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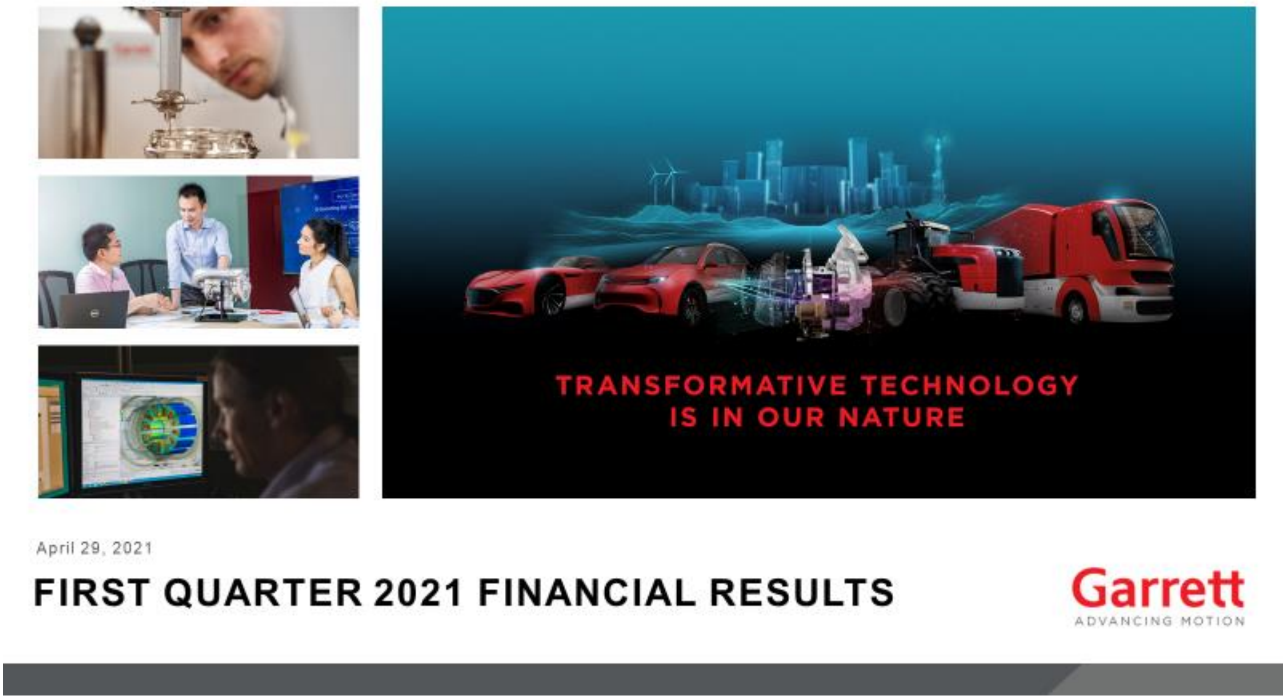
Garrett Motion Inc.
First Quarter 2021 Conference Call
Management Prepared Remarks
Thursday, April 29, 2021
8:30 am ET / 2:30 pm CET

Company Participants:
- Olivier Rabiller, President and Chief Executive Officer
- Sean Deason, Senior Vice President and Chief Financial Officer
- Paul Blalock, Vice President Investor Relations



Paul Blalock, Vice President Investor Relations:
Good day and welcome everyone. Thank you for joining the Garrett Motion first quarter 2021 conference call. My name is Paul Blalock and I am Garrett's Vice President of Investor Relations.

Before we begin, I would like to mention that today's presentation and press release are available on the Garrett Motion website at www.garrettmotion.com where you will also find links to our SEC filings, along with other important information about our company.

The purpose of today's call is to review our first quarter results and highlight the main aspects related to our emergence. As we announced last week, Garrett expects to complete its reorganization under Chapter 11 as early as tomorrow and, as Olivier will share with you in a few moments, Garrett also expects to list its common stock on Nasdaq following emergence. Given however the company has not yet emerged, we will not be taking questions on today's call. We intend to return to our normal customary earnings call cadence and structure following emergence with the release of our second quarter results in late July.

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Forward Looking Statements

This presentation contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of fact, that address activities, events or developments that we or our management intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements including without limitation our statements regarding the impact of the COVID-19 pandemic on Garrett's business, financial results and financial conditions, industry trends, Garrett's strategy, and Garrett's capital structure following emergence from the Chapter 11 process. Although we believe forward-looking statements are based upon reasonable assumptions, such statements involve known and unknown risks, uncertainties, and other factors, which may cause the actual results or performance of Garrett to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such risks and uncertainties include but are not limited to those described in our annual report on Form 10-K for the year ended December 31, 2020, and our quarterly report on Form 10-Q for the three months ended March 31, 2021, as well as our other filings with the Securities and Exchange Commission, under the headings "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements." You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. Forward-looking statements are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by our forward-looking statements.

Non-GAAP Financial Measures

This presentation includes constant currency sales growth, Adjusted Net Income, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Free Cash Flow, Adjusted Free Cash Flow Conversion Rate and Net cash provided by operating activities less Expenditures for property, plant and equipment , not compliant with generally accepted accounting principles in the United States ("GAAP"). The Non-GAAP financial measures provided herein are adjusted for certain items as presented in the Appendix containing Non-GAAP Reconciliations and may not be directly comparable to similar measures used by other companies in our industry, as other companies may define such measures differently. Management believes that, when considered together with reported amounts, these measures are useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends. Garrett believes that Adjusted EBITDA and Adjusted EBITDA Margin are important indicators of operating performance because they exclude the effects of income taxes and certain other items, as well as the effects of financing and investing activities by eliminating the effects of interest and depreciation expenses and therefore more closely measures our operational performance. These metrics should be considered in addition to, and not as replacements for, the most comparable GAAP measure. For additional information with respect to our Non-GAAP financial measures, see our annual report on Form 10-K for the year ended December 31, 2020 and our quarterly report for the period ended March 31, 2021.

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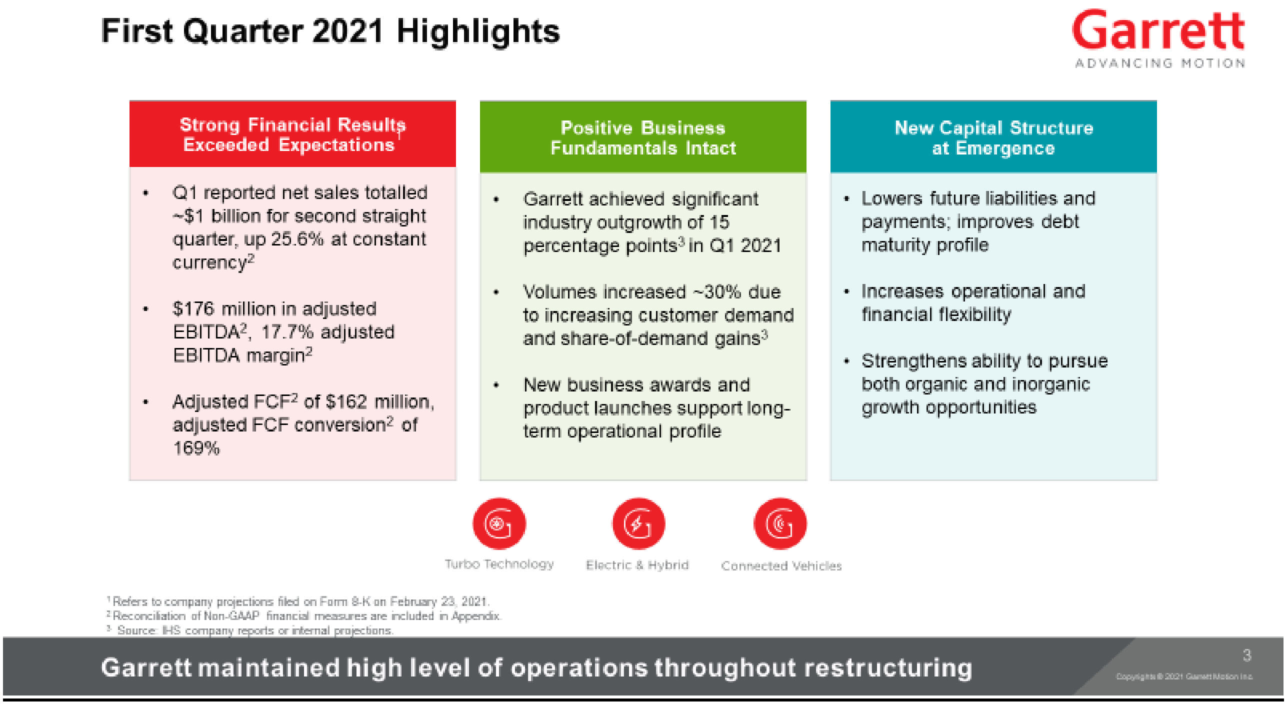
Turning to Slide 2, we note that this presentation contains forward-looking statements within the meaning of the Securities Exchange Act. We encourage you to read the risk factors contained in our filings with the SEC, become aware of the risks and uncertainties in our business, and understand that forward-looking statements are only estimates of future performance, and should be taken as such. The forward-looking statements represent management's expectations only as of today and the Company disclaims any obligation to update them.

Today's presentation also includes non-GAAP measures to describe the way in which we manage and operate our business. We reconcile each of these measures to the most directly comparable GAAP measure, and you are encouraged to examine those reconciliations which are found in the Appendix to both the press release and the slide presentation.

Also, in today's presentation and comments, we may refer to light vehicle diesel and light vehicle gasoline products by using the terms diesel and gasoline only.

With us today is Olivier Rabiller, Garrett's President and Chief Executive Officer and Sean Deason, Garrett's Senior Vice President and Chief Financial Officer.

I will now hand it over to Olivier.



Olivier Rabiller, President and Chief Executive Officer:
Thanks Paul, and welcome everyone to Garrett's first quarter 2021 conference call. It's great to be back!

As you may know, we entered into a voluntarily reorganization under Chapter 11 on September 20th of last year and, as Paul mentioned, we currently expect to emerge as early as tomorrow.

I would like to express my gratitude to all of our employees around the world for their hard work and dedication during this process, ensuring our business continued to run without interruption while providing consistent, high-quality service that has become a hallmark of Garrett. I also thank our customers, suppliers and other key partners for their continued cooperation and support.

Throughout this 7-month restructuring process, I am pleased to report Garrett has maintained a high level of performance from both an operational and financial perspective in a record level production environment challenged by supply chain constraints. This is testament to the operational excellence and the commercial position that the company has established over the last years.

While Sean will discuss our Q1 results in more detail, I note that in the first quarter we generated net sales of $997 million, slightly short of $1 billion. This amount is nearly identical to our record net sales performance in Q4 2020 of $1 billion and represents an increase of 33.8% from the first quarter of 2020. At constant currency, our Q1 net sales increased year-over-year by 25.6%, outpacing global auto production by a full 15 percentage points. For the first quarter, we increased production volumes by 30% to 3.8 million units.

Garrett's significant outperformance in the quarter reflects two key market trends:

First, we have experienced increasing demand for our differentiated technologies, especially in China where volumes have rebounded significantly since reaching an historic low in the first quarter of 2020 due to the COVID-19 pandemic.

And second, we continue to achieve share-of-demand gains. Our ongoing success in receiving new business awards in both our core and new businesses, combined with our demanding schedule of new product launches, support our long-term operational profile.

Importantly, while we have maintained our strong sales momentum in Q1, we achieved notable progress in our conversion.

In Q1, our Adjusted EBITDA, which excludes reorganization items related to the Chapter 11 filing, increased 63% to $176 million for a margin of 17.7%. This represents a 290 basis-point improvement compared to Q4 2020 and a 320 basis-point improvement from Q1 2020.

This significant improvement in our conversion also led to robust adjusted free cash flow, which similarly excludes reorganization items related to the Chapter 11 filing. For the first quarter, we reported adjusted free cash flow of $162 million, a substantial increase compared to $58 million in Q1 2020.

Overall, we are very encouraged by our strong start to 2021. However, we realize various challenges and uncertainties remain.

We continue to monitor the potential impact of global supply chain issues related to the semiconductor microchip shortage and materials cost inflation, and obviously to a lesser extent the blockage of the Suez Canal. These more recent challenges are in addition to the ongoing global pandemic, which very much remains a concern – particularly in India.

Meanwhile, we are constantly navigating a dynamic and competitive landscape with an increasing emphasis on electrification and connectivity across our industry.

At Garrett, we continue to introduce new and differentiated technologies to the market that enhance our portfolio and strengthen our long-term customer relationships, effectively demonstrating our unique in-house advanced engineering capabilities and strong product pipeline.

I will discuss our expanding technology portfolio and R&DE efforts in more detail later on this call.

In respect to our emergence, as we have stated from the onset, we believe our restructuring was necessary in order to address the capital structure of the company. We took decisive and timely action to preserve and strengthen Garrett's long-term competitive position and enhance its ability to cope with any meaningful challenges at the macro level, including a pandemic.

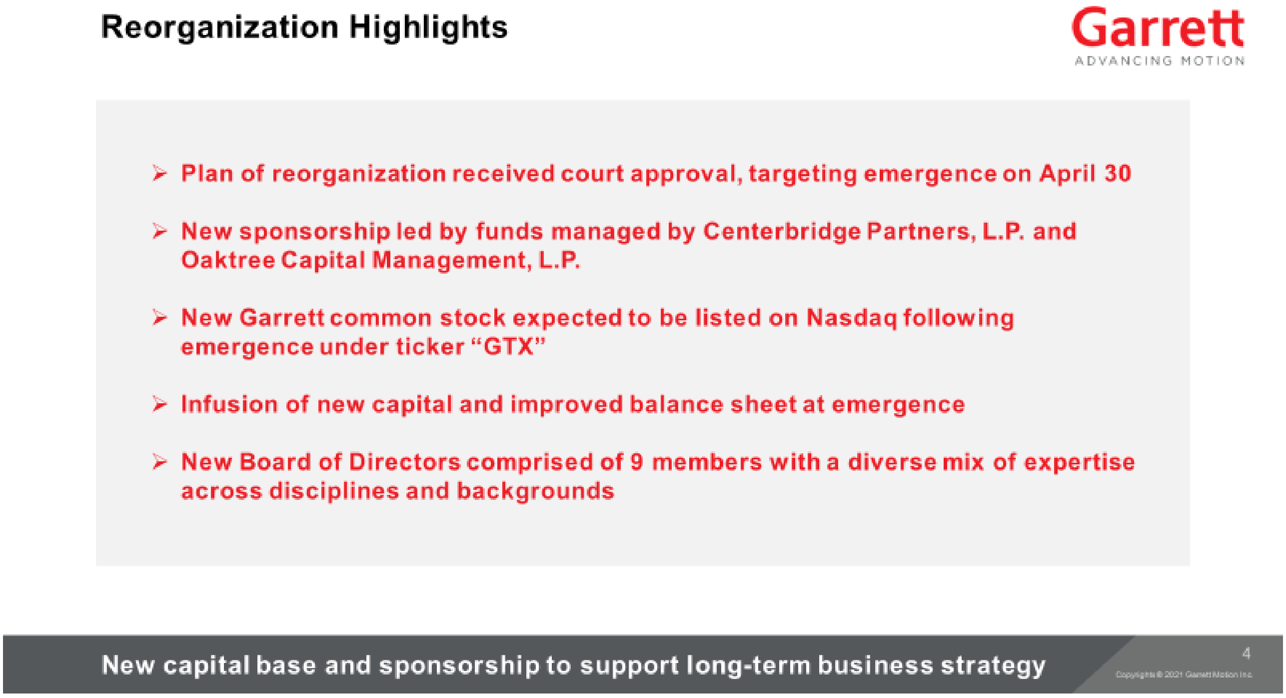
While our global operating platform, integrated supply base model, and variable cost structure all stood on high ground, our balance sheet was substandard by comparison, and this became more evident when confronting the global COVID-19 crisis.

We believe our financial restructuring provides Garrett with greater access to resources and greater strategic and financial flexibility that will have an immediate and long-term impact on our business.

First, we expect to emerge on Day 1 with a significant reduction in future liabilities and payment obligations as well as an improved maturity profile.

Second, this process is expected to enable Garrett to significantly increase its operational and financial flexibility going forward as we eliminated materially restrictive covenants in addition to improving our balance sheet.

And third, we believe our new capital structure will better enable Garrett to pursue both organic and inorganic growth opportunities as we continue to invest in differentiated turbo, electrification, and connected vehicle technologies.



Turning to Slide 4, we provide some additional highlights related to our reorganization.

We announced last week that our Plan of Reorganization received court approval, marking the last major step in completing our financial restructuring process. The Plan received the overwhelming backing of all voting classes, including 100% of the bank lenders, 100% of the bondholders and 94% of stockholders who voted on the Plan. We now expect to emerge from Chapter 11 as early as tomorrow, April the 30th.

With the support of our new sponsors, led by Centerbridge and Oaktree, we will remain a public company and expect to list our common stock on Nasdaq under the ticker GTX following emergence.

For those who may not be familiar, Centerbridge and Oaktree are leading investment management firms with the commitment and resources to help Garrett achieve its long-term objectives. Both institutions have extensive experience within our industry and have built an impressive track record unlocking value on behalf of their portfolio companies.

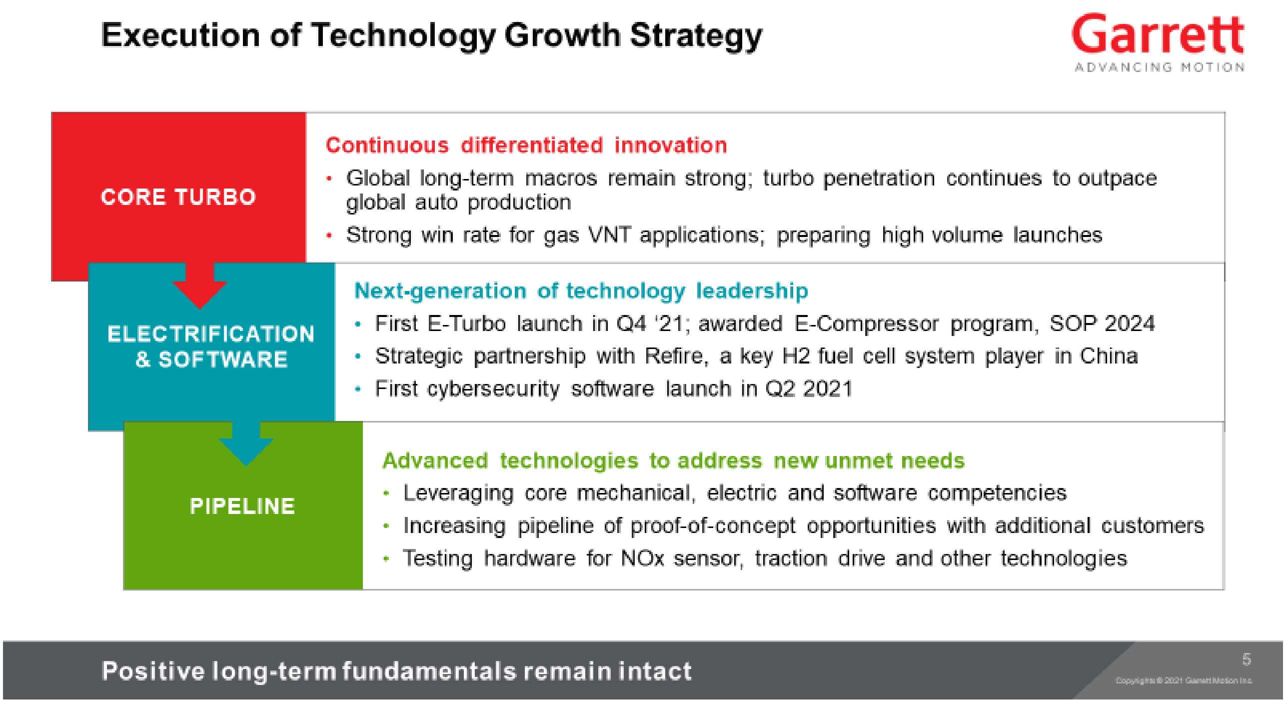
Over the past several months, we have formed a productive working relationship with both firms, which fully understand and support our mission to accelerate our technology development and continue to expand and deploy differentiated technologies and solutions in electrification, automotive software, and more.

We look forward to capitalizing on their financial and operational sponsorship. Centerbridge and Oaktree will be Garrett's two largest shareholders on an as-converted basis at emergence.

As mentioned earlier, Garrett will emerge stronger with a less-levered capital structure. Our restructuring infused significant equity in the form of approximately $1.3 billion in new Series A Preferred Stock; and we have secured a $1.25 billion-equivalent term loan, alongside a new $300 million exit revolving facility.

Importantly, our reorganization also settles our litigation with Honeywell and restructures the financial obligations under the previous indemnity agreement and mandatory transition tax. Sean will discuss in more detail how this settlement will enhance the visibility of future payments and improve our financial flexibility.

Also, we announced our new, 9-member Board of Directors, who are expected to take office following emergence and who collectively have a wealth of experience and a wide range of relevant backgrounds. Daniel Ninivaggi, former CEO of Icahn Automotive Group, is expected to be appointed as the new chairman of the Board following emergence. I look forward to working with each of our new distinguished Board members in the pursuit of long-term operational excellence.



On Slide 5, we provide an overview of our three-tiered growth strategy.

In our core turbo business, we believe the long-term fundamentals remain sound as we continue to benefit from stringent global fuel economy and emissions standards. In fact, our differentiated technologies remain one of the most cost-effective solutions to address strict regulatory requirements without sacrificing performance or reliability, a top priority for our customers. As a result, many are increasing their adoption of turbo technologies across both internal combustion engine and hybrid powertrains, as global turbo penetration is expected to continue to grow at a faster rate than overall auto production.

One of the main drivers behind the increasing turbo penetration rate is the growth of variable nozzle technology content within the LV gasoline market. Garrett pioneered VNT technology decades ago for diesel vehicles and we have evolved its capabilities to operate in extreme temperatures exceeding 1,000 degrees Celsius for mainstream gasoline programs. Earlier this year, we launched our next-generation gasoline VNT technology with a major global automaker, representing an industry-first for gasoline passenger vehicles at scale in North America. Currently, we expect approximately one third of all new gasoline turbo programs worldwide to feature variable geometry designs in 2025.

Garrett has also built upon its longstanding expertise in turbo technologies to pioneer E-Boosting products for use in electrified powertrains, including hybrid and fuel cell vehicles.

According to IHS, the production number of hybrid vehicles is expected to quadruple to more than 30 million in 2026, representing approximately one third of the total global vehicle population. It is important to note that our effort to lead the development of our differentiated technologies in our industry have accelerated during the COVID crisis. In Q1 2021, about slightly short of 40% of our RD&E spend was related to non-mechanical turbochargers and new technologies.

We have discussed in the past our E-Turbo, which will be introduced for the first time at scale in Mercedes-AMG premium hybrid vehicles. Our proprietary 48-volt and 400-volt E-Turbo integrates our own high-speed electric motor running at more than 200,000 RPM as well as power electronics into the turbo while providing energy recuperation to the vehicle's electrical system.

We expect to begin mass production of our E-Turbo in our Presov plant beginning in the fourth quarter of 2021 with customer deliveries commencing early next year. The E-Turbo highlights Garrett's unique expertise in automotive engineering and will pave the way for additional growth opportunities in electrification. This in-house expertise has enabled us to develop the resources, skills and capabilities which will allow Garrett to benefit from future opportunities created as the industry transforms.

Complementing this highly sophisticated technology is our E-Compressor, which electrifies the boosting system in combination with a turbo to augment vehicle performance while delivering greater environmental efficiencies. We were recently awarded a new contract with a major European-based automaker for our next-generation E-Compressor with start of production in 2024 as we further expand our presence in the growing hybrid vehicle segment.

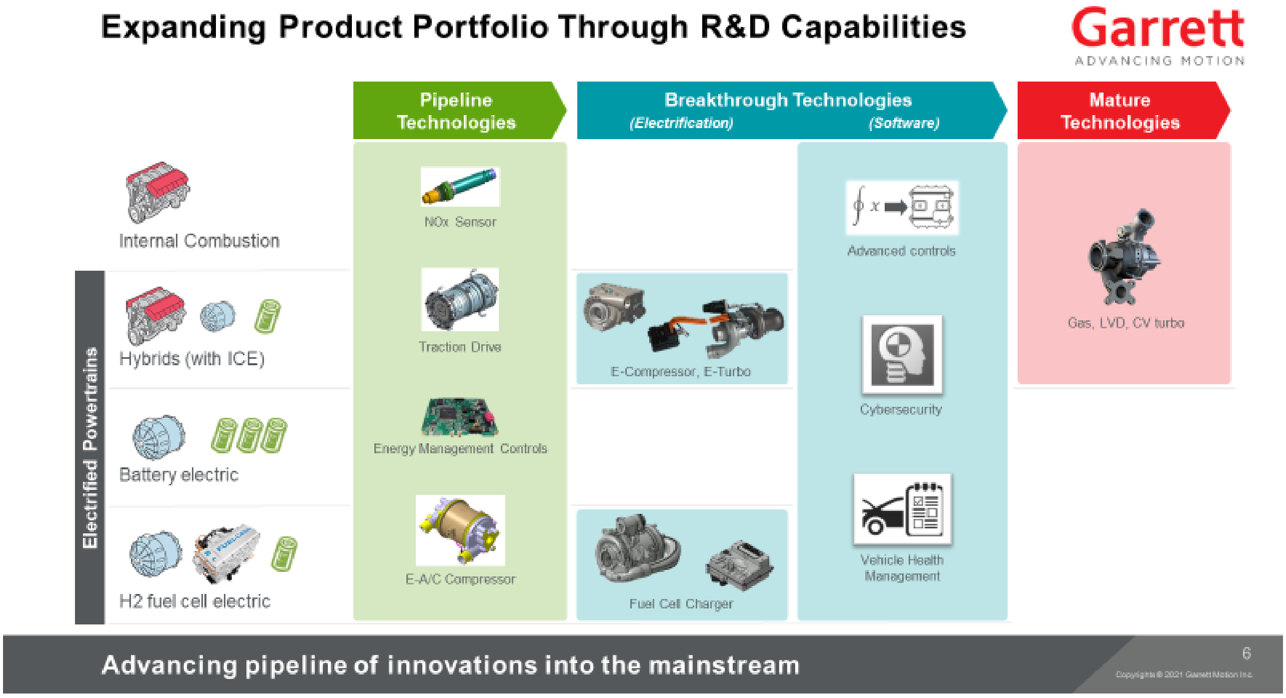
In addition to the large and attractive market opportunity for hybrid vehicles globally, the use of hydrogen-powered fuel cell vehicles continues to gain traction. In further accelerating our fuel cell compressor technology, we recently entered into a cooperation agreement with Shanghai-based Refire Technology, a leading supplier of fuel cell systems, to boost industrialization in China and help make zero-emissions vehicles more widely available. We are also preparing new electrification lines in our Shanghai plant for both hybrid and fuel cell vehicles.

Beyond our differentiated E-Boosting technologies, Garrett has leveraged its extensive knowledge of vehicle powertrains and significant experience working closely with OEMs to offer a wide range of automotive software solutions. For example, following receipt of one of the industry's first cybersecurity contracts in 2019, we intend to commence deployment of our intrusion detection software on schedule toward the end of the current second quarter.

We believe Garrett's in-house capabilities are unique and we remain committed to funding new domains by leveraging our advanced R&D and engineering resources. Currently, our technology pipeline consists of exciting opportunities that we believe have the potential to disrupt the market.

For example, our Nitrogen Oxide, or NOx, sensor technology detects the smallest variation in not just NOx, but also nitrogen-hydrogen compounds and oxygen presence once the engine starts, enabling real-time, on-board monitoring of emissions. We plan to prepare this technology for customer engagement and full industrialization by the end of this year to help OEMs meet increasingly stringent emissions targets. We are also encouraged by the initial developments in our electric traction drive motors, energy management controls, and more.

With a strong technology pipeline, Garrett will enhance its ability to remain at the forefront of value-added innovation in an industry undergoing rapid transformation.



Turning to Slide 6, we highlight some additional technologies and related production targets in our existing portfolio.

I mentioned a moment ago Garrett's ongoing success in growing its core turbo business while accelerating its Breakthrough technologies, which include first wins and launches, particularly within our E-Boosting products for use in hybrid vehicles.

We have also made significant strides in our E-Compressor for use in hydrogen-powered passenger vehicles as well as commercial vehicles. Garrett has led several industry-first projects related to the E-Compressor, which serves as a key technology for the fuel cell vehicle system. We plan to start production of our second-generation fuel cell E-Compressor in 2023 and are engaged in multiple other OEM projects to provide this technology.

In terms of automotive software, our offerings cut across three domains to help manage the growing complexity linked to increasing vehicle connectivity and the evolving regulatory environment:

I already mentioned Cybersecurity software, which detects malicious activity in real-time on the vehicle network and runs forensic analysis to fix vulnerabilities and help keep vehicles on the road.

The second is our Advanced Diagnostics & Prognostics, which analyze intermittent faults and anomalies within complex vehicle systems to provide a greater understanding of a vehicle's health in real-time. This enables customers to fix issues prior to a breakdown and reduce costs associated with unexpected downtime. We commenced pilot production of our heath management tools in Q2 2020.

And third is our Advanced Controls & System Optimization. Here, Garrett provides advanced model-based predictive control (or MPC) technologies by integrating our very own boost control and health management algorithms within an existing electronic control unit to optimize performance, fuel economy, and emissions. Since Q1 of this year, we have been in production for our embedded MPC technology with a major global automaker, a company first for use in passenger vehicles at scale.

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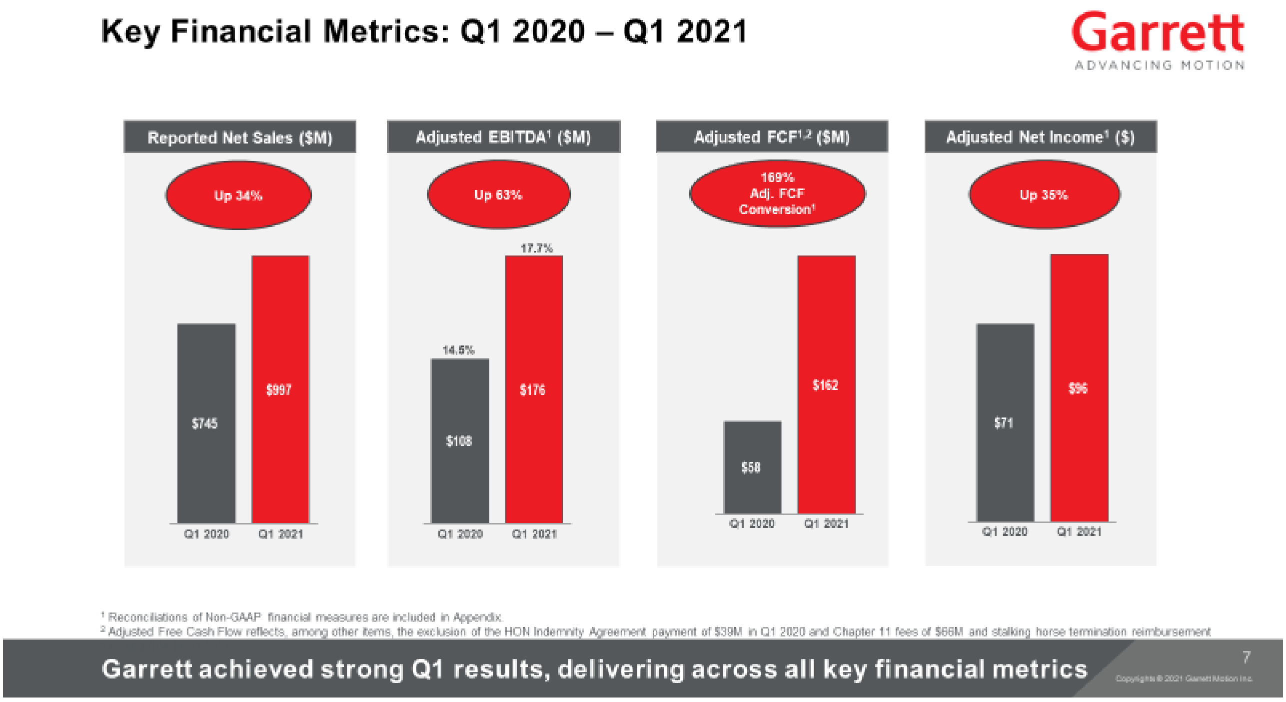
It is important to note all of these technologies that I have just described on this slide and the previous slide were incubated at Garrett through one of our 5 R&D centers, 11 close-to-customer engineering centers and 5 software hubs located around the world. It gives me great satisfaction to witness the journey of our own pipeline of innovations into the mainstream. It is a rigorous, multi-year process aimed at carefully developing our proof-of-concept opportunities. This involves multiple levels of comprehensive testing from an engineering and production standpoint while verifying the business case as well. Eventually, all of our strenuous efforts pay off as we gradually transform what started as an idea into a viable solution before introducing it to the masses to help address a market need.

At Garrett, we have built a rich technology portfolio that is directly related to our culture of continuous innovation. During a time when the global automotive industry is changing at a faster rate than ever, we believe Garrett's longstanding expertise in bringing transformative technologies to market has never been more critical.

I will now turn it over to Sean to provide more color on our Q1 results.



Sean Deason, Senior Vice President and Chief Financial Officer:
Thanks, Olivier and welcome everyone. I will begin my remarks on Slide 7.

In the first quarter, Garrett reported strong net sales growth of 33.8% on a reported basis and 25.6% at constant currency. Our performance for the quarter reflects higher gasoline volumes stemming from increased turbo penetration in gasoline engines and new product launches, especially in China.

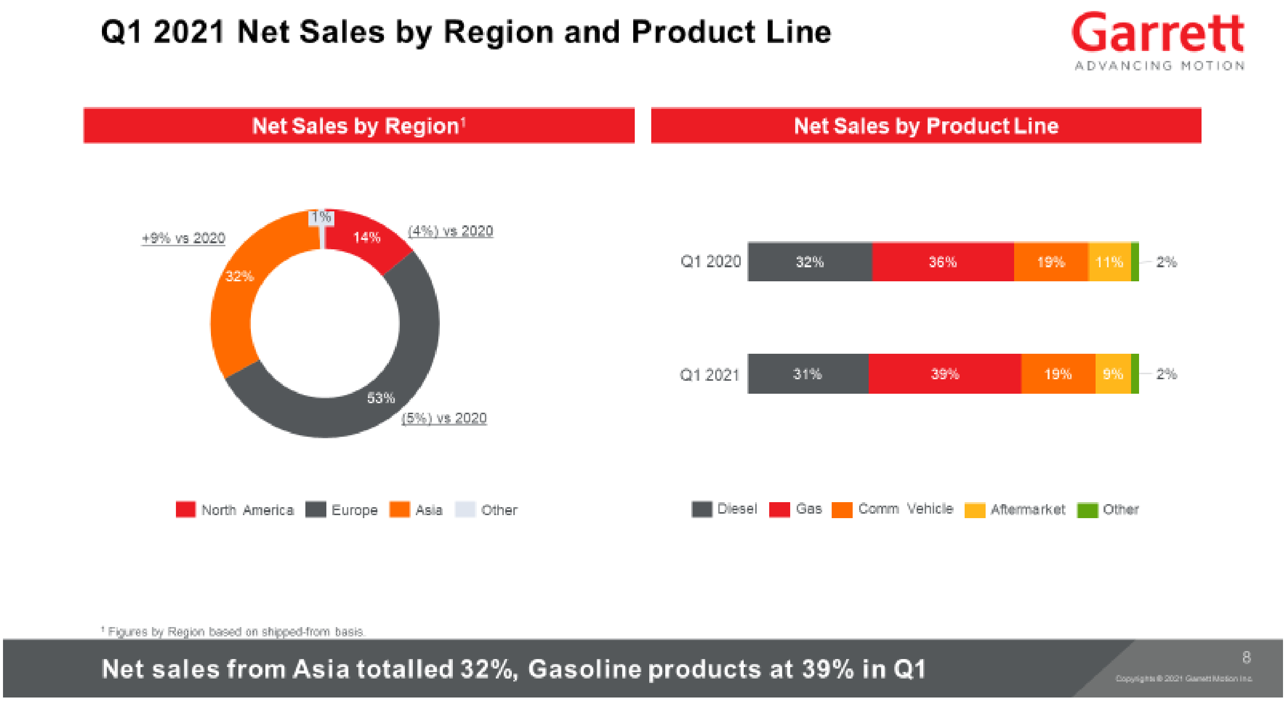
While we continue to outperform in China and elsewhere, our year-over-year comparison also reflects the significant impact on our operations in 2020 stemming from the COVID-19 pandemic. In Q1 of last year, Garrett's manufacturing facility in Wuhan was closed for six weeks and our plant in Shanghai experienced a material slowdown during this time due to the pandemic.

Adjusted EBITDA for Q1 2021 was up 63% to $176 million as compared to Q1 2020, which equates to an adjusted EBITDA margin of 17.7%. We continue to draw upon our proven track record in operational excellence to focus on generating higher volume leverage and adapting our variable cost structure to improve Garrett's profitability.

Our Adjusted free cash flow was $162 million, representing a 169% adjusted free cash flow conversion rate, which we define as adjusted free cash flow over adjusted net income. Our robust cash conversion was positively impacted by strong working capital, which I will discuss more on a later slide.

Lastly, we reported Adjusted Net Income, which excludes reorganization items, unhedged debt exposure, restructuring costs and stock-based compensation, for the first quarter of 2021 of $96 million. This compares to adjusted net income of $71 million, which excludes Honeywell indemnity obligation expenses and litigation expenses, restructuring costs and stock-based compensation, in the first quarter of 2020 for a year-over-year increase of 35%.

Overall, Garrett achieved strong results in the first quarter, exceeding our expectations across all key financial metrics.



Turning to Slide 8, we illustrate our net sales by region and product line.

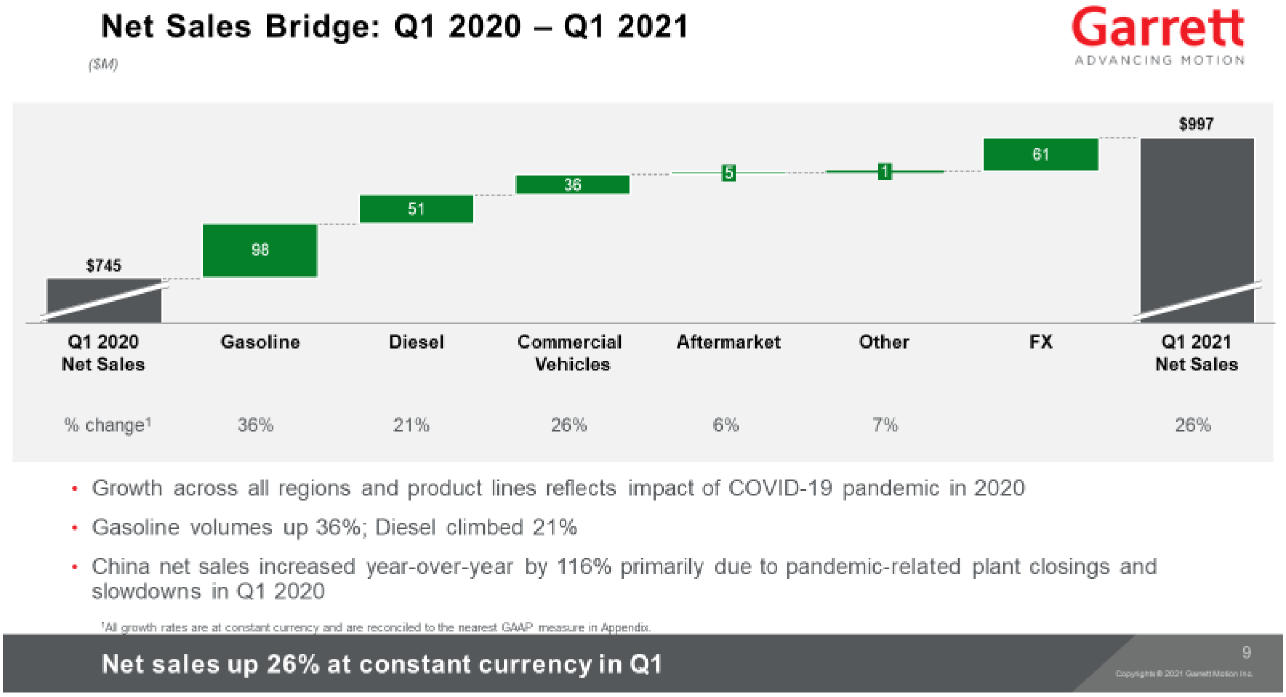
Our strong performance in China, which grew net sales by 116% in the first quarter, enabled Asia to grow to nearly one third of our total net sales in the first quarter of 2021. We expect continued growth in this region as China remains a critical component to Garrett's long-term term growth strategy.

Based on the increasing demand for our products as Olivier mentioned earlier, we are currently in the process of expanding our production facility in Wuhan to ensure we meet the needs of our customers. Leading up to our strong Q1, China increased net sales by 32% in all of 2020 despite the impact of the COVID-19 pandemic.

We believe our considerable growth in China underscores the importance of expanding our footprint in the world's largest and most progressive auto market. Our Wuhan expansion project is scheduled for completion in the first quarter of 2022 and is expected to increase the size of this state-of-the-art facility by approximately 50%.

On the product side, we show the percentage of net sales from Gasoline was 39% in the first quarter, up 3 percentage points from the prior year period. This segment remains our largest and fastest growing category, in-line with our performance in China.

Also on this slide, Diesel products declined in Q1 by one percentage point, Commercial Vehicles remained the same, and Aftermarket product sales decreased two points. But again – these percentages are skewed given the unusual year-over-year comparison, and note all of these businesses were up organically in Q1 as we turn to the next slide.



On Slide 9, we provide our net sales bridge for the first quarter.

All of our product lines increased year-over-year primarily due to the impact of the pandemic in 2020.

Gasoline products were up $98 million, representing an increase of 36% at constant currency over the same period last year, mainly due to China.

Diesel products in the quarter increased $51 million, or 21% at constant currency, led by our performance in Europe. Our resilient Diesel business continues to recover after it was significantly impacted last year by the pandemic.

Commercial Vehicles increased by $36 million, or 26% at constant currency. This high-margin business benefitted from higher volumes in both Europe and China while Aftermarket sales improved slightly by $5 million, or 6% at constant currency.

The overall FX impact of $61 million in Q1 was primarily driven by a higher Euro-to-US dollar exchange rate versus Q1 of 2020.

Overall, our strong top-line performance in the quarter enabled Garrett to post net sales growth of 25.6% at constant currently, representing a 15-point outgrowth over the industry. This follows our outperformance of more than 12 percentage points in Q4 2020 when we generated net sales growth of 15.2% at constant currency.

Adjusted EBITDA Walk: Q1 2020 – Q1 2021

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- Volume growth mainly driven by Gasoline products in China and Diesel products in Europe
- Unfavorable price driven by higher volumes versus prior year and pandemic-related adjustments
- Year-over-year incremental margin of 27% driven by productivity gains and volume leverage

[1] Reconciliations of Non-GAAP financial measures are included in Appendix.

Q1 Adjusted EBITDA margin improved 320 basis points to 17.7%

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Turning to Slide 10, you see our Adjusted EBITDA walk for Q1 2021 as compared to Q1 2020.

For the quarter, Garrett's Adjusted EBITDA of $176 million was up 63% compared to the same period last year, mainly due to higher volumes. In the first quarter, our volumes totaled 3.8 million units, an increase of approximately 30% from Q1 2020. Consistent with our goal to increase transparency in a prudent manner, we intend to provide our quarterly volumes going forward.

Our Adjusted EBITDA margin in the quarter of 17.7% represented a year-over-year improvement of 320 basis points. In addition to volumes, we generated significant productivity gains, partially offset by mix headwinds related to the continued shift in our product portfolio towards Gasoline products. This mix shift in Q1 is consistent with what we have seen in the past, although the rate of change has slowed over the past two, more normalized, quarters.

As mentioned earlier, we continue to monitor the rising cost of commodities, which could impact our productivity in the future despite certain of our significant customer pass-thru clauses for commodities such as nickel. As global manufacturing activity picks up, it remains to be seen if inflationary pressures are more than transitory. Additionally, the recent chip shortage combined with the bottleneck in the Suez Canal have combined to place further stress on the global supply chain.

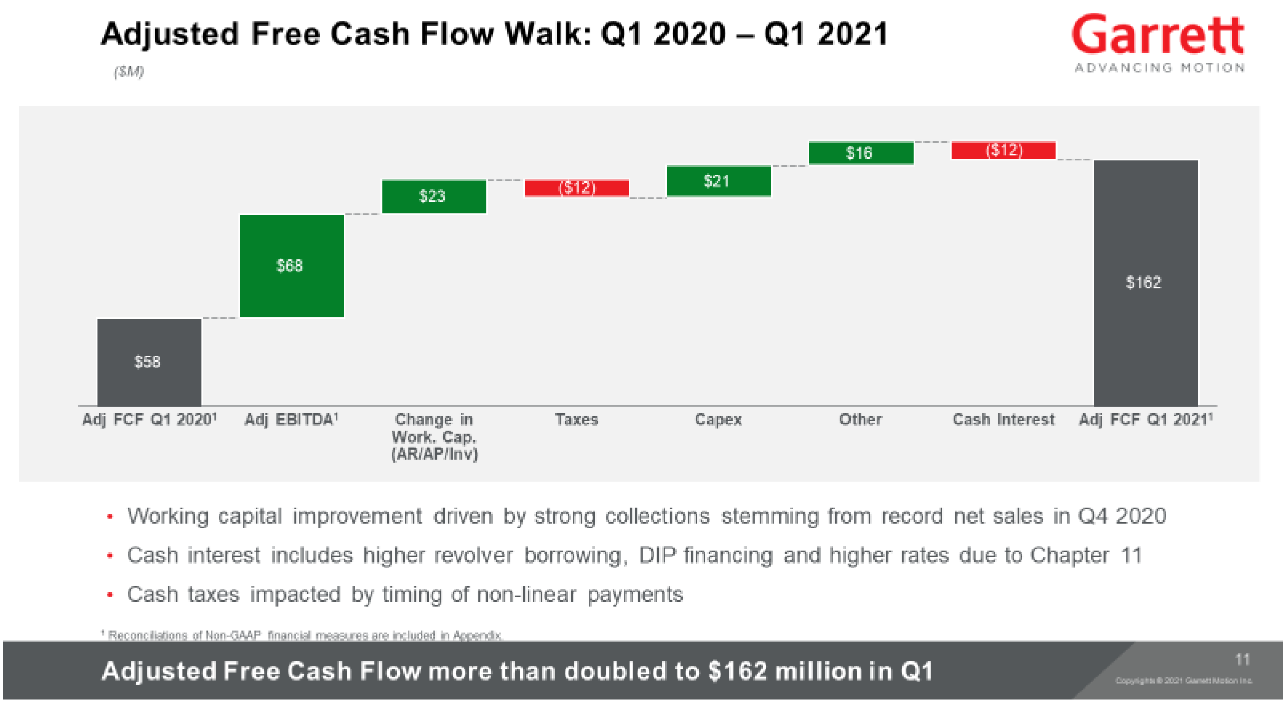
To date, we have not been materially impacted by these developments but remain cautious. We continue to work closely with our more than 400 suppliers worldwide to ensure we remain flexible and agile as part of our advanced supply base management, a core differentiator for Garrett.

The pricing offset of 3.1% in the quarter was more than 100 basis points higher than our target and reflects the higher volumes in Q1 2021 as well as lower price reductions in Q1 2020 due to the COVID-19 crisis. That said, our productivity gains more than offset the impact of pricing in addition to mix headwinds after taking into account the pandemic-related adjustments from Q1 2020.

SG&A decreased slightly by $2 million in Q1 and R&D expenses increased $3 million.

The FX benefit on Adjusted EBITDA in Q1 2021 versus the prior year was $16 million.

Lastly, our year-over-year incremental margin in the first quarter was a notable 27%, driven by our strong volume leverage and productivity gains in Q1.



Turning to Slide 11, we provide our Adjusted Free Cash Flow walk for the quarter.

In Q1, our Adjusted free cash flow totaled $162 million, which is more than double compared to the $58 million in the first quarter of 2020.

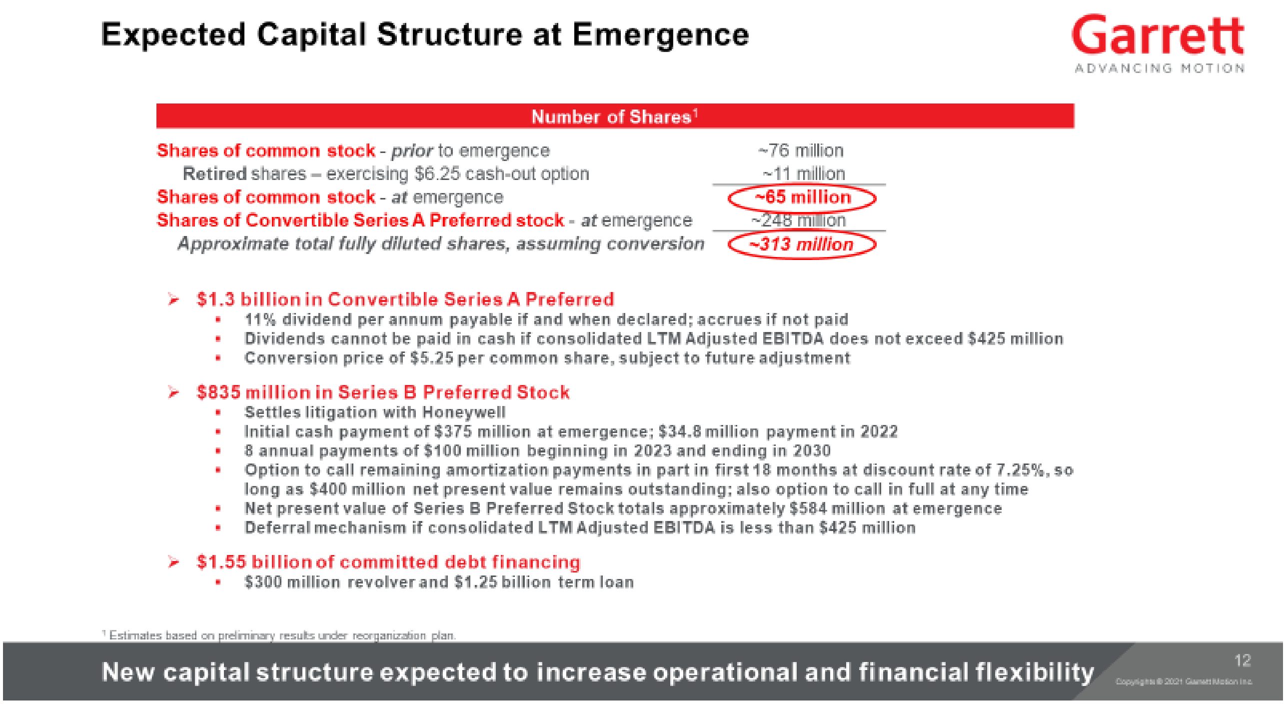
This robust performance is attributable to our strong Adjusted EBITDA in the quarter as we already discussed as well as a $23 million reduction in working capital.

During the first quarter, we benefited from record collections consistent with our record net sales in Q4 2020. Typically, the first quarter tends to be weaker in terms of cash flow for Garrett due to seasonal factors as our receivables drop towards the end of the year following relatively lower shipments in the final weeks of December. This historical trend reversed dramatically in the first quarter of 2021 driving the reduction in working capital mentioned above.

Our capital expenditures for the quarter on a cash basis totaled $18 million, down $21 million from the prior year period as there were fewer commitments made in Q4 2020. Typically, commitments in the fourth quarter are paid in the following first quarter. We expect our capital expenditures to steadily increase throughout the remainder of 2021 as we gradually phase-in our cap ex initiatives that were postponed last year due to the pandemic.

Cash interest was up $12 million, which reflects the DIP financing and higher rates while under our Chapter 11 as well as higher borrowings under our revolver.

And our cash taxes increased $12 million in Q1 as the timing of payments are non-linear and often fluctuate on a quarterly basis.



On Slide 12, we show our capital structure at emergence.

We have approximately 76 million shares of common stock issued and outstanding today. This number will be reduced by approximately 11 million shares following the exercise of the cash-option by certain of our shareholders in the amount of $6.25 per share under our reorganization plan, resulting in a total cash payment by the company of approximately $69 million. The other shares of old common stock will be cancelled and replaced by shares of new common stock at emergence.

As a result, we expect to have approximately 65 million shares of common stock issued and outstanding at emergence. In addition, we expect to have approximately 31.3 million shares of common stock reserved for future issuance under the equity incentive plan, the terms and conditions of which, and awards under, will be determined by the new Board following emergence.

We are also issuing approximately $1.3 billion in new Series A Preferred Stock totaling approximately 248 million shares. These shares are convertible into common stock at a strike price of $5.25 per common share, subject to future adjustment.

The Preferred A stockholders are entitled to an 11% dividend per annum, paid quarterly if and when declared, and dividends otherwise accrue if not paid. Dividends cannot be paid in cash if our consolidated LTM Adjusted EBITDA is less than $425 million and we will not be permitted to make any cash dividends through December 31, 2022.

Assuming the full conversion of the Convertible Series A Preferred Stock, Garrett's total number of common shares upon emergence would therefore increase to approximately 313 million shares on a fully diluted basis.

We also issued $835 million in Series B Preferred Stock, the shares of which are not convertible into common stock. The Series B Preferred Stock will be issued to Honeywell and settles Garrett's litigation with our former parent and restructures our financial obligations to them into fixed annual payments that are callable under certain circumstances.

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Importantly, we have removed the materially restrictive covenants associated with the former agreements while still maintaining a deferral mechanism based on the $425 million of consolidated LTM Adjusted EBITDA as I mentioned a moment ago. Separately, we also eliminated the reimbursement of legal expenses to Honeywell.

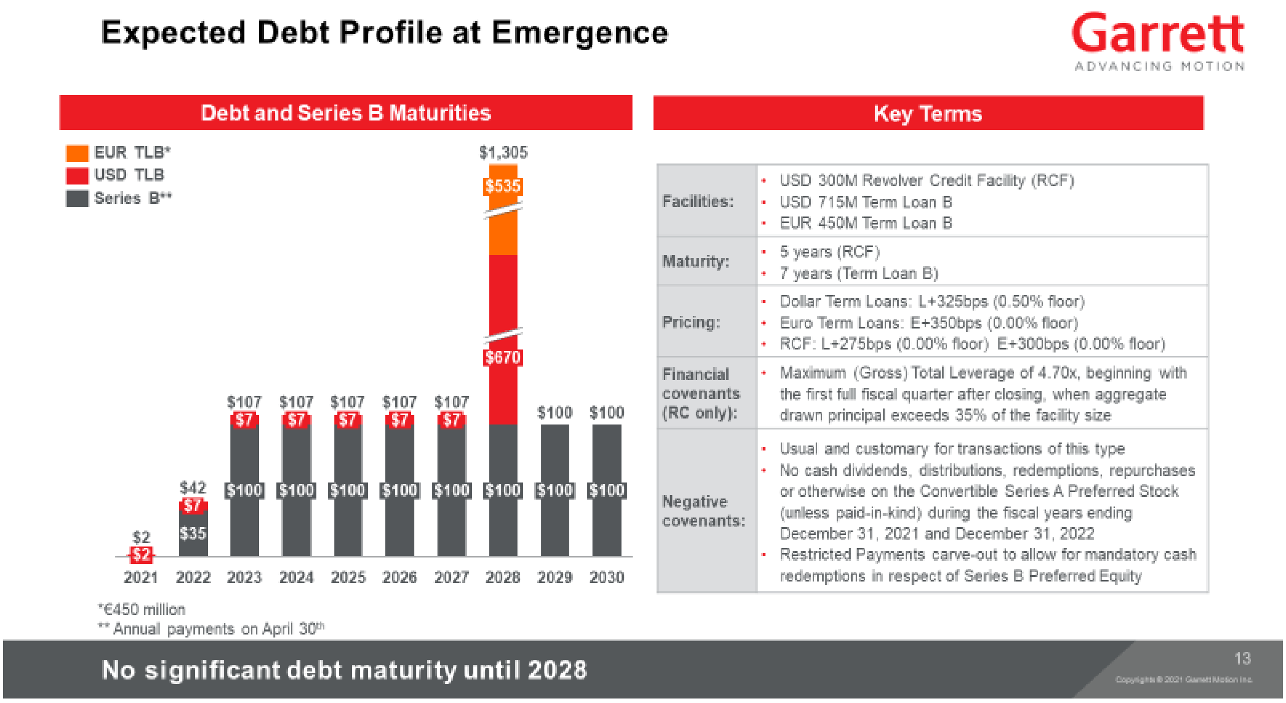
We expect to complete an initial cash payment to Honeywell totaling $375 million at emergence, funded by the rights offering under our reorganization plan. Following this initial payment, our next payment will be due in April 2022 in the amount of $34.8 million. After that, we will make 8 annual payments of $100 million each beginning in April 2023 and ending in April 2030, significantly reducing the tenor of our Honeywell obligations prior to our Chapter 11 filing.

Additionally, Garrett has an option to call up to $184 million of the remaining amortization payments in the first 18 months at discount rate of 7.25%. We also have the option to call the entire amount at any time at the discount rate just mentioned.

Honeywell has a put option that would go live in the event our LTM Adjusted EBITDA exceeds $600 million for two sequential quarters. The net present value of the Series B Preferred Stock totals approximately $584 million at emergence, using the agreed discount rate of 7.25%.

Lastly, we obtained $1.55 billion of committed debt financing, consisting of a $1.25 billion-equivalent term loan and a new $300 million exit revolving facility.

We believe our new capital structure provides Garrett with substantial benefits by increasing our operational and financial flexibility while removing material restrictions. We are excited by this outcome. As arduous as this restructuring process has been, we believe our balance sheet will no longer act an impediment for our company and will instead serve as an instrument for future growth.



Turning to Slide 13, we show our expected debt profile at emergence.

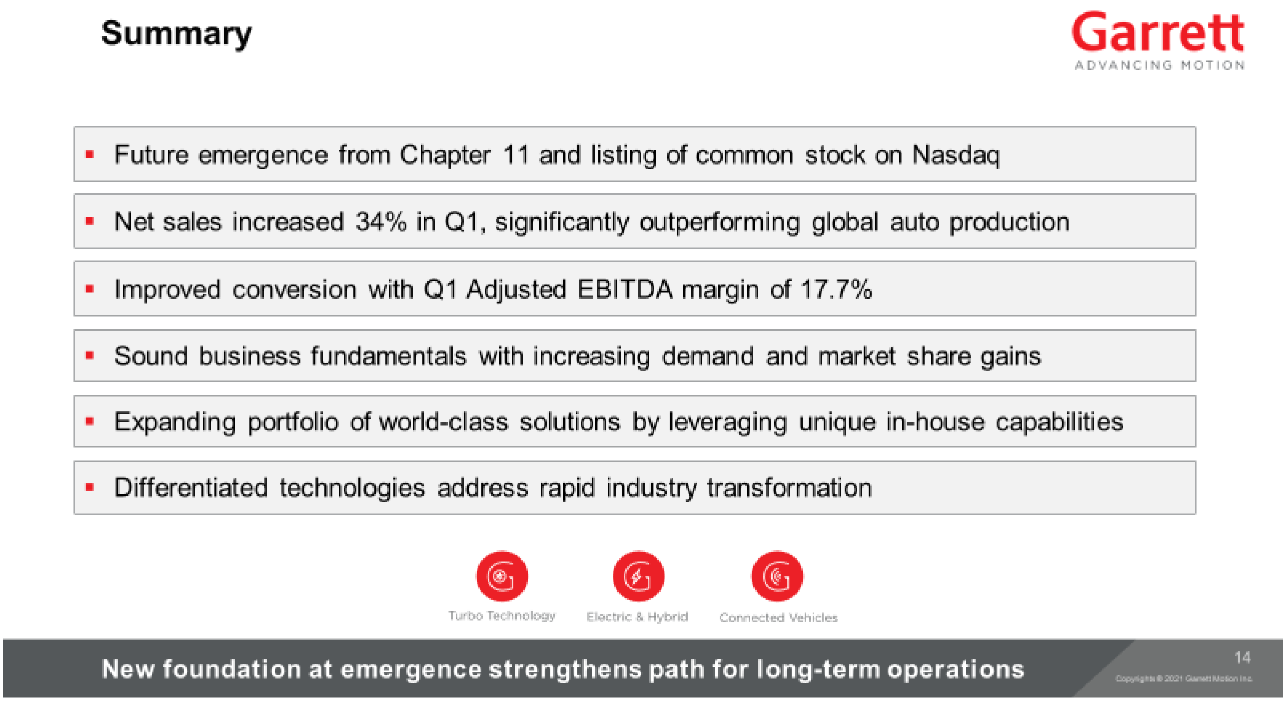
Our new debt capital includes a 5-year $300 million revolving credit facility and a 7-year term loan B consisting of a $715 million US dollar tranche and a 450M Euro tranche.

The key terms are shown on the right-side of this page and include specific restrictions on cash distributions. Specifically, we are not permitted to make any cash payments on the new Series A Preferred Stock through December 31, 2022 as a I mentioned a moment ago. We will be however be entitled to make a cash payment on January 1, 2023 for the fourth quarter of 2022 and thereafter unless our consolidated LTM Adjusted EBITDA is less than $425 million.

Also on this slide, you see how our annual obligations have been reduced considerably compared to before our Chapter 11 filing and we do not have any significant debt maturities until 2028. Additionally, we will have total transparency in respect to future payment obligations under the Series B Preferred Stock, which helps in our short-term and long-term strategic planning efforts.

As a reminder, some of our new securities provide Garrett with the ability to prepay, which may be a possibility in light of our recent operating performance.

With that, I will turn the call back over to Olivier.



<u>Olivier Rabiller, President and Chief Executive Officer:</u>
Thank you, Sean. I will close on Slide 14 with some final thoughts.

As I mentioned at the start of the call, we expect to complete our reorganization tomorrow, April 30th with a new capital structure highlighted by less funded debt as well as strong sponsorship to support our strategic vision. We also expect to list our common shares on the Nasdaq exchange as early as Monday, May 3rd.

I am proud of our global team's performance throughout this process while navigating the ongoing global pandemic. Once again our highly talented workforce located around the world has demonstrated their tremendous resilience and dedication. Clearly, our employees remain Garrett's greatest asset.

We are encouraged by our strong start to the year as we delivered across all of our key financial metrics. We continue to outperform global auto production with net sales totaling approximately $1 billion in the past two quarters. In Q1, we increased reported net sales by 33.8%, or 25.6% at constant currency, outpacing the industry by 15 points.

Notably, we converted our strong top-line performance into greater profitability with Q1 Adjusted EBITDA increasing 63% to $176 million, representing a margin of 17.7%.

Our strong performance in the quarter reflects the positive fundamentals of our business, highlighted by increasing customer demand and share-of-demand gains. We also continue to leverage our longstanding tradition in global operational excellence with a global manufacturing footprint, flexible cost structure, and advanced supply base.

Additionally, our strong track record in bringing new technologies to the market reflects our unmatched R&D and engineering capabilities. As we continue to launch our new E-Booting products and automotive software solutions and expand our differentiated portfolio, we believe our financial restructuring and new sponsor support will enable Garrett to continue to maintain and enhance its technology leadership.

Although many challenges remain, it is important to note Garrett has met numerous obstacles throughout its 65-plus-year history, and we are confident our new foundation upon emergence will further strengthen Garrett's premier brand as we continue to help evolve the global automotive industry into the future.

I will now turn it back over to Paul.

Paul Blalock, Vice President Investor Relations:
Thanks, Olivier. This concludes our Q1 2021 conference call. Thank you everyone for joining and we look forward to catching up with you soon. Enjoy the rest of your day.

Income Statement

($ in millions)	Q1 2021	Q1 2020
Net sales	**$997**	**$745**
Cost of goods sold	801	607
Gross profit	196	138
Selling, general and administrative expenses	55	57
Other expense, net	1	16
Interest expense	21	16
Non-operating expense (income)	26	(4)
Reorganization items, net	174	0
(Loss) income before taxes	**($81)**	**$53**
Tax expense	24	1
Net (loss) income	**($105)**	**$52**

Summary of Cash Flows

($ in millions)	Q1 2021	Q1 2020
Net (loss) income	**($105)**	**$52**
Net cash provided by operating activities	**32**	**57**
Net cash used for investing activities	**(17)**	**(39)**
Net cash (used for) provided by financing activities	**(101)**	**62**
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	(30)	(13)
Net (decrease) / increase in cash, cash equivalents, and restricted cash	(116)	67
Cash, cash equivalents and restricted cash at beginning of period	**693**	**187**
Cash, cash equivalents and restricted cash at end of period	**$577**	**$254**

Please refer to earnings press release issued on April 29, 2021 for Consolidated and Combined Statements of Cash Flows.

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Reconciliation of Constant Currency Sales % Change

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Garrett	Q1 2021	Q1 2020
Reported sales % change	34%	(11%)
Less: Foreign currency translation	8%	(2%)
Constant Currency sales % change	26%	(9%)
Gasoline		
Reported sales % change	46%	11%
Less: Foreign currency translation	10%	(3%)
Constant Currency sales % change	36%	14%
Diesel		
Reported sales % change	31%	(21%)
Less: Foreign currency translation	10%	(3%)
Constant Currency sales % change	21%	(18%)
Commercial vehicles		
Reported sales % change	31%	(18%)
Less: Foreign currency translation	5%	(1%)
Constant Currency sales % change	26%	(17%)
Aftermarket		
Reported sales % change	11%	(18%)
Less: Foreign currency translation	5%	(2%)
Constant Currency sales % change	6%	(16%)
Other Sales		
Reported sales % change	13%	(25%)
Less: Foreign currency translation	6%	(2%)
Constant Currency sales % change	7%	(23%)

We define constant currency sales growth as the year-over-year change in reported sales relative to the comparable period, excluding the impact on sales from foreign currency translation. This is the same definition we previously used for "organic sales growth". We believe this measure is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

Reconciliation of Net Income to Net cash provided by operating activities less Expenditures for property, plant and equipment

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($ in millions)	Q1 2021	Q1 2020
Net (loss) income - GAAP	**($105)**	**$52**
Net interest expense	$20	$15
Tax expense	$24	$1
Depreciation	$23	$19
EBITDA (Non-GAAP)	**($38)**	**$87**
Other expense, net (which consists of indemnification, asbestos and environmental expenses)	0	16
Non-operating income	(3)	(2)
Reorganization items, net	174	0
Stock compensation expense	2	2
Repositioning charges	8	5
Foreign exchange gain (loss) on debt, net of related hedging (gain) loss	33	0
Adjusted EBITDA (Non-GAAP)	**$176**	**$108**
Change in working capital	38	15
Cash Taxes	(15)	(3)
Capital Expenditures	(18)	(39)
Other	0	(16)
Cash Interest	(19)	(7)
Adjusted Free Cash Flow (Non-GAAP)	**$162**	**$58**
Honeywell Indemnity Agreement	0	(39)
Stalking horse termination reimbursement	(79)	0
Chapter 11 Professional service costs	(66)	0
Pension cash	0	0
Stock compensation cash	(1)	0
Repositioning cash	(2)	(1)
Net cash provided by operating activities less expenditures for property, plant and equipment (Non-GAAP)	**$14**	**$18**

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Reconciliation of Net Income to Adjusted FCF Conversion

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($ in millions)	Q1 2021	Q1 2020
Net (loss) income (GAAP)	**($105)**	**$52**
Foreign exchange gain (loss) on debt, net of related hedging (gain) loss	$33	$0
Other expense, net (which consists of indemnification, asbestos and environmental expenses)	$0	$16
Non-operating income	($3)	($2)
Reorganization items, net	$174	$0
Stock compensation expense	$2	$2
Repositioning charges	$8	$5
Adjusted Tax Expense[1]	($13)	($2)
Adjusted Net Income (Non-GAAP)	**$96**	**$71**
Adjusted Free Cash Flow (Non-GAAP)[2]	**$162**	**$58**
Adjusted Free Cash Flow Conversion (Non-GAAP)	**169%**	**82%**

[1] Adjusting items are tax effected at the same annual effective tax rate that was used at the time the adjusting item was originally recorded. If the adjusting item was not originally taxed at the annual effective tax rate, then the amount of the tax originally recorded is used.
[2] For Adjusted Free Cash Flow Reconciliation, please refer to slide for Reconciliation of Net Income to Adjusted Free Cash Flow and Free Cash Flow.

Reconciliation of Cash Flow from Operations less Expenditures for PP&E to Adjusted Free Cash Flow

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($ in millions)	Q1 2021	Q1 2020
Net cash provided by operating activities (GAAP)	$32	$57
Expenditures for property plant and equipment	(18)	(39)
Net cash provided by operating activities less expenditures for property, plant and equipment (Non-GAAP)	**$14**	**$18**
Honeywell Indemnity Agreement expenses	0	39
Stalking horse termination reimbursement	79	0
Chapter 11 Professional service costs	66	0
Pension cash	0	0
Stock compensation cash	1	0
Repositioning cash	2	1
Adjusted free cash flow (Non-GAAP)	**$162**	**$58**

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