



# Investor Presentation

*May 2015*

# Forward-Looking Statements Disclaimer

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## **Risks, Uncertainties and Other Factors with Respect to “Forward-Looking Statements”**

Certain statements contained in this presentation constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements that are not of historical fact constitute “forward-looking statements” and accordingly, involve estimates, assumptions, judgments and uncertainties. There are a number of factors that could cause actual results or outcomes to differ materially from those addressed in the forward-looking statements. Such factors are detailed in the Forward Looking Statements and Risk Factors sections of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and its first quarter 2015 quarterly report on Form 10Q with the Securities and Exchange Commission. We do not undertake an obligation to update our forward-looking statements to reflect future events.

# Hexcel: Overview

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## Company profile

- **Leading advanced composites company**
- More than **65 years** in industry
- 2015 LTM 3/31 sales: **\$1.866 billion**
  - U.S.: 45%
  - Europe: 39%
  - Other: 16%
- About **5,700 employees**, split primarily between the Americas and Europe
- **Strong balance sheet**
  - Net debt/EBITDA ~1.1x

## Investment highlights

- **Technology leader** with a broad range of materials/products/qualifications
- **Leading position** in all our key markets
- Excellent **customer relationships**
- Sustainable **competitive advantage**
- Growing share of **long-term growth** markets; cyclical and secular growth combined
- Demonstrated **operational excellence**

# Hexcel: Who We Are

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We are a technology company focused on **advanced composites**

- We have the technology, from raw materials to fly away parts
- Vertical integration is a strength and a differentiator

We target markets with **long-term growth potential**

- Aerospace remains the driver
- Industrial has high growth potential

Where we can establish a **sustainable, competitive advantage**

- Aerospace business has leading technology with high barriers to entry
- Industrial business is selectively developing advanced materials and solutions in targeted segments

**Hexcel is a leading company in a growing industry**

# Hexcel: Why We Win

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- **Advanced composites are the materials for the future**, providing the best strength-to-weight ratio of structural materials
- We are a **leader in advanced composites technology and innovation**
- We offer the **broadest portfolio and most vertically integrated** solutions platform for advanced composite materials
- We are a **leader in advanced composites manufacturing technology and supply chain management**
- We provide our customers **expert support and service** to create unique solutions
- We are a **strong global team** that executes and delivers on commitments

**Advanced technologies combined with operational excellence in leading market positions**

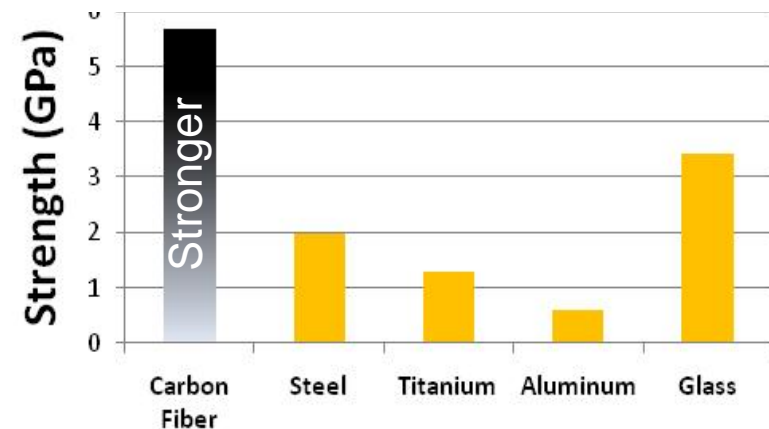
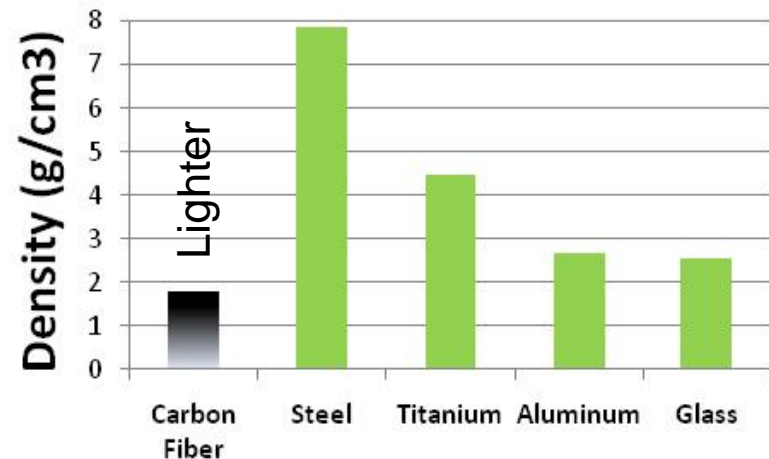
# Hexcel: What Our Customers Want

## Customers want materials to be:

- Stronger (*Carbon prepreg = 5x aluminum*)
- Lighter weight (*30% lighter than aluminum*)
- Tougher with functional enhancements
- Stiffer (*Carbon prepreg = 2x Glass*)
- Durability (*up-time, keep them flying*)

## They also want:

- Lower total solution cost
- Lower processing time
- Lower infrastructure and overhead requirements
- Lower part count



**We deliver advanced composite solutions that are stronger, lighter, tougher**

# Hexcel: Leader in Advanced Composites

Key properties: high strength (tensile) and stiffness (modulus), lightweight (density), fatigue and corrosion resistant

## Carbon fiber



- A350 fuselage and wings
- LEAP fan blades/case
- F-35 wings

## Glass prepregs



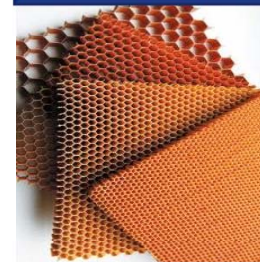
- Wind turbine blades
- Aero wing-to-body fairings
- Secondary structures

## Reinforcements



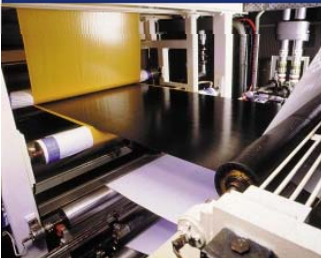
- Aircraft radomes
- 787 fabric for stringers
- BMW roof

## Honeycombs



- Rotorcraft blades
- Aircraft flooring
- Nacelle structures
- Acousti-Cap®

## Carbon prepregs



- Aero primary structure
- A380 central wing box
- GE90 fan blade
- Eurofighter wings

## Engineered products



- Structural assemblies
- HexMC® materials
- Machined core
- HexTool® tooling system

# Hexcel: Markets

**Space & Defense**

- Rotorcraft
- Military Aircraft
- Launch Vehicles
- Satellites

**Industrial**

- Wind Energy
- Recreation
- Transportation
- Other



**Commercial Aerospace**

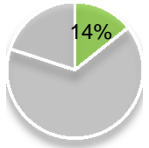
- Airbus
- Boeing
- Engines/Nacelles
- Regional/Business

Year-over-year growth rates	
2010	6%
2011	19%
2012	13%
2013	6%
2014	10.6%
5-year CAGR	10.9%

**Growing content in technology intensive markets**







# Industrial Market

## Wind Energy

>50% of Industrial



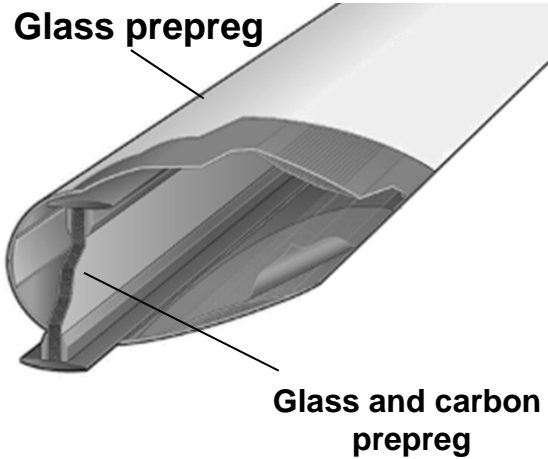
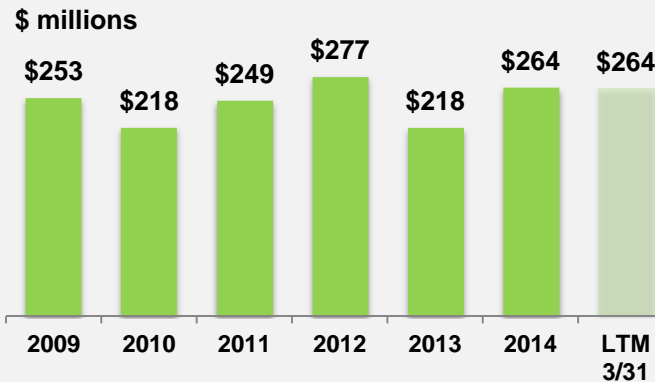
## Tooling



## Recreation



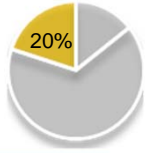
## Industrial Revenues



## Transportation



Broad range of performance applications

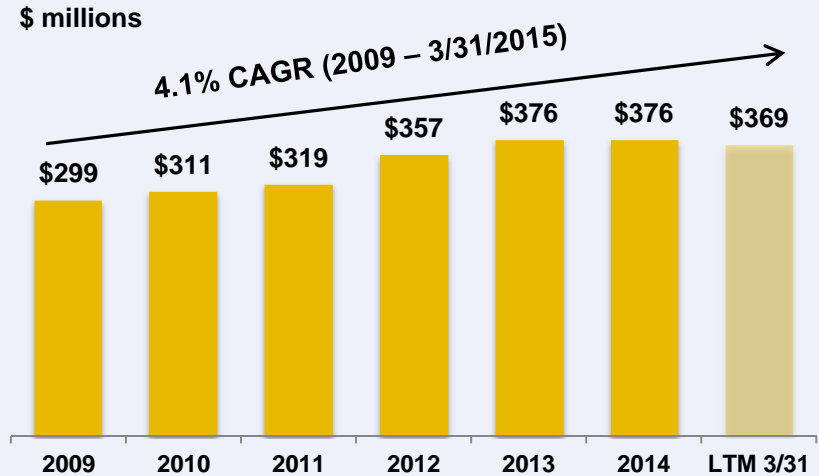


# Space & Defense Market

## Diverse Range of Applications

- Carbon fiber prepreg the standard since B-2
- More than 100 active programs for Hexcel:
  - Helicopters
  - Transport aircraft
  - Fighters
  - Launch vehicles
  - More than a third of sales outside the U.S.
- Top 10 programs are 50-55% of segment

## Space & Defense Revenues



## A400M



## Hexcel Positioning

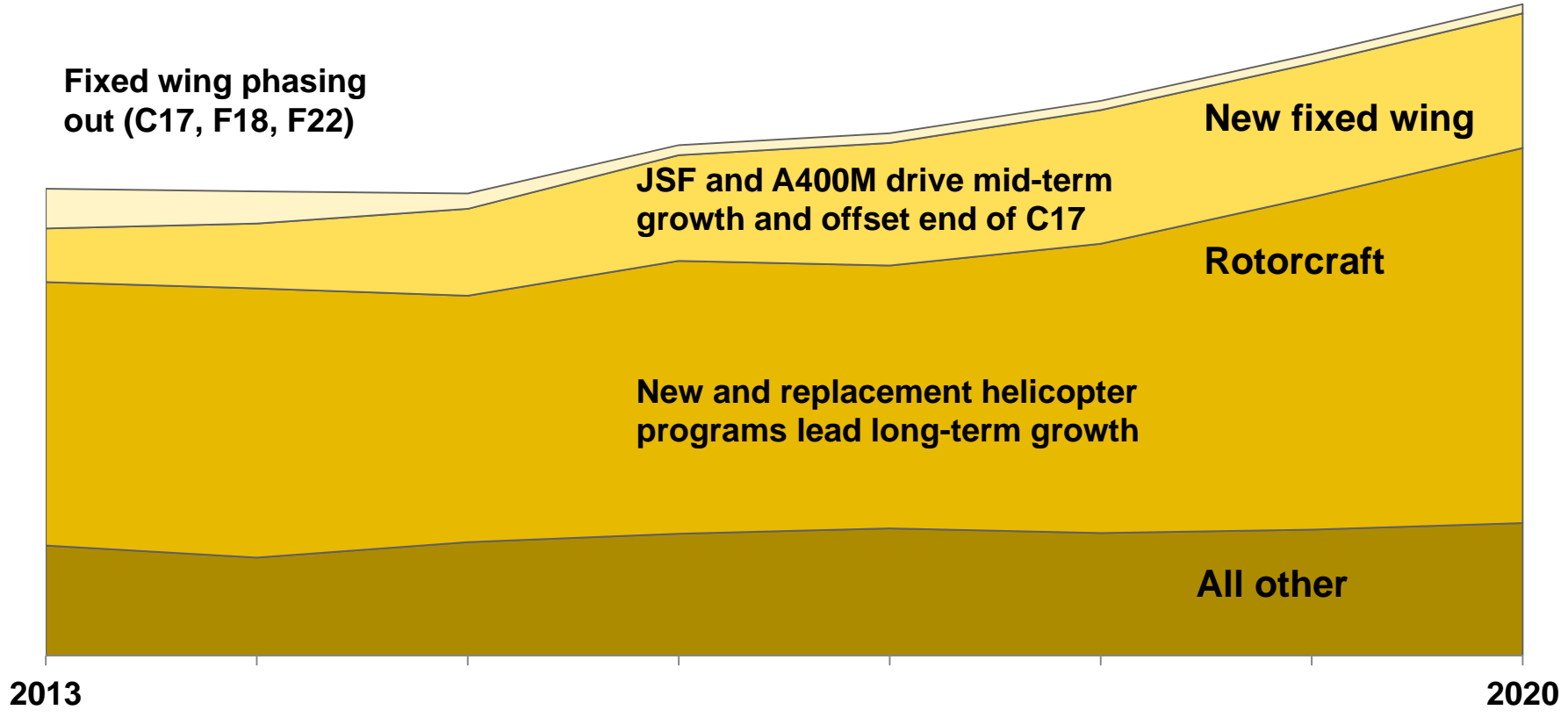
- Leading adopters of advanced composites
- Hexcel Intermediate Modulus (IM) fiber is the industry standard
- Rotorcraft: 55-60% of sales
- New composite blade designs provide retrofit opportunities
- A400M, JSF (F-35) growth ahead

Space & Defense revenues are well diversified



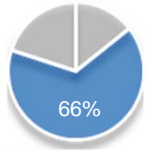
# Space & Defense Outlook

**Expected CAGR: Mid-single digit**



**Technology adopters with mid single-digit growth ahead across diverse programs**



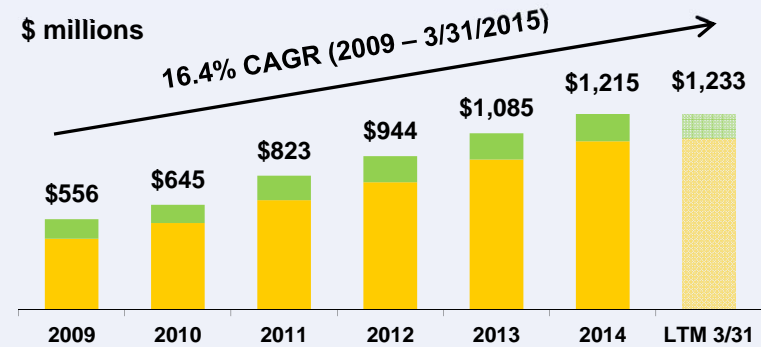


# Commercial Aerospace Market

## Strong global demand

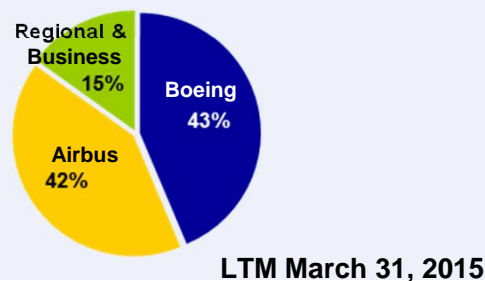
- 12,000+ planes in Airbus & Boeing backlog or about 9 years, based on 2014 deliveries
- 2014 was another record year for deliveries and 2015 is expected to be higher
- Next generation composite-intensive aircraft provides Hexcel secular sales growth
- Hexcel content on the A350 is \$5 million per aircraft

## Commercial aerospace revenues



■ Airbus and Boeing    ■ Business and Regional Jet

## Commercial aerospace revenue by customer/program



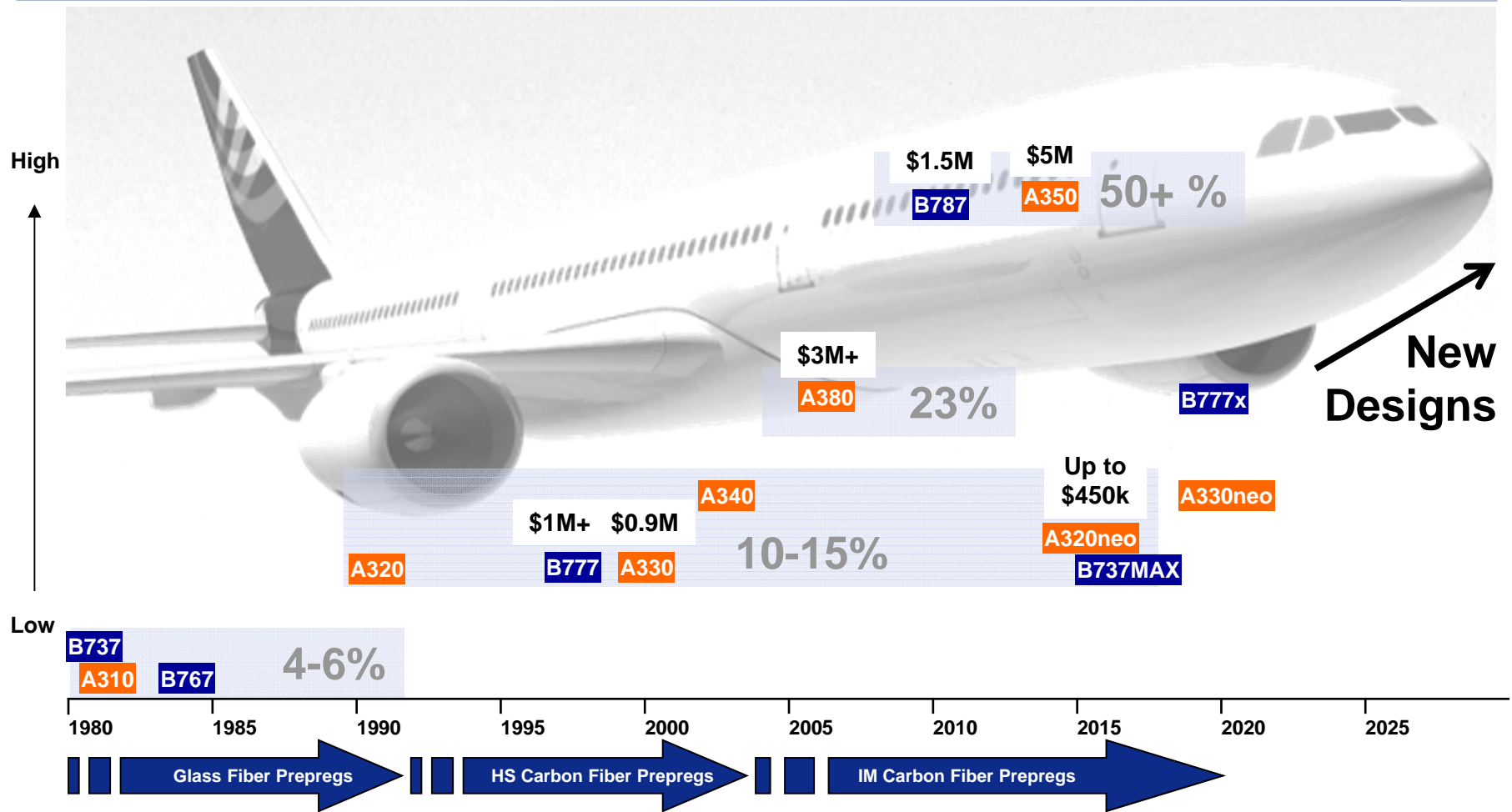
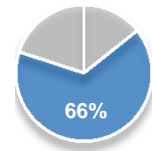
## A350 now in service with Qatar



Growth led by new programs and increasing build rates

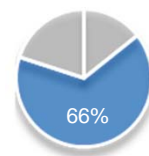
# Commercial Aerospace Composites Penetration

Composite content by weight and Hexcel content per shipset

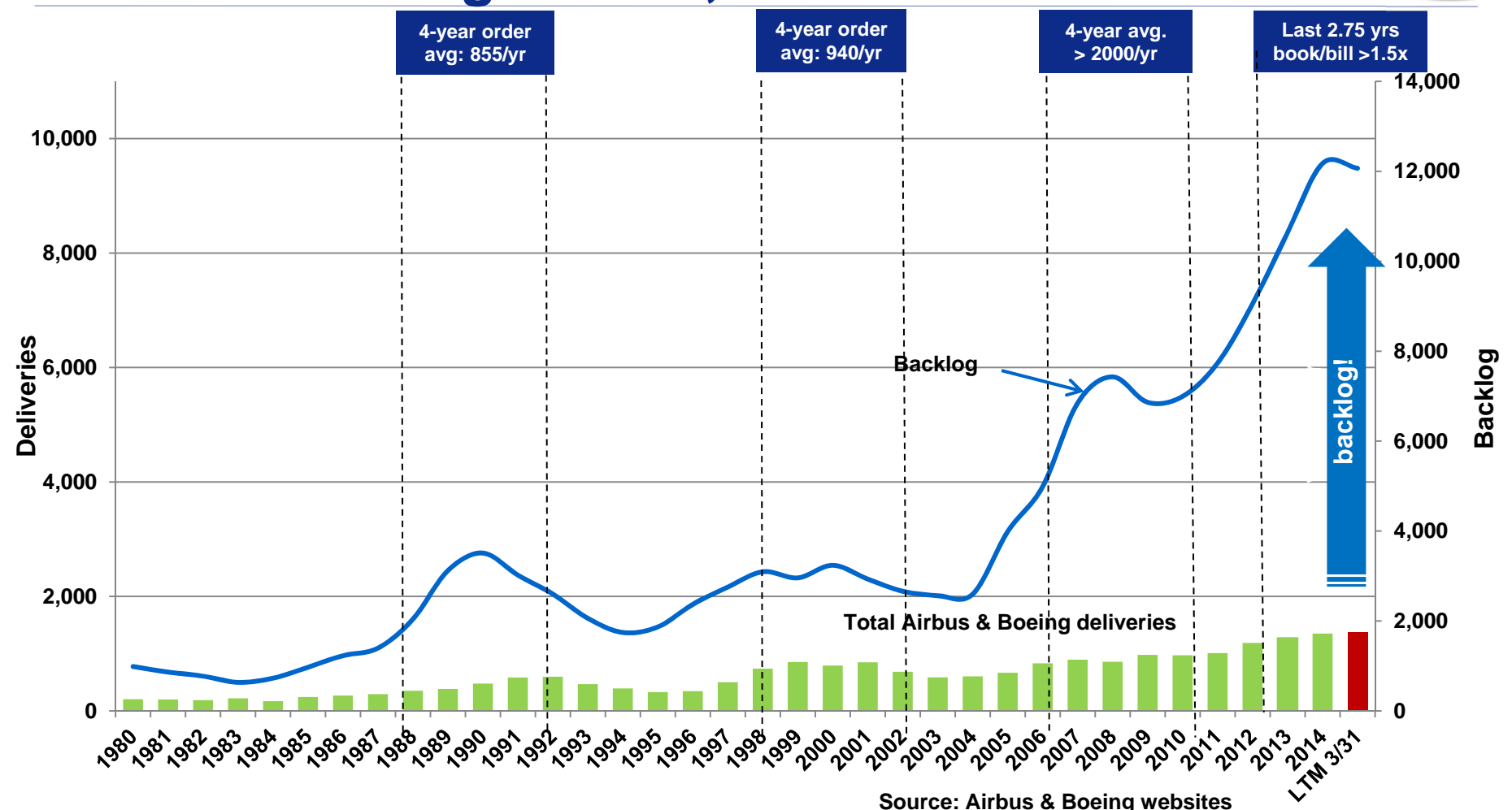


**New designs are more composite intensive; opportunity for additional secular penetration**





# Airbus & Boeing Orders, Deliveries



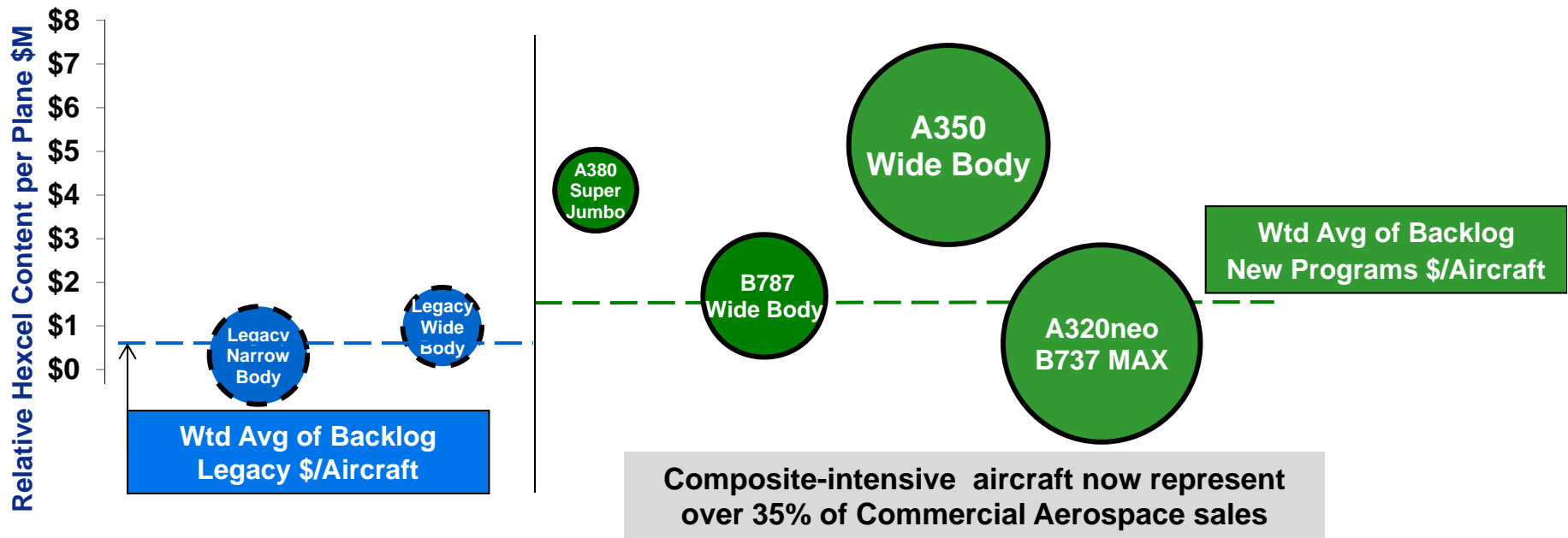
**Hexcel sales are to new aircraft build; backlog provides good growth visibility**



# Commercial Aerospace – Hexcel’s Participation

## Applying Hexcel’s Secular Penetration to Program Backlogs tells the Story

- Hexcel content on composite-intensive programs is up to 5 times that of older aircraft being replaced
- Each bubble represents Hexcel’s current \$ per shipset x number of planes in Airbus and Boeing backlog

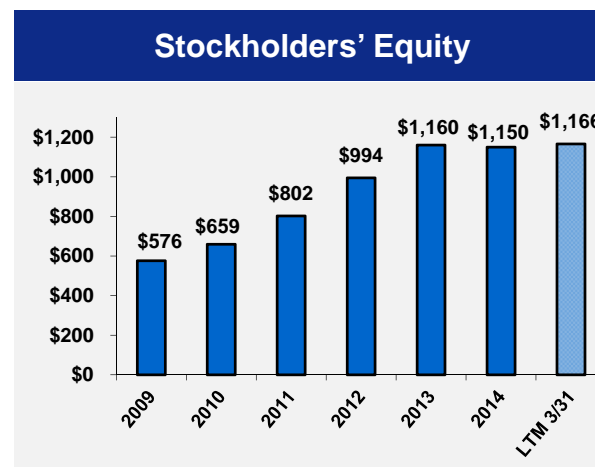
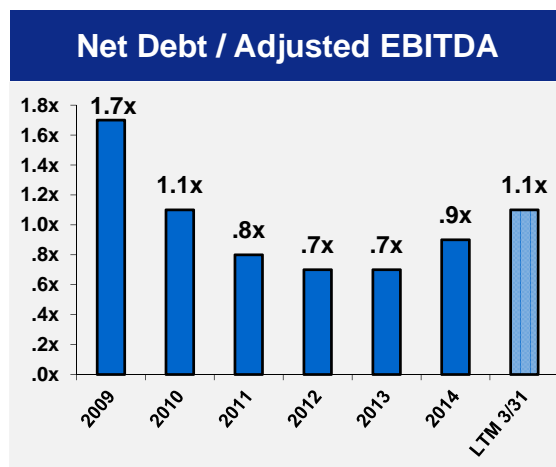
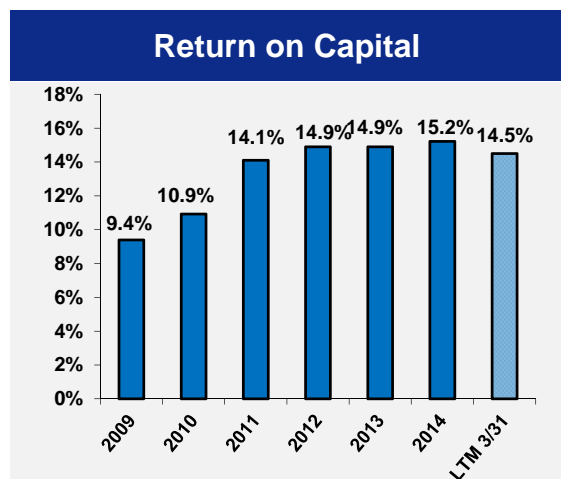
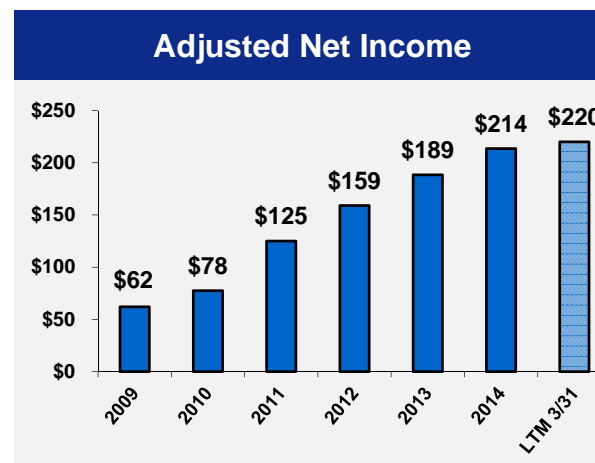
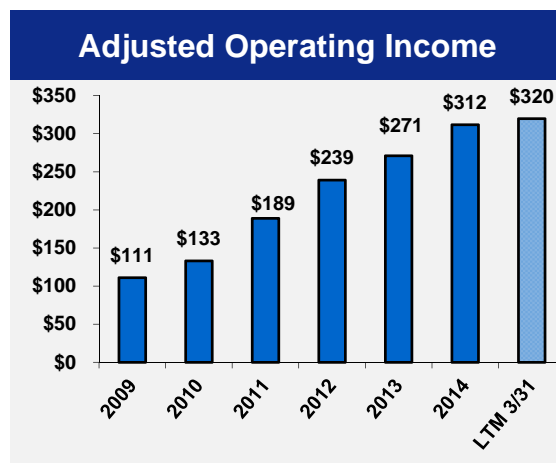
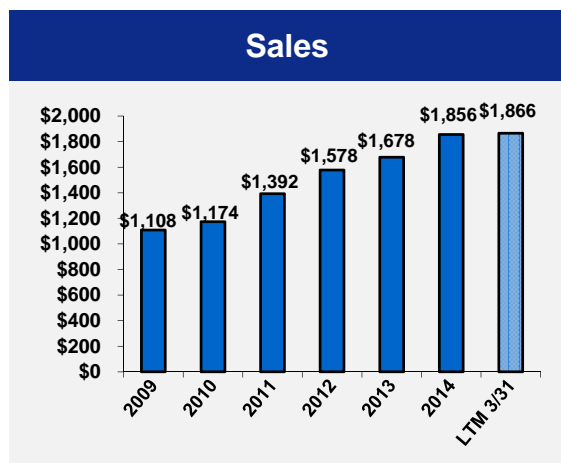


**Hexcel Content Gains + Airbus/Boeing Backlog = Double Digit Aerospace Growth for Years to Come**



# Hexcel: Proven Performance

\$ millions



**Record results and well positioned for growth**





# Summary Outlook

- **Build rates and new programs should result in double-digit growth for years to come for Commercial Aerospace**
- **Cost control, increased in-house carbon fiber and productivity initiatives target to deliver 25% incremental operating income leverage**
- **We expect to generate free cash flow every year even through the capital expenditures ramp-up period**
- **Our priorities for cash usage:**
  - 1. Organic growth – Investing in capacity and R&T to support expected demand**
  - 2. M&A opportunities – Technology, adjacencies or bolt-ons that fit focus**
  - 3. Return to stockholders - \$250 million share repurchase completed over last two years; \$100 million authorization remains. Announced quarterly dividends of \$0.10/share starting in Q1 2015.**

**We are a technology driven company focused on *Advanced Composites*, targeting markets with long-term growth potential where we can establish a sustainable, competitive advantage**

**Balance sheet and outlook to deliver growth (organic + M&A) and return to stockholders**



# Investor Presentation: Exhibits

# Exhibit A – Q1 2015 Results

## First Quarter and LTM Results

\$ millions except EPS	Q1 2014	Q1 2015	YoY % Change	LTM Q1 2014	LTM Q1 2015	YoY % Change
<b>Net Sales</b>	\$461.7	\$471.8	2%	\$1,723	\$1,866	8%
<b>Gross Margin%</b>	28.0%	30.1%		27.4%	28.0%	
<b>Adj. Operating Income</b>	\$74.6	\$82.6	11%	\$282.5	\$319.9	13%
<b>Adj. OI%</b>	16.2%	17.5%		16.4%	17.1%	
<b>Adj. Diluted EPS</b>	\$0.50	\$0.58	16%	\$1.92	\$2.36	23%

### 2015 Q1 Comments:

- Reported total sales up 2.2%, but up 6.1% in constant currency
- Commercial Aero sales remain strong -- increased 8.3% in constant currency
- S&D sales soft -- decreased 3.6% in constant currency; primarily due to end of C-17 program
- Industrial sales up 10.6% in constant currency, led by wind
- GM% and OI% continue to improve. 2015 incremental FX adjusted OI leverage 25%

## Growth with Continued Productivity Improvements



# Exhibit B – Adjusted Operating Income

## Reconciliation of GAAP and Non-GAAP Measures

\$ millions	2010	2011	2012	2013	2014	First Quarter	
						2014	2015
GAAP Operating Income	\$ 129.8	\$ 192.0	\$ 248.8	\$ 270.9	\$ 305.8	\$ 74.6	\$ 82.6
Litigation Settlements/Legal Fees	-	-	-	-	-	-	-
Gain on Sale of Land <sup>(1)</sup>	-	-	(4.9)	-	-	-	-
Other Operating Expense <sup>(2)</sup>	-	(5.7)	(9.6)	-	-	-	-
Environmental Expense <sup>(3)</sup>	3.5	2.7	5.0	-	-	-	-
Business Consol & Restructuring Exp.	-	-	-	-	-	-	-
Non-GAAP Operating Income	<u>\$ 133.3</u>	<u>\$ 189.0</u>	<u>\$ 239.3</u>	<u>\$ 270.9</u>	<u>\$ 305.8</u>	<u>\$ 74.6</u>	<u>\$ 82.6</u>
Non-GAAP Operating Income % of sales	11.4%	13.6%	15.2%	16.1%	16.5%	16.2%	17.5%
GAAP Operating Income % of sales	11.1%	13.8%	15.8%	16.1%	16.5%	16.2%	17.5%

- 1) 2012 includes gain of \$4.9M from sales of land.
- 2) Other operating expenses include \$9.6M from business interruption insurance settlement in 2012, \$5.7M benefit from curtailment of a pension plan in Q1 2011, \$1.7M adjustment to prior year gain on sale of operations in 2009
- 3) Environmental charge of \$5.0M, \$2.7M, \$3.5M, \$1.7M in 2012, 2011, 2010 and 2009 respectively, reflect charges related to environmental remediation liabilities for sold facilities

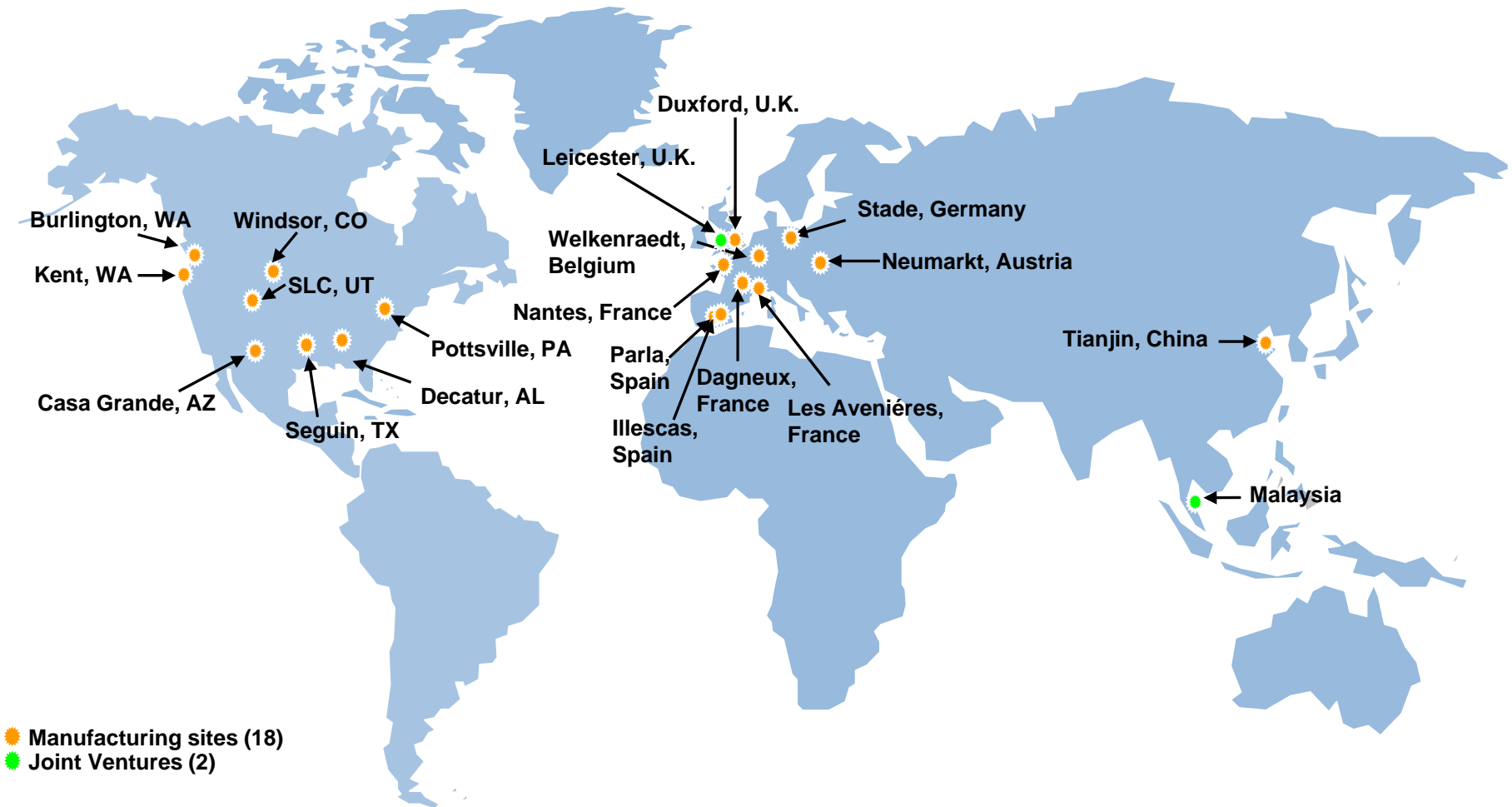
# Exhibit C – Adjusted Net Income

## Reconciliation of GAAP and Non-GAAP Measures

\$ millions	2010	2011	2012	2013	2014	First Quarter	
						2014	2015
GAAP Net Income	\$ 77.4	\$ 135.5	\$ 164.3	\$ 187.9	\$ 209.4	\$ 50.1	\$ 68.1
Litigation Settlements/Legal Fees	-	-	-	-	-	-	-
Gain on sale of assets (net of tax) <sup>(1)</sup>	-	-	(3.1)	-	-	-	-
Other Operating Expense (net of tax) <sup>(2)</sup>	-	(4.1)	(6.1)	-	-	-	-
Environmental Expense (net of tax) <sup>(2)</sup>	2.2	1.8	3.2	-	3.9	-	-
Acceleration of Deferred Financing Costs (3)	4.3	3.0	0.7	0.6	0.3	-	-
Tax Adjustments <sup>(4)</sup>	(6.4)	(11.3)	-	-	-	-	(11.6)
Non-GAAP Net Income	<u>\$ 77.5</u>	<u>\$ 124.9</u>	<u>\$ 159.0</u>	<u>\$ 188.5</u>	<u>\$ 213.6</u>	<u>\$ 50.1</u>	<u>\$ 56.5</u>

- 1) 2012 includes the after tax gain from sales of land.
- 2) Represents the after tax impact of the adjustments described on the preceding page
- 3) Represents after tax impact of the accelerated amortization of deferred financing costs related to various refinancing's of credit facilities, term loans and subordinated notes
- 4) Represents tax benefits resulting from the reversal of valuation allowances or tax credits recorded that relate to activities from a prior year

# Exhibit D - Hexcel Global Manufacturing Footprint



➤ **Global presence in a global market**