

**HARMAN**

# THIRD QUARTER FY 2014 HIGHLIGHTS

**DINESH C. PALIWAL – CHAIRMAN, PRESIDENT & CEO**  
**HERBERT K. PARKER – CHIEF FINANCIAL OFFICER**

MAY 1, 2014

**AKG**

harman/kardon

 **Infinity**









# 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 the 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.

# Q3 FY2014 OVERVIEW & RECENT HIGHLIGHTS

- **THIRD QUARTER NET SALES UP 32% TO \$1.4B; CHINA SALES UP 60%**
- **NON-GAAP\* OPERATING INCOME UP 63% TO \$108M; EPS UP 41% TO \$1.12**
- **RAISED FY REVENUE GUIDANCE TO ~\$5.275B & NON-GAAP EPS TO ~\$4.36**
- **SHIPPED OVER 1M HK ONYX STUDIO WIRELESS SPEAKERS TO SOFTBANK**
- **EXPANDS CLARI-FI™ MUSIC RESTORATION TECHNOLOGY INTO THE HOME, CAR & MOBILE DEVICES**

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

# NUMBER ONE IN ALL MARKETS

- LTM REV \$5.1B
- LTM EBITDA 10.3%
- ~15,200 FTEs

## INFOTAINMENT

NAVIGATION, MULTIMEDIA,  
CONNECTIVITY, & SAFETY  
SOLUTIONS



**LTM REVENUE \$2,680M**  
**LTM EBITDA 10.5%**

## LIFESTYLE

BRANDED AUDIO PRODUCTS  
FOR HOME, CAR, ON THE GO



**LTM REVENUE \$1,580M**  
**LTM EBITDA 14.3%**

## PROFESSIONAL

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



**LTM REVENUE \$826M**  
**LTM EBITDA 16.3%**

# FINANCIAL PERFORMANCE

(\$ in millions, except EPS)	Quarter Year-Over-Year				Nine Months Year-Over-Year			
	Q3 FY14	Q3 FY13	Nominal	Local	FY14	FY13	Nominal	Local
<b>HARMAN</b>								
Sales	1,404	1,062	32%	31%	3,904	3,116	25%	23%
EBITDA	139	98	42%	40%	401	292	37%	35%
% Margin	9.9%	9.2%			10.3%	9.4%		
EPS	1.12	0.79	41%	37%	3.16	2.17	46%	42%
<b>Infotainment</b>								
Sales	736	569	29%	26%	2,066	1,669	24%	20%
EBITDA	78	49	59%	54%	223	154	45%	41%
% Margin	10.6%	8.6%			10.8%	9.2%		
<b>Lifestyle</b>								
Sales	468	327	43%	43%	1,232	991	24%	23%
EBITDA	62	47	32%	32%	176	139	26%	25%
% Margin	13.2%	14.3%			14.3%	14.0%		
<b>Professional</b>								
Sales	200	165	21%	23%	605	453	34%	35%
EBITDA	31	27	16%	18%	95	72	32%	34%
% Margin	15.5%	16.2%			15.7%	15.9%		

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

# FY 2014 GUIDANCE UPDATE

	<b>SALES</b>	<b>EBITDA*</b>	<b>EPS*</b>
<i>--Revised May 1, 2014--</i>	~\$5.275 billion	~\$550 million	~\$4.36 <sup>1</sup>
<i>--Revised Jan 30, 2014--</i>	~\$5.100 billion	~\$535 million	~\$4.16 <sup>1</sup>
<i>--Aug 8, 2013--</i>	~\$4.700 billion	~\$490 million	~\$3.85 <sup>2</sup>

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

<sup>1</sup>Assumes outstanding share count of 70 million shares

<sup>2</sup>Assumes outstanding share count of 67 million shares



# INFOTAINMENT DIVISION

## Q3 FY2014 HIGHLIGHTS

### NEW CAR EXPANSIONS

- **BMW** – NBT system across car lines
- **DAIMLER** – NTG5 solution expands from S-Class to C- and V-Class
- **VW GROUP** – Audi TT, Lamborghini Huracan, and Porsche 911 Targa & Macan

### NEW INFOTAINMENT AWARDS

- **SCION** – Gen II infotainment system across car lines (North America)
- **TOYOTA** – Follow-on business across car lines (Europe)

### INNOVATIONS

- **GENEVA MOTOR SHOW** – integrated smart apps (i.e. CarPlay) in embedded infotainment



# LIFESTYLE DIVISION

## Q3 FY2014 HIGHLIGHTS

### HOME & MULTIMEDIA

- Launched Onyx Studio™ wireless speakers with Softbank
- Won 19 Red Dot, 13 iF & 8 CES design & innovation awards
- Opened flagship store in Moscow

### CAR AUDIO

#### • NEW BUSINESS AWARDS

- Ford (HALOsonic eESS for Hybrids & EVs)
- Chrysler (Harman Kardon)
- Toyota | Lexus (JBL | Mark Levinson)
- Brilliance | Great Wall | Dongfeng (Infinity)

#### • INNOVATIONS

- Chrysler Innovation Award
- Frost & Sullivan Product Leadership Award



CHRYSLER



Lexus



BRILLIANCE

DFM

Great Wall

FROST & SULLIVAN



# PROFESSIONAL DIVISION Q3 FY2014 HIGHLIGHTS

## MAJOR NEW VENUE INSTALLATIONS

- FirstEnergy Stadium (Cleveland Browns)
- Marassi Civic Center (Egypt)
- San Francisco Muni Public Transit System

## KEY EVENTS, FESTIVALS & TOURS

- XLVII Super Bowl Halftime Show, NBA All-Star Game Concert
- GRAMMY Awards
- 2014 Carnival (Brazil)

## AWARDS/INNOVATION

- Lexicon wins GRAMMY™ Award
- AKG & JBL receive NAMM TEC® Awards

## 50 NEW SOUND/LIGHTING PRODUCTS



# INFOTAINMENT OF TOMORROW

## APP ECOSYSTEM

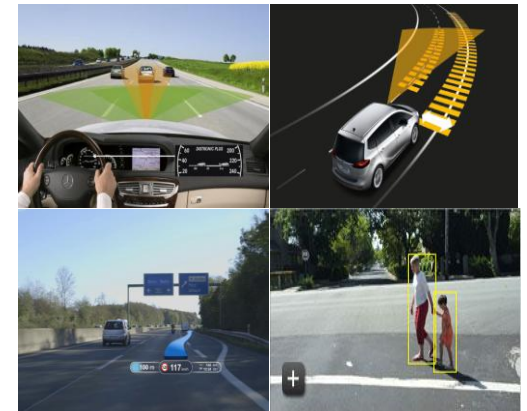
HTML5



## CYBER SECURITY

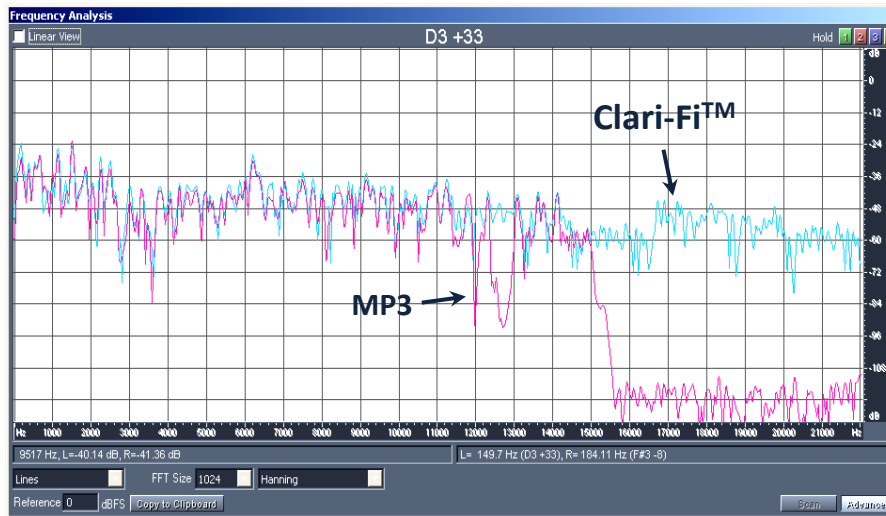


## ADVANCED SAFETY



## CLARI-FI™

**MP3, XM, SPOTIFY...  
COMPRESSED  
AUDIO  
RESTORATION**



## PROBLEM

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

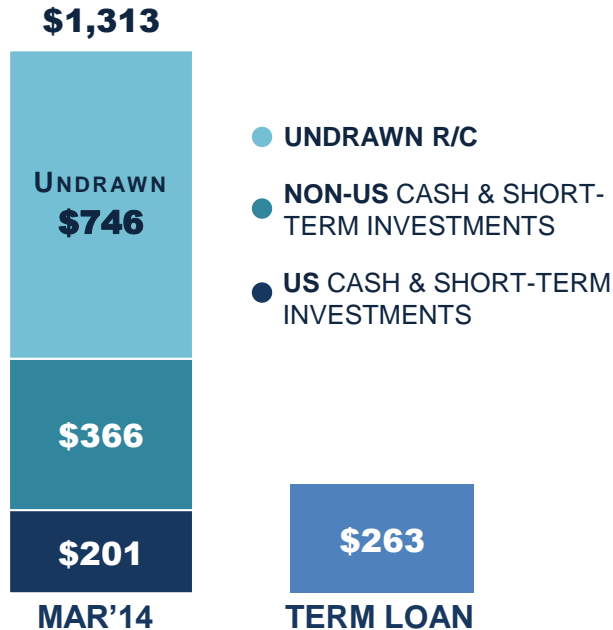
## SOLUTION

- RESTORES MISSING FREQUENCIES
- IMPROVES FIDELITY
- CREATES 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
  - \$186M REMAINING BUYBACK AUTHORIZATION

# INVESTMENT THESIS

- **INDUSTRY-LEADING \$19B BACKLOG WITH DOUBLE-DIGIT OPERATING MARGINS**
- **DEMAND FOR CONNECTED CAR DRIVES INFOTAINMENT TAKE RATES 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 ~5,400 PATENTS & PATENTS PENDING**
- **GLOBAL FOOTPRINT WITH COMPETITIVE COST STRUCTURE**



# HARMAN

**AKG**

harman/kardon

 Infinity

 JBL

mark  
Levinson

**lexicon**

 REVEL