Analyst Day
Forward-Looking Statements

This presentation contains statements relating to future results of the company (including certain projections and business trends) that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by words or phrases such as “believe,” “expect,” “anticipate,” “estimate,” “should,” “are likely to be,” “will” and similar expressions. Actual results may differ materially from those projected as a result of certain risks and uncertainties, including but not limited to reliance on major OEM customers and possible negative outcomes from contract negotiations with our major customers, including failure to negotiate acceptable terms in contract renewal negotiations and our ability to obtain new customers; the outcome of actual and potential product liability, warranty and recall claims; our ability to successfully manage rapidly changing volumes in the commercial truck markets and work with our customers to manage demand expectations in view of rapid changes in production levels; global economic and market cycles and conditions; availability and sharply rising costs of raw materials, including steel, and our ability to manage or recover such costs; our ability to manage possible adverse effects on our European operations, or financing arrangements related thereto following the United Kingdom’s decision to exit the European Union or, in the event one or more other countries exit the European monetary union; risks inherent in operating abroad (including foreign currency exchange rates, restrictive government actions regarding trade, implications of foreign regulations relating to pensions and potential disruption of production and supply due to terrorist attacks or acts of aggression); risks related to our joint ventures; rising costs of pension benefits; the ability to achieve the expected benefits of strategic initiatives and restructuring actions; our ability to successfully integrate the products and technologies of Fabco Holdings, Inc. and AA Gear Mfg., Inc. and future results of such acquisitions, including their generation of revenue and their being accretive; the demand for commercial and specialty vehicles for which we supply products; whether our liquidity will be affected by declining vehicle production in the future; OEM program delays; demand for and market acceptance of new and existing products; successful development and launch of new products; labor relations of our company, our suppliers and customers, including potential disruptions in supply of parts to our facilities or demand for our products due to work stoppages; the financial condition of our suppliers and customers, including potential bankruptcies; possible adverse effects of any future suspension of normal trade credit terms by our suppliers; potential impairment of long-lived assets, including goodwill; potential adjustment of the value of deferred tax assets; competitive product and pricing pressures; the amount of our debt; our ability to continue to comply with covenants in our financing agreements; our ability to access capital markets; credit ratings of our debt; the outcome of existing and any future legal proceedings, including any proceedings or related liabilities with respect to environmental, asbestos-related, or other matters; possible changes in accounting rules; and other substantial costs, risks and uncertainties, including but not limited to those detailed in our Annual Report on Form 10-K for the year ended September 30, 2018, as amended and from time to time in other filings of the company with the SEC. These forward-looking statements are made only as of the date hereof, and the company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law.

All earnings per share amounts are on a diluted basis. The company's fiscal year ends on the Sunday nearest Sept. 30, and its fiscal quarters generally end on the Sundays nearest Dec. 31, March 31 and June 30. All year and quarter references relate to the company's fiscal year and fiscal quarters, unless otherwise stated.
## Today’s Program

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
<th>Speaker</th>
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<tbody>
<tr>
<td><strong>Open</strong></td>
<td>9 a.m.</td>
<td><strong>Jay Craig</strong></td>
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<tr>
<td></td>
<td></td>
<td>Chief Executive Officer and President</td>
</tr>
<tr>
<td></td>
<td><strong>Break</strong></td>
<td><strong>Chris Villavarayan</strong></td>
</tr>
<tr>
<td></td>
<td>10:20 a.m.</td>
<td>Senior Vice President and President</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Global Truck</td>
</tr>
<tr>
<td></td>
<td><strong>Joe Plomin</strong></td>
<td>Senior Vice President and President</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aftermarket, Industrial and Quality</td>
</tr>
<tr>
<td></td>
<td><strong>Kevin Nowlan</strong></td>
<td>Senior Vice President and President</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Trailer, Components and Chief Financial Officer</td>
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<tr>
<td><strong>Q&amp;A</strong></td>
<td>11:30 a.m.</td>
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<tr>
<td><strong>Lunch</strong></td>
<td>Noon</td>
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</table>
Company Profile and Major Customers

FY18 Sales by Segment

- Commercial Truck & Trailer: 76%
- Aftermarket & Industrial: 24%

FY18 Sales by Geography

- North America: 62%
- South America: 5%
- Asia Pacific: 13%
- Europe: 20%

Top Global Customers

- Ashok Leyland
- Daimler
- Hino
- Iveco
- MAN
- Navistar
- Paccar
- Scania
- Volvo
- XCMG
Diverse End Markets

- Linehaul
- Off-Highway
- Specialty
- Defense
- Trailer
- Components
Status of M2019 Targets

**Grow Revenue**

Expecting to achieve $660M revenue outperformance

<table>
<thead>
<tr>
<th></th>
<th>FY16 Actual</th>
<th>FY17 Actual</th>
<th>FY18 Actual</th>
<th>FY19 Fcst</th>
<th>M2019 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200M</td>
<td>~$200M</td>
<td>~$255M</td>
<td>~$660M</td>
<td>~$730M</td>
<td></td>
</tr>
<tr>
<td>6%</td>
<td>2%</td>
<td>14%</td>
<td>20%</td>
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**Improve Profit**

Achieved adjusted diluted EPS target one year early

<table>
<thead>
<tr>
<th></th>
<th>FY16 Actual</th>
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<th>FY18 Actual</th>
<th>FY19 Fcst</th>
<th>M2019 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>~$75M</td>
<td>~$200M</td>
<td>~$660M</td>
<td>~$730M</td>
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<tr>
<td>2%</td>
<td>14%</td>
<td>20%</td>
<td></td>
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**Allocate Capital**

Achieved net debt to adjusted EBITDA target one year early

<table>
<thead>
<tr>
<th></th>
<th>FY16 Actual</th>
<th>FY17 Actual</th>
<th>FY18 Actual</th>
<th>FY19 Fcst</th>
<th>M2019 Target</th>
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<td>~$730M</td>
<td></td>
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</tr>
<tr>
<td>6%</td>
<td>14%</td>
<td>20%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Based on management’s current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. See slide “Forward Looking Statements.”
2. See Appendix – “Non-GAAP Financial Information.”
Major Product Launches

2017

- 14X HE Tandem Drive Axle
- PACCAR 40K Tandem Axle
- Front Drive Steer Axle
- P600 Tridem Axle
- MTec6™ Trailer Axle

2018

- DUALite 156 Axle
- Optimized EX+ Air Disc Brake
- Loader Axle
- Hub Reduction 610 Axle
- Transfer Case
- 79000 Series Axle
M&A Initiatives Performing Well

**TransPower**
- Design and manufacturing of electric products
- Full-system expertise enabling Meritor to launch programs with global OEMs
- Creates launch platform for eAxle

**Fabco**
- Specialty gearbox, axle and transfer case products for severe service and defense applications
- Expertise in design and spec of gear products

**AA Gear & Manufacturing**
- Low-to-medium volume batch contract manufacturing for complex gear and shaft applications, i.e. components
- Quick-turnaround prototyping solutions and emergency plant support

Approximately $100M in revenue anticipated in fiscal year 2019 with future growth potential

1Based on management’s current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. See slide “Forward Looking Statements.”
Introducing M2022 (FY20-FY22)

- Develop Blue Horizon technologies and products for future vehicle applications
- Strengthen global market position and diversify revenue base
- Maintain best-in-class quality and delivery levels
- Manage capital allocation with emphasis on profitable growth and shareholder returns

1 Based on management’s current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. See slide “Forward Looking Statements.”
2 See Appendix “Non-GAAP Financial Information.”
3 Free Cash Flow Conversion: Free Cash Flow/Adjusted Income from Continuing Operations.
M2022 Financial Targets

- **+$300M new business**
- **12.5% adjusted EBITDA margin**
- **$4.00 adjusted diluted EPS**
- **75% FCF conversion**
- **>50% of new revenue growth**
- **Leading market positions with best-in-class products and services**
- **Optimized capital allocation to enable growth and shareholder return**
  - Equity repurchase authorization of $200M
  - Opportunistic M&A
- **Engaged, results-driven team**
  - <.55 safety incident rate
  - Top quartile employee engagement

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2 See Appendix – “Non-GAAP Financial Information.”

3 Free Cash Flow Conversion: Free Cash Flow/Adjusted Income from Continuing Operations.
## Shift from Deleveraging to Free Cash Flow Generation

### M2016
- Achieve 10% adjusted EBITDA margin
- Reduce net debt\(^3\) by $400M to <$1.5B
- Incremental booked revenue of $500M annually\(^4\)

<table>
<thead>
<tr>
<th></th>
<th>FY13</th>
<th>FY16A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Booked revenue</td>
<td>---</td>
<td>$486M(^2)</td>
</tr>
<tr>
<td>Adjusted EBITDA margin</td>
<td>7.2%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Net debt</td>
<td>$1.9B(^5)</td>
<td>$1.5B</td>
</tr>
</tbody>
</table>

### M2019
- Revenue growth >20% above market
- Increase adjusted diluted EPS by $1.25
- Net debt to adjusted EBITDA at <1.5x

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY19E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue growth</td>
<td>$3.5B</td>
<td>$4.2B</td>
</tr>
<tr>
<td>Adjusted diluted EPS</td>
<td>$1.59</td>
<td>$3.10</td>
</tr>
<tr>
<td>Net debt ratio</td>
<td>2.6x</td>
<td>1.5x</td>
</tr>
</tbody>
</table>

### M2022
- Grow business
- Improve margin
- Drive higher earnings per share
- Generate increased free cash flow

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY22 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>New business</td>
<td>---</td>
<td>$300M</td>
</tr>
<tr>
<td>Adjusted EBITDA margin</td>
<td>11.3%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Adjusted diluted EPS</td>
<td>$3.03</td>
<td>$4.00</td>
</tr>
<tr>
<td>FCF conversion(^6)</td>
<td>53%</td>
<td>75%</td>
</tr>
</tbody>
</table>

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\(^{1}\)Based on management's current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. See slide “Forward Looking Statements.”

\(^{2}\) See Appendix – “Non-GAAP Financial Information.”

\(^{3}\) Including retirement benefit liabilities

\(^{4}\) At run-rate

\(^{5}\) As of 9/30/2012

\(^{6}\) Free Cash Flow Conversion: Free Cash Flow/Adjusted Income from Continuing Operations
# Perceptions Impacting Meritor’s Valuation

## Perceptions

<table>
<thead>
<tr>
<th>Perception</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financials (FCF, Margin Profile, Leverage)</td>
<td>57%</td>
</tr>
<tr>
<td>Cyclicality</td>
<td>36%</td>
</tr>
<tr>
<td>Historical track record/execution</td>
<td>26%</td>
</tr>
<tr>
<td>Exposure to truck market</td>
<td>23%</td>
</tr>
<tr>
<td>Underappreciated by investors</td>
<td>17%</td>
</tr>
<tr>
<td>Need longer history of execution</td>
<td>13%</td>
</tr>
<tr>
<td>Small size</td>
<td>13%</td>
</tr>
</tbody>
</table>

## Performance

- Net debt to adjusted EBITDA ratio declined to 1.5x in last 12 months; expect to remain at this level through FY22
- Adjusted EBITDA margin target of 12.5 percent by 2022 – above peer median
- Operating cash flow ~$1.15B forecast from FY19-FY22
- Strong adjusted EBITDA margins, adjusted diluted EPS and free cash flow expected even when markets return to more normalized levels

- M2016 and M2019 strategies have driven significant shareholder value
- Steady improvement in adjusted EBITDA margins, adjusted diluted EPS and free cash flow for past five years (expected to continue through M2022)
- ~90 percent of M2022 growth expected outside of traditional North America/Europe linehaul
- Advanced technology positioning
- Strong adjusted EBITDA margins, adjusted diluted EPS and free cash flow expected even when markets return to more normalized levels

## Credibility and Strategy Effectiveness

<table>
<thead>
<tr>
<th>Credibility</th>
<th>Industry Mean</th>
<th>Mid-Cap Mean</th>
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<tbody>
<tr>
<td>Management</td>
<td>5.3</td>
<td>4.6</td>
</tr>
<tr>
<td>Effectiveness</td>
<td>5.0</td>
<td>4.5</td>
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</table>

1 Derived primarily from Rivel’s investor perception study dated April 26, 2018.
2 Based on management’s current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. See slide “Forward Looking Statements.”
3 See Appendix – “Non-GAAP Financial Information.”
History of Product Innovation

- **1909**: Timken Detroit Axle established in Detroit, Michigan.
- **1929**: Timken Detroit Axle acquired Wisconsin Parts to form Timken-Detroit Axle and Wisconsin Axle.
- **1951**: Rockwell International launched two new global axle platforms for on-highway and vocational trucks.
- **1986**: R-330 series axle with top-mounted final drive introduced as an advanced engineering improvement.
- **1997**: Rockwell International spins off automotive business, creating Meritor Automotive.
- **2007**: 14X axle and ProTec suspension introduced.
- **2010**: Increased pace of new product launches.
- **2013-2018**: Completed light vehicle divestitures and refocused on commercial vehicles.
- **2018**: Accelerated EV platform with investment in TransPower.

**Key Events**

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Closer Look at M2022: Drive Innovation

Customers Want:

More Efficiency to Reduce Costs/Maximize Profitability
- Super-fast ratios
- Dis-engageable tandem drive axle
- Air disc brake (ADB)
- Positive pad retraction
- Active lube management
- Composite drivelines

Advanced Data to Optimize Safety and Reduce Downtime
- Lube health monitoring
- Automatic tire inflation
- Pad wear sensing

Electric Vehicle Solutions
- Electric vehicle system design, integration and validation
- Subsystem solutions
Battery Electric Vehicles (BEV) Expected to Surpass 300K Globally by 2025¹

Expected BEV Units (‘000) Over Time

<table>
<thead>
<tr>
<th>Year</th>
<th>N. America</th>
<th>S. America</th>
<th>Europe</th>
<th>China</th>
<th>India</th>
<th>Total</th>
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<tbody>
<tr>
<td>2019</td>
<td>24</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>2020</td>
<td>50</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>50</td>
</tr>
<tr>
<td>2021</td>
<td>91</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>91</td>
</tr>
<tr>
<td>2022</td>
<td>153</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>153</td>
</tr>
<tr>
<td>2023</td>
<td>239</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>239</td>
</tr>
<tr>
<td>2024</td>
<td>297</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>297</td>
</tr>
<tr>
<td>2025</td>
<td>328</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>328</td>
</tr>
</tbody>
</table>

% Total Units

<table>
<thead>
<tr>
<th>Year</th>
<th>1%</th>
<th>2%</th>
<th>3%</th>
<th>5%</th>
<th>8%</th>
<th>10%</th>
<th>11%</th>
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</thead>
<tbody>
<tr>
<td>2019</td>
<td>24</td>
<td></td>
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<tr>
<td>2020</td>
<td>50</td>
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<td>0</td>
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<td>0</td>
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</tbody>
</table>

Equates to approximately 11% penetration of global truck production²

¹Sources: ACT 2017 EV Market forecast, Meritor internal modeling of duty cycles and payback analysis by segment (includes Class 4-8)
²Estimated global production of Class 4-8 ~3M units
Core Products and New Content Available

Core Products

Gears
- Transmission gears moving to axle
- Wheel-end gears required with high-speed motors

Axles
- eAxles for integrated solutions
- Conventional axles on non-integrated solutions

Brakes
- Conventional brakes and EV optimized

Gearboxes
- On non-integrated motor solutions

New Content

Vehicle Integration
- Power electronics, EV design, assembly

Motors and Inverters
- Remote mount and eAxle integrated

Controls
- Vehicle, shifting

Meritor’s new content potential per vehicle could be 5x-10x value of traditional content¹

¹Based on management’s current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. See slide "Forward Looking Statements."
# Closer Look at M2022: Protect and Grow

## Truck
- Grow ADB position
- Offer high efficiency (HE) portfolio
- Target niche applications and tag axles
- Expand medium-duty business

## Aftermarket
- Capture fair share of OE position
- Grow high-margin offerings

## Industrial
- Launch new off-highway products
- Capture new defense awards
- Grow specialty business globally

## China and India
- Expand in key off-highway segments (China)
- Grow in mid-market truck segment (China)
- Gain share through expanded offering (India)

## Trailer & Components
- Grow components business
- Expand trailer vocational portfolio
- Maintain strong positions in axle and tire inflation
Closer Look at M2022: Exceed Customer Expectations

Three million more hours worked year over year in fiscal year 2018 with excellent results

Quality

Customer recognitions include:
- Ashok Leyland Best-in-Class Award
- Spartan Motors Diamond Award
- (2) PACCAR 10 PPM Quality Awards
- (4) DTNA Master of Quality Awards
- (2) Hino Delivery Achievement Awards

Delivery

≥99%
Meritor sustained OE delivery rate at target through peak markets

Maintain best-in-class quality and delivery levels in M2022
Capital Allocation Priorities

**M2019 Achievements**

- **Share repurchases**
  - Utilized ~50 percent of FY16-FY18 free cash flow

- **Strong liquidity**
  - Maintaining liquidity at ~18 percent of sales
  - Extended debt maturity profile

- **Leverage improvement**
  - Reduced gross debt by $227M
  - Reduced OPEB liability by $350M

- **Three bolt-on acquisitions/investments**

**M2022 Emphasis**

- **Share repurchases**
  - New $200M share repurchase program
  - Additional share repurchase opportunities

- **Strategic growth**
  - Increase CapEx to 3.0 percent of sales

- **M&A**
  - Execute opportunistic transactions

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2. See Appendix – “Non-GAAP Financial Information.”
Driving Cultural Transformation

Increasing levels of engagement driving performance

Source: Denison Organizational Culture Survey
Commercial Truck & Trailer

Chris Villavarayan
Senior Vice President and President
Global Truck

Dec. 6, 2018
Segment Overview

FY2018 Sales $3.3B

- Drivetrain systems and components, including axles, drivelines, braking and suspension systems for truck markets
- Medium- and heavy-duty truck markets globally
- Undercarriage products and systems for trailer applications in North America

Top Global Customers
Major Trends Influencing Commercial Truck & Trailer

North America
- Emergence of eMobility products
- Last mile delivery = medium duty trucks
- Shift from drum to disc
- Growth in tire inflation demand/features

Europe
- Emergence of eMobility products
- Steady growth despite instability with trade issues and select European economies
- Fleet renewal needed, average truck >11 yrs.
- Infrastructure spend

South America
- Brazil in recovery; uncertainty in other South America countries
- Infrastructure spend

China
- Environmental concerns driving increase in rail and water shipments
- Global leader of new energy vehicles
- Regulating ADB

India
- Government regulations driving new products into the market: axle loading, BS6 emissions, vehicle scrapping policy
- Infrastructure spend
Strategic Paths to M2022

**Sustain or Grow Product Position**
- Invest in core product development
- Maintain lead position in major product categories

**Diversify Portfolio**
- Target growth in South America, China and India
- Expand with specialized OEs and into niche markets

**Enhance Margin**
- Optimize footprint
- Explore alternatives for insourcing
- Reduce product complexity

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**New Revenue Target**

$235M

>85% of growth driven from outside North America/Europe traditional linehaul

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North America Truck

**Sustain or Grow Product Position**
- Launch single piston ADB
  - Secure growing share of ADB adoption, e.g., awarded standard position on Freightliner Cascadia
- Develop tractor tire inflation system
- Offer High-Efficiency (HE) portfolio

**Diversify Portfolio**
- Expand into medium-duty (class 5-7)
  - Offer new electric axles (14Xe, 12Xe)
  - New medium-duty package

**Enhance Margin**
- Optimize brake footprint including highly automated assembly line in North America for ADB assembly
- Dual source critical components
- Improve materials costs through VA/VE
- Assess value of insourcing certain components

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Electrification (North America)

**Lead Market Evolution**
- Secure first mover advantage with an electric powertrain platform designed for:
  - Modularity and scalability
  - Performance and lower cost and weight
- Focus on/invest in products that cover majority of market (14Xe and 12Xe)
- Use electrification as path to grow in medium-duty

**Remain Flexible with Content as OEMs Scale**
- Leverage Meritor and TransPower product breadth to offer content that meets OEM needs through BEV development process

**Leverage TransPower to Expand Content**

<table>
<thead>
<tr>
<th>Product</th>
<th>Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>12Xe</td>
<td>Products cover 90 percent of market</td>
</tr>
<tr>
<td>14Xe</td>
<td></td>
</tr>
<tr>
<td>17Xe</td>
<td></td>
</tr>
</tbody>
</table>

**M2022 eAxle Platforms**

**New Programs**

<table>
<thead>
<tr>
<th>Truck/Product</th>
<th># Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freightliner M2e (with 14Xe)</td>
<td></td>
</tr>
<tr>
<td>Peterbilt 579 (with 14Xe)</td>
<td></td>
</tr>
<tr>
<td>DINA Hustler</td>
<td>70+ units</td>
</tr>
<tr>
<td>(TransPower powertrain)</td>
<td></td>
</tr>
<tr>
<td>Peterbilt 220 (with 14Xe)</td>
<td></td>
</tr>
</tbody>
</table>
Europe Truck

**Sustain or Grow Product Position**
- Capture additional ADB share with truck and trailer OEs
  - Launch Smart ADB
- Expand axle business with vertically integrated OEs
- Offer reduced-weight HE portfolio

**Diversify Portfolio**
- Grow customer base by leveraging global product platforms
  - ADB
  - 18X HE axle
  - 610 hub reduction axle
- Target niche applications and tag axles

**Enhance Margin**
- Vertically integrate select components
- Explore potential economies of scale and footprint optimization
- Expand manufacturing capabilities and capacity
South America Truck

**Sustain or Grow Product Position**
- Ramp up medium-duty program
- Expand business in extra-heavy applications, i.e. mining and logging
- Introduce HE axle lineup

**Diversify Portfolio**
- Grow medium-duty axle portfolio
- Pursue articulated bus opportunities

**Enhance Margin**
- Invest in footprint for local content and capacity
- Localize carrier manufacturing
  - Customers require local content/flexibility
- Increase cast housing machining capacity
**China**

### Sustain Product Position (Off-Highway)
- Target product launches in off-highway segments positioned to grow

### Grow Product Position (On-Highway Truck)
- Explore alliances with leading manufacturers and leverage each other’s strengths
- Increase ADB capacity
- Continue localizing advanced global platforms with efficient axles for the mid-market segment

### Diversify Portfolio
- Explore partnerships with truck OEs
- Localize electric motor technology
- Provide integrated eAxle drive system
- Service OEs in Japan from China manufacturing base
India

**Sustain or Grow Product Position**
- Gain share through expanded new offering and strong customer relationships
- Launch new axles (145, 15i, MT846 (medium-duty hub reduction) and 177)

**Diversify Portfolio**
- Develop and execute electrification strategy
- Execute new award-winning slipper suspension product

**Enhance Margin**
- Execute new site at Pithampur
- Increase axle capacity by 30 percent and brake capacity by 50 percent
Trailer and Components

**Sustain or Grow Product Position**
- Secure long-term agreements with trailer customers
- Capitalize on growing pipeline of components opportunities
- Leverage AA Gear acquisition for business expansion

**Diversify Portfolio**
- Expand vocational trailer suspension product offerings
- Explore next-gen offerings of trailer tire inflation products

**Enhance Margin**
- Grow components
- Optimize axle forming and machining operations
Commercial Truck & Trailer Key Messages

Sustain or Grow Product Position
- Sustain core business
- Invest in the future with game-changing products

Diversify Portfolio
- Leverage global customer relationships

Enhance Margin
- Implement capacity in emerging markets
- Optimize manufacturing costs
Aftermarket & Industrial

Joe Plomin
Senior Vice President and President
Aftermarket, Industrial and Quality

Dec. 6, 2018
Segment Overview

FY2018 Sales $1.0B

- Drivetrain systems and components, including axles, transfer cases, gear boxes, all-wheel-drive systems, drivelines, braking and suspension systems for specialized commercial vehicles including:
  - Defense, bus and coach, utility, terminal tractors, heavy-haul and fire trucks
  - Off-highway vehicles: rough terrain cranes, all terrain cranes and material handling
- Aftermarket (North America and Europe) offers full suite of brakes and brake-related components, drivetrain parts, remanufactured products and replacement kits for full lifecycle support of OEM vehicles
  - 8500+ distribution points in North America, 1500+ distribution points in EMEA

Top Customers
Market Trends Influencing Aftermarket & Industrial

### Aftermarket (North America and Europe)
- OEM position continues to influence aftermarket replacement
- End customer part replacement strategy fragmented depending on vehicle age
- Distribution channel consolidation
- Rising delivery service-level expectation

### Specialty/Off-Highway
- Supplier with systems capability critical as vehicle complexity grows
- Electrification well-suited to specialty applications that are route-based and return home to base
- Increased global infrastructure spending

### Defense
- Defense budget spending increase
- Independent suspensions replacing beam solutions in wheeled vehicles
- Tracked vehicle fleets reaching end of life and need replacement
- Increased survivability requirements leading to upgrades and new builds
Strategic Paths to M2022

**Sustain or Grow**
- Leverage truck scale for competitive advantage
- Launch competitive products for specialty applications
- Grow with new off-highway customers

**Diversify**
- Expand Defense business into EMEA and tracked vehicles
- Introduce ProTec independent suspension for Class 5/6

**Enhance Margin**
- Optimize portfolio, clarify brands and reduce costs
- Capitalize on growing all wheel drive market

**New Revenue Target**
$65M\(^1\)

\(^1\)Based on management’s current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. See slide “Forward Looking Statements.”
Aftermarket

- Growth focused in core drivetrain product lines – emphasis on aftermarket fair share consistent with OEM position
- Drive margin expansion through portfolio optimization and cost reductions
- **Good, Better, Best** brand strategy designed to meet life cycle stage of vehicle, customer budget and desired quality level
- Distribution capability platform that supports customer consolidation and value chain compression

---

**Cumulative retail parts sales per truck ($K)**

<table>
<thead>
<tr>
<th>Year</th>
<th>OEM</th>
<th>Wholesale Distributor (WD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0.4</td>
<td>0</td>
</tr>
<tr>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>5</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>6</td>
<td>15</td>
<td>15</td>
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<tr>
<td>7</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>8</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>9</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

Average truck age in NA and EU

First owner: Best Meritor Genuine

Second owner: Better Meritor Euclid/Meritor

Third owner: Good Private Label

1 Represents parts cost only, without labor. Regional LTL application at 100k miles per year. Source: Frost & Sullivan, MacKay, Meritor, BCG
Industrial – Defense and Off-Highway

**Defense**
- Strong pipeline for defense revenues in North America
- EMEA market is growing – leverage customer relationships, technical knowledge in North America and Europe footprint to capture programs

**Series 30 Product Launch**

**Light Tactical**
- JLTV

**Heavy Tactical**
- Heavy Dump Truck (HDT)

**Off-Highway**

**Heavy Haul**
- Industry leader in planetary axles (P600)
- Market recognition of value: reduced lead times, technology enhancements and customized solutions
- Best-in-class global Aftermarket support

**Rough Terrain (RT) Crane**
- Conquest award in North America with Manitowoc (Grove) – largest RT Crane manufacturer
- Building blocks for entry into new industrial segments
- Recognized as leading innovator in product capabilities
Industrial – Specialty

**New product development**
- Independent front suspension
  - Protec defense platforms with high volume components for cost competitive solutions
- Electrification
  - Leveraging axle/gearbox expertise with Blue Horizon to provide customized solutions

**Increased penetration of recently launched 19X bus axle**

**All Wheel Drive (AWD) – Heavy Duty**

**Strong position with Class 7/8 providers for utility/military applications**

**Combined Meritor/Fabco AWD capability positioned to take advantage of growing market**

**All Wheel Drive (AWD) – Medium Duty**

**Launched new transfer case into Class 4/5/6 markets**
- Unique solution for new GM and Navistar vehicles
Aftermarket & Industrial Key Messages

Sustain or Grow Product Position
- Capitalize on major opportunities in Industrial business

Diversify Portfolio
- Grow business in EMEA, off-highway and electrification

Enhance Margin
- Implement improvements in Aftermarket product portfolio and go-to-market strategy
Financial Overview

Kevin Nowlan
Senior Vice President and President
Trailer, Components and Chief Financial Officer

Dec. 6, 2018
Based on management’s current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. See slide “Forward Looking Statements.”

See Appendix – “Non-GAAP Financial Information.”

Free Cash Flow Conversion: Free Cash Flow/Adjusted Income from Continuing Operations

Peer group: Allison Transmission, Commercial Vehicle Group, Cummins, Dana, Modine, SAF-Holland, Stoneridge and Wabco. Data represents TTM as of 9/30/2018
Global Market Outlook \( ^1,^2 \) (units in 000s)

**North America**
- **Heavy Duty Production (Class 8)**
  - FY16: ~253
  - FY19: ~320
  - FY22: ~250

**South America**
- **Medium / Heavy Duty Production (Class 5-8)**
  - FY16: 292
  - FY19: ~300
  - FY22: ~265
- **Normalizing Markets**
  - FY16: 61
  - FY19: ~110
  - FY22: ~130

**Western Europe**
- **Medium / Heavy Duty Production (Class 5-8)**
  - FY16: 449
  - FY19: ~485
  - FY22: ~425

**India**
- **Medium / Heavy Duty Production (Class 5-8)**
  - FY16: 339
  - FY19: ~450
  - FY22: ~415

**China**
- **Off Highway Market**
  - FY16: 71
  - FY19: ~135
  - FY22: ~145

1. FY19 and FY22 outlooks based on Meritor estimates. Actual results may differ materially from projections as a result of risk and uncertainties. Please see “Forward Looking Statements.”
2. Source: FY16 production figures from ACT, LMC, Anfavea and CCMA.
3. Off-Highway represents Crane 12+ ton, All Grader, Loader 3+ ton and Mining as defined by CCMA.
In September 2017, Meritor sold its 50% interest in the Meritor WABCO joint venture.

Meritor retained exclusive aftermarket distribution rights for JV-related products in the U.S. and Canada.

Either party may terminate the exclusive aftermarket distribution rights at certain points in the future for $225M to $265M.

For planning purposes, assuming option will be exercised during M2022 timeframe.
New Business Wins

$M

$300
$65
$235

- Leverage truck scale for competitive advantage
- Launch competitive products for specialty applications
- Grow with new off-highway customers
- Expand Defense business into EMEA and tracked vehicles

- Invest in core product development
- Maintain lead position in major product categories
- Target growth in South America, China and India
- Expand with specialized OEs and into niche markets
- Grow components business and expand trailer vocational portfolio

Targeting $300 million in new business wins in M2022

1 Based on management’s current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. See slide “Forward Looking Statements.”
2 Represents management’s assessment of addressable portion of market not captured by Meritor.
Operating Performance

Material

- Reduce material cost through:
  - Traditional negotiations
  - Cost modeling
  - Value Analysis/Value Engineering
  - Insourcing
  - Working capital management

Labor & Burden

- Continued investments in new technology to drive automation and efficiency
- Flexible workforce to meet market fluctuations
- Selective footprint optimization strategies

Driving significant annual operating performance for margin expansion
## Putting the Market into Perspective\(^1,2\)

<table>
<thead>
<tr>
<th></th>
<th>FY19 Outlook</th>
<th>Normalized Markets and WABCO Termination(^3)</th>
<th>M20(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>~$4,250</td>
<td>~$3,650</td>
<td>~$3,950</td>
</tr>
<tr>
<td>Adj. EBITDA Margin</td>
<td>~11.5%</td>
<td>~11.0%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Adj. diluted EPS</td>
<td>~$3.10</td>
<td>~$2.20</td>
<td>$4.00</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$175 - $185(^4)</td>
<td>~$130</td>
<td>&gt;$200</td>
</tr>
</tbody>
</table>

### Notes:

1. Based on management’s current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. See slide “Forward Looking Statements.”
2. See Appendix – “Non-GAAP Financial Information.”
3. Reflects impact of FY22 market outlook and currency assumptions from “Global Market Outlook” slide and loss of revenue, earnings and cash flow from termination of WABCO agreement. Does not include termination option proceeds.
4. Excludes free cash flow impact of Maremont transaction—see slide. 50
### Free Cash Flow Improvements\(^1,\)\(^2\)

<table>
<thead>
<tr>
<th></th>
<th>FY13</th>
<th>FY16</th>
<th>FY19E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free Cash Flow</td>
<td>$(150)M</td>
<td>$111M</td>
<td>$175M-$185M(^3)</td>
</tr>
<tr>
<td>Adj. EBITDA Margin</td>
<td>7.2%</td>
<td>10.2%</td>
<td>~11.5%</td>
</tr>
</tbody>
</table>

![Bar chart showing Free Cash Flow Calls (% of sales)](chart)

**Free Cash Flow Calls (% of sales):**
- CapEx: 9.4%
- Pension and OPEB Contributions: 4.1%
- Cash Taxes: 1.7%
- Cash Interest: 2.1%

<table>
<thead>
<tr>
<th></th>
<th>FY13</th>
<th>FY16</th>
<th>FY19E</th>
</tr>
</thead>
<tbody>
<tr>
<td>CapEx</td>
<td>1.5%</td>
<td>1.3%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Pension and OPEB Contributions</td>
<td>4.1%</td>
<td>2.9%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Cash Taxes</td>
<td>1.7%</td>
<td>0.7%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Cash Interest</td>
<td>2.1%</td>
<td>2.2%</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\)Based on management’s current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. See slide “Forward Looking Statements.”
\(^2\)See Appendix – “Non-GAAP Financial Information.”
\(^3\)Excludes free cash flow impact of Maremont transaction—see slide 50.
Free Cash Flow and Free Cash Flow Conversion $M

$81
FY17

53%
$147
FY18

~65%
$175 - $185 5
FY19E 1

75%
>$200
FY22

Free Cash Flow Conversion

FY19 – FY22 Cash Generation
Operating Cash Flow
~$1,150
WABCO Proceeds 4
$225
Total Cash Generation
~$1,375
CapEx
~$475
Liability Management
~$100
Net Cash Available
~$800

~$1.4 billion of cash generation through FY22

1Based on management’s current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. See slide “Forward Looking Statements.”
2See Appendix – “Non-GAAP Financial Information.”
3Free Cash Flow Conversion: Free Cash Flow/Adjusted Income from Continuing Operations.
4Represents the low end of range of proceeds from exercise of WABCO agreement termination option and is considered an investing cash flow.
5Excludes free cash flow impact of Maremont transaction—see slide 50.
Asbestos Legacy Liability

- Maremont, a non-operating subsidiary of Meritor, is seeking to establish a trust under section 524(g) of the U.S. bankruptcy code which, if approved, would permanently resolve all of its current and future asbestos claims.
- Maremont has begun soliciting votes from asbestos claimants to approve a pre-packaged plan of reorganization.
- Cash funding for the 524(g) trust will consist of the repayment of an intercompany loan and a $28 million contribution by Meritor.
- Maremont’s remaining assets, including its insurance receivable, also will be contributed to the trust.

Other Financial Impacts of Transaction to Meritor

- Would eliminate $109M of asbestos liabilities (~50% of Meritor’s total).
- Insurance receivable of $24M would be removed from balance sheet.
- Book gain anticipated as a result of the transaction.

Expected to permanently de-risk balance sheet

1 Amounts as of September 30, 2018.
2 Based on management’s planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. Please see “Forward Looking Statements.”
3 Resulting from the recovery of a previously recorded loss contingency.
## Capital Allocation Priorities

<table>
<thead>
<tr>
<th>Foundational</th>
<th>Growth and Shareholder Focused</th>
<th>Implementation</th>
<th>FY19-22¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain Strong Liquidity</td>
<td>Support Strategic Growth</td>
<td>CapEx</td>
<td>~$475</td>
</tr>
<tr>
<td>Achieve Target Debt Profile</td>
<td>Return Value to Shareholders</td>
<td>M&amp;A</td>
<td>~$800</td>
</tr>
<tr>
<td></td>
<td>Share Repurchases</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹Based on management’s current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. See slide “Forward Looking Statements.”
Support Strategic Growth

Capital Expenditures¹

- Planned increase in capital investment to support organic growth and margin expansion

FY18 FY22
2.5% 3.0%

+50 bps

M&A

- Focus on opportunistic, bolt-on acquisitions in targeted areas that drive value creation

Disciplined approach to capital investment programs to support growth

¹Based on management’s current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. See slide “Forward Looking Statements.”
Return Value to Shareholders

- Announced new $200M share repurchase program
- Achievement of target leverage enables acceleration of capital deployment to shareholders
- Repurchased ~20 percent of diluted shares outstanding since 2014\(^1\)

---

2. See Appendix – “Non-GAAP Financial Information.”
3. Of the $210M equity and equity-linked authorization, $136M was allocated to share repurchases and $74M was allocated to convertible notes.
4. Based on management’s current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. See slide “Forward Looking Statements.”
Conclusion

Jay Craig

Dec. 6, 2018
Meritor Story

Financial

- Maturation evident from FY15-FY19
- Significant cash flow generation
- Future cash flow directed to growth or share repurchases
- Continued earnings/margin growth as markets return to normal levels

Non-Financial

- Among best operational performers in industry
- Disciplined but growing capital investment
- Strong organic and inorganic growth
- Positioned to strengthen market leadership positions
- Leader in technologies of the future

Based on management’s current planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. See slide “Forward Looking Statements.”

See Appendix – “Non-GAAP Financial Information.”

Free Cash Flow Conversion: Free Cash Flow/Adjusted Income from Continuing Operations.
Appendix
Non-GAAP Financial Information

In addition to the results reported in accordance with accounting principles generally accepted in the United States ("GAAP"), we have provided information regarding non-GAAP financial measures. These non-GAAP financial measures include adjusted income (loss) from continuing operations attributable to the company, adjusted diluted earnings (loss) per share from continuing operations, adjusted EBITDA, adjusted EBITDA margin, segment adjusted EBITDA, segment adjusted EBITDA margin, free cash flow and net debt.

Adjusted income (loss) from continuing operations attributable to the company and adjusted diluted earnings (loss) per share from continuing operations are defined as reported income (loss) from continuing operations and reported diluted earnings (loss) per share from continuing operations before restructuring expenses, asset impairment charges, non-cash tax expense related to the use of deferred tax assets in jurisdictions with net operating loss carry forwards, or tax credits and other special items as determined by management. Adjusted EBITDA is defined as income (loss) from continuing operations before interest, income taxes, depreciation and amortization, non-controlling interests in consolidated joint ventures, loss on sale of receivables, restructuring expenses, asset impairment charges and other special items as determined by management. Adjusted EBITDA margin is defined as adjusted EBITDA divided by consolidated sales from continuing operations. Segment adjusted EBITDA is defined as income (loss) from continuing operations before interest expense, income taxes, depreciation and amortization, noncontrolling interests in consolidated joint ventures, loss on sale of receivables, restructuring expense, asset impairment charges and other special items as determined by management. Segment adjusted EBITDA excludes unallocated legacy and corporate expense (income), net. Segment adjusted EBITDA margin is defined as segment adjusted EBITDA divided by consolidated sales from continuing operations, either in the aggregate or by segment as applicable. Free cash flow is defined as cash flows provided by (used for) operating activities less capital expenditures. Net debt is defined as total debt less cash and cash equivalents.

Management believes these non-GAAP financial measures are useful to both management and investors in their analysis of the company’s financial position and results of operations. In particular, adjusted EBITDA, adjusted EBITDA margin, segment adjusted EBITDA, segment adjusted EBITDA margin, adjusted income (loss) from continuing operations attributable to the company and adjusted diluted earnings (loss) per share from continuing operations are meaningful measures of performance to investors as they are commonly utilized to analyze financial performance in our industry, perform analytical comparisons, benchmark performance between periods and measure our performance against externally communicated targets.

Free cash flow is used by investors and management to analyze our ability to service and repay debt and return value directly to shareholders. Net debt over adjusted EBITDA is a specific financial measure in our current M2019 plan used to measure the company’s leverage in order to assist management in its assessment of appropriate allocation of capital. Free cash flow conversion (free cash flow/ adjusted income from continuing operations) is a specific financial measure in our M2022 plan used to assist management and investors in assessing our ability to convert income to cash.

Management uses the aforementioned non-GAAP financial measures for planning and forecasting purposes, and segment adjusted EBITDA is also used as the primary basis for the chief operating decision maker to evaluate the performance of each of our reportable segments.

Our Board of Directors uses adjusted EBITDA margin, free cash flow, adjusted diluted earnings (loss) per share from continuing operations and net debt over adjusted EBITDA as key metrics to determine management’s performance under our performance-based compensation plans.

Adjusted income (loss) from continuing operations attributable to the company, adjusted diluted earnings (loss) per share from continuing operations, adjusted EBITDA, adjusted EBITDA margin, segment adjusted EBITDA and segment adjusted EBITDA margin should not be considered a substitute for the reported results prepared in accordance with GAAP and should not be considered as an alternative to net income as an indicator of our financial performance. Free cash flow should not be considered a substitute for cash provided by (used for) operating activities, or other cash flow statement data prepared in accordance with GAAP, or as a measure of financial position or liquidity. In addition, this non-GAAP cash flow measure does not reflect cash used to repay debt or cash received from the divestitures of businesses or sales of other assets and thus does not reflect funds available for investment or other discretionary uses. Net debt should not be considered a substitute for total debt as reported on the balance sheet. These non-GAAP financial measures, as determined and presented by the company, may not be comparable to related or similarly titled measures reported by other companies. Set forth below are reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with GAAP.
Proprietary © Meritor, Inc. 2018

Non-GAAP Financial Information

Adjusted Income from Continuing Operations Reconciliation
(in millions, except per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016(7)</th>
<th>2015(8)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income from Continuing Operations Attributable to the Company</strong></td>
<td>$120</td>
<td>$325</td>
<td>$577</td>
<td>$65</td>
</tr>
<tr>
<td><strong>Adjustments:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>6</td>
<td>6</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Gain on the sale of equity investment</td>
<td>- (243)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tax valuation allowance reversal, net and other(1)</td>
<td>(7)</td>
<td>(68)</td>
<td>(454)</td>
<td>(16)</td>
</tr>
<tr>
<td>U.S tax reform impacts(2)</td>
<td>89</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loss on debt extinguishment</td>
<td>8</td>
<td>36</td>
<td>-</td>
<td>24</td>
</tr>
<tr>
<td>Income tax expense (benefits)(3)</td>
<td>(10)</td>
<td>74</td>
<td>(1)</td>
<td>(10)</td>
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<tr>
<td>Non-cash tax expense(4)</td>
<td>36</td>
<td>37</td>
<td>13</td>
<td>4</td>
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<tr>
<td>Pension settlement losses(5)</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>59</td>
</tr>
<tr>
<td>Goodwill impairment charges</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>Asset impairment charges, net of noncontrolling interests</td>
<td>3</td>
<td>3</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Asbestos related items(6)</td>
<td>25</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Adjusted Income From Continuing Operations Attributable to the Company</strong></td>
<td>$276</td>
<td>$170</td>
<td>$151</td>
<td>$199</td>
</tr>
</tbody>
</table>

Diluted Earnings Per Share From Continuing Operations:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact of Adjustments on Diluted Earnings Per Share</td>
<td>1.72</td>
<td>(1.72)</td>
<td>(4.63)</td>
<td>0.94</td>
</tr>
<tr>
<td>Adjusted Diluted Earnings Per Share From Continuing Operations</td>
<td>$3.03</td>
<td>$1.88</td>
<td>$1.64</td>
<td>$1.59</td>
</tr>
<tr>
<td>Diluted Shares Outstanding</td>
<td>91.2</td>
<td>90.2</td>
<td>92.0</td>
<td>100.1</td>
</tr>
</tbody>
</table>

(1) The year ended September 30, 2018 includes a $9 million reversal of a Brazil valuation allowance, partially offset by a $2 million increase in valuation allowances for certain U.S. state jurisdictions. The year ended September 30, 2017 includes non-cash income tax benefit (expense) of $52 million related to the partial reversal of the U.S. valuation allowance, $15 million related to capital losses associated with the sale of an equity investment and $1 million related to other correlated tax relief. The year ended September 30, 2016 includes non-cash income tax benefit (expense) of $438 million related to the partial reversal of the U.S. valuation allowance, ($9) million related to the establishment of a valuation allowance in Brazil and $25 million related to other correlated tax relief.

(2) The year ended September 30, 2018 includes $57 million of non-cash tax expense related to the revaluation of our deferred tax assets and liabilities as a result of the U.S. tax reform and $26 million of non-cash tax expense related to the one-time deemed repatriation of accumulated foreign earnings and $6 million of non-cash tax expense related to other adjustments.

(3) The year ended September 30, 2018 includes $2 million of income tax benefits related to the loss on debt extinguishment, $6 million of asbestos related items, $1 million restructuring and $1 million of asset impairment. The year ended September 30, 2017 includes $99 million of income tax expense related to the gain on sale of an equity investment, $14 million of income tax benefit related to the loss on debt extinguishment and $1 million of income tax benefits related to other adjustments.

(4) Represents tax expense including the use of deferred tax assets in jurisdictions with net operating loss carry forwards or tax credits.

(5) The year ended September 30, 2018 includes $6 million related to the UK pension settlement loss.

(6) The year ended September 30, 2018 includes $25 million related to the change in estimate resulting from the change in estimated forecast horizon and an asbestos insurance settlement.

(7) The year ended September 30, 2016 includes non-cash income tax benefit (expense) of $438 million related to the partial reversal of the U.S. valuation allowance ($9) million related to the establishment of a valuation allowance in Brazil and $25 million related to other correlated tax relief.

(8) The year ended September 30, 2015 has been recast to reflect non-cash tax expense.
## Adjusted EBITDA Margin Reconciliation

(in millions)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income attributable to Meritor, Inc.</td>
<td>$117</td>
<td>$324</td>
<td>$573</td>
<td>$(22)</td>
</tr>
<tr>
<td>Loss from discontinued operations, net of tax, attributable to Meritor, Inc.</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Income from continuing operations, net of tax, attributable to Meritor, Inc.</td>
<td>$120</td>
<td>$325</td>
<td>$577</td>
<td>$(15)</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>67</td>
<td>119</td>
<td>84</td>
<td>126</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>6</td>
<td>6</td>
<td>16</td>
<td>23</td>
</tr>
<tr>
<td>Provision(benefit) for income taxes</td>
<td>149</td>
<td>52</td>
<td>(424)</td>
<td>64</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>84</td>
<td>75</td>
<td>67</td>
<td>67</td>
</tr>
<tr>
<td>Noncontrolling interests</td>
<td>9</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Loss on sale of receivables</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Asset impairment charges</td>
<td>3</td>
<td>4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gain on sale of equity investment</td>
<td>-</td>
<td>(243)</td>
<td>-</td>
<td>(125)</td>
</tr>
<tr>
<td>Asbestos related items</td>
<td>25</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Specific warranty contingency, net of supplier recovery</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>Pension settlement losses</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>109</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$474</td>
<td>$347</td>
<td>$327</td>
<td>$264</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>4,178</td>
<td>3,347</td>
<td>3,199</td>
<td>3,672</td>
</tr>
<tr>
<td>Adjusted EBITDA Margin</td>
<td>11.3%</td>
<td>10.4%</td>
<td>10.2%</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

(1) Adjusted EBITDA margin equals adjusted EBITDA divided by consolidated sales from continuing operations.
Non-GAAP Financial Information

Net Debt to Adjusted EBITDA

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-Term Debt</td>
<td>94</td>
<td>$288</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>Long-Term Debt</td>
<td>730</td>
<td>750</td>
<td>982</td>
<td>1,036</td>
</tr>
<tr>
<td>Total Debt</td>
<td>824</td>
<td>1,038</td>
<td>996</td>
<td>1,051</td>
</tr>
<tr>
<td>Less: Cash and Cash Equivalents</td>
<td>(115)</td>
<td>(88)</td>
<td>(160)</td>
<td>(193)</td>
</tr>
<tr>
<td>Net Debt</td>
<td>$709</td>
<td>$950</td>
<td>$836</td>
<td>$858</td>
</tr>
</tbody>
</table>

Net Debt to Adjusted EBITDA:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
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</tr>
<tr>
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<td>3</td>
<td>1</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Income from continuing operations, net of tax, attributable to Meritor, Inc.</td>
<td>$120</td>
<td>$325</td>
<td>$577</td>
<td>$65</td>
</tr>
</tbody>
</table>

<table>
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<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense, net</td>
<td>67</td>
<td>119</td>
<td>84</td>
<td>105</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>6</td>
<td>6</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Provision(benefit) for income taxes</td>
<td>149</td>
<td>52</td>
<td>(424)</td>
<td>1</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>84</td>
<td>75</td>
<td>67</td>
<td>65</td>
</tr>
<tr>
<td>Noncontrolling interests</td>
<td>9</td>
<td>4</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Loss on sale of receivables</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Goodwill and Asset impairment charges</td>
<td>3</td>
<td>4</td>
<td>-</td>
<td>17</td>
</tr>
<tr>
<td>Gain on sale of equity investment</td>
<td>-</td>
<td>(243)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Asbestos related items</td>
<td>25</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pension settlement losses</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>59</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$474</td>
<td>$347</td>
<td>$327</td>
<td>$334</td>
</tr>
</tbody>
</table>

Net debt to adjusted EBITDA:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.5</td>
<td>2.7</td>
<td>2.6</td>
<td>2.6</td>
</tr>
</tbody>
</table>

(1) The twelve-month periods ended September 30, 2015 through 2018 are used to measure the company's leverage in order to assist management in its assessment of appropriate allocation of capital and is also used to assess management's performance under one of our performance-based compensation plans.

(2) Net debt to adjusted EBITDA ratio: (Total debt – Cash and cash equivalents) / Adjusted EBITDA
### Net Debt, Including Retirement Liabilities

*(in millions)*

<table>
<thead>
<tr>
<th></th>
<th>September 30,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>Short-term debt</td>
<td>$ 14</td>
<td>$ 18</td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>982</td>
<td>1,042</td>
<td></td>
</tr>
<tr>
<td>Total debt</td>
<td>$ 996</td>
<td>$ 1,060</td>
<td></td>
</tr>
<tr>
<td>Retirement Liabilities</td>
<td>620</td>
<td>1,112</td>
<td></td>
</tr>
<tr>
<td>Total debt including retirement liabilities</td>
<td>$ 1,616</td>
<td>$ 2,172</td>
<td></td>
</tr>
<tr>
<td>Less: Cash and cash equivalents</td>
<td>(160)</td>
<td>(257)</td>
<td></td>
</tr>
<tr>
<td>Net debt, including retirement liabilities</td>
<td>$ 1,456</td>
<td>$ 1,915</td>
<td></td>
</tr>
</tbody>
</table>

*(1) As reported in fiscal year Annual Report Form 10-K*
## Non-GAAP Financial Information

### Free Cash Flow and Free Cash Flow Conversion Reconciliation

*(in millions)*

<table>
<thead>
<tr>
<th></th>
<th>Twelve Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$251</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>(104)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$147</td>
</tr>
<tr>
<td>Adj. Income from Continuing Operations Attributable to the Company</td>
<td>276</td>
</tr>
<tr>
<td>Free Cash Flow Conversion</td>
<td>53%</td>
</tr>
</tbody>
</table>

(1) Free Cash Flow Conversion: Free Cash Flow/Adjusted Income from Continuing Operations
## Non-GAAP Financial Information

### Free Cash Flow Reconciliation

*(in millions)*

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$204</td>
<td>$97</td>
<td>$215</td>
<td>$(96)</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>$(93)</td>
<td>$(79)</td>
<td>$(77)</td>
<td>$(54)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$111</td>
<td>$18</td>
<td>$138</td>
<td>$(150)</td>
</tr>
</tbody>
</table>
Non-GAAP Financial Information

<table>
<thead>
<tr>
<th>(In millions, except per share amounts)</th>
<th>Fiscal Year 2019 Outlook(^{1(2)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income Attributable to Meritor, Inc.</td>
<td>~$ 230</td>
</tr>
<tr>
<td>Loss from Discontinued Operations</td>
<td>-</td>
</tr>
<tr>
<td>Income from Continuing Operations Attributable to Meritor, Inc.</td>
<td>~$ 230</td>
</tr>
<tr>
<td>Interest Expense, Net</td>
<td>~60</td>
</tr>
<tr>
<td>Provision for Income Taxes</td>
<td>~90</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>~90</td>
</tr>
<tr>
<td>Restructuring</td>
<td>~5</td>
</tr>
<tr>
<td>Other (noncontrolling interests, loss on sale of receivables, etc.)</td>
<td>~15</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>~$ 490</td>
</tr>
<tr>
<td>Sales</td>
<td>~$ 4,250</td>
</tr>
<tr>
<td>Adjusted EBITDA Margin(^{3})</td>
<td>~11.5%</td>
</tr>
<tr>
<td>Diluted Earnings Per Share from Continuing Operations</td>
<td>~$ 2.60</td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
</tr>
<tr>
<td>Restructuring Costs</td>
<td>~0.05</td>
</tr>
<tr>
<td>Non-Cash Tax Expense(^{4})</td>
<td>~0.45</td>
</tr>
<tr>
<td>Adjusted Diluted Earnings Per Share from Continuing Operations</td>
<td>~$ 3.10</td>
</tr>
<tr>
<td>Diluted Average Common Shares Outstanding</td>
<td>~89</td>
</tr>
</tbody>
</table>

\(^{1}\) Amounts are approximate.
\(^{2}\) Based on management’s planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. Please see “Forward Looking Statements.”
\(^{3}\) Adjusted EBITDA margin equals adjusted EBITDA divided by consolidated sales from continuing operations.
\(^{4}\) Represents tax expense including the use of deferred tax assets in jurisdictions with net operating loss carry forwards or tax credits.
## Free Cash Flow and Free Cash Flow Conversion Outlook

### (In millions)

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year 2019 Outlook&lt;sup&gt;(1)(2)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Free Cash Flow:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash Provided By Operating Activities</td>
<td>$ 290-300</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>~(115)</td>
</tr>
<tr>
<td>Free Cash Flow&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>$ 175-185</td>
</tr>
<tr>
<td><strong>Adj. Income from Continuing Operations Attributable to the Company</strong></td>
<td>~276</td>
</tr>
<tr>
<td><strong>Free Cash Flow Conversion&lt;sup&gt;(1)&lt;/sup&gt;</strong></td>
<td>$ ~65%</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Amounts are approximate.

<sup>(2)</sup> Based on management’s planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. Please see “Forward Looking Statements.”

<sup>(3)</sup> Excludes free cash flow impact of Maremont transaction—see slide 50.
## Net Debt to Adjusted EBITDA Outlook

*(in millions)*

<table>
<thead>
<tr>
<th>Description</th>
<th>Fiscal Year 2019 Outlook&lt;sup&gt;(1)&lt;/sup&gt;&lt;sup&gt;(2)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income Attributable to Meritor, Inc.</td>
<td>~$ 230</td>
</tr>
<tr>
<td>Loss from Discontinued Operations</td>
<td></td>
</tr>
<tr>
<td>Income from Continuing Operations Attributable to Meritor, Inc.</td>
<td>~$ 230</td>
</tr>
<tr>
<td>Interest Expense, Net</td>
<td>~60</td>
</tr>
<tr>
<td>Provision for Income Taxes</td>
<td>~90</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>~90</td>
</tr>
<tr>
<td>Restructuring</td>
<td>~5</td>
</tr>
<tr>
<td>Other (noncontrolling interests, loss on sale of receivables, etc.)</td>
<td>~15</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>~$ 490</td>
</tr>
<tr>
<td>Net Debt</td>
<td>$ &lt;735</td>
</tr>
<tr>
<td>Net debt to adjusted EBITDA&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>&lt;1.5</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Amounts are approximate.

<sup>(2)</sup> Based on management’s planning assumptions and other factors. Actual results may differ materially from projections as a result of risks and uncertainties. Please see “Forward Looking Statements.”