



**EQUAM**

A private equity  
approach to the market



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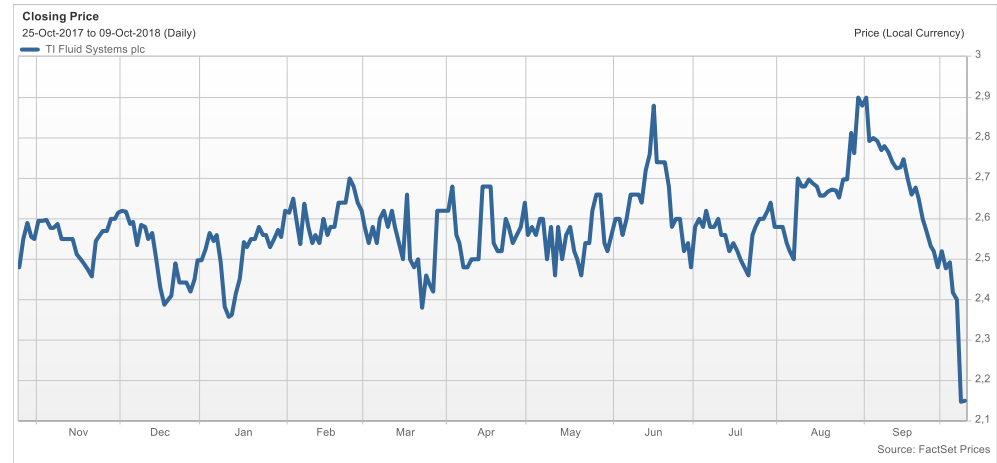
# Our Investment Process

A Private Equity approach to identify the best opportunities in the European market.

	Private Equity Experience	EQUAM investment process
<b>Idea Generation</b>	Board of Directors experience	Interviews with managers.
<b>Sound businesses</b>	Focus on stable cash flow generation	We look for stable and profitable oligopolies.
<b>Low leverage</b>	Experienced the dangers of leverage	We exclude leveraged companies
<b>Owner occupied</b>	Experienced the power of entrepreneurship	We look for committed owners-managers
<b>Low valuation</b>	Buying well makes a good deal great	We buy when prices are 30% below our valuation
<b>Analysis</b>	All research is internal	We do our own research and valuations

# Company Description

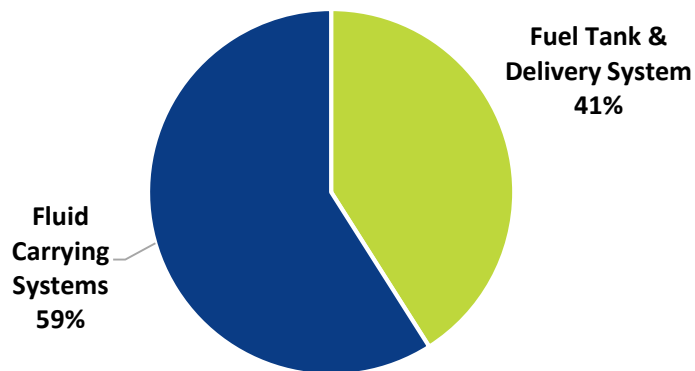
<b>Ticker:</b>	TIFS:LN
<b>Market Cap.</b>	€ 1,155Mn
<b>EV</b>	€ 2,211 Mn
<b>Net debt/EBITDA</b>	1.8x



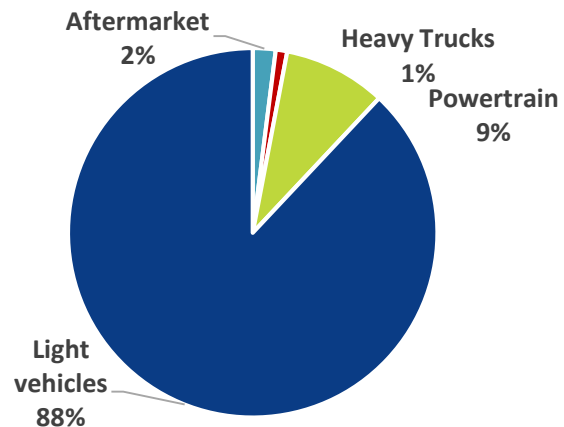
- **Based in Oxford (UK)**, TI Fluid Systems is a leading supplier of fluid systems to automotive OEMs.
- It is the #1 global supplier of brake and fuel lines (35% market share) and #3 supplier of plastic fuel tank systems (15% market share).
- The group was founded in 1922 and is the result of Tube Group merging with Smith industries in 2000. In June 2015, Bain Capital acquired TI from its former shareholders, which had acquired the group in 2007 by way of debt restructuring.
- Bain IPOed the company at the end of 2017 but still maintains a majority stake in the company (54.4%). Proceeds from the offer (€360 mn) were used to reduce the company's indebtedness.
- The company has 118 manufacturing plants across 28 countries.
- In 2017, the Company had **revenues and EBITDA of 3,491 Mn € and 491 Mn €** respectively. The company had **28,000 employees** as of the end of 2017.

# Business Description

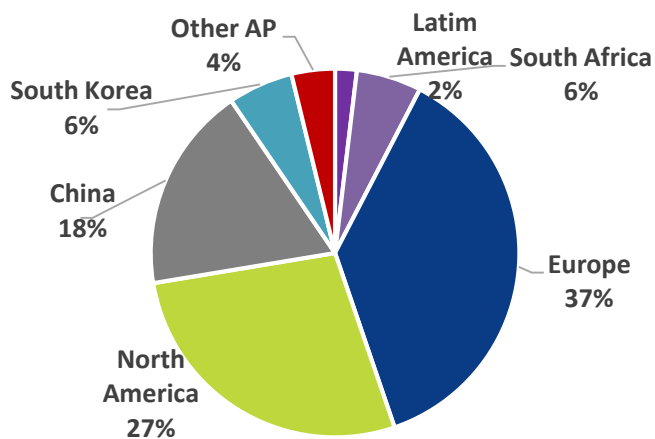
## Market positions



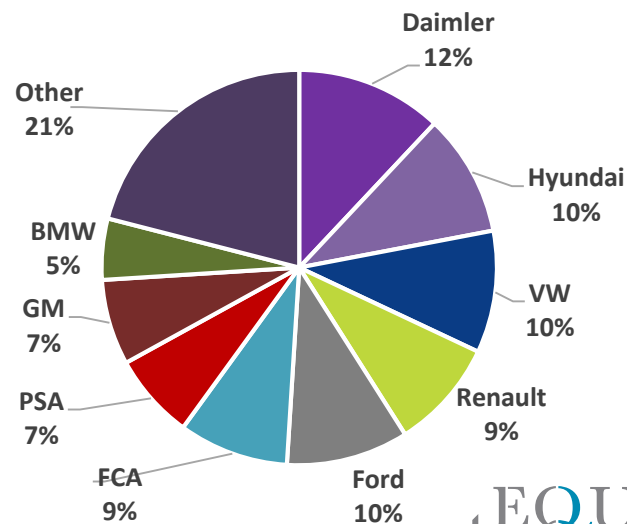
## 2017 Sales breakdown by end market



## 2017 Sales breakdown by country



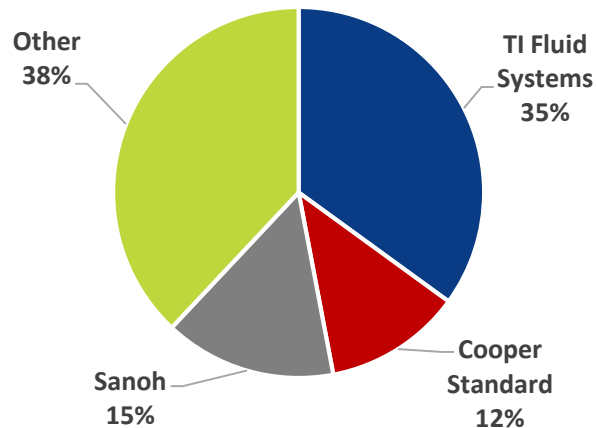
## 2017 Sales breakdown by customer



# Fluid Carrying Systems (“FCS”)



2017 Global Market Share



Market Size: €6Bn

FCS Historical Financial Performance

<i>EUR millions</i>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Revenue	1.621,60	1.824,70	1.945,20	2.057,10
EBITDA	246,4	289,8	310,1	319,9
EBITDA margin	15,19%	15,88%	15,94%	15,55%

# Fuel Tank & Delivery Systems (“FTDS”)

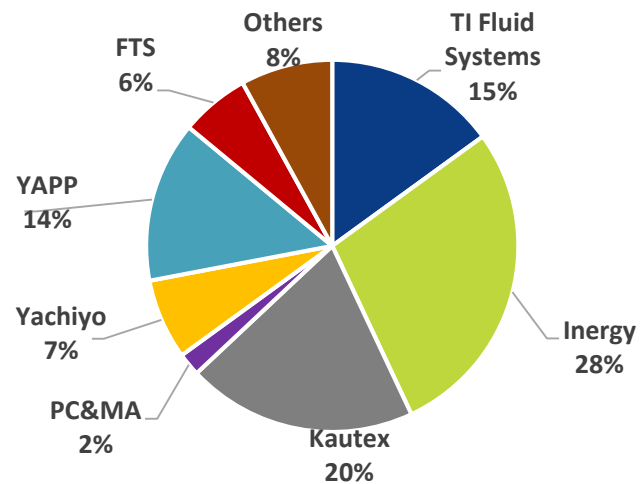
Fuel Tank Systems



Pump & Module Systems



2017 Global Market Share



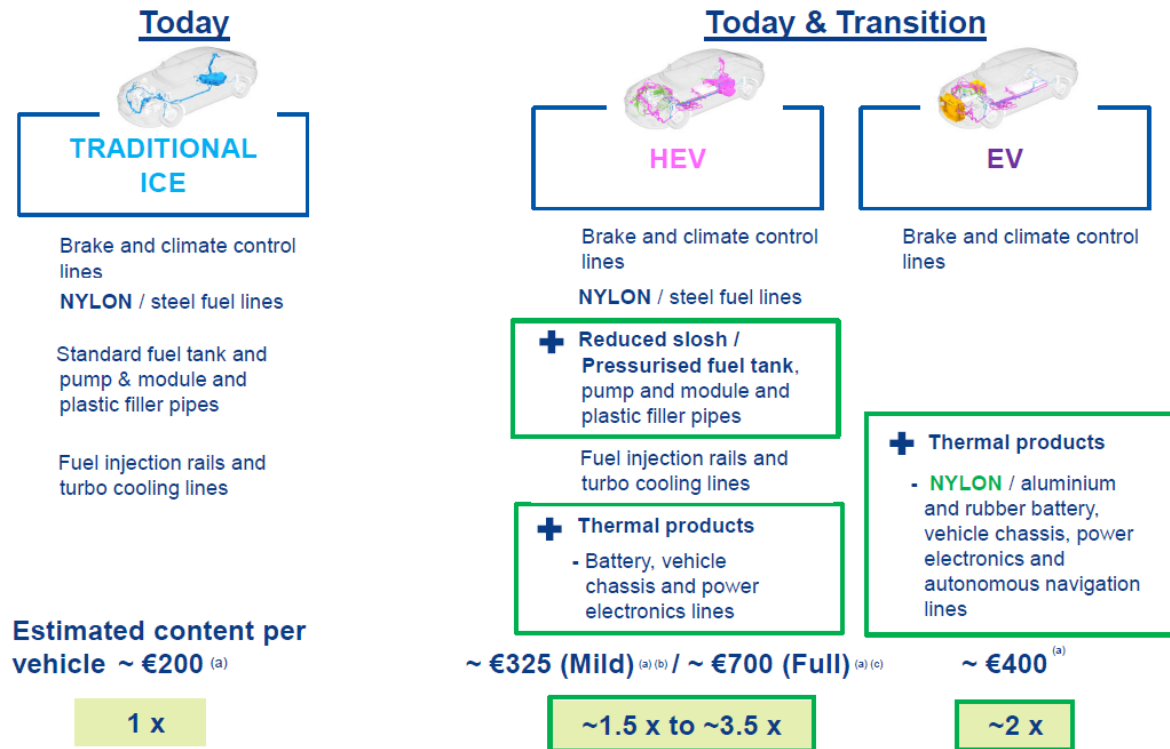
Market Size: €10Bn

FTDS Historical Financial Performance

<i>EUR millions</i>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Revenue	1.074,70	1.270,50	1.403,40	1.433,80
EBITDA	90,1	122,8	154,6	170,3
EBITDA margin	8,38%	9,67%	11,02%	11,88%

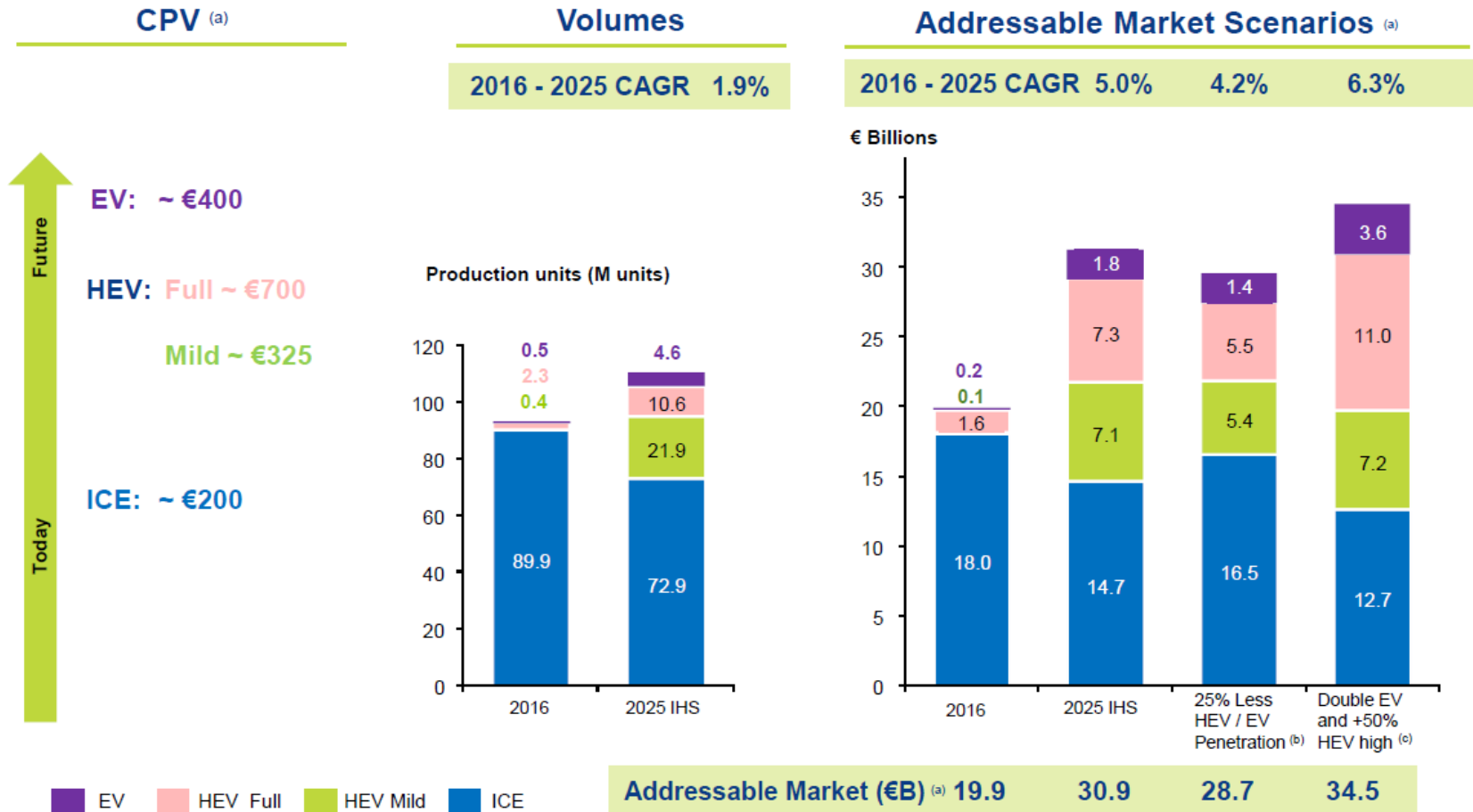
# EV/HEV transition

- The Company has an opportunity to increase content per vehicle not only in HEV but also in EV
- During 2018, the company has announced several agreements with OEMs in relation to HEV and EV platforms



# EV/HEV transition

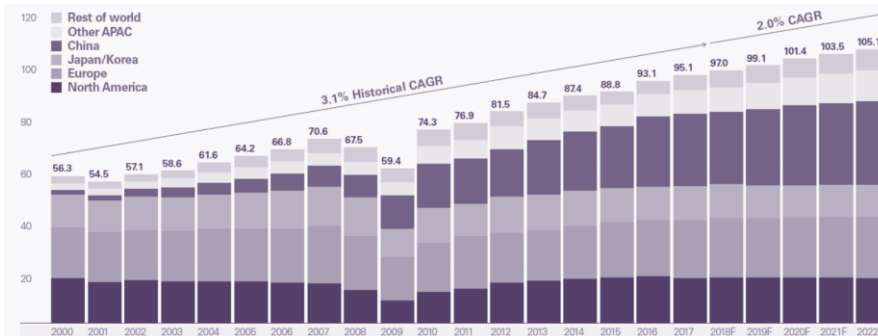
- Potential addressable market growth of 2x to 3x vehicle volume growth



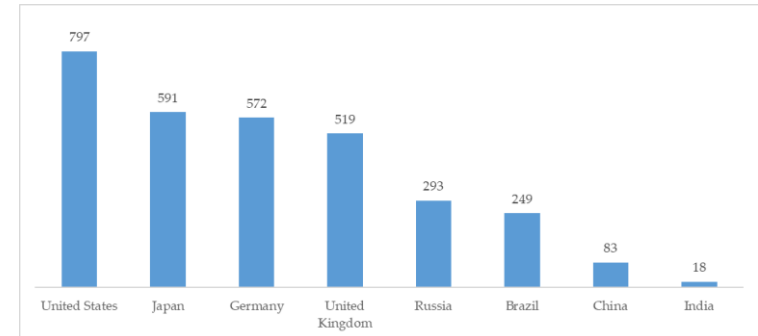


# Global Automotive Market

## Global light vehicle production



## Vehicles per 1,000 vehicles



## Trends in the automotive market positively affect TI Fluids

- Increasing use by OEMs of highly reliable suppliers with strong technical capabilities.
- Regulatory requirements to reduce emissions and increase fuel economy.
- Global platform standardisation moving away from regional platforms.
- Higher potential growth from emerging markets where the company has a strong market position.

# Investment Thesis

## Market leading position in niche markets

- Leader in fluid systems and top 3 in fuel tank systems.

## Strong management team

- Current management team has been in the company for the last ten years and have been responsible for the initial restructuring and subsequent outstanding performance of the business..

## Growth opportunity in HEV/EV

- As explained, the company has significant growth opportunities aligned with electrification and TI's strength in thermal management.

## Long established presence in China

- The Company has operated in China for more than 30 years with a wholly owned business supplying both global and local OEMs.
- The company is viewed a local supplier but with capabilities of a global leader
- Its 18 manufacturing plants in the country and long established presence will be a key contributor for a consistent above market growth.

# Investment Thesis

## Global footprint and good relation with most OEMs

- TI Fluid has facilities in every major automotive manufacturing market, located closed to their customers.
- Significant amount of revenue generated from global OEM platforms (produced in three or more regions).

## High profitability

- Flexible cost structure
- 67% of employees located in low cost countries
- Pricing power in front of the customer: high value added products but low cost for customer plus strong market position in a niche market

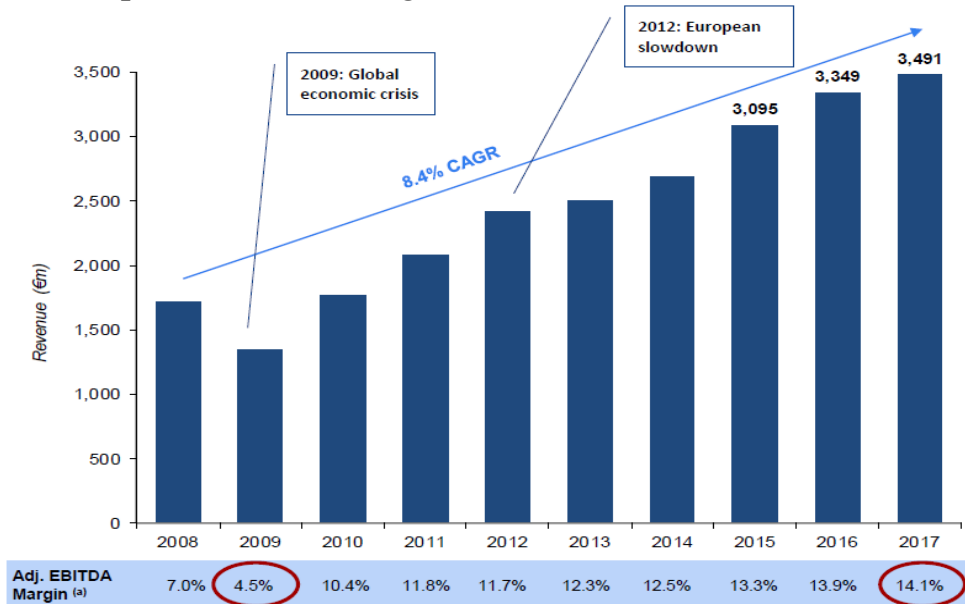
## Strong cash flow generation capacity

- Capex consistently maintained around 4.5% of revenues.
- Low working capital needs (8% of revenues) mainly due to low inventory levels as a consequence of the proximity to their customers.
- Recent refinancing of the debt will allow for additional 10 mn euros financing cost savings.

# Investment Thesis

## Strong Financial Performance

- CAGR of 8,4% for the last 10 years, 2x above the global light vehicle production volume growth) driven by:
  - ✓ Increases in content per vehicle
  - ✓ Higher use of global platform
  - ✓ Strong presence in emerging markets
- Significant profitability improvement throughout the period through production efficiencies and operational leverage.



# Valuation

## Trading at discount to most autoparts peers

- Despite the significant higher quality of the business, the Company is trading at a significantly lower multiples than its peers.

	ND/EBITDA	EV/EBITDA	EV/EBIT	EV/Sales	FCF yield	P/E	EBITDA margin	EBIT Margin	ROIC
European Peers Average	1,29x	7,00x	11,09x	0,97x	3,8%	12,44x	13,1%	8,5%	12,5%
N. America Peers Average	1,14x	5,75x	8,12x	0,74x	6,2%	12,39x	12,8%	9,0%	14,9%
Norma	1,67x	9,89x	11,28x	1,94x	5,5%	13,67x	19,6%	17,2%	19,3%
Cooper Standard	1,30x	5,98x	9,02x	0,68x	6,6%	14,20x	11,3%	7,5%	11,7%
TI Fluids	1,80x	4,48x	5,77x	0,63x	10,9%	5,67x	14,4%	11,0%	25,4%

# Valuation

- We value TI Fluid taking the average annual FCF for the 2014 to 2018 period.
- Our target price represents an implied EV/avge EBITDA of 7,5x EBITDA.

	Average 4 years	2018e
FCF (ex WC)	155	192
FCFy	7%	7%
<b>IV</b>	<b>2.209</b>	<b>2.744</b>
n° of shares	519	519
<b>IV per share</b>	<b>4,25</b>	<b>5,28</b>
<i>Upside</i>	<b>91,3%</b>	<b>137,7%</b>
<i>EV/EBITDA</i>	7,49x	7,70x

## Why is it cheap?

- The company do not have a clear investor base:
  - Recent IPO (end of 2017).
  - Complex situation (Traded in pound, reporting in euros, headquartered in Oxford but corporate office in Michigan, US).
  - Followed by US brokers (those who participated in the recent IPO) but just by one Mid Cap broker in UK.
- Investors are overestimating the EV transition risk (as explained we see it more as an opportunity rather than a risk).
- Private Equity still has a significant stake and investors are worried about an overhang in the stock.

# Investment Risks

Risk	Comments
<b>Cyclical Business</b>	<ul style="list-style-type: none"> <li>• Geographical diversification and strong presence in countries with low per capita penetration rates.</li> <li>• Long term prospects are good and the low valuation mitigates this risk.</li> <li>• Flexible cost base.</li> </ul>
<b>Lower content than expected in EV</b>	<ul style="list-style-type: none"> <li>• The Company develops its products with the OEMS. They have good visibility of the content in EV having recently won the first commercial contracts.</li> </ul>
<b>Regulatory investigation</b>	<ul style="list-style-type: none"> <li>• The automotive supplier industry has been subject to meaningful investigations and fines in recent years.</li> <li>• However, the company has a long tradition in the sector having never been involved in any material investigation</li> </ul>
<b>Raw material prices</b>	<ul style="list-style-type: none"> <li>• Raw materials include petroleum-based resins, steel, aluminium and semiconductors and the company has not the contractual right to pass cost increases, although it has had some success in doing so in the past (although sometimes with certain timing delays).</li> </ul>
<b>Foreign Exchange</b>	<ul style="list-style-type: none"> <li>• TI operates a global business with high exposure to foreign markets.</li> <li>• Reports in € but trades in pounds. Translation risk.</li> </ul>



# Summary

TI Fluids comfortably meets our investment checklist requirements.

<b>Under the radar</b>	✓✓✓	Low coverage, complex situation.
<b>Sound business</b>	✓✓✓	Niche business, high market share in a safety critical application.
<b>Low Leverage</b>	✓✓	1.8 net debt to EBITDA on a highly cash flow generative business.  No financial covenants on the existing debt facilities.  FCF devoted to unlevered the company, no M&A expected in the coming years (only one minor transaction done in the last 10 years).
<b>Owner Occupied</b>	✓✓	Current majority shareholder (private Equity) is selling. Management has a 2.5% stake in the company and have successfully run the company for the last ten years.
<b>Low valuation</b>	✓✓✓	>10% FCF yield.

Thank you

The logo for EQUAM, featuring the word "EQUAM" in a serif font. The letter "Q" is highlighted in a teal color. The letters "E" and "M" are partially enclosed by dark grey L-shaped brackets on their left and right sides, respectively.

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