehicle production by ~300 bps (~ 400 bps adjusting for FY20 portfolio changes)
- Adj. EBITDA growth (excl. equity income) ~$390M; margin on same basis increasing to ~5.4 % vs. 3.2 % in FY20
- FY21 FCF improving despite ~$200M in cash restructuring (~2x "normal" run rate and ~$60M of non-income tax payments deferred from FY20 into FY21

~$160M - $260M excl. special items impacting FY21 (e.g. elevated restructuring and deferred tax payments)

Reconciliations of non-GAAP measures related to FY2020 guidance have not been provided due to the unreasonable efforts it would take to provide such reconciliations
1 / B/(W) and key takeaway comments calculated based on the FY21 Fcst mid-point where applicable
2 / FY20 equity income excludes $17M equity income related to YFAI

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FY 2020
Fourth Quarter

# Appendix and financial reconciliations

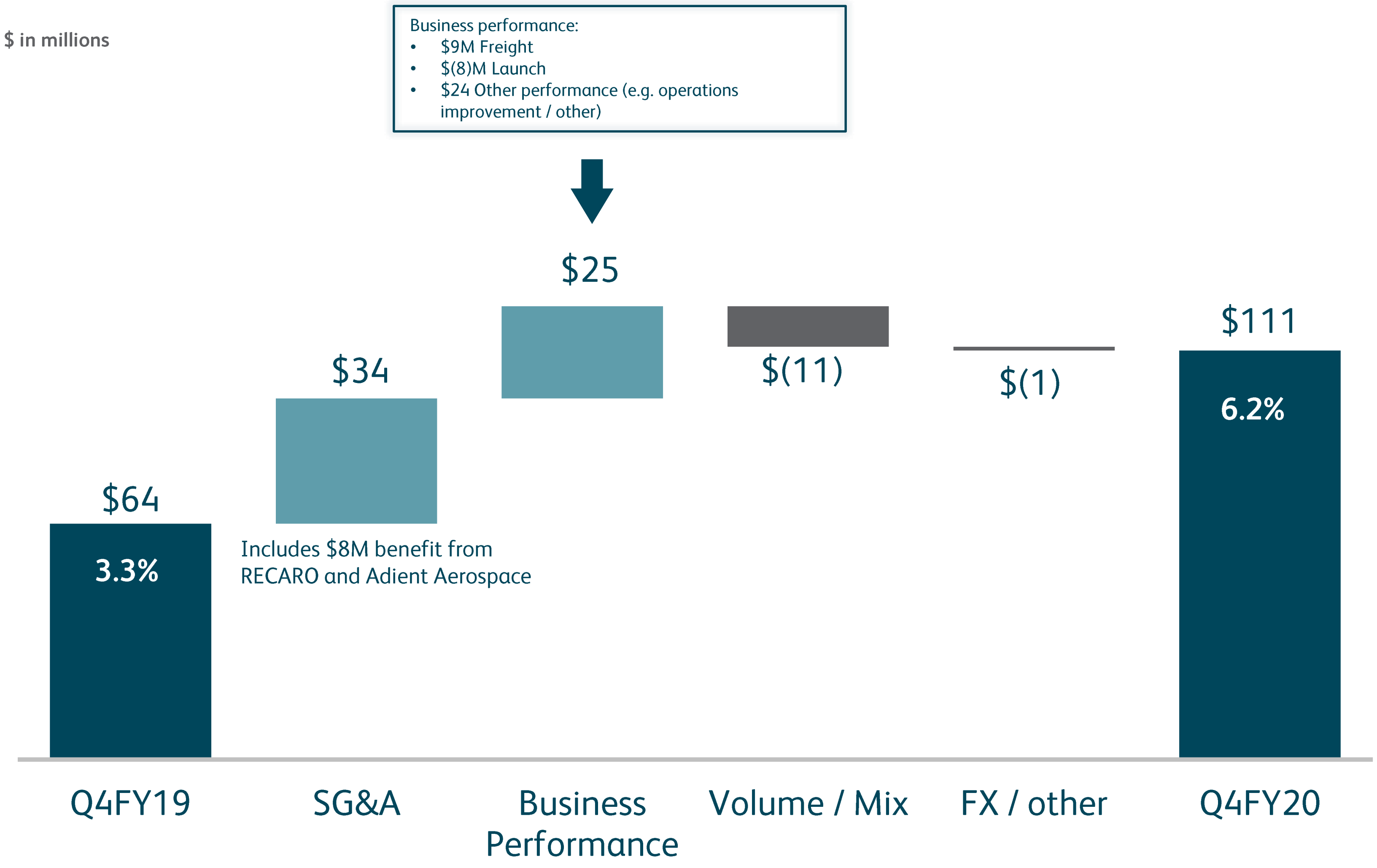
# Q4 FY20 Adjusted-EBITDA: Americas

Q4FY20 Adj. EBITDA of $111M, up $47M y-o-y. Primary drivers of the y-o-y performance included:

- A $34M improvement in SG&A, primarily driven by a reduction in net engineering, increased efficiencies, the deconsolidation of Adient Aerospace and divestiture of RECARO
- Business performance improvement of $25M including on-going operations improvement and reduced freight costs

Partially offsetting these improvements were:

- A $11M decline attributed to volume/mix
- A $(2)M FX headwind partially offset by minor commodities favorability



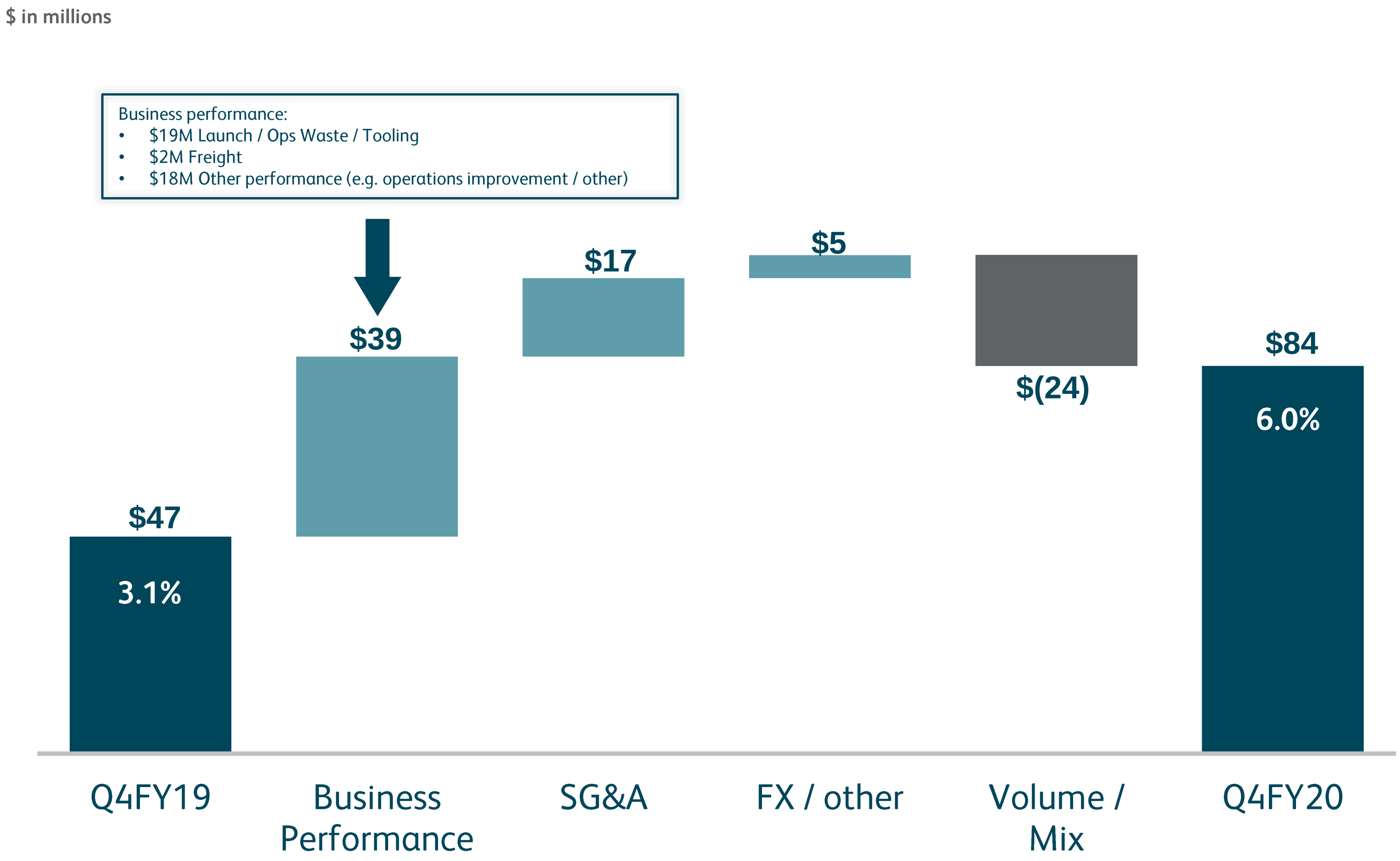
# Q4 FY20 Adjusted-EBITDA: EMEA

Q4FY20 Adj. EBITDA of $84M, up $37M y-o-y. Primary drivers of the y-o-y performance included:

- Business performance improvement of $39M including $21M of launch, ops waste, tooling and freight improvement, and $18M of operations improvement / other.
- A $17M improvement in SG&A, primarily driven by a reduction in net engineering, increased efficiencies, and the divestiture of RECARO
- A $6M improvement in commodity prices

Partially offsetting these improvements were:

- A $24M decline attributed to volume/mix



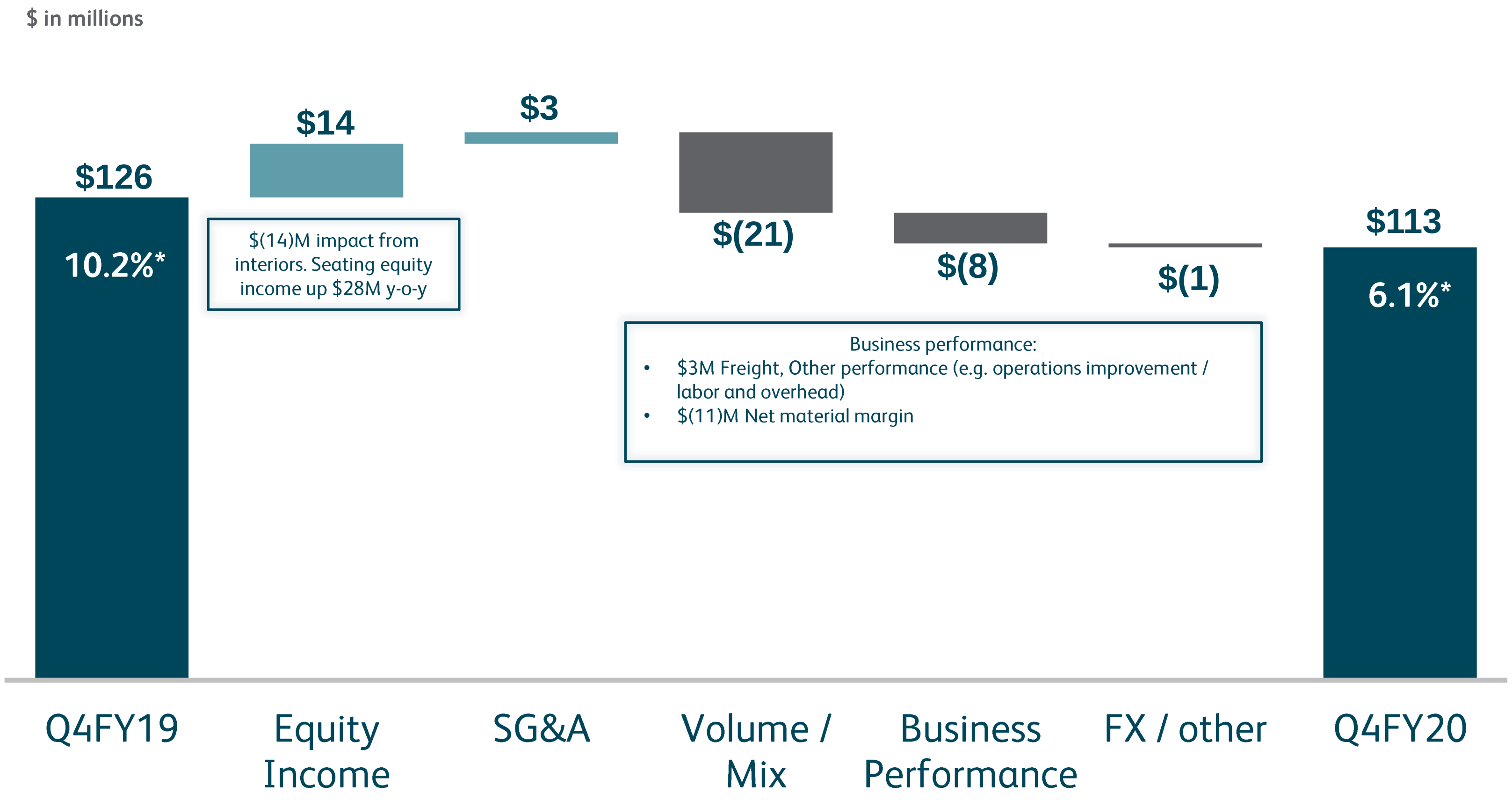
# Q4 FY20 Adjusted-EBITDA: Asia

Q4FY20 Adj. EBITDA of $113M, down $13M y-o-y. Primary drivers of the y-o-y decline included:

- A $21M decline attributed to volume / mix
- An $8M decline in business performance primarily driven by $(11)M in net pricing impacts partially offset by $3M in freight and labor and overhead improvements
- Absence of Interiors equity income resulting from the YFAI divestiture (Q4FY19 contained $14M of Interiors equity income)

Seating equity income increased $28M (excl. FX) compared to Q4FY19

Strong China seating margin performance up 100 bps y-o-y




* Excluding equity income. Including equity income, margins of 22.6% and 24.6% for Q4 FY19 and Q4 FY20, respectively

# Non-GAAP financial measurements

- Adjusted EBIT, Adjusted EBIT margin, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net income attributable to Adient, Adjusted effective tax rate, Adjusted earnings per share, Adjusted equity income, Free cash flow, Net debt and Net leverage as well as other measures presented on an adjusted basis are not recognized terms under U.S. GAAP and do not purport to be alternatives to the most comparable U.S. 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 EBIT, Adjusted EBIT margin, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net income attributable to Adient, Adjusted effective tax rate, Adjusted earnings per share, Adjusted equity income, Free cash flow, Net debt and Net leverage are measures used by management to evaluate the operating performance of the company and its business segments to forecast future periods.
  - Adjusted EBIT is defined as income before income taxes and noncontrolling interests excluding net financing charges, restructuring, impairment and related costs, purchase accounting amortization, transaction gains/losses,, other significant non-recurring items, and net mark-to-market adjustments on pension and postretirement plans. Adjusted EBIT margin is adjusted EBIT as a percentage of net sales.
  - Adjusted EBITDA is defined as adjusted EBIT excluding depreciation and stock based compensation.  Certain corporate-related costs are not allocated to the business segments in determining Adjusted EBITDA. Adjusted EBITDA margin is adjusted EBITDA as a percentage of net sales.
  - Adjusted net income attributable to Adient is defined as net income attributable to Adient excluding restructuring, impairment and related costs, purchase accounting amortization, transaction gains/losses, expenses associated with becoming an independent company, other significant non-recurring items, net mark-to-market adjustments on pension and postretirement plans, the tax impact of these items and other discrete tax charges/benefits.
  - Adjusted effective tax rate is defined as adjusted income tax provision as a percentage of adjusted income before income taxes.
  - Adjusted earnings per share is defined as Adjusted net income attributable to Adient divided by diluted weighted average shares.
  - Adjusted equity income is defined as equity income excluding amortization of Adient's intangible assets related to its non-consolidated joint ventures and other unusual or one-time items impacting equity income.
  - Free cash flow is defined as cash from operating activities less capital expenditures.
  - Net debt is calculated as gross debt less cash and cash equivalents.
  - 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

# Non-GAAP reconciliations - EBIT, Adjusted EBIT, Adjusted EBITDA

ADIENT

| (in $ millions) | Three months ended September 30 | | | | | | Twelve months ended September 30 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | | 2020 | | | 2019 | | |
| | GAAP | Adj. | Adjusted | GAAP | Adj. | Adjusted | GAAP | Adj. | Adjusted | GAAP | Adj. | Adjusted |
| Net sales | $ 3,597 | $ - | $ 3,597 | $ 3,921 | $ - | $ 3,921 | $ 12,670 | $ - | $ 12,670 | $ 16,526 | $ - | $ 16,526 |
| Cost of sales [1] | 3,352 | (4) | 3,348 | 3,708 | (4) | 3,704 | 12,078 | (10) | 12,068 | 15,725 | (33) | 15,692 |
| Gross profit | 245 | 4 | 249 | 213 | 4 | 217 | 592 | 10 | 602 | 801 | 33 | 834 |
| Selling, general and administrative expenses [2] | 151 | (13) | 138 | 160 | (7) | 153 | 558 | (54) | 504 | 671 | (40) | 631 |
| (Gain) loss on business divestitures - net [3] | (12) | 12 | - | - | - | - | 13 | (13) | - | - | - | - |
| Restructuring and impairment costs [4] | 135 | (135) | - | 17 | (17) | - | 238 | (238) | - | 176 | (176) | - |
| Equity income (loss) [5] | 79 | 9 | 88 | 66 | 8 | 74 | 22 | 243 | 265 | 275 | 11 | 286 |
| Earnings (loss) before interest and income taxes (EBIT) | $ 50 | $ 149 | $ 199 | $ 102 | $ 36 | $ 138 | $ (195) | $ 558 | $ 363 | $ 229 | $ 260 | $ 489 |
| *Ebit margin:* | *1.39%* | | *5.53%* | *2.60%* | | *3.52%* | *NM* | | *2.87%* | *1.39%* | | *2.96%* |
| *Ebit margin excluding Equity Income:* | *NM* | | *3.09%* | *0.92%* | | *1.63%* | *NM* | | *0.77%* | *NM* | | *1.23%* |
| *NM = Not Meaningful* | | | | | | | | | | | | |
| Memo accounts: | | | | | | | | | | | | |
| Depreciation | | | 81 | | | 73 | | | 295 | | | 278 |
| Stock based compensation costs | | | 7 | | | 4 | | | 15 | | | 20 |
| Adjusted EBITDA | | | $ 287 | | | $ 215 | | | $ 673 | | | $ 787 |
| *Adjusted EBITDA margin:* | | | *7.98%* | | | *5.48%* | | | *5.31%* | | | *4.76%* |
| *Adjusted EBITDA margin excluding Equity Income:* | | | *5.53%* | | | *3.60%* | | | *3.22%* | | | *3.03%* |

| | Three months ended September 30 | | Twelve months ended September 30 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Purchase accounting amortization | $ (1) | $ (2) | $ (1) | $ (5) |
| Restructuring related charges | (3) | (1) | (9) | (24) |
| Futuris integration | - | (1) | - | (4) |
| **[1] Cost of sales adjustment** | **$ (4)** | **$ (4)** | **$ (10)** | **$ (33)** |
| Purchase accounting amortization | $ (9) | $ (7) | $ (36) | $ (35) |
| Restructuring related charges | - | - | (3) | (2) |
| Transaction costs | (4) | - | (15) | (3) |
| **[2] Selling, general and administrative adjustment** | **$ (13)** | **$ (7)** | **$ (54)** | **$ (40)** |
| Adient Aerospace deconsolidation | $ - | $ - | $ 4 | $ - |
| Sale of RECARO business | - | - | 21 | - |
| Completion of Yanfeng transaction | (12) | - | (12) | - |
| **[3] (Gain) loss on business divestitures - net** | **$ (12)** | **$ -** | **$ 13** | **$ -** |
| Restructuring charges | $ 109 | $ 5 | $ 185 | $ 92 |
| Long-lived asset impairment - SS&M | - | - | - | 66 |
| Held for sale and other asset adjustments | 26 | 12 | 26 | 18 |
| Futuris China intangible assets impairment | - | - | 27 | - |
| **[4] Restructuring and impairment costs** | **$ 135** | **$ 17** | **$ 238** | **$ 176** |
| Purchase accounting amortization | $ - | $ 3 | $ 3 | $ 4 |
| Restructuring related charges | - | 3 | 8 | 5 |
| Impairment of YFAI investment (part of Yanfeng transaction) | 9 | - | 231 | - |
| Tax adjustments at YFAI | - | 2 | 1 | 2 |
| **[5] Equity income adjustment** | **$ 9** | **$ 8** | **$ 243** | **$ 11** |

# Non-GAAP reconciliations - Adjusted Net Income

**Adjusted Net Income**

| (in $ millions) | Three Months Ended September 30 2020 | Three Months Ended September 30 2019 | Twelve Months Ended September 30 2020 | Twelve Months Ended September 30 2019 |
|---|---|---|---|---|
| Net income (loss) attributable to Adient | $ (36) | $ (4) | $ (547) | $ (491) |
| Restructuring and impairment costs (1) | 135 | 17 | 238 | 176 |
| Purchase accounting amortization (2) | 10 | 12 | 40 | 44 |
| Restructuring related charges (3) | 3 | 4 | 20 | 31 |
| (Gain) loss on business divestitures - net (4) | (12) | - | 13 | - |
| Pension mark-to-market and settlement gain/loss (5) | 21 | 43 | 23 | 49 |
| Impairment of YFAI investment (6) | 9 | - | 231 | - |
| Gain on partial extinguishment of long-term debt (7) | (3) | - | (3) | 13 |
| Other items (8) | 4 | 3 | 16 | 9 |
| Impact of adjustments on noncontrolling interests (9) | (3) | (1) | (8) | (3) |
| Tax impact of above adjustments and other tax items (10) | (19) | (15) | (27) | 325 |
| Adjusted net income (loss) attributable to Adient | $ 109 | $ 59 | $ (4) | $ 153 |

| | Three Months Ended September 30 2020 | Three Months Ended September 30 2019 | Twelve Months Ended September 30 2020 | Twelve Months Ended September 30 2019 |
|---|---|---|---|---|
| Restructuring charges | $ 109 | $ 5 | $ 185 | $ 92 |
| Long-lived asset impairment - SS&M | - | - | - | 66 |
| Held for sale and other asset adjustments | 26 | 12 | 26 | 18 |
| Futuris China intangible assets impairment | - | - | 27 | - |
| **[1] Restructuring and impairment costs** | $ 135 | $ 17 | $ 238 | $ 176 |

[2] Reflects amortization of intangible assets including those related to partially owned affiliates recorded within equity income.

[3] Reflects non-qualified restructuring charges for costs that are directly attributable to restructuring activities, but do not meet the definition of restructuring under ASC 420 along with restructuring costs at partially owned affiliates recorded within equity income.

| | Three Months Ended September 30 2020 | Three Months Ended September 30 2019 | Twelve Months Ended September 30 2020 | Twelve Months Ended September 30 2019 |
|---|---|---|---|---|
| Adient Aerospace deconsolidation | $ - | $ - | $ 4 | $ - |
| Sale of RECARO business | - | - | 21 | - |
| Completion of Yanfeng transaction | (12) | - | (12) | - |
| **[4] (Gain) loss on business divestitures - net** | $ (12) | $ - | $ 13 | $ - |
| Mark-to-market adjustments | $ (22) | $ (43) | $ (22) | $ (49) |
| One-time settlement and curtailment gain (loss) | 1 | - | (1) | - |
| **[5] Pension mark-to-market and settlement gain/loss** | $ (21) | $ (43) | $ (23) | $ (49) |

[6] Reflects impairment of YFAI investment as part of Yanfeng transaction

**Adjusted Diluted EPS**

| | Three Months Ended September 30 2020 | Three Months Ended September 30 2019 | Twelve Months Ended September 30 2020 | Twelve Months Ended September 30 2019 |
|---|---|---|---|---|
| Net income (loss) attributable to Adient | $ (0.38) | $ (0.04) | $ (5.83) | $ (5.25) |
| Restructuring and impairment costs (1) | 1.43 | 0.18 | 2.54 | 1.87 |
| Purchase accounting amortization (2) | 0.11 | 0.13 | 0.43 | 0.47 |
| Restructuring related charges (3) | 0.03 | 0.04 | 0.21 | 0.33 |
| (Gain) loss on business divestitures - net (4) | (0.13) | - | 0.14 | - |
| Pension mark-to-market and settlement gain/loss (5) | 0.22 | 0.46 | 0.25 | 0.52 |
| Impairment of YFAI investment (6) | 0.10 | - | 2.46 | - |
| Gain on partial extinguishment of long-term debt (7) | (0.03) | - | (0.03) | 0.14 |
| Other items (8) | 0.04 | 0.03 | 0.17 | 0.11 |
| Impact of adjustments on noncontrolling interests (9) | (0.03) | (0.01) | (0.09) | (0.03) |
| Tax impact of above adjustments and other tax items (10) | (0.21) | (0.16) | (0.29) | 3.47 |
| Adjusted diluted earnings (loss) per share | $ 1.15 | $ 0.63 | $ (0.04) | $ 1.63 |

| | Three Months Ended September 30 2020 | Three Months Ended September 30 2019 | Twelve Months Ended September 30 2020 | Twelve Months Ended September 30 2019 |
|---|---|---|---|---|
| Write off of deferred financing charges upon debt renewal | $ - | $ - | $ - | $ (13) |
| Gain on partial extinguishment of long-term debt | 3 | - | 3 | - |
| **[7] Gain on partial extinguishment of long-term debt** | $ 3 | $ - | $ 3 | $ (13) |
| Transaction costs | $ (4) | $ - | $ (15) | $ (3) |
| Futuris integration | - | (1) | - | (4) |
| Tax adjustments at YFAI | - | (2) | (1) | (2) |
| **[8] Other items** | $ (4) | $ (3) | $ (16) | $ (9) |

[9] Reflects the impacts of adjustments, primarily purchase accounting amortization and changes in income tax rates, on noncontrolling interests.

| | Three Months Ended September 30 2020 | Three Months Ended September 30 2019 | Twelve Months Ended September 30 2020 | Twelve Months Ended September 30 2019 |
|---|---|---|---|---|
| Tax rate change | $ - | $ 8 | $ 1 | $ 5 |
| Valuation allowances | (5) | 3 | (5) | (297) |
| Increase to the effective tax rate resulting from valuation allowan | - | - | - | (50) |
| Sale of fabrics business | 3 | - | 3 | - |
| Yanfeng transaction including YFAI investment impairment | 12 | - | 16 | - |
| SS&M long-lived asset impairment | - | - | - | 4 |
| Benefits associated with restructuring and impairment charges | 2 | - | 7 | - |
| Other reconciling items | 7 | 4 | 5 | 13 |
| **[10] Tax impact of above adjustments and other tax items** | $ 19 | $ 15 | $ 27 | $ (325) |

# Non-GAAP reconciliations – Adjusted Financing Charges, Adjusted Income before Income Taxes and Effective Tax Rate

**Financing Charges**

| (in $ millions) | Three Months Ended September 30 2020 | Three Months Ended September 30 2019 | Twelve Months Ended September 30 2020 | Twelve Months Ended September 30 2019 |
|---|---|---|---|---|
| Net financing charges as reported | $ 64 | $ 47 | $ 220 | $ 182 |
| Write off of deferred financing charges upon debt renewal | - | - | - | (13) |
| Gain on partial extinguishment of long-term debt | 3 | - | 3 | - |
| Adjusted net financing charge | $ 67 | $ 47 | $ 223 | $ 169 |

**Adjusted Income before Income Taxes**

| (in $ millions) | Three Months Ended September 30 2020 Income (loss) before Income Taxes | 2020 Tax impact | 2020 Effective tax rate | 2019 Income (loss) before Income Taxes | 2019 Tax impact | 2019 Effective tax rate | Twelve Months Ended September 30 2020 Income before Income Taxes | 2020 Tax impact | 2020 Effective tax rate | 2019 Income before Income Taxes | 2019 Tax impact | 2019 Effective tax rate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| As reported | $ (33) | $ (18) | 54.5% | $ 13 | $ (2) | -15.4% | $ (429) | $ 57 | -13.3% | $ 2 | $ 410 | * |
| Adjustments [1] | 167 | 19 | 11.4% | 79 | 15 | 19.0% | 578 | 27 | 4.7% | 322 | (325) | * |
| As adjusted | $ 134 | $ 1 | 0.7% | $ 92 | $ 13 | 14.1% | $ 149 | $ 84 | 56.4% | $ 324 | $ 85 | 26.2% |
| Tax rate change | | $ - | | | $ 8 | | | $ 1 | | | $ 5 | |
| Valuation allowances | | (5) | | | 3 | | | (5) | | | (297) | |
| Increase to the effective tax rate resulting from valuation allowances | | - | | | - | | | - | | | (50) | |
| Sale of fabrics business | | 3 | | | - | | | 3 | | | - | |
| Yanfeng transaction including YFAI investment impairment | | 12 | | | - | | | 16 | | | - | |
| SS&M long-lived asset impairment | | - | | | - | | | - | | | 4 | |
| Benefits associated with restructuring and impairment charges | | 2 | | | - | | | 7 | | | - | |
| Other reconciling items | | 7 | | | 4 | | | 5 | | | 13 | |
| [1] **Income tax provision (benefit) adjustment** | | $ 19 | | | $ 15 | | | $ 27 | | | $ (325) | |

# Segment Performance

ADIENT

(in $ millions)

| | Q1 2019 | | | | | Q1 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Americas | EMEA | Asia | Corporate / Recon Items | Consolidated | Americas | EMEA | Asia | Corporate / Recon Items | Consolidated |
| Net sales | $ 1,935 | $ 1,640 | $ 650 | $ (67) | $ 4,158 | $ 1,859 | $ 1,564 | $ 572 | $ (59) | $ 3,936 |
| Adjusted EBITDA | 43 | 2 | 154 | (23) | 176 | 94 | 49 | 177 | (23) | 297 |
| Adjusted EBITDA margin | 2.2% | 0.1% | 23.7% | N/A | 4.2% | 5.1% | 3.1% | 30.9% | N/A | 7.5% |
| Adjusted Equity Income | 1 | 2 | 80 | - | 83 | - | 3 | 105 | - | 108 |
| Depreciation | 24 | 29 | 12 | - | 65 | 32 | 32 | 11 | - | 75 |
| Capex | 48 | 84 | 12 | - | 144 | 31 | 53 | 7 | - | 91 |

| | Q2 2019 | | | | | Q2 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Americas | EMEA | Asia | Corporate / Recon Items | Consolidated | Americas | EMEA | Asia | Corporate / Recon Items | Consolidated |
| Net sales | $ 1,915 | $ 1,778 | $ 599 | $ (64) | $ 4,228 | $ 1,641 | $ 1,488 | $ 444 | $ (62) | $ 3,511 |
| Adjusted EBITDA | 34 | 59 | 123 | (25) | 191 | 106 | 62 | 63 | (20) | 211 |
| Adjusted EBITDA margin | 1.8% | 3.3% | 20.5% | N/A | 4.5% | 6.5% | 4.2% | 14.2% | N/A | 6.0% |
| Adjusted Equity Income | - | 3 | 60 | - | 63 | 1 | 3 | 6 | - | 10 |
| Depreciation | 27 | 34 | 11 | - | 72 | 32 | 31 | 9 | - | 72 |
| Capex | 52 | 46 | 10 | - | 108 | 43 | 47 | 4 | - | 94 |

| | Q3 2019 | | | | | Q3 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Americas | EMEA | Asia | Corporate / Recon Items | Consolidated | Americas | EMEA | Asia | Corporate / Recon Items | Consolidated |
| Net sales | $ 2,010 | $ 1,752 | $ 530 | $ (73) | $ 4,219 | $ 593 | $ 698 | $ 346 | $ (11) | $ 1,626 |
| Adjusted EBITDA | 69 | 53 | 110 | (27) | 205 | (83) | (94) | 71 | (16) | (122) |
| Adjusted EBITDA margin | 3.4% | 3.0% | 20.8% | N/A | 4.9% | n/m | n/m | 20.5% | N/A | n/m |
| Adjusted Equity Income | 1 | 4 | 61 | - | 66 | - | (1) | 60 | - | 59 |
| Depreciation | 27 | 31 | 10 | - | 68 | 27 | 31 | 9 | - | 67 |
| Capex | 39 | 51 | 8 | - | 98 | 37 | 30 | 6 | - | 73 |

| | Q4 2019 | | | | | Q4 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Americas | EMEA | Asia | Corporate / Recon Items | Consolidated | Americas | EMEA | Asia | Corporate / Recon Items | Consolidated |
| Net sales | $ 1,925 | $ 1,505 | $ 558 | $ (67) | $ 3,921 | $ 1,796 | $ 1,398 | $ 460 | $ (57) | $ 3,597 |
| Adjusted EBITDA | 64 | 47 | 126 | (22) | 215 | 111 | 84 | 113 | (21) | 287 |
| Adjusted EBITDA margin | 3.3% | 3.1% | 22.6% | N/A | 5.5% | 6.2% | 6.0% | 24.6% | N/A | 8.0% |
| Adjusted Equity Income | 1 | 4 | 69 | - | 74 | - | 3 | 85 | - | 88 |
| Depreciation | 31 | 32 | 10 | - | 73 | 37 | 35 | 9 | - | 81 |
| Capex | 51 | 56 | 11 | - | 118 | 27 | 34 | 7 | - | 68 |

| | Full Year FY19 | | | | | Full Year FY20 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Americas | EMEA | Asia | Corporate / Recon Items | Consolidated | Americas | EMEA | Asia | Corporate / Recon Items | Consolidated |
| Net sales | $ 7,785 | $ 6,675 | $ 2,337 | $ (271) | $ 16,526 | $ 5,889 | $ 5,148 | $ 1,822 | $ (189) | $ 12,670 |
| Adjusted EBITDA | 210 | 161 | 513 | (97) | 787 | 228 | 101 | 424 | (80) | 673 |
| Adjusted EBITDA margin | 2.7% | 2.4% | 22.0% | N/A | 4.8% | 3.9% | 2.0% | 23.3% | N/A | 5.3% |
| Adjusted Equity Income | 3 | 13 | 270 | - | 286 | 1 | 8 | 256 | - | 265 |
| Depreciation | 109 | 126 | 43 | - | 278 | 128 | 129 | 38 | - | 295 |
| Capex | 190 | 237 | 41 | - | 468 | 138 | 164 | 24 | - | 326 |