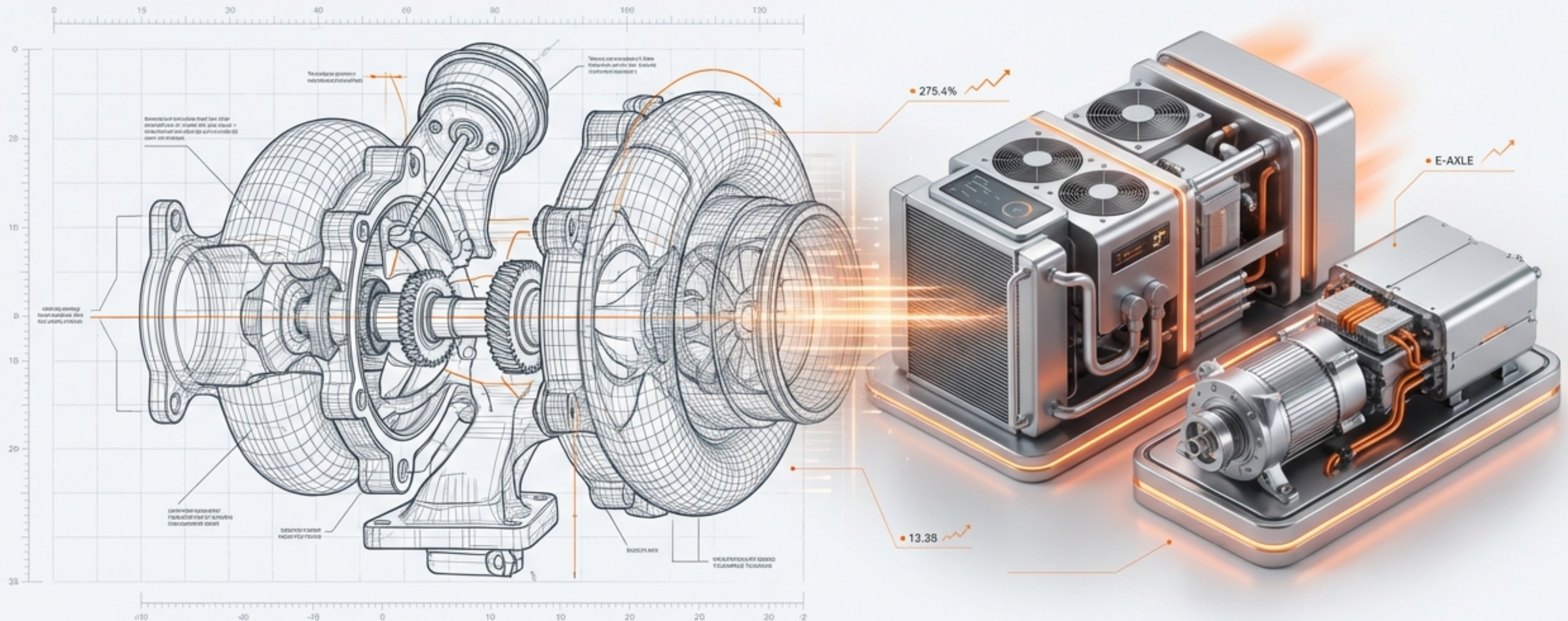


ASYMMETRIC ALPHA: THE KINETIC ENERGY OF TRANSFORMATION

A Deep Dive into Garrett Motion Inc. (GTX) – Beyond the 'Melting Ice Cube'



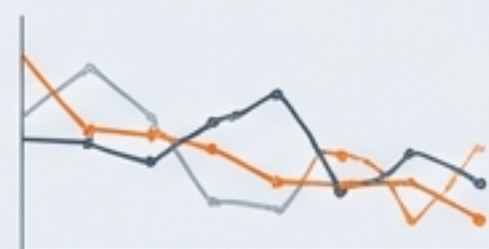
THE SIGNAL IN THE NOISE: PRICING VS. PERFORMANCE

GTX is priced for terminal decline
but performing with the efficiency
of a market leader.

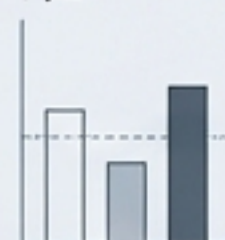
The Disconnect

DIN Next LT Pro

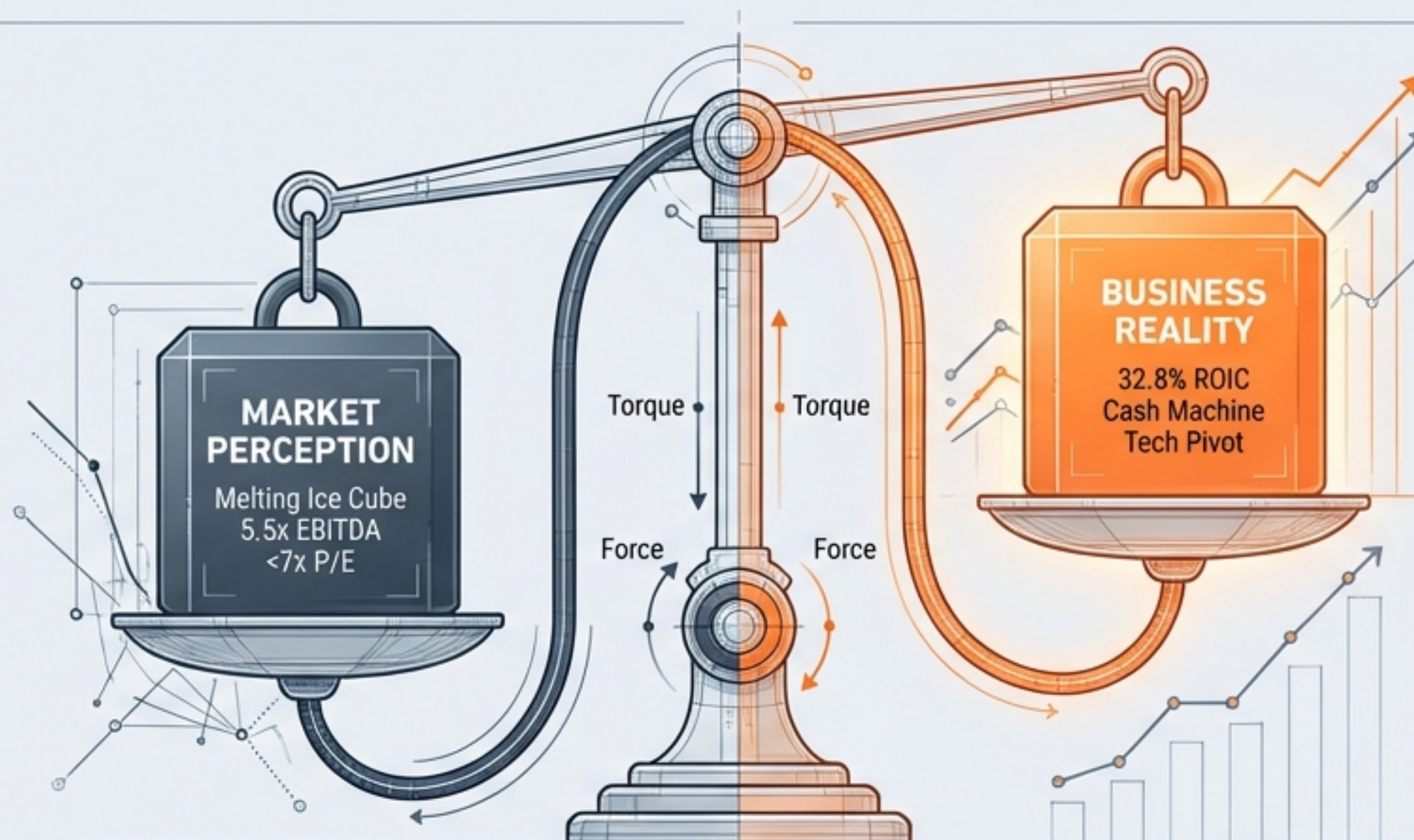
Valuation Disconnect:
Trading at <7x P/E
despite robust order book
and ~16-17% FCF Yield.



P/E



FCF yield



The Strategy

DIN Next LT Pro

The Two-Leg Strategy:

1. **Harvest:** Consolidating the ICE/Hybrid oligopoly to generate massive cash.



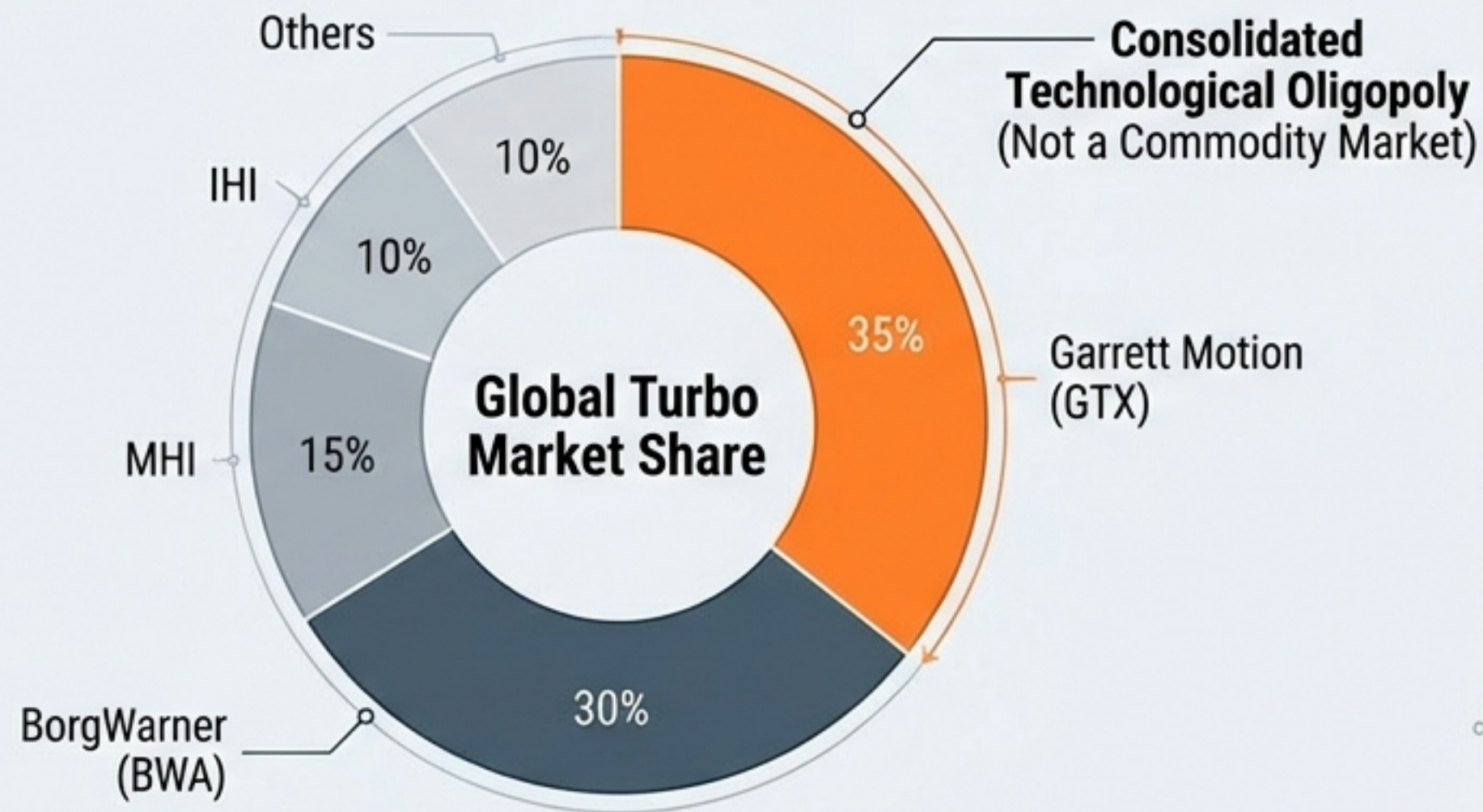
2. **Pivot:** Funding high-velocity entry into Industrial/ZEV markets (Targeting \$1B non-auto revenue by 2030).



Capital Return: Aggressive share
count reduction (~13% in 2024).



A RATIONAL OLIGOPOLY: THE 'LAST MAN STANDING' ADVANTAGE



BorgWarner

DIN Next LT Pro

Strategy: Capital-Intensive M&A. Buying EV share (e.g., Delphi).

BorgWarner

DIN Next LT Pro

Strategy: Capital-Intensive M&A. Buying EV share (e.g., Delphi).

Garrett Motion

DIN Next LT Pro

Strategy: Organic Innovation & 'Self-Help'. Focused on high-speed aerodynamics and operational efficiency.

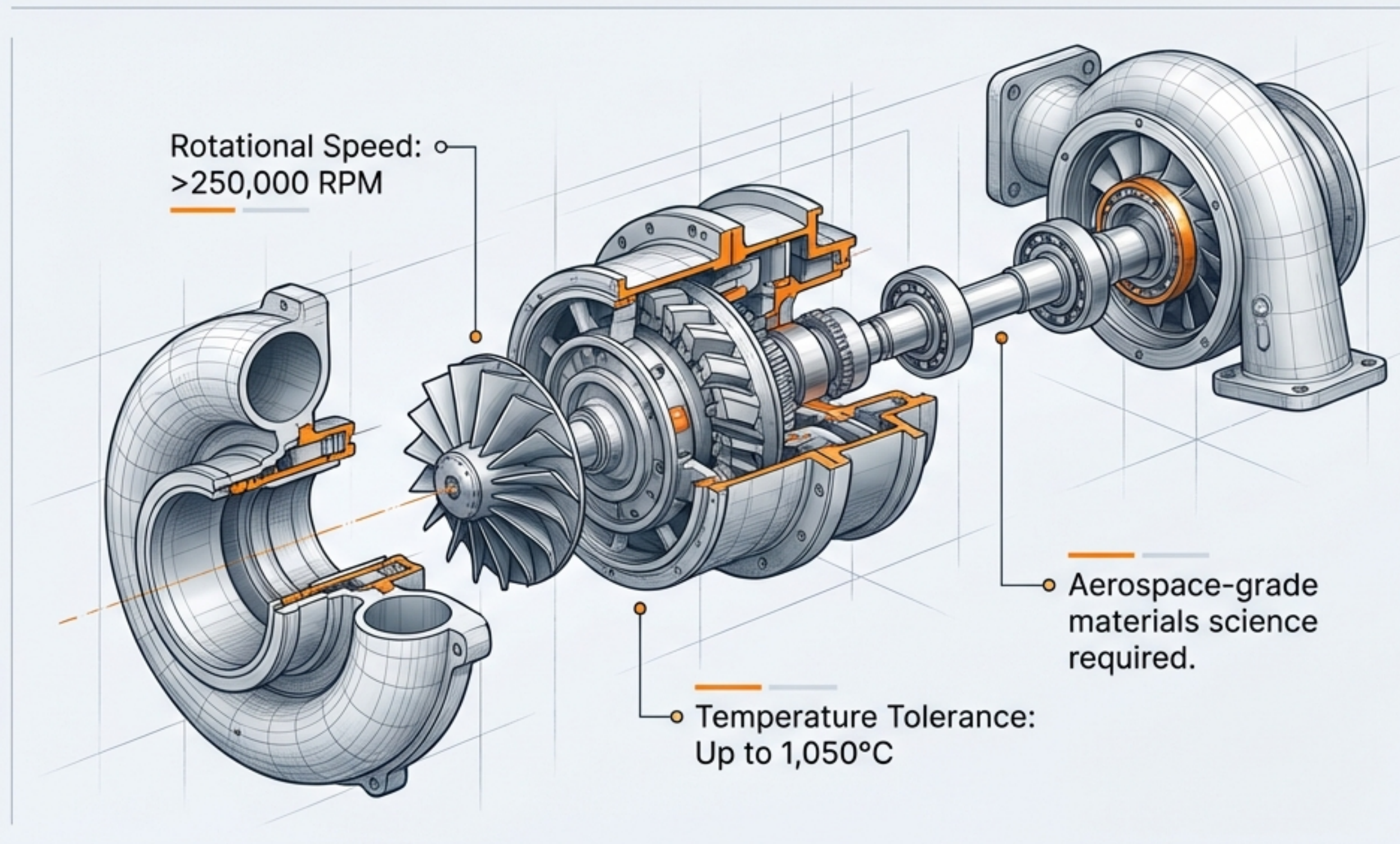
Garrett Motion

DIN Next LT Pro

Strategy: Organic Innovation & 'Self-Help'. Focused on high-speed aerodynamics and operational efficiency.

The Diesel Strategy: Consolidating declining volume to turn the segment into a pure funding engine with minimal CapEx.

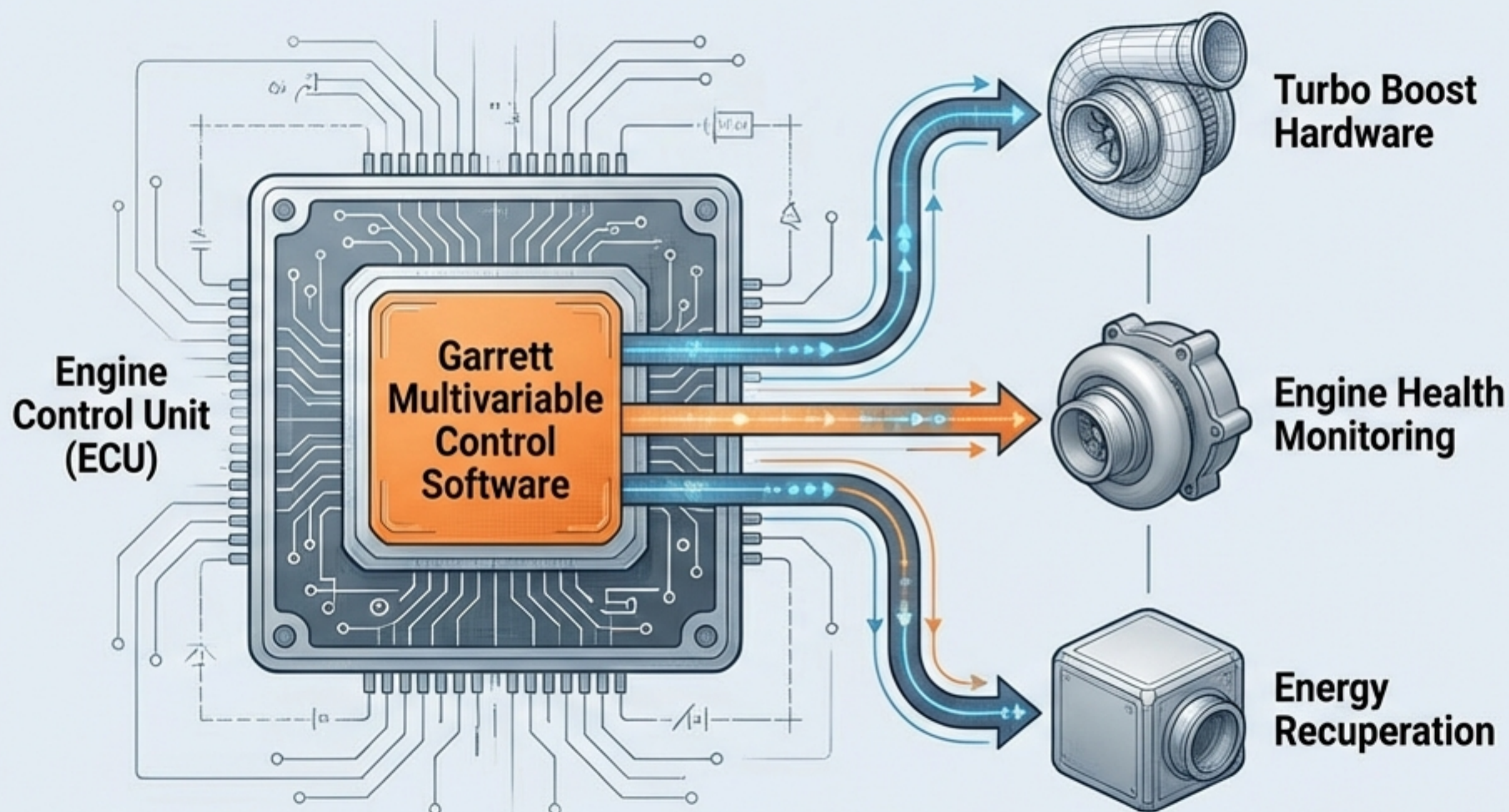
THE TECHNOLOGICAL MOAT: PHYSICS AS A BARRIER TO ENTRY



Why It's Hard to Switch

- ⚙️ **Validation Cycles:**
5-7 years per engine platform.
- ⚠️ **Risk Profile:**
Component failure = Catastrophic engine failure.
- 📈 **Economic Logic:**
Once designed-in (e.g., BMW 3.0L), switching suppliers is irrational.

THE INVISIBLE MOAT: SOFTWARE LOCK-IN & INTEGRATION

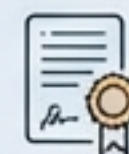


Key Concept:

The Turbo is no longer a bolt-on part; it is an active node in the powertrain network.

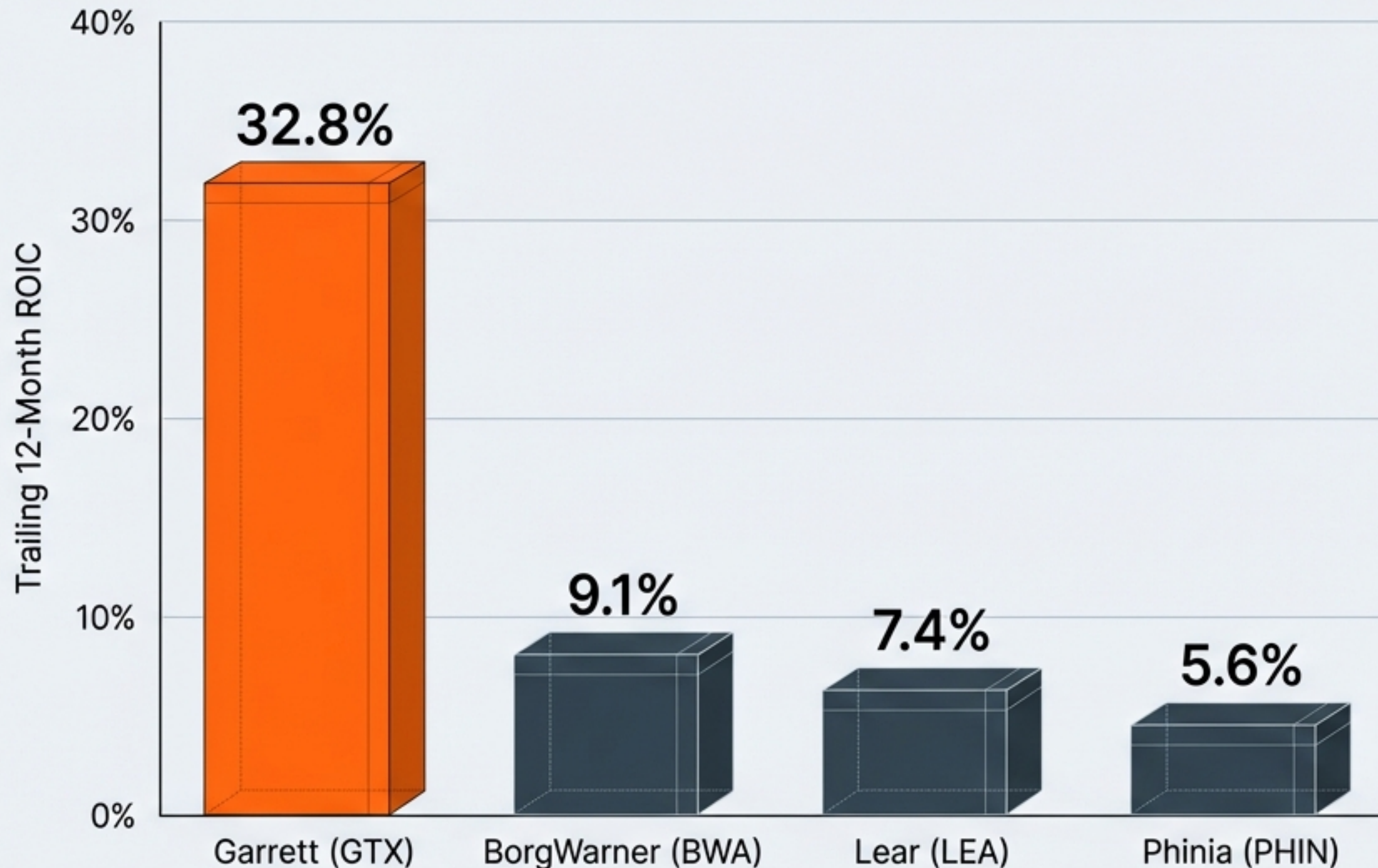
Regulatory Driver:

Euro 7 & EPA 2027 Compliance: Precise calibration is mandatory. Rewriting control logic to switch suppliers creates unacceptable compliance risk.



Protected by
~1,700 Patents.

FINANCIAL DOMINANCE: THE ROIC DISCREPANCY

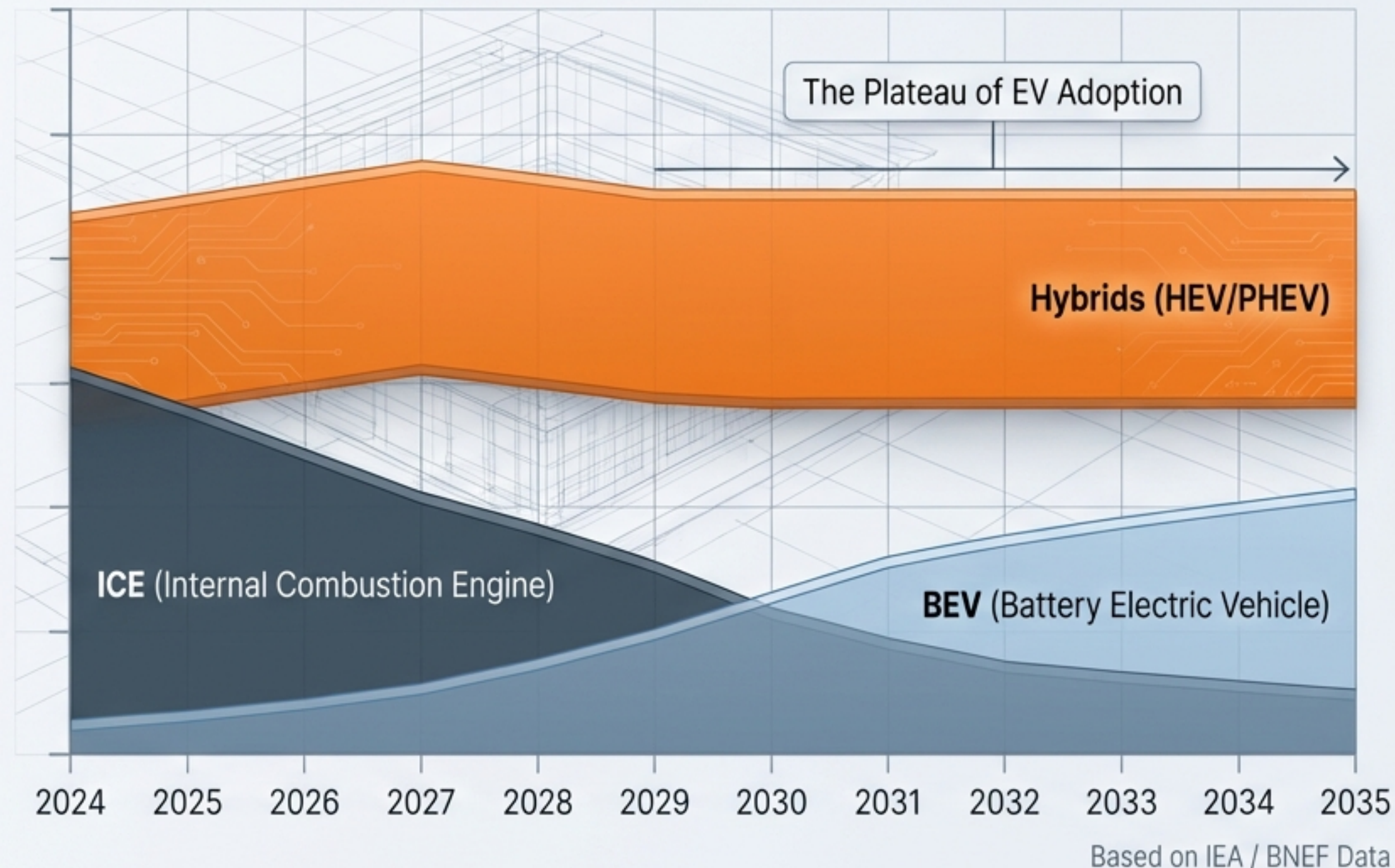


Drivers of Superior Returns

- **Asset Turnover:** Asset-light assembly model utilizing global supply chain.
- **Negative Working Capital:** Operations funded effectively by supplier credit.
- **Pricing Power:** Pass-through mechanisms for inflation protect ~18.2% EBITDA margin.

THE HYBRID BRIDGE: LONGER, STRONGER, & MORE PROFITABLE

Powertrain Mix Over Time



The path to EV is non-linear. Hybrids will dominate the transition era.

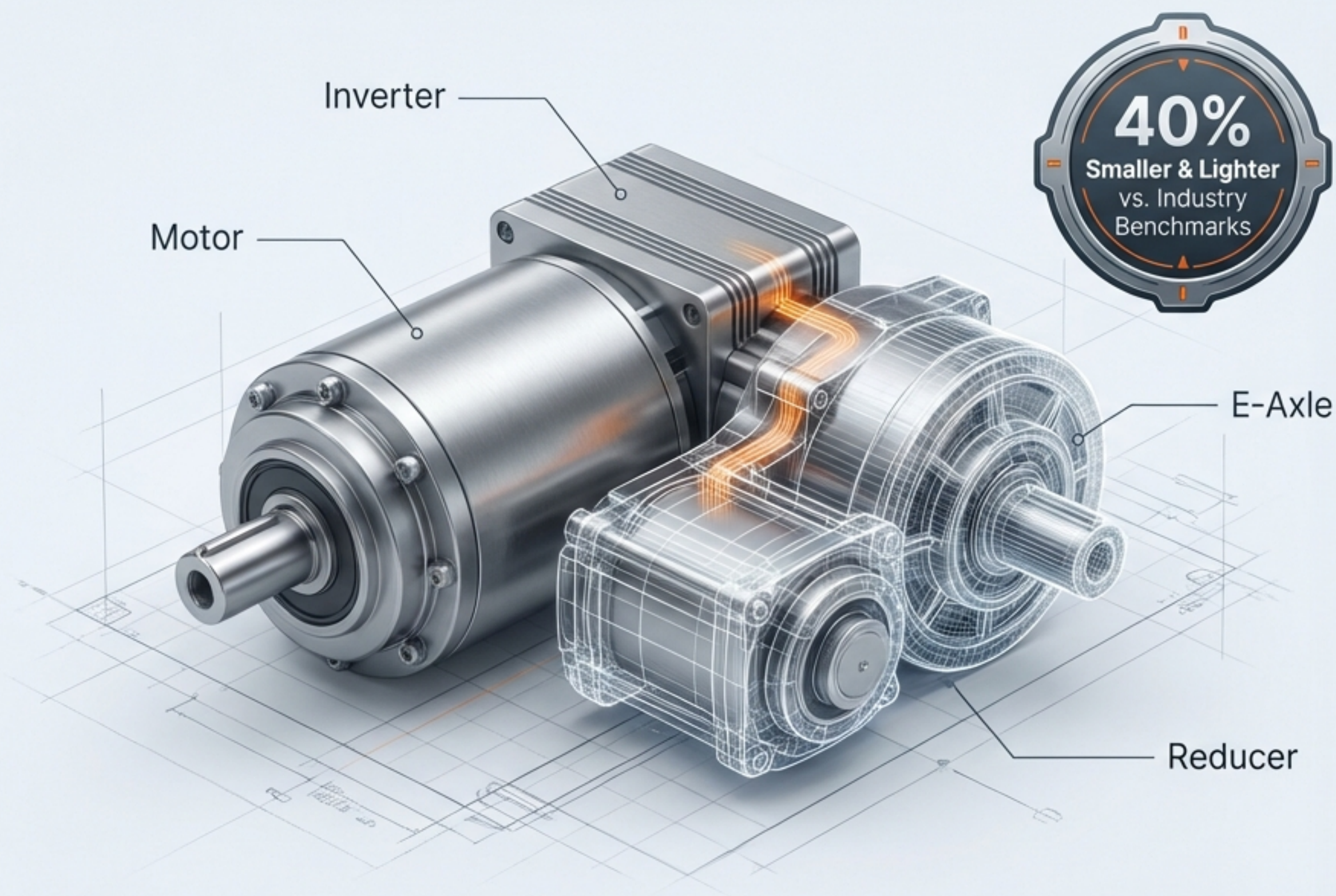
The Profit Multiplier

Hybrids run hotter and require complex VNT technology.
= Higher Margins.

Proof Point (Callout)

Q1 2025: New wins for turbocharged range-extended electric vehicles (REEVs) in China.

ZERO-EMISSION MOBILITY: TRANSFERRING HIGH-SPEED EXPERTISE



Validation Event

May 2025 Award: Series production win with HanDe Axle and SinoTruk.

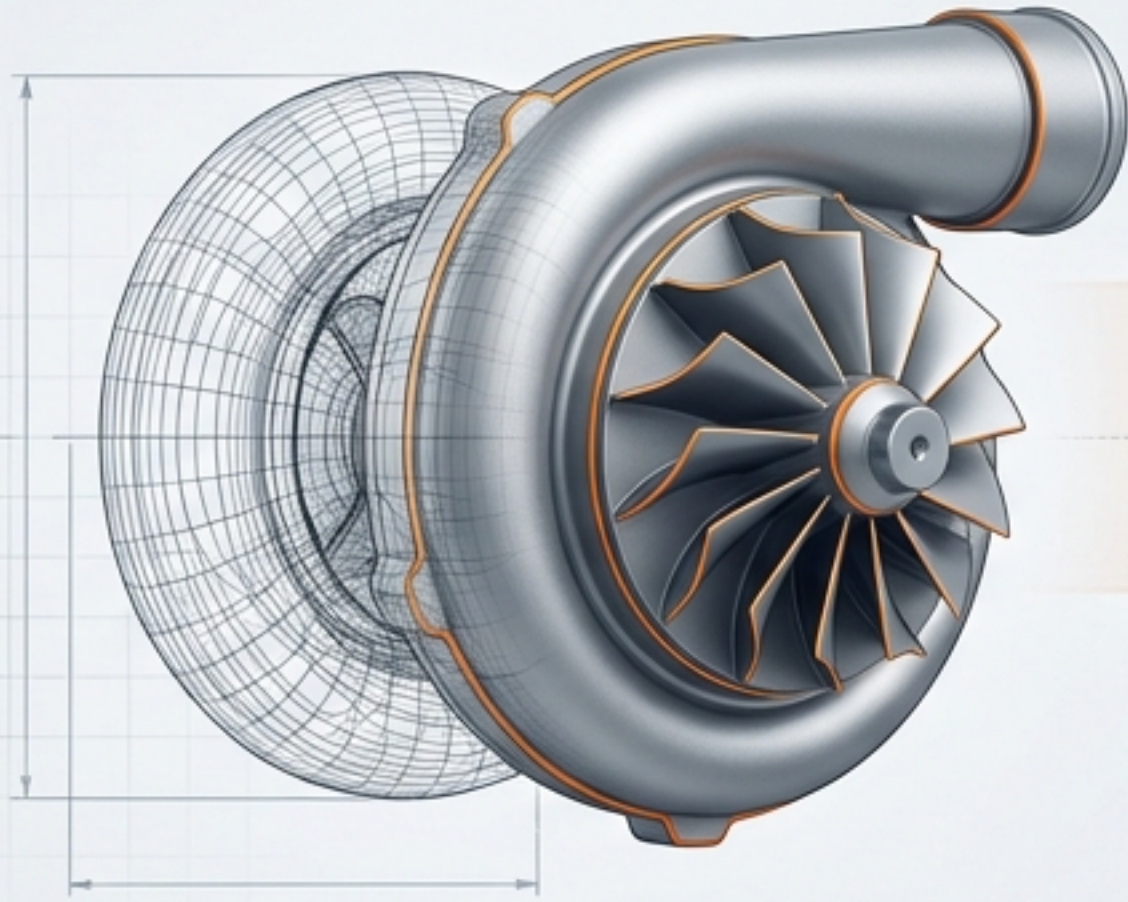
Strategic Significance

Validates capability to displace incumbents like Dana/BorgWarner for 2027 production.

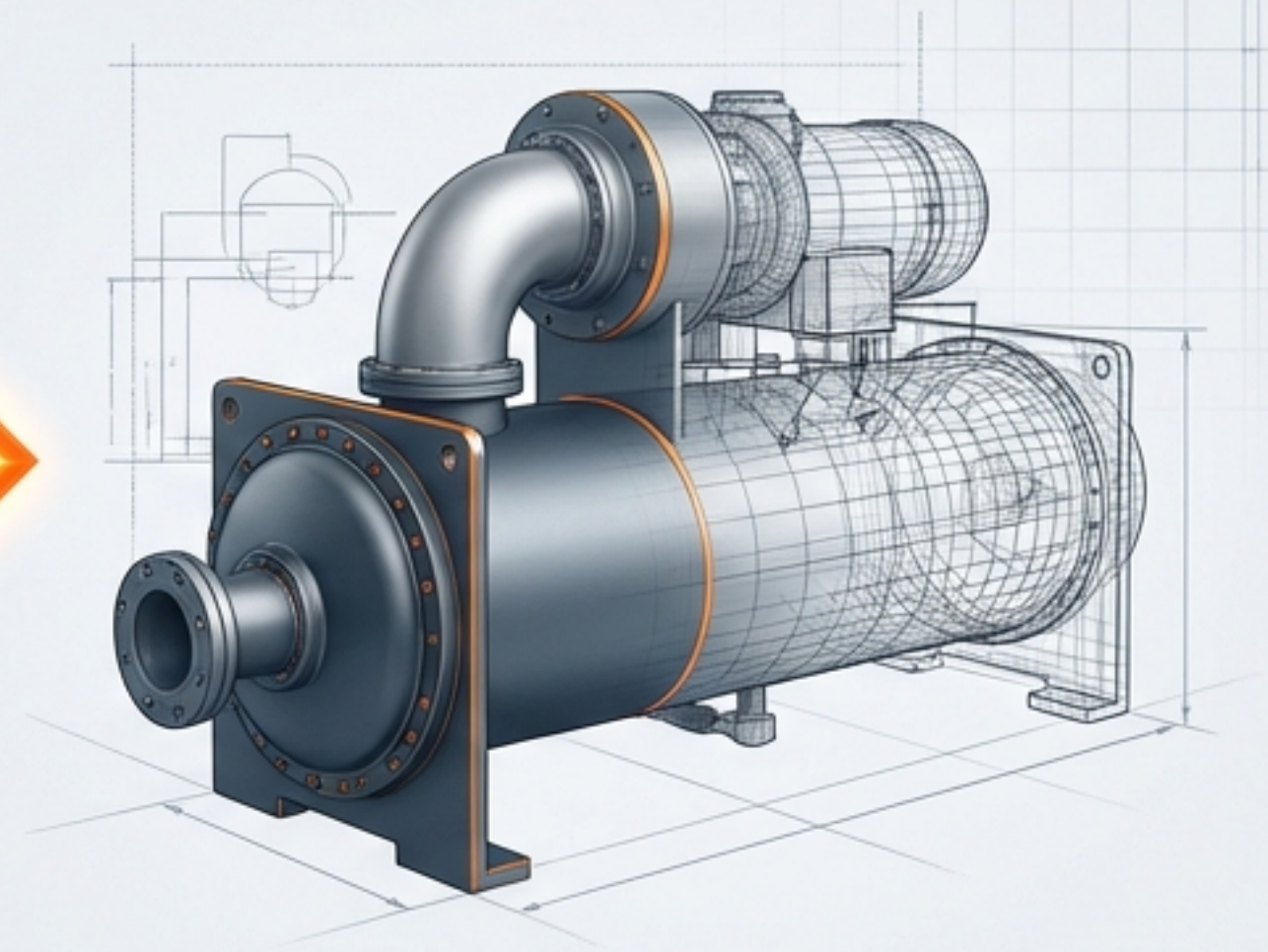
Secondary Vector

Hydrogen: Gen 3 Fuel Cell Compressors launching 2025 for commercial trucking.

THE INDUSTRIAL PIVOT: COOLING THE AI ECONOMY



**Core Technology:
Oil-Free High-Speed
Compression**



- **Partnership**

Trane Technologies Collaboration (Feb 2026):
Integrating GTX foil bearing tech into commercial chillers.

- **Efficiency Stat**

>10% energy efficiency gain over
scroll compressors

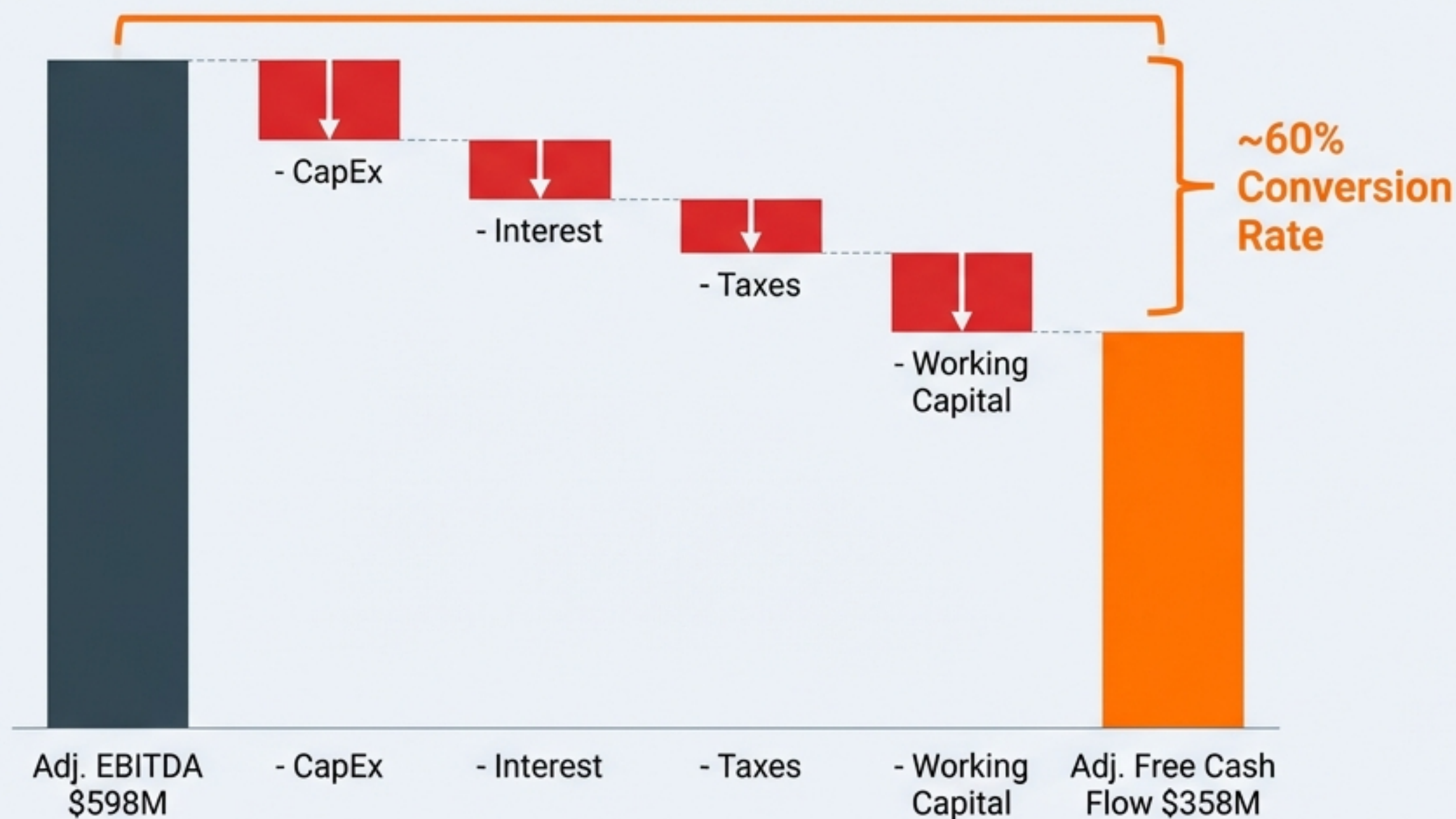
- **Data Center Opportunity**

- **Backup Power:** Turbochargers for gensets (\$40M+ revenue secured Q3 2025).
- **Liquid Cooling:** E-Cooling compressors for high-density AI server racks.

Goal Targeting **\$1B** in non-auto
revenue by 2030.

THE CASH CONVERSION MACHINE

FY2024 Cash Flow Bridge



DIN Next LT Pro

Narrative: Unlike growth-focused EV suppliers, Garrett generates massive distributable cash today to self-fund the pivot.

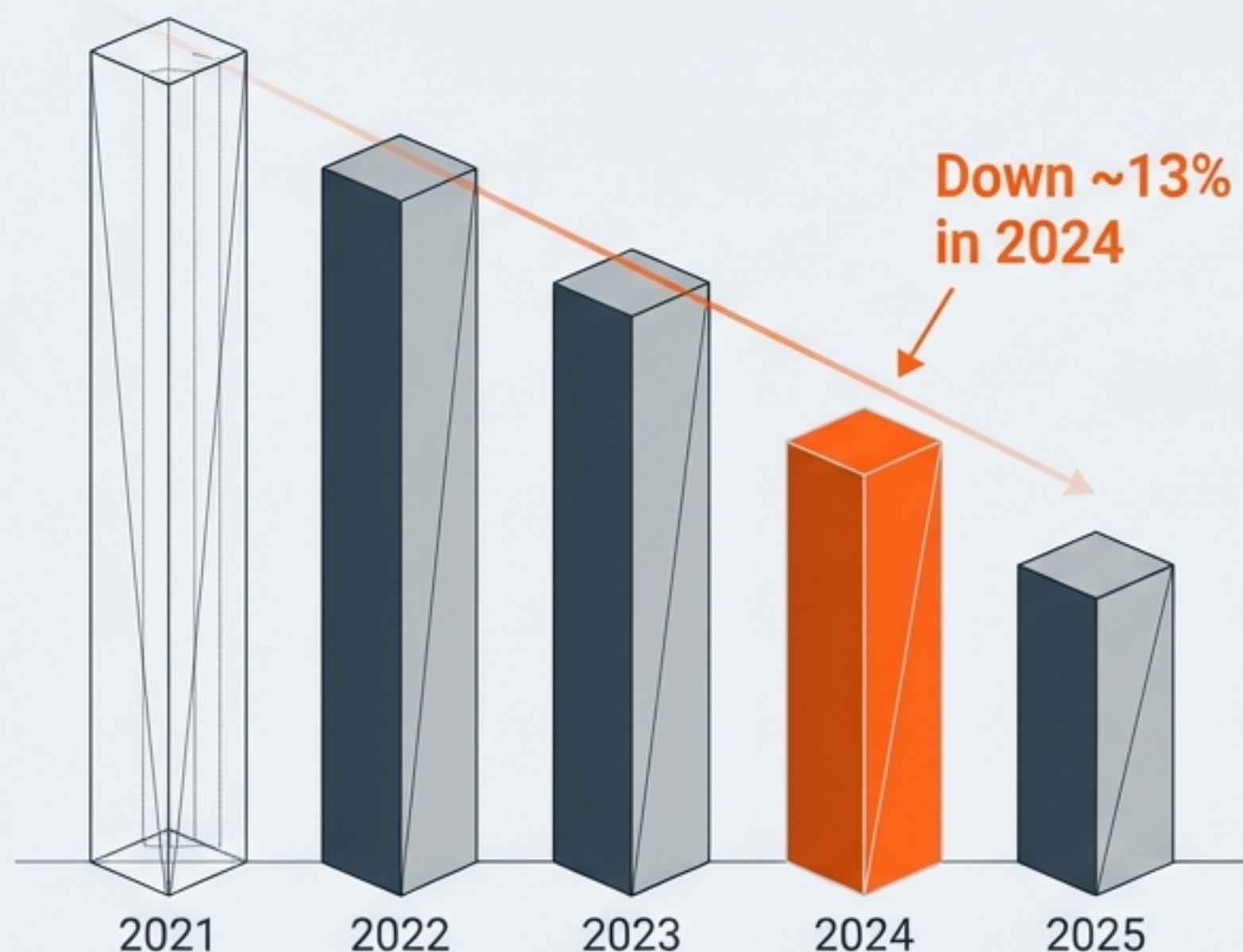
DIN Next LT Pro

Liquidity Profile: **\$860M** Total Liquidity (Cash + Undrawn Credit) as of Sept 30, 2025.

CANNIBALIZING THE FLOAT: THE MATHEMATICS OF YIELD

Share Count Reduction

Inter



The Arbitrage

Buying back stock at ~16-17% FCF yield creates mathematical value accretion for remaining holders.

Action

\$296M Repurchased in 2024. New **\$250M Authorization** for 2025.

Alignment

Executive compensation (PSUs) tied to "New Growth Vectors" and Relative TSR.

Dividend

Initiated and increased to **\$0.08/share** (Q4 2025).

ADDRESSING THE BEAR CASE: LEGACY & LIABILITY

Asbestos Indemnity

Subordinated, debt-like instrument. Payments CAPPED at **\$175M**/year. Deduct NPV from Enterprise Value—stock remains cheap.

Tax Matters (MTT)

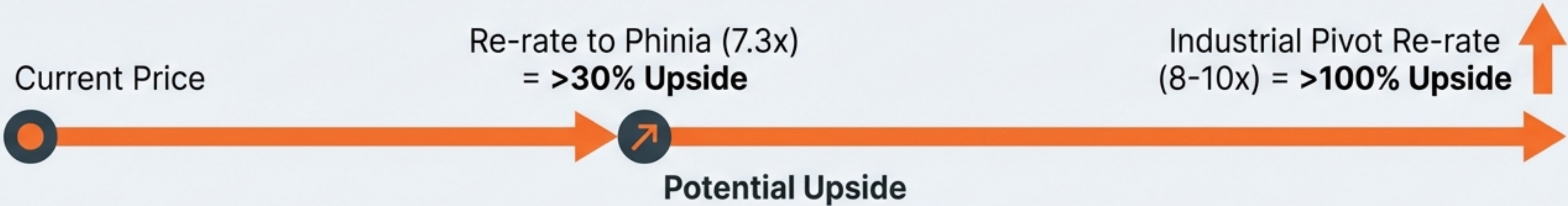
Finite payments ending in **2025**. “Other Liabilities” will roll off, boosting future FCF.

Terminal Value Risk

The “**Hybrid Bridge**” extends cash cow runway into the 2030s. No cliff-edge decline.

VALUATION CONTEXT: THE MARGIN OF SAFETY

Metric	Garrett Motion (GTX)	Peer Average
EV / EBITDA	5.5x	7.5x
P/E Ratio	6.6x	12.0x
FCF Yield	16-17%	6-8%



INVESTMENT VERDICT: AN ANTI-FRAGILE VALUE PLAY



THE MOAT

Unmatched physics and software integration in a rational oligopoly.



THE PIVOT

Credible path to \$1B non-auto revenue validated by Trane and HanDe wins.



THE YIELD

Getting paid to wait via double-digit FCF yield and massive buybacks.

Garrett Motion is transforming from a misunderstood auto supplier into a diversified industrial technology leader.

APPENDIX: KEY FINANCIALS & ESTIMATES

Metric	Value / Guidance
Revenue (2025 Guidance)	\$3.5B - \$3.6B
Adj. EBITDA Margin	~17-18%
Adj. Free Cash Flow (2025)	\$350M - \$420M
Net Leverage Ratio	~2.0x Adj. EBITDA
Debt Maturities	Extended to Jan 2032

Source: Company Filings, 2025 Guidance, and Analyst Consensus Estimates.