

# DOWLAIS



## WHY INVEST IN DOWLAIS

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Dowlais Group plc

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Dowlais is a unique investment proposition, an automotive leader delivering precisely engineered products and solutions that drive transformation.

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**Two great businesses with market leading positions, at the forefront of the industry transition to electrification.**

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

- ~£4.2bn FY22 revenue<sup>1</sup>
- A market leader with global footprint and balanced customer base
  - #1 global drive system supplier
  - Serving 90% of global OEMs, with content on ~50% of vehicles
  - Global, strategic flexible footprint of 47 manufacturing facilities in 17 countries
  - No single customer representing more than 14% of global sales
- A comprehensive and propulsion agnostic drive system portfolio that is positioned to profitably benefit from electrification
  - Propulsion agnostic core portfolio
  - Growth potential from advanced eDrive components and systems
  - Growing EV order book; accounting for over 40% of new orders in 2022

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**G K N P O W D E R M E T A L L U R G Y :**

- ~£1bn FY22 revenue<sup>2</sup>
- A market leader in both metal powders and sintered components
  - #1 sintered metal component supplier
  - #2 powder metals supplier
- A global footprint and diversified customer base
  - 27 manufacturing facilities across 9 countries
  - No single customer representing more than 7% of global sales
- Attractive opportunities to capture content growth from electrified vehicles
  - Valuable xEV opportunities identified, including sintered rare earth magnets for electric motors
  - 24% pure EV bookings in 2022

1 & 2 adjusted revenue

# 2

## Strong margin trajectory

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Through our structured and disciplined approach, we have transformed the business:

- We have sharpened our commercial strategy, resolved onerous contracts and focused on the quality of new business bookings
- We have fixed our cost base using the principles of a redefined industrial strategy - significantly improving operational efficiency and reducing fixed costs
- We are on a clear path to doubling operating profits and achieving our target of >11% EBIT margin as market volumes recover

We are not standing still and waiting for the market to do the work for us. We continue to invest in our businesses to ensure our margin targets are achieved in a sustainable manner, whilst also driving long-term growth.

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# 3

## Highly attractive cash conversion

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Sustainably cash generating, self-funding and returning value with industry leading cash conversion. From 2019 to 2021 the Group achieved:

- 110% cash conversion<sup>3</sup>
- Reduced net working capital by >£200m
- Generated £1.8bn of operating cash
- Returned £0.5bn to shareholder
- Self-funded significant CAPEX & restructuring

Going forward we aim for consistent cash conversion<sup>1</sup> of ~90%, and this strong cash generation will enable further investment in our businesses and attractive shareholder returns.

3. Cash conversion calculated as cumulative net cashflow pre-CAPEX / EBITDA

# 4

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

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Dowlais has a clear and dedicated mandate to accelerate profitable growth, through carefully timed and targeted M&A.

Being independently listed provides Dowlais with a platform and currency to deliver further shareholder value, enabled by several factors;

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

# 5

## **A world class management team with a proven track record for delivering results**

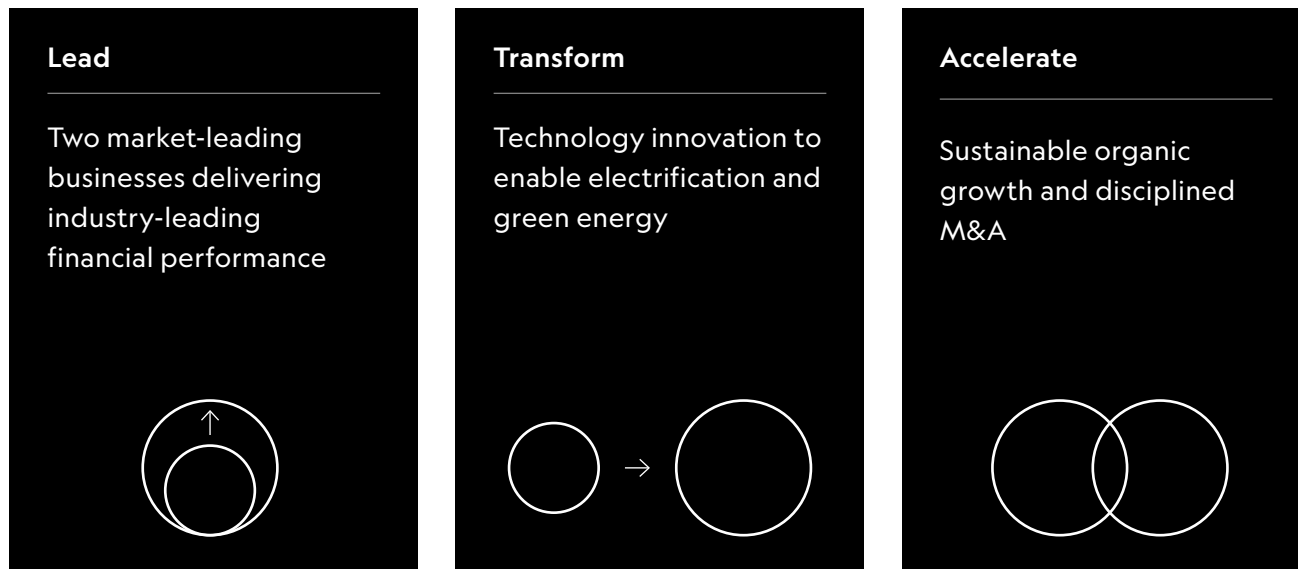
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- Highly experienced team
- Proven to deliver results
- Carried out significant restructuring and transformed the businesses over a short period
- Delivered robust operating performance through extreme market turbulence

All figures refer to 2022 data unless otherwise specified

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Our investment proposition is supported by a clear and focused strategy:



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### Capital Allocation Priorities

Dowlais has a clear and simple approach to capital allocation that will support both business growth and ensure suitable returns to shareholders<sup>4</sup>.



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For investor enquiries, please email the Investor Relations team: [investor.relations@dowlais.com](mailto:investor.relations@dowlais.com)

<sup>4</sup>. Policy proposal only, subject to board approval

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