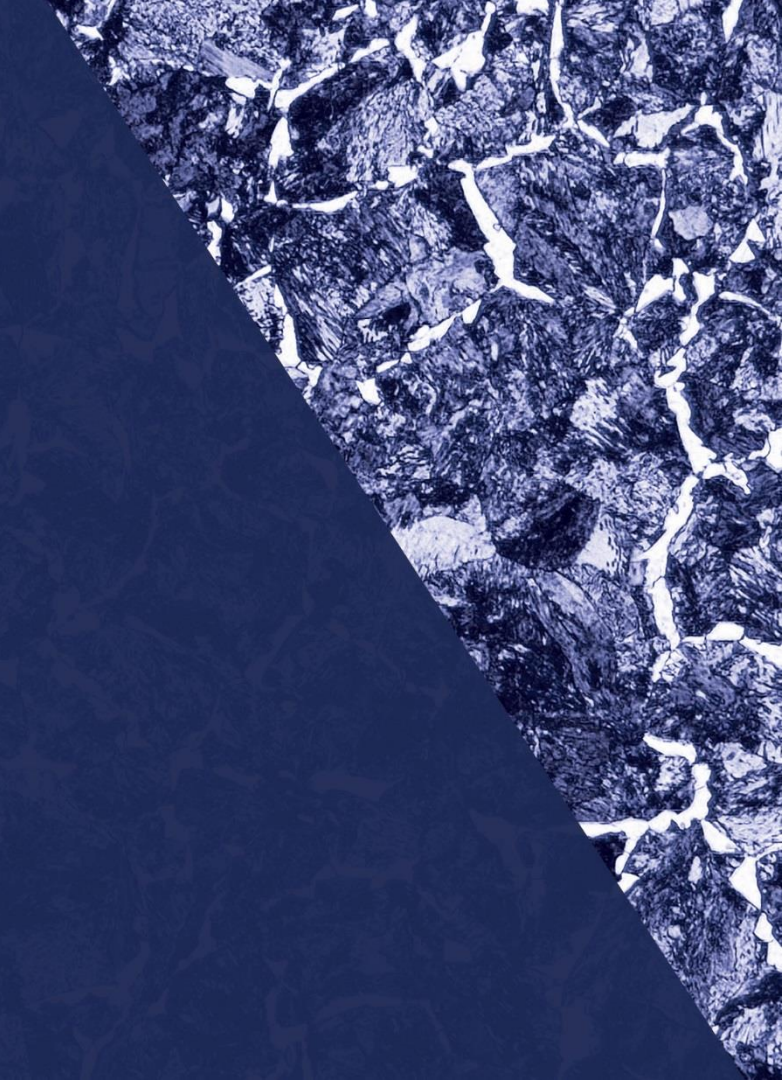
2018 Investor Presentation



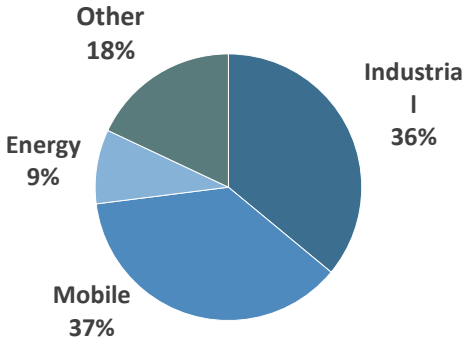
TIMKEN STEEL

TimkenSteel: At a glance

Overview

- Headquartered in Canton, Ohio
- Annual melt capacity of ~2m tons
- Only focused North American SBQ producer
- Widest size range of SBQ bar capability
- Largest domestic capacity of seamless mechanical tube capability

2017 shipments by end market



Alloy steel bars (SBQ) ~75%[1,2]

TimkenSteel Applications



- Bearings
- Fuel injectors
- Crankshafts
- Tri-Cone bits
- Percussion bits
- Energy CRA Production
- CV joints
- Gear

High SBQ

QUALITY

Low (Not SBQ)



- Fasteners
- Hand tools
- Leaf springs
- Shopping carts
- Table legs
- Reinforcing bar

Non-TimkenSteel Applications

Value-added solutions ~15%[1]

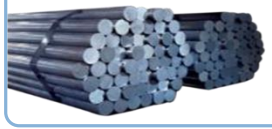
Machining, honing & drilling



Components



Supply chain



Seamless mechanical tubing ~10%[1]

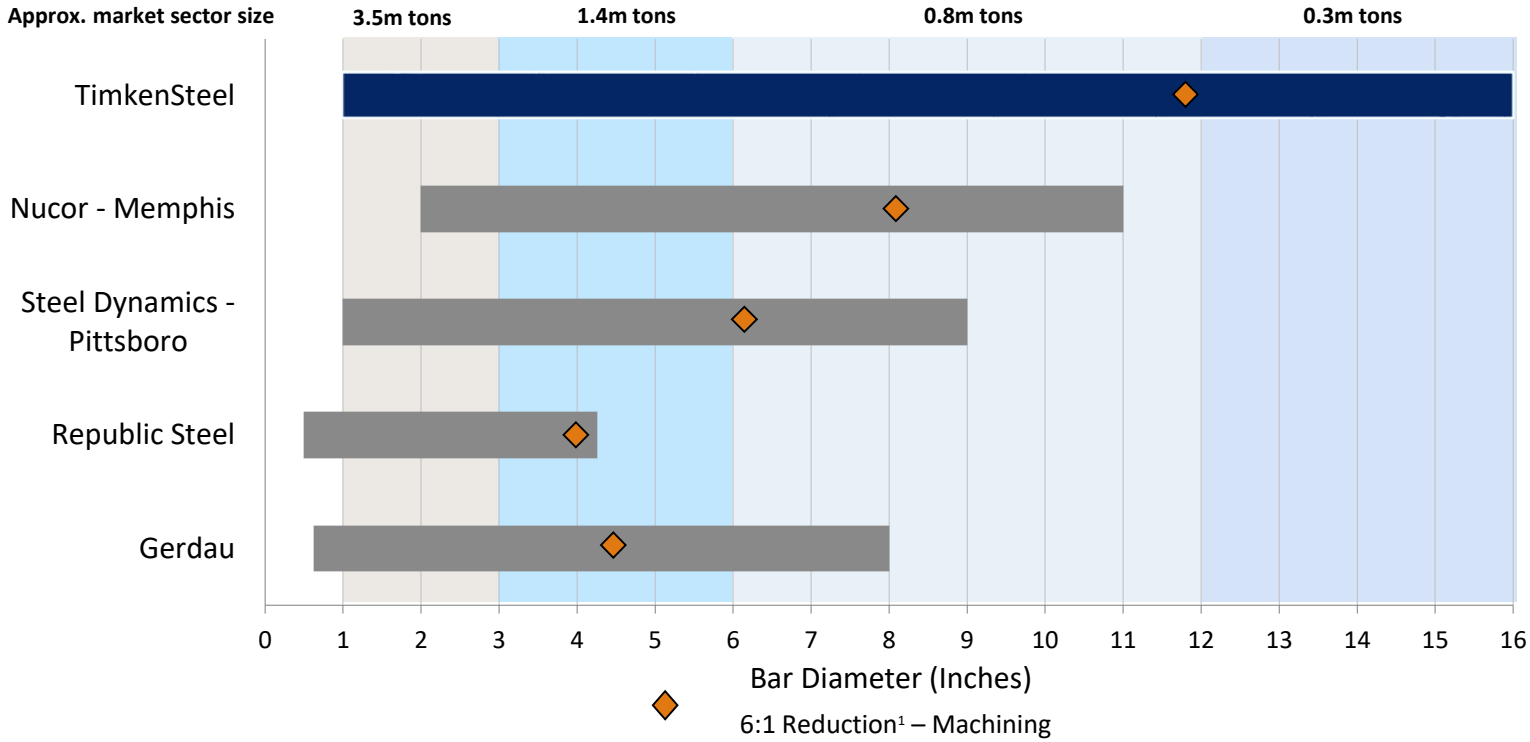


Source: TimkenSteel

[1] As a percentage of 2017 shipments

[2] Includes billets

Broad size range strengthens our competitive position



Source: TimkenSteel internal estimates as of 12/31/2017

[1] Reduction ratio is a critical quality measure for machining applications.

Meeting our customers' high-performance needs

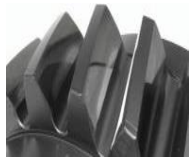
Value proposition

Energy



- On and off-shore drilling and completion applications
- Offerings are valued and trusted by industry leaders
- Unique and integrated supply chain solution set which combines high performance materials, unmatched thermal treatment, proprietary machining processes and responsive delivery capabilities

Industrial



- Diverse industrial applications where performance is critical in a variety of end markets including mining, rail, agriculture, military, machinery and more
- Manufacturing flexibility supports large scale assets with small scale solutions
- Trusted, long-term, reliable supplier

Mobile



- Known for our leadership in quality, consistency, and technical support
- Broad experience fostering deep material, application, and process know-how that creates value
- Critical automotive applications where high performance is required, primarily engine, transmission and driveline components

Key customers

- National Oilwell Varco
- Schlumberger
- Halliburton (via distribution)
- FMC Technologies
- Ellwood Group
- Dril-Quip

- Timken
- Caterpillar
- Amstead Rail
- Ellwood Group
- Canton Drop Forge
- General Dynamics

- General Motors
- Ford
- Honda
- Nissan
- Toyota
- Fiat Chrysler Automobiles

Sales channel

Distribution



- Selected distribution channel partners leveraging one another's strengths
- Authorized service centers valued for differentiated supply chain solutions
- Wide yet tailored offering of sizes, value levels and quantities

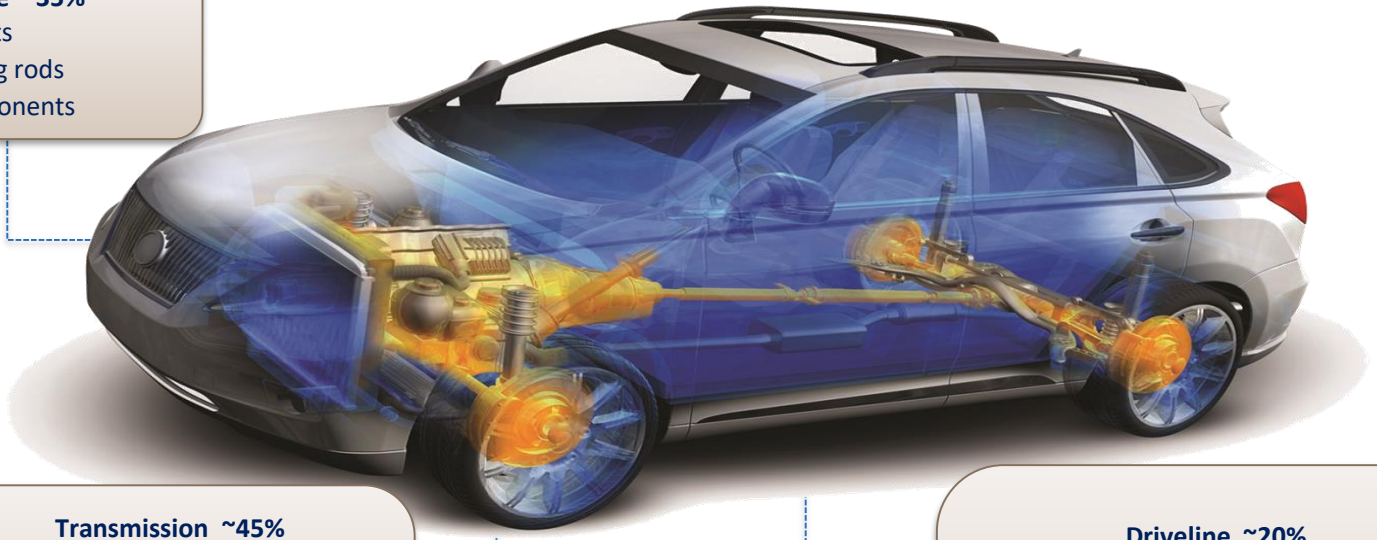
Key customers

- Reliance Steel & Aluminum
- A.M. Castle
- Eaton Steel
- Marmon Keystone

Source: TimkenSteel

TimkenSteel applications in autos

Engine ~35%
- Crankshafts
- Connecting rods
- Fuel components



Transmission ~45%
- Sun, ring, pinion and planetary gears
- CVT pulley
- Drive gears
- Shafts
- Hubs

Driveline ~20%
- Bearing hubs
- Ring gears
- Drive pinion gears
- Side gears
- Axle tubing
- Steering knuckles
- CV Joint housing and cages

TimkenSteel industrial applications










- Bearings components
- Connecting components
- Driveline/axle components
- Engine components
- Ground engaging tooling
- Hydraulic components
- Missile components and projectiles

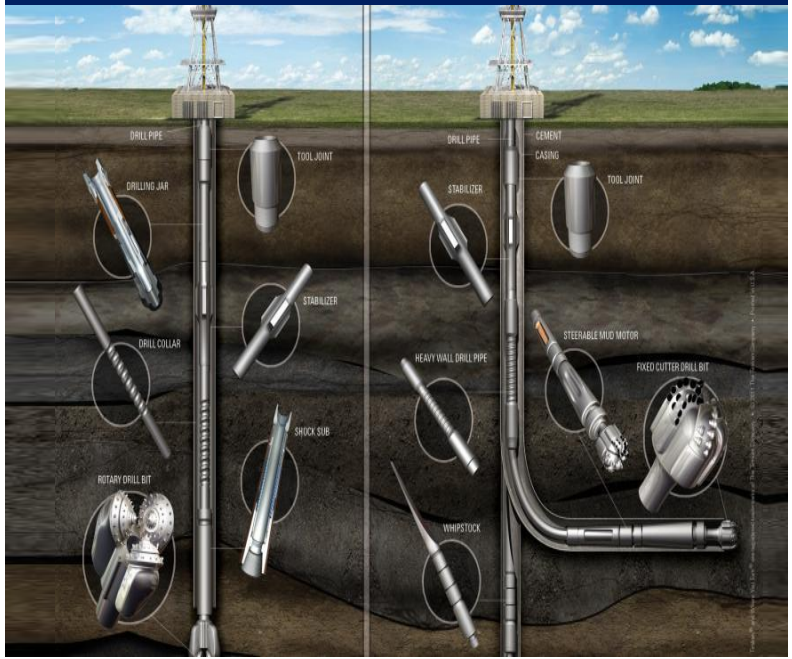
- Planetary gear components
- Steering components
- Track components
- Transmission components
- Drilling
- Others






Demanding applications using unique product and processes

Vertical and horizontal drilling applications



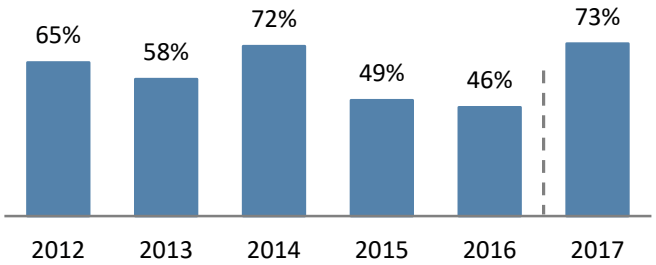
Completion and deepwater drilling applications



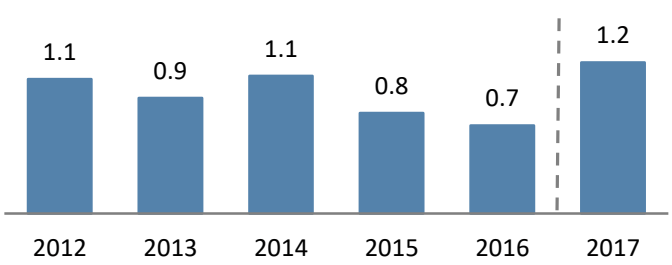
Custom-crafted, reliable solutions that address the distinct needs of the energy industry

High level financial performance history

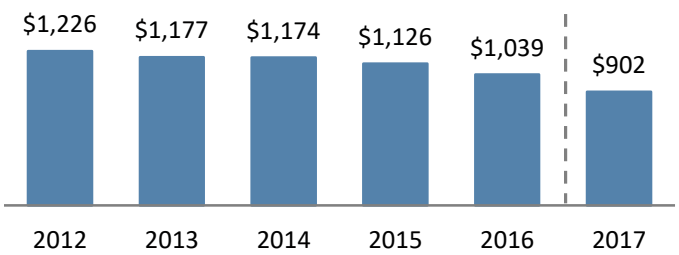
Melt Utilization



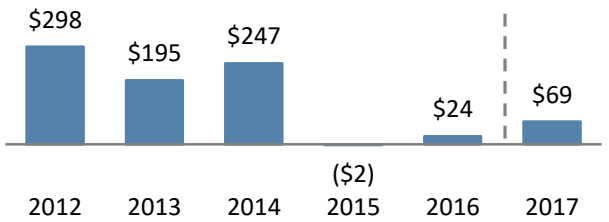
Shipments (k tons)



Average base selling price ($ / ton)[1,4]



Adjusted EBITDA ($m)[2,3,4]



	2012	2013	2014	2015	2016	2017
Adj. EBITDA margin	17%	14%	15%	0%	3%	5%

Source: TimkenSteel, The Timken Company

[1] Excludes surcharges

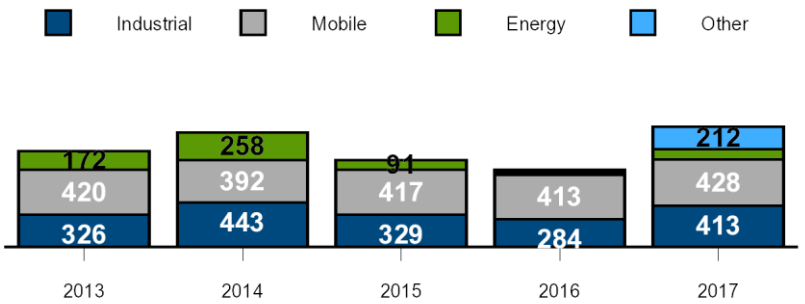
[2] 2012-2013 adjusted EBITDA based on The Timken Company's Steel segment EBITDA, adjusted for previously unallocated corporate expenses and incremental stand-alone costs

[3] Effective January 1, 2016 the company adopted mark-to-market accounting. Adjusted EBITDA for all periods excludes the remeasurement impact of mark-to-market accounting. For 2012-2014, the amortized actuarial losses reflected in adjusted EBITDA have been estimated.

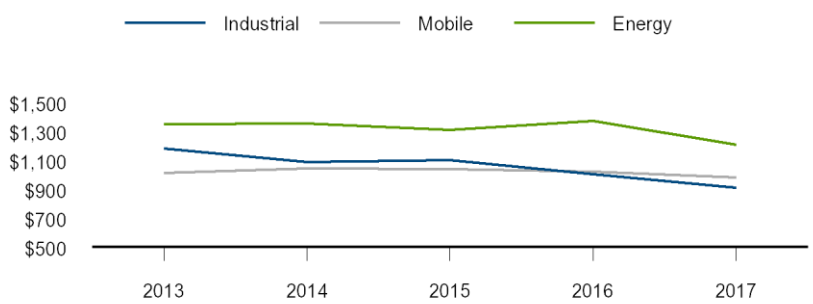
[4] *Please see Appendix for a reconciliation of base sales to net sales and Adjusted EBITDA to Net Income.*

Select performance history by end market

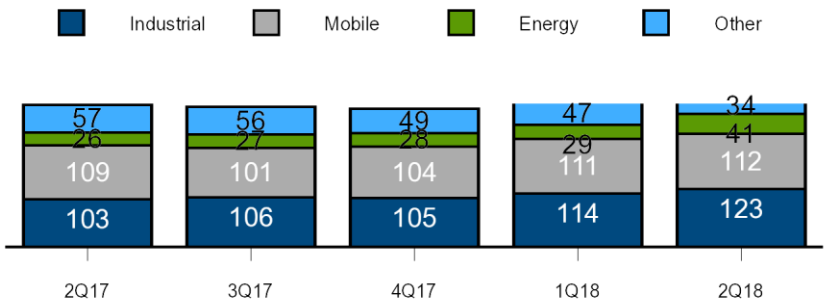
Shipments by end market (k tons)

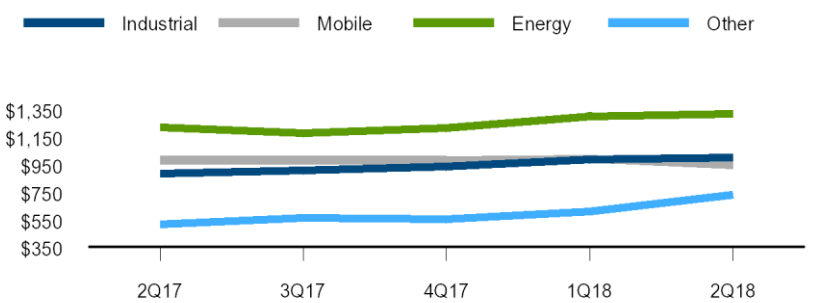


Average base sales by end market ($ / ton)[1,2,3]



Quarterly





Source: TimkenSteel, The Timken Company

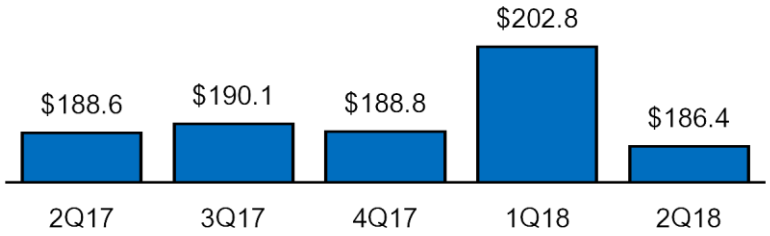
(1) *Net Sales excluding surcharges*

(2) *Please see the reconciliation of base sales to net sales in the Appendix*

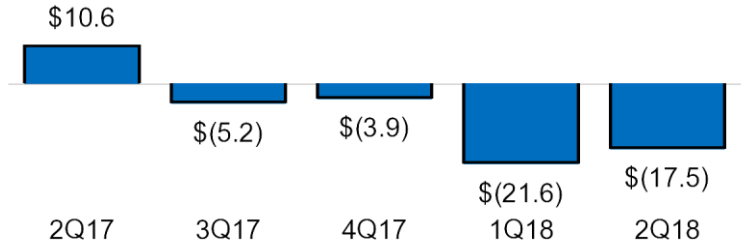
(3) *Billet business began in 2016 – represented in "Other"*

Financial performance - rolling five quarters

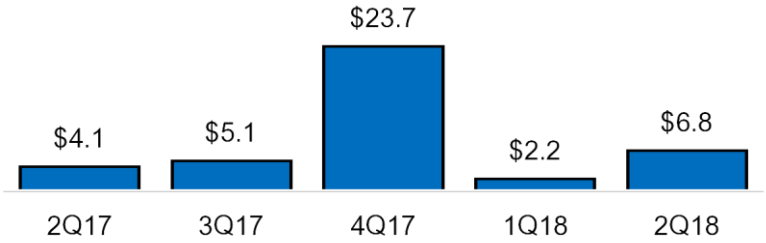
Liquidity ($m)



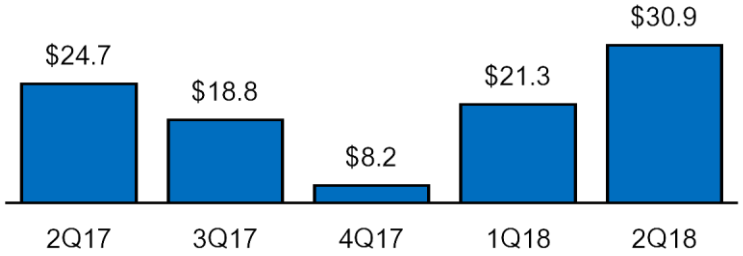
Free Cash Flow ($m)[2]



Capex ($m)



Adjusted EBITDA ($m)[1]

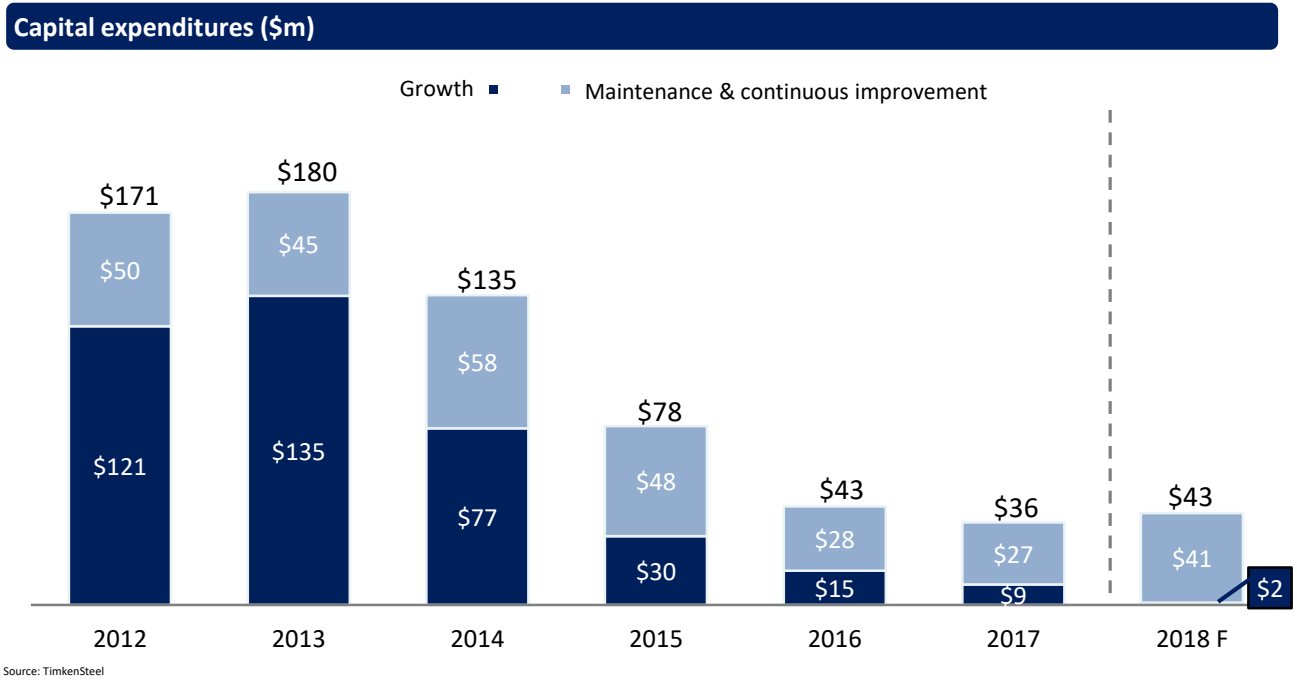


Source: TimkenSteel

(1) *Adjusted EBITDA is defined as EBITDA excluding the loss from remeasurement of benefit plans.*

(2) *Free Cash Flow is defined as net cash provided (used) by operating activities less Capital Expenditures (Capex)*

Investments in major growth projects nearly complete



Source: TimkenSteel

Pension plan close to fully funded

Global Pension plans & OPEB

($m)	Qualified	Non-qualified	Total	OPEB
Liabilities	$1,250	$32	$1,282	$216
Assets	$1,187	$0	$1,187	$104
Funded %	95%	0%	93%	48%

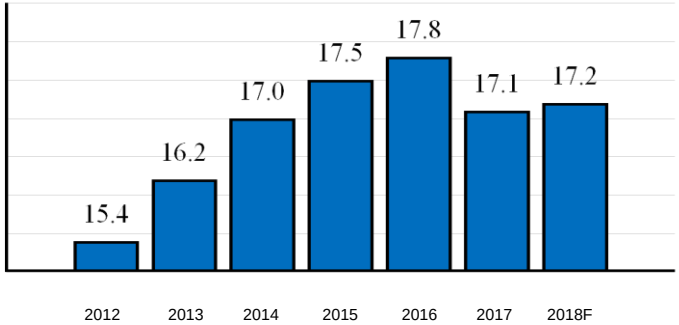
No significant cash outflows expected in the near term

Source: TimkenSteel as of December 31, 2017

Economic indicators

Mobile

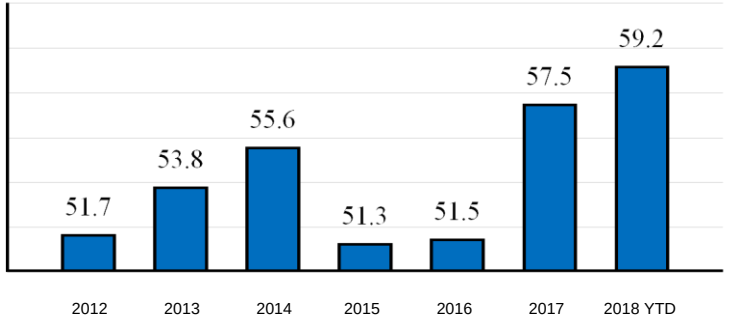
North American light vehicle production *(millions)*



Source: IHS Automotive (June 2018)

Industrial

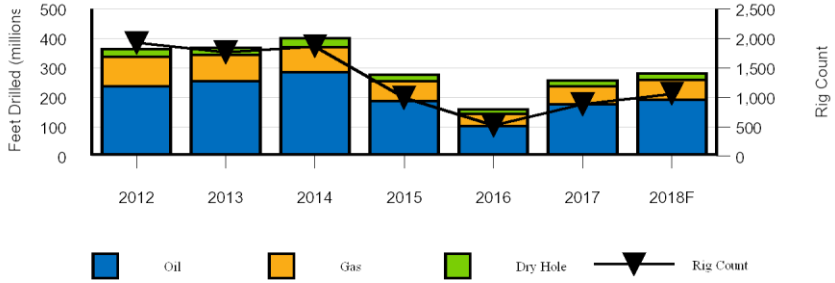
U.S. manufacturing PMI index, seasonally adjusted



Source: Institute For Supply Management (June 2018)

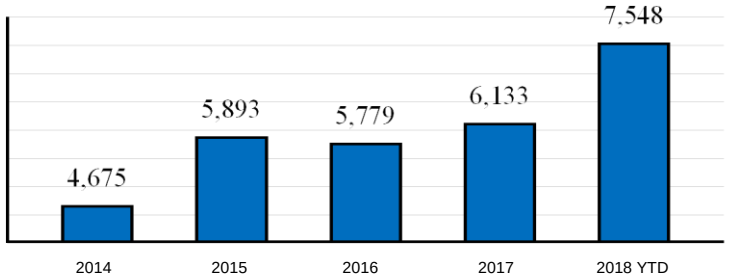
Energy

U.S. drilling activity



Source: Spears Drilling Production Outlook (June 2018)

Avg. drilled but uncompleted wells (DUC's)



Source: Spears Drilling Production Outlook (June 2018) & EIA

*EIA modified their calculations due to changes in correlation methodology for Q2, causing a historical restatement

2018 market outlook

Direct End Markets

	Market Sentiment	TimkenSteel Sentiment	
North American Light Vehicles			Market remains strong and stable with normal seasonality.
Mining			Continued strength in mining driven by strong commodities.
General Industrial			Market continues to grow.
Rail			Sales outlook continues to be flat.
Agriculture			Starting to rebound after multiple years of poor performance.
Oil and Gas			Market continues to grow modestly.
Oil County Tubular Goods (OCTG)			Drilled but uncompleted wells (DUCs) are at all-time highs.

Channels

Distribution			Industrial inventories balanced; levels in energy end-market have improved.

Source: TimkenSteel as of July 26, 2018

Outlook

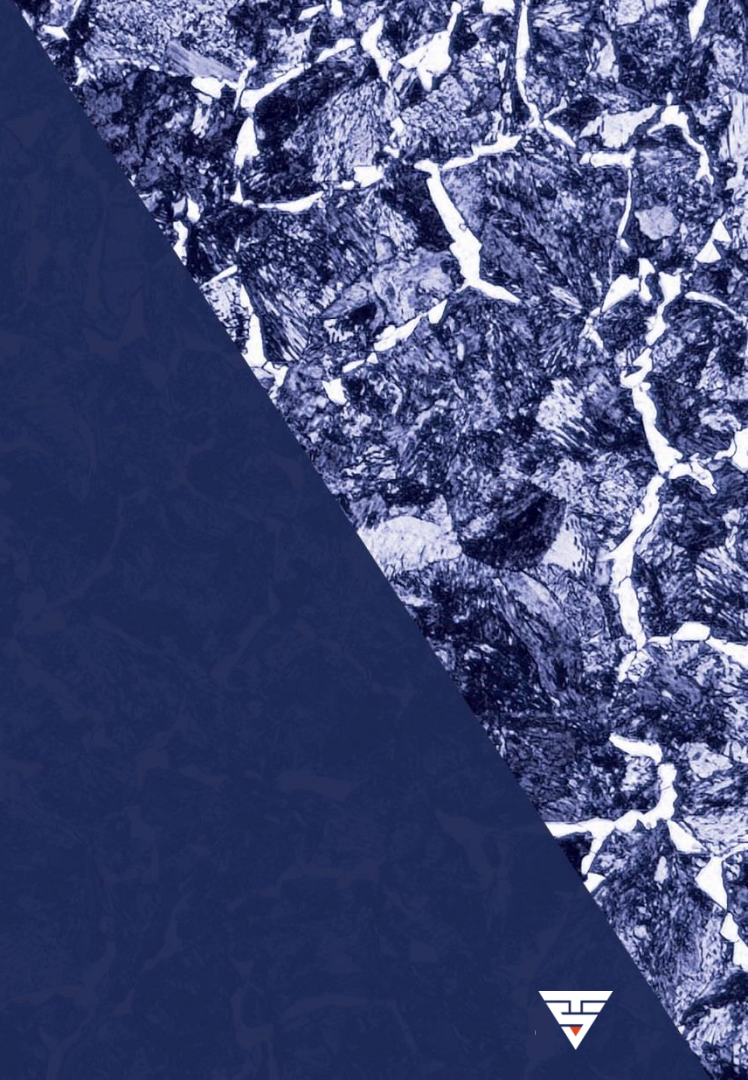
Guidance

Third-quarter 2018 revenue	• Continued strength in end markets; shipments are expected to be similar to second-quarter 2018
Third-quarter 2018 EBITDA[(1)]	• Net income (loss) is projected to be between $(8) million and $2 million • EBITDA is projected to be between $15 million and $25 million • Raw material spread is expected to be a headwind of $4 million • Maintenance costs anticipated to be $14 million higher in third quarter due to planned maintenance outages • Inflation will be a continuing headwind
Other	• 2018 capital spending is projected to be $43 million

Source: TimkenSteel as of July 26, 2018

[(1)] *Please see the discussion of Non-GAAP Financial Measures in the Appendix*

Appendix



Quench-and-temper capabilities:

Changing drilling technology

Background / scope

- Multiple thermal treatment options made available since 1980s to meet customer needs
- ~$40m investment commissioned 4Q 2017

Processing / capabilities

- **Advanced Quench-and-Temper Facility:** Capacity for 50,000 process tons annually of 4”-13” bars and tubes

Customer advantages

- Diverse range of processes to meet demanding strength and hardness requirements, regardless of order size

Competitive advantages

- Meeting stringent mechanical properties is becoming increasingly valuable as drilling demands in harsh environments increase



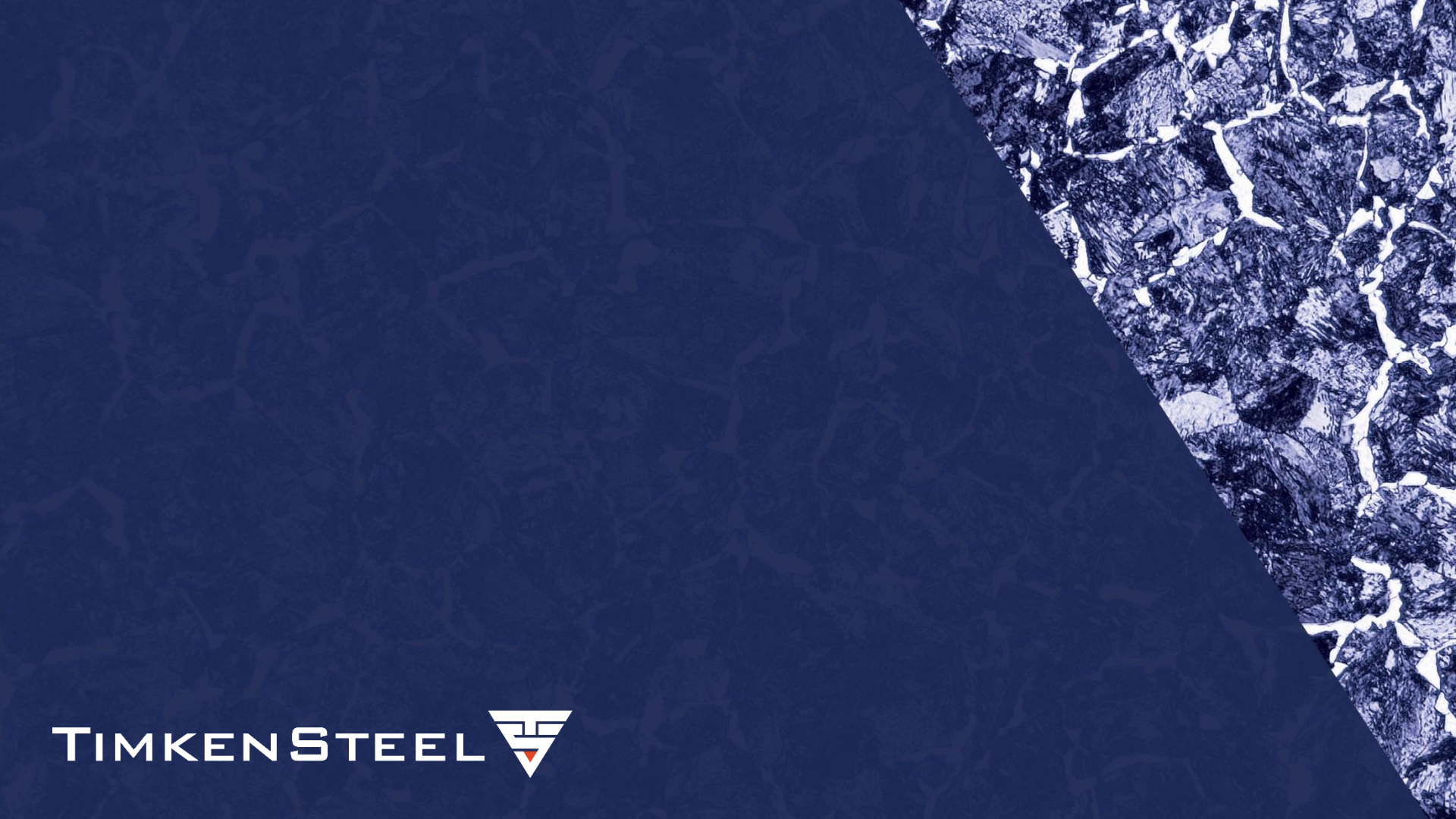
Incentive Compensation

Award	Objective	Metrics	Employees	Time Period
Annual Incentive	• Execution of annual operational priorities • Variable cash compensation based on performance	• EBIT/BIC[(1)] • Cash flow • Key process path sales	• All salaried	• 1 year
Restricted Stock Units	• Retention • Build ownership • Alignment with shareholders	• Share price	• Senior Managers	• 4 years • Ratable vested
Performance-based Restricted Stock Units	• Long-term shareholder value creation • Alignment with strategic business priorities • Reward for accomplishment of mid-term financial performance	• Average return on invested capital • Cumulative sales • Cumulative cash flow • Share price (metrics in current cycles)	• Directors and above including Officers and CEO[(2)]	• 2 to 3 years
Cliff Vested Restricted Stock Units	• Retention of top talent • Build ownership • Alignment with shareholders	• Share price	• Directors and above including Officers	• 3 years
Non-Qualified Stock Options	• Long-term shareholder value creation • Alignment with shareholders	• Share price	• Directors and above including Officers and CEO[(2)]	• 4 years ratable vested • 10 year exercise period

Source: TimkenSteel

[1]EBIT/BIC is defined as earnings before interest and taxes divided by beginning invested capital

[2]CEO's Long-term incentive portfolio comprised of performance-based restricted stock units and non-qualified stock options


TIMKEN STEEL