



# Second Quarter 2016 Results

July 26, 2016



# Forward-Looking Statements and Risk Factors

This presentation contains statements which constitute forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, including but not limited to statements regarding near-term and longer-term prospects, the potential divestitures in China and Brazil, the outlook for revenue, adjusted EBITDA, adjusted EBITDA margin, adjusted EPS, adjusted free cash flow, free cash flow, enterprise value and net debt. The forward-looking statements can be identified by words such as “anticipate,” “believe,” “plan,” “estimate,” “expect,” “intend,” “project,” “target,” and other similar expressions. Forward-looking statements are made as of the date of this presentation and are based upon management’s current expectations and beliefs concerning future developments and their potential effects on us. Such forward-looking statements are not guarantees of future performance. The following important factors, as well as risk factors described in our reports filed with the SEC, could cause our actual results to differ materially from estimates or expectations reflected in such forward-looking statements:

- global automobile production volumes;
- the financial condition of our customers and suppliers;
- our ability to make scheduled payments of principal or interest on our indebtedness and comply with the covenants and restrictions contained in the instruments governing our indebtedness;
- our ability to refinance our indebtedness;
- risks associated with our non-U.S. operations, including foreign exchange risks and economic uncertainty in some regions;
- any increase in the expense and funding requirements of our pension and other postretirement benefits;
- our customers’ ability to obtain equity and debt financing for their businesses;
- our dependence on our largest customers;
- pricing pressure from our customers;
- work stoppages or other labor issues affecting us or our customers or suppliers;
- our ability to integrate acquired businesses;
- risks associated with business divestitures; and
- costs or liabilities relating to environmental and safety regulations

We do not assume any obligation to update or revise the forward-looking statements contained in this presentation.

# Key Take-Aways

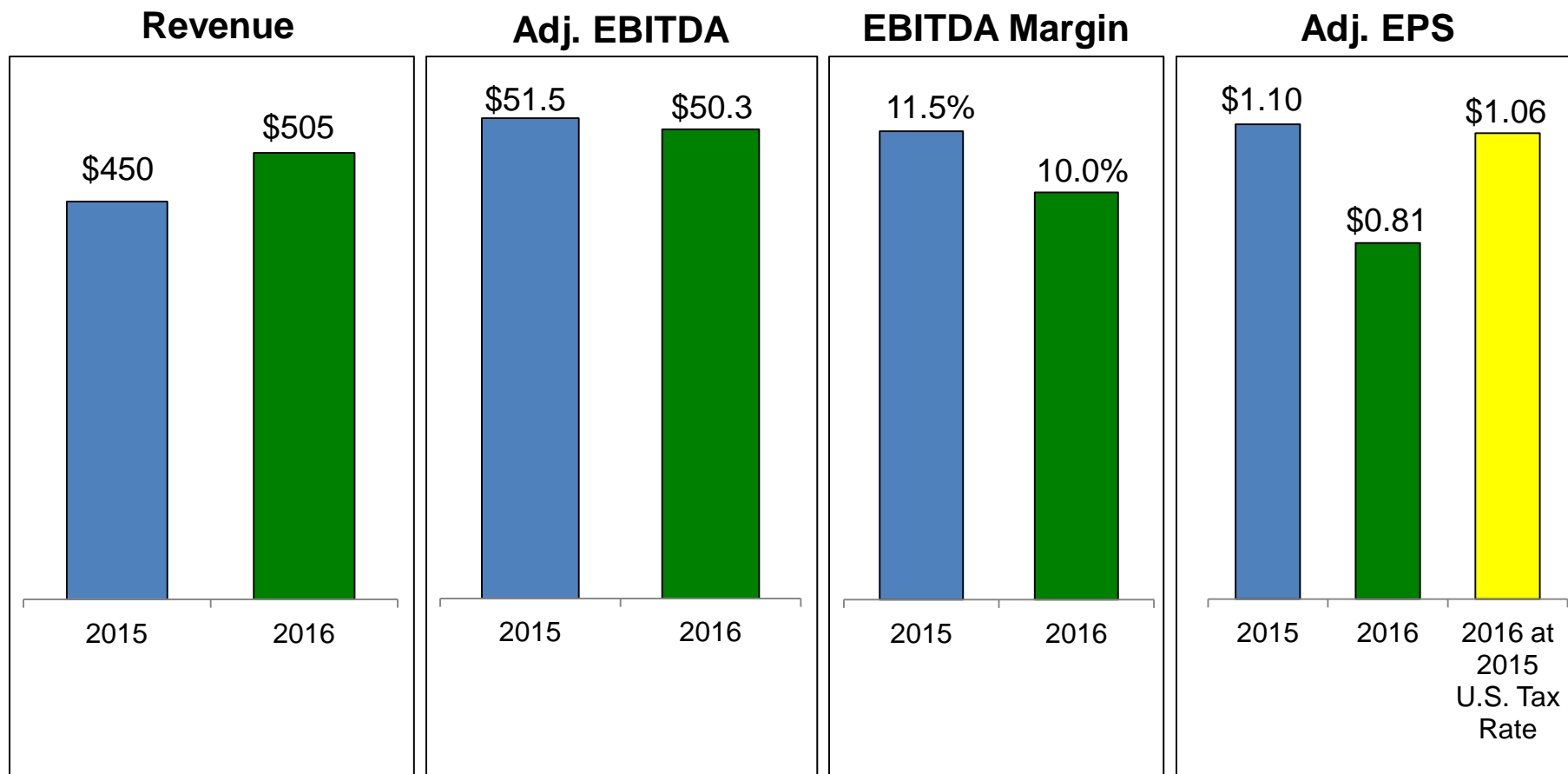
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- Re-affirming full year earnings and free cash flow.
  - Revenue outlook down slightly for vehicle and Company-specific reasons. No evidence thus far of meaningful industry downturn in North America or Brexit adverse fall-out in Europe.
- The Company believes it is entering a period of very favorable earnings comparisons and strong free cash flow. For example:
  - 2<sup>nd</sup> Half 2016 adjusted EBITDA projected to be up more than 20% from 2015;
  - Free cash flow in 2<sup>nd</sup> Half 2016 through 2017 projected at \$130M; and
  - Depending on the pace of the stock buyback program, adjusted earnings per share could exceed \$4.00 in 2017 (outlook is \$3.70 ex-buyback).
- 24<sup>th</sup> consecutive quarter of meeting or beating earning consensus since IPO.

# Total Company

## Second Quarter Financials - - 2016 vs. 2015

(in \$ millions, except EPS)



# Second Quarter 2016 Free Cash Flow

(in \$ millions)

	<u>Amount</u>
Adjusted EBITDA	\$ 50
Capital Expenditures	(35)
Cash Interest	(4)
Cash Taxes	(1)
Working Capital & Other (ex-tooling)	(22)
Customer Tooling	<u>(11)</u>
Total Free Cash Flow	<u><u>\$ (23)</u></u>

# Net Debt and Leverage

(in \$ millions)

	<u>June 30, 2016</u>	<u>Dec. 31, 2015</u>
<b><u>Net Debt</u></b>		
Cash	\$ 52	\$ 113*
Gross Debt	<u>(421)</u>	<u>(445)</u>
Net Debt	<u>\$ (369)</u>	<u>\$ (332)</u>
<b><u>Debt-to-LTM Adj. EBITDA</u></b>		
Gross	2.3X	2.4X
Net	2.0X	1.8X

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\* Excludes cash attributable to discontinued operations

# Present 2016 Outlook

(in \$ millions, except EPS)

	Q3	2nd Half		Full Year	
		Amount	B/(W) 2015	Amount	B/(W) Prior
Revenue	\$ 470	\$ 956	7%	\$ 1,950	\$ (25)
Adjusted EBITDA	\$ 50	\$ 109.6	22%	\$ 205	\$ 0
Adj. EBITDA Margin	10.6 %	11.5%	1.5 Pts.	10.5%	0.1 Pts.
Adjusted EPS	\$ 0.80	\$ 1.74	14%	\$ 3.20	\$ 0
Free Cash Flow		\$ 59	\$ 61	\$ 20	\$ 0

# Stock Buyback Objectives and Details

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## Objectives

- **Opportunistically deploy capital** in highly accretive and low-risk manner.
- **Demonstrate the Company's confidence** in projected earnings and cash flow, and intrinsic value.
- **Maintain prudent leverage** (i.e., keep long-term target of net debt equal to 1X adjusted EBITDA within about one year's projected free cash flow).
- **High degree of flexibility** to respond to changing conditions or outlook.

## Details

- Authorization: Up to \$100 million
- Method: Opportunistic purchases
- Time to Complete: Open-ended



# Stock Buyback Through June 30

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	<b>Q2</b> <b>2016</b>
Shares Purchased (000)	112
Average Price Per Share	\$19.97
Total Spent (Mils.)	\$ 2.2

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Memo: Transactions settled in July

# Potential Year-End 2017 Net Debt & Leverage

(in \$ millions)

	<u>Rounded</u>
June 30, 2016	\$370
Less: Projected Second Half 2016 Free Cash Flow	(60)
Less: Projected 2017 Free Cash Flow	(70)
Less: Potential Sale Proceeds (Brazil & China)	(30)-(50)
Plus: Dividends Through 2017	15
Plus: Stock Buyback	0-100
Equals: <b>Potential Year-End 2017 Net Debt</b>	<b>\$205-\$325</b>
<b>Projected 2017 Adjusted EBITDA</b>	<b>\$225</b>

**Potential Year-End 2017 Net Debt Leverage 0.9X-1.4X**

# Potential TOWER 2017 Valuation Multiple (at Recent Stock Price and 2017 Outlook)

(in \$ millions)

Recent Market Capitalization (at \$22.27/share at 7/22 close)	~\$470
Plus: Potential Year-End 2017 Net Debt (Excluding Stock Buyback)	<u>205-225</u>
Equals: Potential Year-End 2017 Enterprise Value (EV)	\$675-\$695
Projected 2017 Adjusted EBITDA	\$225
<b>Potential Year-End 2017 EV/Adj. EBITDA Multiple</b>	<b>3.0X-3.1X</b>

Memo: **Proj. 2<sup>nd</sup> Half 2016-2017 Free Cash Flow Yield** ~28%\*

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\* Proj. free cash flow of \$130M (2H 2016 \$60M + 2017 \$70M) divided by present market capitalization

# APPENDIX

# Non-GAAP Financial Measures

This presentation includes the following non-GAAP financial measures: “Adjusted EBITDA”, “Adjusted EBITDA margin”, “Adjusted Earnings Per Share (EPS)”, “free cash flow”, “adjusted free cash flow” and “net debt.” We define Adjusted EBITDA as net income / (loss) before interest, taxes, depreciation, amortization, restructuring items and other adjustments described in the reconciliations provided in this presentation. Adjusted EBITDA margin represents Adjusted EBITDA divided by revenues. Adjusted Earnings Per Share exclude certain income and expense items described in the reconciliation provided in this presentation. Free cash flow is defined as cash provided by operating activities less cash disbursed for purchases of property, plant and equipment. Adjusted free cash flow is free cash flow excluding cash received or disbursed for customer tooling. Net debt represents total debt less cash and cash equivalents. We use Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Earnings Per Share, free cash flow, adjusted free cash flow and net debt as supplements to information provided in accordance with generally accepted accounting principles (“GAAP”) in evaluating our business and they are included in this presentation because they are principal factors upon which our management assesses performance. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with GAAP are set forth below. The non-GAAP measures presented above are not measures of performance under GAAP. These measures should not be considered as alternatives for the most directly comparable financial measures calculated in accordance with GAAP. Other companies in our industry may define these non-GAAP measures differently than we do and, as a result, these non-GAAP measures may not be comparable to similarly titled measures used by other companies in our industry; and certain of our non-GAAP financial measures exclude financial information that some may consider important in evaluating our performance. Given the inherent uncertainty regarding mark to market adjustments of financial instruments, potential gain or loss on our Discontinued Operations, potential restructuring expenses, and expenses related to our long-term incentive compensation programs in any future period, a reconciliation of forward-looking financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP is not feasible. Consequently, any attempt to disclose such reconciliations would imply a degree of precision that could be confusing or misleading to investors. The magnitude of these items, however, may be significant.

# Income Statement

(in \$ millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues	\$ 505.1	\$ 449.5	\$ 994.3	\$ 899.0
Cost of sales	443.0	388.6	875.1	782.7
Gross profit	62.1	60.9	119.2	116.3
Selling, general, and administrative expenses	32.1	30.3	64.9	59.7
Amortization expense	0.1	-	0.2	-
Restructuring and asset impairment charges, net	0.8	5.3	1.6	6.2
Operating income	29.1	25.4	52.5	50.4
Interest expense	5.0	3.9	12.6	11.6
Interest income	-	-	0.1	-
Other expense	2.9	-	6.5	-
Income before provision for income taxes, equity in profit of joint venture, and loss from discontinued operations	21.3	21.5	33.5	38.8
Provision for income taxes	6.0	2.0	9.5	3.8
Income from continuing operations	15.3	19.5	24.0	34.9
Loss from discontinued operations, net of tax	(20.0)	(0.4)	(20.4)	(1.7)
Net income / (loss)	(4.8)	19.1	3.6	33.3
Less: Net income attributable to the noncontrolling interests	0.1	0.5	0.1	0.6
Net income / (loss) attributable to Tower International, Inc.	\$ (4.8)	\$ 18.6	\$ 3.5	\$ 32.7

# Balance Sheet

(in \$ millions)

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 51.8	\$ 121.6
Accounts receivable, net of allowance of \$0.9 and \$1.3	256.7	223.7
Inventories	70.6	66.6
Assets held for sale	102.4	113.7
Prepaid tooling, notes receivable, and other	93.0	68.2
Total current assets	<u>574.5</u>	<u>593.9</u>
Property, plant, and equipment, net	\$ 461.5	\$ 427.9
Goodwill	59.9	59.3
Deferred tax asset	119.6	127.2
Other assets, net	7.5	7.2
Total assets	<u>1,223.0</u>	<u>1,215.5</u>
<b>LIABILITIES AND EQUITY</b>		
Short-term debt and current maturities of capital lease obligations	\$ 32.6	\$ 29.5
Accounts payable	296.7	268.0
Accrued liabilities	103.0	100.5
Liabilities held for sale	49.1	44.2
Total current liabilities	<u>481.5</u>	<u>442.2</u>
Long-term debt, net of current maturities	\$ 382.8	\$ 409.1
Obligations under capital leases, net of current maturities	5.6	6.0
Deferred tax liability	6.6	6.2
Pension liability	61.2	65.6
Other non-current liabilities	74.5	79.7
Total non-current liabilities	<u>530.7</u>	<u>566.6</u>
Total liabilities	<u>1,012.2</u>	<u>1,008.8</u>
Stockholders' equity:		
Tower International, Inc.'s stockholders' equity		
Common stock	\$ 0.2	\$ 0.2
Additional paid in capital	338.9	337.9
Treasury stock	(16.7)	(16.1)
Accumulated deficit	(44.7)	(44.0)
Accumulated other comprehensive loss	(73.9)	(80.5)
Total Tower International, Inc.'s stockholders' equity	<u>203.9</u>	<u>197.5</u>
Noncontrolling interests in subsidiaries	7.0	9.2
Total stockholders' equity	<u>210.8</u>	<u>206.7</u>
Total liabilities and stockholders' equity	<u>\$ 1,223.0</u>	<u>\$ 1,215.5</u>

# Consolidated Statement of Cash Flows

(in \$ millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>OPERATING ACTIVITIES:</b>				
Net income / (loss)	\$ (4.8)	\$ 19.1	\$ 3.6	\$ 33.3
Less: Loss from discontinued operations, net of tax	(20.0)	(0.4)	(20.4)	(1.7)
Income from continuing operations	15.3	19.5	24.0	34.9
Adjustments required to reconcile income from continuing operations to net cash provided by continuing operating activities:				
Deferred income tax provision	\$ 5.1	\$ (0.1)	\$ 8.1	\$ 0.1
Depreciation and amortization	18.2	17.9	35.5	35.8
Non-cash share-based compensation	0.5	0.3	1.0	1.3
Pension income, net of contributions	(2.3)	(2.5)	(4.5)	(6.2)
Change in working capital and other operating items	(24.7)	(21.3)	(41.7)	(54.1)
Net cash provided / (used) by continuing operating activities	\$ 12.1	\$ 13.9	\$ 22.4	\$ 11.9
<b>INVESTING ACTIVITIES:</b>				
Cash disbursed for purchases of property, plant, and equipment, net	\$ (35.2)	\$ (19.1)	\$ (60.9)	\$ (28.2)
Net cash used in continuing investing activities	\$ (35.2)	\$ (19.1)	\$ (60.9)	\$ (28.2)
<b>FINANCING ACTIVITIES:</b>				
Proceeds from borrowings	\$ 149.6	\$ 34.5	\$ 295.9	\$ 63.4
Repayments of borrowings	(134.2)	(5.8)	(272.4)	(62.4)
Repayments on Term Loan Credit Facility	-	(25.0)	(50.0)	(25.0)
Proceeds from termination of cross currency swaps	-	-	-	32.4
Dividend payment to Tower shareholders	(2.1)	-	(4.2)	-
Proceeds from stock options exercised	-	-	-	0.1
Purchase of treasury stock	-	-	(0.6)	(6.5)
Net cash provided / (used) in continuing financing activities	\$ 13.2	\$ 3.7	\$ (31.4)	\$ 1.9
Discontinued operations:				
Net cash from discontinued operating activities	\$ 0.2	\$ (1.5)	\$ 3.1	\$ 7.4
Net cash from discontinued investing activities	(1.5)	2.1	(1.9)	(2.8)
Net cash from discontinued financing activities	0.5	(1.6)	(2.6)	(3.0)
Net cash from discontinued operations	\$ (0.8)	\$ (1.0)	\$ (1.5)	\$ 1.6
Effect of exchange rate changes on continuing cash and cash equivalents	\$ (0.4)	\$ 0.7	\$ 1.5	\$ (2.5)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	\$ (11.1)	\$ (1.8)	\$ (70.0)	\$ (15.3)
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of period	\$ 62.8	\$ 119.1	\$ 121.6	\$ 132.7
End of period	\$ 51.8	\$ 117.4	\$ 51.8	\$ 117.4



# Adjusted EBITDA Reconciliation to GAAP

(in \$ millions)

	2015					2016	
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year	First Quarter	Second Quarter
<b>Adjusted EBITDA</b>	\$ 47.1	\$ 51.5	\$ 43.8	\$ 45.9	\$ 188.3	\$ 45.1	\$ 50.3
Restructuring and asset impairments charges, net	(0.9)	(5.3)	(0.8)	(0.8)	(7.8)	(0.7)	(0.8)
Depreciation and amortization	(18.0)	(17.8)	(18.4)	(18.3)	(72.5)	(17.3)	(18.2)
Acquisition costs and other	-	(0.2)	(0.5)	0.5	(0.2)	(0.1)	(0.2)
Long-term compensation expense	(2.2)	(2.0)	(2.0)	(3.5)	(9.7)	(3.0)	(2.1)
One-time CEO compensation awards	(0.9)	(0.9)	(0.9)	(0.3)	(3.0)	(0.6)	0.2
Loss from sale of Brazil facility	-	-	-	(0.7)	(0.7)	-	-
Interest expense, net	(7.7)	(3.9)	(6.2)	(5.9)	(23.7)	(7.6)	(5.0)
Other expense	-	-	-	-	-	(3.6)	(2.9)
(Provision) / benefit for income taxes	(1.9)	(2.0)	(1.5)	129.1	123.8	(3.5)	(6.0)
Pension actuarial loss	-	-	-	(9.1)	(9.1)	-	-
Income / (loss) from discontinued operation	(1.3)	(0.4)	3.2	8.8	10.4	(0.3)	(20.0)
Net income attributable to noncontrolling interest	(0.1)	(0.5)	(0.6)	(0.6)	(1.7)	-	(0.1)
<b>Net income / (loss) attributable to Tower International, Inc.</b>	<b>\$ 14.0</b>	<b>\$ 18.6</b>	<b>\$ 16.3</b>	<b>\$ 145.1</b>	<b>\$ 194.1</b>	<b>\$ 8.4</b>	<b>\$ (4.8)</b>

# Adjusted Free Cash Flow Reconciliation to GAAP

(in \$ millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net cash provided by continuing operating activities*	\$ 12.1	\$ 13.9	\$ 22.4	\$ 11.9
Cash disbursed for purchases of PP&E, net*	(35.2)	(19.1)	(60.9)	(28.2)
Free cash flow	(23.1)	(5.2)	(38.5)	(16.3)
Less: Cash received / (disbursed) for customer-owned tooling	(10.8)	(12.3)	(20.8)	(20.5)
Adjusted free cash flow	<u>\$ (12.3)</u>	<u>\$ 7.1</u>	<u>\$ (17.7)</u>	<u>\$ 4.2</u>

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\*From GAAP Consolidated Statement of Cash Flows

# Certain Items Included in Net Income

(in \$ millions)

	After tax		Before tax	
	Three Months Ended		Three Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Income / (expense) items included in net income, net of tax:				
<i>Selling, general, and administrative expenses</i>				
One-time CEO compensation awards	\$ 0.2	\$ (0.9)	\$ 0.3	\$ (0.9)
<i>Restructuring and asset impairment charges, net</i>				
Change in estimated future rent	-	(4.8)	-	(4.8)
<i>Interest expense</i>				
Mark-to-market gain / (loss) on derivative financial instruments	(0.2)	1.6	(0.4)	1.6
<i>Other expense</i>				
European divestiture expenses	(2.1)	-	(2.9)	-
<i>Discontinued operations</i>				
Loss from discontinued operations	(20.0)	(0.4)	(20.0)	(0.4)
<i>Noncontrolling interests</i>				
Net income attributable to noncontrolling interests*	(0.1)	(0.5)	(0.1)	(0.5)
Total items included in net income, net of tax	<u>\$ (22.2)</u>	<u>\$ (5.0)</u>		
Net income / (loss) attributable to Tower International, Inc.	\$ (4.8)	\$ 18.6		
Memo: Average shares outstanding (in thousands)				
Basic	21,165	21,105		
Diluted	21,489	21,403		
Income / (loss) per common share (GAAP)				
Basic	\$ (0.23)	\$ 0.88		
Diluted	(0.23)	0.87		
Diluted adjusted earnings per share (non-GAAP)	\$ 0.81	\$ 1.10		

\* Amounts attributable to noncontrolling interests of discontinued operations

# Certain Items Included in Net Income

(in \$ millions)

	After tax		Before tax	
	Six Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Income / (expense) items included in net income, net of tax:				
<i>Selling, general, and administrative expenses</i>				
One-time CEO compensation awards	\$ (0.4)	\$ (1.9)	\$ (0.7)	\$ (1.9)
<i>Restructuring and asset impairment charges, net</i>				
Change in estimated future rent	-	(4.8)	-	(4.8)
<i>Interest expense</i>				
Mark-to-market gain / (loss) on derivative financial instruments	(1.9)	(0.3)	(2.8)	(0.3)
Acceleration of the amortization of debt issue costs and OID	(0.5)	(0.4)	(0.7)	(0.4)
<i>Other expense</i>				
European divestiture expenses	(4.5)	-	(6.5)	-
<i>Discontinued operations</i>				
Loss from discontinued operations	(20.4)	(1.7)	(20.4)	(1.7)
<i>Noncontrolling interests</i>				
Net income attributable to noncontrolling interests*	(0.1)	(0.6)	(0.1)	(0.6)
Total items included in net income, net of tax	<u>\$ (27.8)</u>	<u>\$ (9.7)</u>		
Net income attributable to Tower International, Inc.	\$ 3.5	\$ 32.7		
Memo: Average shares outstanding (in thousands)				
Basic	21,146	21,078		
Diluted	21,470	21,382		
Income per common share (GAAP)				
Basic	\$ 0.17	\$ 1.55		
Diluted	0.16	1.53		
Diluted adjusted earnings per share (non-GAAP)	\$ 1.46	\$ 1.97		

\* Amounts attributable to noncontrolling interests of discontinued operations

# Industry Production Volume (June IHS)

(Vehicles in millions)

	2016					2017
	Q1	Q2	Q3	Q4	Full Year	Year
<b><u>Forecast</u></b>						
North America	4.5	4.7	4.5	4.5	18.2	18.3
Europe	5.5	5.8	4.9	5.4	21.6	22.1
Total	<u>10.0</u>	<u>10.5</u>	<u>9.4</u>	<u>9.9</u>	<u>39.8</u>	<u>40.4</u>
<b><u>Over / (Under) Prior Year</u></b>						
North America	5 %	3 %	4 %	3 %	4 %	1 %
Europe	1	7	2	3	3	2
Total	3 %	5 %	3 %	3 %	4 %	2 %