TENNECO

First Quarter 2017
Earnings Conference Call

May 1, 2017

NYSE: **TEN**

Agenda

Highlights and Strategic Overview	**Gregg Sherrill** *Chairman & CEO*
Segment Results	**Brian Kesseler** *Chief Operating Officer*
Financial Overview	**Ken Trammell** *Chief Financial Officer*
Outlook	**Brian Kesseler**
Questions and Answers	

Safe Harbor Statement / Non-GAAP Results:
Please see the safe harbor statement and the tables that reconcile GAAP results with non-GAAP results at the end of this presentation and in Tenneco's financial results press release, which is incorporated herein by reference.

First Quarter Overview

$ Millions, except as noted	Q1'17	Q1'16	B/(W)	% Change
Total Revenue	2,292	2,136	156	7%
Value-add Revenue Δ	1,745	1,626	119	7%
EBIT	127	124	3	2%
EBIT (% of VA Revenue)	7.3%	7.6%	-30 bps	
Adjusted EBIT †	153	138	15	11%
Adjusted EBIT † (% of VA Revenue)	8.8%	8.5%	+30 bps	
Adjusted EBITDA *†	204	189	15	8%
Net Income	63	57	6	11%
EPS ($)	$1.16	$0.99	0.17	17%
Adjusted Net Income †	83	67	16	24%
Adjusted EPS ($) †	$1.53	$1.17	$0.36	31%
Cash Flow From Operations	(9)	(29)	20	69%
Net Debt / Adjusted LTM EBITDA*†	1.4x	1.3x	-0.1x	

* Including noncontrolling interests.
† Adjusted for restructuring activities, pension charges/stock vesting and net tax adjustments.

Δ Value-add Revenue is total revenue less substrate sales.

Quarter Highlights

- **We delivered a record quarter**
- **Highest-ever first quarter:**
  - Revenue
  - Reported and adjusted EBIT and EBITDA*
  - Reported and adjusted net income
  - Reported and adjusted earnings per share; adjusted EPS up 31%
- **Year-over-year margin expansion**
- **Improved cash flow from operations**
- **Initiated a 25-cent quarterly dividend**

*Including noncontrolling interests

Revenue

Total revenue $2.292B, up 7%

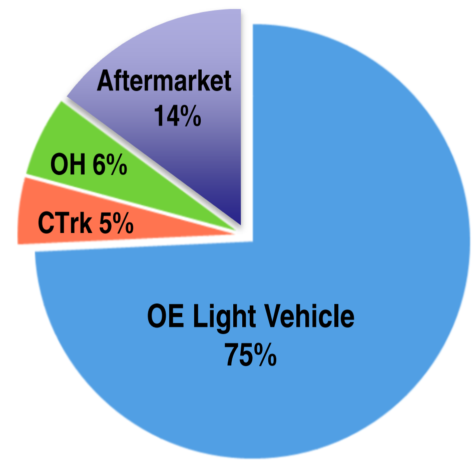
In constant currency, total revenue up 9% to $2.329B

- OE light vehicle up 11%, with growth in most regions and up almost double global LV production growth of 6%
- Commercial truck revenue up 15%, compared to industry production growth of 5% driven primarily by Asia Pacific
- Off-highway and specialty revenues are roughly flat with volume increases in Europe and continued lower volumes in North America
- Aftermarket even with prior year

In constant currency, value-add revenue up 9%

- Clean Air up 10%; Ride Performance up 7%

1Q 2017 Total Revenue



EBIT

- **Adjusted EBIT grew 11% to $153M, including $4M negative currency comparison; EBIT improvement driven by**
  - Asia Pacific and Europe & South America segments leveraged stronger volumes on light vehicle, commercial truck and off-highway programs and drove operational improvements
  - Improvements more than offset unfavorable mix and timing of customer recoveries in North America
- **VA adjusted EBIT margin increased 30 bps to 8.8%**

Results by Product Line

$ Millions

	Clean Air				Ride Performance			
	Q1 2017				Q1 2017			
	North America	Europe & SA	Asia Pacific	Total	North America	Europe & SA	Asia Pacific	Total
Total Revenue	$ 816	$ 538	$ 277	$ 1,631	$ 311	$ 243	$ 107	$ 661
Less: Substrate sales	277	206	64	547	-	-	-	-
Value-add revenue	$ 539	$ 332	$ 213	$ 1,084	$ 311	$ 243	$ 107	$ 661
Adjusted EBIT	$ 52	$ 31	$ 36	$ 119	$ 34	$ 9	$ 17	$ 60
Adjusted EBIT as a % of revenue	6.4%	5.8%	13.0%	7.3%	10.9%	3.7%	15.9%	9.1%
Adjusted EBIT as a % of value-add revenue	9.6%	9.3%	16.9%	11.0%	10.9%	3.7%	15.9%	9.1%

	Q1 2016				Q1 2016			
	North America	Europe & SA	Asia Pacific	Total	North America	Europe & SA	Asia Pacific	Total
Total Revenue	$ 765	$ 471	$ 279	$ 1,515	$ 323	$ 210	$ 88	$ 621
Less: Substrate sales	271	173	66	510	-	-	-	-
Value-add revenue	$ 494	$ 298	$ 213	$ 1,005	$ 323	$ 210	$ 88	$ 621
Adjusted EBIT	$ 62	$ 15	$ 34	$ 111	$ 42	$ 8	$ 13	$ 63
Adjusted EBIT as a % of revenue	8.1%	3.2%	12.2%	7.3%	13.0%	3.8%	14.8%	10.1%
Adjusted EBIT as a % of value-add revenue	12.6%	5.0%	16.0%	11.0%	13.0%	3.8%	14.8%	10.1%

Clean Air – Revenue

Clean Air VA revenue of $1,084M up 8%; in constant currency up 10%

North America VA revenue $539M, up 9%:

- LV revenue growth of 15% on higher volumes and new platforms
- Commercial truck revenue up slightly offset by much weaker off-highway volumes resulting in CTOH revenue down 17%

Europe & South America VA revenue $332M, up 11%; in constant currency up 15%:

- LV revenue growth of 16% on higher volumes and new platforms in Europe and South America
- Commercial truck revenue up slightly and combined with a strong increase in Europe off-highway revenue increased CTOH revenue by 20%

Asia Pacific VA revenue $213M, flat YOY; in constant currency up 4%:

- Primarily driven by commercial truck & off-highway revenue, up 48% on higher on-road commercial truck volumes in China

Clean Air – EBIT and Margin

- **Clean Air adjusted EBIT up 7% to $119M, reflecting $3M in negative currency comparison**
- **Clean Air VA adjusted EBIT margin of 11.0%, even with a year ago**
  - Europe & South America and Asia Pacific benefited from strong volumes and continuing operational efficiencies
  - Strong North America LV volumes more than offset by 17% lower North America off-highway volumes and timing of contractual cost recovery of alloy surcharge increases, which will be recovered over the next several months
    - Sequential improvement in North America margins excluding the unusual recovery timing

Ride Performance – Revenue

Ride Performance revenue of $661M, up 6%; in constant currency up 7%

North America revenue $311M, down 4%:

- LV revenue up 2%
- Commercial truck down 9% on lower customer production
- Aftermarket sales down 8%; in line with the market taking out impact of prior year Car Quest inventory load

Europe & South America revenue $243M, up 16%; in constant currency up 16%:

- LV revenue growth of 17% outpaced industry production in Europe and South America
- Commercial truck up 11% with growth in both regions
- Aftermarket revenue growth of 15% with growth in both regions

Asia Pacific revenue $107M, up 22%; in constant currency up 25%:

- LV revenue growth of 27%

Ride Performance – EBIT and Margin

- **Ride Performance adjusted EBIT $60M, down 5%, reflecting $1M in negative currency comparison**
- **Adjusted EBIT margin of 9.1% compared to 10.1% last year**
  - North America margins affected by lower commercial truck production and aftermarket revenue
  - Europe & South America margins roughly flat
  - Leveraging growth and operational efficiencies in Asia Pacific to drive significant margin improvement

First Quarter Adjustments

- Restructuring and related expense of $15M pre-tax, or 25-cents per diluted share for cost improvement initiatives including $10M in Europe Clean Air for the closing of a Belgian JIT plant (customer platform ending production in Q1 2020)
- Pension charge of $6M in the quarter, or 7-cents per diluted share, to complete the voluntary pension buyout program
  - Additional $10M contribution made in Q1
  - Achieved a 50% reduction in the U.S. pension liability
- Acceleration of restricted stock vesting in accordance with the long-term plan of $5M pre-tax, or 6-cents per diluted share.
- Net tax benefit of $1M, or $0.01 per diluted share

Tax Expense

Tax expense of $34M

- Includes tax benefit of $1M on restructuring and related costs and $2M on pension charges, $2M on restricted stock vesting as well as a net tax benefit of $1M
- Before those 1Q items, adjusted tax expense is $40M
  - Effective tax rate of 29% in the quarter
- 1Q cash tax payments were $15M

2017 tax expectations

- Still expect a full year effective tax rate between 29% and 31%
- Still expect cash taxes in the range of $125M to $140M

Debt and Cash Position

$ Millions

	March 31,	
	2017	2016
Total Debt	$ 1,519	$ 1,408
Cash Balances	344	376
Net Debt	$ 1,175	$ 1,032

- Interest expense of $15M in the quarter, an improvement of 17% from $18M last year, primarily due to lower interest rates on the bonds refinanced in 2Q'16
- Still expect 2017 annual interest expense of about $70M
- Net debt / Adjusted LTM EBITDA* ratio was 1.4x at the end of the quarter

* Including noncontrolling interests.

Cash Flow

- **Cash used from operations improved by $20M compared to last year**
  - Driven by improvements in cash flow from receivables, inventory and payables

Working Capital Metrics (L3M):

	1Q'17	1Q'16	B(W)
DSO excl. factoring	65	63	(2)
DOH	37	38	1
DPO	74	74	-

- **Capital expenditures of $85M in the quarter to support new programs in North America, Europe and China**
  - For full year 2017, we still expect capital expenditures of between $360M and $390M
- **Repurchased 240,000 shares in 1Q for $16M**
  - Since we announced the buyback at the beginning of 2015, we have repurchased 8.7 million shares for $454M, representing 14% of shares outstanding at that time.
  - Remaining authorization of $384M which we expect to complete out of free cash flow over the next three years
- **Initiated quarterly dividend of $0.25/share paid in March for $13M**

Industry Production – YoY% Change

Major Regions	Q1'17	Q2'17	FY'17
North America	3%	-1%	-1%
Europe	6%	-3%	2%
South America	19%	5%	8%
China	7%	2%	0%
India	7%	7%	6%
Global Industry Production	6%	1%	1%

2017 full year global production forecast of 1%; consistent with previous outlook

Source: IHS Automotive April 2017 global light vehicle production forecast and Tenneco estimates.

Second Quarter and Full Year Outlook

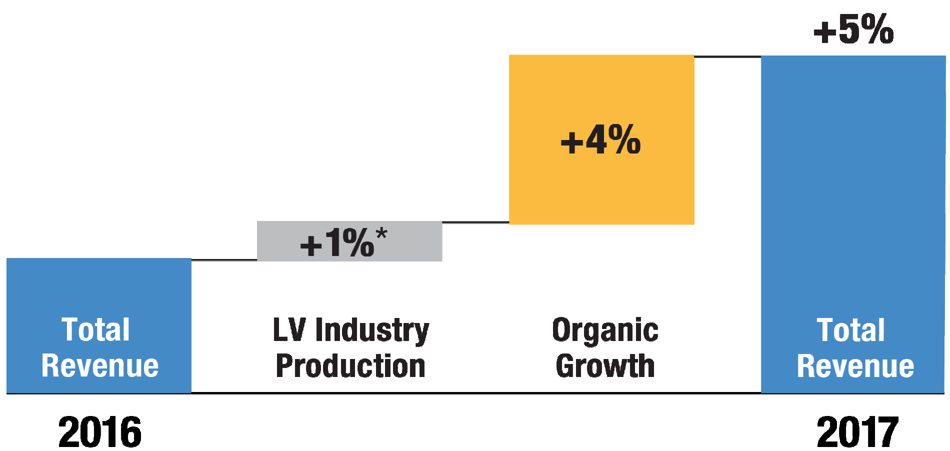
- Expect Q2 revenue growth of 5%, assuming constant currency, outpacing light vehicle industry production by 4 percentage points
  - Light vehicle industry production forecasted to grow 1%*
  - Better than industry performance will be driven by higher light vehicle revenue, continued strong commercial truck revenue growth and expected steady YOY contribution from the global aftermarket
  - Weak off-highway industry conditions are expected to continue in Q2 with revenues about even with last year
  - Anticipate a currency headwind of approximately 2% based on current currency exchange rates
- Consistent with our last outlook, we continue to expect full year revenue growth to outpace light vehicle industry production by 4 percentage points for total revenue growth of 5%, assuming constant currency and LV production growth of 1%*
- Continue to expect annual margin improvement in 2017

* Source: IHS Automotive April 2017 global light vehicle production and Tenneco estimates.

Revenue Outlook (cont'd)

2017 Revenue Outlook (in 2016 constant currency)

Expect 5% revenue growth; outpacing industry production by 4% with contributions from both product lines



2017 Assumptions

- Global commercial truck production +4%**
- Off-highway engine production in regulated regions +2%** (NA and Europe)
- Organic growth is net of OE price downs

2018-2019 Revenue Outlook

Expect to outpace industry production by 3%-5%

- Outstanding platform position
- Tightening criteria pollutant emissions regulations
- Increasing demand for advanced suspension systems
- Global aftermarket leadership

2017 Currency Sensitivity

Impact vs. 2016	Euro/USD	RMB/USD	Real/USD
-	1.10	0.150	0.291
(2.5%)	1.05	0.143	0.278
(5.0%)	1.00	0.136	0.265

* IHS Automotive April 2017 global light vehicle production and Tenneco estimates.

** Power Systems Research (PSR) April 2017 global commercial truck and bus production, PSR off-highway engine production in North America and Europe and Tenneco estimates.

See slide 21 for further key assumptions related to our revenue projections.

Appendix: Clean Air – Commercial Truck, Off-Highway and Other Revenue Details

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$ Millions, Unaudited

	2017	
	Q1	
	Revenues	Value-add Revenues
Clean Air Division		
North America	$ 82	$ 54
Europe & South America	80	51
Asia Pacific	49	30
Total Clean Air Division	**$ 211**	**$ 135**

	2016									
	Q1		Q2		Q3		Q4		FY	
	Revenues	Value-add Revenues	Revenues	Value-Add Revenues	Revenues	Value-add Revenues	Revenues	Value-add Revenues	Revenues	Value-add Revenues
Clean Air Division										
North America	$ 92	$ 66	$ 86	$ 58	$ 63	$ 41	$ 60	$ 38	$ 301	$ 203
Europe & South America	72	44	79	48	63	40	57	35	271	167
Asia Pacific	36	21	36	23	34	21	45	28	151	93
Total Clean Air Division	**$ 200**	**$ 131**	**$ 201**	**$ 129**	**$ 160**	**$ 102**	**$ 162**	**$ 101**	**$ 723**	**$ 463**

Appendix:
Pension and OPEB

$ Millions

Pension	2014	2015	2016	Q1'17	2017E
Defined Benefit Expense*	$15	$15	$11	$3	$14
Defined Benefit Contributions	$46	$25	$38	$14	$32

OPEB	2014	2015	2016	Q1'17	2017E
Expense	$3	$8	$10	$2	$10
Cash Payments	$8	$9	$9	$2	$10

* Does not include settlement or curtailment amounts

Appendix:
Tenneco's Revenue Projections

Tenneco's revenue outlook for 2017 is as of April 2017. Revenue assumptions are based on projected customer production schedules, IHS Automotive April 2017 forecasts, Power Systems Research April 2017 forecasts and Tenneco estimates.

Tenneco's revenue outlook for 2018 and 2019 is as of January 2017. Revenue assumptions are based on projected customer production schedules, IHS Automotive December 2016 forecasts, Power Systems Research January 2017 forecasts and Tenneco estimates.

In addition to the information set forth on this slide and slide 18, Tenneco's revenue projections are based on the type of information set forth under "Outlook" in Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set forth in Tenneco's Annual Report on Form 10-K for the year ended December 31, 2016. Please see that disclosure for further information. Key additional assumptions and limitations described in that disclosure include:

- Revenue projections are based on original equipment manufacturers' programs that have been formally awarded to the company; programs where the company is highly confident that it will be awarded business based on informal customer indications consistent with past practices; and Tenneco's status as supplier for the existing program and its relationship with the customer.
- Revenue projections are based on the anticipated pricing of each program over its life.
- Revenue projections assume a fixed foreign currency value. This value is used to translate foreign business to the U.S. dollar.
- Revenue projections are subject to increase or decrease due to changes in customer requirements, customer and consumer preferences, the number of vehicles actually produced by our customers, and pricing.