

DOWLAIS

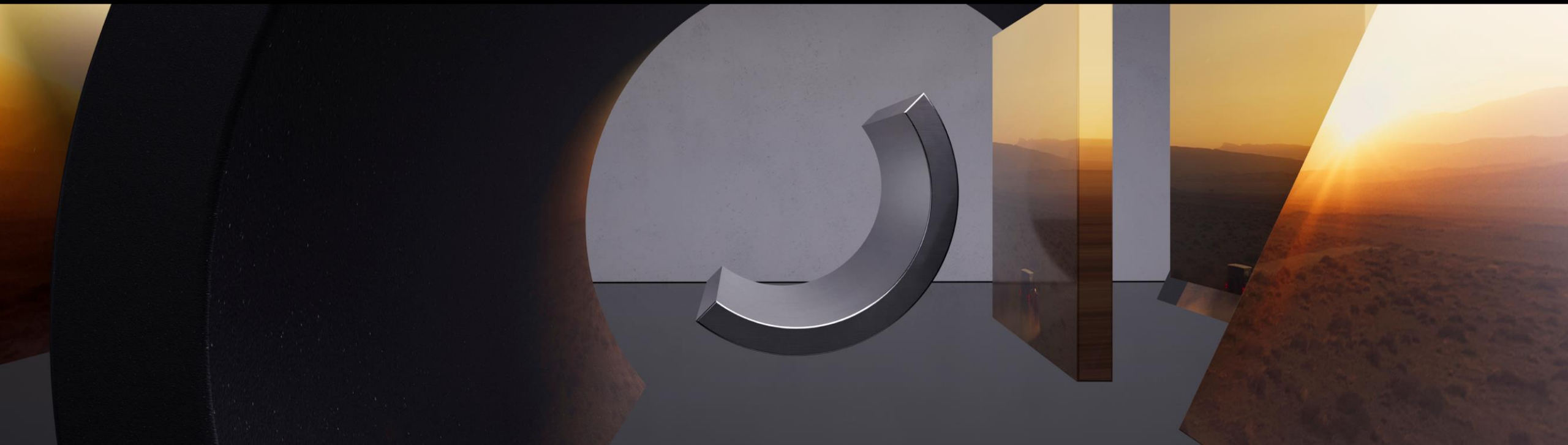
Dowlais Group plc

Interim Results Presentation

Six months ended 30 June 2023

12 September 2023

2023 INTERIM RESULTS



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H1 2023 OVERVIEW

H1 2023 HIGHLIGHTS

First half trading ahead. Strong margin expansion, positive free cash flow and accelerated EV transition. Full year expectations unchanged.

Margin expansion



Operating profit +40%¹, margin expansion of 140bps (+190bps pre-central costs). On track to achieve operating margin target

Cash generation



Adjusted² free cash flow of £33m³ generated, with a reduction of leverage. Dividend of 1.4p per share declared

Portfolio transition

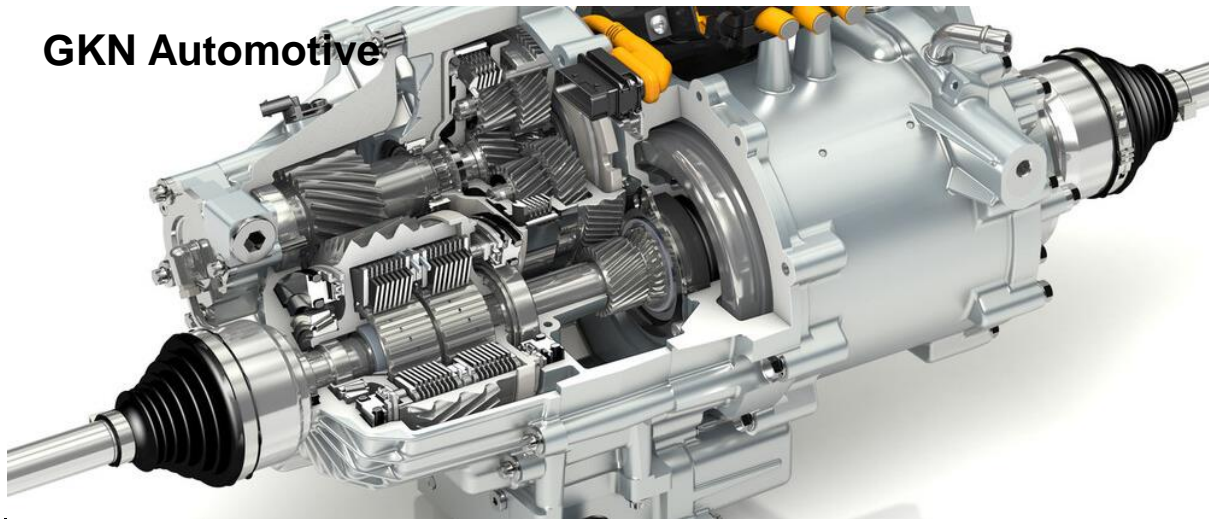


Electrification transition accelerating, strong EV order intake, above target margins. eDrive system win in Auto, first magnets commercial agreement reached in PM

1. YoY change is stated at constant currency throughout the document 2. All adjusted financial measures are defined in the glossary to the interim financial statements 3. Free cash flow excluding demerger specific cash outflows of £39m

H1 2023 Overview

Strong business performance; margin progression and profitable EV transition



GKN Automotive

270bps

Operating profit margin increase to 6.5% (92% absolute profit growth)

>£3bn

Record new business bookings secured (>1.3x book:bill), 78% on EV platforms

EV

Key ePT component awards as well as an eDrive system win



GKN Powder Metallurgy

80bps

Operating profit margin increase (to 9.2%) between H2 '22 and H1 '23

36%




YoY increase in H1 new business bookings value, 75% in propulsion agnostic portfolios

EV

First magnet commercial agreement reached with leading global tier 1 supplier

H1 2023 Overview

On track to deliver ESG commitments

Commitments	 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
Achievement highlights	 On track to submit Net-Zero Science-based targets for validation by year end 2023 for Automotive and Powder Metallurgy	 Established Group Sustainability Management Committee, chaired by the CEO	 Evaluating renewable power purchase agreements for European operations  Maintained EcoVadis Silver rating 	 On track to publish consolidated sustainability report alongside 2023 annual report and accounts



F I N A N C I A L R E S U L T S

Group interim financial results

Strong first half performance

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	2023 (H1)	% Change (YoY)
Adjusted ¹ Revenue (£m)	2,830	+10%
Adjusted Operating Profit (£m)	177	+40%
Adjusted Operating Profit margin (%)	6.3	+140bps
Adjusted free Cash Flow ² (£m)	33	N/A
Adjusted EPS (p)	7.2	N/A
Dividend (p)	1.4	N/A

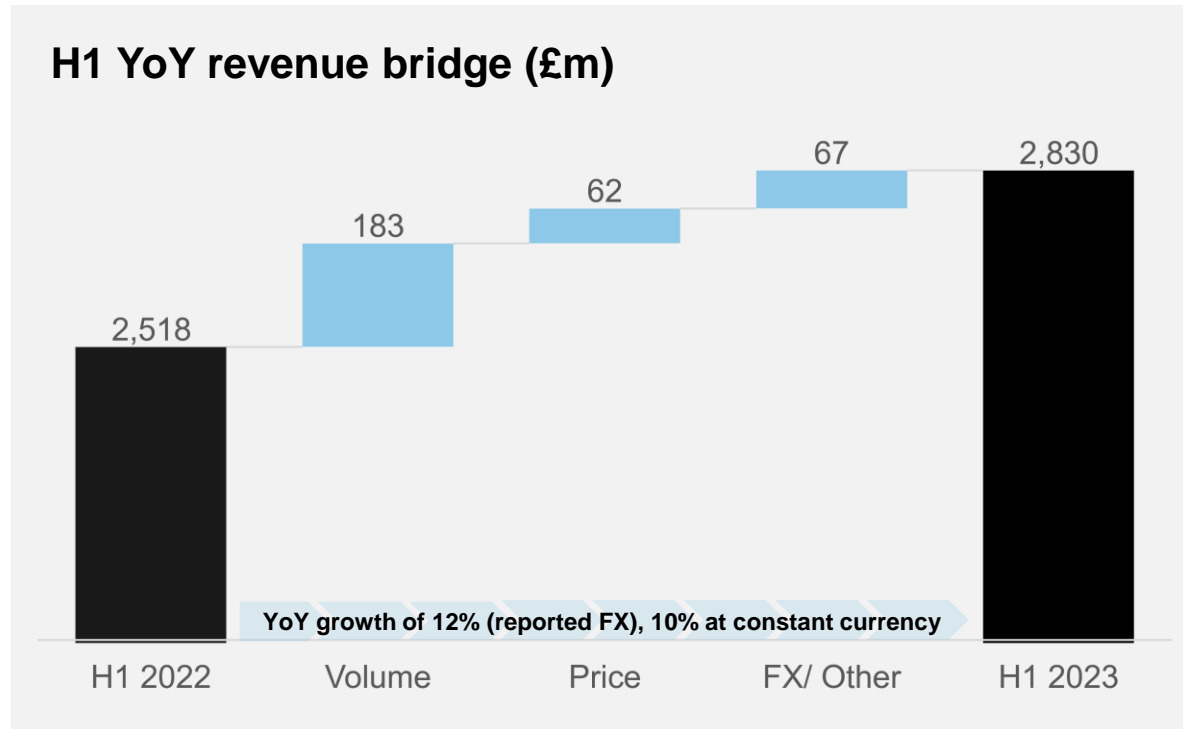
Overview highlights

- Revenue growth of 10%, driven by price recovery, volume increases and business wins in Automotive
- Margin expansion of 140bps YoY, driven by operational performance improvements, restructuring and offsetting inflation
- Drop-through margin of 35% (excluding central costs), higher than our medium-term guide due to softer prior period comparables
- Excluding new standalone plc costs, margin expansion of 190bps, operating profit growth of 52%
- Adjusted free cash flow of £33m reducing net debt and leverage
- Interim dividend of 1.4p per share declared as a result of strong financial performance, in line with stated capital allocation policy

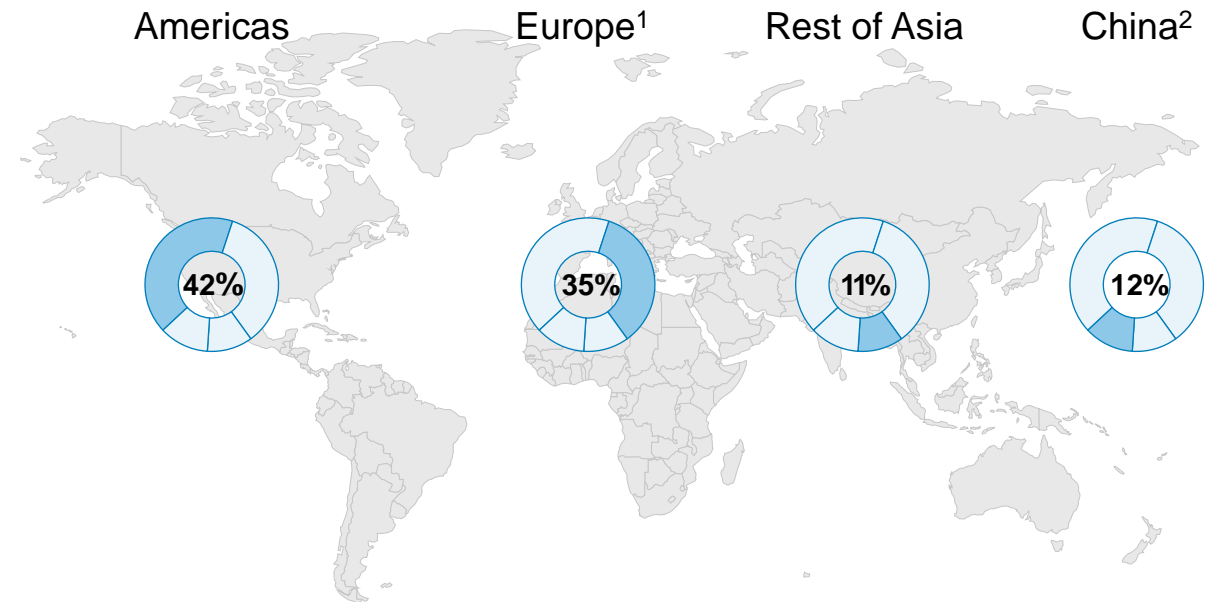
1. All adjusted financial measures are defined in the glossary to the interim financial statements 2. Free cash flow excluding demerger specific cash outflows of £39m

Group interim financial results

Revenue growth of 10%



2023 H1 revenue share by region



- Revenue growth of 10% at constant currency
- Increase driven by volume and commercial recoveries
- Automotive +12%¹ growth and Powder Metallurgy +2%

Key Customers

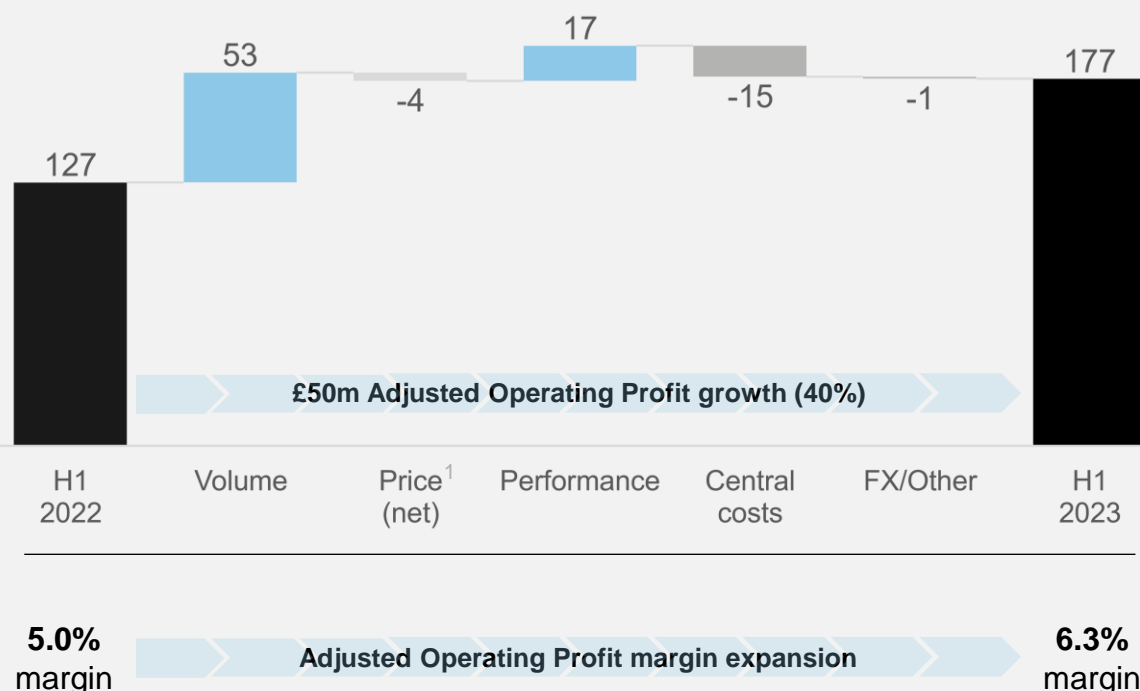


1. Includes Europe, Middle East and Africa 2. China revenues at JV share

Group interim financial results

140bps expansion of adjusted operating profit margin

Adjusted Operating Profit bridge (£m)



Highlights

- Significant adjusted operating profit growth of 40% (140bps margin expansion at constant currency to 6.3%)
- Volume delivering £53m of incremental operating profit in the period
- Price (net) includes commodity inflation and the associated price increases as well as normal industry contractual price downs
- Performance mainly driven by productivity initiatives and restructuring benefits more than offsetting labour inflation
- Excluding incremental H1 2023 standalone plc costs (£15m), adjusted operating profit margin expansion would be 190bps (52% adjusted absolute operating profit growth)

1. Price (net) represents pricing net of direct / indirect material inflation

Group interim financial results

Strong group performance driven by Automotive

GKN Automotive

	Adjusted results	
	2023 (H1)	Change (YoY)
Revenue (£m)	2,283	12%
Operating Profit (£m)	149	92%
Operating Profit margin (%)	6.5	270bps

- Revenue growth of 12%
- 270bps margin expansion driven by volumes and operational performance
- Inflation fully offset by recoveries and performance

GKN Powder Metallurgy

	Adjusted results	
	2023 (H1)	Change (YoY)
Revenue (£m)	545	2%
Operating Profit (£m)	50	(8)%
Operating Profit margin (%)	9.2	(110bps)

- Revenue growth driven by price increases
- Volumes impacted by the closure of a facility in 2022 and accelerated BEV transition
- H1 '23 margins impacted by one-offs; margin increase of 80bps between H2 '22 & H1 '23

GKN Hydrogen

	Adjusted results	
	2023 (H1)	Change (YoY)
Revenue (£m)	2	N/A
Operating Profit (£m)	(8)	(33)%
Operating Profit margin (%)	N/A	N/A

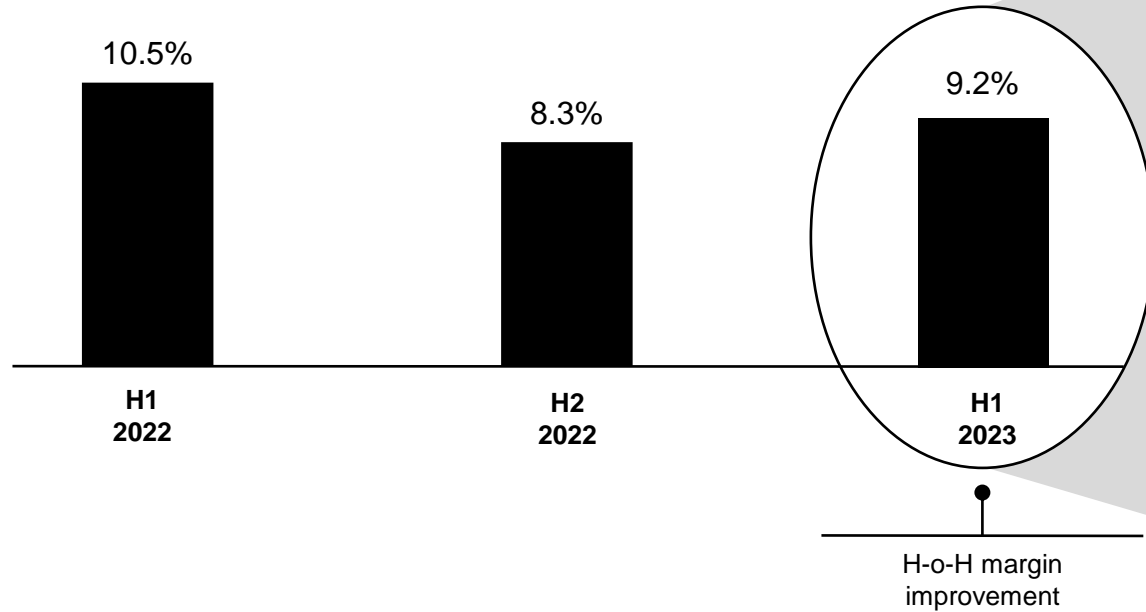
- Strong commercial momentum
- 17 systems now operational with a further 2 in production/ commissioning
- Review of potential partnership opportunities initiated

Group interim financial results

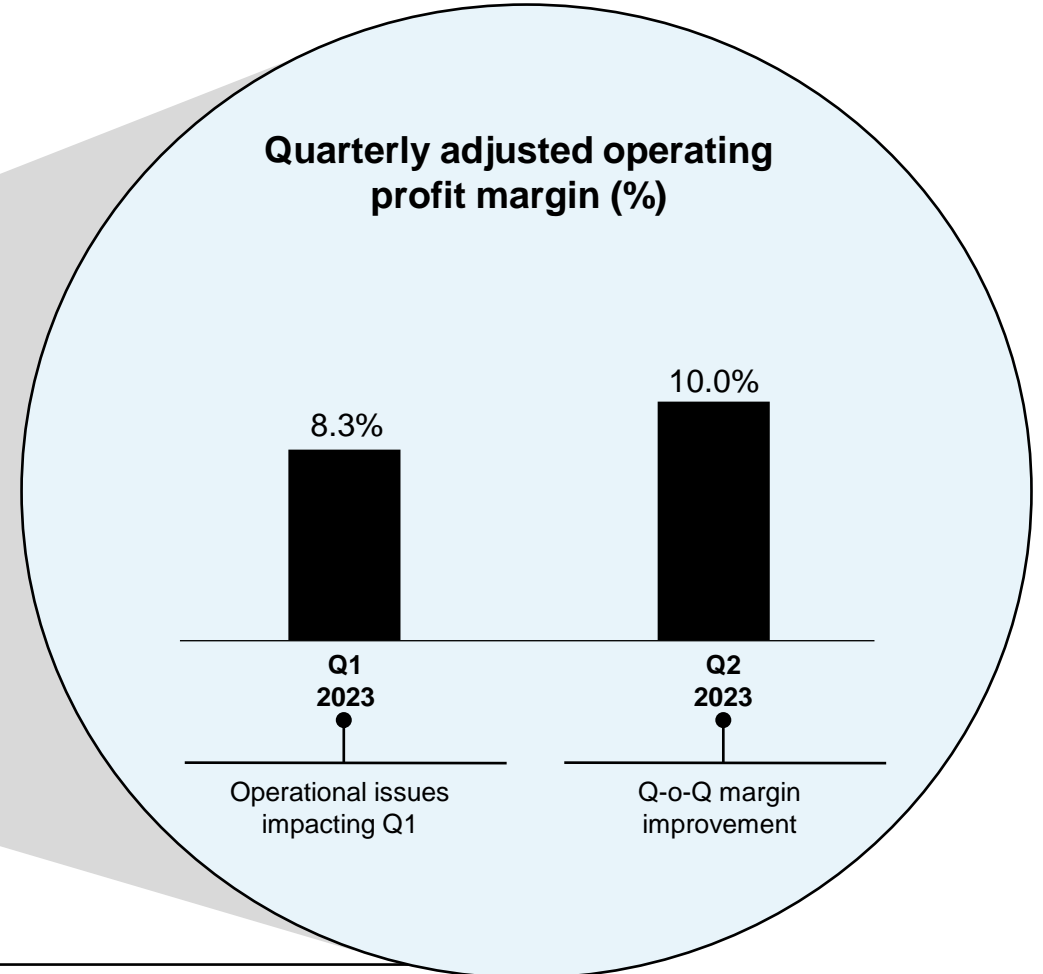
Powder Metallurgy: improving operating profit margin performance



Half-yearly adjusted operating profit margin (%)¹



■ Adjusted operating profit margin (%)

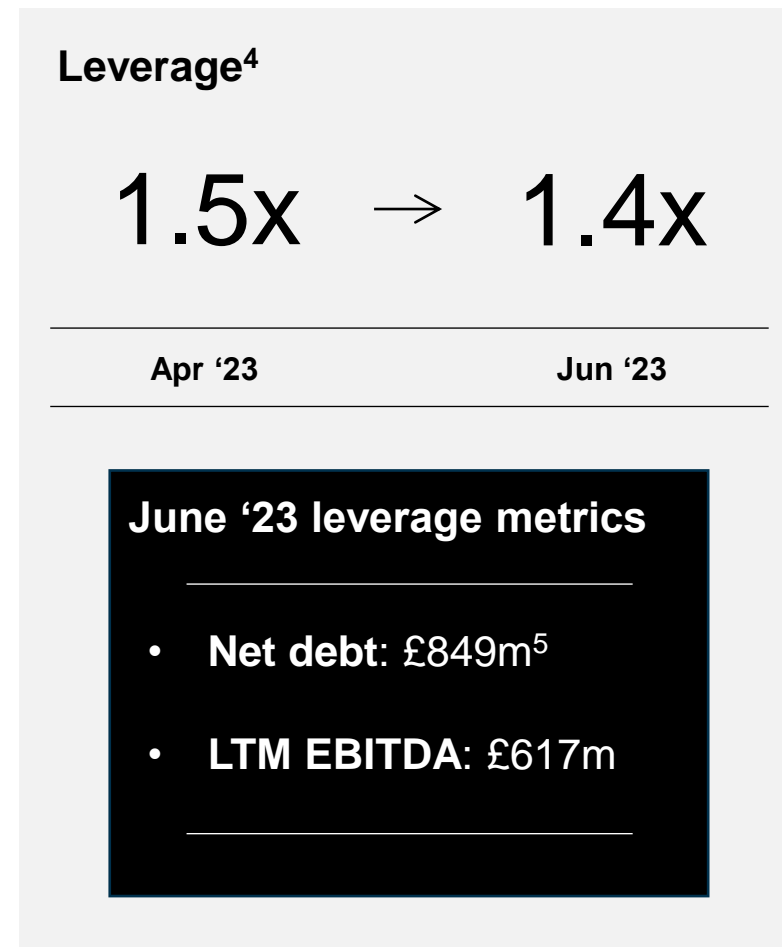
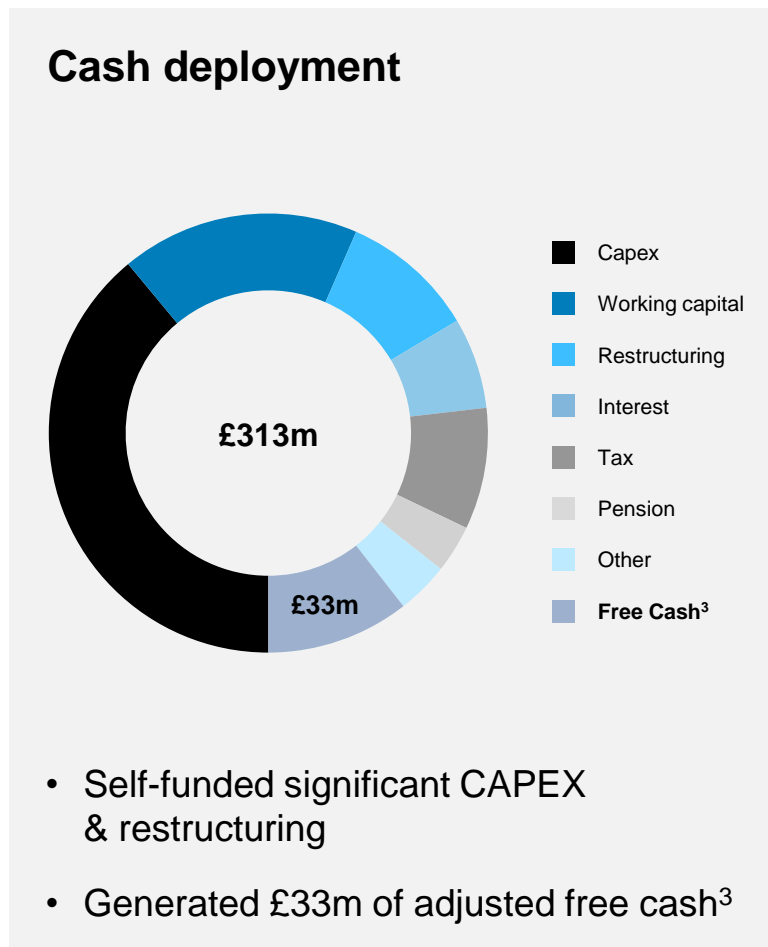


1. 2022 operating profit margins are given on a reported currency basis

Group interim financial results

Sustainably cash generating, self-funding, and reducing leverage

Cash generation	
£m	2023 H1
EBITDA Cash ¹	279
JV Dividends and other ²	34
Generated Cashflow (£m)	313

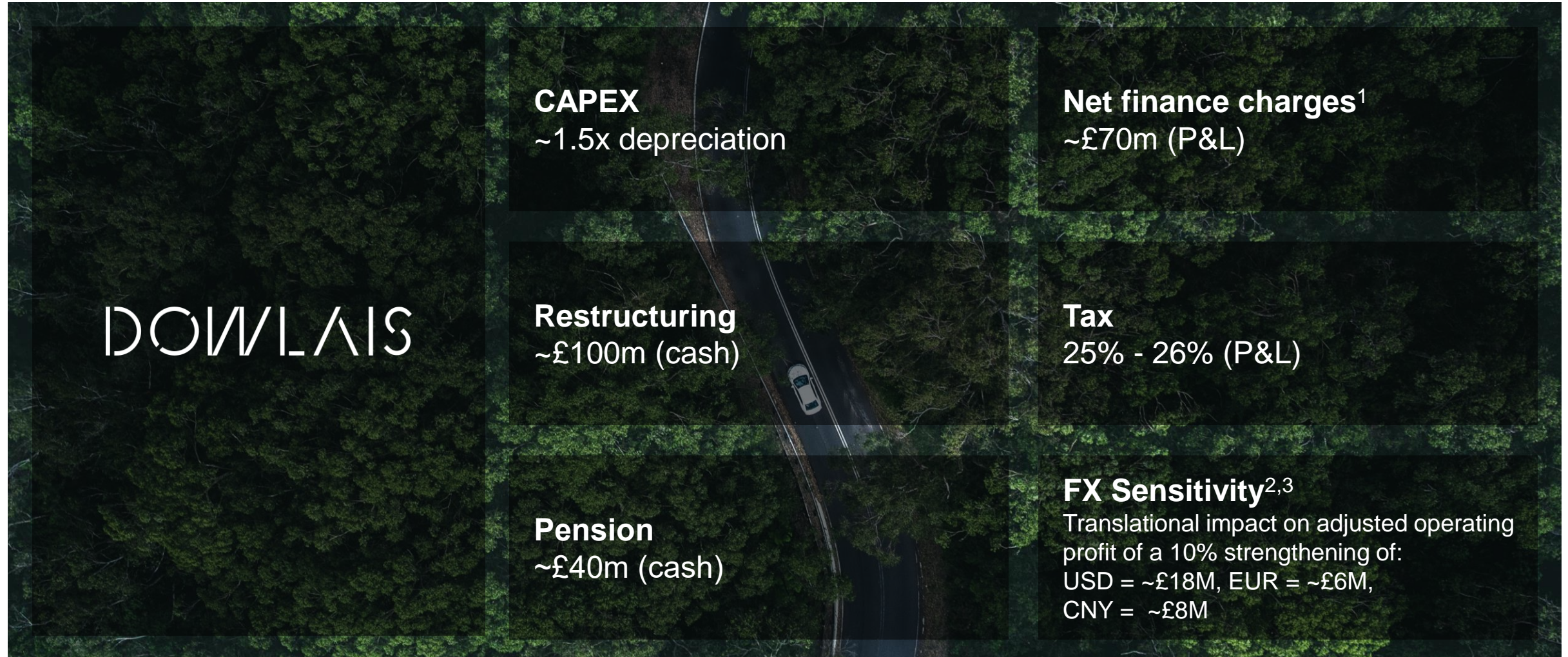


1. EBITDA cash is defined as adjusted operating profit excluding share of equity accounted investments, plus depreciation and amortization expenses 2. Other includes £1m interest received 3. Free cash flow excluding demerger specific cash outflows of £39m 4. Opening leverage (Apr '23) describes pro-forma position at the date of demerger 5. Net debt for leverage purposes includes FX impact of £19m

Group interim financial results

FY23 modelling guidance

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1. Includes £22m of FX gains on loans to related parties 2. Estimated annual impact based on latest spot rates 3. Assumption based on 10% strengthening against all currencies



B U S I N E S S P E R F O R M A N C E



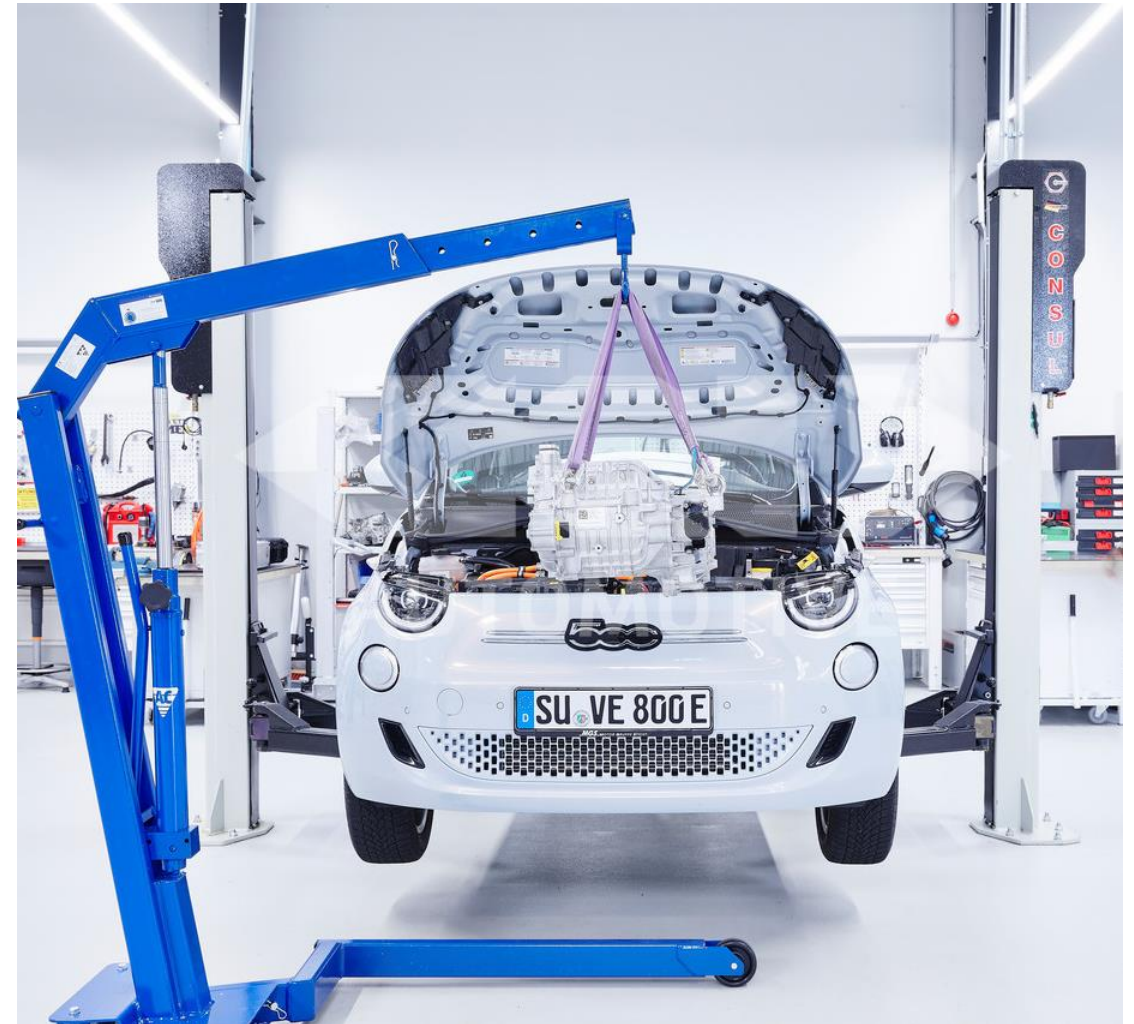
GKN Automotive – key messages

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Strong first half, on track to deliver financial targets & profitably benefit from EV transition

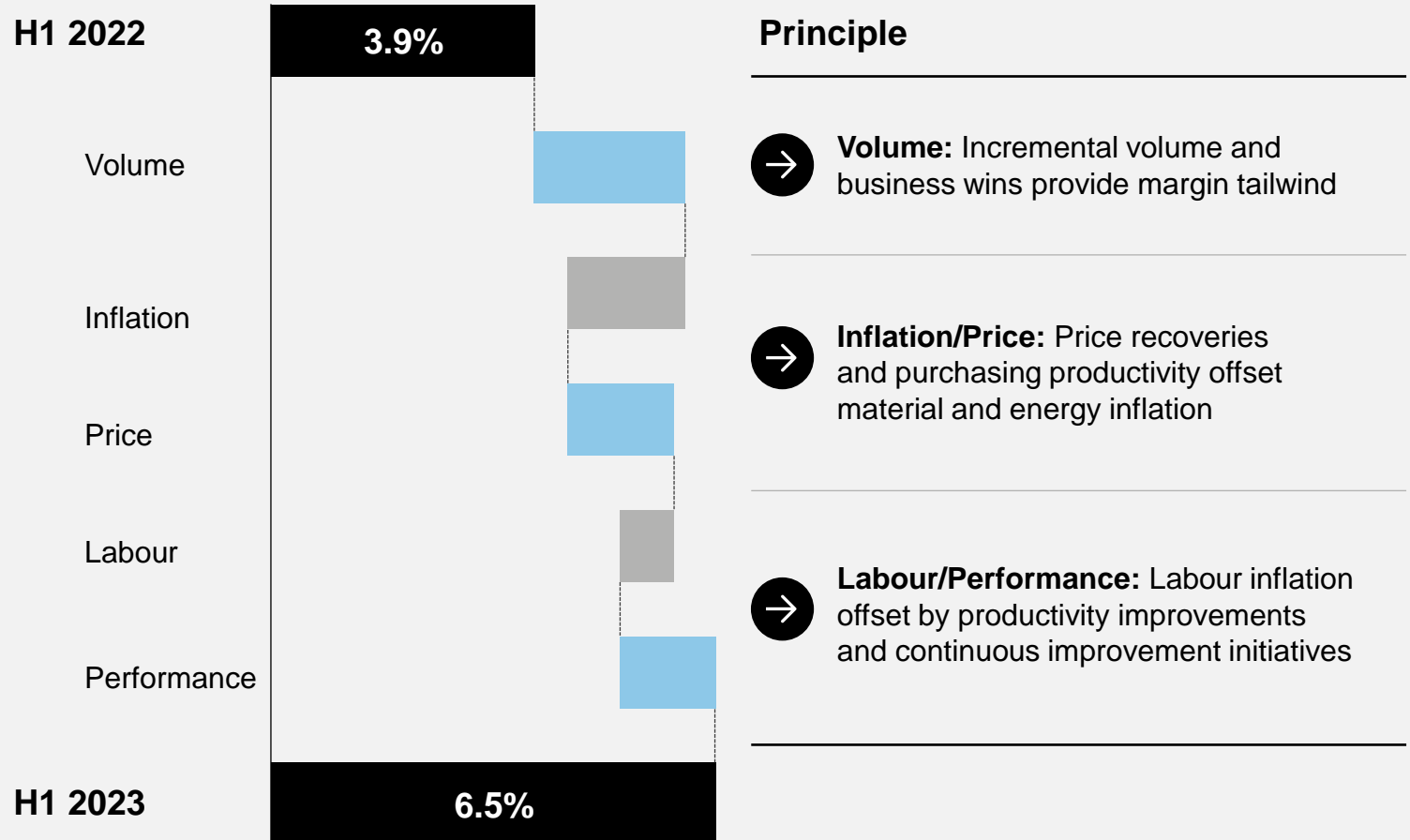


- ➔ Revenue of £2.3bn, growth of 12%, aligned with light vehicle production
- ➔ Adjusted operating profit growth of 92%, margin expansion 270bps
- ➔ Drop-through margin of 39% from operational performance, inflation recovery & restructuring; business on track to achieve margin target
- ➔ >£3bn of lifetime revenue of new business secured in H1, 78% for EVs, above target margin
- ➔ Portfolio transition to EVs on track; multiple torque management component awards and a profitable eDrive system win



On track to achieve double digit operating profit margin

Our financial model to drive margin expansion



H1 2023 proof points

- >£3bn new business bookings, above target margins; consistently >1x book:bill ratio since 2019
- Drop-through margin of 39%
- Direct and indirect material inflation offset by purchasing efficiencies and price recoveries
- Continuous improvement initiatives (productivity efficiencies and automation) offsetting labour inflation and incremental benefits from completed/ongoing restructuring

GKN Automotive

Expanding best-cost supply footprint



Operational as of March 2023

~16k sqm



Operational as of March 2023

~12k sqm



Customer validation ongoing, SOP in Q4

~29k sqm



Mexico Villagran

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

Mexico Celaya

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

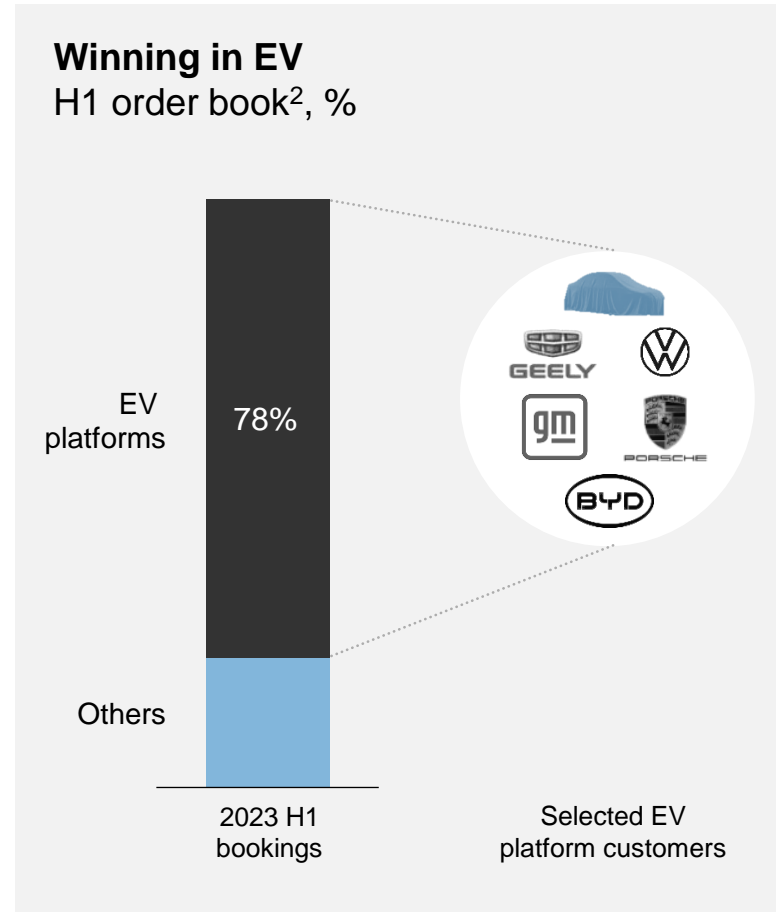
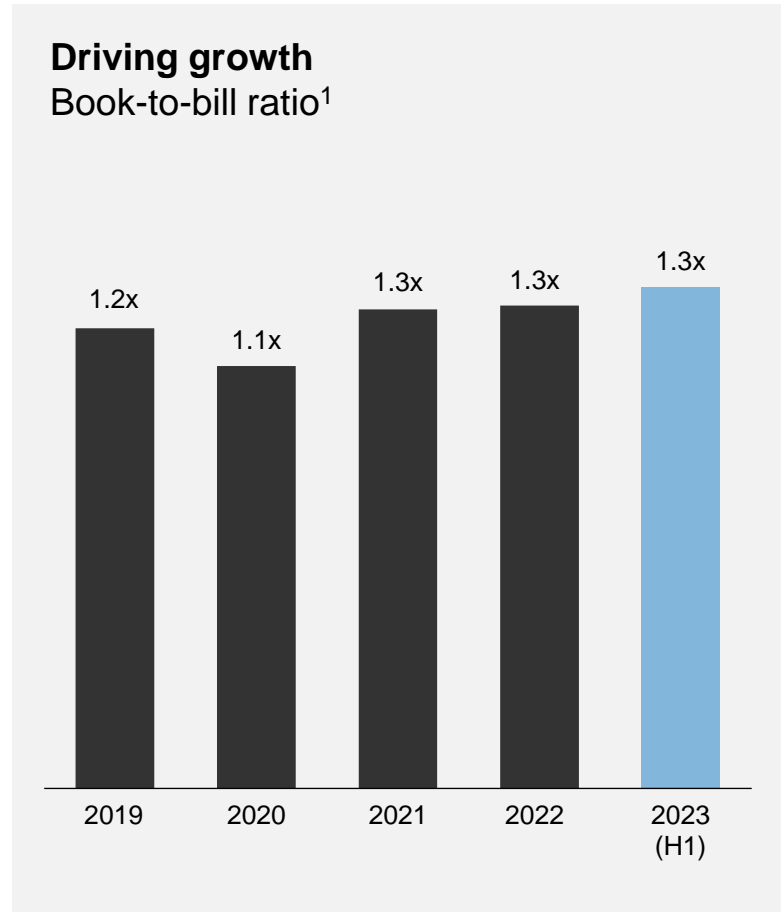
Hungary Miskolc

- New site to increase BCC production share & accommodate business growth
- 2nd building step launched to accommodate component production

Automotive on track to increase share of workforce located in 'best cost countries' from 40% (in 2019) to 60% in the medium term

Strong bookings value, heavily focused on EVs and above target profit margins

H1 performance



- Record level of new business bookings secured in H1 '23
- >£3bn lifetime revenue awarded at a book-to-bill ratio of >1.3x
- 78% of new business awarded on EV platforms (73% pure BEV)
- Awards from Global, local Chinese and pure BEV customers
- Profitable new business wins supporting margin expansion objectives

1. Book-to-bill ratio refers to the ratio of revenues to lifetime revenue of new business bookings within the given time-period, reported FX rate, excluding aftermarket, cylinder liners and freight services 2. Lifetime revenue split of business booked in H1 2023

New business wins in H1 across all core product portfolios and customer groups

Sideshafts



Torque management components¹



eDrive systems



RoW	China

ETM	EDL
RDU	LSD
Gears	RDU & PTU

- Two EDUs (front and rear) plus EDL and software
- 2026 launch
- Profitable program
- Fully aligned with our portfolio technology development roadmap

Selected wins only – not exhaustive

EV or FHEV wins

RDU= Rear Drive Unit; EDL= Electronic Differential Lock; ETM= Electronic Torque Manager; LSD= Limited Slip Differential; PTU= Power Transfer Unit; EDU = Electric Drive Unit

1. Torque management components includes both AWD systems and ePowertrain components portfolios

GKN POWDER METALLURGY



GKN Powder Metallurgy – key messages

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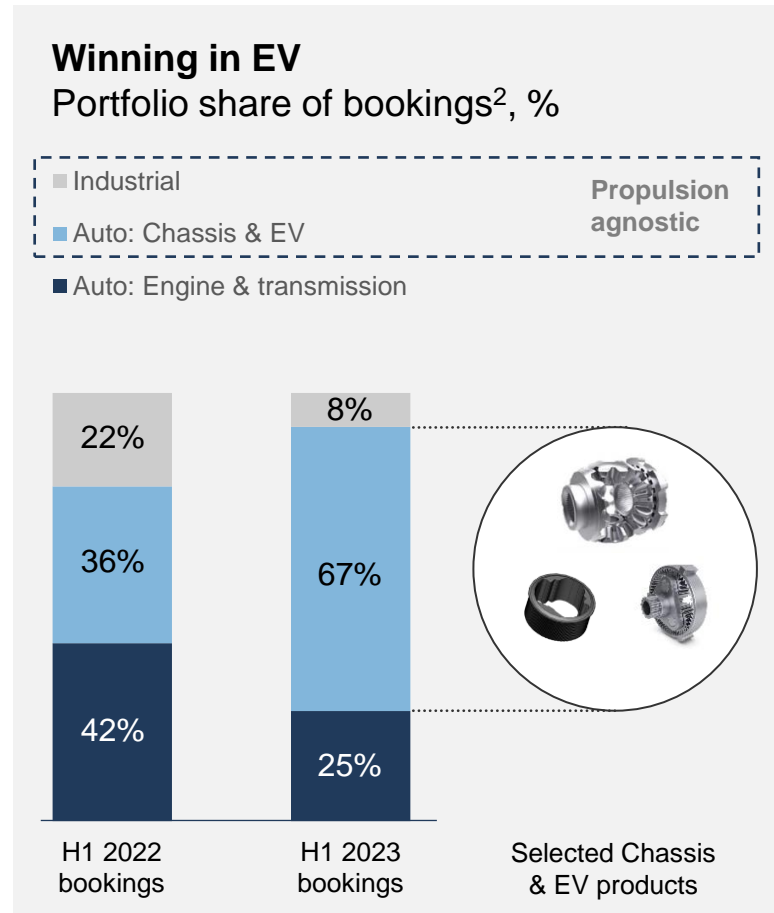
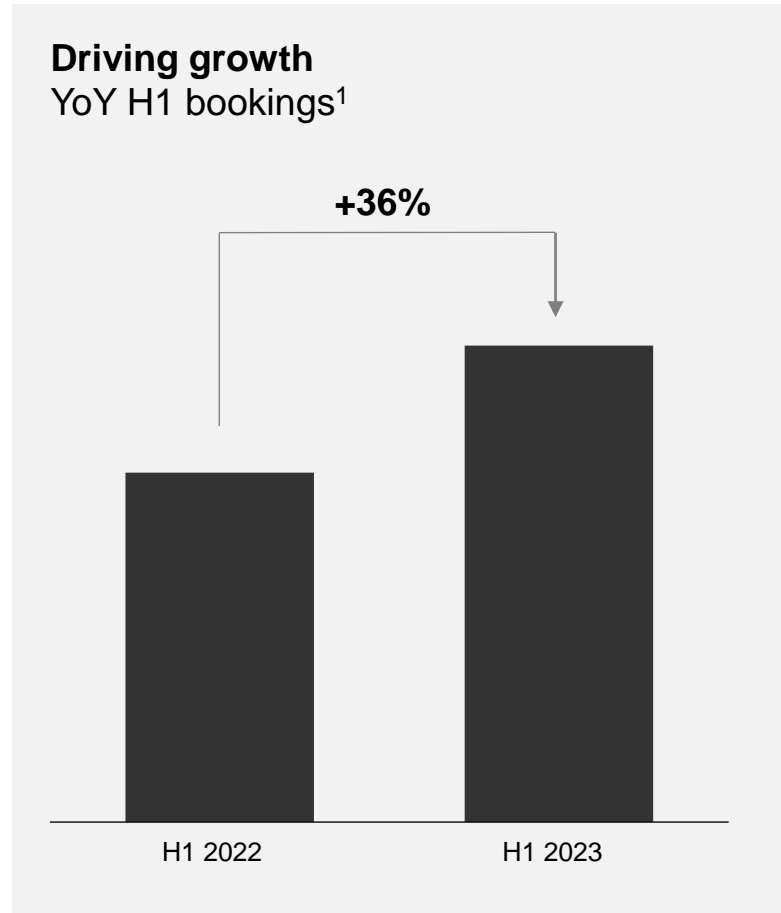
Strong profit margin trajectory throughout the period & acceleration of portfolio transition



- ➔ Revenue of £545m, growth of 2%
- ➔ Adjusted operating profit margin of 9.2%; 80bps operating profit margin increase between H2 '22 and H1 '23
- ➔ 36% increase in H1 new business bookings, 75% for propulsion agnostic product portfolios, at or above target margins
- ➔ Acceleration of portfolio transition to EVs; multiple concrete opportunities defined, contract awarded for BEV differentials and first magnets commercial agreement reached



H1 performance

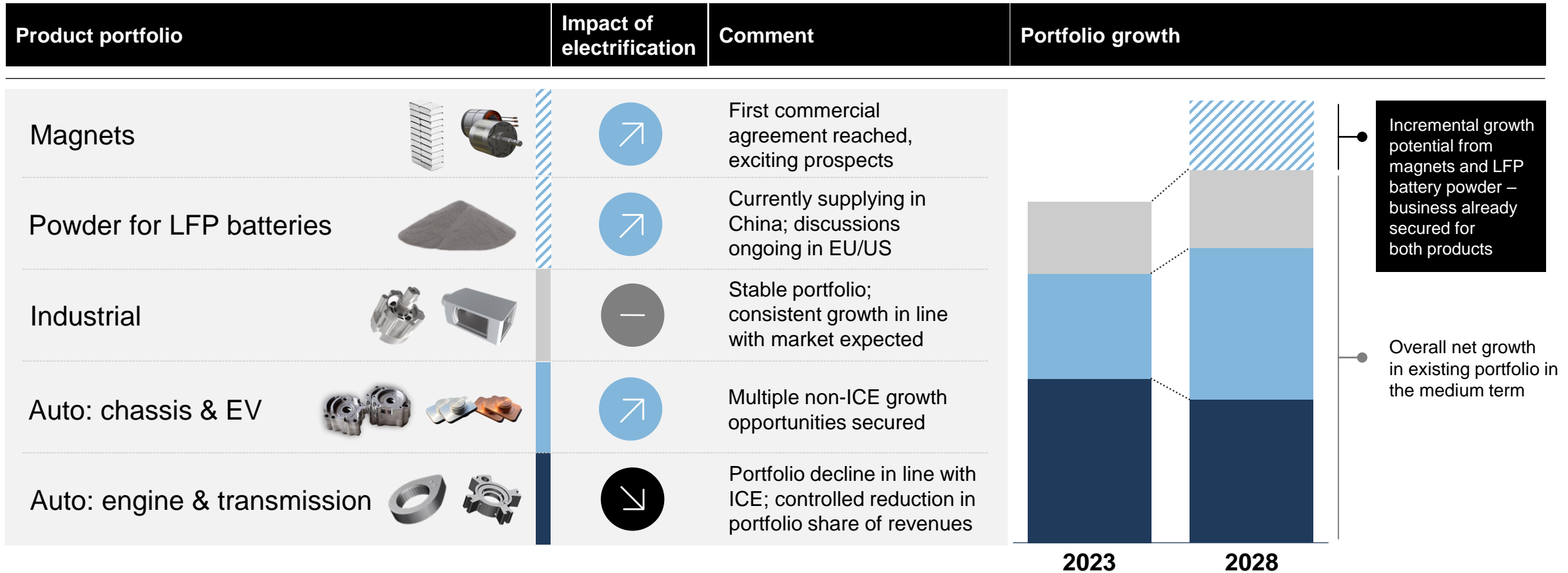


- 36% y-o-y increase in H1 bookings
- 75% of new business awarded on chassis & EV and industrial portfolios (propulsion agnostic)
- Chassis & EV product wins include differential gears, steering pulleys and gearbox for park brakes
- Booked business continues to be at a profitability level which supports our margin expansion objectives

1. Sinter portfolio bookings only. Values are max in-year revenue 2. Portfolio share of max in-year revenue of business booked in given period

GKN Powder Metallurgy

Growth from existing portfolio, with incremental opportunities from new EV products



↗ Positive impact of electrification ↘ Negative impact of electrification — Neutral impact of electrification

GKN Powder Metallurgy

Incremental EV content opportunities identified, and business secured

Thermal Management

Electric Pumps for battery and e-Motor cooling



CPV
Up to £15

Differentials

Gears for EV differentials



CPV
Up to £40

X-by-Wire

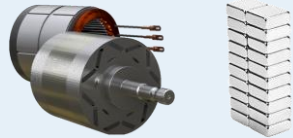
Small gearboxes for electric parking and active brakes



CPV
Up to £15

Magnets

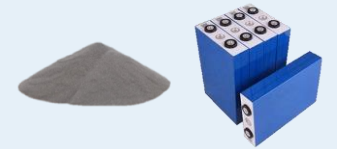
Rare earth magnets for BEV traction motors



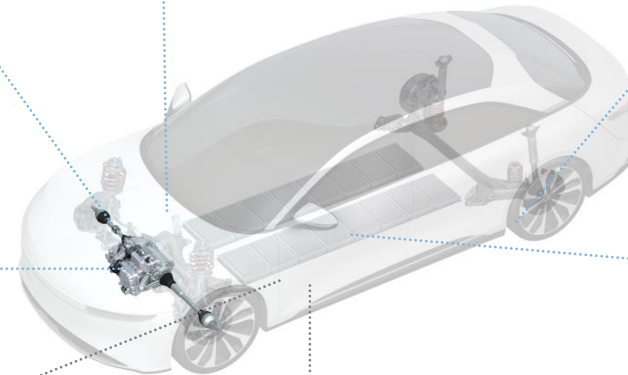
CPV
Up to £150

Iron Powder

Used for Lithium Iron Phosphate batteries (LiFePO₄)

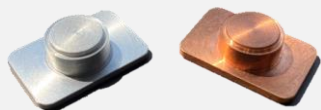


CPV
Up to £55



Battery Terminal

Used in cylindrical and prismatic battery cells



CPV
Up to £60

Bus Bar

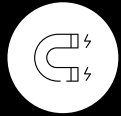
Copper bushings for high voltage Bus-Bars



CPV
Up to £12

- Product developed & commercial agreement secured
- Product under development

Selected examples only – not exhaustive

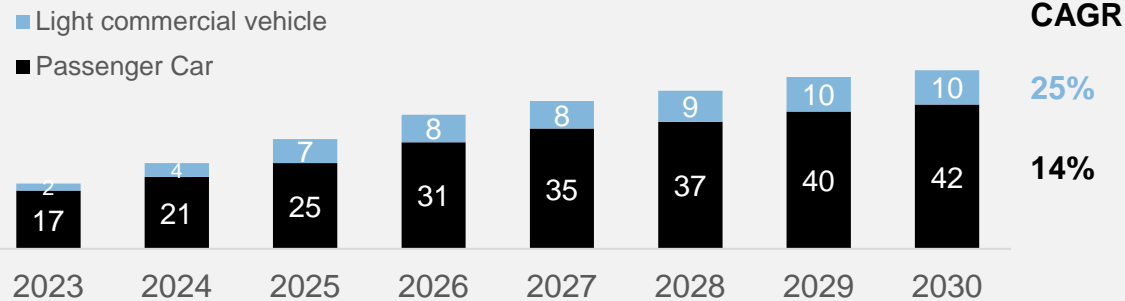


Accelerating market

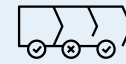
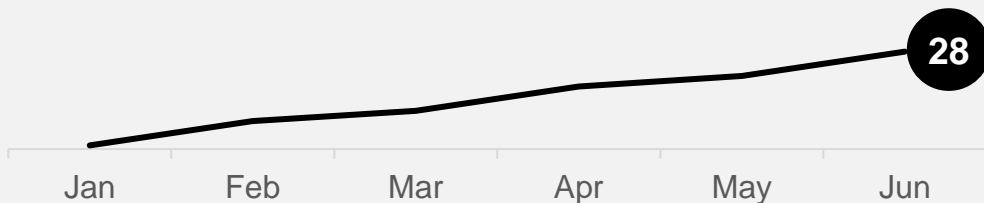


Business won

EU and NA rare earth magnet market size¹ (Kilo tons)

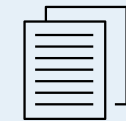


Cumulative # of magnet request for quotations (RFQs) received



Supply chain established

Mine-to magnet supply chain mapped, and initial critical supply agreements established



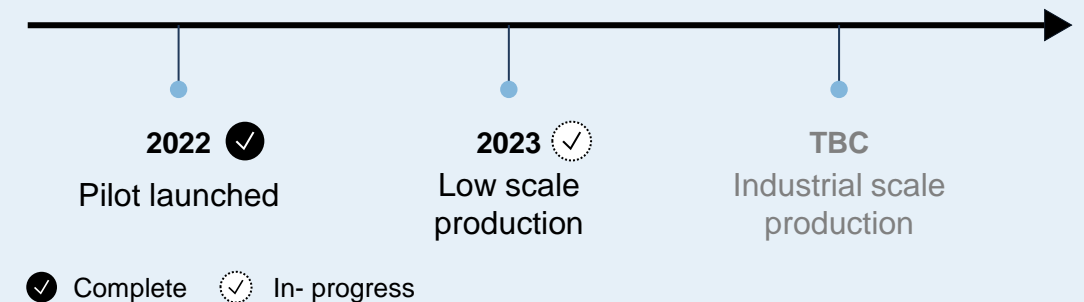
First commercial agreement

Small but strategically important programs confirmed with a major Tier 1 auto supplier



Operational ramp-up underway

Low scale production line under construction



1. Refers to market size for NdFeB (Neodymium) magnets. Source: Roland Berger magnets market study



S U M M A R Y

RECAP OF H1 2023 HIGHLIGHTS AND OUTLOOK

Margin expansion



Cash generation



Portfolio transition



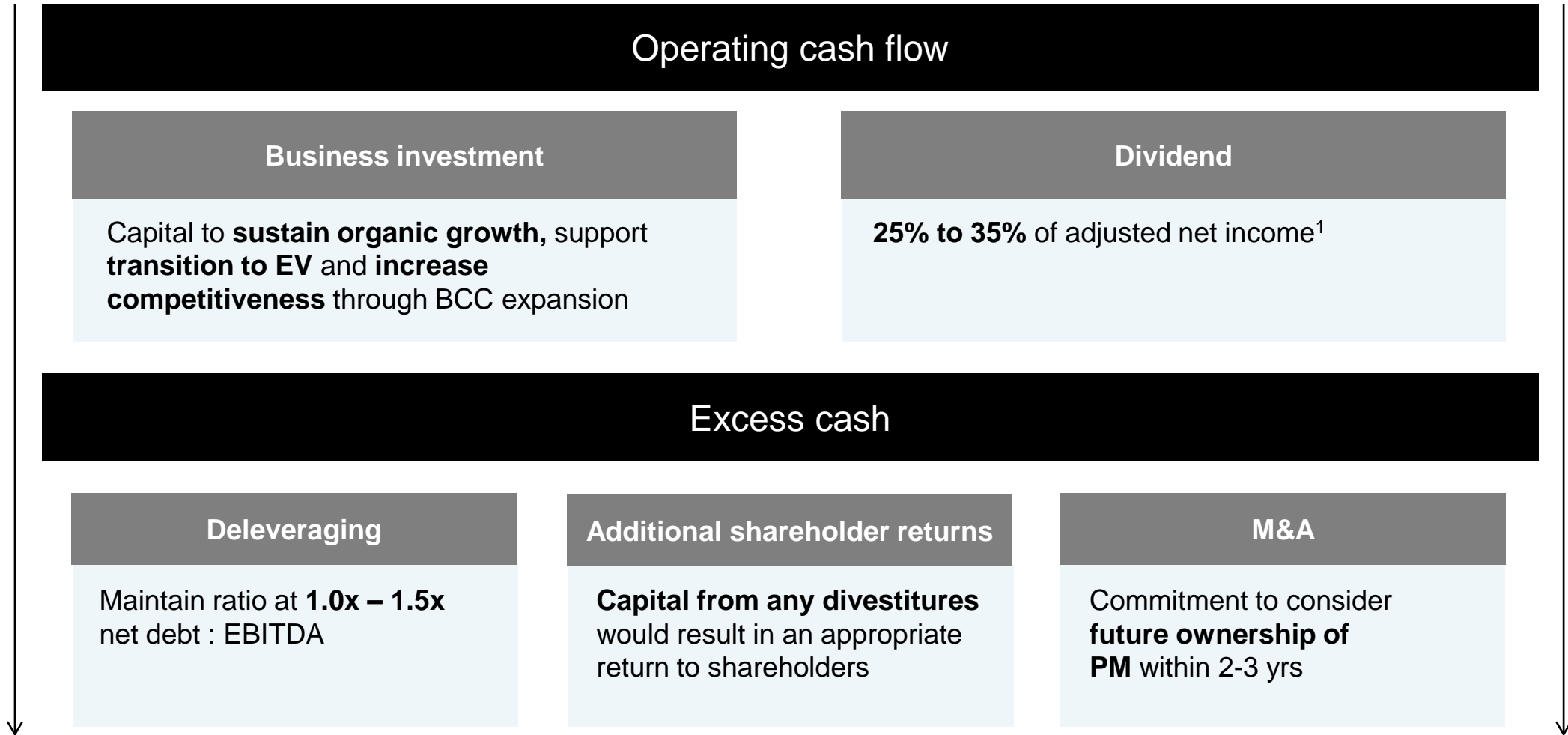
Full year outlook unchanged

Q & A



APPENDIX



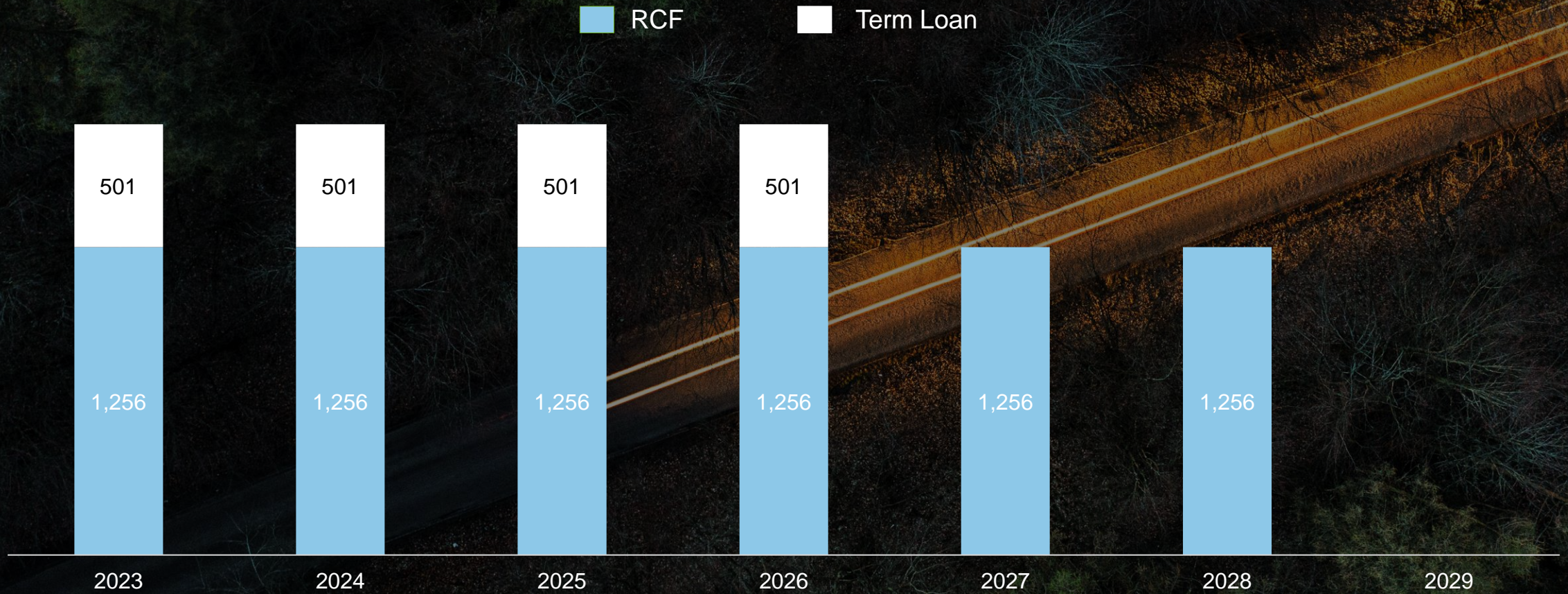


1. As per stated dividend policy

Appendix

Debt facility maturity profile

Committed Debt Facility Maturity Profile¹ (£m)



1. Term Loan and RCF are available in multicurrency. Term loan matures April 2026, RCF matures April 2028 subject to a two-year extension which is at the sole discretion of the company

Appendix

Adjusted revenue reconciliation

£m	H1 2023	H1 2022
Adjusted revenue	2,830	2,518
Equity accounted investments	(278)	(282)
Revenue	2,552	2,236

Appendix

Adjusted operating profit/(loss) reconciliation

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£m	H1 2023	H1 2022
Adjusted operating profit	177	127
Items not included in adjusted operating profit		
Amortisation of intangible assets acquired in business combinations	(99)	(97)
Restructuring costs	(88)	(29)
Demerger costs	(39)	-
Movement in derivatives and associated financial assets and liabilities	21	3
Equity accounted investments adjustments	(14)	(14)
Net release and changes in discount rates of certain fair value items	2	2
Impairment of assets	-	(20)
Acquisition and disposal related gains	-	1
Operating loss	(40)	(27)

Appendix

List of abbreviations

Abbreviation	Meaning	Abbreviation	Meaning
AWD	All wheel drive	FTE	Full time employee
BCC	Best Cost Countries	ICE	Internal combustion engine
BEV	Battery electric vehicles	JV	Joint venture
bn	billions	LFP	Lithium iron phosphate battery
bps	basis points	LSD	Limited Slip Differential
CAGR	Compound annual growth rate	m	millions
CDP	Carbon Disclosure Project	MHEV	Mild hybrid electric vehicle
CPV	Content per vehicle	NA	North America
CSRD	Corporate Sustainability Reporting Directive	NdFeB	Neodymium iron boron magnet
EBIT	Earnings before interest and tax excluding depreciation and amortization	PM	Powder Metallurgy division of Dowlais; GKN Powder Metallurgy
EBITDA	Earnings before interest, tax, depreciation and amortization	PTU	Power Transfer Unit
EDL	Electronic Differential Lock	RoW	Rest of world
EDU	Electronic Drive Unit	RCF	Revolving Credit Facility
ePT	ePowertrain	RDU	Rear Drive Unit
ETM	Electronic Torque Manager	RFQ	Year on Year
ESG	Environmental, Social and Governance	SBTi	Science Based Targets initiative
EU	European Union	SECR	Streamlined Energy and Carbon Reporting
EV	Electric vehicles (full hybrid and battery electric vehicles)	TCFD	Task Force on Climate-Related Financial Disclosures
FHEV	Full hybrid electric vehicle	YoY	Year on Year