

D O W L A I S

C A P I T A L M A R K E T S E V E N T

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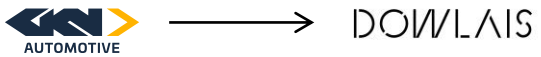
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DOWLAIS



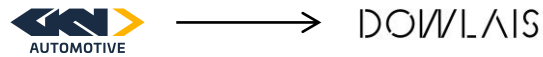
**Liam Butterworth**

**Dowlais CEO**  
(Current CEO, GKN Automotive)



**Roberto Fioroni**

**Dowlais CFO**  
(Current CFO, GKN Automotive)

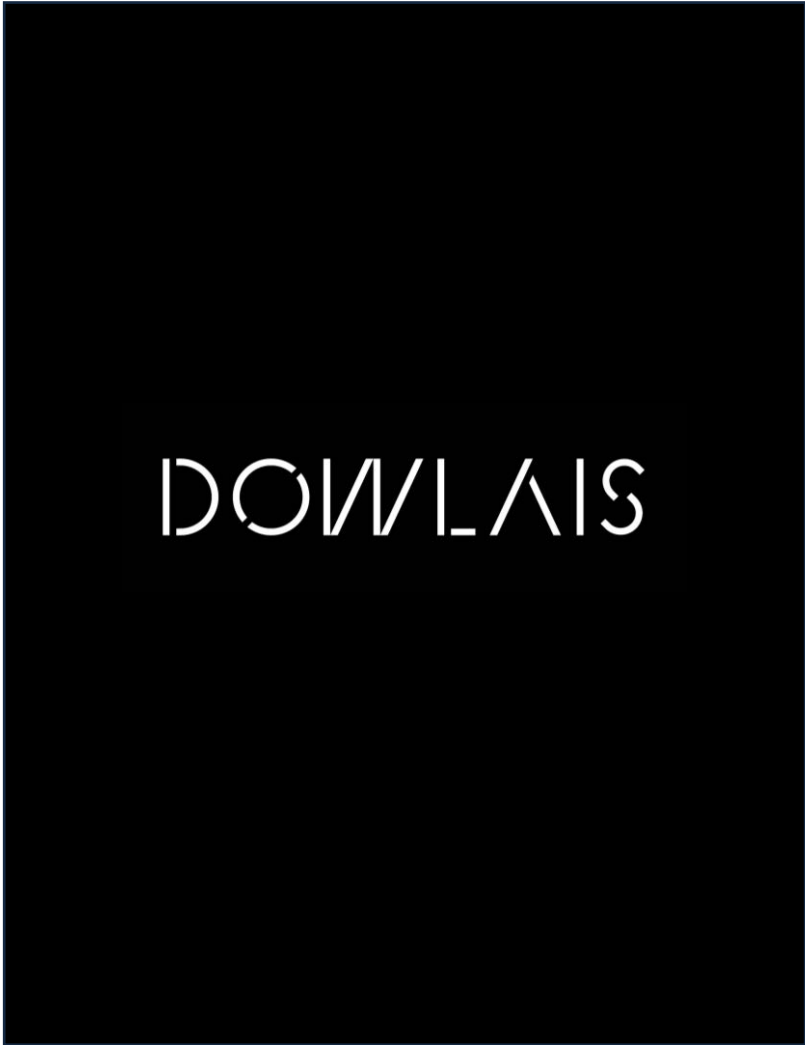


**Diego Laurent**

**CEO**  
GKN Powder Metallurgy



- **Dowlais** Liam Butterworth
- **Business context** Liam Butterworth
- **Divisional overview**
  - GKN Automotive Liam Butterworth, Roberto Fioroni
  - GKN Powder Metallurgy Diego Laurent
  - GKN Hydrogen Diego Laurent
- **Financial framework** Roberto Fioroni
- **Sustainability** Liam Butterworth



Two great businesses with **market leading positions**



Strong **margin trajectory**



Highly attractive **cash conversion**



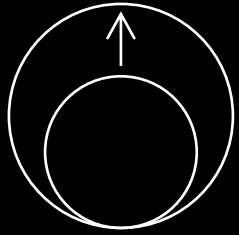
Disciplined approach to **M&A** to drive shareholder value



Experienced and proven **management team**

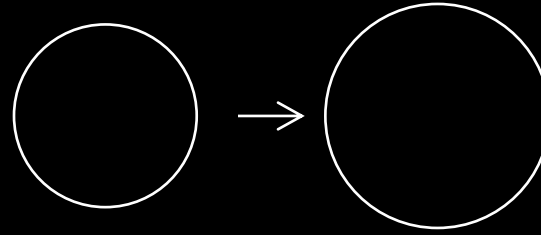


WHY DOWLAIS?



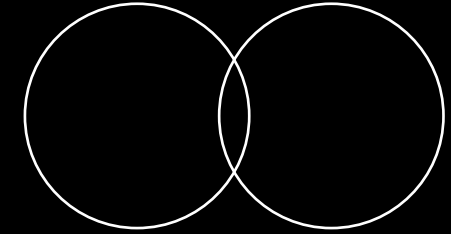
**Margin expansion**

Deliver our operating profit margin targets



**EV transition**

Manage the transition of our portfolios & capture growth from the industry shift to electrification



**M&A**


Disciplined approach to M&A to further drive shareholder value




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 **Agility:**  
Lean central structure with quick, straightforward decision making

---

 **Accountability:**  
Delivering on our commitments and empowering our businesses to perform

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 **Ambition:**  
Stretched goals to realise the full potential of our businesses

# Our Board will have the right blend of experience



**Simon Mackenzie Smith**  
Non-executive Chair



**Liam Butterworth**  
Chief Executive Officer



**Roberto Fioroni**  
Chief Financial Officer



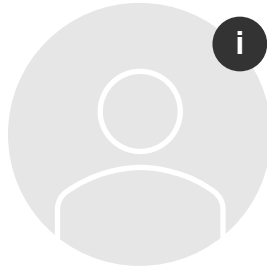
**Simon Peckham**  
Executive Director



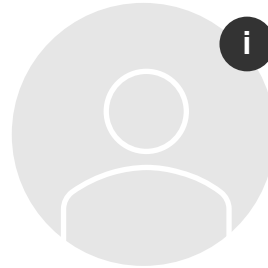
**Geoff Martin**  
Executive Director



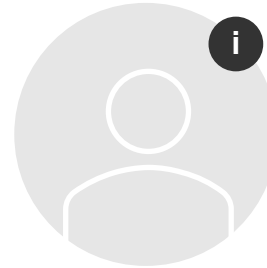
**Celia Baxter**  
SID & Remuneration  
Committee Chair



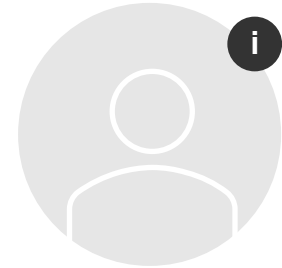
Audit Committee  
Chair




Nomination Committee  
Chair



Non-Executive  
Director



Non-Executive  
Director

 Independent board member

# B U S I N E S S   C O N T E X T

### Commercial

- ➔ Redefined **commercial strategies**
- ➔ Resolved **onerous contracts** representing >£300m of fair value
- ➔ Improved **margin of new business** bookings
- ➔ Developed **portfolio strategy** to accelerate transition to EV

### Costs

- ➔ Overhauled **procurement organisations**
- ➔ **Reduced headcount** by ~4,000 FTE (~13% of 2019 total) from operations and S,G&A
- ➔ **Closed 12 HCC manufacturing facilities**, consolidating majority of volume into existing network
- ➔ Developed processes to **recover unprecedented levels of inflation**

### Cash

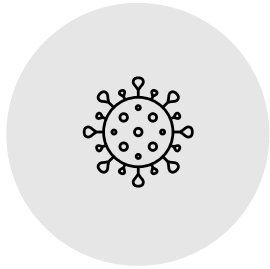
- ➔ **Reduced net working capital** by >£200m (~45% of 2019 total)
- ➔ Generated **£1.8bn pre-CAPEX cashflow** since 2019
- ➔ **Self-funded** significant restructuring, CAPEX & investments
- ➔ Delivered post-CAPEX **cash conversion of 149%**

## Investments

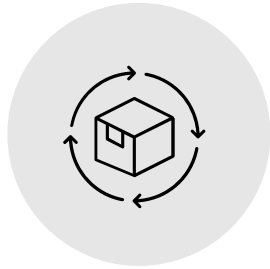
Sustainability

Technology

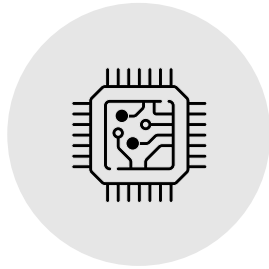
People



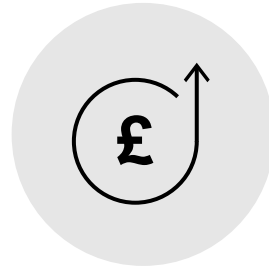
**COVID-19**



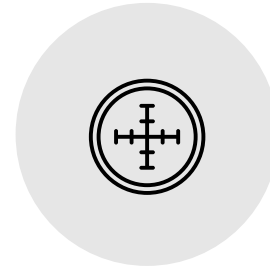
**Freight and supply chain**



**Semi-conductor shortage**



**Inflation**



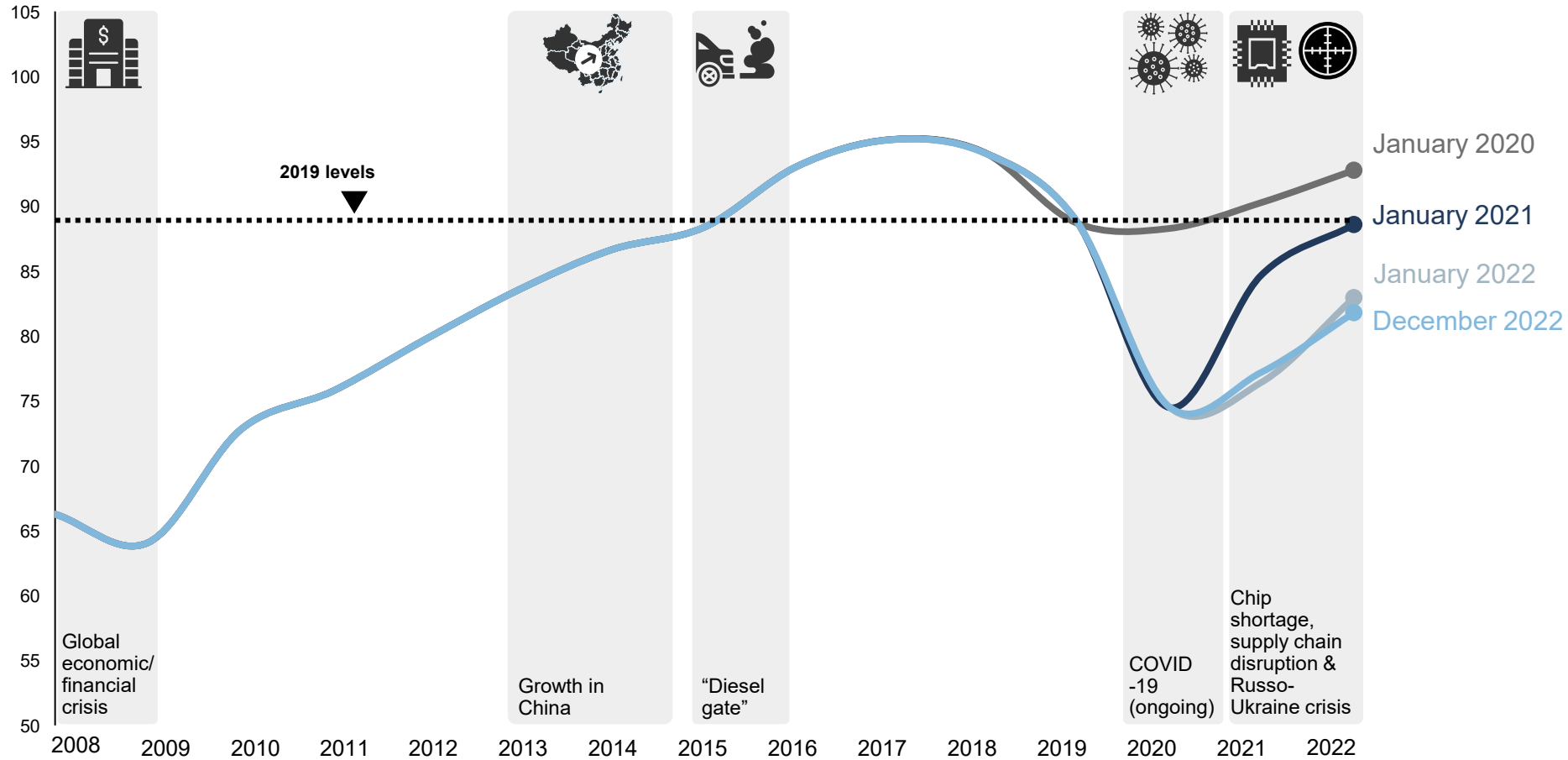
**Russian invasion of Ukraine**

**Supply chain impact**

Significant focus on re-localising supply chains

# Light vehicle production volumes are recovering

Global light vehicle production [m units]



- Pre-COVID-19
- One year into COVID-19
- Semiconductor shortage
- Revised macroeconomic & political outlook
- Global automotive production recovery opportunity of ~8% versus 2019 levels

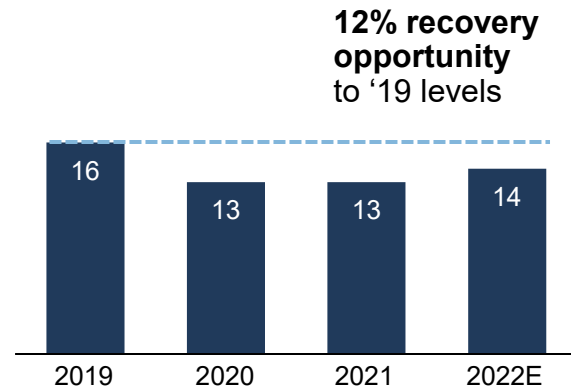
Source: S&P Global Mobility LV production forecasts as at January 2020, January 2021, January 2022, December 2022

# The majority of Dowlais revenues are in regions with recovery opportunity

## Light vehicle production by region (million units)

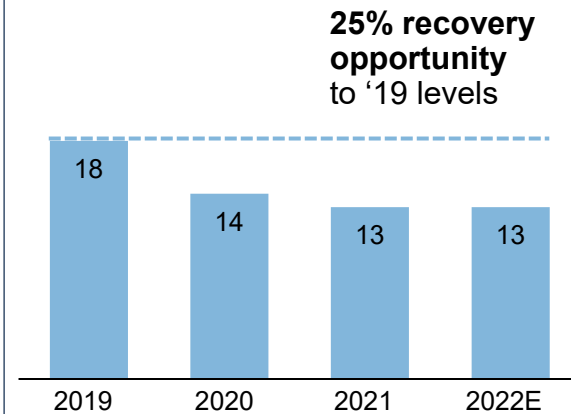
### North America<sup>1</sup>

**33%**  
of revenue 2021



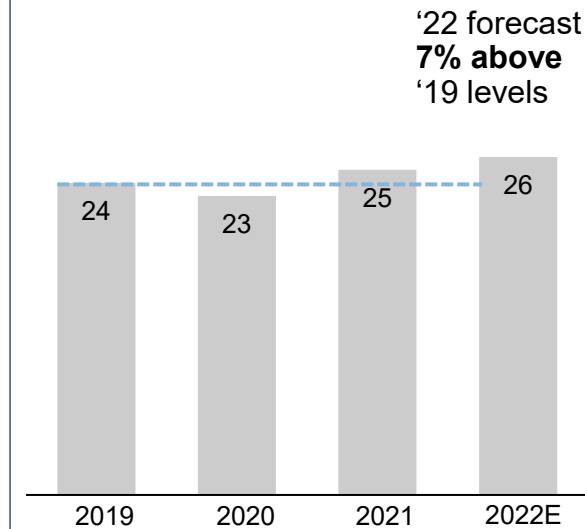
### Europe<sup>2</sup>

**34%**  
of revenue 2021



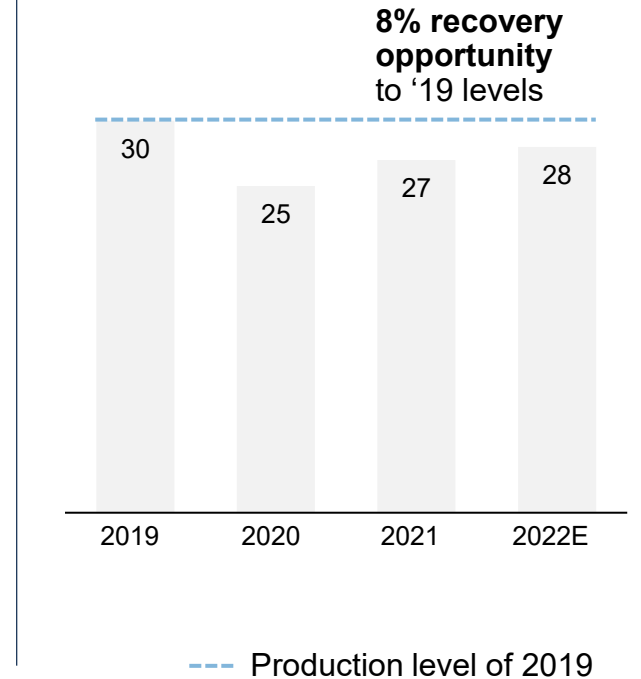
### China<sup>3</sup>

**16%**  
of revenue 2021



### RoW

**17%**  
of revenue 2021



<sup>1</sup> USA, Mexico and Canada; <sup>2</sup> EU27 plus UK, Norway, and Switzerland; <sup>3</sup> China revenue from joint ventures at JV share  
Source: S&P Global Mobility December 2022 LV production forecast



## Connectivity

Intelligent communication inside and outside the car



## Autonomous driving

To improve safety, cost & efficiency



## Shared mobility

Evolving ownership models as customer preferences change



## Electrification

Hybrid or electric powertrains, batteries, and actuation



## Government targets



**40% of all vehicles sold to be EVs**



**50% of all new vehicles sold to be zero emissions**



**No new ICE vehicles**



**ZEVD<sup>1</sup> signatories:  
Only zero-emission vehicles**

2030

2033

2035

2040

## OEM targets for becoming all-electric



in Europe



in Europe



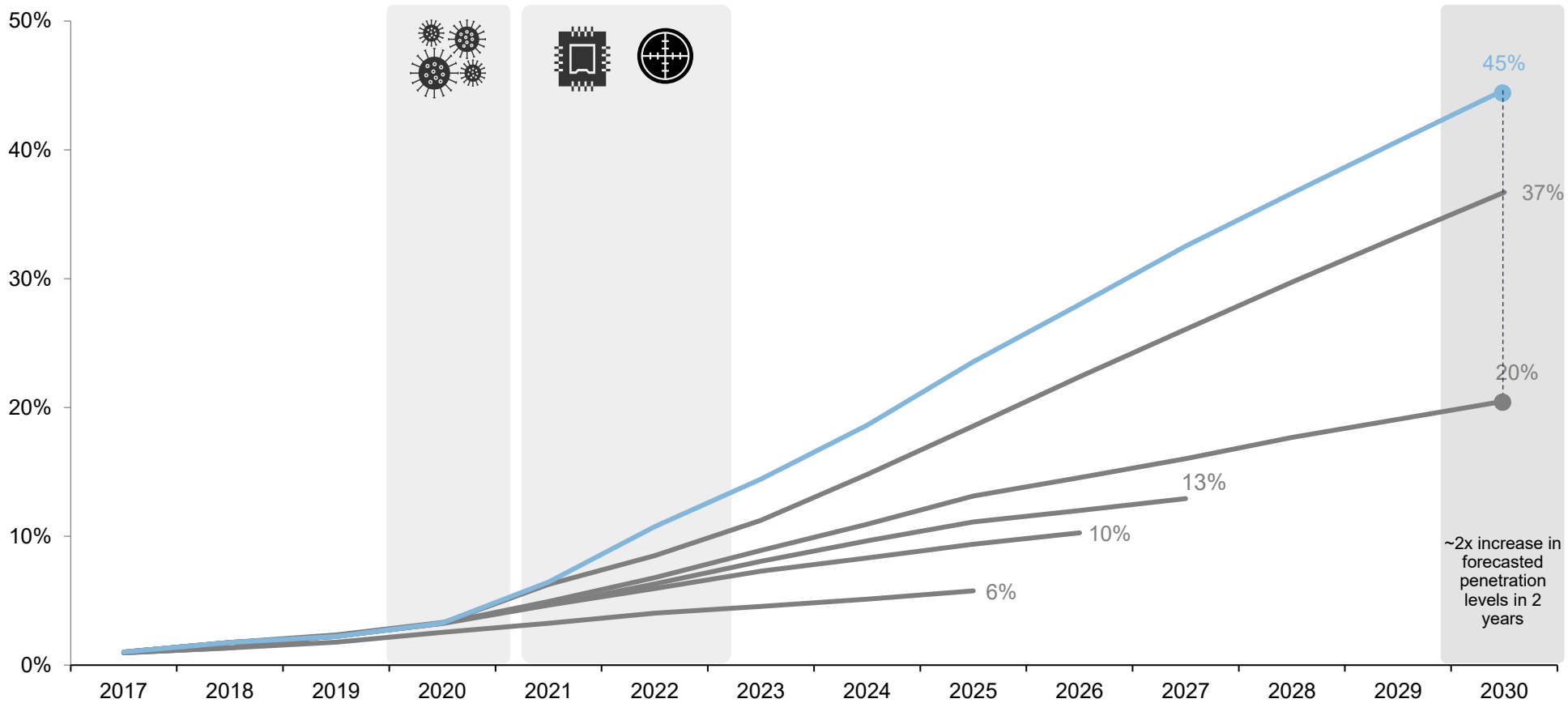
TOYOTA

in Europe

<sup>1</sup> Zero Emission Vehicles Declaration  
Source: Reuters, California government, company announcements

# Electrification penetration is accelerating

S&P Global mobility forecasts of global light vehicle production EV & FCEV<sup>1</sup> penetration rate



**S&P Global forecast by release date**

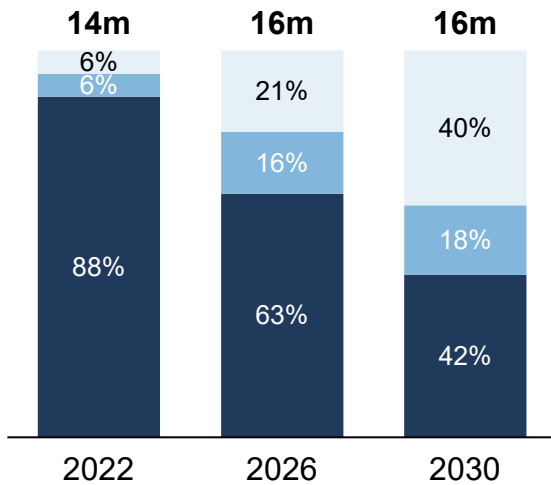
- Dec 2022
- Jan 2022
- Jan 2021
- Jan 2020
- Mar 2019
- Feb 2018

<sup>1</sup> EV = BEV + REEV + Series-Hybrid, FCEV = fuel cell electric vehicle  
 Source: S&P Global Mobility Alternative Propulsion forecasts as at February 2018, March 2019, January 2020, January 2021, January 2022, December 2022

# The pace of electrification varies by region

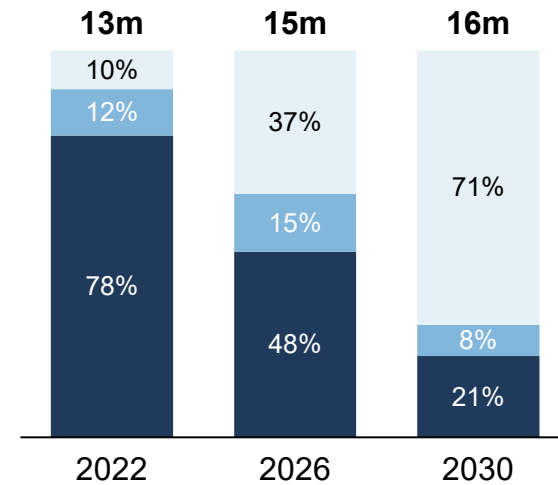
Light vehicle propulsion mix by region (million units)

## North America<sup>1</sup>



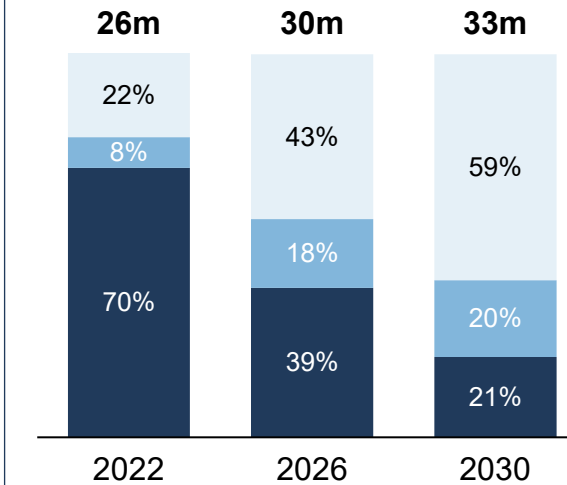
**33%**  
of revenues 2021

## Europe<sup>2</sup>



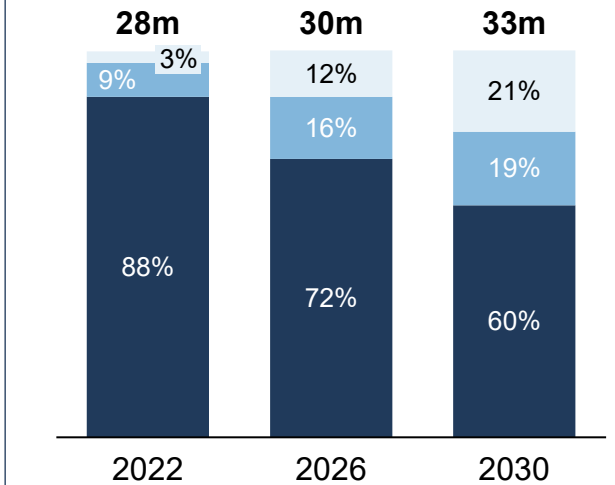
**34%**  
of revenues 2021

## China<sup>3</sup>



**16%**  
of revenues 2021

## RoW



**17%**  
of revenues 2021

EV<sup>4</sup> + FCEV FHEV + PHEV MHEV+ICE

1 USA, Mexico and Canada; 2 EU27 plus UK, Norway, and Switzerland; 3 China revenue from joint ventures at JV share; 4 EV = BEV + REEV + Series-Hybrid  
Source: S&P Global Mobility Alternative Propulsion Forecast December 2022

- Proven resilience through a multitude of headwinds
- Acceleration of the transformation of our businesses
- Well positioned to benefit from the recovery of production volumes
- Balanced global footprint aligned to industry regionalization
- Product and technology portfolio aligned to industry electrification

# DIVISIONAL OVERVIEW

G K N  
A U T O M O T I V E



- **Business Introduction**
- Transformation Story
- Electrification Journey

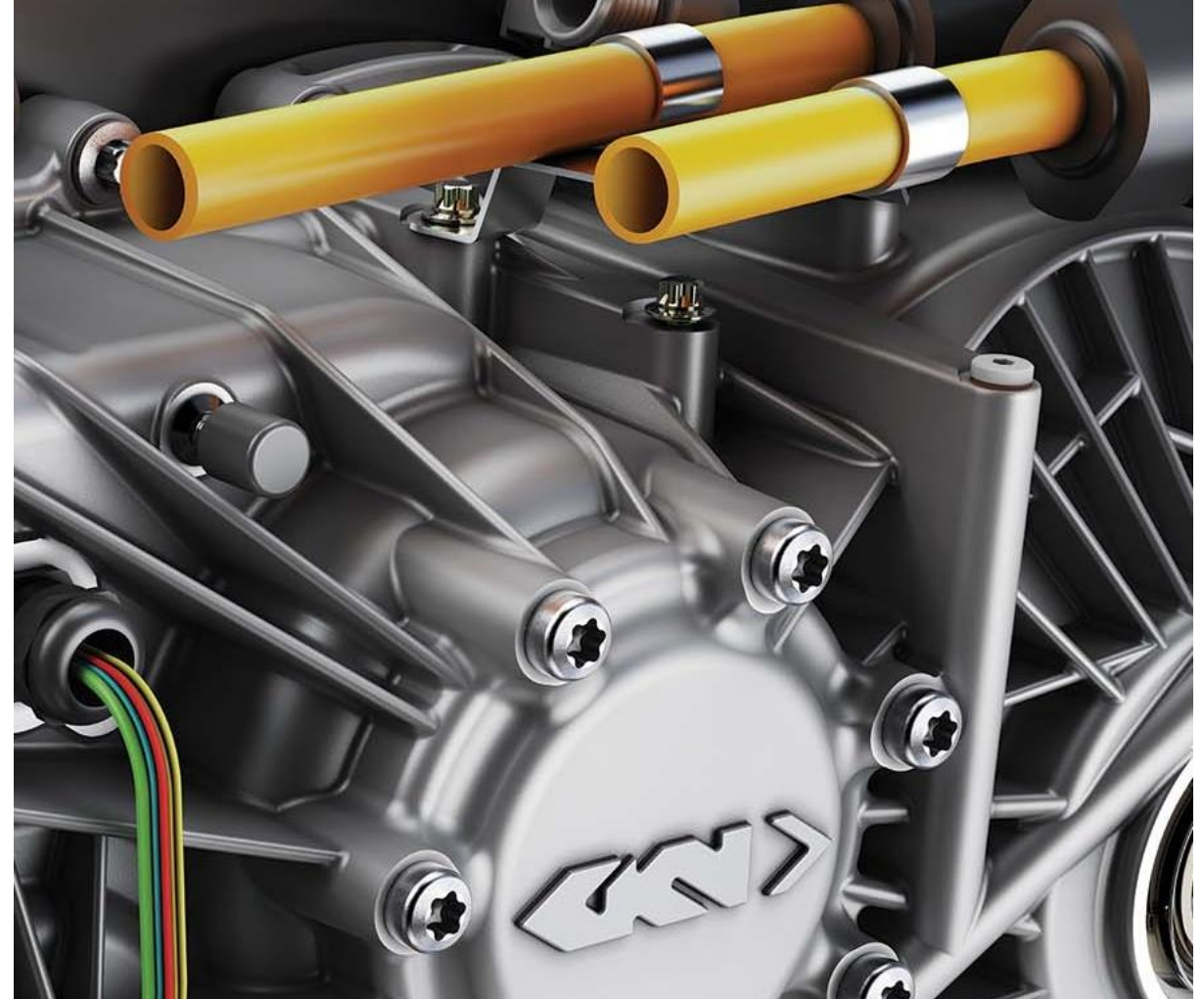
## #1 global drive system supplier

Serving **90% of global OEMs**<sup>1</sup>, content on **~50% of vehicles**<sup>2</sup>

**~£4.2bn** revenue<sup>3</sup>

**~25,000** employees<sup>4</sup>

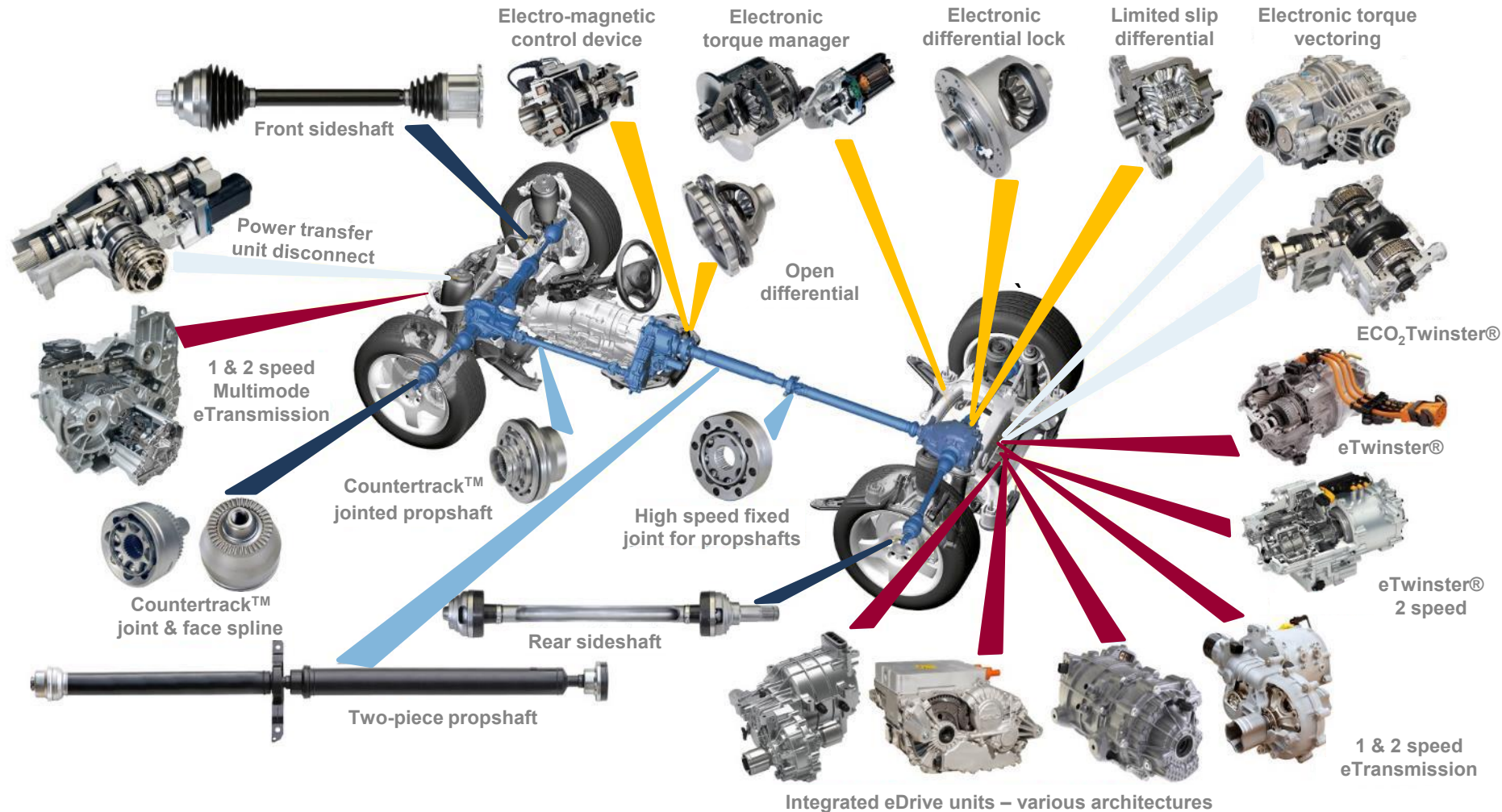
**47 manufacturing facilities** across 17 countries<sup>4</sup>



1 Global OEMs refers to those with manufacturing locations in more than one region; 2 Vehicles refers to individual nameplates of global OEMs; 3 2022 anticipated revenues; 4 Employee and manufacturing facility stats includes SDS joint venture



# The architecture that rotates the wheels



**Sideshafts**  
50% share of 2021 revenues

**Propshafts**  
11% share of 2021 revenues

**AWD systems**  
18% share of 2021 revenues

**eDrive systems**  
6% share of 2021 revenues

**eDrive components**  
9% share of 2021 revenues

# We have developed a comprehensive drive system portfolio



## Revenue split: 2021

### Driveline<sup>1</sup>

Sideshafts  
Propshafts

63%



### ePowertrain

AWD systems  
eDrive systems  
eDrive components

33%



### Other<sup>2</sup>

4%

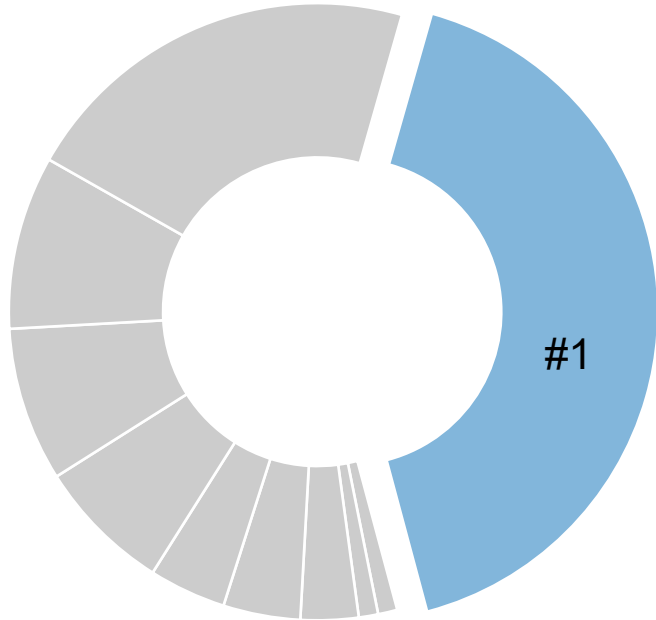
<sup>1</sup> Includes Niche, Motorsports, and Aftermarket; <sup>2</sup> Cylinder liners, freight services and adjustments

# We are the global leader in drive systems



## Sideshafts

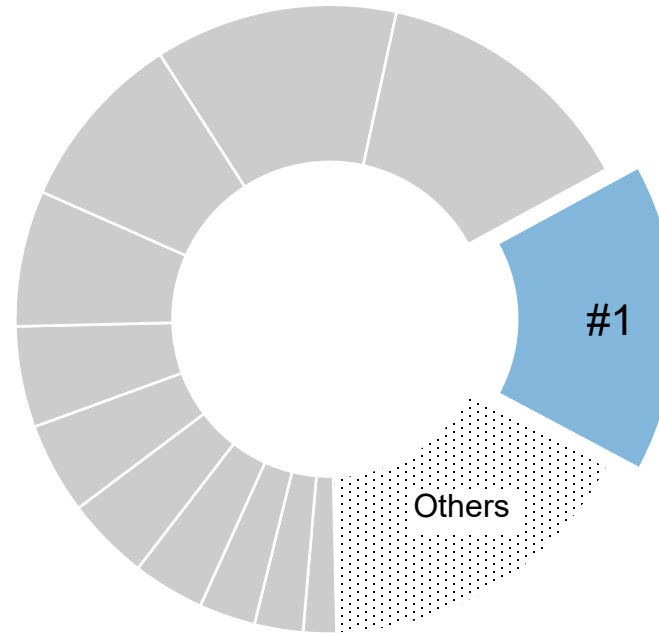
Market share



2x nearest competitor

## Propshafts

Market share



Global leader

1 Based on 2021 Product Volumes & GKN Auto Internal Data

# A range of factors contribute to our leadership position



**Experience:** pioneers of the Auto CV joint



Comprehensive and balanced **portfolio**



**Technology** leadership



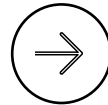
**Operational** excellence



Global, vertically integrated **scale**



Embedded **sustainability** processes



Lasting **relationships** with 90% of the global customer base



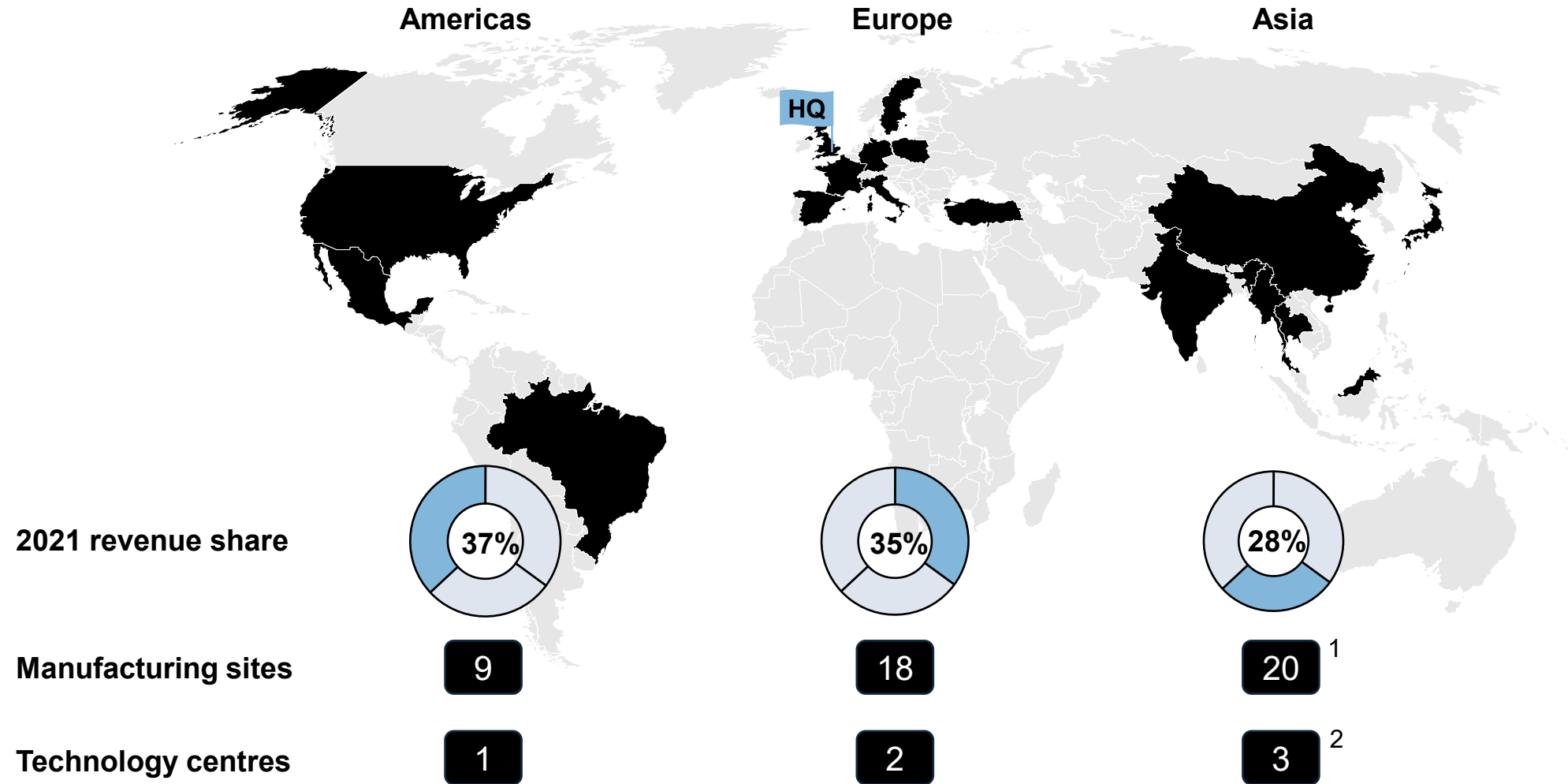
Long-held leading addressable **market share** position<sup>1</sup> with **~50%** share of wallet<sup>2</sup> with our top ten customers



Ability to manage economic volatility through **proven business resilience**

<sup>1</sup> Addressable market excludes in-house production; <sup>2</sup> Calculated from internal volume-based market share analysis, based on sideshaft products only

# We have a well-balanced global footprint



<sup>1</sup> Incl. 10 from JV; <sup>2</sup> Incl. 1 from JV

# We have a strong global manufacturing network, with vertical integration in all regions



## Precision Forming

- ➔ Forgings for CV joints
- ➔ 9 sites globally, 3 in each region



## CNC Machining

- ➔ Gears and functional surfaces in CV joints
- ➔ 31 sites globally



## Heat treatment

- ➔ Induction hardening, carburising and carbonitriding, of machined components
- ➔ 31 sites globally



## Surface treatment

- ➔ Painting of parts
- ➔ 11 sites globally



## Automated Assembly

- ➔ Full / largely automated assembly of CV joints, driveshafts, AWD & eDrive systems & components
- ➔ 26 sites globally



## eMotor Production

- ➔ Full vertical integration of eMotor production under industrialisation

**47 production sites across 17 countries<sup>1</sup>**

**Manufacturing headcount<sup>2</sup> of ~18k**

**2022 production output**

**40m sideshafts**

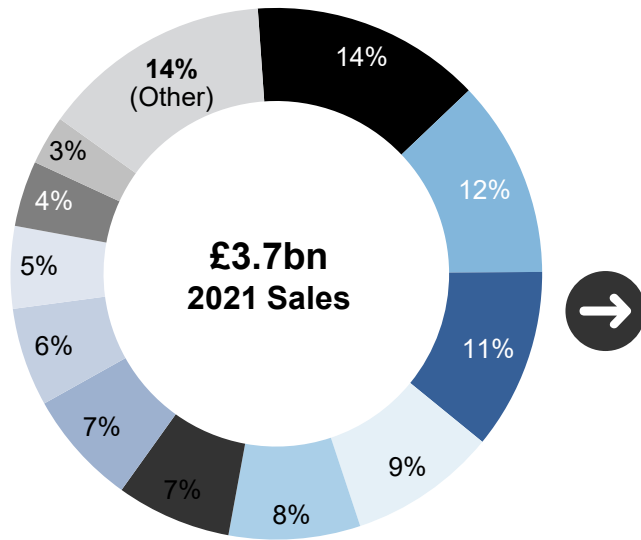
**4m propshafts**

**6m AWD & eDrive systems and components**

<sup>1</sup> Excl. JVs (SDS), incl. Aftermarket sites; <sup>2</sup> As of 31 Dec 2022; includes agency headcount

# Well-balanced customer mix; products integral to traditional and emerging automotive OEMs

## Balanced customer mix



Working with 90% of global OEMs<sup>2</sup>

### American OEMs

Ford, Chevrolet, Cadillac, GMC, Lincoln, Buick, Chrysler, Dodge, Acura, Jeep, Infiniti, Ram

### European OEMs

VW, BMW, Peugeot, Renault, Porsche, Bentley, Mercedes-Benz, Audi, Volvo, Citroën, Fiat, Jaguar, Land Rover, Aston Martin, Bugatti, Vauxhall, Smart

### Chinese OEMs

SAIC, Geely, Changan, JMC, GAC Group, DFV, Haival, OoPooS, BAIC Group, Maxus

### Asia-Pacific<sup>1</sup> OEMs

Toyota, Honda, Suzuki, Tata, Hyundai, Mazda, Nissan, Maruti Suzuki, Subaru, Mitsubishi Motors, Datsun, Kia, Daihatsu, Mahindra, Lexus, Isuzu, Genesis, Perodua

### Pure-play EV OEMs

BYD, LEVC, Lucid, Streetscooter, Rivian, e.GO, Xpeng, Hiphi, Leapmotor, Affival, Nikola

**Pure-play EV OEMs entered top customer list in 2022**

<sup>1</sup> Excluding China; <sup>2</sup> Global OEMs refer to those with manufacturing locations in more than one region

## GKN Automotive in China

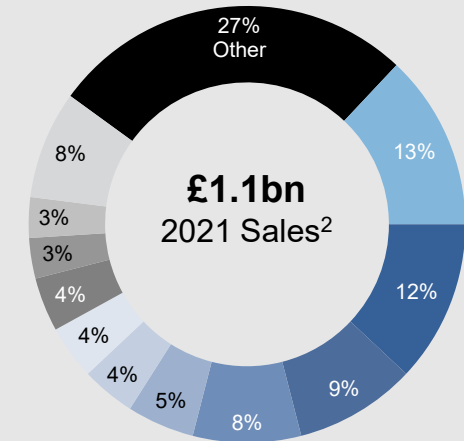
- 30+** years of experience through successful JV with HASCO Group
- #1** market leader in sids shafts & prop shafts
- 10** production sites
- 9** live or launch-phase eDrive programmes

## Footprint in key regions

~5,000 employees<sup>1</sup>



## Balanced customer base



### Selected local OEMs



### Selected global OEMs



<sup>1</sup> Including China JV employees; <sup>2</sup> JV sales at 100% of which GKN has 50% share



## Our purpose: to drive a cleaner, more sustainable world

### Our sustainability strategy pillars

#### Our People



##### A safe and inclusive working environment

- Maintain <0.1% Accident Frequency Rate
- Increased gender balance by 2030
- Annual performance reviews for all permanent employees



#### Climate Action



##### Decarbonising our products and operations

- SBTs to be submitted in 2023 with a target of net zero by 2045
- Renewable electricity: 50% by 2025, 75% by 2030
- 100% waste diverted from landfill by 2030



#### Responsible Sourcing

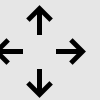


##### Collectively driving positive change

- Roadmaps and targets from the top 80% of suppliers by 2023
- Zero conflict materials and minerals sourced



#### Our Impact



##### Delivering a positive impact on society

- 50% new products & 50% R&D contributing to decarbonisation by 2025
- Charity partnerships established in each location by 2025



### Ethics, Compliance, Safety and Security





- Business Introduction
- **Transformation Story**
- Electrification Journey

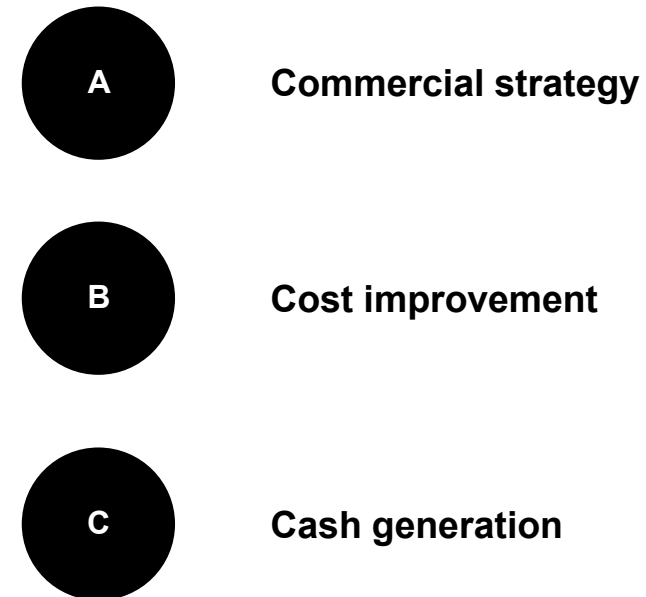
- We have overhauled our commercial strategy to **focus on profitable growth**
- The business has been transformed and is **delivering margin expansion**
- We are **sustainably cash generative**

# Transformation focused on commercial strategy, cost improvement, and cash generation

## We acquired a high-potential business...

- Strong business with a leading **market share**
- Long-standing **relationships** with major global OEMs
- Comprehensive **technology**, product, and IP portfolio
- **Reputation** for dependability and high-quality
- Robust **eDrive system capabilities** based on AWD expertise
- World-class **global manufacturing** capability

## ... and recognised opportunities to improve it even further



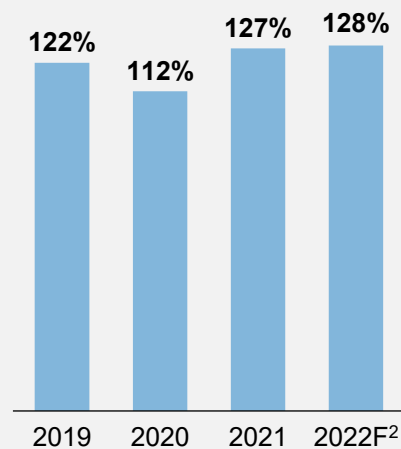
A

## Commercial strategy

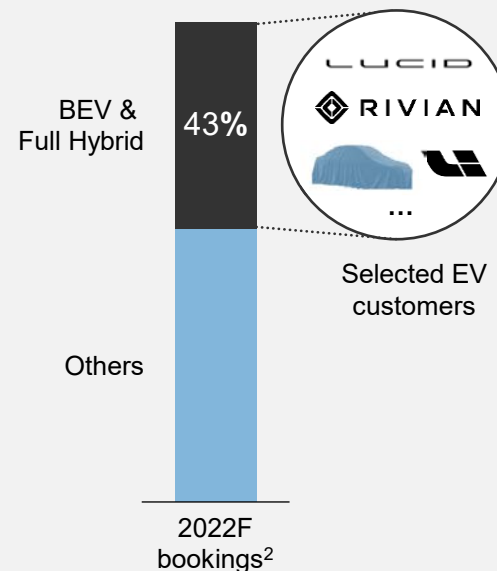
- Resolved onerous contracts representing >£200m of fair value
- Shifted from chasing volume to selective, profitable growth
- Overhauled the commercial operating model focusing on EV transition
- Significantly increased the margin of new business bookings

## Impact

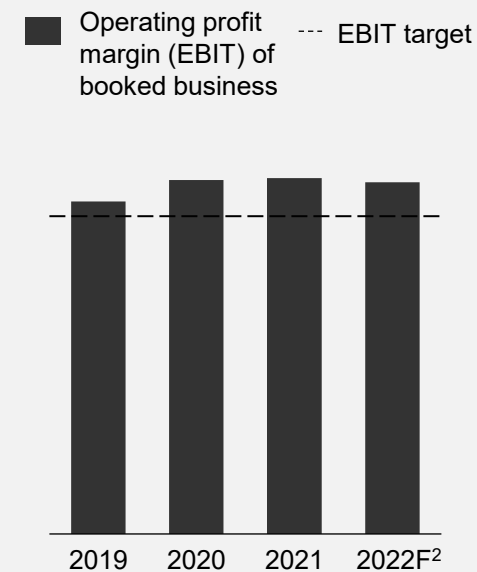
**Driving growth**  
Book-to-bill ratio<sup>1</sup>, %



**Winning in EV**  
2026 total order book<sup>3</sup>, %



**Winning profitably**  
Historical bookings, %



<sup>1</sup> Book-to-bill ratio refers to the ratio of sales to lifetime revenue of new business bookings within the given time period, does not include China, reported FX rate. <sup>2</sup> Early view of full year 2022 results; <sup>3</sup> Forecasted 2026 revenue split of business booked in 2022

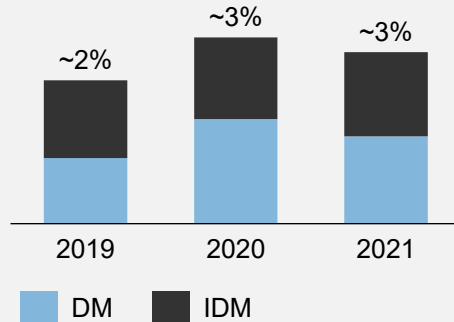
**B**

## Cost improvement

- Overhauled the purchasing leadership team, strategy, and performance
- Streamlined the global operating model through delayering and leveraging global business services
- Improved operational efficiency significantly through automation and by increasing production in best-cost countries

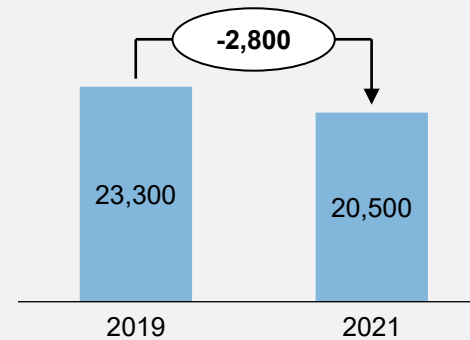
## Impact

**Purchasing**  
Purchasing productivity<sup>1</sup>, £m



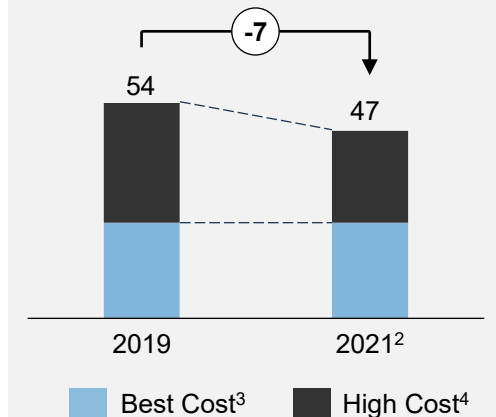
**2-3%** Purchasing productivity more than offsetting contractual pricing

**Fixed costs**  
Headcount<sup>5</sup>, # FTE



**-12%** Reduction in total headcount (2019-2021)

**Operations**  
Footprint, # of plants



**+10pp** Improvement in BCC/HCC ratio from ~40% to ~50% (2019-2021)

<sup>1</sup> Purchasing productivity index refers to annual purchasing cost savings as a percentage of spend; <sup>2</sup> One closure initiated in 2021 but completed in 2022; <sup>3</sup> BCC: Best-cost country; <sup>4</sup> HCC: High-cost country; <sup>5</sup> Headcount figures exclude joint ventures

# We continuously develop our best cost supply footprint

B

**~16k sqm**



**Mexico**  
Villagran

- Production expansion to accommodate sidschaft business growth
- Additional raw material warehouse to improve process flow

**~12k sqm**



**Mexico**  
Celaya

- Production expansion to accommodate sidschaft business growth
- New engineering centre consolidating offices, testing, prototyping

**~29k sqm**



**Hungary**  
Miskolc

- New site to increase BCC production share and accommodate sidschaft business growth
- Production expected to start in H2 2023

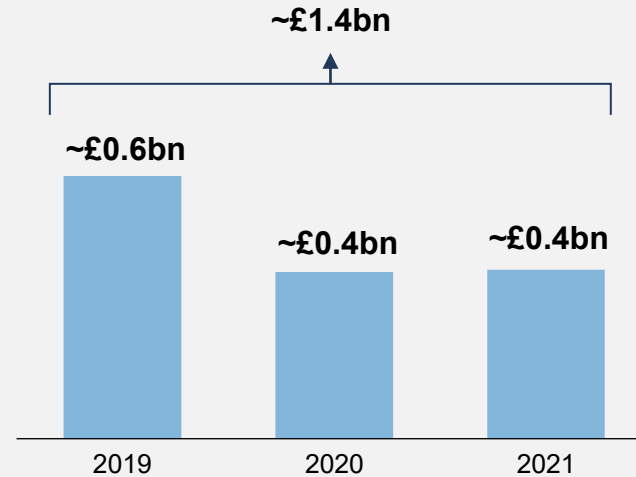
**C**

## Cash generation

- Focused strategy on cash control
- Improved data visibility
- Emphasised quality of earnings (cash conversion)
- Took a plant level focus on inventory value

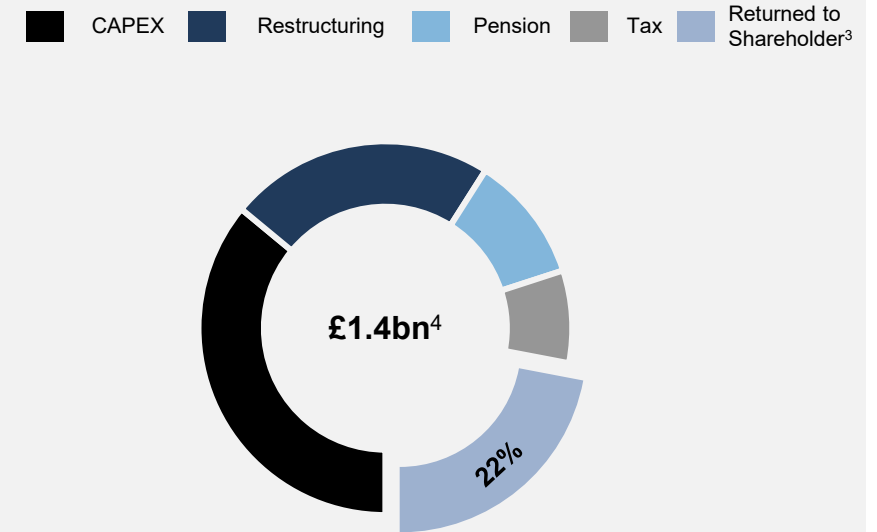
## Impact

### Pre-CAPEX operating cashflow, £m



- ➔ £1.4bn of operating cash generated between 2019 and 2021
- ➔ 148% cash conversion<sup>1</sup>

### Uses of self-generated cash<sup>2</sup>, %



- ➔ Self-funded significant CAPEX & restructuring
- ➔ £0.3bn cash returned to shareholder

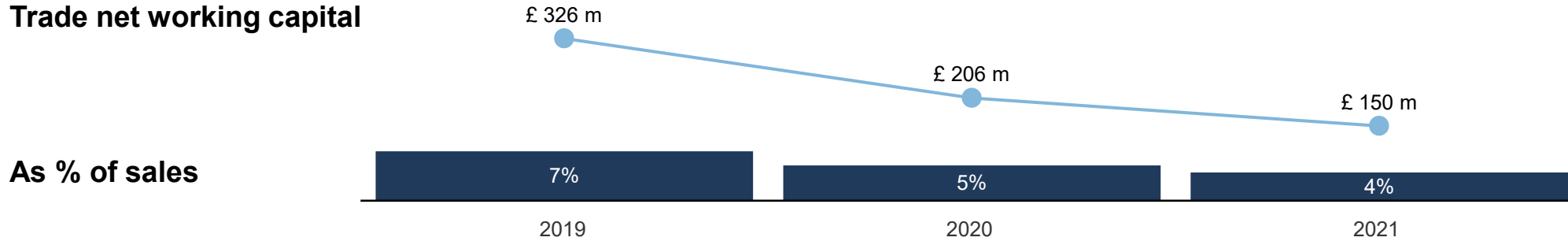
<sup>1</sup> Calculated as cumulative net cashflow post-CAPEX / operating profit; <sup>2</sup> Cumulative from Jan 2019 until end of Dec 2021; <sup>3</sup> does not include Melrose interest allocation; <sup>4</sup> cumulative net cashflow pre-CAPEX, including dividends from JVs



# Operating cash flow improvements through strict, sustainable working capital management

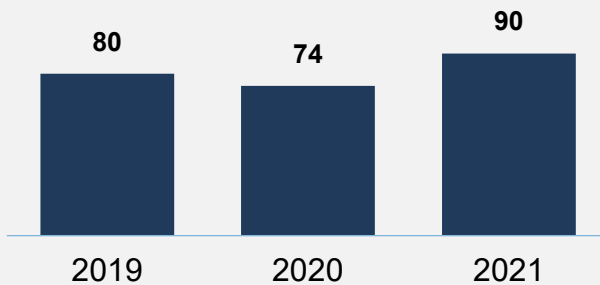
C

## Trade net working capital



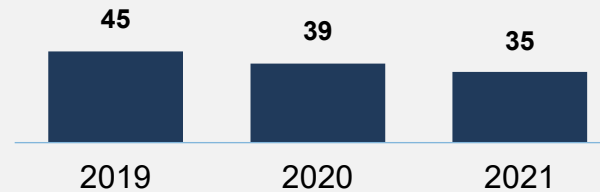
## Accounts payable

(Days payables outstanding)



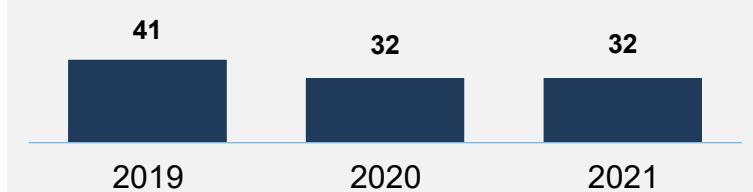
## Accounts receivable

(Days sales outstanding)



## Inventory

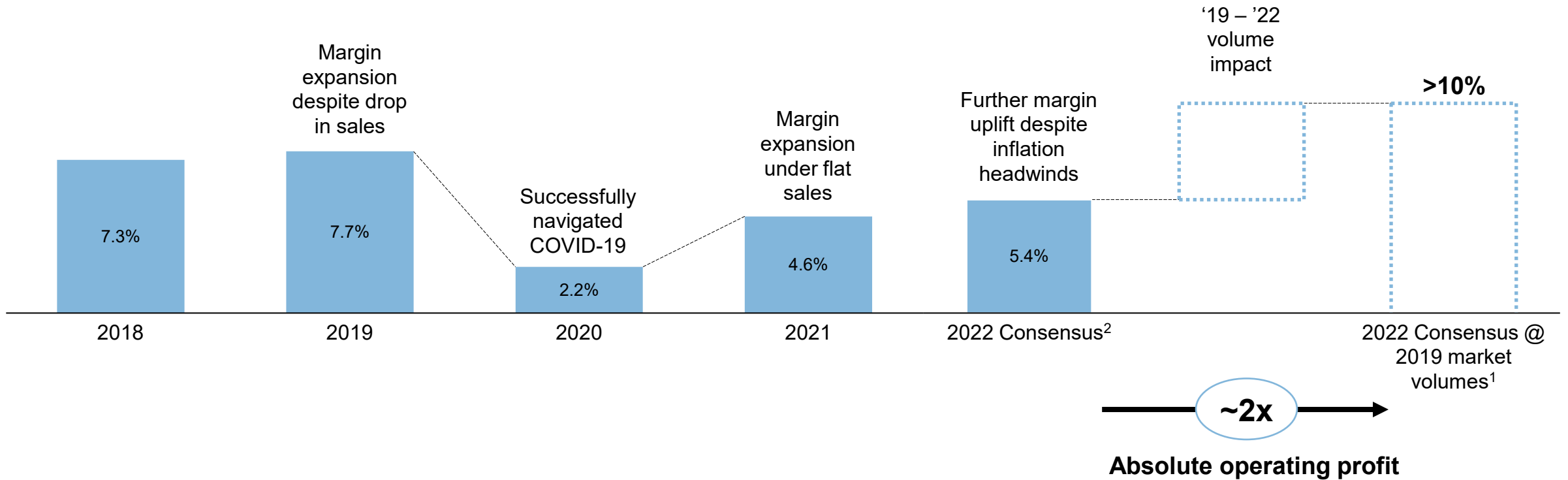
(Forward days inventory outstanding)



# We are on a clear route to achieving our margin targets which will more than double absolute operating profit



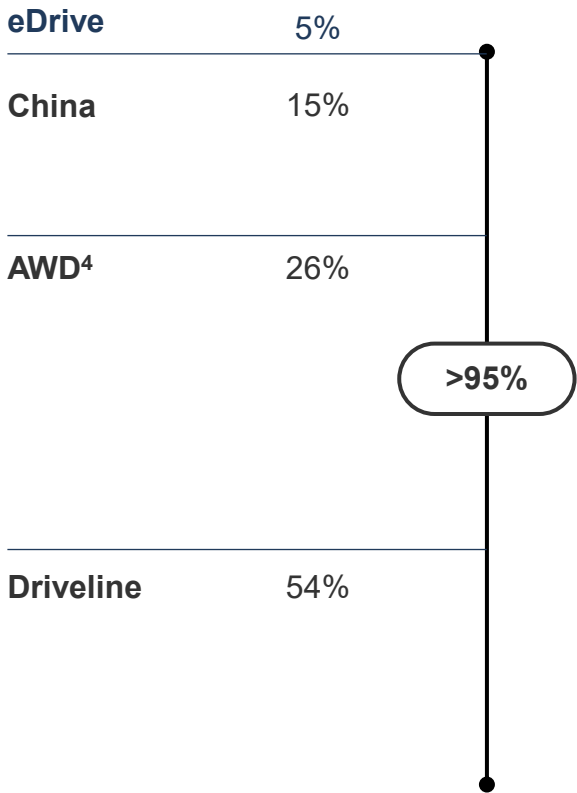
## Evolution of operating profit margin (pre-central costs, EBIT %)



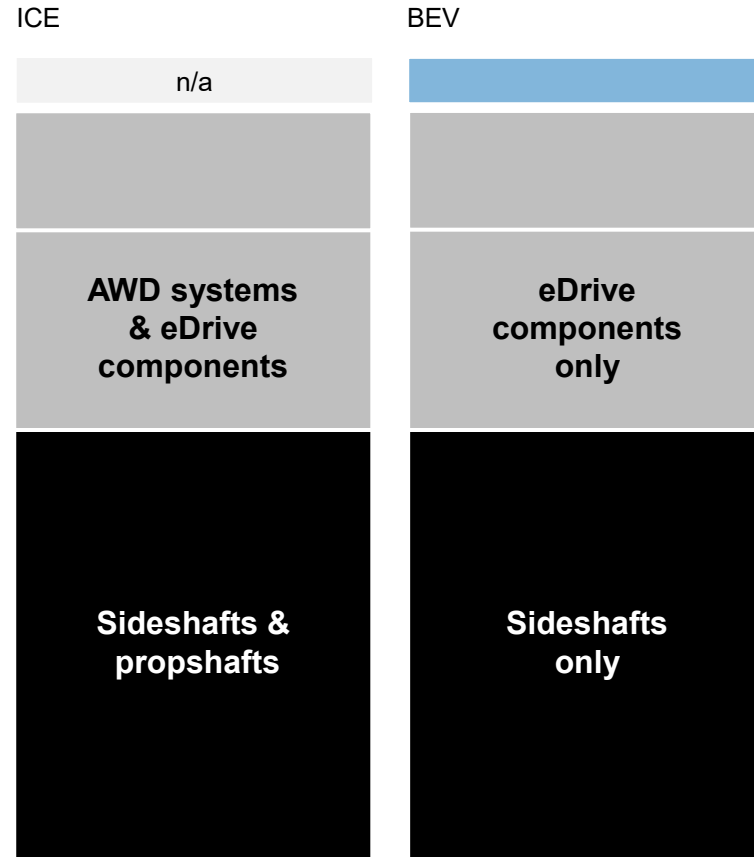
<sup>1</sup> Updated as of October 2022; <sup>2</sup> Melrose company compiled consensus

# The vast majority of our portfolio will be at target profit margin<sup>1</sup> irrespective of propulsion system

## Share of sales<sup>2</sup> (2021)



## Segment operating profit<sup>3</sup>



- ➔ **Over 95%** of our business is either already at **target operating profit margins** or will be once volumes return to 2019 levels
- ➔ Returning to 2019 volumes will allow the **full Automotive margin target to be met**
- ➔ **ICE and BEV** content have **similar profitability**
- ➔ **Discretionary investments** in eDrive systems **disproportionately impact margins**

At target operating margins currently
  At target operating margins once volumes return to 2019 levels
  Healthy contribution margin

1 Portfolio segments in question are either at target operating profit margins or will be once volumes return to 2019 levels; 2 External sales per segment, excluding "other" (NMA, cylinder liners, adjustments and eliminations); 3 Current or forecasted volume-adjusted segment operating profit margin; 4 AWD includes AWD systems and eDrive components



- Business Introduction
- Transformation Story
- **Electrification Journey**

# Electrification increases our content per vehicle

**ICE<sup>1</sup> specific**

~£170  
AWD rear drive unit

~£150  
AWD power transfer unit

~£100  
Propshaft

**Max potential CPV<sup>3</sup>: ~£400**

**Agnostic**

~£400  
eDrive components<sup>4</sup>

~£160  
Sideshafts (front & rear)

**Max potential CPV: ~£600**

**BEV<sup>2</sup>**

~£2,000  
eDrive system (two axles)

**Max potential CPV: ~£2,000<sup>3</sup>**

<sup>1</sup> ICE = Internal combustion engine; <sup>2</sup> BEV = Battery electric vehicle; <sup>3</sup> CPV = content per vehicle; <sup>4</sup> Differentials, diff lockers, disconnects, torque vectoring; <sup>3</sup> Max potential CPV assumes 2 eDrive systems (one for each axle), sideshafts not included

Content per vehicle

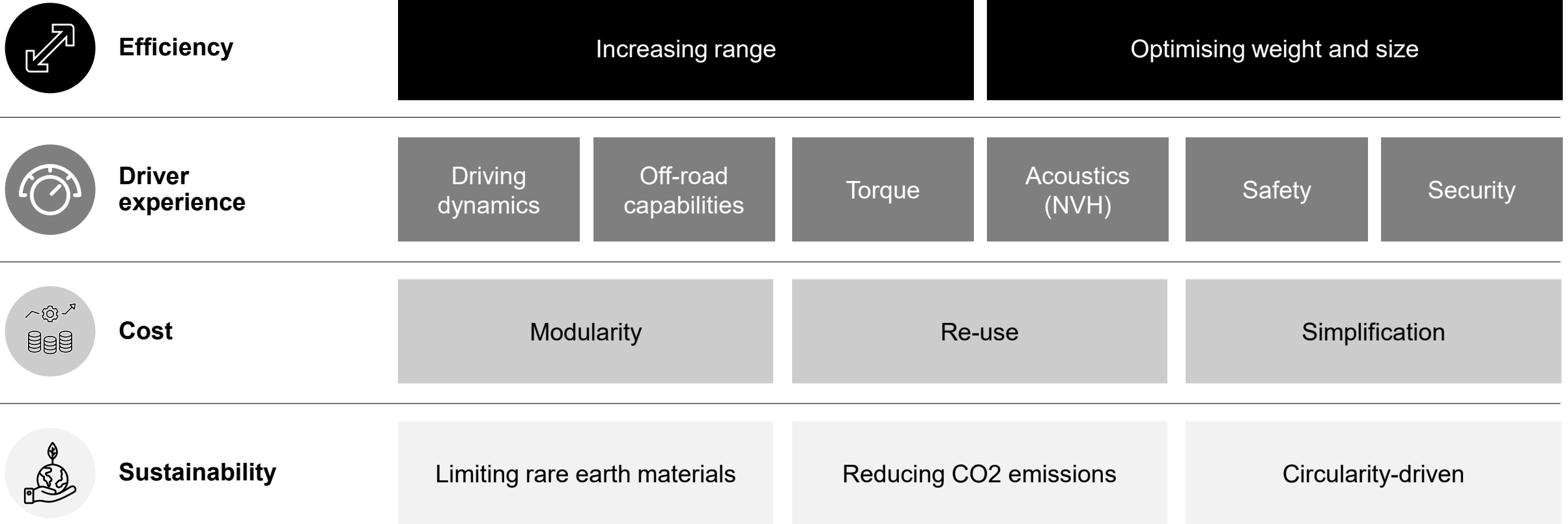
# Our portfolio is increasingly propulsion agnostic

Product		Impact of electrification	Share of sales 2022F (%)	Share of sales 2026F <sup>1</sup> (%)	Strategy
Sideshafts					<ul style="list-style-type: none"> <li>Market leader for both ICE &amp; EVs</li> <li>Relationships built with all major EV OEMs</li> </ul>
eDrive components			~70%	~80%	<ul style="list-style-type: none"> <li>Leverage heritage capability and advanced technology to increase market share</li> </ul>
eDrive systems					<ul style="list-style-type: none"> <li>Prudent investment in targeted technology developments and smart program choices</li> </ul>
Propshafts			~30%	~20%	<ul style="list-style-type: none"> <li>Limit investments, maximising utilisation of existing assets</li> <li>Maximise portfolio profitability and cash generation</li> </ul>
AWD systems					

Positive impact from electrification
 Negative impact from electrification

<sup>1</sup> Estimated share of sales based on market data and GKN Automotive internal order book and revenue forecasts

# Our technology roadmap is driven by customer needs



## Technology centres

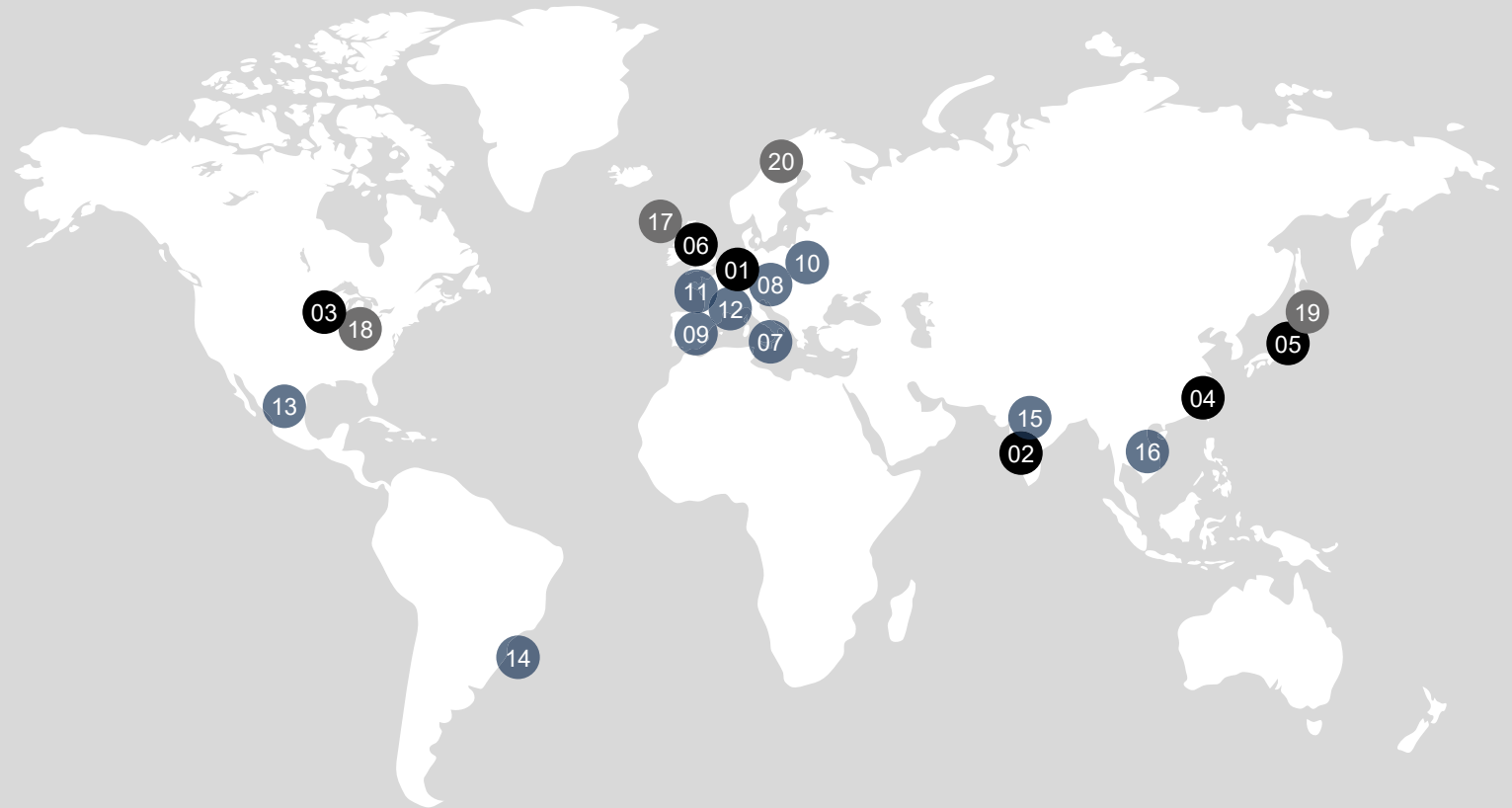
- |                      |                     |
|----------------------|---------------------|
| 01 Lohmar, Germany   | 02 Bangalore, India |
| 03 Auburn Hills, USA | 04 Shanghai, China  |
| 05 Daikoji, Japan    | 06 Abingdon, UK     |

## Application engineering

- |                     |                         |
|---------------------|-------------------------|
| 07 Bruneck, Italy   | 08 Offenbach, Germany   |
| 09 Zumaia, Spain    | 10 Olesnica, Poland     |
| 11 Poissy, France   | 12 Arnage, France       |
| 13 Celaya, Mexico   | 14 Porto Alegre, Brazil |
| 15 Faridabad, India | 16 Rayong, Thailand     |

## Vehicle test facilities

- |                   |                     |
|-------------------|---------------------|
| 17 MIRA, UK       | 18 Raco, USA        |
| 19 Tochigi, Japan | 20 Arjeplog, Sweden |





We have evolved our technology portfolio for electric platforms



## Sideshafts



## eDrive components



## eDrive systems



# Our sideshaft technology is world leading

>100 joint types & sizes

~400 active patents

~500 engineers across 18 sites



# Electrification is a growth opportunity for our core sideshaft business



ICE vehicle

Battery electric vehicle

~2.1  
sideshafts per vehicle<sup>1</sup>

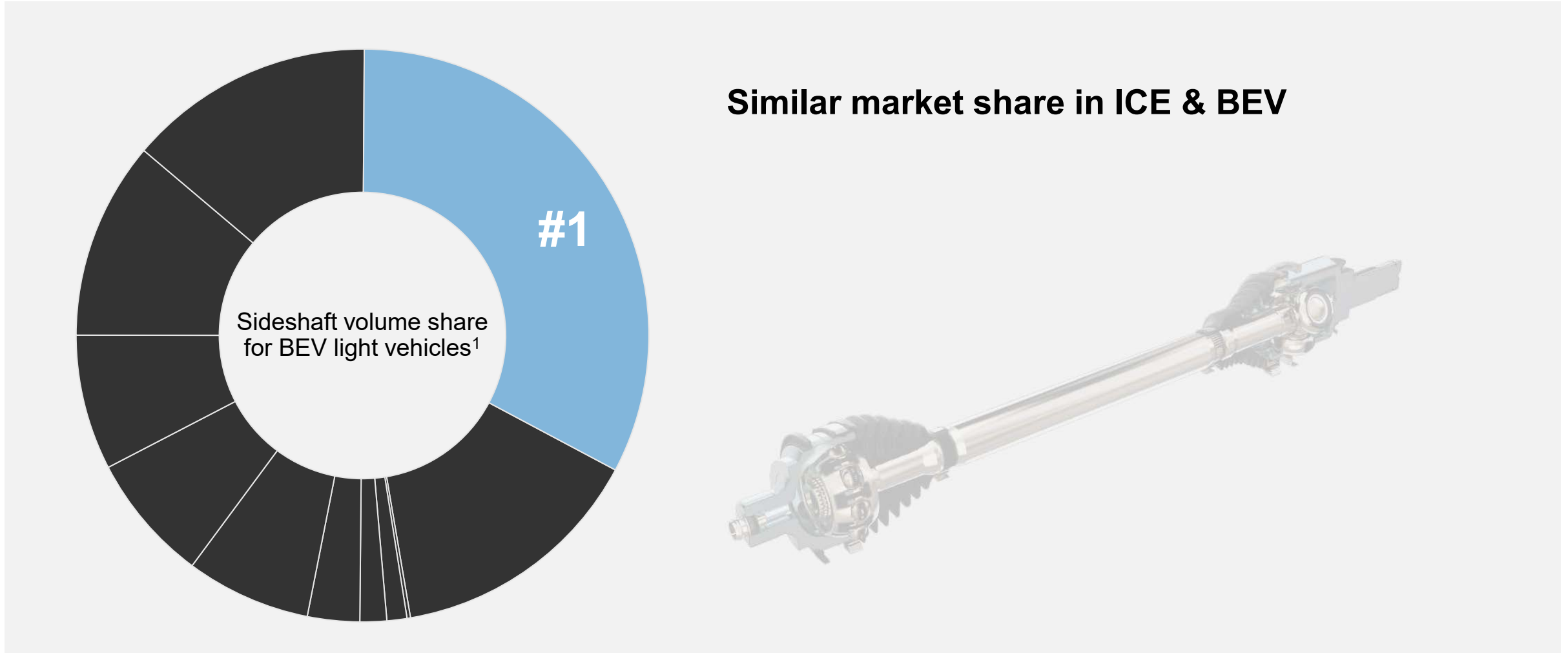


~2.4  
sideshafts per vehicle<sup>1</sup>



Note: Vehicle images for illustrative purpose only  
<sup>1</sup> Sideshafts per vehicle statistics based on 2021 vehicle production data

# We are the market leader in sideshafts for Battery Electric Vehicles



**Similar market share in ICE & BEV**

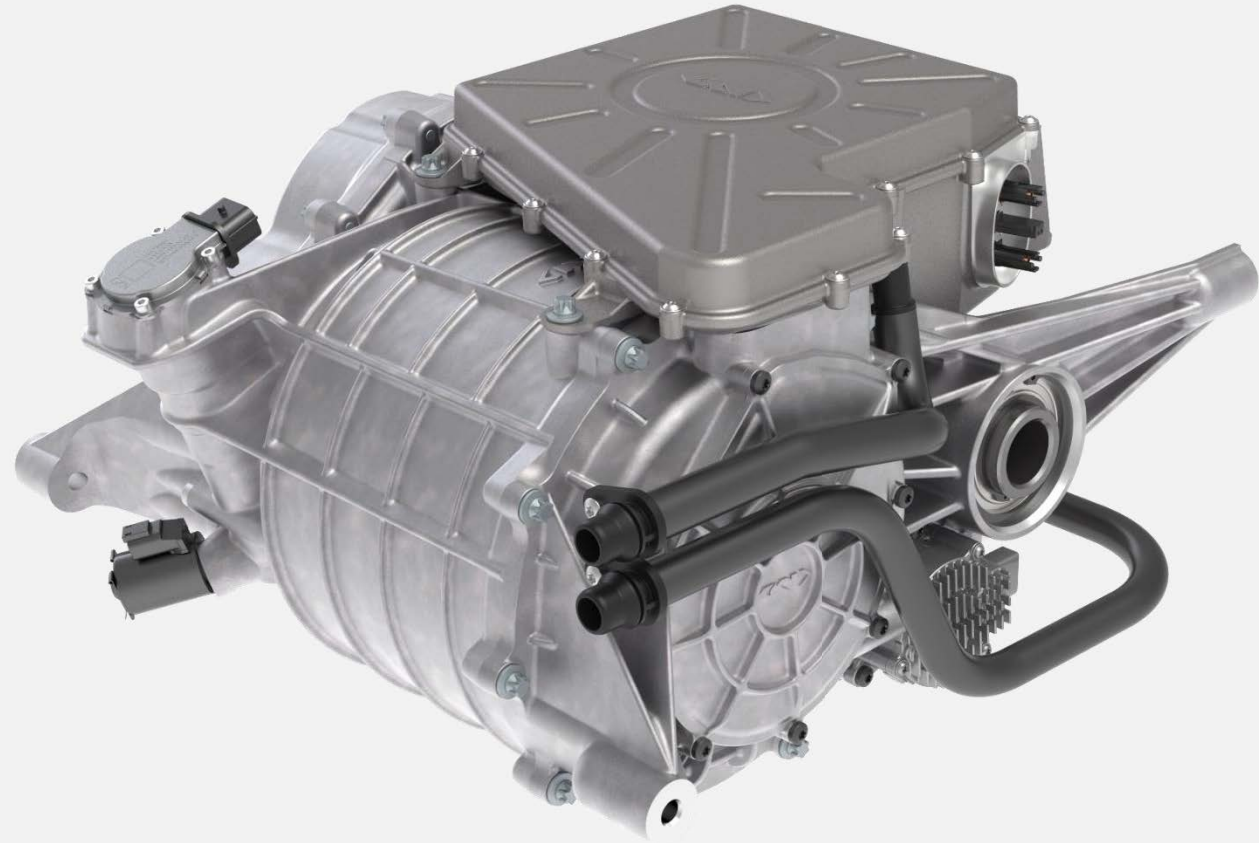
<sup>1</sup> Based on July 2021 S&P LV Production forecast

We have more than 20 years of eDrive system experience

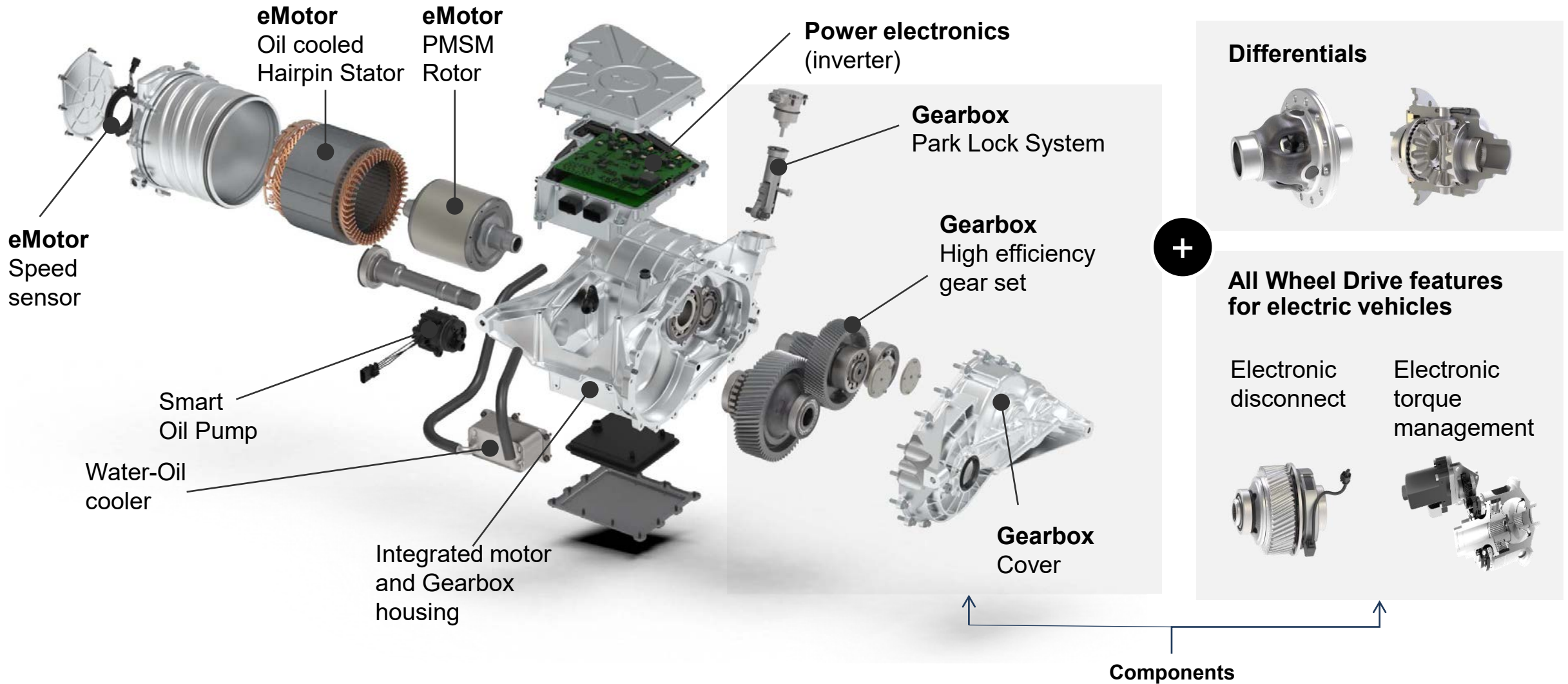
>2,000 sub-components

~600 active patents

~800 engineers across 10 sites



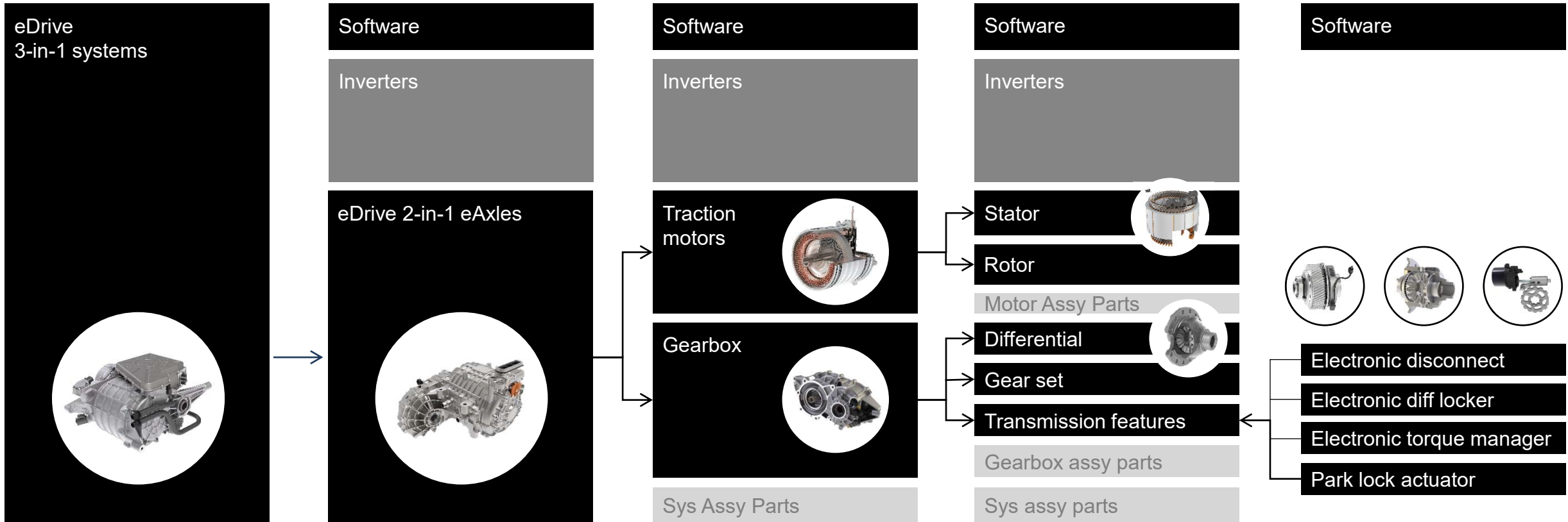
# Our eDrive capabilities cover the full system and components



We have the flexibility to offer our customers full systems, modules and components

## Systems

## Components



In-house capability & sellable products
  Internal design, external manufacturing partner
  Bought in components

# Some examples of the multiple programmes we are winning

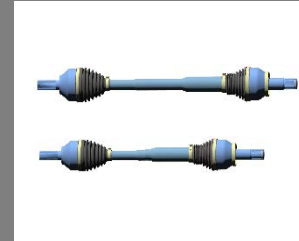
## Sideshafts for EVs

Leading EV OEM

EV sideshafts



EV sideshafts



EV sideshafts



## eDrive systems

Leading German OEM

3-in-1 system



2-in-1 system



2-in-1 system



## eDrive components



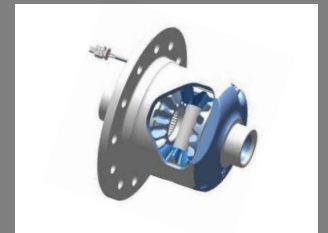
2-stage gearbox



Open differential



Electronic locking differential





# Our eDrive technologies have powered >2 million vehicles to date



## Selected vehicles equipped, or to be equipped, with GKN Automotive eDrive systems

Year	Vehicle Model	Status
2002	Peugeot 3008 HY4	Still in production or launch phase
2002	FIAT 500e	Still in production or launch phase
2002	Mazda Verisa	Still in production or launch phase
2002	Nissan Cube	Still in production or launch phase
2012	Porsche 918 Spyder	Still in production or launch phase
2012	BMW i8	Still in production or launch phase
2012	Volvo S90 Recharge	Still in production or launch phase
2012	Volvo XC90 Recharge	Still in production or launch phase
2012	Mini Countryman	Still in production or launch phase
2012	BMW X2 xDrive 25e	Still in production or launch phase
2012	BMW 225xe / X1 xDrive 25e	Still in production or launch phase
2012	e.Go Life	Still in production or launch phase
2012	Jeep Compass / Renegade 4xe	Still in production or launch phase
2012	Alfa Romeo Tonale Plug-in Hybrid Q4	Still in production or launch phase
2012	Lincoln Corsair Hybrid	Still in production or launch phase
2012	Li Auto One	Still in production or launch phase
2012	Fiat 500e Abarth	Still in production or launch phase
2012	Streetscooter	Still in production or launch phase
2012	Fiat 500e	Still in production or launch phase
2012	XPENG P7	Still in production or launch phase
2012	Wuling Victory	Still in production or launch phase
2012	Leading German OEM	Still in production or launch phase
2020+	Mitsubishi Eclipse Cross	Still in production or launch phase
2020+	Mitsubishi Outlander	Still in production or launch phase
2020+	Volvo S90 Recharge	Still in production or launch phase
2020+	Volvo XC90 Recharge	Still in production or launch phase
2020+	Opel Grandland X	Still in production or launch phase
2020+	Citroen DS7 e-Tense	Still in production or launch phase
2020+	Peugeot 3008 Hybrid	Still in production or launch phase
2020+	Ford Mustang Mach E	Still in production or launch phase
2020+	Hongqi H5	Still in production or launch phase
2020+	Hongqi eHS9	Still in production or launch phase
2020+	RR Evoque / LR Discovery Sport	Still in production or launch phase
2020+	Jaguar E-Pace PHEV	Still in production or launch phase
2020+	Mitsubishi Outlander	Still in production or launch phase
2020+	Dongfeng Aeolus ZX7	Still in production or launch phase
2020+	Changan CS75	Still in production or launch phase

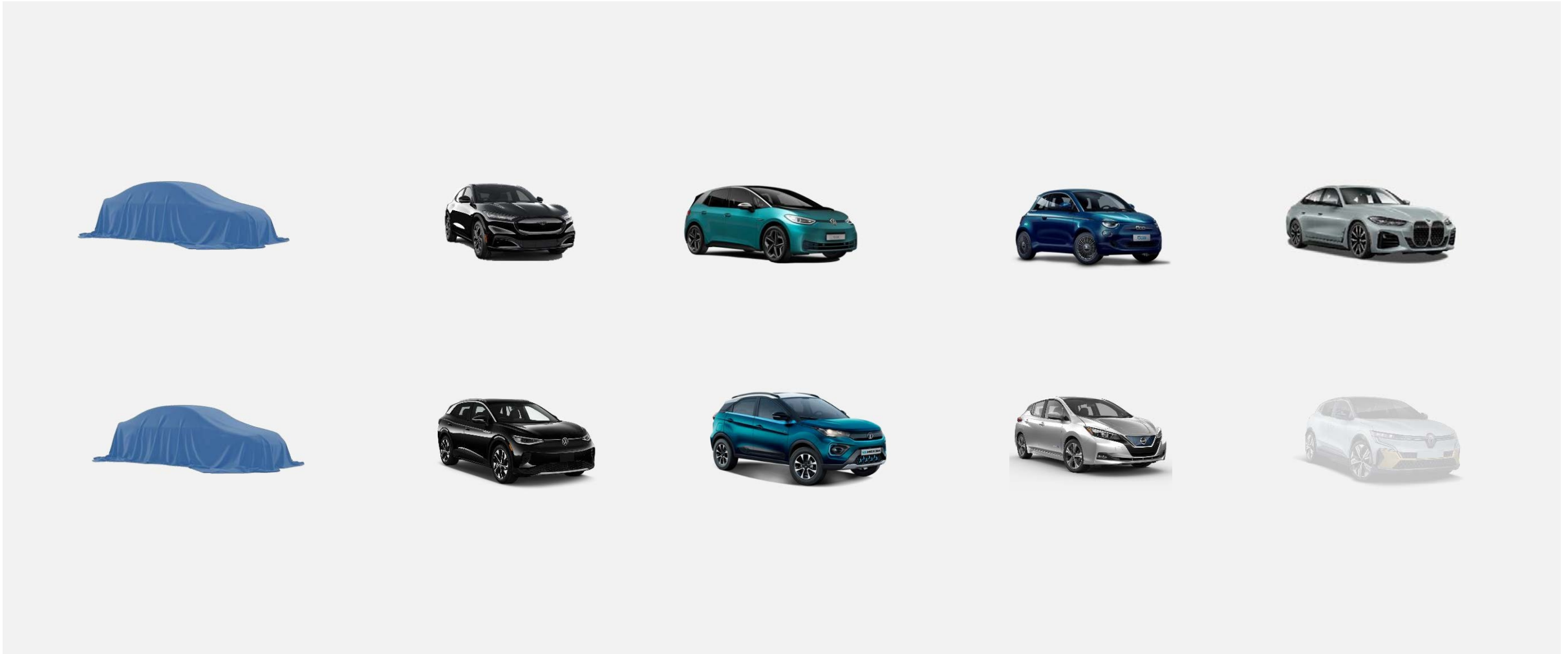
2002

2012

2020+

Vehicle still in production or launch phase

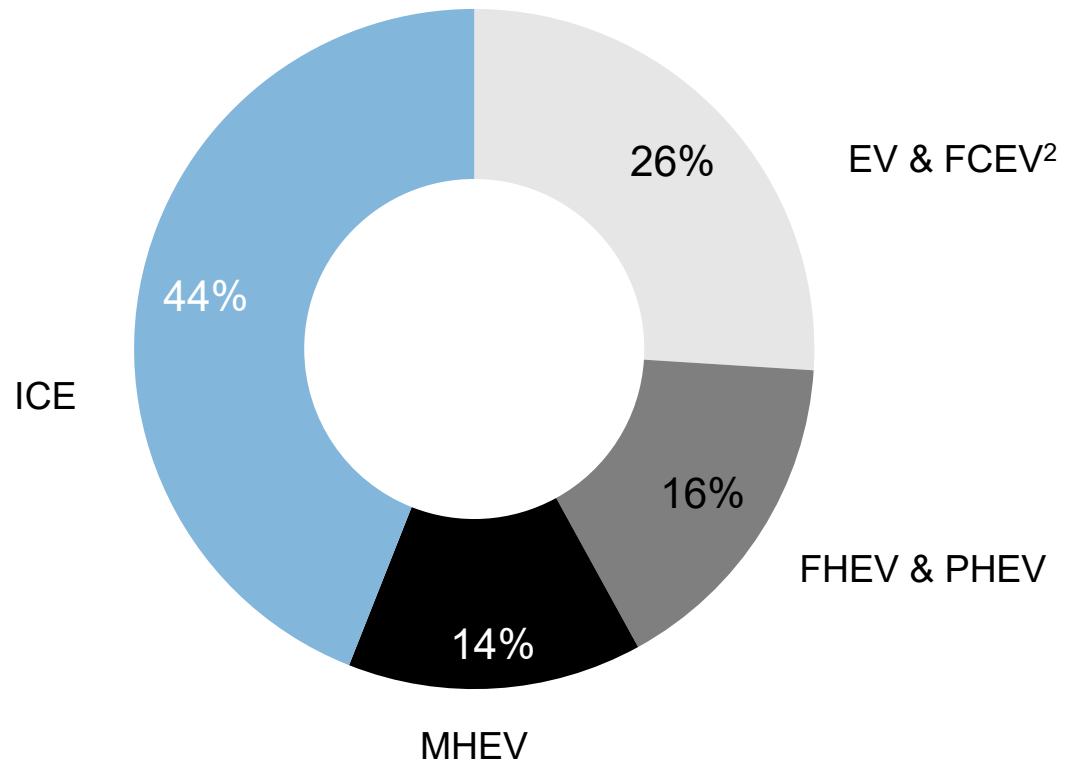
# Content on 9 out of 10 top-selling addressable EV models



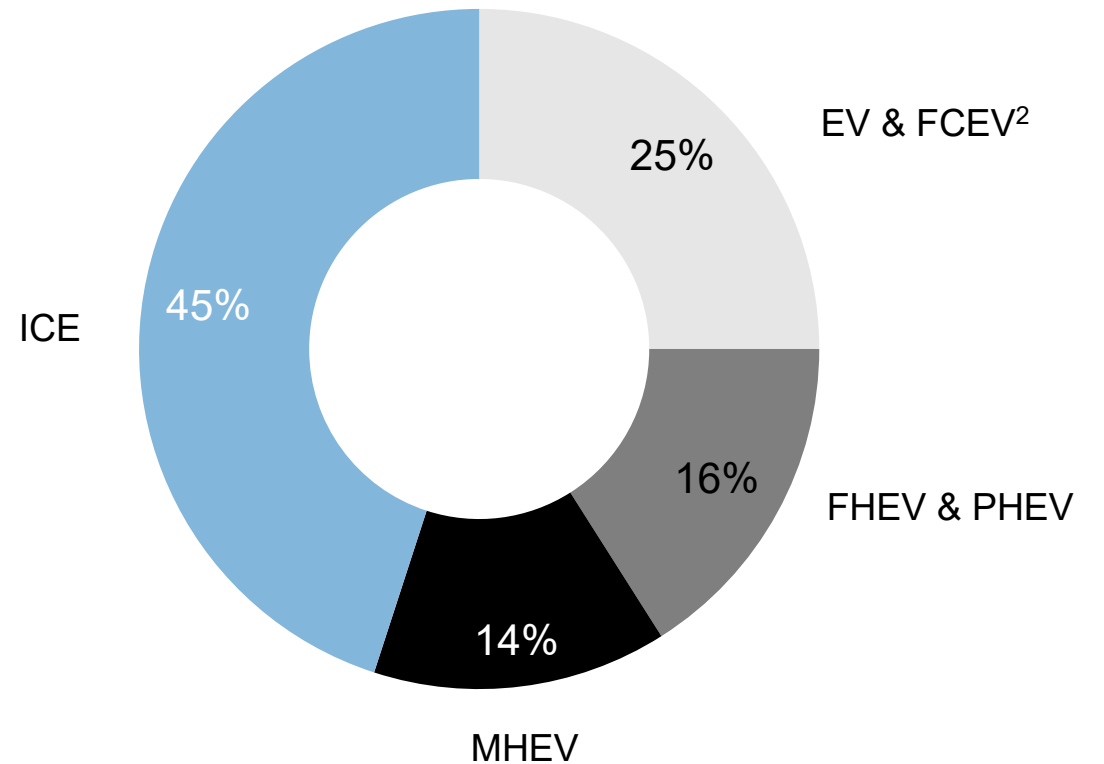
Note: 2022 top-10 BEV production nameplates global (excl. China) with addressable Sideshafts or eDrive gearbox

# Our transition to electrification is in line with market

## GKN Automotive order book for 2026<sup>1</sup>



## 2026 global LV production forecast



<sup>1</sup> Propulsion mix of total order book as at August 2022; <sup>2</sup> EV = BEV + REEV + Series-Hybrid  
Source: Source: S&P Global Mobility Alternative Propulsion forecast at August 2022

- We are the #1 global drive system supplier with strong, long-lasting partnerships with our global customer base
- We have transformed our commercial strategy and restructured our operational cost base to enable significant margin expansion
- Our comprehensive drive system portfolio is well aligned to the needs of electrified platforms

G K N

P O W D E R M E T A L L U R G Y



- **Business Introduction**
- Transformation Story
- Electrification Journey

# GKN Powder Metallurgy at a glance

**#1** sintered metal supplier

**#2** powder metals supplier

**~£1bn revenue<sup>1</sup>**

**> 5,000 employees**

**27 manufacturing facilities** across 9 countries



<sup>1</sup> 2022 anticipated revenues

# GKN Powder Metallurgy operates in three segments

## Our segments

**Powder**



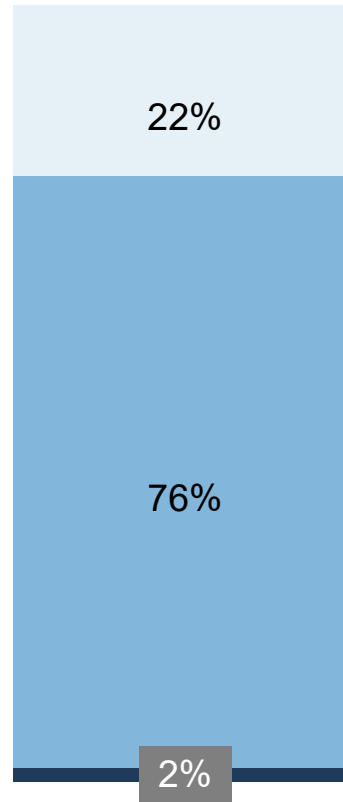
**Sinter**



**Additive manufacturing**

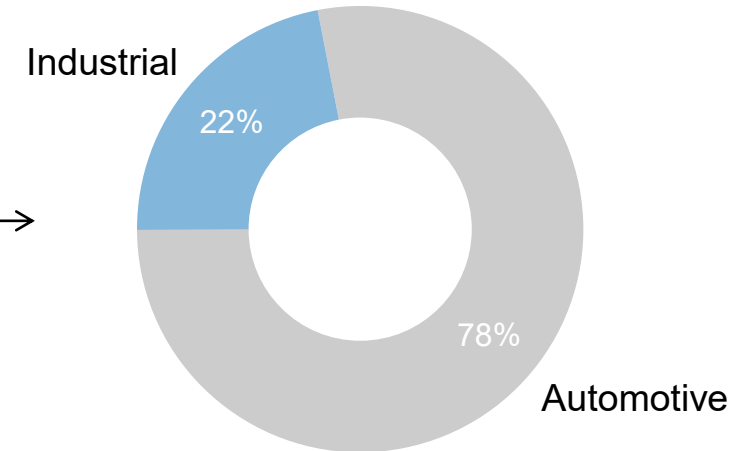


## Revenue split by product



## Revenue split by market

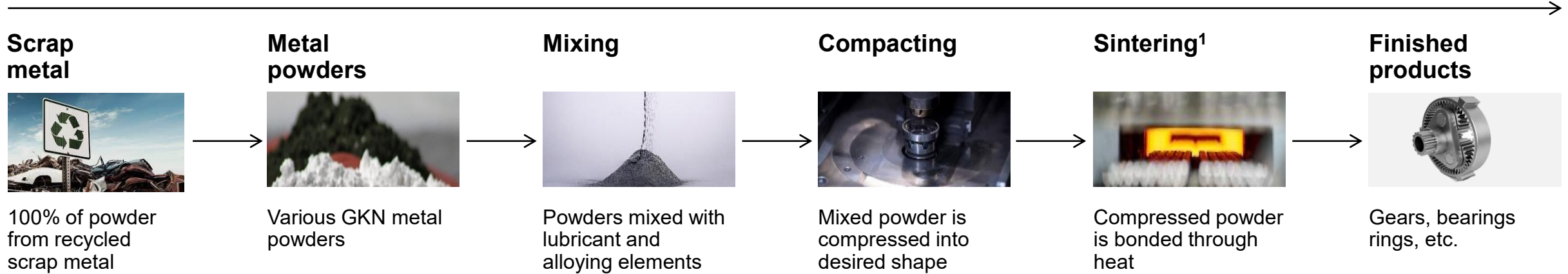
Industrial



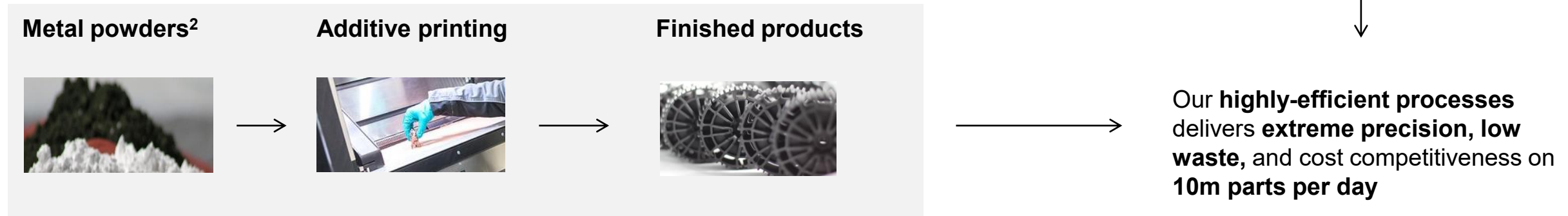


# Vertically integrated, covering the entire value stream

## Sinter process



## Additive process

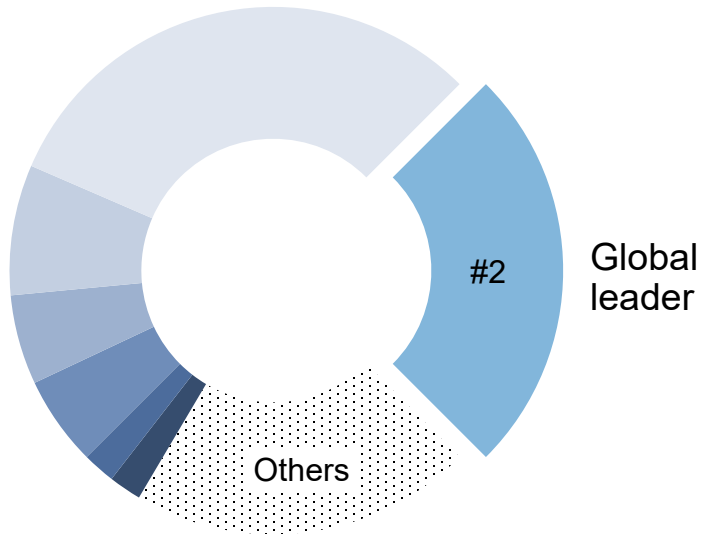


<sup>1</sup> Required for powder and metal additives; <sup>2</sup> Or plastic

# #2 global leader in metal powder, #1 global leader in sinter products

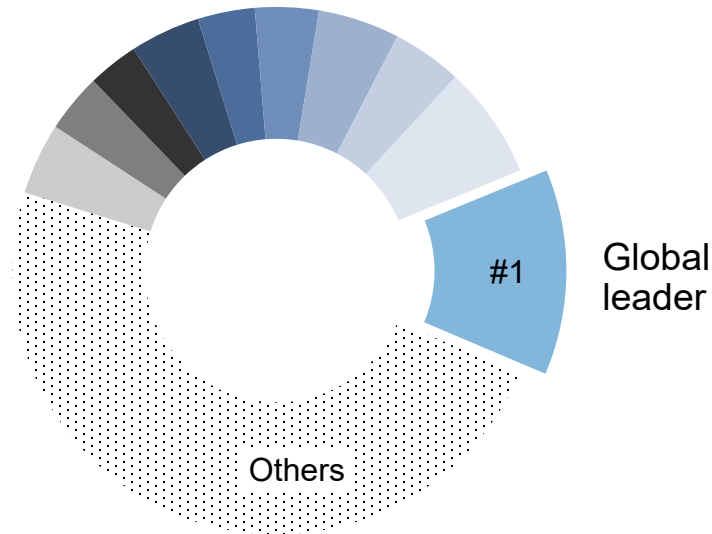
## Powder

Market share in powder metal parts



## Sinter

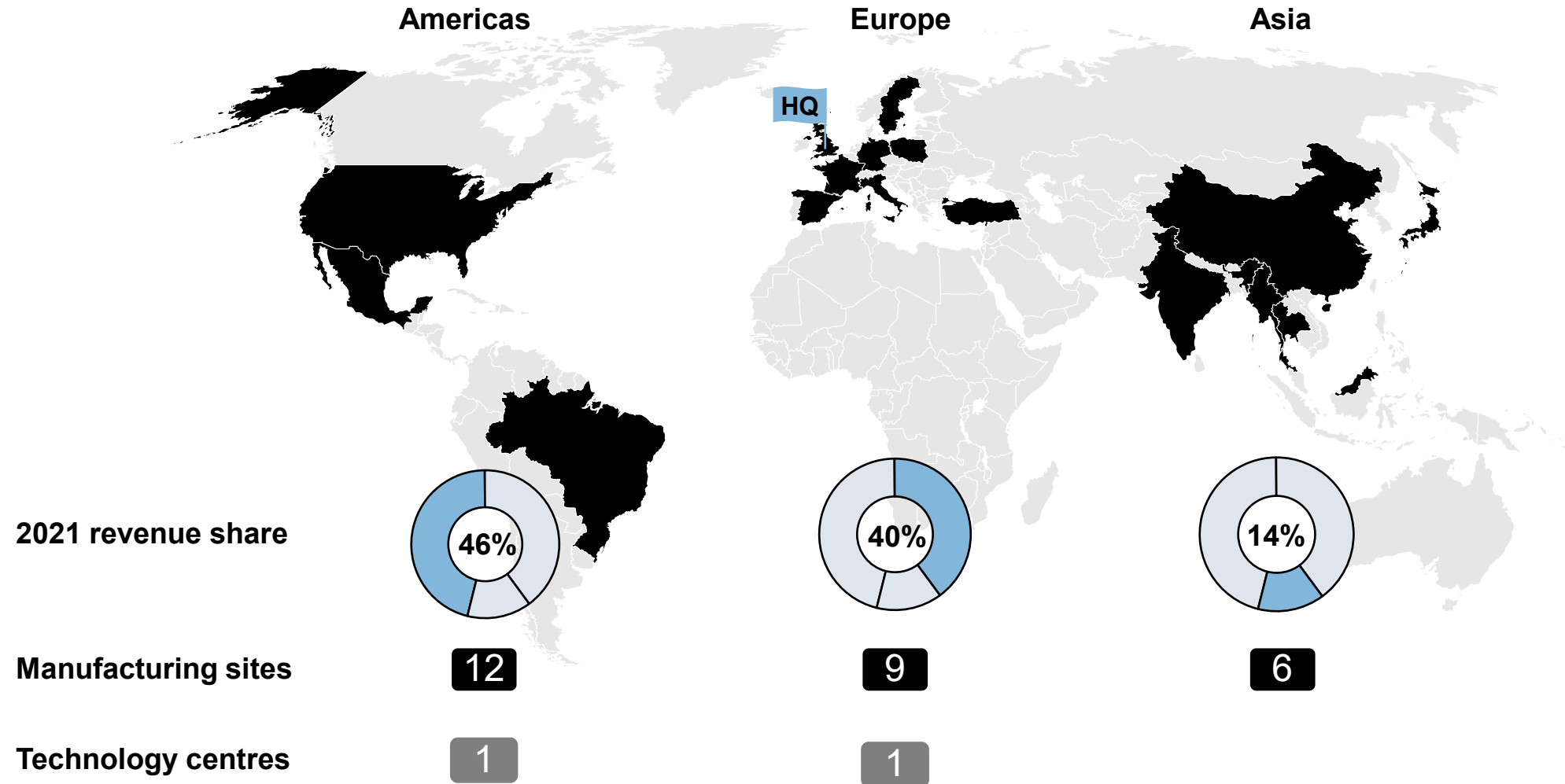
Market share in sinter



### Clear factors contributing to our leadership position

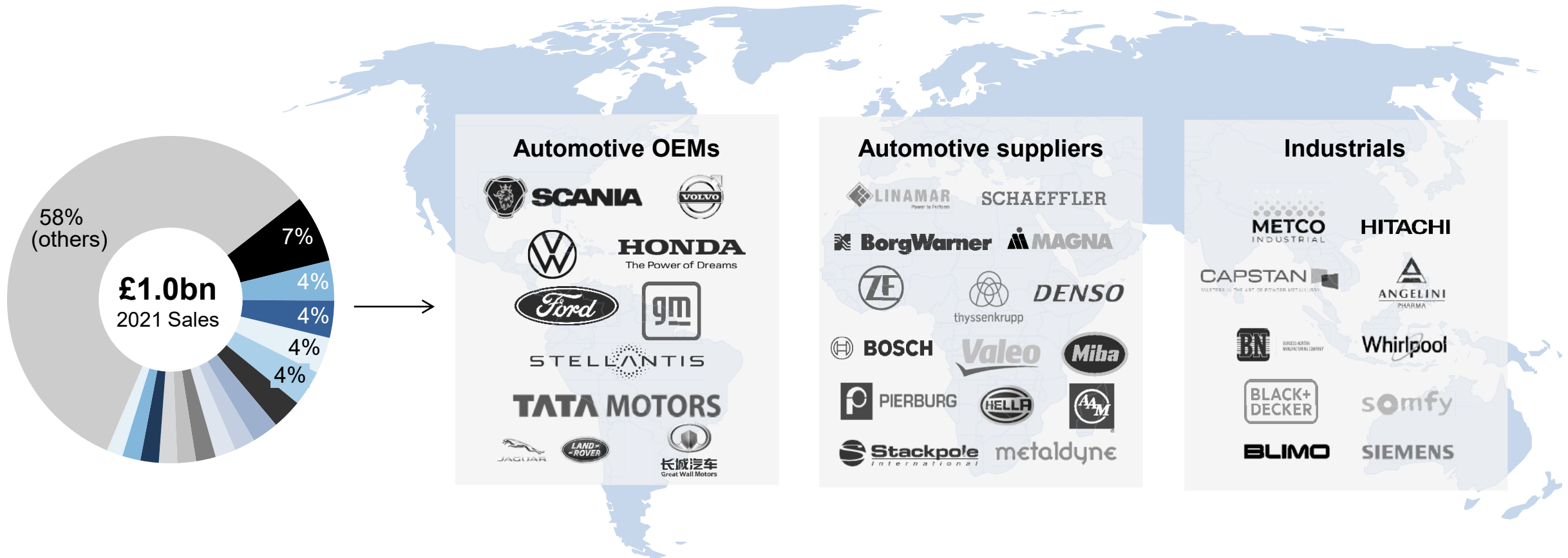
- Breadth of capabilities
- Global manufacturing footprint
- World class co-design
- Strong customer relationships
- Focus on sustainability

We have a global footprint with manufacturing and technology facilities ideally located to best serve our customers



# A diversified global customer base

## Balanced customer mix



## Partnerships

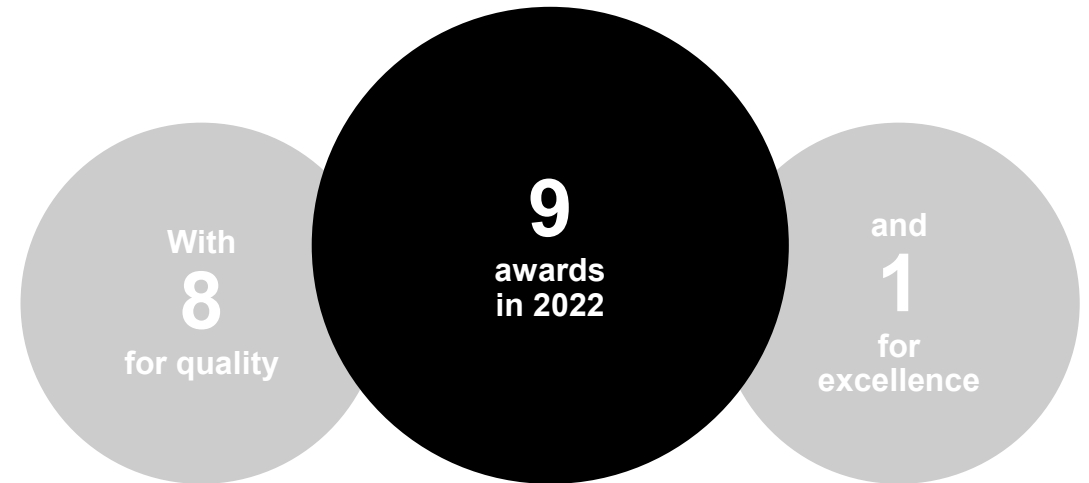
On average, partnerships with our top customers span ...












**20+ years**


## Awards

GKN Powder Metallurgy is regularly recognised by its customers ...




# A clear set of strategic pillars and targets aligned to UN Sustainable Development Goals

Resources 	Innovation 	Society 	People 
<ul style="list-style-type: none"> <li>➔ <b>Reduce scope 1 and 2 carbon emissions intensity</b><sup>1</sup> (by 20% by 2025, 40% by 2030, and net zero before 2050)</li> <li>➔ Source 50% <b>electricity from renewable sources</b> by 2025, 75% by 2030 and 100% by 2050</li> <li>➔ 95% of <b>waste diverted from landfill</b>, 98% by 2030</li> </ul>  	<ul style="list-style-type: none"> <li>➔ 50% of total <b>R&amp;D expenditure to contribute to decarbonisation</b> by 2025, 75% by 2030 and 100% by 2050</li> <li>➔ 50% of <b>new products to contribute to decarbonisation</b> by 2025, 75% by 2030 and 100% by 2050</li> </ul> 	<ul style="list-style-type: none"> <li>➔ <b>Operate ethically</b> within our local communities</li> <li>➔ <b>Local CO2 compensation projects and charity partnerships</b> established in all locations by 2023</li> </ul> 	<ul style="list-style-type: none"> <li>➔ <b>Lost Time Accident Frequency Rate</b> at &lt;0.1%</li> <li>➔ <b>Increase gender and ethnicity diversity</b> across our leadership by 2030</li> </ul> 



Ethics, Compliance, Safety and Security



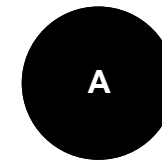


- Business Introduction
- **Transformation Story**
- Electrification Journey

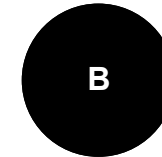
## A high performing business ...

- Unique position as a vertically integrated PM player
- Diverse portfolio of customers and product offering
- Trusted partner for both automotive and industrial sectors
- Global capability, serving customers locally
- Resilient and agile, with highly efficient operating model

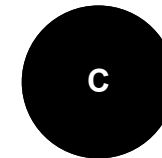
## ... with attractive growth opportunities



**Commercial strategy**



**Cost improvement**



**Cash generation**



# We are building on our leadership position to drive growth

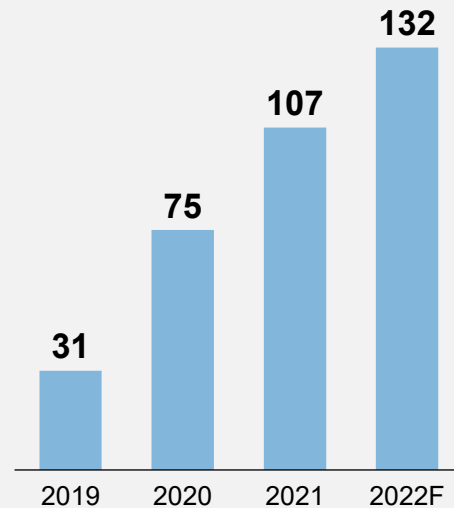
A

## Commercial strategy

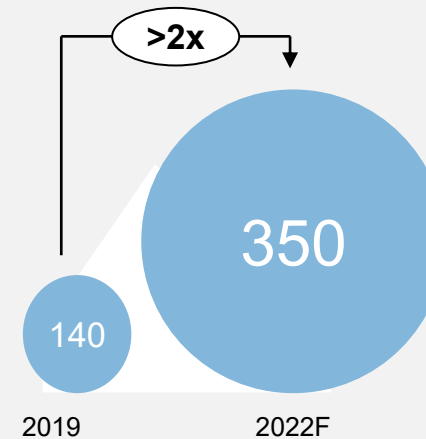
- Winning new business, securing market leadership position
- Focusing on growth of core businesses by penetrating xEV market
- Pursuing incremental long-term growth opportunities (e.g. magnets)
- Commercial discipline: commodities pass-through enhancement

## Impact

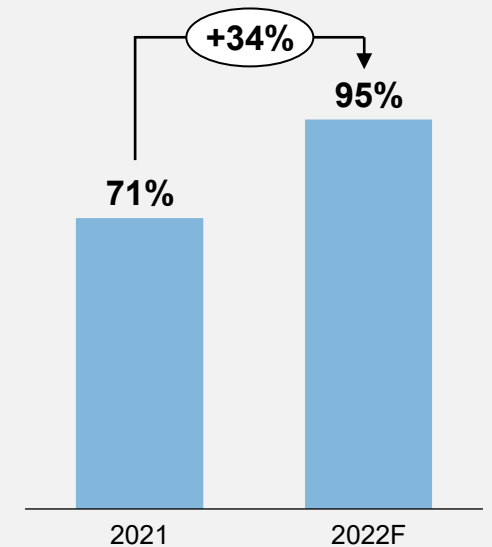
**Conquest bookings<sup>1</sup>**  
Cumulative peak annual sales, £m



**Transitioning to xEV**  
Lifetime booking<sup>2</sup> value of new business wins of components for xEV systems programmes, £m



**Commercial discipline**  
Customer surcharge coverage<sup>3</sup>, %



<sup>1</sup> Business wins above the market where market share is taken, <sup>2</sup> Amount of revenue booked on xEV programmes during estimated lifetime, <sup>3</sup> Share of revenue covered through automatic pass-through mechanisms for certain commodities cost movements

# Some examples of the new business we are winning

A

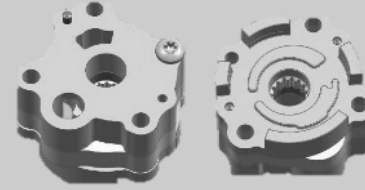
xEV



Differential



Air Conditioning



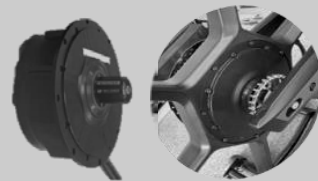
Celestiq  
(Additive)



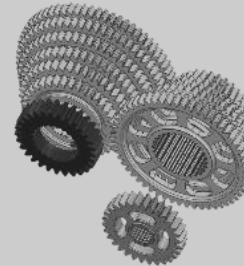
Industrial



eMotors



e-bike  
transmission



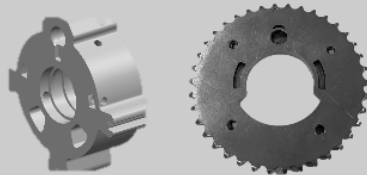
Lawn &  
garden



Traditional  
vehicle  
architecture



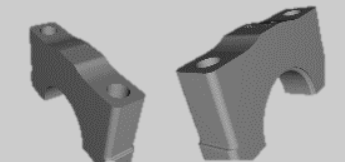
Suzuki  
ZVCT



Hilite EA 211  
EVO



PSA EB2



**B**

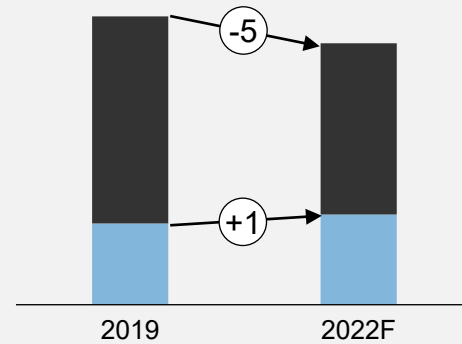
## Cost improvement

- Optimised footprint, improving capital utilisation and leveraging cost-efficient sites
- Improved operational costs with reduced indirect overhead
- Diligent approach to effectively minimise inflation impact
- Continuous improvement (CIMS), with digital business and manufacturing processes

## Impact

### Operations

Footprint, # of plants

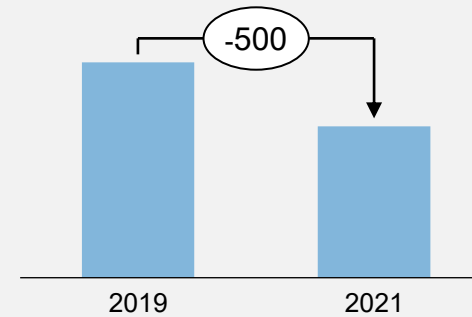


■ Best Cost<sup>1</sup> ■ High Cost<sup>2</sup>

**+10pp**  
**BCC ratio**  
 – improved from 27% to 37% (2019-2022)

### Right-sizing

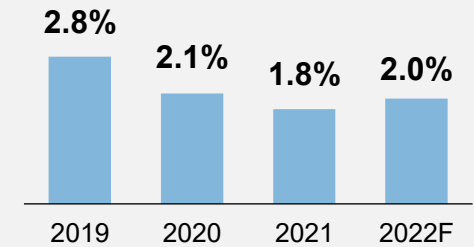
Fixed headcount, # FTE



**-30%**  
**in fixed headcount**  
 (2019-2021)

### Minimising inflation

CIMS<sup>3</sup>, % of sales



**c.2%**  
**Average CIMS**  
 as % of sales  
 (2019-2021)

1 BCC: Best-cost country; 2 HCC: High-cost country; 3 Continuous improvement tracking programme where operational efficiencies are realised

# We have created a digital culture that drives continuous improvement and competitive advantage



More than 1,800 connected machines



AI machine learning optical quality control



Over 800 digital connected measurement stations



Globally deployed and standardised IT solutions

More than 2,000 automated part handling systems

Real-time and on-demand, personalised action items<sup>1</sup>

<sup>1</sup> Electronics direct the employee to next work topic / activity / location

# A sustainable business with consistent cash generation through efficient and disciplined capital allocation

C

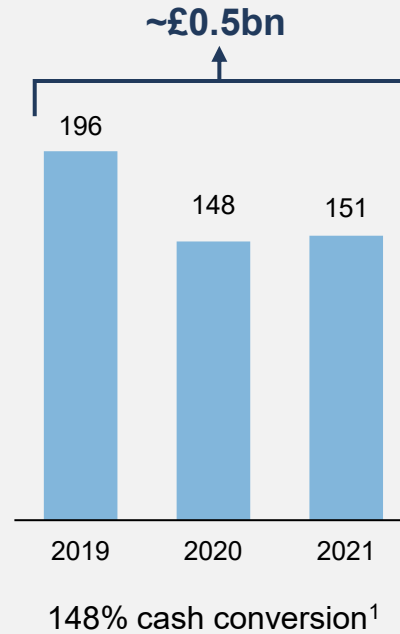
## Cash generation

- Disciplined working capital management
- Sustainable improved commercial terms with commercial partners
- Well invested manufacturing with disciplined capital allocation
- Track record of delivery on restructuring projects

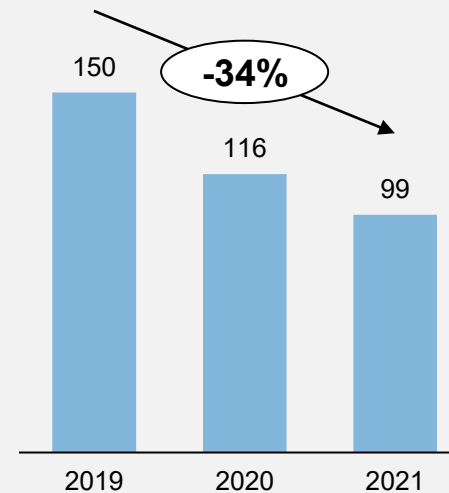
## Impact

### Sustainably cash generating, self-funding, and returning value

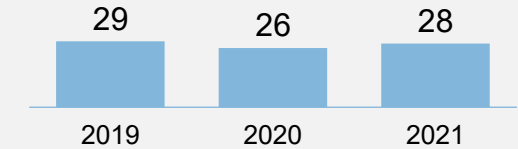
Pre-CAPEX operating cashflow, £m



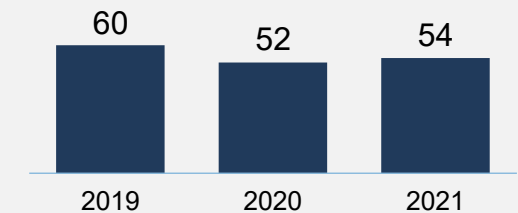
Trade working capital improvement, £m



Average annual stock days, # days inventory on hand



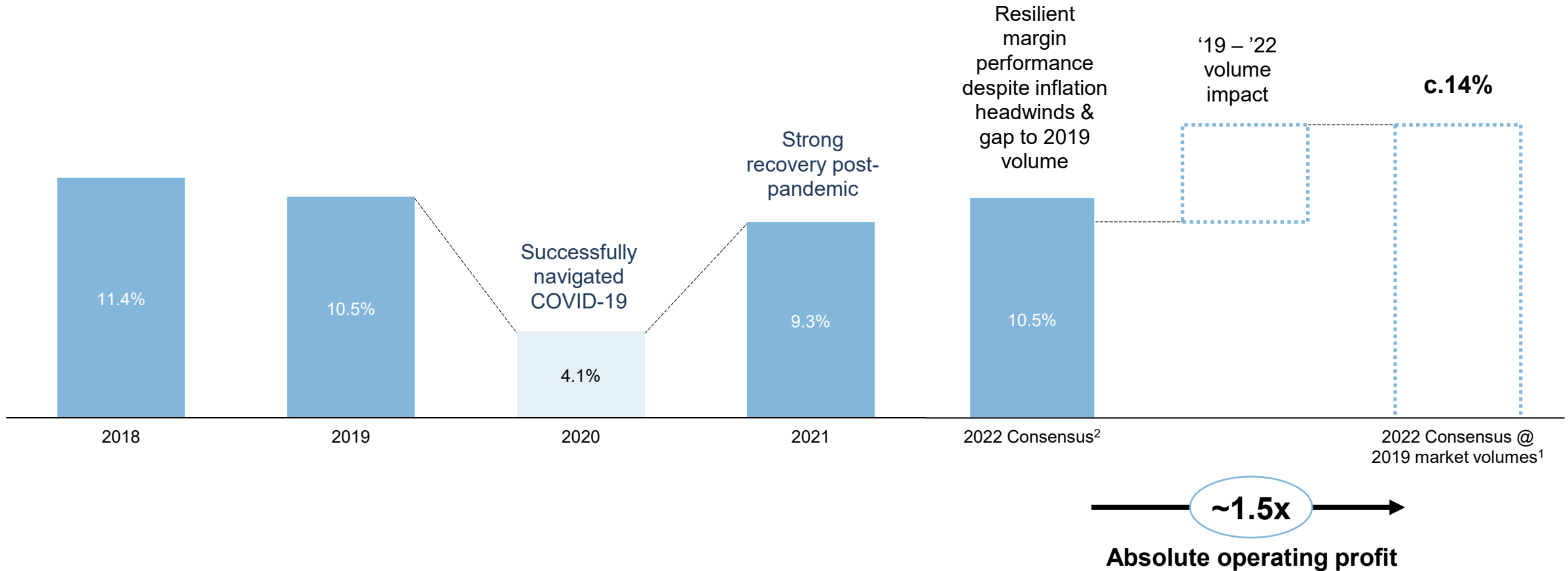
Accounts receivable, # days sales outstanding



<sup>1</sup> Calculated as cumulative net cashflow post-CAPEX / operating profit

# We are on a clear path to achieving our operating margin target

## Evolution of operating profit margin (pre-central costs, EBIT %)



<sup>1</sup> Updated as of October 2022, subject to dilution of inflation recovery through pricing; <sup>2</sup> Melrose company compiled consensus



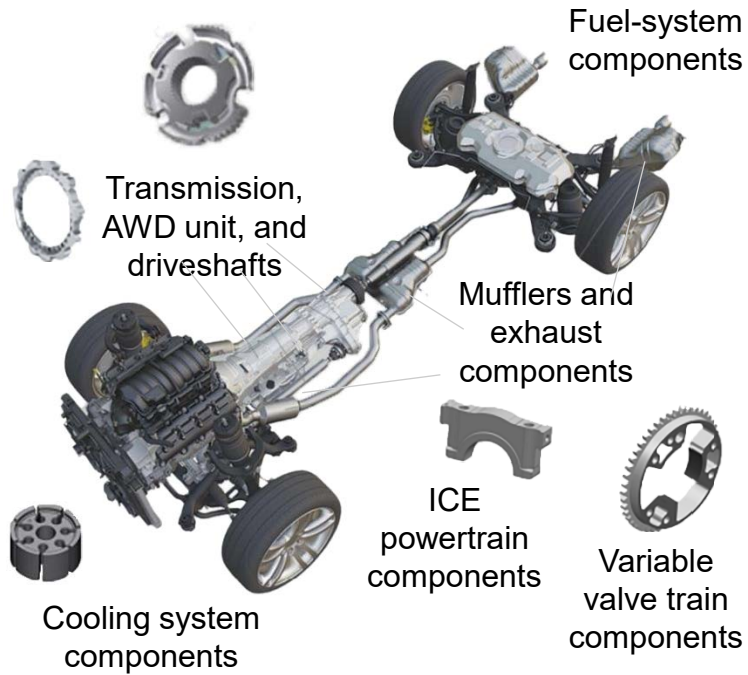
**GKN POWDER METALLURGY**

- Business Introduction
- Transformation Story
- **Electrification Journey**

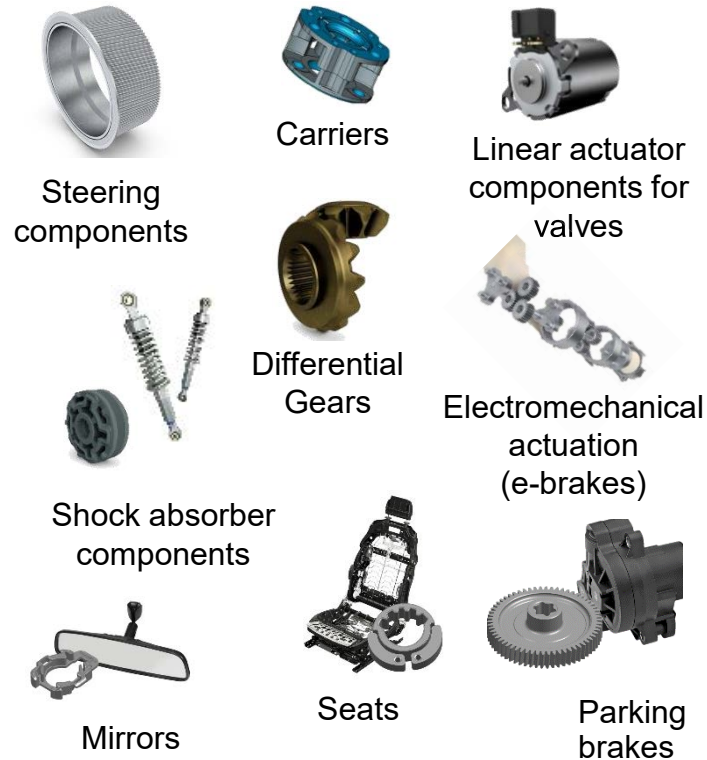
# New opportunities will offset the decline in xEV sintered content



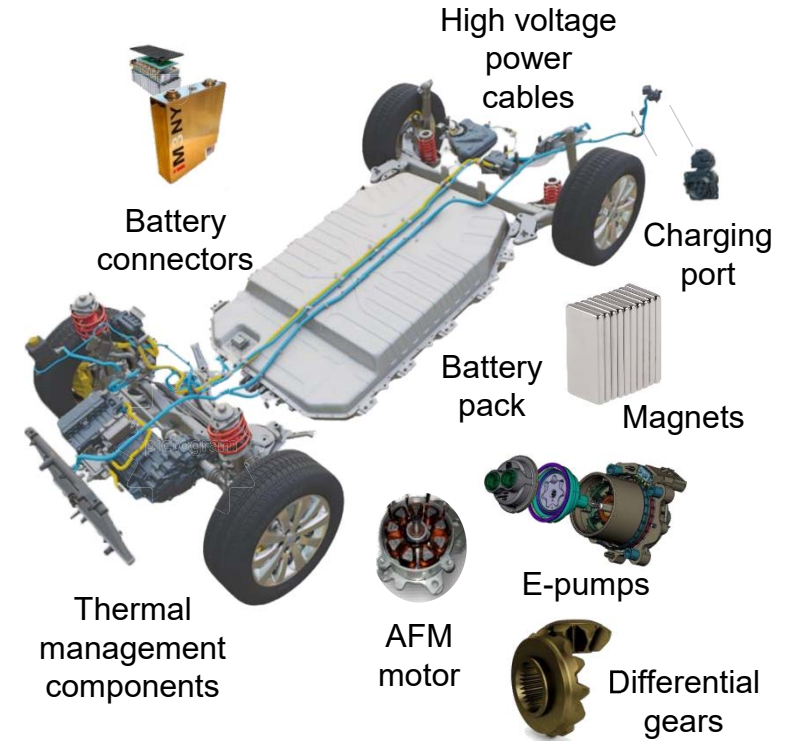
## ICE<sup>1</sup> specific



## Agnostic





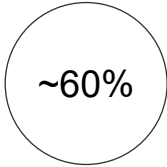


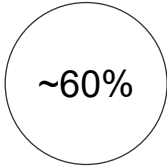



## BEV<sup>2</sup>



<sup>1</sup> ICE = Internal combustion engine; <sup>2</sup> BEV = Battery electric vehicle



# Active portfolio management drives xEV growth and offsets ICE exposure

Product	Impact of electrification	Share of sales 2022F (%)	Share of sales 2026F (%)	Strategy
<b>Auto non-ICE</b> (transmission, body & chassis and components for xEV system)		 ~50%	 ~60%	<ul style="list-style-type: none"> <li>Invest to gain market share</li> <li>Expand portfolio of BEV components</li> <li>Focus AM technologies to further penetrate auto</li> </ul>
<b>Magnets</b>		 ~50%	 ~60%	<ul style="list-style-type: none"> <li>High potential component; critical for BEV adoption</li> <li>Significant interest from suppliers &amp; OEMs</li> <li>Advanced stages of product and industrial developments</li> </ul>
<b>Industrials</b>				<ul style="list-style-type: none"> <li>Diversify into new industries and applications</li> <li>Additive technology</li> </ul>
<b>Auto ICE</b> (engine & part of transmission)		 ~50%	 ~40%	<ul style="list-style-type: none"> <li>Selective investments; be the supplier of choice</li> <li>Programme lifetime commercial strategy</li> <li>Focus on maximising returns</li> </ul>

 Positive impact of electrification    
  Negative impact of electrification

1 % share of portfolio based on 2022 booked business and 2026 market projections; 2 Includes Additive

# Attractive opportunity to expand into e-motor magnets

## Large market and CPV<sup>1</sup>

→ Magnets are integral to making e-motors

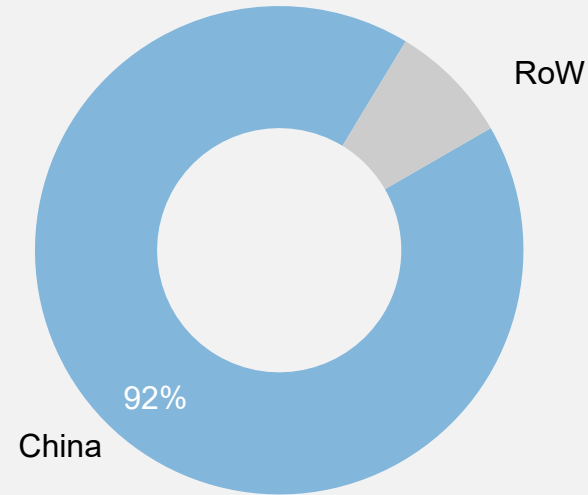


→ Sizeable market potential of £5bn - £10bn by 2030

→ Rare-earth magnets are a core PM product; expertise suited to manufacturing

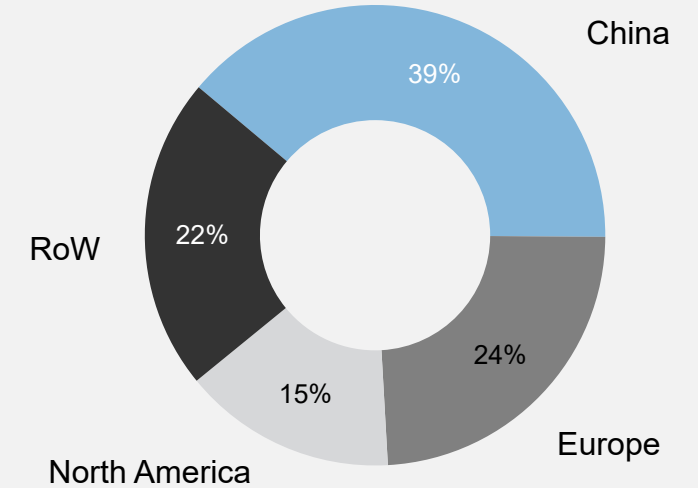
## We reduce sourcing risk

### Current magnet production capacity



## We reduce production risk

### xEV production volume by 2030<sup>2</sup>



### Our approach

- Manufacturing in Europe and USA to satisfy local customer requirements
- Become a key player in North America and Europe, sourcing outside of China

<sup>1</sup> Content Per Vehicle, <sup>2</sup> based on IHS forecasts Dec 22

# Magnets are a core element of our EV portfolio strategy

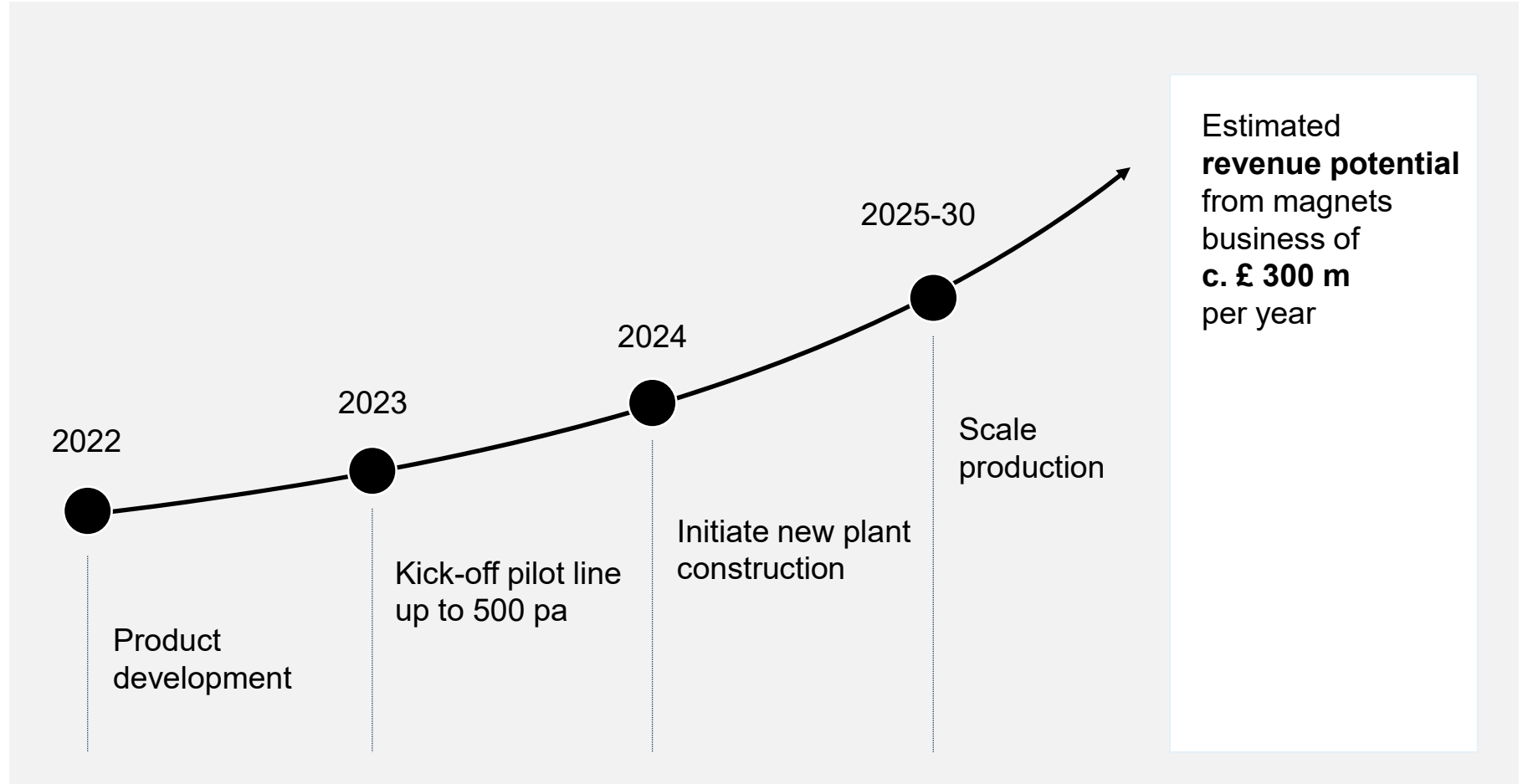
## Positioned to win

## Outlook



**GKN POWDER METALLURGY**

- Advanced material science utilising net shape and sintering capabilities
- Trusted automotive experience with global reach and customer base



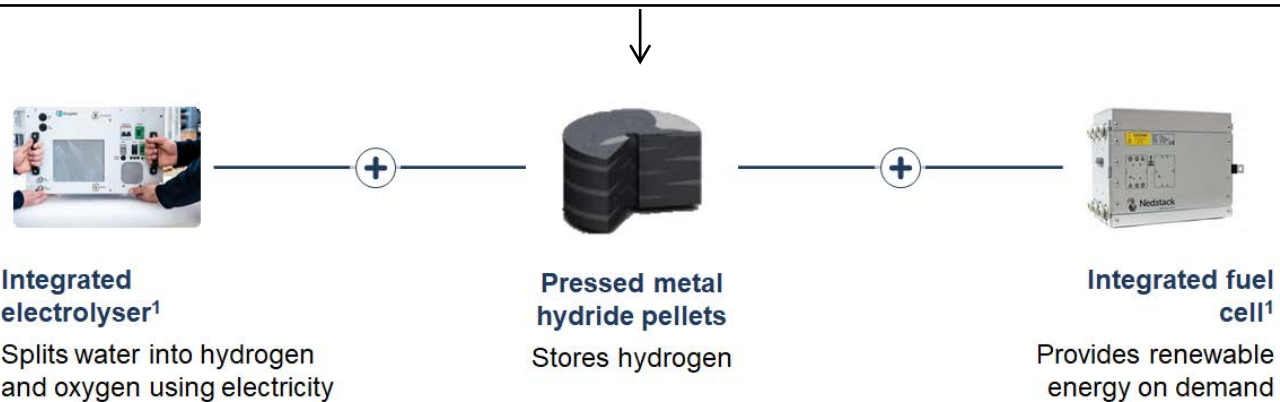
- World leader displaying resilient performance through recent industry challenges
- Improved cost base driven by a culture of continuous improvement
- Trusted automotive player, realising valuable opportunities on xEVs
- Set for margin expansion as the market recovers



With our powdered metal-hydride hydrogen storage product we offer a scalable, dispatchable and renewable energy solution

Input

Output

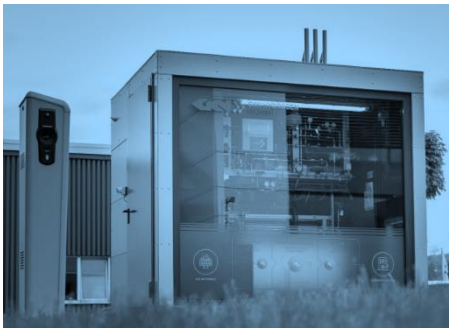


<sup>1</sup> Integrated electrolyzer and fuel cell included within "Medi" units; <sup>2</sup> Nominal load / 12-18 kW peak load (15 min every 12 h)

# Our technology's use cases span across several application types and energy load requirements

## Standalone power supply

- ➔ Off-grid energy storage
- ➔ Multi-year storage



## Back-up power supply

- ➔ Alternative to diesel-generated back-up power



## Energy rebalancing

- ➔ Stores excess energy
- ➔ Deployed during scarcity



## Auxiliary power supply

- ➔ Power output for multiple purposes (e.g. EV charging)



## Direct feedstock supply

- ➔ Enables heavy industries to decarbonize by providing an alternate fuel source



# Our solution has unique benefits that overcome the shortfalls of today's energy storage solutions

## Shortfalls of alternatives



### Backup diesel generator

- ➔ Difficulty with overloads
- ➔ Not a sustainable solution



### Power grid feed management

- ➔ Insufficient for imbalances/overloads
- ➔ Difficulty with extreme weather



### Battery based storage

- ➔ Insufficient for seasonality
- ➔ Not cost-effective for long-duration, high-capacity energy storage requirements

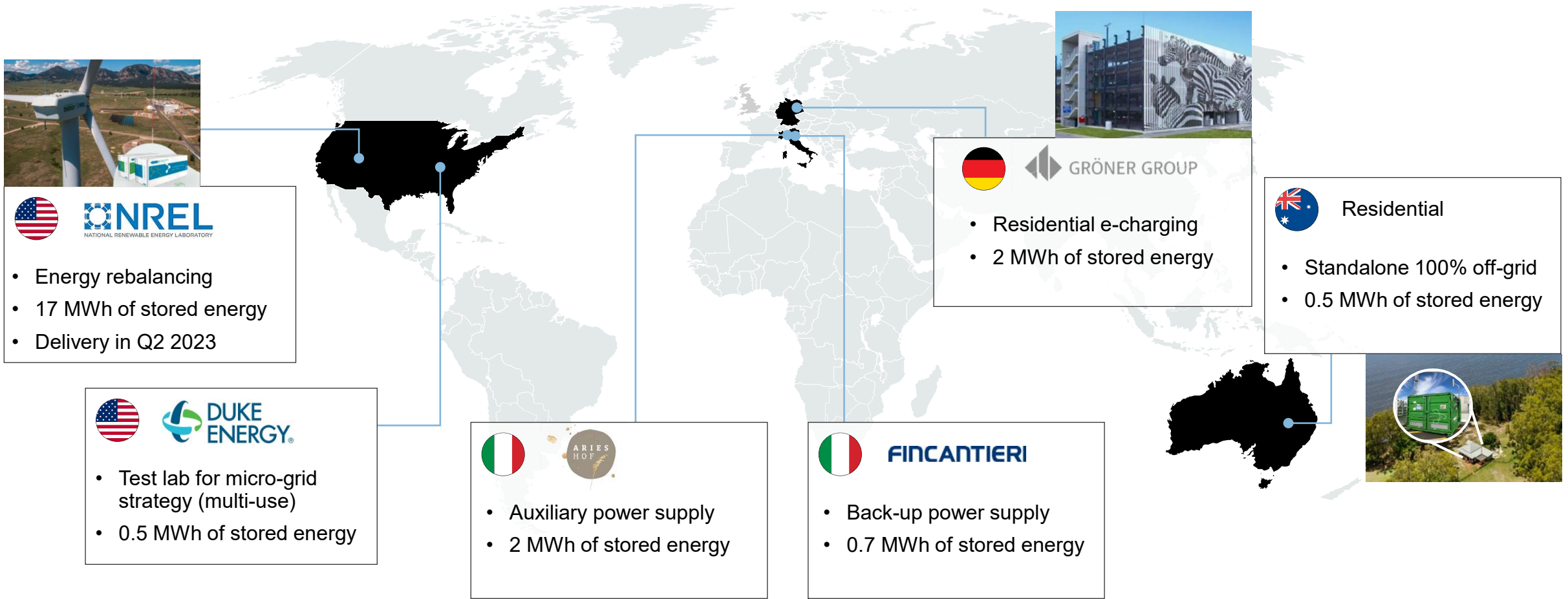
## Benefits of GKN Hydro energy storage

- ✓ Provides for intermittent generation
- ✓ Improves grid stability
- ✓ Works well in extreme weather
- ✓ Handles seasonal imbalances
- ✓ Cost-effective for high-capacity, long-duration





# Hydrogen (H2) storage pilots with customers across the globe, many systems already deployed and more on order



- Our state-of-the-art energy storage offers a scalable, renewable solution to an underserved and expanding market
- GKN's hydrogen storage presents a reliable solution to common power delivery challenges
- We have a healthy pipeline of commercial opportunities and are successfully operating pilots to test our applications across the globe

# DOW LAIS FINANCIAL FRAMEWORK

DOWLAIS	2022 <sup>1</sup> (Anticipated)	Change YoY <sup>2</sup>		Outcome
<b>Revenue (£m)</b>	5,200	+6%	▲	➔ Revenue growth reflecting volume and price recovery
<b>EBIT (£m)<sup>4</sup></b>	320 - 330	+21%	▲	
<b>EBIT margin [%]<sup>3</sup></b>	6.3%	+0.8%pt	▲	➔ Offset inflation, leading to margin expansion, ahead of expectations
<b>EBITDA (£m)<sup>4</sup></b>	605 - 615	+5%	▲	
<b>EBITDA margin [%]<sup>3</sup></b>	11.7%	Flat		➔ Robust cash conversion

<sup>1</sup> Unaudited provisional result for the Dowlais businesses for the year ended 31 December 2022; <sup>2</sup> YoY growth calculated at fixed currency, EBIT and EBITDA growth calculated using the middle of the anticipated range; <sup>3</sup> Operating margin and EBITDA margin calculated using the middle of the range anticipated result; <sup>4</sup> Excludes PLC standalone costs



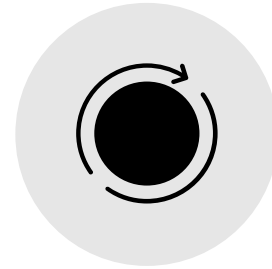
## Revenue

Growth ahead of market



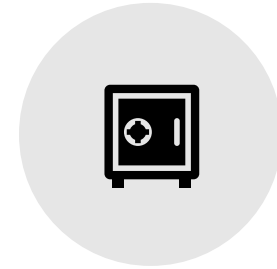
## EBIT

>11% margin for combined group<sup>3</sup>



## Cash conversion<sup>1</sup>

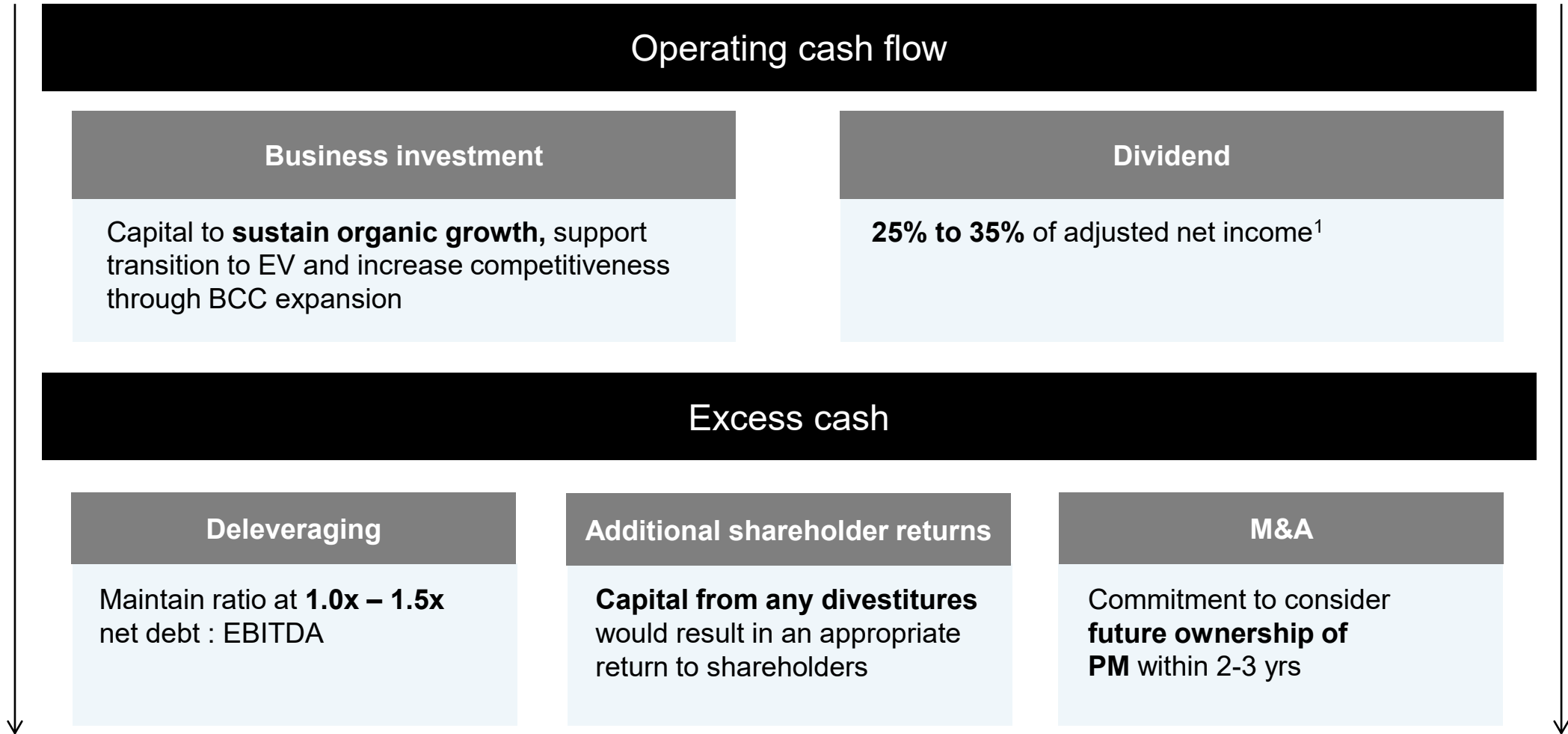
Consistently ~90%



## Leverage<sup>2</sup>

Maintain at ~1.0x – 1.5x

<sup>1</sup> Cash conversion calculated as cumulative net cashflow pre-CAPEX / operating profit (EBIT); <sup>2</sup> Leverage refers to ratio of net debt to EBITDA; <sup>3</sup> EBIT margin targets excludes central costs



<sup>1</sup> Policy proposal only, subject to board approval

Independent listing provides a platform and currency to deliver further shareholder value through targeted M&A

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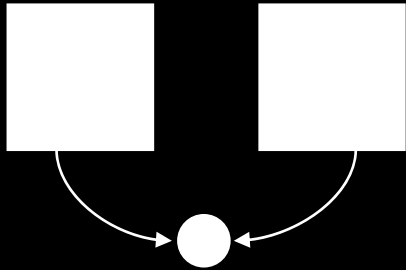
DOW/LAIS



M&A  
enablers

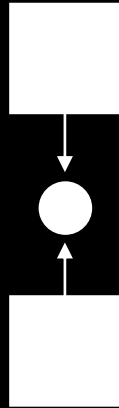
- ➔ Separation from Melrose provides platform to accelerate growth
- ➔ Strong balance sheet and clear capital allocation policy
- ➔ Consolidation opportunities in relevant market segments
- ➔ Clear value creation opportunities
- ➔ Board & management team with extensive M&A experience

### Consolidation



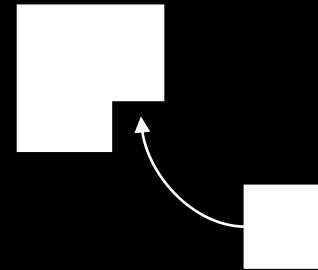
Further cement drive system leadership position through vehicle segment or portfolio expansion

### Vertical integration



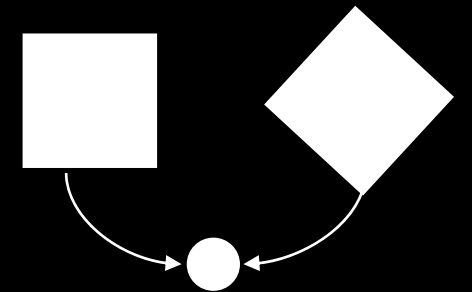
Upstream supply chain expansion to increase value-add and control of strategic capabilities

### Technology acceleration



Bolt-on technology extension to increase competitiveness and critical capabilities

### Adjacency



Close adjacency that complements core business and offers clear value creation potential

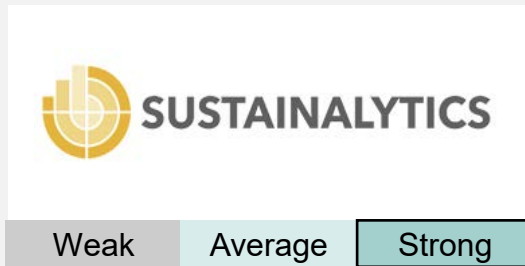


DOWLAIS  
SUSTAINABILITY

# Our sustainability principles focus on how we will contribute to a cleaner, more sustainable world

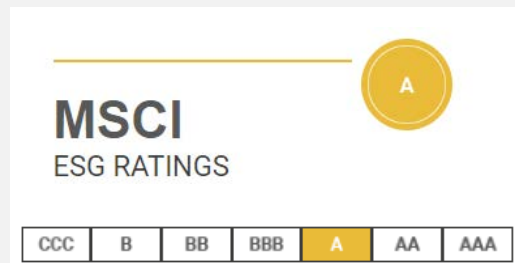
We are building on the strong sustainability foundations from Melrose...

...through a set of sustainability principles focused on integrity and ethical behaviour



## Top quartile for sector<sup>1</sup>

Melrose Industries Plc's Management of ESG Material Risk is **Strong**



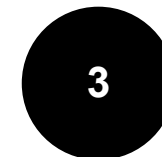
MSCI ESG score improved from **BB** to **A** in 2020



Respect and protect the environment, supporting the **decarbonisation of our industry**



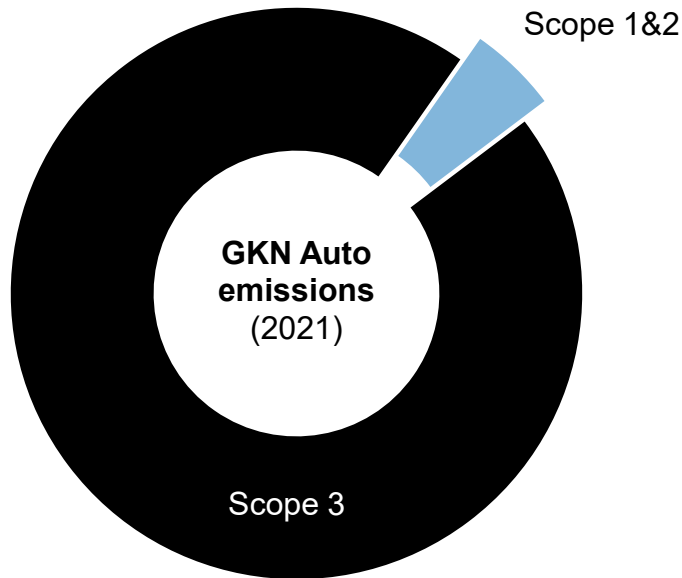
Provide a **safe, inclusive and diverse** place to work



Ensure the **integrity of our supply chain**, including the protection of human rights throughout our business activities

<sup>1</sup> Last rating published 17 January 2023

**Scope 3 is ~98% of our emissions**



**We are reducing emissions across all scopes**

Scope	Emissions contribution <sup>1</sup>	Reduction measures
1	<1%	Improved measurement and analytics, equipment upgrade & operational efficiency measures
2	~1%	Increasing on-site and off-site renewable energy usage through increased renewable electricity purchasing, on-site solar panel installation & PPAs <sup>2</sup>
3	~98%	<p><b>Upstream:</b> Supplier code of conduct includes commitment to develop &amp; report sustainability roadmaps</p> <p><b>Downstream:</b> Focusing R&amp;D on products for xEVs Increasing share of revenues to BEVs</p>

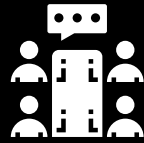
1 Emissions contribution split is for Automotive business only; 2 PPA business case for Automotive business ongoing



## Strategy

Clearly defined strategy based on double materiality

Targets aligned to UN SDGs, including SBTi commitment



## Governance

Governance aligned to UK Corporate Governance Code



## Action & results

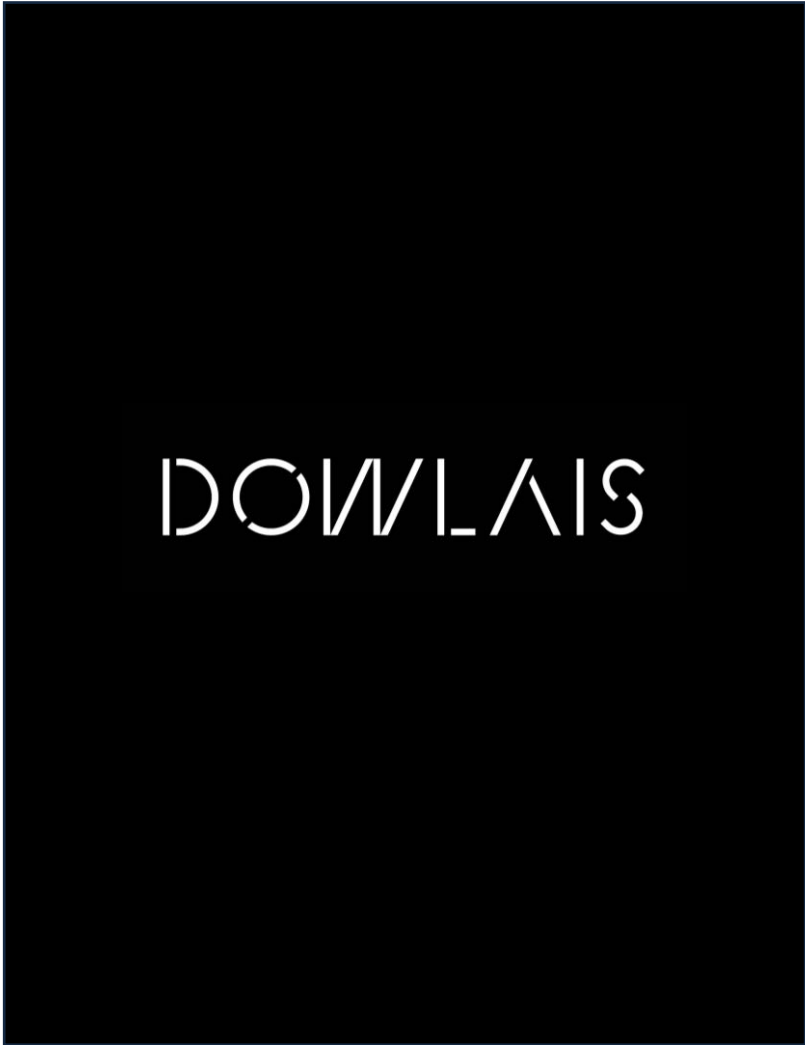
Driven through the businesses, commitment to deliver meaningful results



## Reporting & disclosure

TCFD, CDP, SECR, CSRD with a consolidated annual sustainability report

# S U M M A R Y



Two great businesses with **market leading positions**



Strong **margin trajectory**



Highly attractive **cash conversion**



Disciplined approach to **M&A** to drive shareholder value



Experienced and proven **management team**

THANK YOU

# A P P E N D I X



# List of abbreviations

Abbreviation	Meaning	Abbreviation	Meaning
AFR	Accident frequency rate	FTE	Full time employee
AM	Additive manufacturing	H2	Hydrogen
AWD	All wheel drive	HCC	High-cost country
bn	billions	HQ	Head quarters
B&C	Body and chassis	ICE	Internal combustion engine
BEV	Battery electric vehicles	IDM	Indirect material
CAGR	Compound annual growth rate	JV	Joint venture
CIMS	Continuous improvement management system	LV	Light vehicle
CPV	Content per vehicle	m	millions
DM	Direct material	MHEV	Mild hybrid electric vehicle
E&T	Engine and transmission	NVH	Noise, vibration and harshness
EBIT	Earnings before interest and tax excluding depreciation and amortization	OEM	Original equipment manufacturer
EBITDA	Earnings before interest, tax, depreciation and amortization	PHEV	Plug-in hybrid electric vehicles
eD	eDrive	PM	Powder Metallurgy division of Dowlais; GKN Powder Metallurgy
ePT	ePowertrain	RoW	Rest of world
ESG	Environmental, Social and Governance	SG&A	Selling, general and administrative expenses
EU	European Union	xEV	Generic name for EVs
EV	Electric vehicles	YE	Year End
FHEV	Full hybrid electric vehicle	YoY	Year on Year