



TECHNOLOGY THAT DRIVES THE INDUSTRY

# Investor Presentation

February 2021

# Forward-Looking Statements



This supplemental information 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 uncertainty around the duration and effects of the COVID-19 pandemic, and 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 and our Quarterly Reports on Form 10-Q. 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 information contains certain financial measures, including Adjusted EBITDA, Adjusted Earnings per Share, Adjusted Free Cash Flow, Net Leverage Ratio and Liquidity 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”.

# 2020 4Q and Full Year Financial Highlights



4Q  
2020

**\$1.44B**

Quarterly  
Sales

**\$262M**

Quarterly  
Adj. EBITDA

18.2% of Sales

**\$173M**

Quarterly  
Adj. Free  
Cash Flow

FY  
2020

**\$4.71B**

Full Year  
Sales

**\$720M**

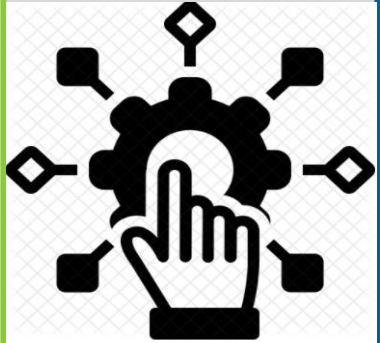
Full Year  
Adj. EBITDA

15.3% of Sales

**\$311M**

Full Year  
Adj. Free  
Cash Flow

# 2020 AAM Highlights



Implemented Significant Cost Savings Actions to Adjust to New Market Demand



Won Both PACE Partnership and Innovation Awards for Electric Drive Technology



Continued Strong Free Cash Flow Generation and Debt Reduction



Received Silver Quality Award at Ford's World Excellence Awards



Launched First China eDrive Program at our Liuzhou AAM JV



Formed Technical Agreement with Inovance Automotive and Awarded 4 New Electrification Programs in China



Recognized as GM Supplier of the Year for Fourth Year in a Row



Published Comprehensive Sustainability Report



Secured Next Generation Ram Heavy Duty Axle and Driveshaft program





## INOVANCE Automotive

- Technical advancement of fully integrated 3-in-1 EDUs
- Access to the largest BEV Market (China)
- High value power electronics
- Four programs awarded via partnership



- Invested In REE Automotive
- Electric platform leader reinventing e-mobility
- Integrates traditional vehicle components in the arch of the wheel
- Allowing for flat and modular electric platforms

## Next Generation Drive Units

- Highly integrated advanced 3-in-1 technology
- Substantial improvement over currently available units
- World class efficiency and NVH
- Proprietary gear technology

## Key Launches

- Rear e-Drive units for European high performance hybrid passenger car (multiple variants)
- Multiple program launches in China
- Multiple electric powertrain component launches on multiple vehicle segments including electric pick-up truck and commercial vehicle



## NEXT-GEN RAM HD PICKUP TRUCKS

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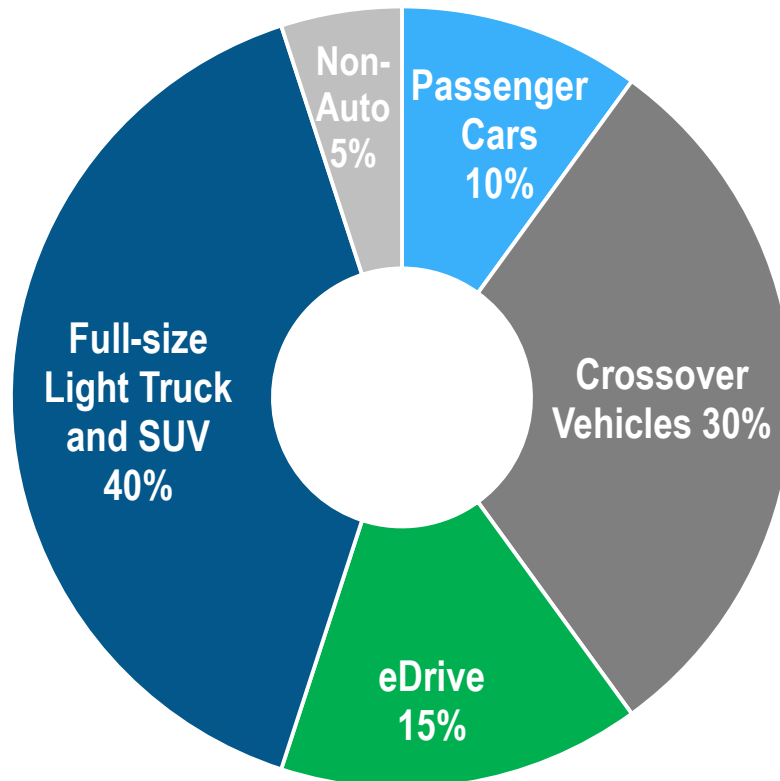
- Axle and Driveshaft
- Strategic supplier through 2030
- Current and future sales to exceed several billion dollars

# Gross New Business Backlog

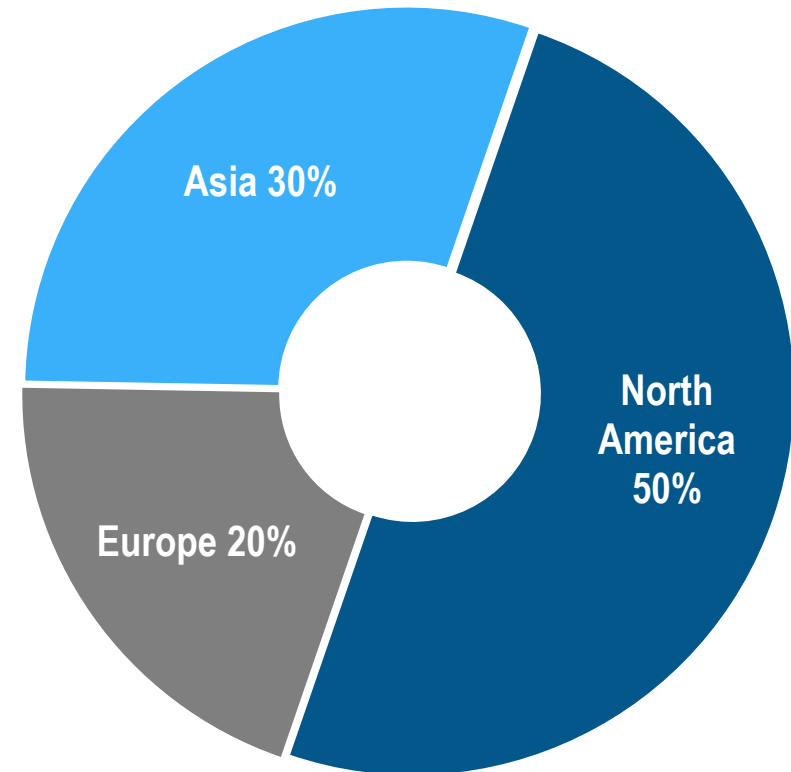


**\$600 MILLION: 2021 – 2023** as disclosed on February 12, 2021

Backlog by Vehicle Segment



Backlog by Region



Electrification continues to be a growing portion of AAM's new business backlog

# 2021 Financial Outlook

as disclosed on February 12, 2021



## 2021 Financial Targets

<b>Full Year Sales</b>	<b>\$5.3 - \$5.5 billion</b>
<b>Adjusted EBITDA</b>	<b>\$850 - \$925 million</b>
<b>Adjusted Free Cash Flow</b>	<b>\$300 - \$400 million</b>

- These targets are based on the following industry production assumptions for 2021:
  - North American light vehicle production in the range of 15.5 - 16 million units
  - European light vehicle production of approximately 19 million units
  - China light vehicle production of approximately 25 million units
- Full year targets are based on current and anticipated customer production and launch schedules.
- Adjusted Free Cash Flow target assumes capital spending of approximately 4.5% of sales
- AAM expects restructuring and acquisition-related cash payments to be between \$50 and \$65 million



# 4Q Financial Results



	Three Months Ended December 31,		Difference
	2020	2019	
	(dollars in millions, except per share data)		
Net sales	\$ 1,437.9	\$ 1,430.0	\$ 7.9
Gross profit	\$ 236.5	\$ 183.4	\$ 53.1
Gross margin	16.4%	12.8%	3.6%
SG&A	\$ 83.3	\$ 90.0	\$ (6.7)
SG&A as a % of sales	5.8%	6.3%	-0.5%
Amortization of intangible assets	\$ 21.6	\$ 21.8	\$ (0.2)
Impairment charges	\$ -	\$ 440.0	\$ (440.0)
Restructuring and acquisition costs	\$ 28.6	\$ 21.8	\$ 6.8
Other income (expense)	\$ (3.1)	\$ (3.4)	\$ 0.3
Adjusted EBITDA	\$ 261.5	\$ 193.5	\$ 68.0
Adjusted EBITDA margin	18.2%	13.5%	4.7%
Net interest expense	\$ 49.9	\$ 51.0	\$ (1.1)
Income tax expense (benefit)	\$ 13.9	\$ (11.5)	\$ 25.4
Effective tax rate	27.8%	2.5%	25.3%
Net income (loss) attributable to AAM	\$ 36.0	\$ (454.4)	\$ 490.4
Diluted EPS	\$ 0.30	\$ (4.04)	\$ 4.34
Adjusted EPS	\$ 0.51	\$ 0.13	\$ 0.38

Adjusted earnings per share are based on weighted average diluted shares outstanding of 118.4 and 116.2 million for the three months ended on December 31, 2020 and 2019, respectively.

# Full Year Financial Results

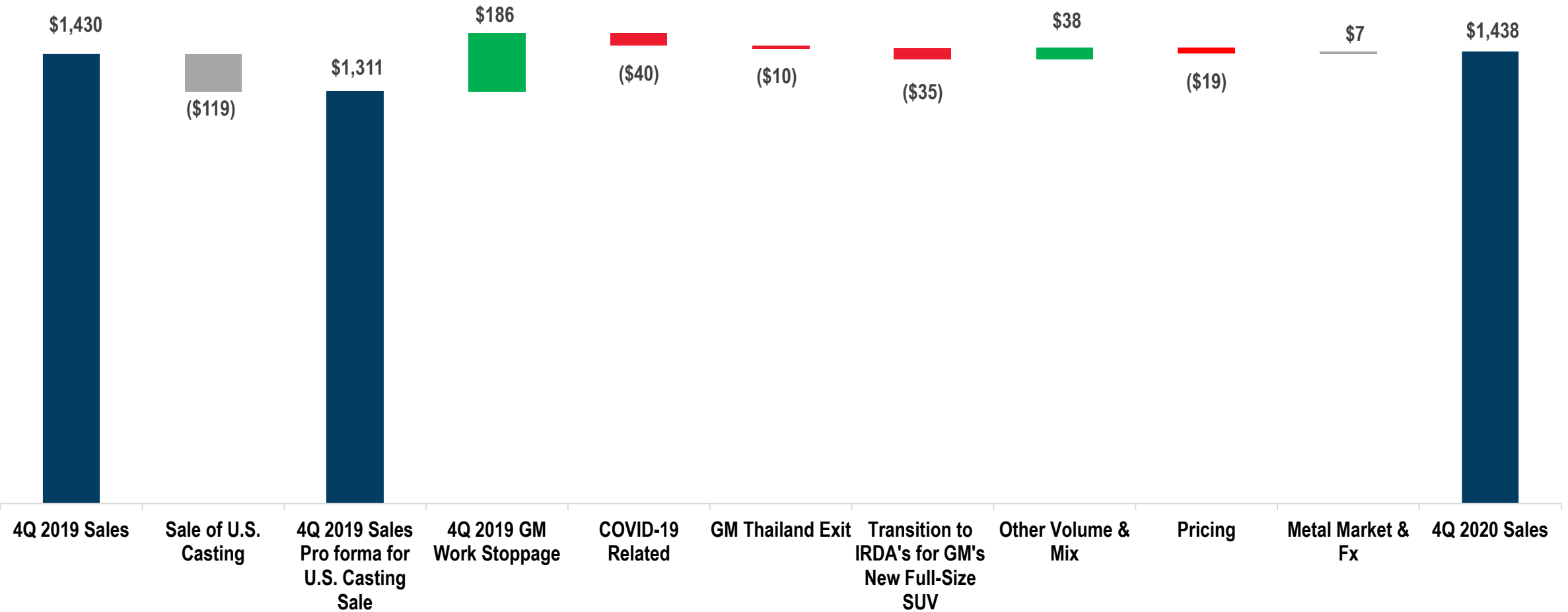


	Twelve Months Ended December 31,		Difference
	2020	2019	
	(dollars in millions, except per share data)		
Net sales	\$ 4,710.8	\$ 6,530.9	\$ (1,820.1)
Gross profit	\$ 582.7	\$ 902.6	\$ (319.9)
Gross margin	12.4%	13.8%	-1.4%
SG&A	\$ 313.9	\$ 364.7	\$ (50.8)
SG&A as a % of sales	6.7%	5.6%	1.1%
Amortization of intangible assets	\$ 86.6	\$ 95.4	\$ (8.8)
Impairment charges	\$ 510.0	\$ 665.0	\$ (155.0)
Restructuring and acquisition costs	\$ 67.2	\$ 57.8	\$ 9.4
Other income (expense)	\$ (13.6)	\$ (19.9)	\$ 6.3
Adjusted EBITDA	\$ 719.8	\$ 970.3	\$ (250.5)
Adjusted EBITDA margin	15.3%	14.9%	0.4%
Net interest expense	\$ 200.7	\$ 211.5	\$ (10.8)
Income tax expense (benefit)	\$ (49.2)	\$ (48.9)	\$ (0.3)
Effective tax rate	8.1%	9.2%	-1.1%
Net income (loss) attributable to AAM	\$ (561.3)	\$ (484.5)	\$ (76.8)
Diluted EPS	\$ (4.96)	\$ (4.31)	\$ (0.65)
Adjusted EPS	\$ 0.14	\$ 1.62	\$ (1.48)

Adjusted earnings per share are based on weighted average diluted shares outstanding of 117.9 million and 116.1 million for the twelve months ended on December 31, 2020 and 2019, respectively.

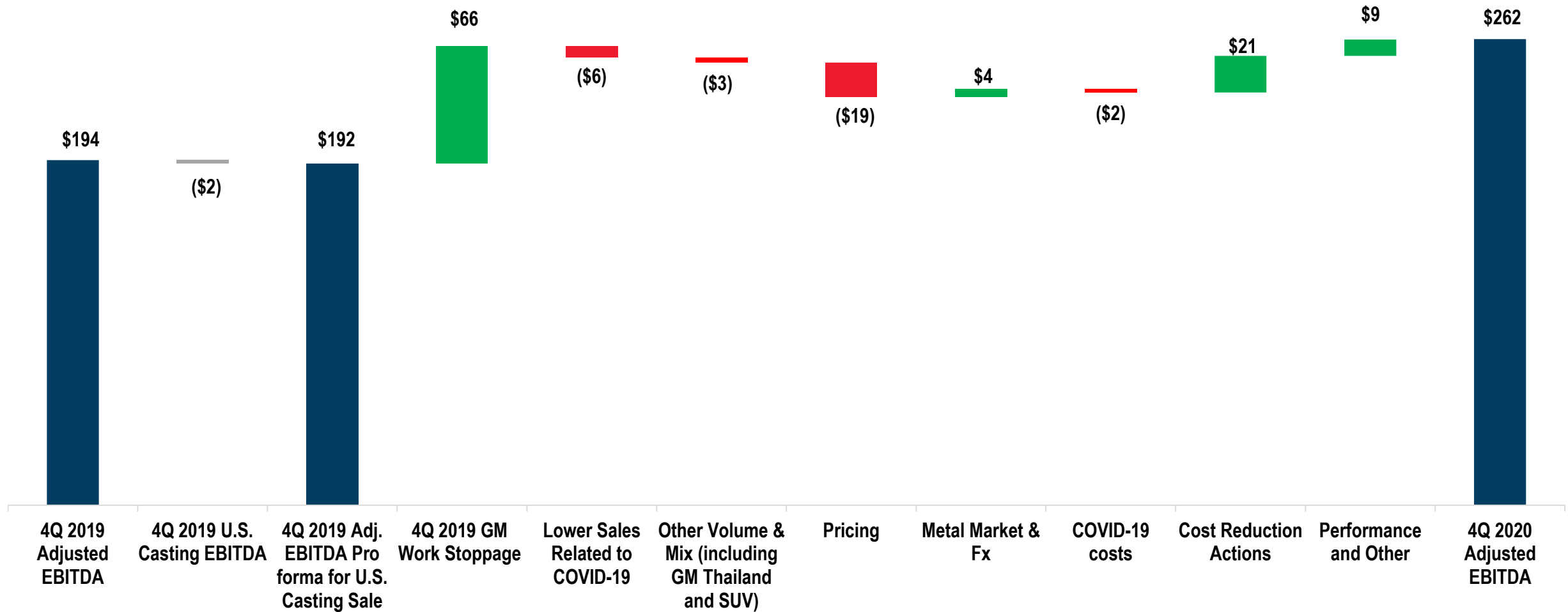
# 4Q 2020 Year-Over-Year Sales Walk

(in millions)



# 4Q 2020 Year-over-Year Adjusted EBITDA Walk

(in millions)



\* For definitions and reconciliations of non-GAAP financial measures, please see the attached appendix.

# Adjusted Free Cash Flow and Credit Profile



Cash Flow and Debt Metrics	4Q 2020
Adjusted Free Cash Flow	\$172.7 million
Net Debt	\$2.9 billion
Net Leverage Ratio	4.0x
Liquidity	> \$1.5 billion

**AAM prepaid over \$100 million of its Term Loans in 4Q 2020**



# 2021 Sales Target Walk

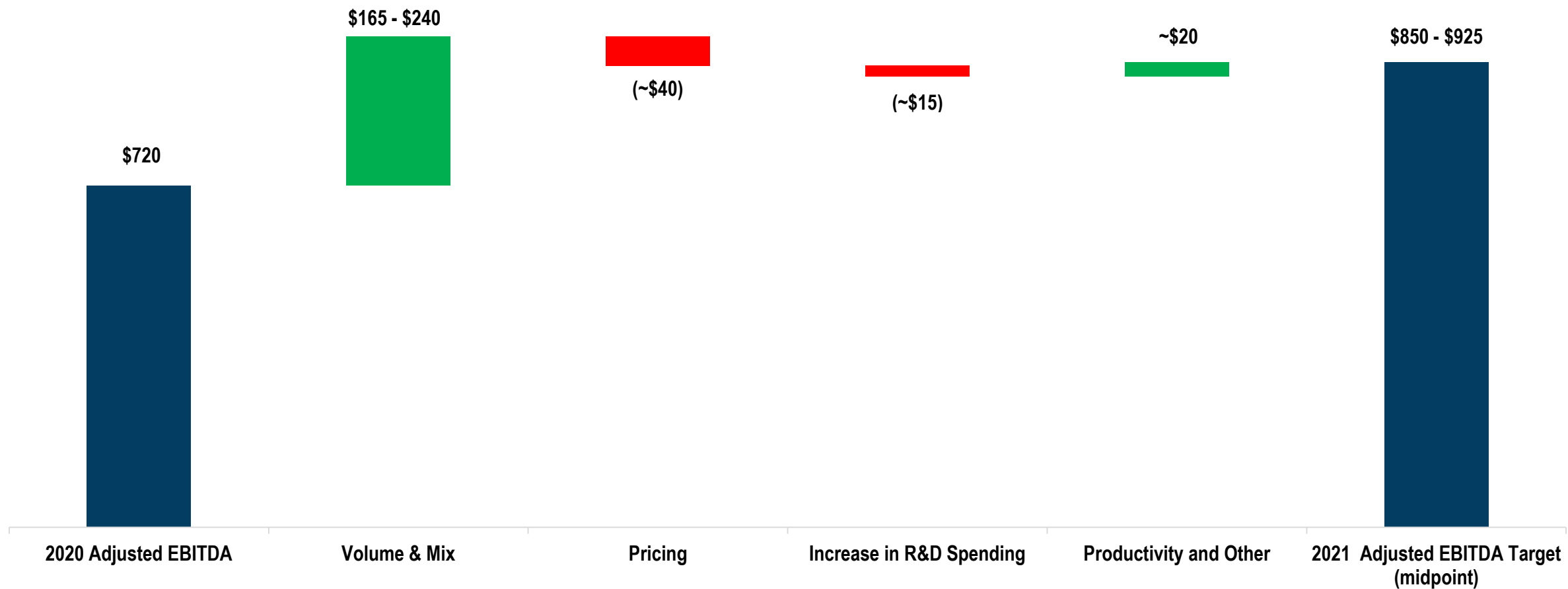
(in millions)



Note: All estimates are approximations.

# 2021 Adjusted EBITDA Target Walk

(in millions)



Note: All estimates are approximations.

# 2021 Targeted Adjusted Free Cash Flow Walk

(in millions)



Note: All estimates are approximations.



# 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.



# Supplemental Data



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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
Net income (loss)	\$ 36.1	\$ (454.4)	\$ (561.1)	\$ (484.1)
Interest expense	52.3	53.4	212.3	217.3
Income tax expense (benefit)	13.9	(11.5)	(49.2)	(48.9)
Depreciation and amortization	128.2	125.4	521.9	536.9
EBITDA	230.5	(287.1)	123.9	221.2
Restructuring and acquisition-related costs	28.6	21.8	67.2	57.8
Debt refinancing and redemption costs	1.2	0.9	7.9	8.4
Impairment charges	-	440.0	510.0	665.0
Pension settlement	0.5	9.8	0.5	9.8
Loss on sale of business	-	21.3	1.0	21.3
Non-recurring items:				
Malvern fire charges, net of recoveries	0.7	-	9.3	-
Gain on bargain purchase of business	-	(10.8)	-	(10.8)
Other	-	(2.4)	-	(2.4)
Adjusted EBITDA	\$ 261.5	\$ 193.5	\$ 719.8	\$ 970.3
Sales	1,437.9	1,430.0	4,710.8	6,530.9
as % of net sales	18.2%	13.5%	15.3%	14.9%

# Supplemental Data



## Adjusted Earnings Per Share Reconciliation

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
Diluted earnings (loss) per share	\$ 0.30	\$ (4.04)	\$ (4.96)	\$ (4.31)
Restructuring and acquisition-related costs	0.24	0.19	0.60	0.51
Debt refinancing and redemption costs	0.01	0.01	0.07	0.07
Loss on sale of business	-	0.19	0.01	0.19
Impairment charges	-	3.91	4.51	5.92
Pension settlement	0.01	0.09	0.01	0.09
Non-recurring items:				
Malvern fire charges, net of recoveries	0.01	-	0.08	-
Gain on bargain purchase of business	-	(0.10)	-	(0.10)
Tax adjustments related to the CARES Act and Tax Cuts and Jobs Act	-	-	(0.07)	(0.08)
Adjustment to liability for unrecognized tax benefits	-	-	(0.06)	-
Other	-	(0.02)	0.14	(0.02)
Tax effect of adjustments	(0.06)	(0.10)	(0.19)	(0.60)
Adjustment for anti-dilutive effect	-	-	-	(0.05)
Adjusted earnings per share	<u>\$ 0.51</u>	<u>\$ 0.13</u>	<u>\$ 0.14</u>	<u>\$ 1.62</u>

Adjusted earnings per share are based on weighted average diluted shares outstanding of 118.4 million and 116.2 million for the three months ended on December 31, 2020 and 2019, respectively, and 117.9 million and 116.1 million for the twelve months ended on December 31, 2020 and 2019, respectively.



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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
Net cash provided by operating activities	\$ 208.3	\$ 181.0	\$ 454.7	\$ 559.6
Less: Capital expenditures net of proceeds from sale of property, plant and equipment	(69.2)	(95.0)	(213.9)	(428.3)
Free cash flow	139.1	86.0	240.8	131.3
Cash payments for restructuring and acquisition-related costs	33.6	30.5	70.6	76.5
Adjusted free cash flow	\$ 172.7	\$ 116.5	\$ 311.4	\$ 207.8



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

	<b>December 31, 2020</b>
Current portion of long-term debt	\$ 13.7
Long-term debt, net	3,441.3
Total debt, net	3,455.0
Less: Cash and cash equivalents	557.0
Net debt at end of period	2,898.0
Adjusted LTM EBITDA	\$ 719.8
Net Leverage Ratio	4.0

# Supplemental Data



## Segment Financial Information (\$ in millions)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
Segment Sales				
Driveline	\$ 1,105.7	\$ 1,015.6	\$ 3,635.6	\$ 4,550.2
Metal Forming	433.4	401.2	1,439.2	1,845.2
Casting	-	127.5	-	669.2
Total Sales	1,539.1	1,544.3	5,074.8	7,064.6
Intersegment Sales	(101.2)	(114.3)	(364.0)	(533.7)
Net External Sales	<u>\$ 1,437.9</u>	<u>\$ 1,430.0</u>	<u>\$ 4,710.8</u>	<u>\$ 6,530.9</u>
Segment Adjusted EBITDA				
Driveline	\$ 186.2	\$ 124.9	\$ 501.7	\$ 610.8
Metal Forming	75.3	66.2	218.1	316.5
Casting	-	2.4	-	43.0
Total Segment Adjusted EBITDA	<u>\$ 261.5</u>	<u>\$ 193.5</u>	<u>\$ 719.8</u>	<u>\$ 970.3</u>



# Supplemental Data



## Full Year 2021 Outlook (\$ in millions)

	Adjusted EBITDA	
	Low End	High End
Net income	\$ 80	\$ 140
Interest expense	205	205
Income tax expense	20	35
Depreciation and amortization	485	485
Full year 2021 targeted EBITDA	790	865
Restructuring and acquisition-related costs	60	60
Full year 2021 targeted Adjusted EBITDA	<u>\$ 850</u>	<u>\$ 925</u>

	Adjusted Free Cash Flow	
	Low End	High End
Net cash provided by operating activities	\$ 480	\$ 580
Capital expenditures net of proceeds from the sale of property, plant and equipment	(240)	(240)
Full year 2021 targeted Free Cash Flow	240	340
Cash payments for restructuring and acquisition-related costs	60	60
Full year 2021 targeted Adjusted Free Cash Flow	<u>\$ 300</u>	<u>\$ 400</u>

# Definition of Non-GAAP Measures



## **EBITDA and Adjusted EBITDA**

We define EBITDA to be earnings before interest expense, income taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA excluding the impact of restructuring and acquisition-related costs, debt refinancing and redemption costs, loss on sale of a business, impairment charges, pension settlements and non-recurring items. We believe that EBITDA and Adjusted EBITDA are meaningful measures of performance as they are commonly utilized by management and investors to analyze operating performance and entity valuation. Our management, the investment community and the banking institutions routinely use EBITDA and Adjusted EBITDA, together with other measures, to measure our operating performance relative to other Tier 1 automotive suppliers. We also use Segment Adjusted EBITDA as the measure of earnings to assess the performance of each segment and determine the resources to be allocated to the segments. EBITDA and Adjusted EBITDA should not be construed as income from operations, net income or cash flow from operating activities as determined under GAAP. Other companies may calculate EBITDA and Adjusted EBITDA differently.

## **Adjusted Earnings (Loss) Per Share**

We define Adjusted earnings (loss) per share to be diluted earnings per share excluding the impact of restructuring and acquisition related costs, debt refinancing and redemption costs, loss on sale of a business, impairment charges, and non-recurring items, including the tax effect thereon. We believe Adjusted earnings (loss) per share is a meaningful measure as it is commonly utilized by management and investors in assessing ongoing financial performance that provides improved comparability between periods through the exclusion of certain items that management believes are not indicative of core operating performance and which may obscure underlying business results and trends. Other companies may calculate Adjusted earnings (loss) per share differently.

## **Free Cash Flow and Adjusted Free Cash Flow**

We define free cash flow to be net cash provided by (used in) operating activities less capital expenditures net of proceeds from the sale of property, plant and equipment. Adjusted free cash flow is defined as free cash flow excluding the impact of cash payments for restructuring and acquisition-related costs. We believe free cash flow and Adjusted free cash flow are meaningful measures as they are commonly utilized by management and investors to assess our ability to generate cash flow from business operations to repay debt and return capital to our stockholders. Free cash flow and Adjusted free cash flow are also key metrics used in our calculation of incentive compensation. Other companies may calculate free cash flow and Adjusted free cash flow differently.

## **Net Debt and Net Leverage Ratio**

We define net debt to be total debt, net less cash and cash equivalents. We define Net Leverage Ratio to be net debt divided by the trailing 12 months of Adjusted EBITDA. We believe that Net Leverage Ratio is a meaningful measure of financial condition as it is commonly used by management, investors and creditors to assess capital structure risk. Other companies may calculate Net Leverage Ratio differently.

## **Liquidity**

We define Liquidity as cash on hand plus amounts available on our revolving credit facility and foreign credit facilities.

## **US SAAR**

We define US SAAR as the seasonally adjusted annual rate of light vehicle sales in the United States.

## **Other**

Other includes the accelerated depreciation for certain assets that will be idled as a result of our largest customer exiting their operations in Thailand, which they announced in 2020.

