



# Investor Presentation

February 2020

# Forward Looking Statements



This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those expressed or implied by these statements. These risks and uncertainties include factors detailed in the reports we file with the SEC, including those described under “Risk Factors” in our most recent Annual Report on Form 10-K. These forward-looking statements speak only as of the date of this communication. We expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

It should also be noted that this presentation contains certain financial measures, including Adjusted EBITDA, Adjusted Earnings per Share, Adjusted Free Cash Flow, and Net Leverage Ratio that are not required by, or presented in accordance with, accounting principles generally accepted in the United States, or GAAP. These measures are presented here to provide additional useful measurements to review our operations, provide transparency to investors and enable period-to-period comparability of financial performance. A description of non-GAAP financial measures that we use to evaluate our operations and financial performance, and reconciliation of these non-GAAP financial measures to the most directly comparable financial measures calculated and reported in accordance with GAAP, can be found in the appendix under “Reconciliation of Non-GAAP Measures”.

# About AAM



As a leading, global tier 1 automotive supplier, AAM designs, engineers and manufactures driveline and metal forming technologies that are making the next generation of vehicles smarter, lighter, safer and more efficient

Over  
**60**  
MANUFACTURING  
FACILITIES



2019 SALES  
**\$6.5B**

**FORTUNE**  
**500**  
2018

AAM **delivers POWER** that moves the world through world-class quality, technology leadership and operational excellence

**16**  
ENGINEERING CENTERS

Over  
**20,000**  
ASSOCIATES



**17**  
COUNTRIES

Nearly  
**80**  
LOCATIONS



# Business Units and Market Leadership



## DRIVELINE



- **2019 Sales - \$4.6B**
- **#1 Globally**
  - Full-size pickup truck and SUV driveline systems
  - Damped gears and rubber isolation pulleys
  - Viscous dampers for passenger cars
- **#1 North America and #2 China –** AWD systems for crossover vehicles
- **Pioneer** of disconnecting AWD Systems
- One of the **leaders** in hybrid and electric driveline solutions

## METAL FORMING



- **2019 Sales - \$1.8B**
- **Largest automotive forger in the world**
- **#1 Globally**
  - Powdered metal connecting rods
  - Differential gears
  - Axle shafts
  - Hypoid pinions
  - Ring gears
- **#1 North America**
  - Transmission gears
  - CVT pulleys
  - Aluminum valve bodies





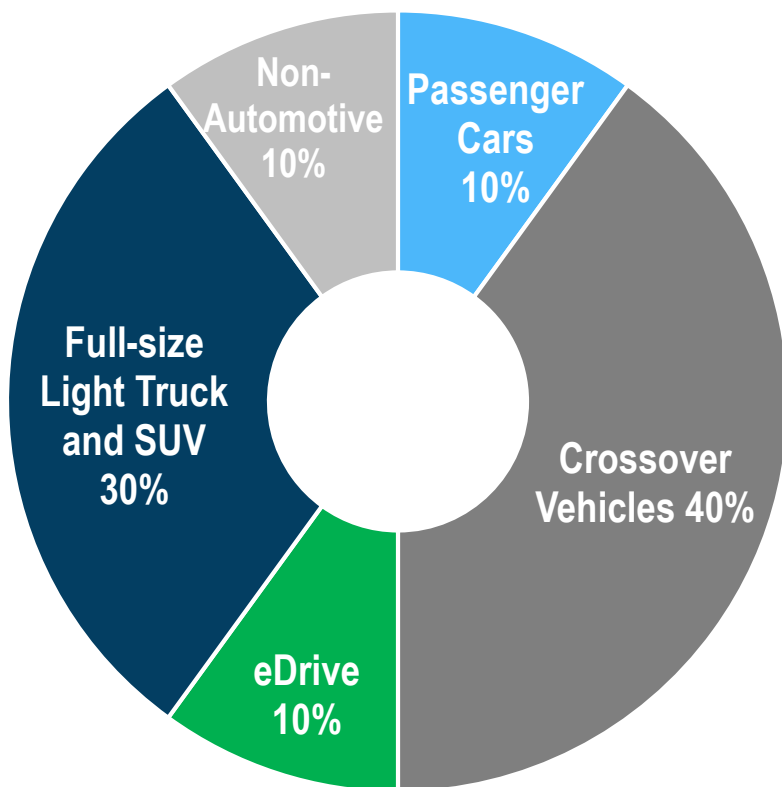
# Growth & Electrification

# Gross New and Incremental Business Backlog

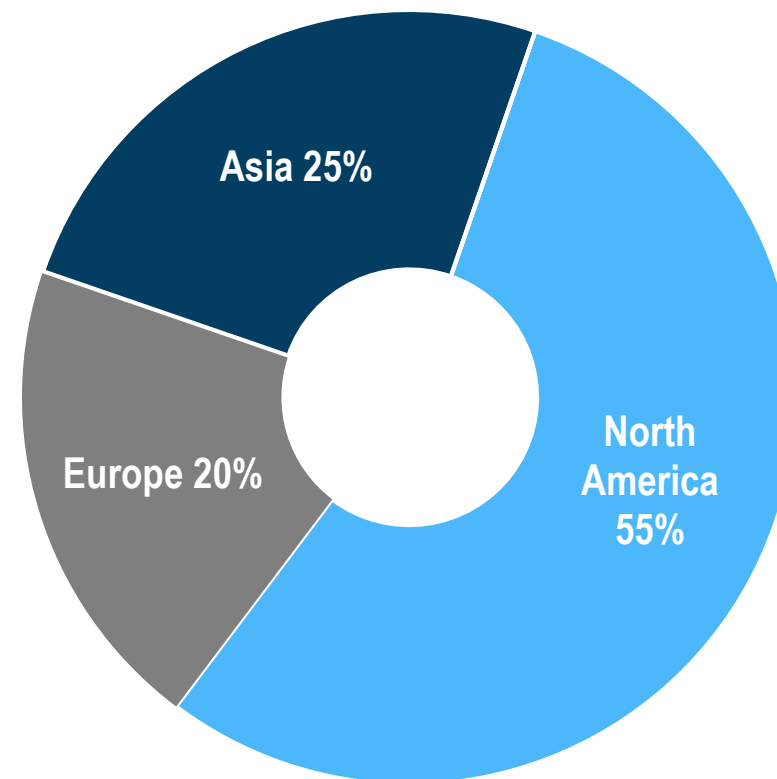


**\$750 MILLION: 2020 - 2022** as disclosed on February 14, 2020

Backlog by Vehicle Segment



Backlog by Region



Our new business backlog continues to drive product, customer and geographic diversification

# AAM's Scalable eDrive Product Portfolio



> \$1B in  
Lifetime  
Revenues



Customer	Jaguar	Premium European OEM	SAIC-GM-Wuling
Vehicle	I-Pace AWD Crossover	High Performance Pass Car	Small Pass Car
Architecture	P4 BEV	P3 Hybrid	P4 BEV
Customer Req.	Performance	Performance	Value
Launch Date	Launched 2018	Launching 2020 - 2022	Launching 2020

# Electrification and AAM

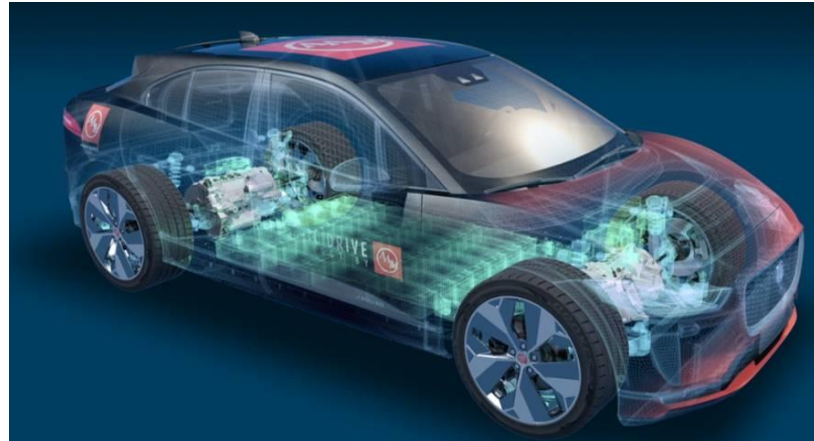


**Successful products in market**

**Partnerships providing new business prospects**

**Expanding served market**

**Scalable design and product portfolio**



**Developing advanced next-generation product**

**Active new and emerging business opportunities**

**Significant electric powertrain component offerings**

**Participating in electric truck market**





# 2019 Highlights and 2020 Financial Targets

# 2019 4Q and Full Year Financial Highlights



4Q  
2019

**\$1.43B**

Quarterly  
Sales

**\$194M**

Quarterly  
Adj. EBITDA

**\$117M**

Quarterly  
Adj. Free  
Cash Flow

FY  
2019

**\$6.53B**

Full Year  
Sales

**\$970M**

Full Year  
Adj. EBITDA

**\$208M**

Full Year  
Adj. Free  
Cash Flow

# 2019 Business Update



## Benefits

**Favorable light truck mix**

**Utilized flexible operations and variable cost structure to adjust to market demand; managed capital spending**

**Improved launch and operational performance**

**Restructured and streamlined the business, including asset sale**

## Challenges

**GM work stoppage**

**Lower than expected production volumes in China, Europe and India and certain key programs in North America**

**Customer launch downtime and delays**

**Trade and tariff uncertainty**

# 2019 AAM Highlights



Completed  $\approx$ 50  
Global Product  
and Program  
Launches



Automotive News  
**PACE**  
AWARD  
Deloitte APMA  
2020 FINALIST



Continued Strong  
Free Cash Flow  
Generation and  
Debt Reduction



Sold U.S. Iron  
Casting  
Business



Celebrated 25 years  
of, World-Class  
Quality, Technology  
Leadership and  
Operational  
Excellence at AAM



3<sup>rd</sup> eDrive Unit New  
Business Award –  
AAM's First in  
China Market



AAM Received  
Supplier of the Year  
and Gold Diversity  
Award from GM



Published 1<sup>st</sup>  
Sustainability  
Review



AAM Received  
Sustainability  
Award from Ford  
Motor Company



# 2020 Financial Outlook

as disclosed on February 14, 2020



## 2020 Financial Targets

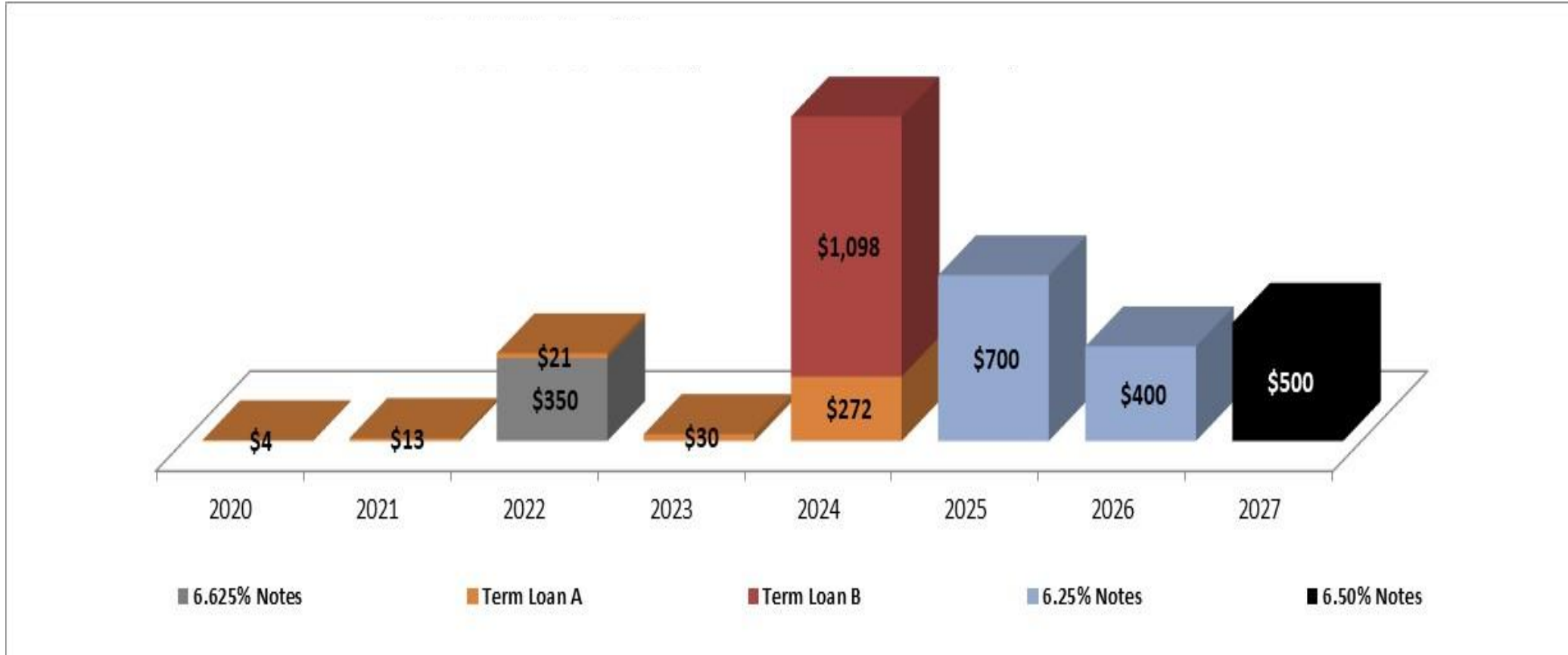
<b>Full Year Sales</b>	<b>\$5.8 - \$6.0 billion</b>
<b>Adjusted EBITDA Margin</b>	<b>≈ 16% of sales</b>
<b>Adjusted Free Cash Flow</b>	<b>≈ \$300 million</b>

- These targets are based on the following industry production assumptions for 2020:
  - North American light vehicle production of 16.3 to 16.5 million
  - European light vehicle production down 1% to 3% compared to 2019
  - China light vehicle production down 3% to 5% compared to 2019
- Adjusted Free Cash Flow target assumes capital spending of approximately 5.5% of sales
- AAM expects restructuring and acquisition-related cash payments to be between \$30 and \$45 million



# Capital Structure and Allocation Priorities

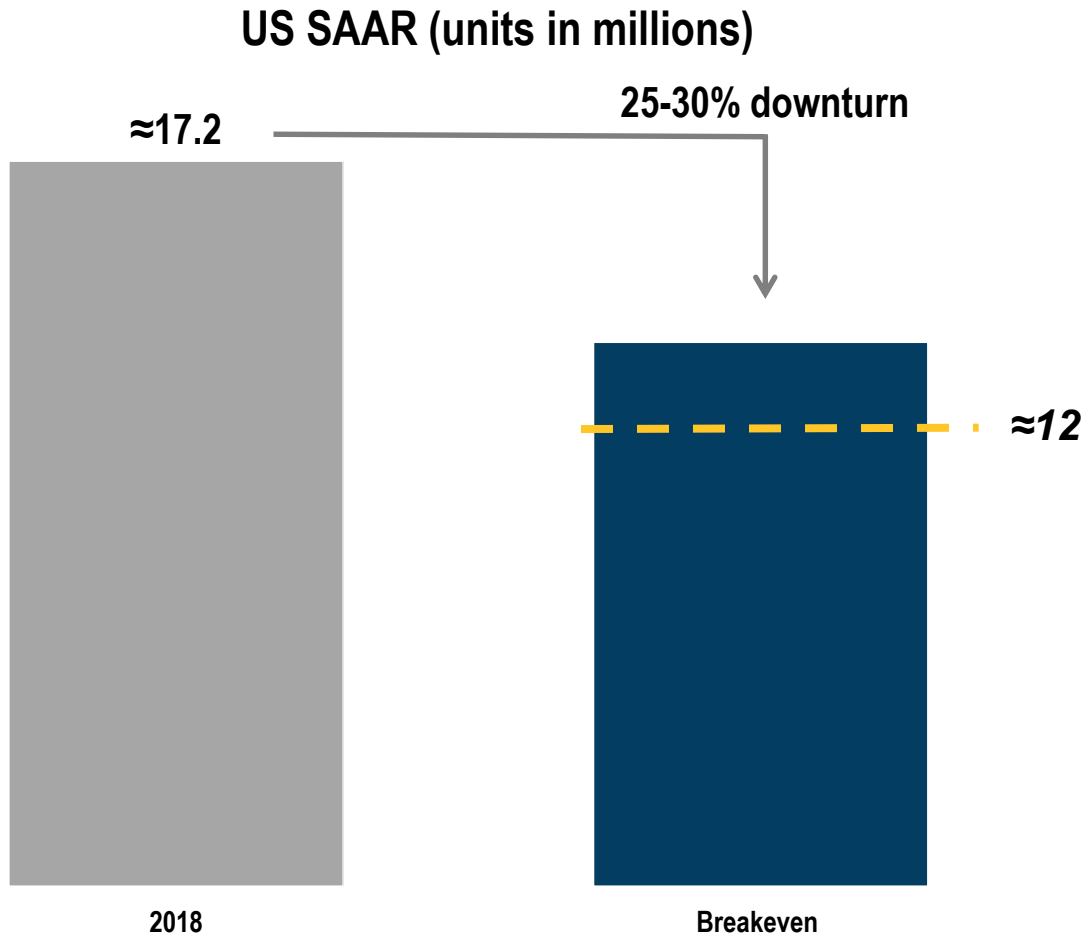
# Debt Maturities Schedule



Note: After February 5, 2020 debt pay down of \$100M

**AAM has a strong debt maturity profile**

# Cash Flow Breakeven



- Highly variable cost structure allows for flexibility during periods of lower volumes
- AAM has track record of reducing fixed costs through facility and labor efficiency initiatives during previous downside periods
- Multiple options available to manage to additional potential change in volumes, including SG&A, capital spending, R&D etc.
- Continued synergy attainment and productivity initiatives further reduce breakeven points

**AAM has a flexible cost structure**



# Downside Protection Playbook



## Potential Actions

### Reduce Variable Costs

- Direct Material (≈60% of COGS)
- Hourly Headcount
- Variable Overhead

### Reduce Semi-fixed Costs

- Salaried headcount, merit and incentive compensation adjustments/deferrals
- Formal spending reduction programs (ex. travel)
- Align future R&D, project and capital expenses to lower sales levels

### Select Recapacitating of Facilities

- Align capacity with customers
- Plant loading adjustments to optimize capacity

### Structural Capacity and Overhead Reduction

- Global footprint consolidations
- Significant Salaried Reduction in Force programs



Restructuring Costs Required?
No
Limited
Moderate
Higher

Note: This list includes examples for illustrative purposes and does not include all potential actions

**GOAL: Align capacity and cost structure with market demand**

# Capital Allocation



Leverage Reduction	Organic Growth
<i>&gt;\$700M of senior debt payments since the MPG acquisition</i>	<i>Invest in R&amp;D and continue organic growth with the appropriate returns</i>
Strategic	Shareholder Activity
<i>Focus on objectives of technology, portfolio positioning, diversification and growth</i>	<i>At the appropriate time, other options that may benefit our shareholders further</i>

Capital allocation aligned with AAM's strategic objectives



**DELIVERING POWER**

**THAT MOVES THE WORLD.**



# Supplemental Data



# Reconciliation of Non-GAAP Measures



In addition to the results reported in accordance with accounting principles generally accepted in the United States of America (GAAP) included within this presentation, we have provided certain information, which includes non-GAAP financial measures. Such information is reconciled to its closest GAAP measure in accordance with Securities and Exchange Commission rules and is included in the following slides.

Certain of the forward-looking financial measures included in this earnings release are provided on a non-GAAP basis. A reconciliation of non-GAAP forward-looking financial measures to the most directly comparable forward-looking financial measures calculated and presented in accordance with GAAP has been provided. The amounts in these reconciliations are based on our current estimates and actual results may differ materially from these forward-looking estimates for many reasons, including potential event driven transactional and other non-core operating items and their related effects in any future period, the magnitude of which may be significant.

# Production and Sales Volume Assumptions



	2019	2020
North America Light Vehicle Production	16.3M units	16.3 - 16.5M units
Europe Light Vehicle Production	21.1M units	≈ 1% to 3% decrease
Greater China Light Vehicle Production	24.6M units	≈ 3% to 5% decrease

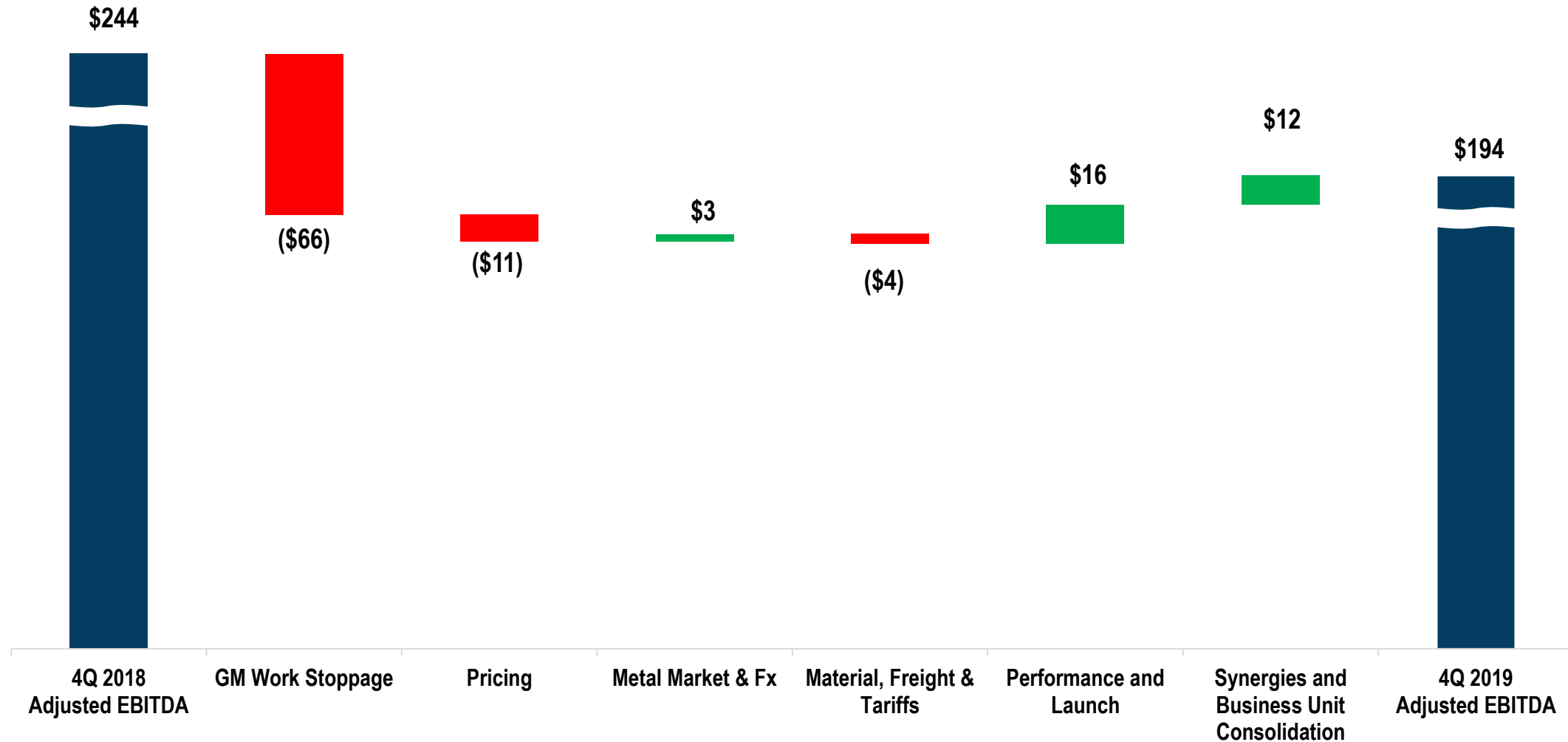
# 4Q 2019 Year-Over-Year Sales Walk

(in millions)



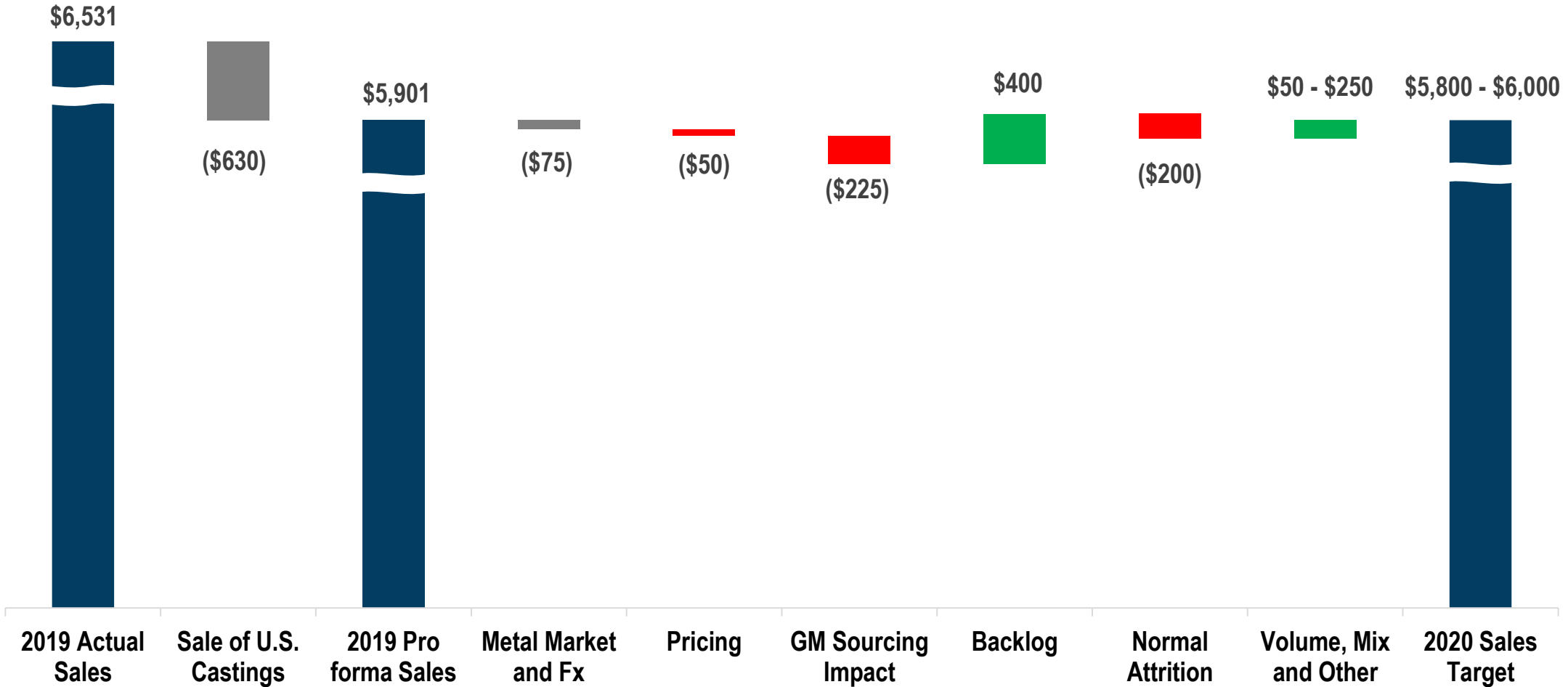
# 4Q 2019 Year-over-Year Adjusted EBITDA Walk

(in millions)



# 2020 Sales Walk

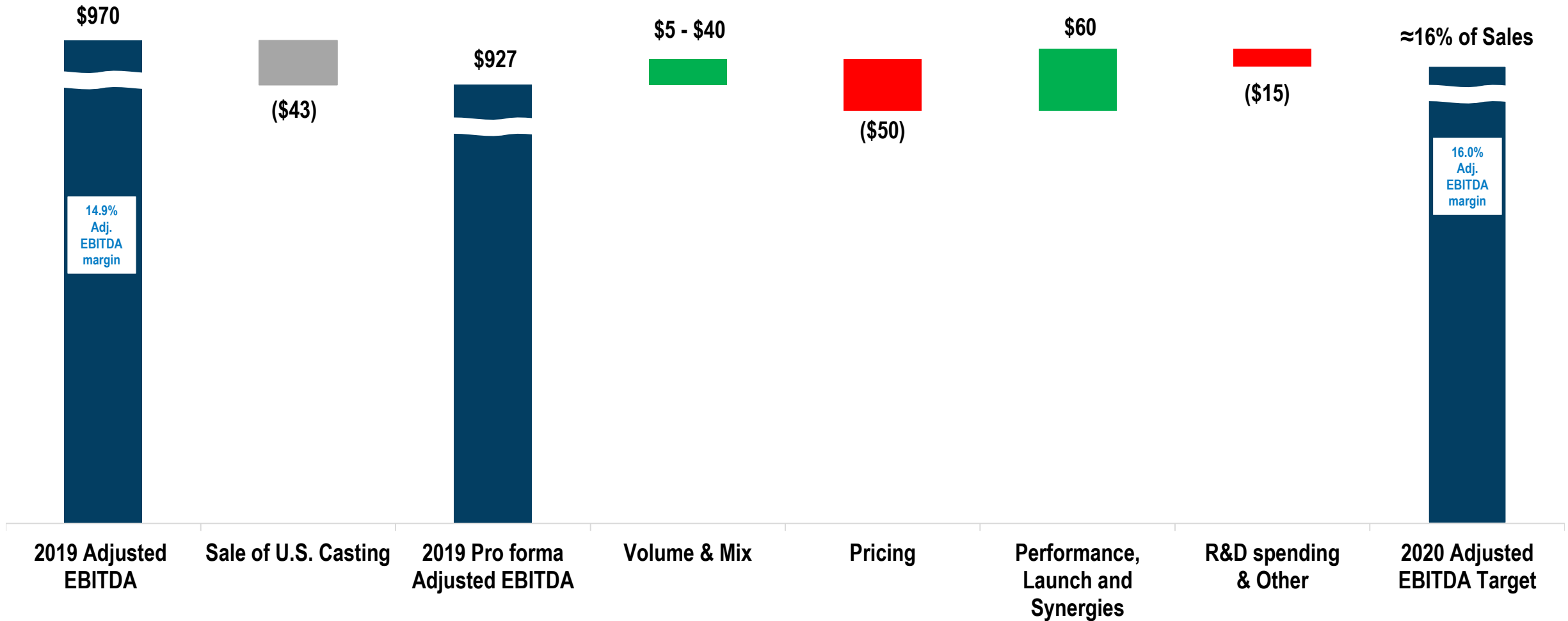
(in millions)





# 2020 Adjusted EBITDA Walk

(in millions)



# Supplemental Data



## EBITDA and Adjusted EBITDA Reconciliation (\$ in millions)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
Net income (loss)	\$ (454.4)	\$ (361.6)	\$ (484.1)	\$ (56.8)
Interest expense	53.4	53.8	217.3	216.3
Income tax expense (benefit)	(11.5)	(88.5)	(48.9)	(57.1)
Depreciation and amortization	125.4	137.9	536.9	528.8
EBITDA	(287.1)	(258.4)	221.2	631.2
Restructuring and acquisition-related costs	21.8	12.1	57.8	78.9
Debt refinancing and redemption costs	0.9	4.8	8.4	19.4
Impairment charges	440.0	485.5	665.0	485.5
Pension settlement	9.8	-	9.8	-
(Gain) loss on sale of business	21.3	-	21.3	(15.5)
Non-recurring items:				
Gain on bargain purchase of business	(10.8)	-	(10.8)	-
Gain on settlement of capital lease	-	-	-	(15.6)
Other	(2.4)	-	(2.4)	-
Adjusted EBITDA	\$ 193.5	\$ 244.0	\$ 970.3	\$ 1,183.9
as % of net sales	13.5%	14.4%	14.9%	16.3%

# Supplemental Data



## Adjusted Earnings Per Share Reconciliation

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
Diluted earnings (loss) per share	\$ (4.04)	\$ (3.24)	\$ (4.31)	\$ (0.51)
Restructuring and acquisition-related costs	0.19	0.11	0.51	0.71
Debt refinancing and redemption costs	0.01	0.04	0.07	0.17
(Gain) loss on sale of business	0.19	-	0.19	(0.14)
Impairment charges	3.91	4.35	5.92	4.35
Pension settlement	0.09	-	0.09	-
Non-recurring items:				
Gain on bargain purchase of business	(0.10)	-	(0.10)	-
Gain on settlement of capital lease	-	-	-	(0.14)
Tax Cuts and Jobs Act Transition Tax adjustment	-	-	(0.08)	-
Adjustment to liability for unrecognized tax benefits	-	-	-	(0.18)
Other	(0.02)	-	(0.02)	-
Tax effect of adjustments	(0.10)	(0.79)	(0.60)	(0.85)
Adjustment for anti-dilutive effect	-	(0.02)	(0.05)	(0.13)
Adjusted earnings per share	<u>\$ 0.13</u>	<u>\$ 0.45</u>	<u>\$ 1.62</u>	<u>\$ 3.28</u>

Adjusted earnings per share are based on weighted average diluted shares outstanding of 116.2 million for the three months ended on December 31, 2019 and 2018, and 116.1 million and 115.8 million for the twelve months ended on December 31, 2019 and 2018, respectively.



## Free Cash Flow and Adjusted Free Cash Flow Reconciliation (\$ in millions)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
Net cash provided by operating activities	\$ 181.0	\$ 258.3	\$ 559.6	\$ 771.5
Less: Capital expenditures net of proceeds from sale of property, plant and equipment	(95.0)	(131.2)	(428.3)	(519.8)
Free cash flow	86.0	127.1	131.3	251.7
Cash payments for restructuring and acquisition-related costs	30.5	15.3	76.5	70.6
Adjusted free cash flow	<u>\$ 116.5</u>	<u>\$ 142.4</u>	<u>\$ 207.8</u>	<u>\$ 322.3</u>



## Net Debt and Net Leverage Ratio (\$ in millions)

	<b>December 31, 2019</b>
Current portion of long-term debt	\$ 28.7
Long-term debt, net	<u>3,612.3</u>
Total debt, net	3,641.0
Less: Cash and cash equivalents	<u>532.0</u>
Net debt at end of period	<u>3,109.0</u>
Adjusted LTM EBITDA	<u><u>\$ 970.3</u></u>
 Net Leverage Ratio	 3.20



# Supplemental Data



## Segment Financial Information (\$ in millions)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
Segment Sales				
Driveline	\$ 1,015.6	\$ 1,172.4	\$ 4,550.2	\$ 5,001.2
Metal Forming	401.2	464.3	1,845.2	2,046.0
Casting	127.5	184.3	669.2	780.6
Total Sales	1,544.3	1,821.0	7,064.6	7,827.8
Intersegment Sales	(114.3)	(126.9)	(533.7)	(557.4)
Net External Sales	<u>\$ 1,430.0</u>	<u>\$ 1,694.1</u>	<u>\$ 6,530.9</u>	<u>\$ 7,270.4</u>
Segment Adjusted EBITDA				
Driveline	\$ 124.9	\$ 163.8	\$ 610.8	\$ 754.5
Metal Forming	66.2	73.8	316.5	376.5
Casting	2.4	6.4	43.0	52.9
Total Segment Adjusted EBITDA	<u>\$ 193.5</u>	<u>\$ 244.0</u>	<u>\$ 970.3</u>	<u>\$ 1,183.9</u>

# Supplemental Data



## Full Year 2020 Outlook (\$ in millions)

	Adjusted EBITDA	
	Low End	High End
Net income	\$ 140	\$ 165
Interest expense	205	205
Income tax expense	35	40
Depreciation and amortization	515	515
Full year 2020 targeted EBITDA	895	925
Restructuring and acquisition-related costs	35	35
Full year 2020 targeted Adjusted EBITDA	<u>\$ 930</u>	<u>\$ 960</u>

	Adjusted Free Cash Flow
Net cash provided by operating activities	\$ 590
Capital expenditures net of proceeds from the sale of property, plant and equipment	(325)
Full year 2020 targeted Free Cash Flow	265
Cash payments for restructuring and acquisition-related costs	35
Full year 2020 targeted Adjusted Free Cash Flow	<u>\$ 300</u>

