

DOWLAIS GROUP PLC

JPMORGAN CONFERENCE

JUNE 2023

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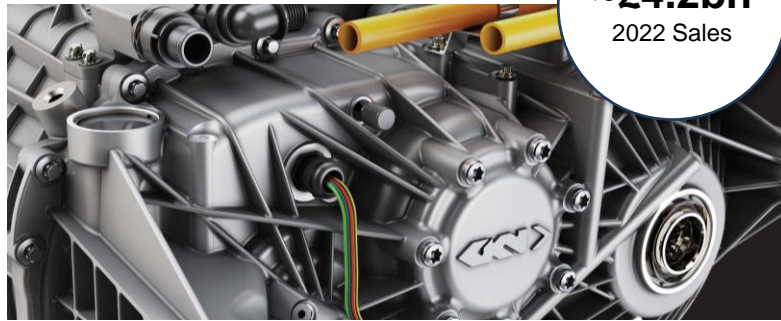
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- **Dowlais**
- **Business context**
- **Operational performance**
- **Market leading positions**
- **Capital structure**
- **Financial framework**



~£4.2bn
2022 Sales



~£1.0bn
2022 Sales



#1 global driveline supplier

Present on 50% of vehicles¹

Working with 90% of global OEMs²

#1 sinter metals supplier

#2 powder metal supplier

Global supply footprint

Reliable and secure H₂ storage

16 pilot systems

Healthy pipeline of opportunities

¹ Vehicles refers to individual nameplates of global OEMs; ² Global OEMs are those with manufacturing locations in multiple regions

Commercial¹

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

Costs¹

- ➔ 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**

Cash¹

- ➔ **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%**²

Investments

Sustainability

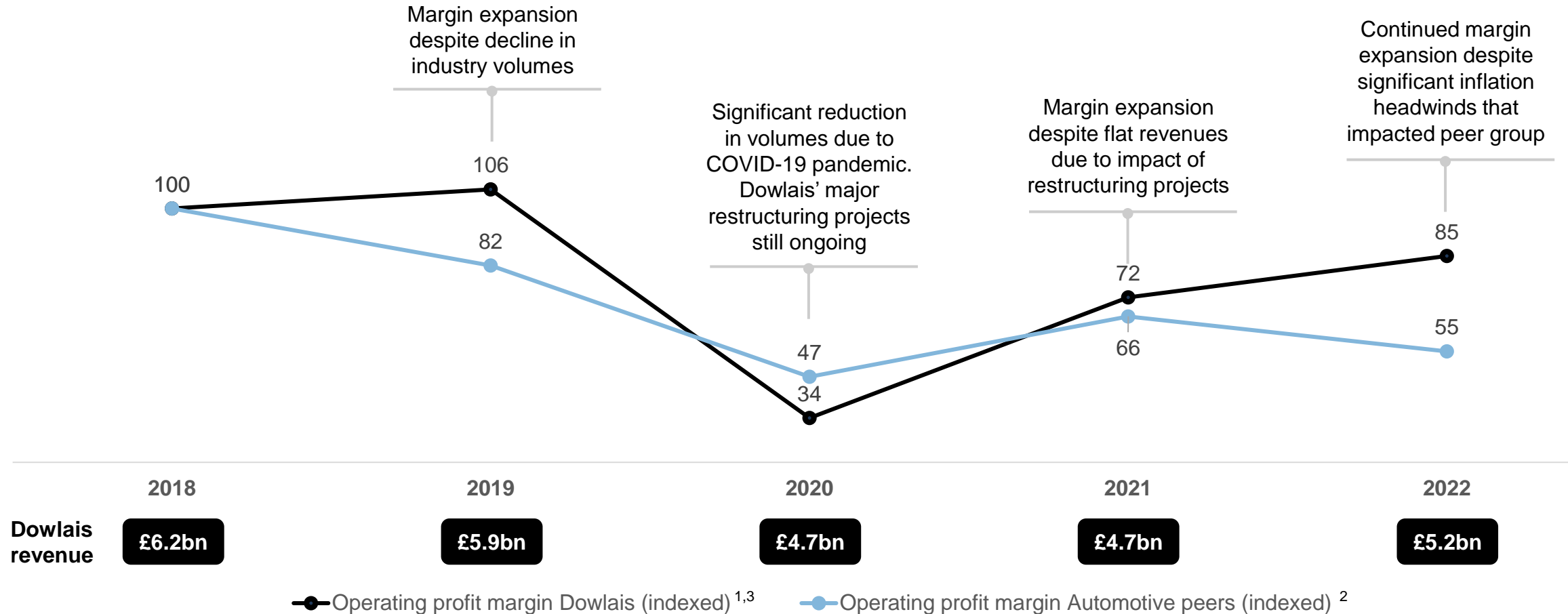
Technology

People

¹ All values refer to 2019 to 2021 time period; ² Calculated as cumulative net cashflow post-CAPEX / operating profit

Dowlais operating profit margin performance ahead of automotive peers throughout recent crisis period

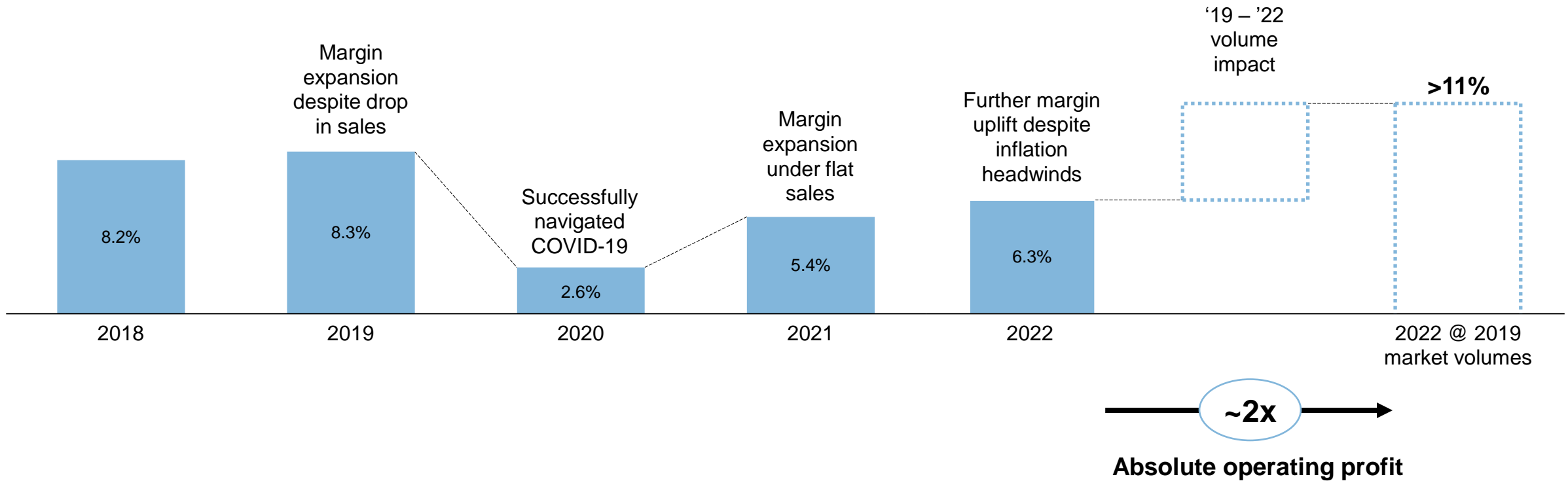
Operating profit margin



¹ Dowlais operating profit includes joint ventures and excludes GKN Hydrogen; ² Automotive peers consists of 20 top performing Global automotive peers ³. Excluding fair value accounting

Meaning 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 %)

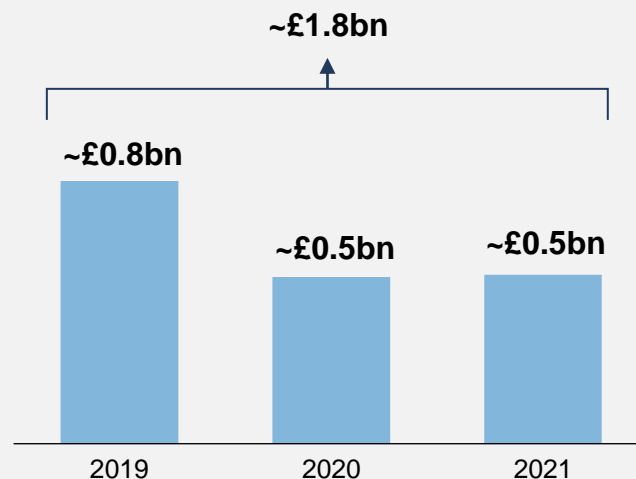


Cash generation

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

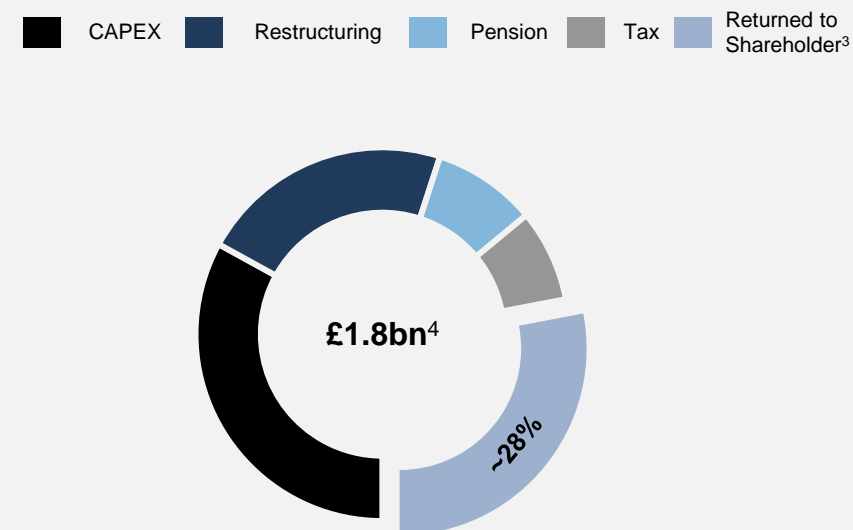
Impact

Pre-CAPEX operating cashflow, £m



- £1.8bn of operating cash generated between 2019 and 2021
- 149% cash conversion¹











Uses of self-generated cash², %




- Self-funded significant CAPEX & restructuring
- £0.5bn cash returned to shareholder


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

Our portfolio is increasingly propulsion agnostic

Product		Impact of electrification	Share of sales 2022F (%)	Strategy
Sideshafts			~50%	<ul style="list-style-type: none"> Market leader for both ICE & BEVs Relationships built with all major EV OEMs
Propshafts			~10%	<ul style="list-style-type: none"> Limit investments, maximising utilisation of existing assets Maximise portfolio profitability and cash generation
AWD systems			~17%	<ul style="list-style-type: none"> Manage transition of torque management components from AWD systems to eDrive components Leverage heritage capability and advanced technology to increase market share in eDrive components
eDrive components			~9%	
eDrive systems			~6%	<ul style="list-style-type: none"> Prudent investment in targeted technology developments and smart program choices

Torque management products

 Positive impact from electrification

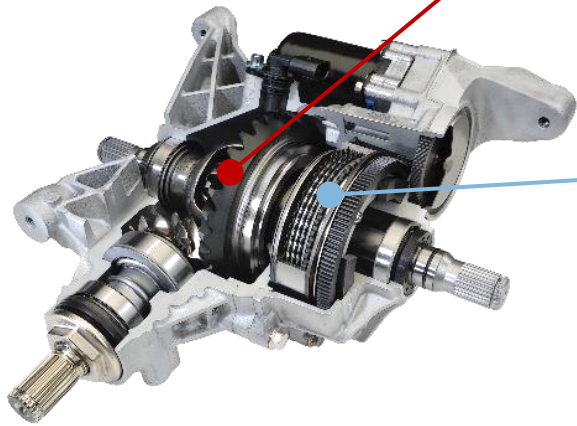
 Negative impact from electrification

Torque management products

Most components within an AWD system transition to eDrive components portfolio

AWD System

- > Power Take-off units
- > Rear Drive Units



Hypoid gears & shafts

Open differential



Disconnect units



Limited Slip Differential (LSD)



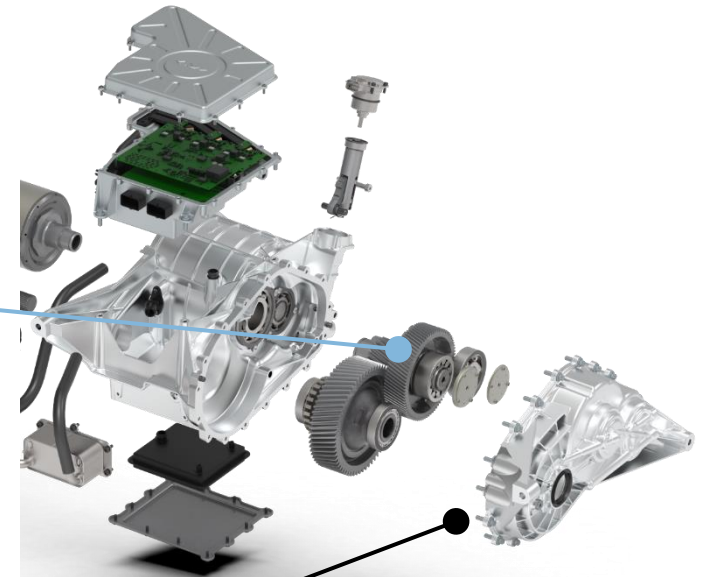
Electronic Torque Manager (ETM)



Helical gears & eDrive gearbox





eDrive System

- > Electric Drive Units



- No re-use
- Transition to eDrive component portfolio
- Incremental eDrive component content

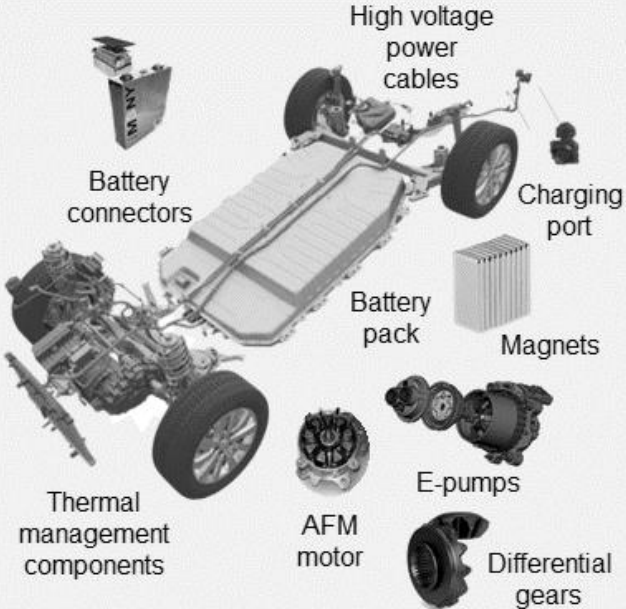
Net addressable content per vehicle increase across product portfolio as a result of electrification over the longer term

		EV impact on average CPV ²	Rationale
Sideshafts		+20-30%	<ul style="list-style-type: none"> Weighted average CPV increases from ~£80 to ~£100 Increased component value (size) & fit rate for BEVs
Propshafts		-100%	<ul style="list-style-type: none"> Components not required on BEVs
Torque management ¹		+40-50%	<ul style="list-style-type: none"> Weighted average CPV increases from ~£130 to ~£450. Lower assumed addressability on eDrive components reduces final CPV impact percentage Most components from AWD systems transition to eDrive components. Incremental content value from eDrive components (gears and gearboxes). Multiple programs currently in production with further won business due to SOP over coming years
Sub-total		~+5%	CPV increase without considering eDrive system opportunity
eDrive systems		++	<ul style="list-style-type: none"> eDrive systems are fully incremental content on BEVs Multiple systems in production currently, with major German OEM 3in1 system due to SOP in 2023

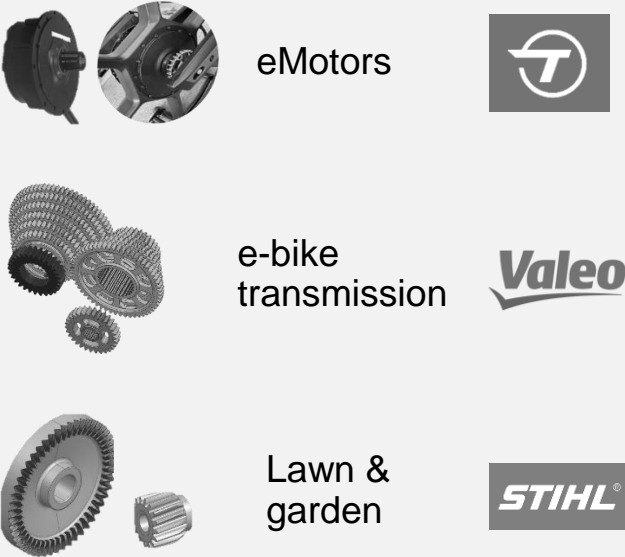
£ Product value (£/unit) # Fit rate (units/vehicle)
 Positive impact Neutral impact Negative impact

¹ Torque management portfolio considers AWD systems (PTU & RDU) and eDrive components (differential, EDL, LSD, disconnect and EDU gears & gearbox)
² CPV impact includes effect of addressability assumptions

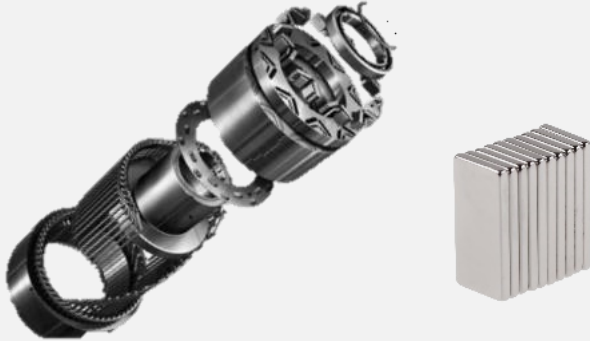
Content in a vehicle



Industrial markets



Magnets



Commercial discussions ongoing with multiple OEMs & Tier 1s

Market leader

Sustainability

Technology

Global Reach

1 All values refer to 2019 to 2021 time period; 2 Calculated as cumulative net cashflow post-CAPEX / operating profit



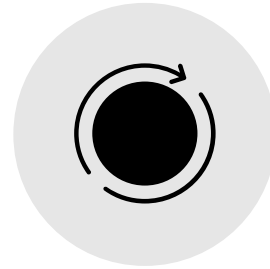
Revenue

Growth ahead
of market



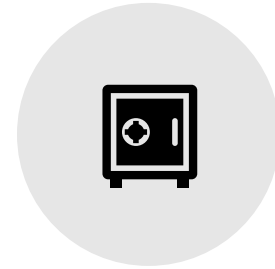
EBIT

>11% margin
for combined group³



Cash conversion¹

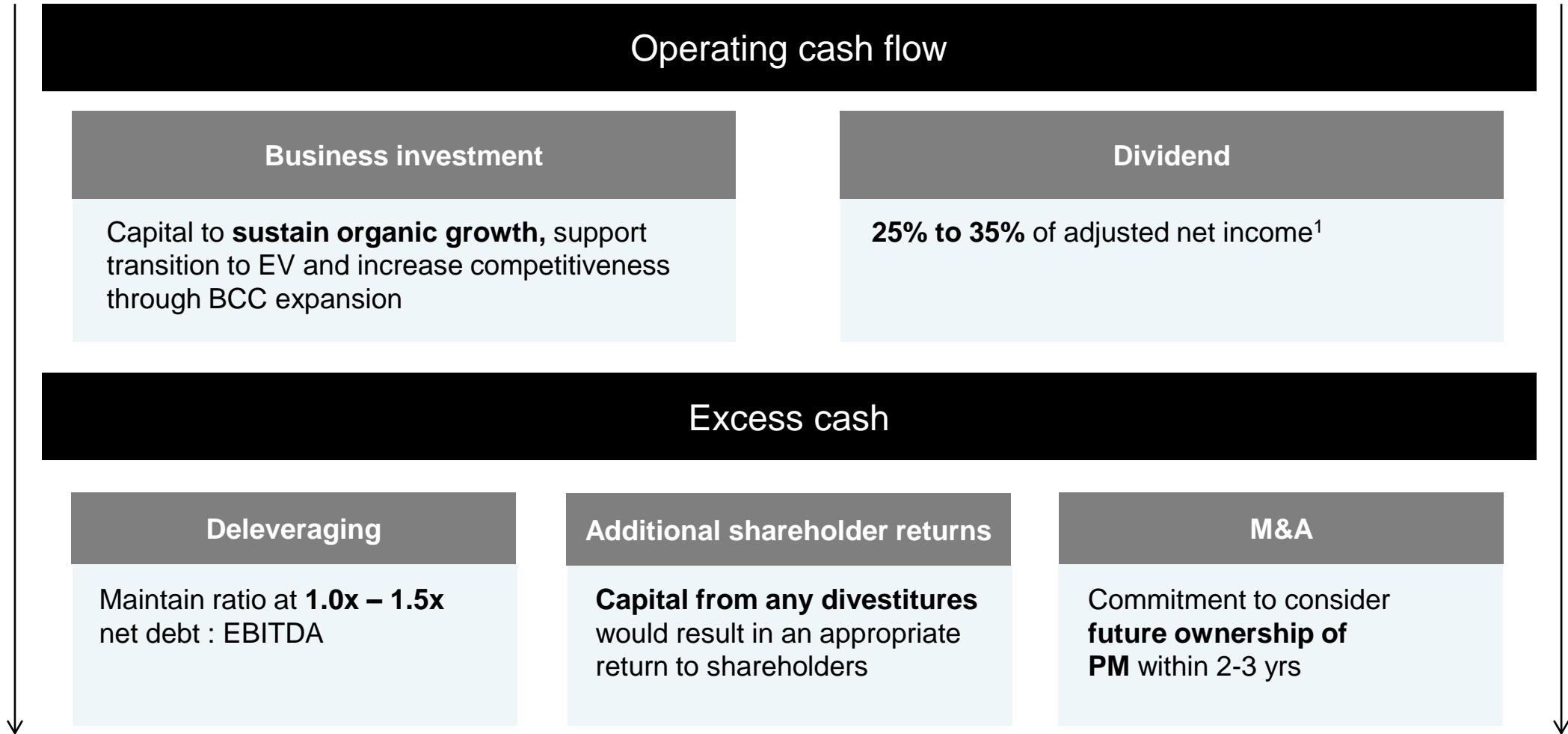
Consistently ~90%



Leverage²

Maintain at
~1.0x – 1.5x

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



¹ Policy proposal only, subject to board approval

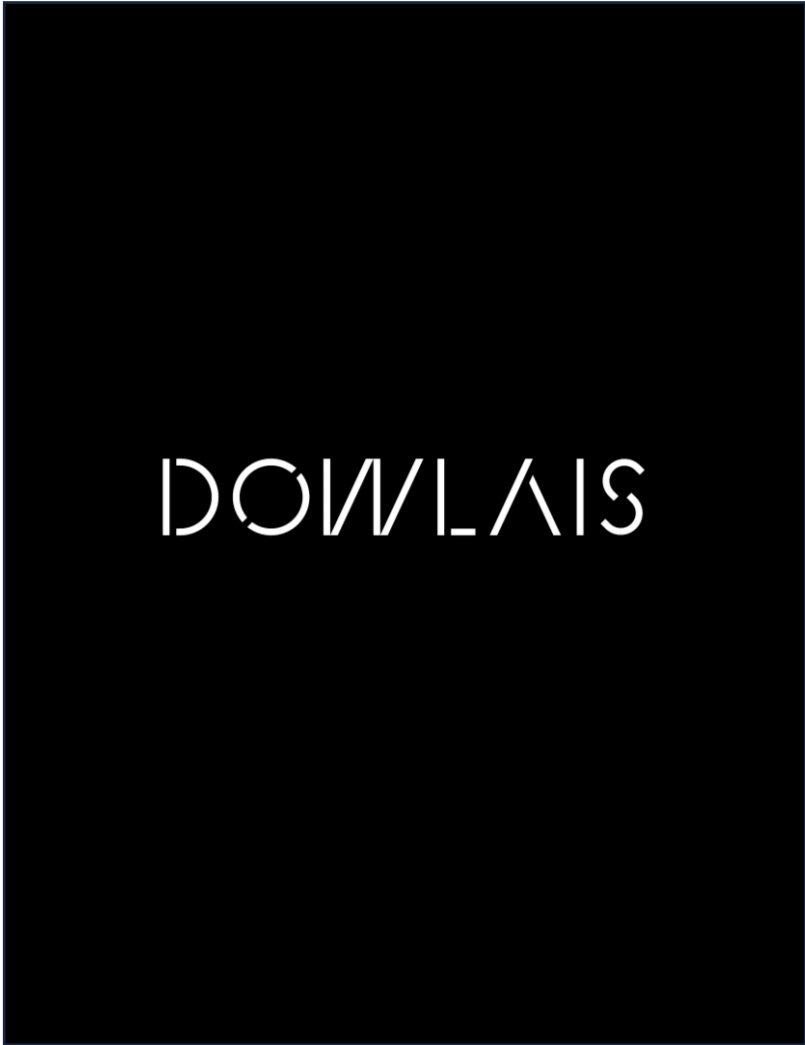
Independent listing provides a platform and currency to deliver further shareholder value through targeted M&A

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



Two great businesses with **market leading positions**



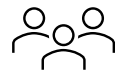
Strong **margin trajectory**



Highly attractive **cash conversion**



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



Experienced and proven **management team**