



Tenneco Reports Fourth Quarter And Full-Year 2014 Results

February 02, 2015

- Record full-year revenue of \$8.4 billion
- Record full-year EBIT of \$492 million
- Continued margin expansion

Lake Forest, Illinois, February 2, 2015 – Tenneco (NYSE: TEN) reported fourth quarter net income of \$21 million, or 33-cents per diluted share, which includes \$46 million in restructuring, pension and refinancing related expenses. Fourth quarter 2013 net income was \$54 million, or 88-cents per diluted share. On an adjusted basis, net income rose to a fourth quarter record high of \$65 million, or \$1.05 per diluted share, versus \$59 million, or 96-cents per diluted share a year ago.

Revenue

Total revenue in the fourth quarter was \$2.004 billion, down slightly year-over-year primarily due to the impact of \$84 million in negative currency, as well as lower commercial truck and off-highway revenue. Excluding currency, total revenue in the fourth quarter increased 3% to \$2.088 billion.

For the full year, Tenneco reported its highest-ever total revenue of \$8.420 billion, up 6% from a year ago. Tenneco grew revenue in both the Clean Air and Ride Performance divisions and across all segments with OE light vehicle revenue improving 5%, commercial truck and off-highway revenue climbing 16% and aftermarket revenue increasing 1% versus last year. Excluding substrate sales, and the impact of \$126 million in negative currency, revenue increased 8% to \$6.612 billion.

“We had strong fourth quarter earnings with record high adjusted net income and EBIT including improvement in both divisions despite significant currency headwinds. For the full year we delivered our highest ever revenue and EBIT. These results were driven by our strong light vehicle platform position, which helped us outpace industry light vehicle production, double-digit revenue growth in our commercial truck and off-highway business and higher global aftermarket sales,” said Gregg Sherrill, chairman and CEO, Tenneco. “We leveraged higher global light vehicle volumes and delivered a solid operational performance to drive higher earnings and improved profitability.”

EBIT

Fourth quarter EBIT (earnings before interest, taxes and noncontrolling interests) was \$83 million, versus \$118 million last year. Adjusted EBIT rose 7% to \$136 million, a record high for the fourth quarter, reflecting 6% higher adjusted EBIT in each of the Clean Air and Ride Performance divisions. The year-over-year EBIT comparison includes \$5 million in unfavorable currency.

Adjusted fourth quarter 2014 and 2013 results

(millions except per share amounts)	Q4 2014				Q4 2013			
	EBITDA*	EBIT	Net income attributable to Tenneco Inc.	Per Share	EBITDA*	EBIT	Net income attributable to Tenneco Inc.	Per Share
Earnings Measures	\$ 136	\$ 83	\$ 21	\$ 0.33	\$ 172	\$ 118	\$ 54	\$ 0.88
Adjustments (reflects non-GAAP measures):								
Restructuring and related	20	21	18	0.29	9	9	8	0.13

expenses								
Pension/Postretirement charges	32	32	20	0.32	-	-	-	-
Costs related to refinancing**	-	-	8	0.13	-	-	-	-
Net tax adjustments***	-	-	(2)	(0.02)	-	-	(3)	(0.05)

Non-GAAP earnings measures	\$ 188	\$ 136	\$ 65	\$ 1.05	\$ 181	\$ 127	\$ 59	\$ 0.96
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* EBITDA including noncontrolling interests (EBIT before depreciation and amortization)

**Charges of \$13 million pretax, or 13-cents per diluted share related to the refinancing of the company's senior credit facility.

***Net tax adjustments of \$2 million, or 2-cents per diluted share, for adjustments to prior year estimates

In addition to the items set forth above, the tables at the end of this press release reconcile GAAP to non-GAAP results.

Fourth quarter EBIT Margin

	Q4 2014	Q4 2013
EBIT as a percent of revenue	4.1%	5.8%
EBIT as a percent of value-add revenue	5.4%	7.5%
Adjusted EBIT as a percent of revenue	6.8%	6.3%
Adjusted EBIT as a percent of value-add revenue	8.8%	8.1%

Clean Air adjusted EBIT as a percent of value-add revenue was up 80 basis points to 11.0%, driven by higher light vehicle volumes globally including new platform launches in China. Ride Performance adjusted EBIT improved 60 basis points to 8.9%, largely due to stronger light vehicle volumes in China, higher North America aftermarket sales, and benefits from the company's product cost leadership initiative.

FULL-YEAR 2014 RESULTS

Adjusted Full Year 2014 and 2013 results

(millions except per share amounts)	2014				2013			
	EBITDA*	EBIT	Net income attributable to Tenneco Inc.	Per Share	EBITDA*	EBIT	Net income attributable to Tenneco Inc.	Per Share
Earnings Measures	\$ 700	\$ 492	\$ 226	\$ 3.66	\$ 629	\$ 424	\$ 183	\$ 2.97
Adjustments (reflects non-GAAP measures):								
Restructuring and related expenses	48	49	42	0.67	78	78	75	1.21
Bad debt charge	4	4	3	0.05	-	-	-	-
Pension/Postretirement charges	32	32	20	0.32	-	-	-	-
Costs related to refinancing	-	-	8	0.13	-	-	-	-
Net tax adjustments	-	-	(11)	(0.18)	-	-	(25)	(0.40)
Non-GAAP earnings measures	\$ 784	\$ 577	\$ 288	\$ 4.65	\$ 707	\$ 502	\$ 233	\$ 3.78

* EBITDA including noncontrolling interests (EBIT before depreciation and amortization)

In addition to the items set forth above, the tables at the end of this press release reconcile GAAP to non-GAAP results.

Full Year EBIT

Full-year EBIT increased to \$492 million, versus \$424 million a year ago. Adjusted EBIT rose 15% to \$577 million. Earnings were driven by leveraging higher light vehicle volumes globally, commercial truck and off-highway revenue growth, higher North America aftermarket sales, the benefit of restructuring activities and managing operational costs. The 2014 year-over-year EBIT comparison includes \$10 million in negative currency.

Full year EBIT margin

Tenneco delivered its fifth consecutive year of improved adjusted EBIT as a percent of value-add revenue.

	2014	2013
EBIT as a percent of revenue	5.8%	5.3%
EBIT as a percent of value-add revenue	7.6%	6.9%
Adjusted EBIT as a percent of revenue	6.9%	6.3%
Adjusted EBIT as a percent of value-add revenue	8.9%	8.2%

Cash

Cash generated by operations in the fourth quarter was \$252 million, which is in line with Tenneco's historical positive trend of cash generation. This compares to a record high \$412 million in fourth quarter 2013 which was the result of significant year-over-year changes in working capital versus 2012. For the full year, cash generated by operations in 2014 was \$341 million versus \$503 million a year ago. This comparison also reflects the record high cash generation a year ago.

The company continues to invest in growth with total capital spending for the full year of \$317 million, versus \$254 million a year ago. Investments for Clean Air programs in Europe, North America and China drove the increase.

During the year, Tenneco completed a stock buyback program, repurchasing 400,000 shares of its outstanding common stock for \$22 million to offset dilution from shares issued to employees in 2014.

Tenneco's earnings improvement and strong cash generation resulted in a new all-time low net debt to adjusted EBITDA ratio of 1.1x, an improvement from 1.2x at the end of 2013.

OUTLOOK AND FINANCIAL GUIDANCE

Tenneco's revenue growth will continue to be driven by consistent and strong structural growth drivers including:

- Increasing global light vehicle industry production;
- The company's strong platform position on leading light vehicle programs, especially in the world's largest and fastest-growing geographic markets;
- Emissions regulations which require new content to meet increasingly stringent requirements for light vehicles, as well as commercial trucks, off-highway equipment, locomotive, marine and stationary engines;
- Increased use of electronically controlled components in vehicle suspensions;
- The growing global car parc, which the company serves with industry-leading global aftermarket brands.

First quarter 2015

For the first quarter of 2015, modest industry light vehicle production growth is expected, with IHS forecasting 1% growth in the regions where Tenneco operates. Excluding currency, Tenneco anticipates total combined OE and aftermarket revenue growth of about 4%, driven primarily by higher light vehicle unit volumes, additional content on commercial truck and off-highway programs to meet environmental regulations, and year-over-year growth in the aftermarket. Based on current exchange rates, the company anticipates a currency headwind in the first quarter of approximately 4%.

Full Year 2015

In 2015, IHS is forecasting 3% higher industry light vehicle production globally. Tenneco anticipates OE light vehicle revenue in 2015 to continue outpacing global industry production, driven by the company's strong platform position with leading OEMs worldwide, the launch and ramp up of new programs and increased technology content.

The company anticipates further weakness in the off-highway industry as well as continued production weakness in commercial trucks in Brazil. However, Tenneco expects strong year-over-year revenue growth in its commercial truck and off highway business, driven by the ramp up of content to meet global emissions requirements, including in China as compliance with emissions regulations increases, as well as new program launches.

Tenneco's global aftermarket business is expected to continue to be a steady contributor to revenue performance, driven by the company's leading market share in key regions.

For the full year 2015, Tenneco expects year-over-year total combined OE and aftermarket revenue growth in the range of 5% to 8%, excluding the impact of currency.

Beyond 2015, there are no changes to Tenneco's structural growth outlook excluding the effects of currency exchange rates and market cyclicality.

"Tenneco's structural growth drivers include higher technology content to meet increasingly stringent global emissions regulations, an outstanding light vehicle position across geographic regions and a growing book of business with the world's leading commercial

truck and off-highway manufacturers,” stated Sherrill. “These underlying drivers fuel Tenneco’s revenue growth independent of market cycles, and looking forward, we see outstanding opportunities for continued growth and further margin improvement.”

In 2015, Tenneco expects:

Capital expenditures between \$300 million and \$320 million

Annual interest expense about \$75 million

Cash taxes between \$150 million and \$175 million

Tax rate between 33% and 36%

[Click here to download Q4 and Full Year 2014 release including all attachments listed below](#)

Attachment 1

Statements of Income – 3 Months

Statements of Income – 12 Months

Balance Sheets

Statements of Cash Flows – 3 Months

Statements of Cash Flows – 12 Months

Attachment 2

Reconciliation of GAAP Net Income to EBITDA including noncontrolling interests – 3 Months

Reconciliation of GAAP to Non-GAAP Earnings Measures – 3 Months

Reconciliation of GAAP Net Income to EBITDA including noncontrolling interests – 12 Months

Reconciliation of GAAP to Non-GAAP Earnings Measures – 12 Months

Reconciliation of GAAP Revenue to Non-GAAP Revenue Measures – 3 Months

Reconciliation of GAAP Revenue to Non-GAAP Revenue Measures – 12 Months

Reconciliation of GAAP Revenue to Non-GAAP Revenue Measures – 3 Months and 12 Months

Reconciliation of Non-GAAP Measures – Debt Net of Cash/Adjusted LTM EBITDA including noncontrolling interests

Reconciliation of GAAP Revenue to Non-GAAP Revenue Measures – Original Equipment and Aftermarket Revenue – 3 Months and 12 Months

Reconciliation of GAAP Revenue and Earnings to Non-GAAP Revenue and Earnings Measures – 3 Months

Reconciliation of GAAP Revenue and Earnings to Non-GAAP Revenue and Earnings Measures – 12 Months

Reconciliation of GAAP Revenue and Earnings to Non-GAAP Revenue and Earnings Measures – adjusted EBIT as a percentage of value-add revenue – Annual

CONFERENCE CALL

The company will host a conference call on Monday, February 2, 2015 at 8:30 a.m. ET. The dial-in number is 800-857-4850 (domestic) or 212-287-1668 (international). The passcode is TENNECO. The call and accompanying slides will be available on the financial section of the Tenneco web site at www.tenneco.com. A recording of the call will be available one hour following completion of the call on February 2, 2015 through March 2, 2015. To access this recording, dial 866-427-6423 (domestic) or 203-369-0900 (international). The purpose of the call is to discuss the company’s operations for the quarter, as well as other matters that may impact the company’s outlook. A copy of the press release is available on the financial and news sections of the Tenneco web site.

ANNUAL MEETING

The Tenneco Board of Directors has scheduled the corporation’s annual meeting of shareholders for Wednesday, May 13, 2015 at 10:00 a.m. CT. The meeting will be held at the corporate headquarters, 500 North Field Drive, Lake Forest, Illinois. The record date for shareholders eligible to vote at the meeting is March 16, 2015.

Tenneco is an \$8.4 billion global manufacturing company with headquarters in Lake Forest, Illinois and approximately 29,000 employees worldwide. Tenneco is one of the world’s largest designers, manufacturers and marketers of clean air and ride performance products and systems for automotive and commercial vehicle original equipment markets and the aftermarket. Tenneco’s principal brand names are Monroe®, Walker®, XNOx™ and Clevite®Elastomer.

Revenue estimates in this release are based on OE manufacturers’ programs that have been formally awarded to the company; programs where Tenneco is highly confident that it will be awarded business based on informal customer indications consistent with past practices; Tenneco’s status as supplier for the existing program and its relationship with the customer; and the actual original equipment revenues achieved by the company for each of the last several years compared to the amount of those revenues that the company estimated it would generate at the beginning of each year. These revenue estimates are also based on anticipated vehicle production levels and pricing, including precious metals pricing and the impact of material cost changes. For certain additional assumptions upon which these estimates are based, see the slides accompanying the February 2, 2015 webcast, which will be available on the financial section of the Tenneco website at www.tenneco.com.

This press release contains forward-looking statements. Words such as “may,” “expects,” “anticipate,” “projects,” “will,” “outlook” and similar expressions identify forward-looking statements. These forward-looking statements are based on the current expectations of the company (including its subsidiaries). Because these forward-looking statements involve risks and uncertainties, the company's plans, actions and actual results could differ materially. Among the factors that could cause these plans, actions and results to differ materially from current expectations are:

- (i) general economic, business and market conditions;
- (ii) the company's ability to source and procure needed materials, components and other products and services in accordance with customer demand and at competitive prices;
- (iii) the cost and outcome of existing and any future claims, legal proceedings, or investigations, including, but not limited to, any of the foregoing arising in connection with the ongoing global antitrust investigation, product performance, product safety or intellectual property rights;
- (iv) changes in capital availability or costs, including increases in the company's costs of borrowing (i.e., interest rate increases), the amount of the company's debt, the ability of the company to access capital markets at favorable rates, and the credit ratings of the company's debt;
- (v) changes in consumer demand, prices and the company's ability to have our products included on top selling vehicles, including any shifts in consumer preferences to lower margin vehicles, for which we may or may not have supply arrangements;
- (vi) changes in automotive and commercial vehicle manufacturers' production rates and their actual and forecasted requirements for the company's products such as the significant production cuts during recent years by automotive manufacturers in response to difficult economic conditions;
- (vii) the overall highly competitive nature of the automobile and commercial vehicle parts industries, and any resultant inability to realize the sales represented by the company's awarded book of business which is based on anticipated pricing and volumes over the life of the applicable program;
- (viii) the loss of any of our large original equipment manufacturer (“OEM”) customers (on whom we depend for a substantial portion of our revenues), or the loss of market shares by these customers if we are unable to achieve increased sales to other OEMs or any change in customer demand due to delays in the adoption or enforcement of worldwide emissions regulations;
- (ix) the company's continued success in cost reduction and cash management programs and its ability to execute restructuring and other cost reduction plans, including our current European cost reduction initiatives, and to realize anticipated benefits from these plans;
- (x) economic, exchange rate and political conditions in the countries where we operate or sell our products;
- (xi) workforce factors such as strikes or labor interruptions;
- (xii) increases in the costs of raw materials, including the company's ability to successfully reduce the impact of any such cost increases through materials substitutions, cost reduction initiatives, customer recovery and other methods;
- (xiii) the negative impact of fuel price volatility on transportation and logistics costs, raw material costs, discretionary purchases of vehicles or aftermarket products, and demand for off-highway equipment;
- (xiv) the cyclical nature of the global vehicular industry, including the performance of the global aftermarket sector and longer product lives of automobile parts;
- (xv) product warranty costs;
- (xvi) the failure or breach of our information technology systems and the consequences that such failure or breach may have to our business;
- (xvii) the company's ability to develop and profitably commercialize new products and technologies, and the acceptance of such new products and technologies by the company's customers and the market;
- (xviii) changes by the Financial Accounting Standards Board or other accounting regulatory bodies to authoritative generally accepted accounting principles or policies;
- (xix) changes in accounting estimates and assumptions, including changes based on additional information;
- (xx) the impact of the extensive, increasing and changing laws and regulations to which we are subject, including environmental laws and regulations, which may result in our incurrence of environmental liabilities in excess of the amount reserved;
- (xxi) natural disasters, acts of war and/or terrorism and the impact of these occurrences or acts on economic, financial, industrial and social condition, including, without limitation, with respect to supply chains and customer demand in the countries where the company operates; and
- (xxii) the timing and occurrence (or non-occurrence) of transactions and events which may be subject to circumstances beyond the control of the company and its subsidiaries.

The company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this press release. Additional information regarding these risk factors and uncertainties is detailed from time to time in the company's SEC filings, including but not limited to its annual report on Form 10-K for the year ended December 31, 2013, and its quarterly report on Form 10-Q for the quarter ended September 30, 2014.