

**HARMAN**

# SECOND QUARTER FY 2014 HIGHLIGHTS

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JANUARY 30, 2014

**AKG**

harman/kardon

 **Infinity**

 **JBL**

 **mark  
levinson.**

 **lexicon**

 **REVEL**

# FORWARD LOOKING INFORMATION

Except for historical information contained herein, the matters discussed in this earnings release are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act, as amended. One should not place undue reliance on these statements. The Company bases these statements on particular assumptions that it has made in light of its industry experience, as well as its perception of historical trends, current market conditions, current economic data, expected future developments and other factors that the Company believes are appropriate under the circumstances. These statements involve risks, uncertainties and assumptions that could cause actual results to differ materially from those suggested in the forward-looking statements, including but not limited to: (1) the Company's ability to maintain profitability in its infotainment division if there are delays in its product launches which may give rise to significant penalties and increased engineering expense; (2) the loss of one or more significant customers, or the loss of a significant platform with an automotive customer; (3) fluctuations in currency exchange rates, particularly with respect to the value of the U.S. Dollar and the Euro; (4) the Company's ability to successfully implement its global footprint initiative, including achieving cost reductions and other benefits in connection with the restructuring of its manufacturing, engineering, procurement and administrative organizations; (5) fluctuations in the price and supply of raw materials including, without limitation, petroleum, copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components; (6) the inability of the Company's suppliers to deliver products at the scheduled rate and disruptions arising in connection therewith; (7) the Company's ability to maintain a competitive technological advantage through innovation and leading product designs; (8) the Company's failure to maintain the value of its brands and implementing a sufficient brand protection program; and (9) other risks detailed in Harman International Industries, Incorporated Annual Report on Form 10-K for the fiscal year ended June 30, 2013 and other filings made by the Company with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update or revise any forward-looking statement except as required by law.

This earnings release also makes reference to the Company's awarded business, which represents the estimated future lifetime net sales for all customers. The Company's future awarded business does not represent firm customer orders. The Company reports its awarded business primarily based on written award letters. To validate these awards, the Company uses various assumptions including global vehicle production forecasts, customer take rates for the Company's products, revisions to product life cycle estimates and the impact of annual price reductions and exchange rates, among other factors. These assumptions are updated and reported externally on an annual basis. The Company updates the estimated awarded business quarterly by adding the value of new awards received and subtracting sales recorded during the quarter. These quarterly updates do not include any assumptions for increased take rates, revisions to product life cycle, or any other factors.

# Q2 FY2014 OVERVIEW & RECENT HIGHLIGHTS

- **SECOND QUARTER NET SALES UP 26% TO \$1.328B**
- **EMERGING MARKET SALES UP 50%**
- **NON-GAAP OPERATING INCOME UP 90% TO \$108M\*; EPS UP 85% TO \$1.09\***
- **GENERATED \$121 MILLION IN CASH FROM OPERATIONS**
- **INCREASING FY REVENUE GUIDANCE TO ~\$5.1B & EPS GUIDANCE TO ~\$4.16\***
- **SECURED \$1.1 BILLION IN NEW AWARDS**

\*A non-GAAP measure, see reconciliation of non-GAAP measures in the press release

# NUMBER ONE IN ALL MARKETS WE PLAY

- LTM REV \$4.7B
- LTM EBITDA 10.1%
- ~14,800 FTEs

## INFOTAINMENT

**NAVIGATION, MULTIMEDIA, CONNECTIVITY, & SAFETY SOLUTIONS**



**LTM REVENUE \$2,513M**  
**LTM EBITDA 10.1%**

## LIFESTYLE

**BRANDED AUDIO PRODUCTS FOR HOME, CAR, ON THE GO**



**LTM REVENUE \$1,439M**  
**LTM EBITDA 14.7%**

## PROFESSIONAL

**PRO AUDIO & LIGHTING FOR CINEMA, BROADCAST, TOUR & INSTALLED SOUND**



**LTM REVENUE \$791M**  
**LTM EBITDA 16.5%**

# FINANCIAL PERFORMANCE

(\$ in millions, except EPS)	Quarter Year-Over-Year				First Half Year-Over-Year			
	Q2 FY14	Q2 FY13	Nominal	Local	FY14	FY13	Nominal	Local
<b>HARMAN</b>								
<i>Sales</i>	1,328	1,056	26%	23%	2,500	2,054	22%	19%
<i>EBITDA</i>	139	86	61%	59%	262	194	35%	33%
<i>% Margin</i>	10.5%	8.2%			10.5%	9.4%		
<i>EPS</i>	1.09	0.59	85%	81%	2.04	1.38	48%	45%
<b>Infotainment</b>								
<i>Sales</i>	691	540	28%	24%	1,330	1,101	21%	17%
<i>EBITDA</i>	76	45	71%	67%	145	105	39%	35%
<i>% Margin</i>	11.0%	8.2%			10.9%	9.5%		
<b>Lifestyle</b>								
<i>Sales</i>	430	372	16%	14%	764	663	15%	14%
<i>EBITDA</i>	63	48	34%	32%	114	92	23%	22%
<i>% Margin</i>	14.8%	12.8%			14.9%	13.9%		
<b>Professional</b>								
<i>Sales</i>	207	144	45%	46%	405	287	41%	42%
<i>EBITDA</i>	32	23	43%	46%	64	45	41%	43%
<i>% Margin</i>	15.6%	15.8%			15.7%	15.8%		

EBITDA and EPS are non-GAAP measures and exclude non-recurring items

# FISCAL YEAR 2014 FORECAST

INFOTAINMENT      LIFESTYLE      PROFESSIONAL      TOTAL

*-Raised Jan '14-*

SALES	~\$2,715M	~\$1,560M	~\$825M	~\$5,100M
EBITDA	~\$295M	~\$220M	~\$140M	~\$535M
EPS				~\$4.16

*-Aug '13-*

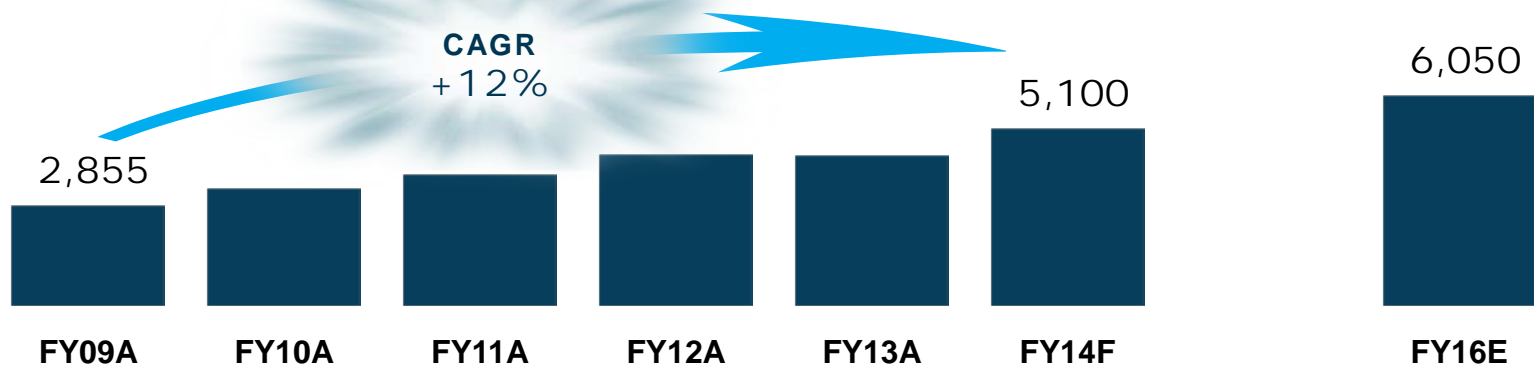
SALES	~\$2,460M	~\$1,425M	~\$815M	~\$4,700M
EBITDA	~\$260M	~\$200M	~\$135M	~\$490M
EPS				~\$3.85

EBITDA and EPS are non-GAAP measures and exclude non-recurring items

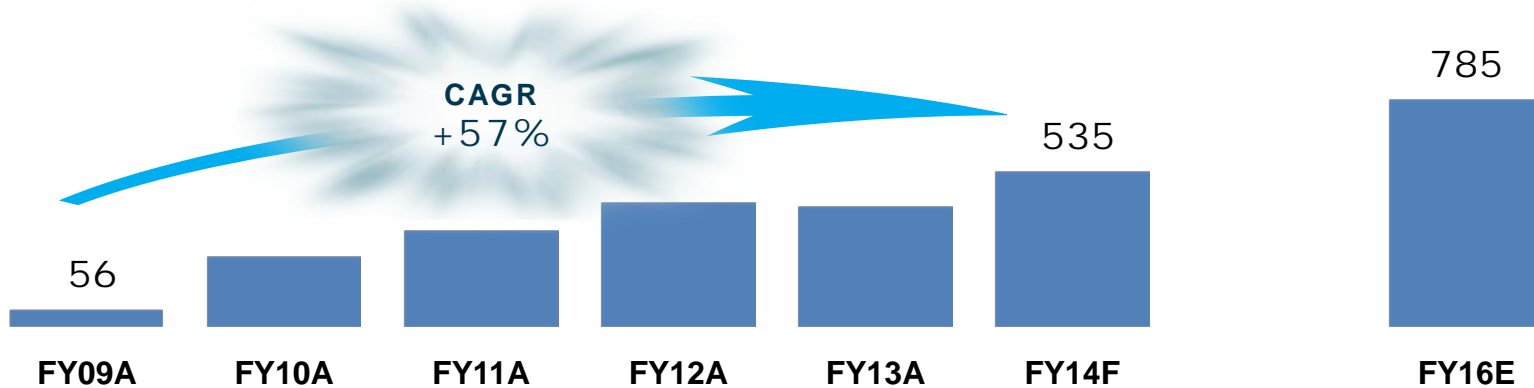


# DRIVING LONG-TERM PROFITABLE GROWTH

## REVENUE GROWTH



## EBITDA GROWTH\*



\*Non-GAAP excluding restructuring and non-recurring items

# INFOTAINMENT DIVISION

## Q2 FY2014 HIGHLIGHTS

### NEW INFOTAINMENT AWARDS

- **VW GROUP** – Scalable replacement award
- **SUZUKI** – Infotainment platform across car lines in Japan
- **YAMAHA** – Infotainment systems on motorcycles in North America
- **GEELY & CHANG'AN** – Scalable infotainment solution in China
- **BMW & JLR** – Infotainment services

### NEW CAR LAUNCHES

- **UCONNECT SYSTEM** – in Jeep Cherokee, Fiat 500L & Alfa Romeo

### NEW TECHNOLOGY LAUNCHES

- Next-gen scalable infotainment platform launched at CES 2014
  - Enabling app ecosystem, safety and security for connected car



长安汽车



JAGUAR



Jeep





# LIFESTYLE DIVISION

## Q2 FY2014 HIGHLIGHTS

### NEW BUSINESS AWARDS

- Daimler across car lines (Hands-Free MEMS Microphones)
- Hyundai Elantra (Scalable Audio)
- Chang'an, Geely & SAIC (Scalable Audio)

### NEW CAR LAUNCHES

- Hyundai Genesis (Lexicon)
- Toyota Highlander (JBL)

### HOME & MULTIMEDIA

- 15 Red Star and 8 CES innovation and design awards
- 360 degree marketing campaign; relaunched Infinity brand
- Opened flagship store in New York City



长安汽车



上汽集团



# PROFESSIONAL DIVISION Q2 FY2014 HIGHLIGHTS

## MAJOR NEW VENUE INSTALLATIONS

- BMW World Customer Center (Germany)
- King Abdullah Sports Center (Saudi Arabia)
- Salvador International Airport (Brazil)
- St. Louis Cardinals & San Diego Padres Baseball Parks (U.S.)



## KEY EVENTS, FESTIVALS & TOURS

- GRAMMY® Awards
- Grand Central Station's 100<sup>th</sup> Anniversary Celebration
- American & Country Music Awards



## AWARDS/INNOVATION

- Lexicon Awarded Technical GRAMMY® Award



## 20 NEW SOUND/LIGHTING PRODUCTS

# CES HIGHLIGHTS

## LEADING ANNOUNCEMENTS

8 CES  
INNOVATION  
AWARDS IN 2014

- **Next-Generation Scalable Infotainment Platform Enables Safety, Cyber Security and Rapid Application Development**
- **Aha™ by HARMAN Cloud Platform ‘Future Proofs’ Vehicles**
- **Signal Doctor™ by HARMAN Technology Restores Audio Quality**
- **Infinity® Brand in Hyundai Pushes New Boundaries with Linkin Park**
- **Integrated Google Glass Solution Demonstrates Power of HARMAN ADAS Engine to Reduce Driver Distraction**

# CES HIGHLIGHTS INFOTAINMENT OF TOMORROW

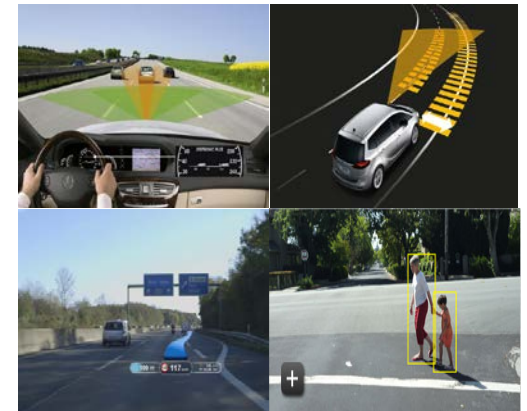
## APP ECOSYSTEM



## CYBER SECURITY

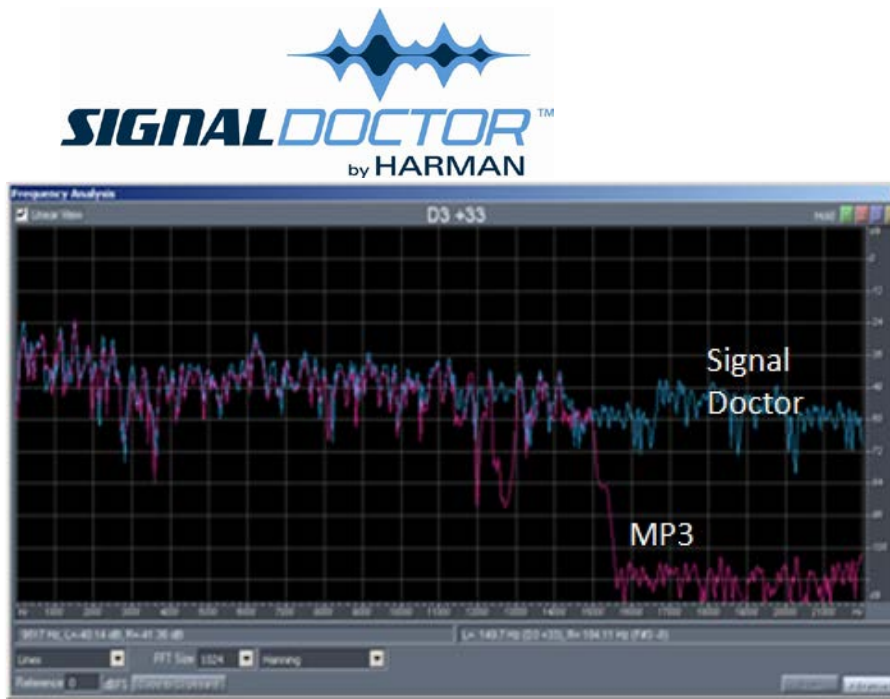


## ADVANCED SAFETY



# CES HIGHLIGHTS SIGNAL DOCTOR

MP3, XM, SIRIUS...  
COMPRESSED  
AUDIO MEDIA  
IMPROVEMENT



REAL-TIME FULL SPECTRUM RESTORATION

## PROBLEM

- LOSSY COMPRESSED AUDIO FORMATS
- 90% OF THE ORIGINAL AUDIO CONTENT DISCARDED

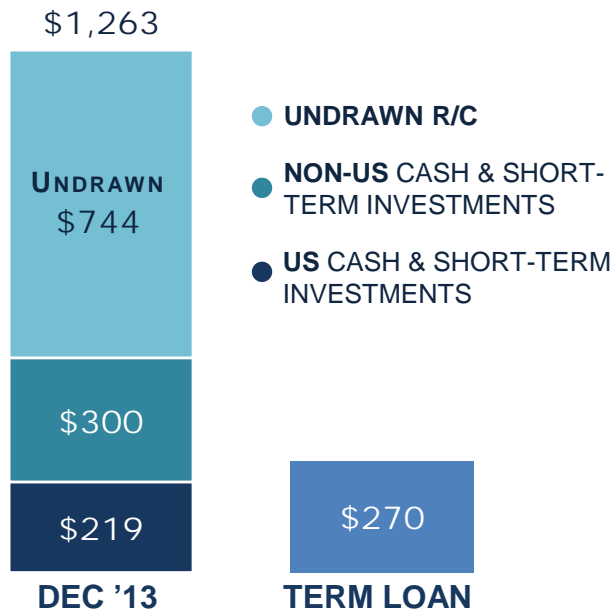
## SOLUTION

- RESTORES LOW AND HIGH FREQUENCY
- IMPROVES FIDELITY
- WIDER SOUND STAGE



# LIQUIDITY & CAPITAL STRUCTURE

(IN M'S)



## CAPITAL ALLOCATION CONSIDERATIONS

- **CAPEX PROJECTS TO DRIVE ORGANIC GROWTH**
- **STRATEGIC, ACCRETIVE ACQUISITIONS THAT ACCELERATE GROWTH**
- **CONTINUE DIVIDEND DISTRIBUTIONS**
- **SHARE BUYBACK**
  - 868,000 SHARES REPURCHASED DURING QUARTER
  - \$186M REMAINING BUYBACK AUTHORIZATION



# INVESTMENT THESIS

- **INDUSTRY-LEADING BACKLOG WITH DOUBLE-DIGIT OPERATING MARGINS**
- **DEMAND FOR CONNECTED CAR DRIVES INFOTAINMENT SYSTEMS AND SERVICES**
- **POWERFUL BRAND PORTFOLIO LIFTS AUDIO BUSINESS IN HOME, CAR AND STAGE**
- **STRONG BALANCE SHEET WITH \$1.3 BILLION IN LIQUIDITY**
- **SIGNIFICANT EMERGING MARKET GROWTH OPPORTUNITIES IN ALL 3 DIVISIONS**
- **SUSTAINABLE INNOVATION WITH ~5,350 PATENTS & PATENTS PENDING**
- **GLOBAL FOOTPRINT WITH COMPETITIVE COST STRUCTURE**

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