



NYSE: SUP

**Second Quarter 2014  
Earnings Conference Call  
July 31, 2014**

**Superior Industries International**



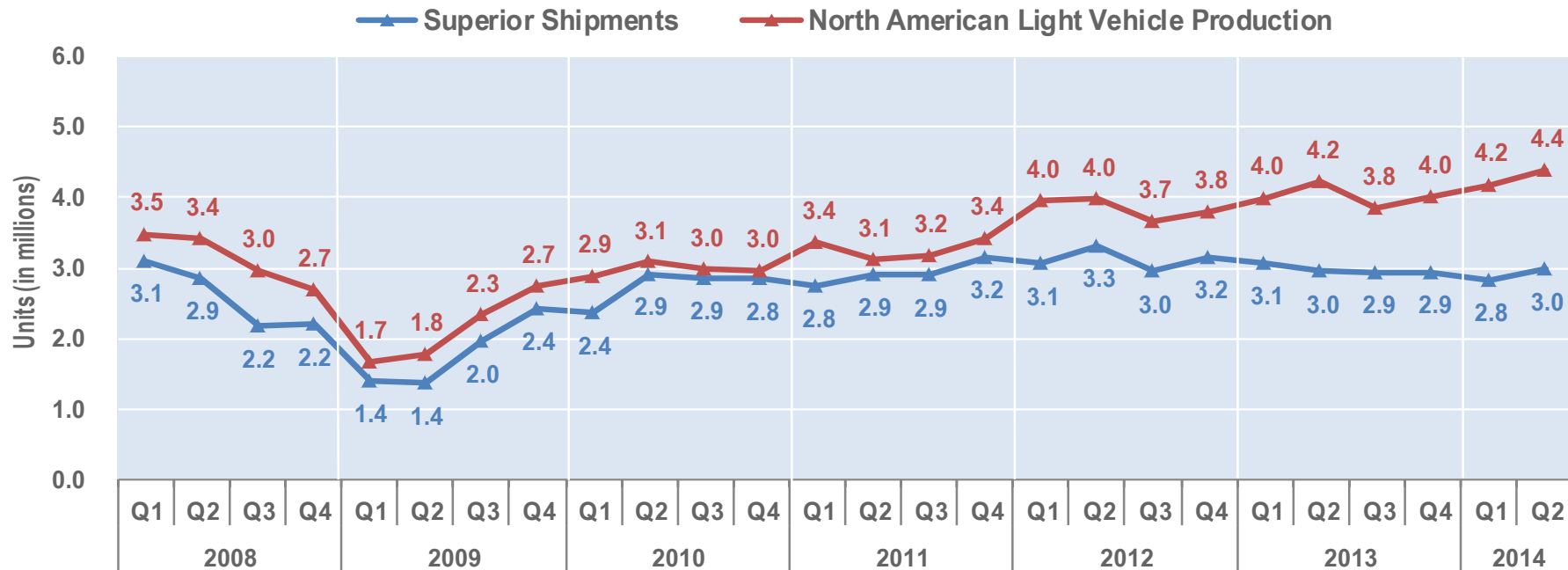
## Forward-Looking Statements

Any forward-looking statements made in this webcast or contained in this presentation are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially because of issues and uncertainties that need to be considered in evaluating our financial outlook. We assume no obligation to update publicly any forward-looking statements. Conditions, issues and uncertainties that may be discussed from time-to-time include, but are not limited to, global competition, product pricing and mix, domestic and foreign market demand, commodity prices including metal, energy and foreign currency, manufacturing capacity including progress in constructing a new manufacturing facility, timing and costs for closing of the Rogers, Arkansas facility, productivity, capital investment including future capital avoidance, items affecting future cash flow, operating and manufacturing challenges, dividends, share repurchases, the company's ability to improve its cost structure and competitive position, and our strategic and operating plans. Please refer to the company's SEC filings, including our 2013 Annual Report on Form 10-K, for a complete discussion on forward-looking statements and risk factors that may cause actual events to differ from these forward-looking statements.



# North American Vehicle Production vs. Superior Shipments

**N.A. production is up 4%, the strongest quarter since 2Q02. Superior shipments increased 1.0%.**



Source: WardsAuto

Note: North American light vehicle production includes passenger cars, light trucks, and SUVs

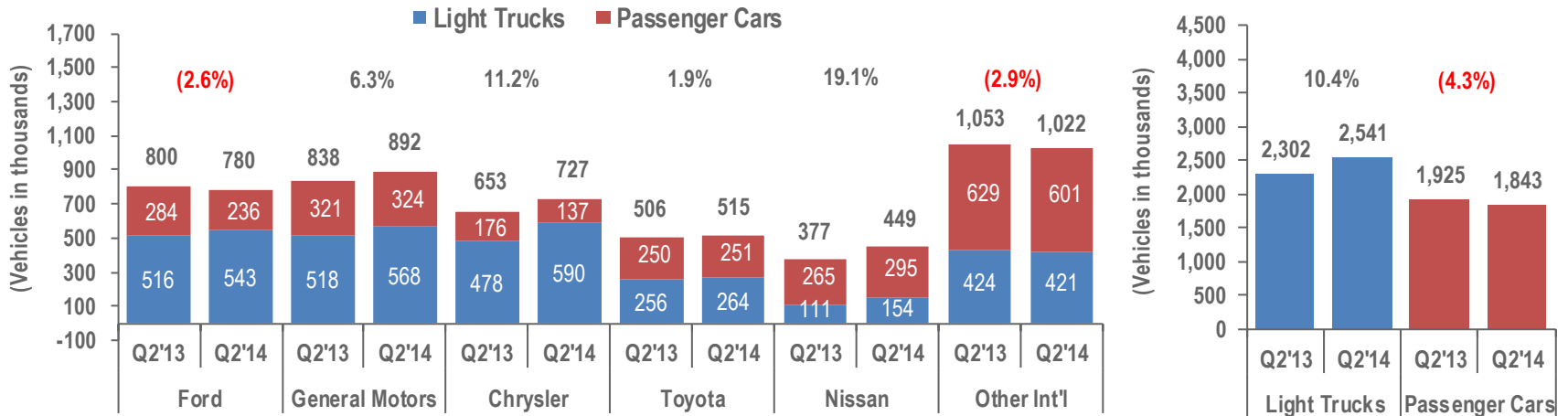
YOY Comparison	NA Light Vehicle Production	Superior Shipments
2Q14	4.4	3.0
2Q13	4.2	3.0
% Change	3.7%	1.0%

Units (in millions)



# NA Vehicle Production – Year-over-Year Comparison

Light vehicle production is up 4% driven by strong light truck growth . Nissan, Chrysler and GM were the primary contributors increasing 19%, 11% and 6% respectively. Ford production declined (3%)

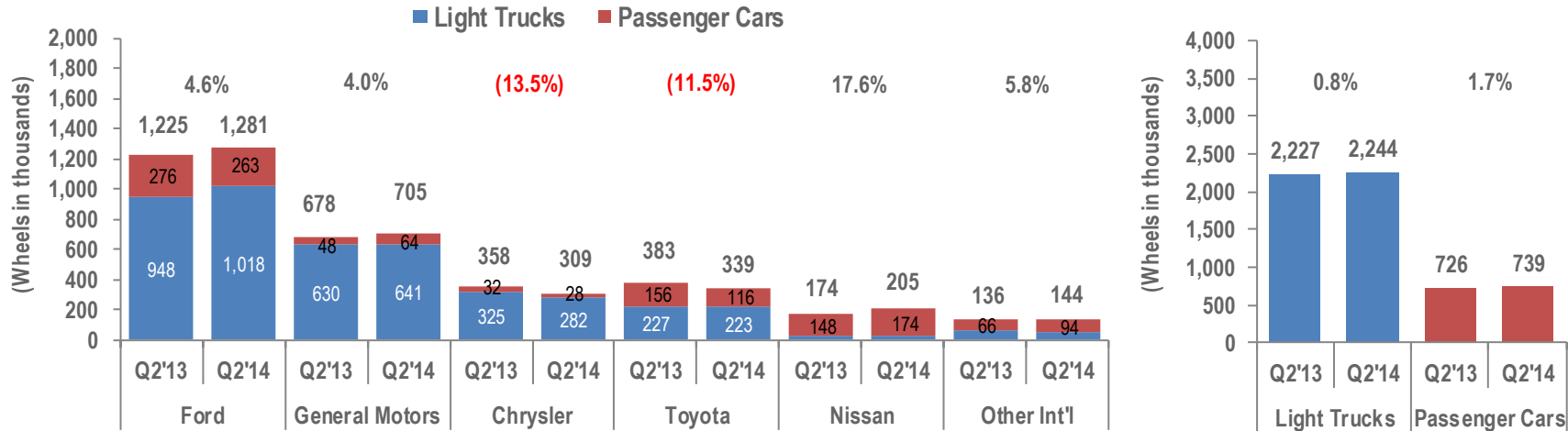


- **Ford: Passenger cars down (48K) units, or (17%) - Light trucks up 28K units, or 5%**
  - Passenger cars: Down in almost all models, primarily on Focus, C-Max, MKZ, and Fusion
  - Light trucks: Increases primarily on F Series and Explorer more than offset decline on Edge
- **GM: Passenger cars essentially flat - Light trucks up 50K units, or 10%**
  - Passenger cars: Up primarily on Corvette, Malibu, Cruze - Down on Aveo, Impala, and Lacrosse
  - Light trucks: Up on K2XX
- **Chrysler: Passenger cars down (39K) units, or (22%) - Light trucks up 112K units, or 24%**
  - Passenger cars: Down on Avenger (no 2Q14 production)
  - Light Trucks: Large increase on Grand Cherokee followed by the Dodge Ram Truck
- **International Brands: Passenger cars essentially flat - Light trucks up 49K units, or 6%**
  - Toyota: Passenger cars are relatively flat with gains on Corolla largely offset by Avalon decline - Light trucks up 3% primarily due to the Highlander
  - Nissan: Passenger cars up 11% primarily due to the Sentra, Note and Maxima - Light trucks up 38% on the Rogue and Infinity Qx60
  - BMW: up 7%, Subaru down (5%) and VW down (12%)



# Superior Shipments – Year-over-Year Comparison

**Growth in passenger cars and light trucks resulted in a 1% increase in shipments over prior year. The most significant change was an increase for the F-Series platform.**



- **Ford: Passenger cars down (13K) units, or (5%) - Light trucks up 70K units, or 7%**
  - Passenger cars: Down on Fiesta and MKZ, partially offset by Fusion and Mustang
  - Light trucks: Up on F Series, Explorer, Expedition and new program with Lincoln MKT, partially offset by declines on Edge and Escape
- **GM: Passenger cars up 16K units, or 33% - Light trucks up 11K units, or 2%**
  - Passenger cars: Up on Chevy Volt
  - Light trucks: Up on Cadillac SRX and K2XX
- **Chrysler: Passenger cars down (5K) units, or (14%) - Light trucks down (44K) units, or (13%)**
  - Passenger cars: Down on Challenger (no vehicles produced in 2Q14)
  - Light Trucks: Down on Dodge Journey and Caravan, partially offset by growth in Town & Country and Durango
- **International Brands: Passenger cars up 14K units, or 4%; Light trucks down (20K) units, or (6%)**
  - Toyota: Passenger cars down (26%) primarily due to the Avalon largely reflecting assembly rates - Light trucks down (2%) on Venza
  - Nissan: Passenger cars up 18% on Maxima and Note, partially offset by Altima; Light trucks up 16% on Xterra and Frontier
  - BMW down (24%), Subaru up 19% and VW up 53%



## NA Production / Superior – Sequential Quarter Comparison

**Solid N.A. production sequential increase. Superior’s sequential growth slightly exceeded the market change with strong light truck shipments.**

QOQ Comparison	NA Light Vehicle Production	Superior Shipments
2Q14	4.4	3.0
1Q14	4.2	2.8
% Change	4.8%	5.4%

*Units (in millions)*

### Market

- **Market growth continues to remain strong**
  - **Ford:** Up 3% on F Series
  - **GM:** Up 5% on K2XX
  - **Chrysler:** Up 10% including Chrysler 200, Dodge Dart, Jeep Grand Cherokee and Chrysler Town & Country
  - **International brands:** Up 3.6% overall - Toyota at plus 12% and Nissan down (<1%)

### Superior

- **Light trucks up 7.3% - flat on passenger cars**
  - **Ford :** Up 4% overall on F Series, Explorer and Expedition
  - **GM:** Up 10% overall on K2XX
  - **Chrysler:** Up 10% overall on Town & Country, partially offset by decline on DR Truck
  - **International brands:** Up 5% at Nissan on the Note, 2% at Toyota on Highlander and Avalon, 22% at Subaru on Legacy / Outback and 12% at VW on the new Beetle. Down (31%) at BMW on X3



## 2Q14 Significant Highlights - Sales

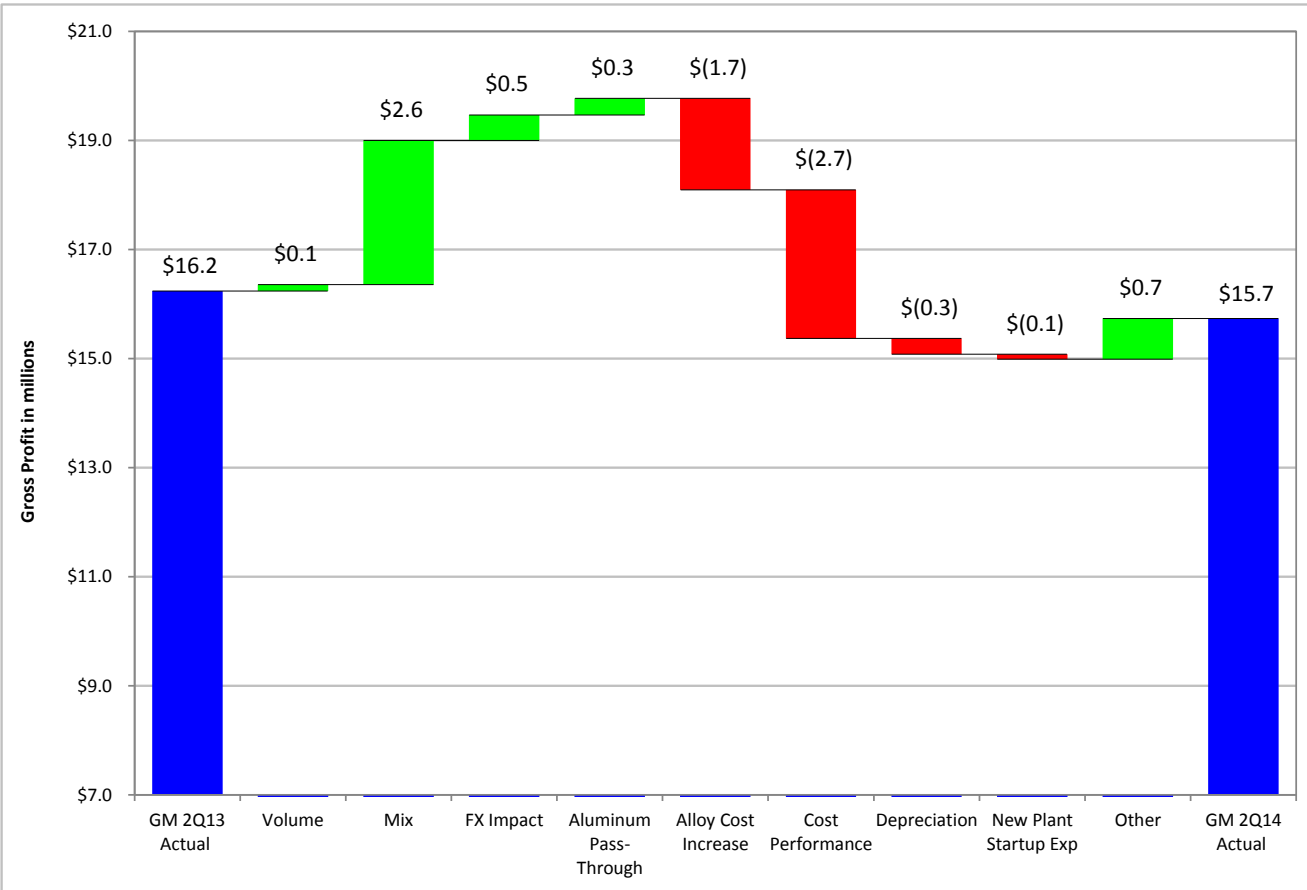
The slight volume increase was offset by lower aluminum prices. Price/Mix was improved but is tapering off compared to prior quarters.

	Millions		Variance		Millions		Variance	
	Q2 2014	Q2 2013	Amount	Percent	YTD 2014	YTD 2013	Amount	Percent
Volume (Wheels Shipped)	2.98	2.95	0.03	1%	5.81	6.03	(0.22)	-4%
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Net Sales:								
Total	\$199.0	\$199.0	\$0.0	0%	\$382.4	\$405.4	(\$23.0)	-6%
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Volume			\$1.8				(\$13.2)	
Project Development			(\$0.8)				(\$0.8)	
Sales Adjustments			\$0.2				\$0.7	
Pass-Through Upcharges			(\$0.5)				(\$3.6)	
Price / Mix			(\$0.7)				(\$6.1)	
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Aluminum Content - Price			(\$2.1)	(\$0.4)			(\$9.1)	(\$6.7)
Aluminum Content - Weight			\$1.7				\$2.4	
FX Impact			(\$0.7)				(\$1.8)	
Price / Mix Other			\$0.4				\$2.4	
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# Quarterly Gross Profit Comparison – Year Over Year

**Gross profit decreased slightly as an improved product mix was offset by a decline in manufacturing cost performance and higher absorbed alloy cost.**



- **Volume - Up slightly**
- **Mix – Reflects stronger mix of premium wheel finishes and processes**
- **FX – 2Q14 average Peso rate devalued 4% compared to 2Q13**
- **Aluminum Pass Through - Timing difference of aluminum adjustments with customers vs. suppliers**
- **Alloy Cost Increase – Portion of higher alloy cost not passed through to our customers**
- **Cost Performance – Variance primarily reflects negative trend at Rogers plant - high scrap rates and low production levels. Fayetteville improved on lower scrap rates, benefits of upgraded equipment plus more manageable volumes and mix. Mexico running smoothly overall, but demand volatility has pressured cost performance.**
- **Capacity Utilization<sup>1</sup>**
  - 2Q14 = 95%
  - 2Q13 = 99%

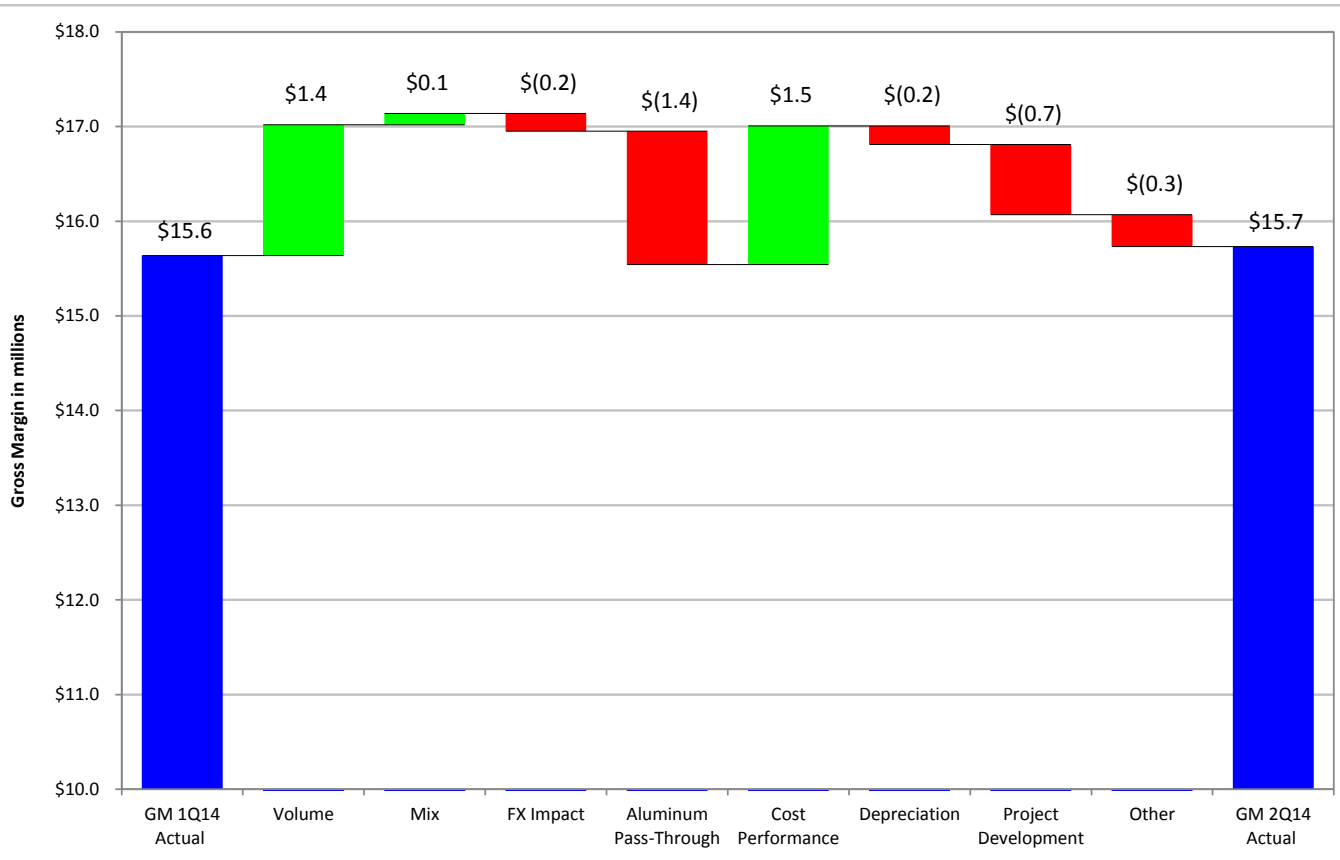
(1) Capacity is computed based on straight time with a standard mix and no provision for unplanned downtime.





# Quarterly Gross Profit Comparison – Sequential

**Benefit from the sequential volume increase was offset by other factors.**



- **Volume - 152K more units**
- **Mix - Flat sequentially**
- **FX – 2Q14 average Peso rate strengthened 2% compared to 1Q14**
- **Aluminum Pass Through - Timing difference of aluminum adjustments with customers vs. suppliers**
- **Cost Performance – 2Q14 performance improved sequentially in the U.S. and Mexico. Increased production levels helped labor utilization and other cost absorption**
- **Project development – Higher cost mostly due to timing of programs**
- **Other - Higher workers compensation due to closed facilities**
- **Capacity Utilization<sup>1</sup>**
  - 2Q14 = 95%
  - 1Q14 = 93%

(1) Capacity is computed based on straight time with a standard mix and no provision for unplanned downtime.



## 2Q14 Income Statements – Other Comments

- **SG&A expenses increased \$198K due to higher professional services, executive stock based compensation and legal cost. Increases were partially offset by a 2Q13 unfavorable adjustment for the Mexico customs audit**
- **Foreign exchange shifted from a \$320k gain in 2013 to a \$180k loss in the current year**
- **Income tax expense increased to \$3.6M or 41.8% for 2Q14 from \$3.5M or 35.9% in 2Q13. Effective income tax rates for both 2Q14 and 2Q13 were affected by a variety of factors, most notably:**
  - **2Q14 - The higher tax provision and effective tax rate of 42% reflects the negative impact of 2014 changes in Mexican tax law, the unavailability of federal and state R&D credits taken in the prior year, the impact of certain non-deductible costs in the U.S., and increases in reserves for uncertain tax positions.**
  - **2Q13 - Effective tax rate benefited from federal R&D credits due to reinstatement for the year, as well as Arkansas R&D credits**



## Balance Sheet & Cash Flow Comments

### Balance Sheet

- Cash and short-term investments decreased \$72.6M during 1H14 to end the quarter at \$130.4M
- Accounts receivable increased \$21.8M compared to year-end 2013 – reflects effect of more shutdown days in last fiscal week of 2013
- Net inventory was relatively flat compared to year-end 2013
- Other current liabilities increased \$1.1M compared to year-end 2013 – reflects increase in VAT payable
- Working capital and current ratio declined but remained strong at \$234M and 3.4:1 at the end of 2Q14
  - Decline of \$51M from year-end 2013
  - Decrease primarily reflects capital spending for the new wheel plant and existing facilities

### Cash Flow

- | <b>Capital expenditures</b> | <u>Quarter</u> | <u>YTD</u>  |
|-----------------------------|----------------|-------------|
| – Existing facilities       | \$ 7.5M        | \$15.9      |
| – New facility              | <u>22.6M</u>   | <u>39.6</u> |
| – Total 2Q14                | \$30.1M        | \$55.5      |
| – Total 2Q13                | \$ 9.4M        | \$17.2      |
- Board authorized stock repurchase program in March 2013, up to \$30M
  - Transacted cumulative repurchases of \$29.3M through July 30, 2014 - \$11.1M in 2Q14
  - Transacted cumulative repurchases of 1,476K shares through July 30, 2014 - 560K shares in 2Q14



## Future Cash Flow Considerations

**Cash investment in the new manufacturing facility will be the largest incremental change from 2013.**

- **New facility spending estimates**
  - 2013 spending = \$35.8M
  - 1H14 spending = \$39.6M
  - Currently expect \$45M - \$50M of cash outflow over 3Q14 - 4Q14 as equipment continues to be installed – roughly 85% of remaining capital investment in 3Q14 based on current estimate
  - \$8M additional spending for start-up cost to fund operations prior to commercial shipments – some capitalized and some expense
  - \$20-\$25M of supporting working capital build up as 2015 progresses
  
- **Capital investment for base business**
  - 1H14 spending = \$16M
  - Estimate \$30-\$35M for 2014, pointing more towards lower end of range
  - Higher discretionary component will allow for more variability based on 2014 performance
  
- **Aluminum sensitivity**
  - Aluminum cost increased in the beginning of 2014 due to higher “Midwest Premiums” and alloy components – MW premiums are + 7.5¢ / pound from year- end 2013
  - Although the majority of the commodity aluminum component will pass through to our market, additional working capital is required to support higher metal cost
  - Rough sensitivity is 1¢ / pound for metal = \$1M in working capital
  
- **Dividend – 2014 dividend payments should approximate \$20M per year at current rate**



## New Manufacturing Facility Update

**Completion of the new manufacturing facility is proceeding on plan.**

- **Building construction and infrastructure completed**
- **Machinery and equipment decisions are finalized and equipment has been arriving onsite for several months**
  - Support equipment such as compressors and cooling towers installed, tested and some are running
  - The majority of production equipment such as furnaces, casting machines, machine cells and paint systems are onsite of which 60% is installed
  - Equipment selection focused on ensuring process capability to meet market requirements, but also to leverage “tried-and-true” designs to mitigate start-up and operational risk
- **Customer production approval process starting**
- **Estimated start of commercial production during 1H15**
- **Cost estimate excluding capitalized start-up remains in \$120-\$125M range**
- **Infrastructure sized to allow for future expansion up to 500k wheels / year – will be able to transfer newer equipment from Rogers facility which reduces expansion capital needs significantly (estimated \$20M capital avoidance)**



# New Manufacturing Facility Update (continued)





## Rogers Facility Closure Update

**Closure of the Rogers, Arkansas facility is part of an initiative to reduce costs and enhance global competitive position.**

- **Superior will decommission the Rogers manufacturing facility by year end**
  - Facility built in 1989
  - Annual straight-time capacity ~1.75M wheels
- **Expected volume softness allows for production shift to other Superior manufacturing facilities - anticipated to generate \$15 million net labor cost savings year-over-year resulting from workforce reduction of approximately 500 employees**
- **Severance costs estimated to be \$2.0-2.5 million**
- **Asset related charges in connection with the closing have yet to be determined, but expected to be recorded primarily in 3Q14 and 4Q14 - net book value of fixed assets and manufacturing equipment at the Rogers location ~\$22 million at 2Q14**
- **Other costs to be incurred as part of the closure also have not yet been determined**
- **A portion of the machinery and equipment will be reallocated to other Superior plants to enhance production, expand capacity while reducing future cash outlay**



## Summary

- **NA auto production continues to remain strong**
- **Superior's market share remained stable sequentially**
- **Negative cost performance primarily reflected operating issues at the Rogers facility – masked improvement at the Fayetteville, AR facility**
- **Although improved over 1Q14, plant utilization rates remained below prior year levels - focus remained on keeping low cost Mexico facilities full**
- **New wheel plant construction progressing on schedule - will expand on success in Mexico, help to lower overall cost structure and provide more flexibility**
- **Rogers facility closure is part of initiative to reduce costs and enhance global competitive position – volume softness allows for action in 2014**
- **Capital spending for the new plant and base business will continue to reduce liquidity**





## 2Q14 Quarter Income Statements

(US\$ in Thousands, except for per share amounts)

	2Q14	2Q13	Favorable (Unfavorable)	
			Amount	Percent
<b>Unit Shipments</b>	<b>2,982,772</b>	<b>2,953,481</b>	<b>29,291</b>	<b>1%</b>
<b>Total Revenues</b>	<b>\$ 198,966</b>	<b>\$ 198,993</b>	<b>\$ (27)</b>	<b>0%</b>
<b>Gross Profit</b>	<b>\$ 15,732</b>	<b>\$ 16,237</b>	<b>\$ (505)</b>	<b>-3%</b>
% of Revenues	7.9%	8.2%	-0.3%	
<b>SG&amp;A Expenses</b>	<b>7,288</b>	<b>7,090</b>	<b>(198)</b>	<b>-3%</b>
% of Revenues	3.7%	3.6%	0.1%	
<b>Operating Income</b>	<b>8,444</b>	<b>9,147</b>	<b>(703)</b>	<b>-8%</b>
% of Revenues	4.2%	4.6%	-0.4%	
<b>Interest Income, net</b>	<b>311</b>	<b>441</b>	<b>(130)</b>	<b>-29%</b>
<b>Foreign Exchange Gain (Loss)</b>	<b>(174)</b>	<b>319</b>	<b>(493)</b>	<b>-155%</b>
<b>Other Income (Expense), net</b>	<b>81</b>	<b>(36)</b>	<b>117</b>	<b>325%</b>
<b>Income Before Income Taxes and Equity Earnings of JVs</b>	<b>8,662</b>	<b>9,871</b>	<b>(1,209)</b>	<b>-12%</b>
<b>Income Tax (Provision) Benefit</b>	<b>(3,623)</b>	<b>(3,547)</b>	<b>(76)</b>	<b>-2%</b>
<b>Net Income</b>	<b>\$ 5,039</b>	<b>\$ 6,324</b>	<b>\$ (1,285)</b>	<b>-20%</b>
<b>Income Per Share - Diluted</b>	<b>\$ 0.18</b>	<b>\$ 0.23</b>	<b>\$ (0.05)</b>	

Unaudited



## June 2014 YTD Income Statements

(US\$ in Thousands, except for per share amounts)	June		Favorable (Unfavorable)	
	2014	2013	Amount	Percent
<b>Unit Shipments</b>	<b>5,813,720</b>	<b>6,028,930</b>	<b>(215,210)</b>	<b>-4%</b>
<b>Total Revenues</b>	<b>\$ 382,356</b>	<b>\$ 405,434</b>	<b>\$ (23,078)</b>	<b>-6%</b>
<b>Gross Profit</b>	<b>\$ 31,368</b>	<b>\$ 29,755</b>	<b>\$ 1,613</b>	<b>5%</b>
% of Revenues	8.2%	7.3%	0.9%	
<b>SG&amp;A Expenses</b>	<b>15,221</b>	<b>14,299</b>	<b>(922)</b>	<b>-6%</b>
% of Revenues	4.0%	3.5%	0.5%	
<b>Operating Income</b>	<b>16,147</b>	<b>15,456</b>	<b>691</b>	<b>4%</b>
% of Revenues	4.2%	3.8%	0.4%	
<b>Interest Income, net</b>	<b>660</b>	<b>876</b>	<b>(216)</b>	<b>-25%</b>
<b>Foreign Exchange Gain (Loss)</b>	<b>(180)</b>	<b>430</b>	<b>(610)</b>	<b>-142%</b>
<b>Other Income (Expense), net</b>	<b>94</b>	<b>(16)</b>	<b>110</b>	<b>688%</b>
<b>Income Before Income Taxes</b>	<b>16,721</b>	<b>16,746</b>	<b>(25)</b>	<b>0%</b>
<b>Income Tax (Provision) Benefit</b>	<b>(6,860)</b>	<b>(5,488)</b>	<b>(1,372)</b>	<b>-25%</b>
<b>Net Income</b>	<b>\$ 9,861</b>	<b>\$ 11,258</b>	<b>\$ (1,397)</b>	<b>-12%</b>
<b>Income Per Share - Diluted</b>	<b>\$ 0.36</b>	<b>\$ 0.41</b>	<b>\$ (0.05)</b>	

Unaudited



# Summary Balance Sheets

(US\$ in Millions)

	June <u>2014</u>	December <u>2013</u>	Increase <u>(Decrease)</u>
<b><u>ASSETS</u></b>			
Cash & Cash Equivalents	\$ 126.7	\$ 199.3	\$ (72.6)
Short Term Investments	3.8	3.8	\$ -
Accounts Receivable, net	111.4	89.6	21.8
Inventories, net	66.6	67.2	(0.6)
Prepaid Aluminum	10.7	6.1	4.6
Other Current Assets	12.2	18.2	(6.0)
Total Current Assets	331.4	384.2	(52.8)
Property, Plant & Equipment	262.5	219.9	42.6
Investments	4.5	4.6	(0.1)
Deferred Taxes	14.8	14.7	0.1
Other Assets	30.7	30.0	0.7
Total Assets	\$ 643.9	\$ 653.4	\$ (9.5)
<b><u>LIABILITIES &amp; EQUITY</u></b>			
Accounts Payable	\$ 31.7	\$ 34.5	\$ (2.8)
Other Current Liabilities	66.0	64.9	1.1
Total Current Liabilities	97.7	99.4	(1.7)
Non-Current Liabilities	71.1	70.9	0.2
Shareholders' Equity	475.1	483.1	(8.0)
Total Liabilities & Equity	\$ 643.9	\$ 653.4	\$ (9.5)

Unaudited



# Summary Cash Flow Statements

(US\$ in Millions)

	<u>June</u> <u>2014</u>	<u>June</u> <u>2013</u>	<u>Increase</u> <u>(Decrease)</u>
Net Income (Loss)	\$ 9.9	\$ 11.3	\$ (1.4)
Depreciation	14.4	14.0	0.4
Deferred Income Taxes & FIN 48	0.4	0.5	(0.1)
Accounts Receivable	(23.3)	(8.5)	(14.8)
Inventories	(0.9)	2.4	(3.3)
Prepaid Aluminum	(4.6)	0.1	(4.7)
Accounts Payable and Accrued Liabilities	4.3	(4.1)	8.4
Other Operations Related Items	1.3	(0.3)	1.6
<b>Cash Flow from Operations</b>	<b>1.5</b>	<b>15.4</b>	<b>(13.9)</b>
Cash Dividends	(9.8)	-	(9.8)
Capital Expenditures	(55.5)	(17.1)	(38.4)
Proceeds from Exercise of Stock Options	3.5	1.1	2.4
Stock Repurchase	(13.0)	-	(13.0)
Net Change in Maturing Investments	-	-	-
All Other	0.7	(0.2)	0.9
<b>Net Increase (Decrease)</b>	<b>(72.6)</b>	<b>(0.8)</b>	<b>(71.8)</b>
Cash - Beginning	199.3	203.4	(4.1)
Cash - Ending	<u>\$ 126.7</u>	<u>\$ 202.6</u>	<u>\$ (75.9)</u>

Unaudited