



# Second Quarter 2013 Results

July 22, 2013



# 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 and the outlook for revenue, Adjusted EBITDA, Adjusted EPS, and free cash flow. 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 at our facilities or at the facilities of 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

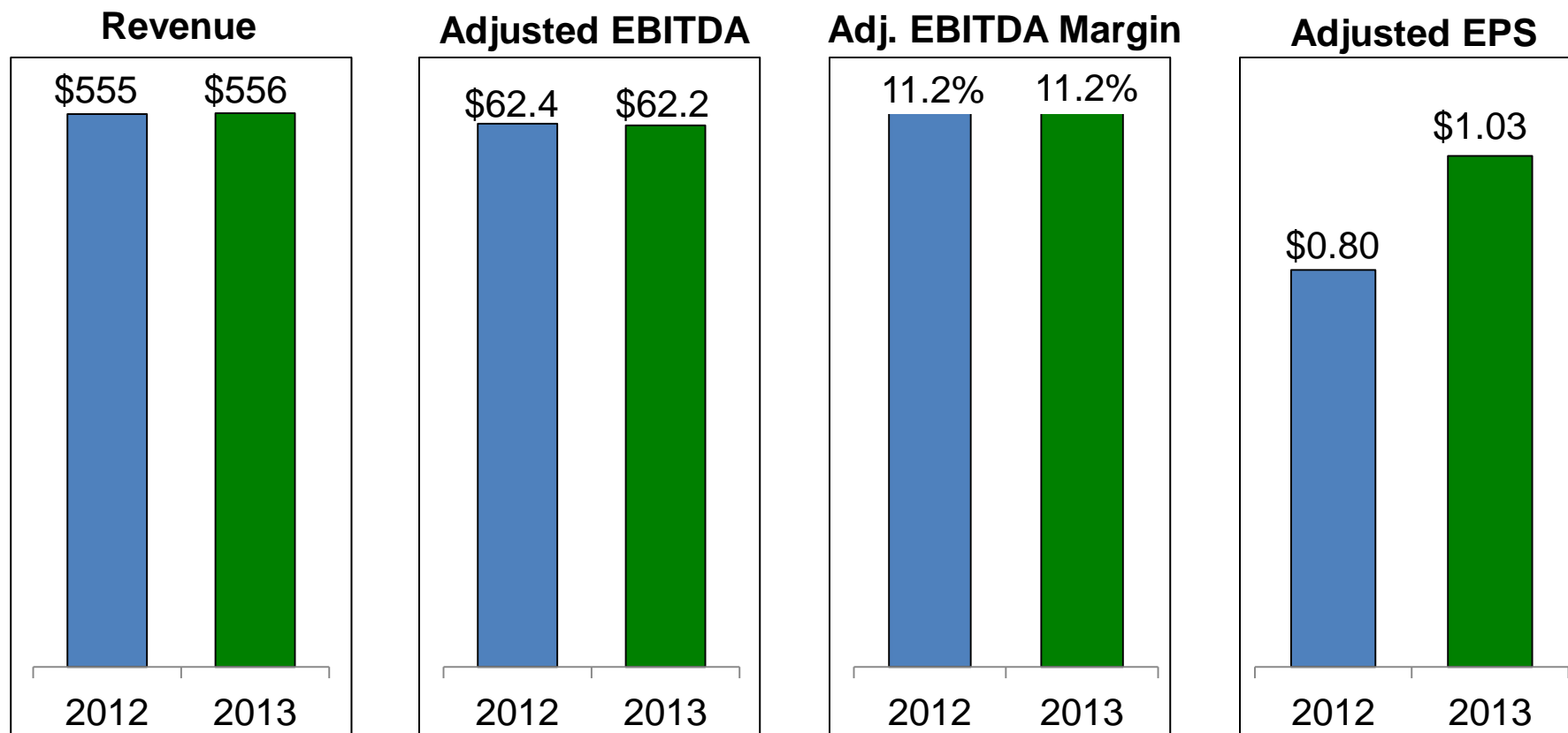
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- Solid Second Quarter financial results.
- Enterprise value increased by about \$1 per share in Q2 through sale of TDA and de-consolidation of minor China JV.
- Outlook for 2013 Adjusted Earnings Per Share increased by 15%.

# Total Company

## Second Quarter Financials - - 2013 vs. 2012

(in \$ millions)

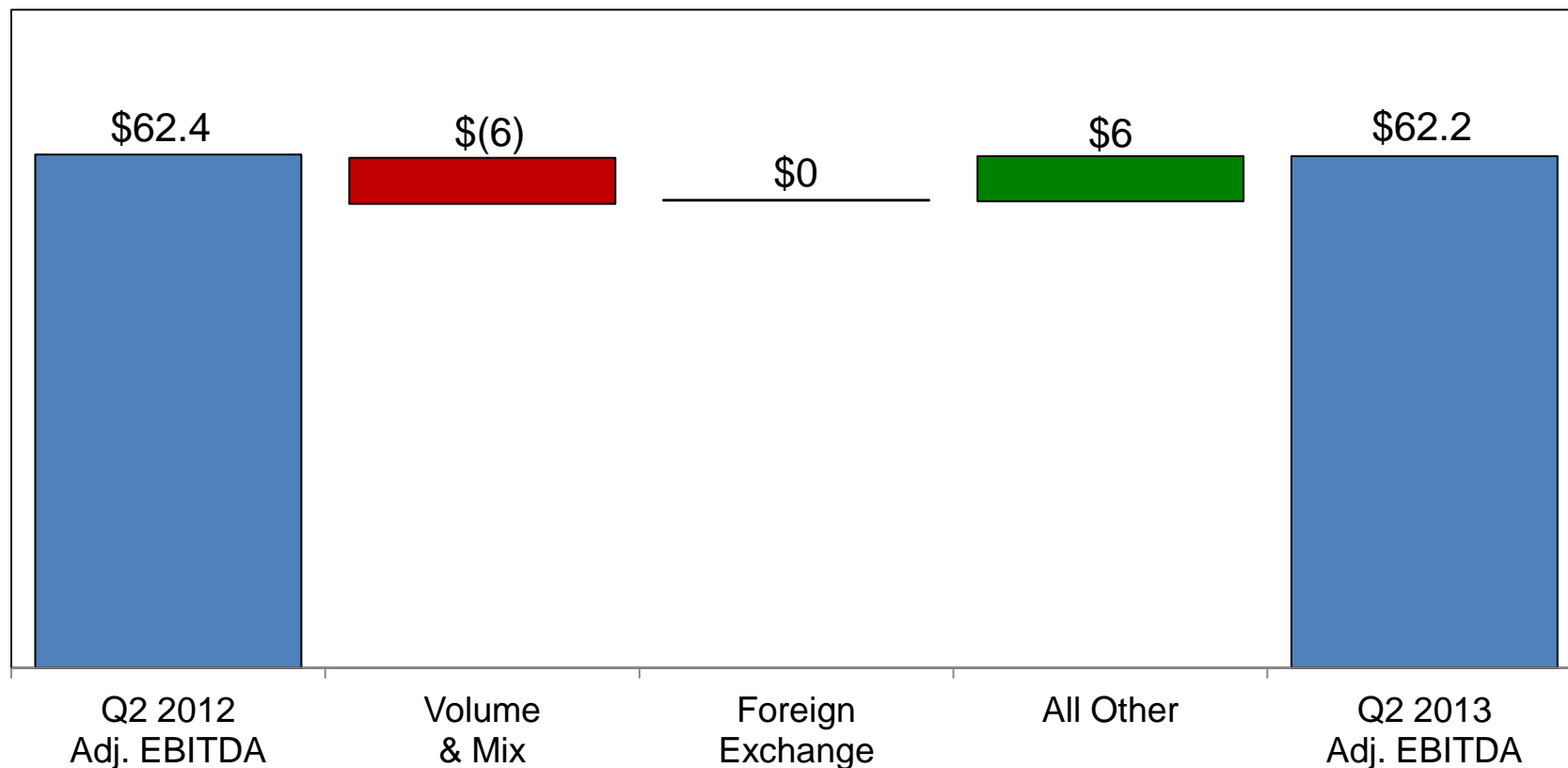


- Q2 2013 revenue was \$556M and Adjusted EBITDA was \$62.2M, for an Adjusted EBITDA margin of 11.2%.
- Adjusted EPS was \$1.03, up 29% from a year ago, largely reflecting lower interest expense.

# Total Company

## Q2 2013 Adjusted EBITDA Compared With 2012

(in \$ millions)



- **Volume and mix was net unfavorable vs. a year ago. Business wins were more than offset by the previously announced discontinued customer vehicle in China, less-favorable mix, and capacity-related fixed costs.**
- **Favorable net cost performance offset the adverse volume and mix, mainly reflecting lower launch cost and productivity that exceeded customer price reductions and labor overhead economics.**

# Second Quarter 2013 Free Cash Flow

(in \$ millions)

	<b>Q2 2013</b>
Adjusted EBITDA	\$ 62
Capital Expenditures	(16)
Cash Interest	(9)
Cash Taxes	(3)
Working Capital & Other	<u>(39)</u>
<b>Free Cash Flow</b>	<b><u><u>\$ (5)</u></u></b>
Memo: Better Than Guidance	\$ 5

**Free cash flow was negative \$5M in Q2 (\$5M better than guidance).**  
– The adverse change in working capital & other primarily reflected annual incentive compensation payments (for 2012) and normal seasonality.

# Quarter-End Net Debt, Leverage, & Liquidity

(in \$ millions)

**June 30, 2013**

**Net Debt**

Cash	\$ 118 *
Gross Debt	<u>(559)*</u>
Net Debt	<u><u>\$(441)</u></u>

**Debt-to-LTM Adj. EBITDA**

Gross	2.7X
Net	2.2X

**Liquidity**

\$ 216

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\* Both cash and gross debt exclude \$43M of restricted cash that will pay down remaining old senior secured bonds in August.

**Quarter-end net debt leverage was 2.2X, with continued good liquidity.**

# Q2 Actions Improve Enterprise Value About \$1 Per Share

(in \$ millions, except per-share amounts)

## Ningbo (China) JV De-Consolidation

	<u>Asset / (Liability)</u>	
	<u>Mar. 31</u>	<u>June 30</u>
<u>Tower Balance Sheet</u>		
Cash	\$ 6	\$ -
Tower Equity in Unconsol. Subs.	-	8
Debt	-	-
Minority Interest in Consol. Subs.	<u>(12)</u>	<u>-</u>
Net Asset/(Liability)	<u>\$ (6)</u>	<u>\$ 8</u>

<b>Change in Enterprise Value</b>	<b>\$ 14</b>
<b>- Per Share</b>	<b>≈ \$ 0.65</b>

Memo: Ningbo 2013 Proj. Revenue                      \$ 0

## Sale of TDA

### Cash Sale Proceeds

<b>Amount</b>	<b>\$ 9</b>
<b>- Per Share</b>	<b>≈ \$ 0.45</b>

### Asset Impairment Charge

TDA net book value	\$ 17
Sale proceeds	<u>9</u>
Non-cash write-off	<u>\$ (8)</u>



# 2013 Outlook

(in \$ millions, except EPS)

	Third Quarter	Full Year	
		Present Outlook	Present B/(W) Than Prior
Revenue	\$ 505	\$2,115	\$ (10)*
Adjusted EBITDA	\$ 47	\$ 210	\$ 0-\$5
Adjusted EPS	\$ 0.25	<b>\$ 1.90</b>	<b>\$ 0.25</b>
Free Cash Flow	\$ 5	\$25-\$30**	\$ 0-\$5

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\* Explained by change in exchange rates

\*\* With customer tooling at net \$0

**The main change in our 2013 financial outlook is a 15% improvement in Adjusted Earnings Per Share (to \$1.90).**

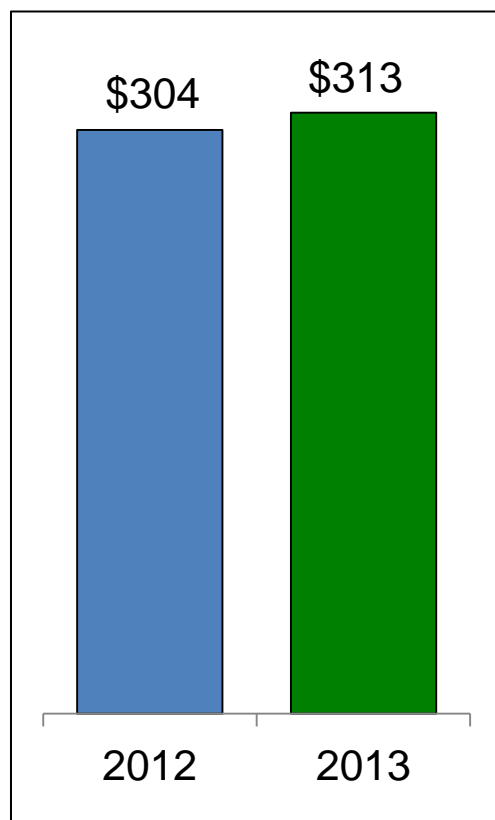
**– As experienced in Q2, this projection reflects favorable geographic mix from better North American earnings (which are not presently subject to income tax).**

# APPENDIX

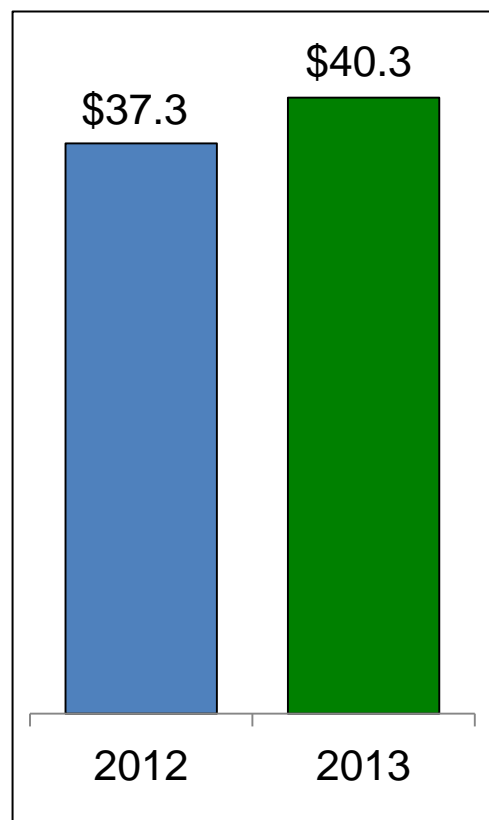
# Americas Segment - - Q2 2013 vs. Q2 2012

(in \$ millions)

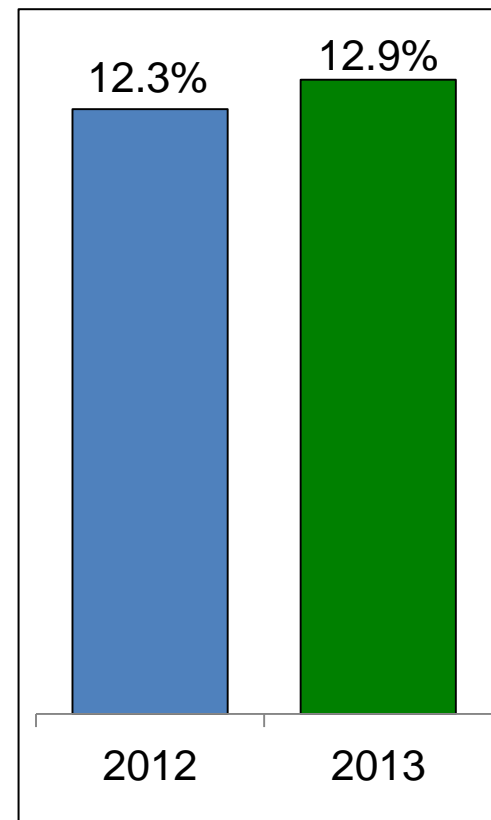
**Revenue**



**Adjusted EBITDA**

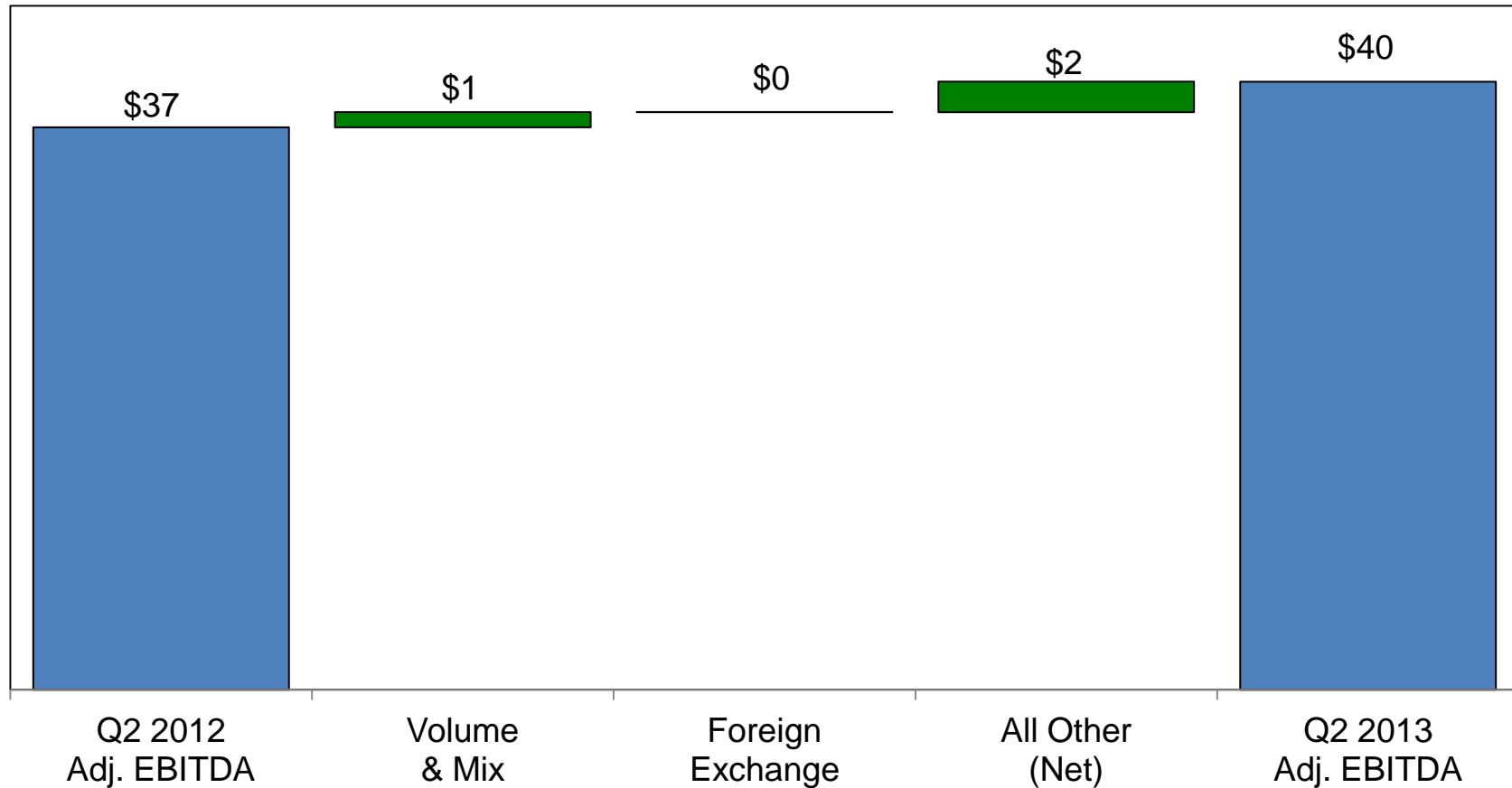


**Adjusted EBITDA Margin**



## Q2 2013 Adjusted EBITDA Compared With Q2 2012

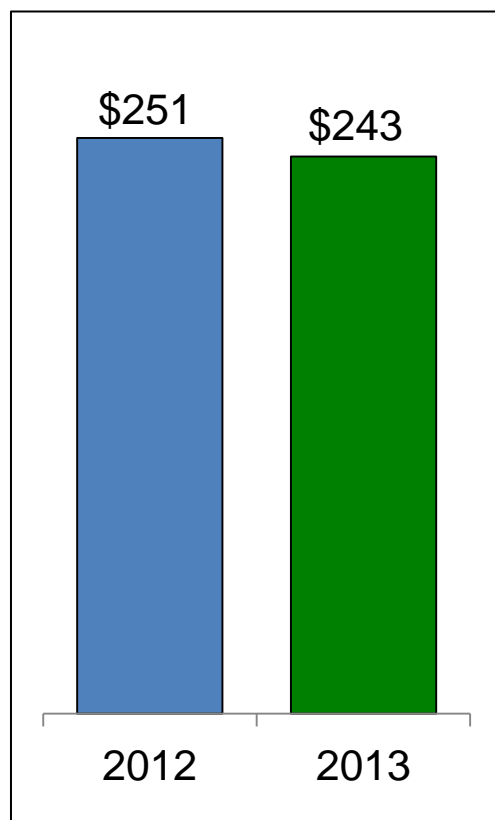
(in \$ millions)



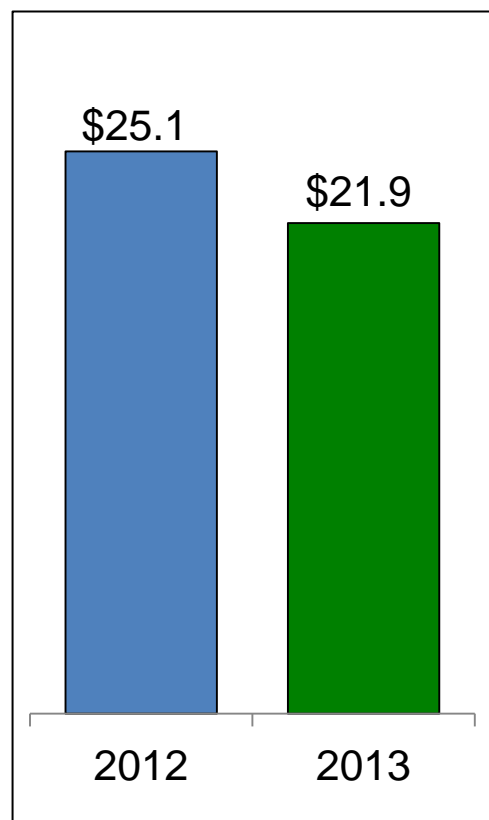
# International Segment - - Q2 2013 vs. Q2 2012

(in \$ millions)

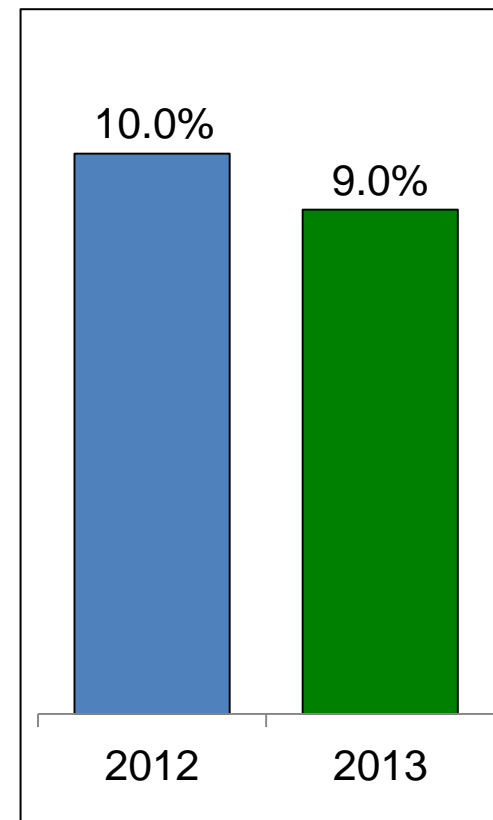
**Revenue**



**Adjusted EBITDA**



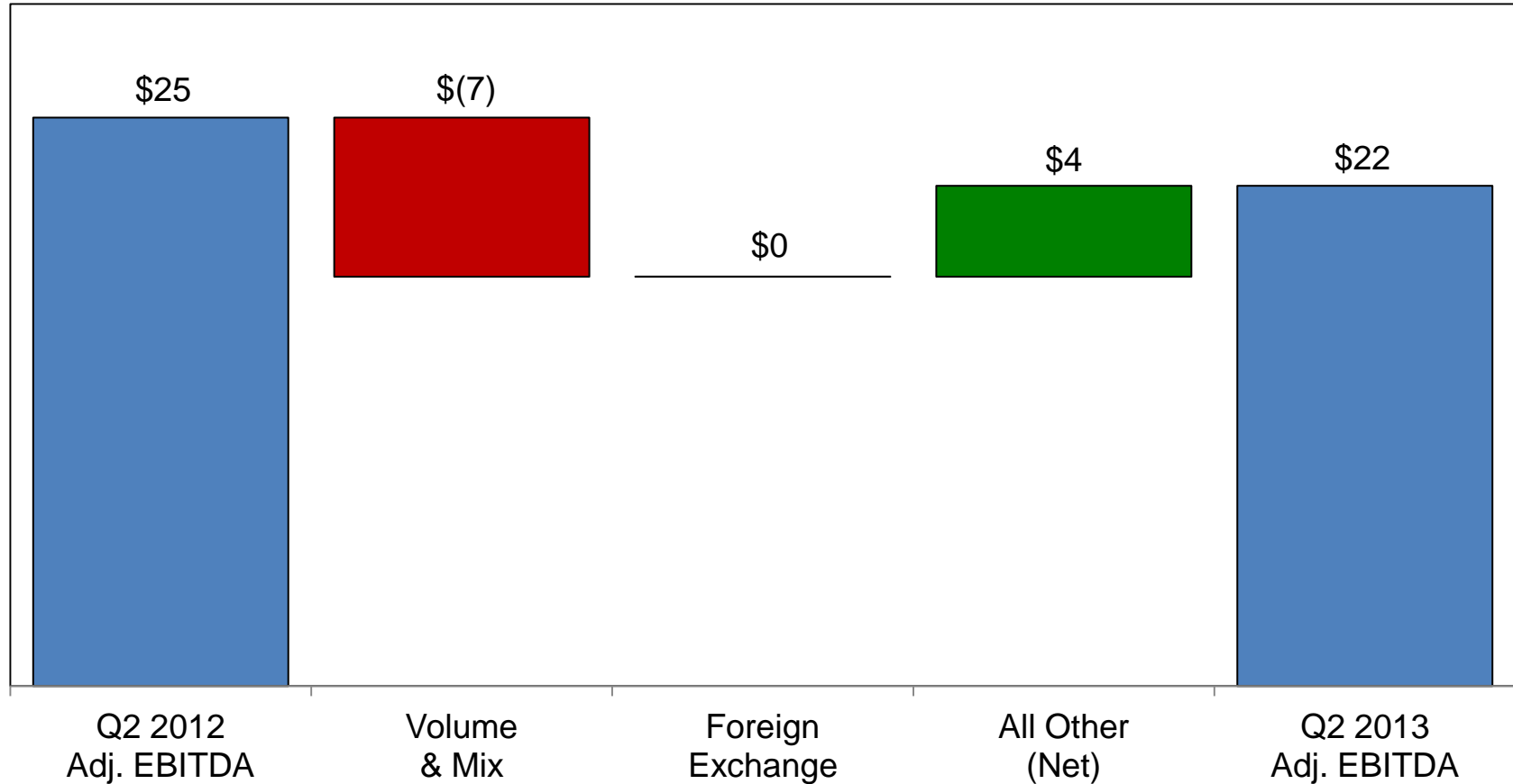
**Adjusted EBITDA Margin**



# International

## Q2 2013 Adjusted EBITDA Compared With Q2 2012

(in \$ millions)



# Income Statement

(in \$ millions)

	Three Months Ended Jun. 30,		Six Months Ended Jun. 30,	
	2013	2012	2013	2012
Revenues	\$ 555.9	\$ 555.0	\$ 1,090.0	\$ 1,084.6
Cost of sales	486.4	484.5	962.5	957.7
Gross profit	69.5	70.5	127.5	127.0
Selling, general, and administrative expenses	33.6	32.5	66.9	69.0
Amortization expense	0.7	1.1	1.5	2.3
Restructuring and asset impairment charges, net	14.6	2.8	17.3	4.8
Operating income	20.6	33.9	41.8	50.9
Interest expense	21.5	14.0	35.0	27.7
Interest income	0.3	0.2	0.6	0.5
Other expense	40.9	-	40.9	-
Income / (loss) before provision for income taxes and equity in loss of joint ventures	(41.5)	20.2	(33.5)	23.6
Provision for income taxes	3.6	12.5	7.1	14.7
Equity in loss of joint ventures, net of tax	(0.2)	-	(0.2)	-
Income / (loss) from continuing operations	(45.3)	7.6	(40.8)	9.0
Income from discontinued operations, net of tax	-	1.6	-	2.4
Net income / (loss)	(45.3)	9.3	(40.8)	11.3
Less: Net income / (loss) attributable to the noncontrolling interests	(0.2)	1.6	1.7	3.0
Net income / (loss) attributable to Tower International, Inc.	\$ (45.1)	\$ 7.7	\$ (42.6)	\$ 8.3

# Balance Sheet

(in \$ millions)	Jun. 30, 2013	Dec. 31, 2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 118.2	\$ 113.9
Restricted cash	45.2	-
Accounts receivable, net of allowance of \$2.2 and \$4.1	332.4	266.1
Inventories	80.5	81.3
Deferred tax asset - current	8.0	10.4
Prepaid tooling, notes receivable, and other	85.2	96.3
Total current assets	<u>669.5</u>	<u>568.2</u>
Property, plant, and equipment, net	522.6	573.1
Goodwill	63.7	64.8
Deferred tax asset - non-current	3.2	3.1
Other assets, net	40.3	28.8
Total assets	<u>\$ 1,299.2</u>	<u>\$ 1,238.1</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Short-term debt and current maturities of capital lease obligations	\$ 74.5	\$ 74.6
Accounts payable	311.9	264.9
Accrued liabilities	116.5	134.7
Total current liabilities	<u>502.9</u>	<u>474.2</u>
Long-term debt, net of current maturities	518.1	411.6
Obligations under capital leases, net of current maturities	10.1	10.8
Deferred tax liability - non-current	10.8	13.0
Pension liability	93.3	100.8
Other non-current liabilities	83.9	86.9
Total non-current liabilities	<u>716.2</u>	<u>623.1</u>
Total liabilities	<u>1,219.1</u>	<u>1,097.2</u>
Stockholders' equity:		
Tower International, Inc.'s stockholders' equity		
Common stock, \$0.01 par value, 350,000,000 authorized, 21,021,912 issued and 20,415,837 outstanding at June 30, 2013 and 20,830,425 issued and 20,247,134 outstanding at December 31, 2012	0.2	0.2
Additional paid in capital	325.0	321.0
Treasury stock, at cost, 606,075 shares as of June 30, 2013 and 583,291 shares as of December 31, 2012	(8.6)	(8.3)
Accumulated deficit	(279.8)	(237.2)
Accumulated other comprehensive loss	(20.2)	(12.5)
Total Tower International, Inc.'s stockholders' equity	<u>16.6</u>	<u>63.2</u>
Noncontrolling interests in subsidiaries	63.5	77.6
Total stockholders' equity	<u>80.1</u>	<u>140.9</u>
Total liabilities and stockholders' equity	<u>\$ 1,299.2</u>	<u>\$ 1,238.1</u>



# Consolidated Statement of Cash Flows

(in \$ millions)

	Three Months Ended Jun. 30,		Six Months Ended June. 30,	
	2013	2012	2013	2012
<b>Cash flows - operating activities</b>				
Net income / (loss)	\$ (45.3)	\$ 9.2	\$ (40.8)	\$ 11.3
Less: Income from discontinued operations, net of tax	-	1.6	-	2.4
Income from continuing operations	\$ (45.3)	\$ 7.6	\$ (40.8)	\$ 8.9
Non-cash restructuring and asset impairments, net	10.1	-	11.0	-
Premium on notes redemption and other fees	40.9	-	40.9	-
Deferred income tax provision	-	10.6	0.1	10.3
Depreciation and amortization	23.5	22.4	48.6	44.7
Non-cash share-based compensation	1.2	3.0	2.4	7.4
Pension expense, net of contributions	(3.9)	(4.0)	(7.4)	(7.0)
Change in working capital and other operating items	(15.9)	(23.8)	(43.0)	(34.4)
<b>Net cash provided by continuing operating activities</b>	<b>\$ 10.5</b>	<b>\$ 15.9</b>	<b>\$ 11.8</b>	<b>\$ 29.9</b>
<b>Cash flows - investing activities</b>				
Cash disbursed for purchases of property, plant and equipment, net	\$ (15.6)	\$ (31.9)	\$ (30.2)	\$ (60.6)
Deconsolidation of joint venture	(6.3)	-	(6.3)	-
Net assets acquired, net of cash acquired	9.1	-	9.1	-
<b>Net cash used in continuing investing activities</b>	<b>\$ (12.8)</b>	<b>\$ (31.9)</b>	<b>\$ (27.4)</b>	<b>\$ (60.6)</b>
<b>Cash flows - financing activities</b>				
Purchase of treasury stock	\$ -	\$ (3.1)	\$ (0.3)	\$ (3.2)
Proceeds from borrowings	174.8	168.4	329.0	337.2
Repayments of borrowings	(167.3)	(144.3)	(325.7)	(300.6)
Proceeds from borrowings on Term Loan Credit Facility	417.9	-	417.9	-
Partial redemption of notes	(319.0)	-	(319.0)	-
Premium paid on partial redemption of notes	(40.9)	-	(40.9)	-
Cash restricted for notes repurchase	(45.2)	-	(45.2)	-
Debt financing costs	(8.4)	-	(8.4)	-
Proceeds from stock options exercised	1.5	-	1.5	-
Noncontrolling interest dividends	(4.5)	-	(4.5)	-
<b>Net cash provided by continuing financing activities</b>	<b>\$ 9.0</b>	<b>\$ 21.0</b>	<b>\$ 4.4</b>	<b>\$ 33.4</b>
Discontinued operations:				
Net cash from discontinued operating activities	\$ -	\$ 0.6	\$ -	\$ (7.8)
Net cash from discontinued investing activities	(0.1)	(7.7)	15.7	(15.0)
Net cash from discontinued financing activities	-	(6.2)	-	7.9
<b>Net cash from discontinued operations</b>	<b>\$ (0.1)</b>	<b>\$ (13.3)</b>	<b>\$ 15.7</b>	<b>\$ (14.9)</b>
<b>Net change in cash and cash equivalents</b>	<b>\$ 6.5</b>	<b>\$ (8.4)</b>	<b>\$ 4.5</b>	<b>\$ (12.1)</b>
Cash and cash equivalents - beginning of period	111.1	134.0	113.9	135.0
Effect of exchange rate changes on cash and cash equivalents	0.6	(2.2)	(0.3)	0.6
<b>Cash and cash equivalents - end of period</b>	<b>\$ 118.2</b>	<b>\$ 123.4</b>	<b>\$ 118.2</b>	<b>\$ 123.4</b>

# Non-GAAP Financial Measures

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This presentation includes the following non-GAAP financial measures: “Adjusted EBITDA”, “Adjusted EBITDA margin”, “Adjusted Earning Per Share (EPS)”, “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. Net debt represents total debt less cash and cash equivalents. We use Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Earnings Per Share, 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 four of the 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 (ii) certain of our non-GAAP financial measures exclude financial information that some may consider important in evaluating our performance. Given the inherent uncertainty regarding special items and other expense 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. The magnitude of these items, however, may be significant.

# Adjusted EBITDA Reconciliation to GAAP

(in \$ millions)

	2012				2013	
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter
<b>Adjusted EBITDA</b>	<b>\$ 46.3</b>	<b>\$ 62.4</b>	<b>\$ 44.7</b>	<b>\$ 44.5</b>	<b>\$ 52.1</b>	<b>\$ 62.2</b>
Restructuring and asset impairments charges, net	(1.9)	(2.8)	(3.2)	(2.8)	(2.7)	(14.6)
Depreciation and amortization	(22.3)	(22.4)	(23.6)	(24.6)	(25.2)	(23.5)
Acquisition costs and other	(0.2)	(0.1)	-	(0.1)	-	(0.5)
Long-term compensation expense	(5.0)	(3.1)	(1.1)	(1.2)	(1.4)	(1.8)
Other expense	-	-	-	-	-	(40.9)
Interest expense, net	(13.5)	(13.8)	(13.1)	(13.4)	(13.2)	(21.2)
Closure of Tower Defense & Aerospace	-	-	-	-	(1.6)	(1.2)
(Provision) / benefit for income taxes	(2.1)	(12.5)	(3.2)	2.5	(3.5)	(3.6)
Equity in earnings of joint ventures	-	-	-	-	-	(0.2)
Net income attributable to noncontrolling interest	(1.4)	(1.6)	(1.6)	(2.4)	(2.0)	0.2
Pension actuarial loss	-	-	-	(19.2)	-	-
Income / (loss) from discontinued operation	0.7	1.6	(2.9)	30.4	-	-
<b>Net income / (loss) attributable to Tower International, Inc.</b>	<b>\$ 0.6</b>	<b>\$ 7.7</b>	<b>\$ (4.0)</b>	<b>\$ 13.7</b>	<b>\$ 2.5</b>	<b>\$ (45.1)</b>

# Free Cash Flow Reconciliation to GAAP

(in \$ millions)

	Three Months Ended Jun. 30,		Six Months Ended Jun. 30,	
	2013	2012	2013	2012
Net cash provided by operating activities*	\$ 10.5	\$ 15.9	\$ 11.8	\$ 29.9
Cash disbursed for purchases of PP&E, net*	(15.6)	(31.9)	(30.2)	(60.6)
Free cash flow	<u>\$ (5.1)</u>	<u>\$ (16.0)</u>	<u>\$ (18.4)</u>	<u>\$ (30.7)</u>

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\*From GAAP Consolidated Statement of Cash Flow s

# Certain Items Included in Net Income/(Loss)

(in \$ millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Expense items included in net income, net of tax:				
<i>Cost of sales</i>				
Closure of Tower Defense & Aerospace	\$ (1.8)	\$ -	\$ (4.4)	\$ -
<i>Selling, general and administrative expenses</i>				
Incentive compensation related to funding events	-	(2.1)	-	(6.1)
Acquisition costs and other	(0.3)	-	(0.3)	-
<i>Restructuring expense</i>				
One-time restructuring actions	(0.3)	(0.5)	(0.6)	(1.2)
Plant relocation	-	(1.2)	-	(1.2)
Facility closure	(3.3)	-	(3.6)	-
Asset impairment charges	(9.8)	-	(10.7)	-
<i>Interest expense</i>				
Acceleration of the amortization of debt issue costs and OID	(10.2)	-	(10.2)	-
<i>Other expense</i>				
Partial redemption of senior secured notes	(40.3)	-	(40.3)	-
Breakage of Letter of Credit Facility	(0.6)	-	(0.6)	-
<i>Provision for income taxes</i>				
Valuation allowance in Brazil	-	(6.5)	-	(6.5)
<i>Discontinued operations</i>				
Income from discontinued operations	-	1.6	-	2.4
Total items included in net income	<u>\$ (66.6)</u>	<u>\$ (8.7)</u>	<u>\$ (70.7)</u>	<u>\$ (12.6)</u>
Net income attributable to Tower International, Inc.	\$ (45.1)	\$ 7.7	\$ (42.6)	\$ 8.3
Memo: Average shares outstanding (in millions)				
Basic	20.4	20.1	20.3	19.9
Diluted	20.4	20.3	20.3	20.5
Income per common share (GAAP)				
Basic	\$ (2.22)	\$ 0.38	\$ (2.10)	\$ 0.42
Diluted	(2.22)	0.38	(2.10)	0.40
Diluted adjusted income per share (non-GAAP)*	1.03	0.80	1.36	1.02

\* Excludes the certain items shown above. For the three months ended June 30, 2013 and six months ended June 30, 2013, diluted share count of 20.9 million and 20.8 million, respectively, were used to calculate diluted adjusted income per share.

# Industry Production Volume (July IHS)

(Vehicles in millions)

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Full Year</u>
<b><u>By Region</u></b>					
Europe	4.8	5.1	4.2	4.7	18.8
China	4.7	4.6	4.4	4.9	18.6
North America	4.0	4.3	3.9	4.0	16.2
Brazil	<u>0.8</u>	<u>0.9</u>	<u>0.9</u>	<u>0.8</u>	<u>3.4</u>
Total Tower Markets	<u><u>14.3</u></u>	<u><u>14.9</u></u>	<u><u>13.4</u></u>	<u><u>14.4</u></u>	<u><u>57.0</u></u>
<b><u>2013 Over/(Under) 2012</u></b>					
Europe	(8) %	1 %	(3) %	0 %	(2) %
China	15	11	8	9	11
North America	1	6	8	5	5
Brazil	11	23	(2)	(5)	6
Total Tower Markets	2 %	7 %	4 %	4 %	4 %