



# Investor Presentation

November 2018

# 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 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 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



AAM is a premier, global leader in design, engineering, validation and manufacturing of driveline, metal forming, powertrain and casting technologies for automotive, commercial and industrial markets

2018 SALES TARGET

> \$7B

Over

700

CUSTOMERS

AAM is **Delivering POWER** through world-class quality, technology leadership and operational excellence

Over  
**75**  
MANUFACTURING  
FACILITIES



**16**  
ENGINEERING CENTERS

Over  
**25,000**  
ASSOCIATES



**17**  
COUNTRIES

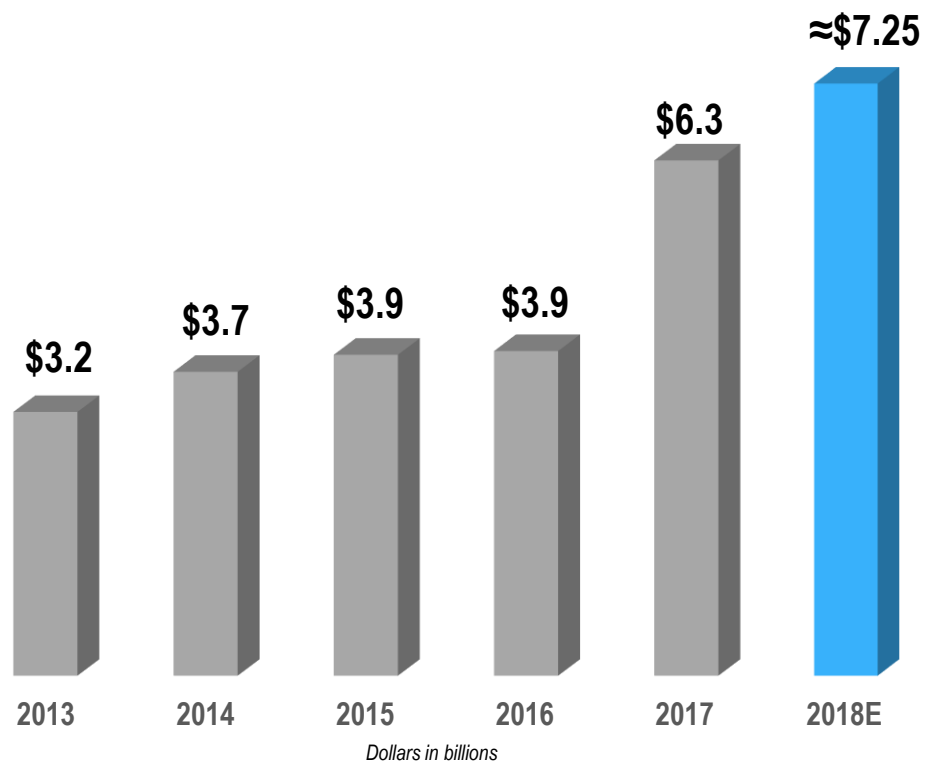
Nearly  
**90**  
LOCATIONS



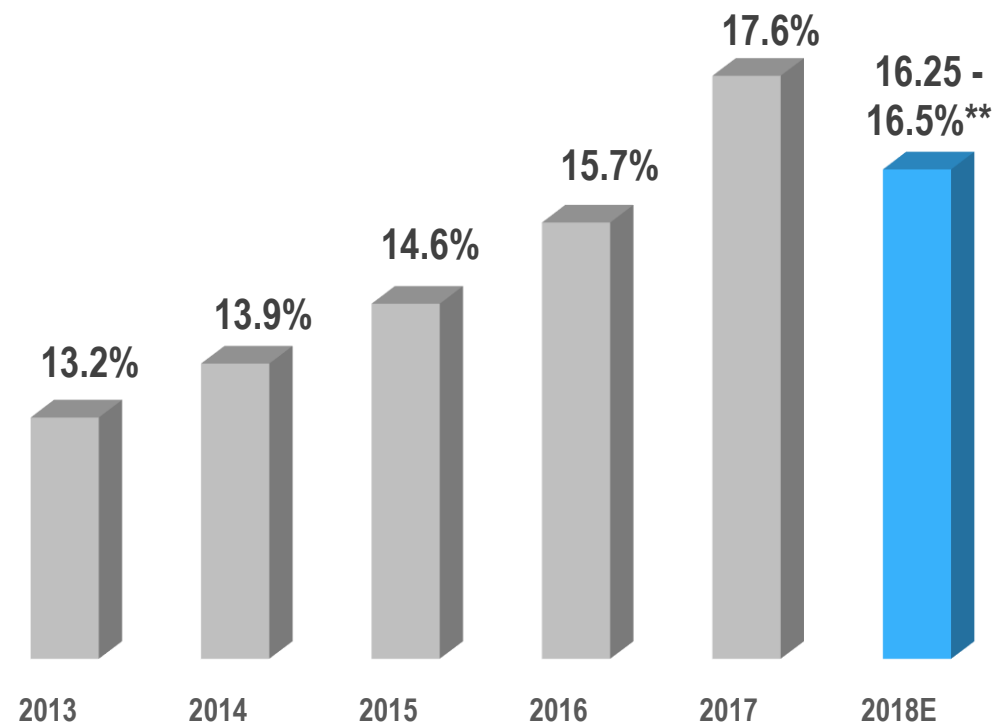
# Strong Financial Performance



## SALES



## Adjusted EBITDA Margin



**AAM has been growing sales while delivering industry-leading profitability**

# Business Units and Market Leadership



## DRIVELINE | \$4.0B

- **#1 Globally** - Full-Size Pickup Trucks and SUV driveline systems
- **#1 North America** and **#2 China** AWD Systems for crossovers
- **Pioneer** of Disconnecting AWD systems



## POWERTRAIN | \$1.1B

- **#1 Globally**
  - Powder metal connecting rods
  - Damped gears and rubber isolation pulleys
  - Viscous dampers for passenger cars
- **#1 North America** - Aluminum valve bodies



## METAL FORMING | \$1.5B

- **Largest automotive forger in the world**
- **#1 Globally** - Differential gears, axle shafts, hypoid pinions and ring gears
- **#1 North America** - Transmission gears and CVT pulleys



## CASTING | \$900M

- **Leading automotive iron casting operations**
- **#1 North America** ductile iron casting supplier
- **#1 / #2 North America** - Differential carriers and cases, steering knuckles, control arms and brake calipers



# AAM Growth Opportunities

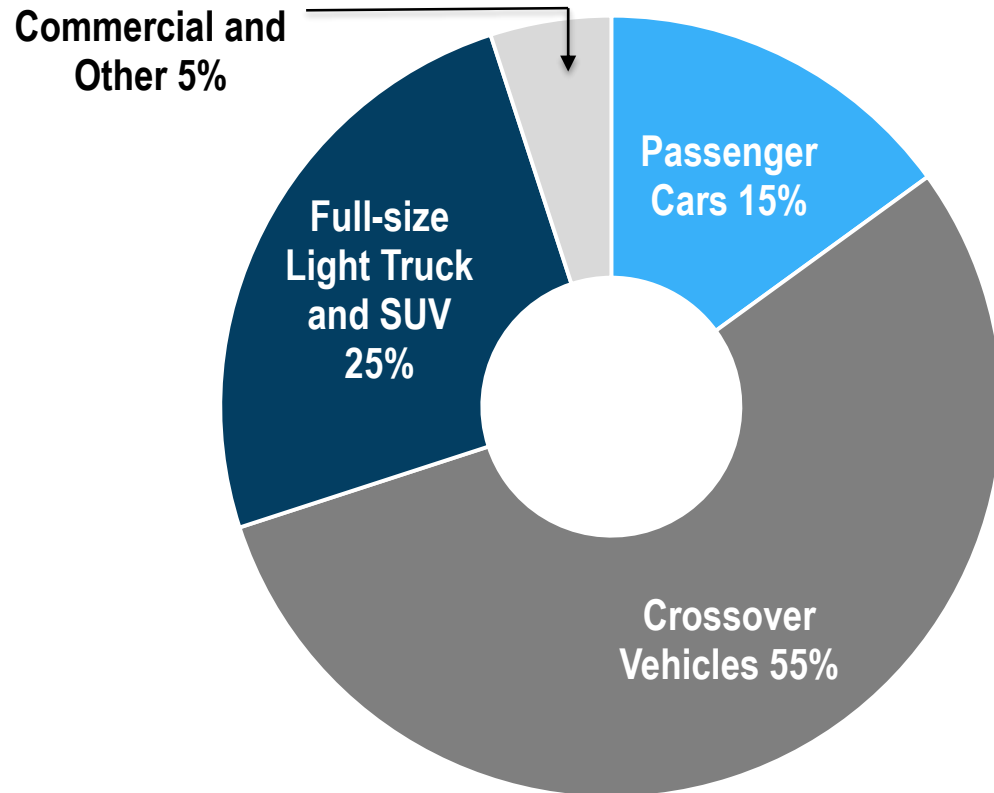
# New and Incremental Business Backlog



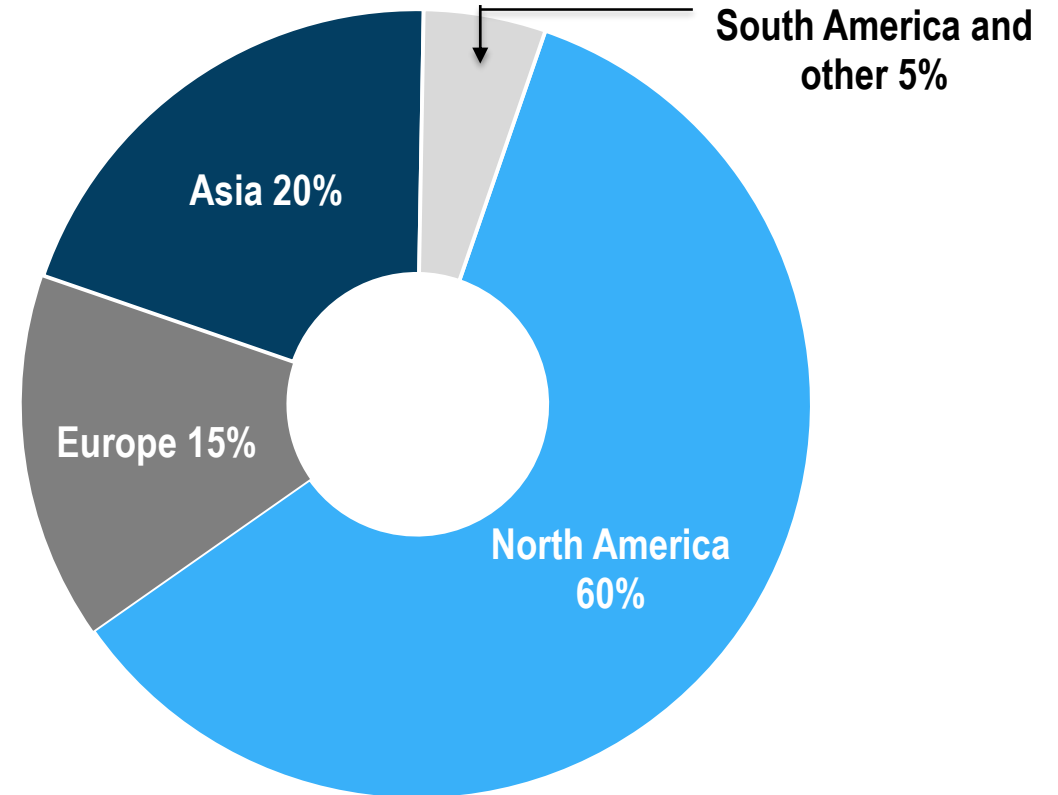
## \$1.5 BILLION: 2018-2020

as disclosed on January 17, 2018

### Backlog by Vehicle Segment



### Backlog by Global Market

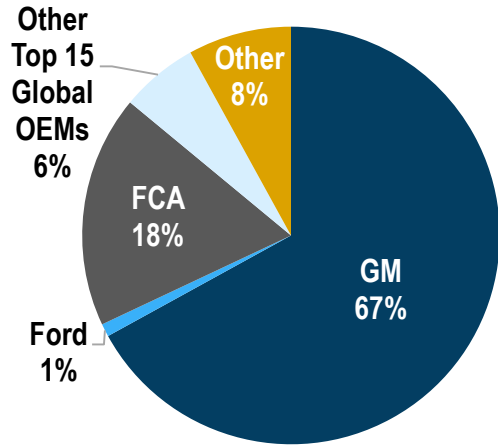


40% of our New Business Backlog is in markets outside of North America

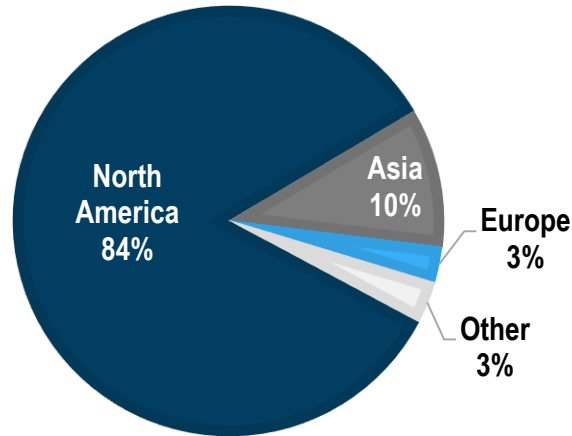
# Revenue Diversification



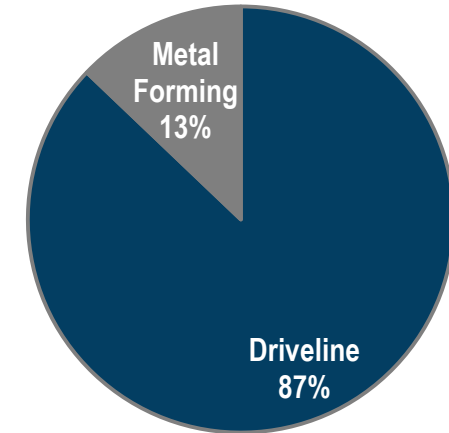
AAM 2016 Sales by Customer



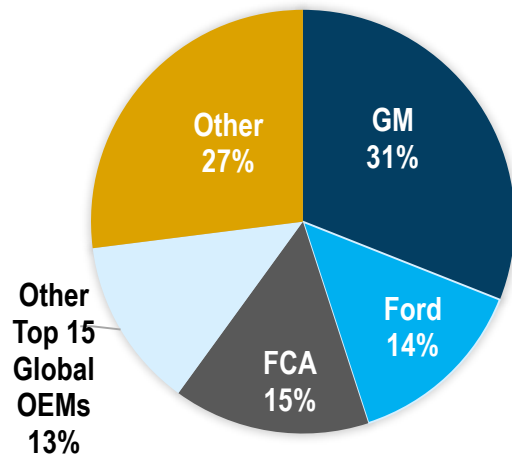
2016 Sales by Region



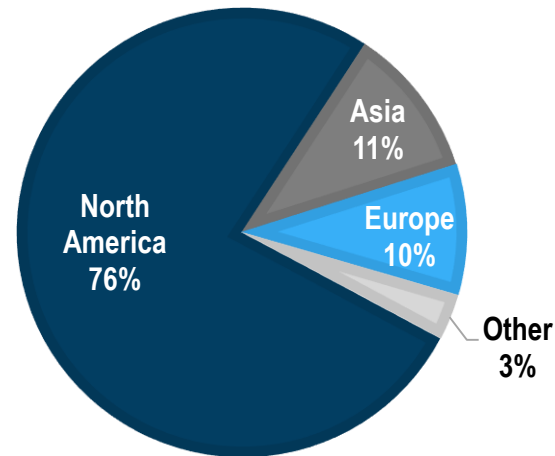
2016 Sales by BU



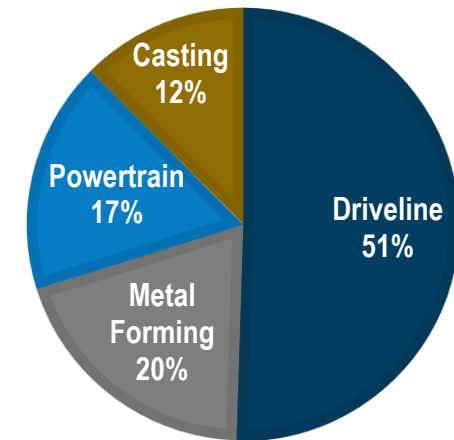
AAM 2020E Sales by Customer



2020E Sales by Region



2020E Sales by BU



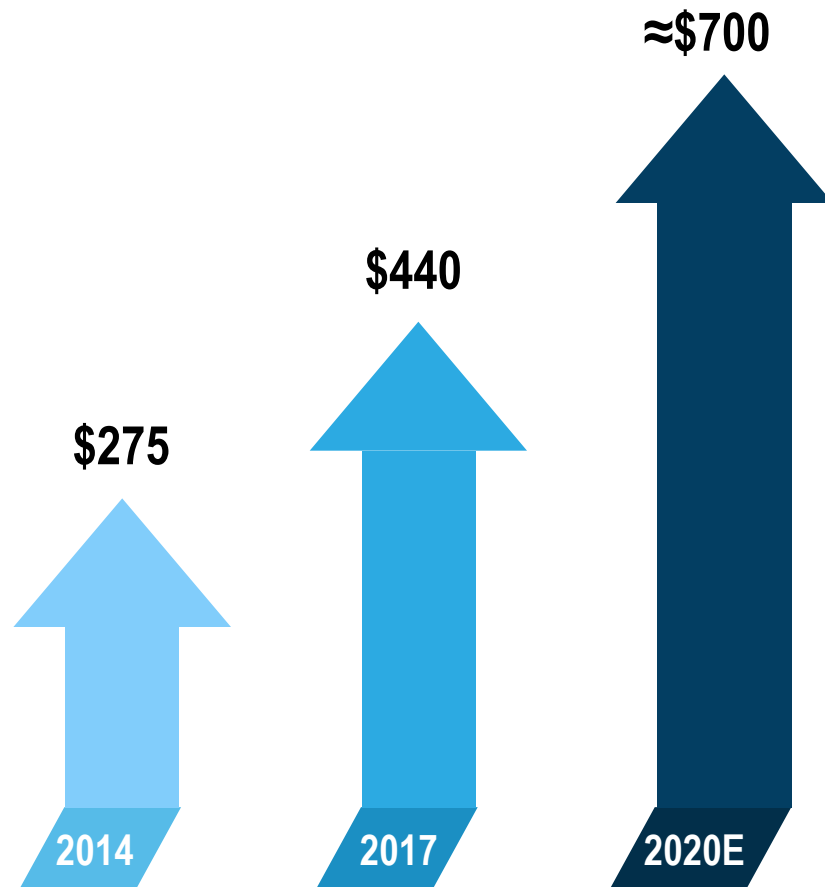
AAM is experiencing diversification and growth in many areas



# China Continues to Drive Growth for AAM



## AAM China Sales



*Dollars in millions*

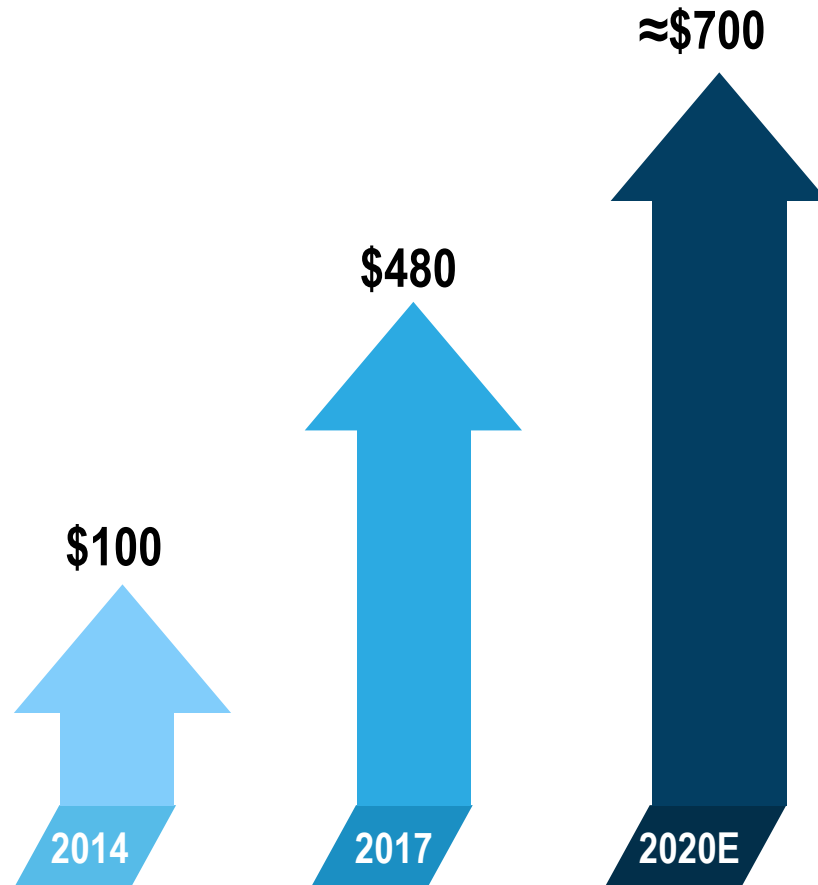
## Current growth driven by:

- Demand for crossover vehicles, luxury passenger cars and LCVs
- JV partnerships (Liuzhou AAM and HAAM)
- New business awards in our backlog:
  - Differential assemblies (SAIC-GM)
  - Power Transfer Units (Foton, SAIC-GM, CAF)
  - Isolation Pulleys (Geely and Renault)
  - Rubber Dampers (Chery)
  - Transmission Valve Bodies (Wanliyang)
  - Balance Shaft Assemblies (CAF and SAIC)
  - Transmissions Shafts and Gears (Volkswagen)
  - Connecting Rods (SAIC)

# Exponential Growth in Europe



## AAM Europe Sales



*Dollars in millions*

## Current growth driven by:

- MPG acquisition
  - Added Metal Forming operations
  - Strong Powertrain presence
- New business launches
  - Two new e-AAM program launches
  - Global crossover program begins production
  - Growing relationships with Daimler, JLR, Ford, Renault, and BMW

# Global Growth Beyond 2020



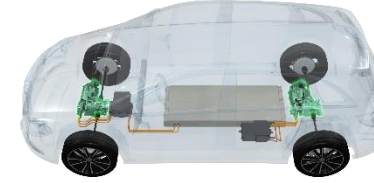
- 60% of AAM's \$1.5 billion quoting and emerging business opportunities are outside of North America\*
- Hybridization will drive additional Powertrain content
- Increased demand for our e-AAM products to support higher electric vehicle production, especially in Europe and China
- Increased global Metal Forming presence
- Further leveraging joint venture partnerships

**AAM's multi business unit strategy for global growth features many innovative technologies**



# Technology Leadership

# AAM Technology Leadership



**ICE**

**HYBRID**

**ELECTRIC (BEV)**

## AAM ENGINEERING COMPETENCIES



**Efficiency**



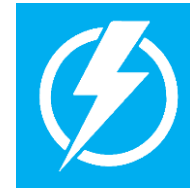
**Customer Value**



**Lightweighting**



**Performance/NVH**



**Power Density**

# EcoTrac™ Continues to Drive Profitable Growth



2013

Jeep



Cherokee

2017

GM



Terrain/Equinox

Currently Launching

Ford



Edge/Nautilus

Cadillac



Cadillac XT4

\$550M in 2018

≈\$800M

2020

47%  
CAGR

\$55M in 2013

AAM recently won its 5<sup>th</sup> global business award featuring our EcoTrac technology

# QUANTUM™ Technology

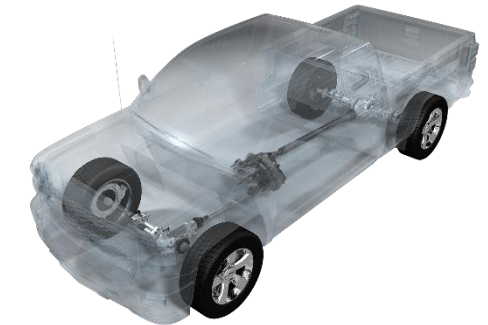


**QUANTUM** | Features all-new, completely redesigned family of lightweight axles and drive units

## KEY ATTRIBUTES

- Industry first technology along with a revolutionary design
- Significant mass reduction (up to 35%)
- In combination, additional efficiency and weight reduction can deliver 1% to 1.5% improved vehicle fuel economy
- Scalable across multiple applications - without loss of performance or power
- Streamlined manufacturing process for key driveline components

**QUANTUM™**  
LIGHTWEIGHT AXLE TECHNOLOGY BY 



QUANTUM™ in Light Duty Truck



QUANTUM™ RDU w/ eLSD



QUANTUM™ Rear Axle

**Awarded inaugural Altair Enlighten Future of Lightweighting and Society of Automotive Analysts Lightweighting Innovation awards**

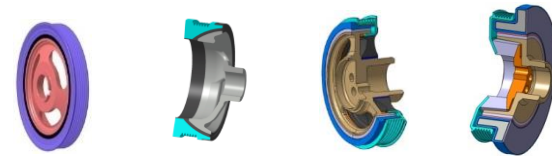
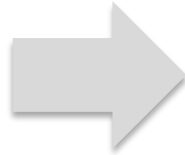
# Key Fuel Efficiency Trends Benefit AAM



## Downsized Engines



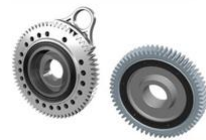
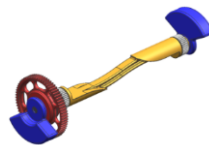
3 Cylinder Engine



Crankshaft Dampers & Isolation Pulleys

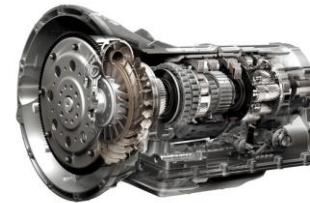


Balance Shaft Systems



Damped Gears

## Multi-speed Transmissions



10 Speed Transmission



Transmission Components

Demand for fuel efficiency gains is driving powertrain conversions, leading to additional AAM content-per-vehicle opportunities of over \$100



# e-AAM Hybrid and Electric Driveline Systems™

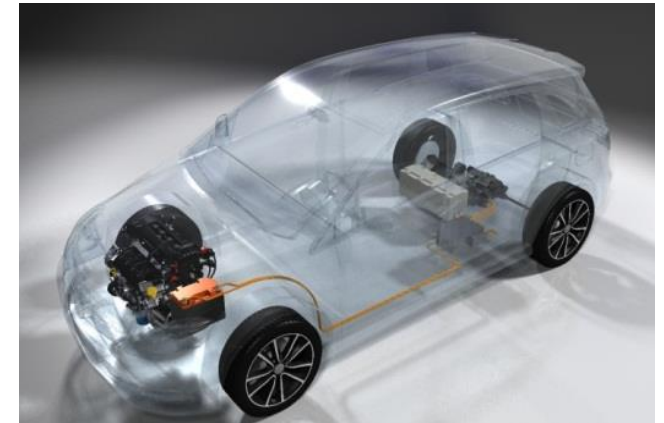


e-AAM driveline systems | Position AAM to benefit from the global trend of electrification

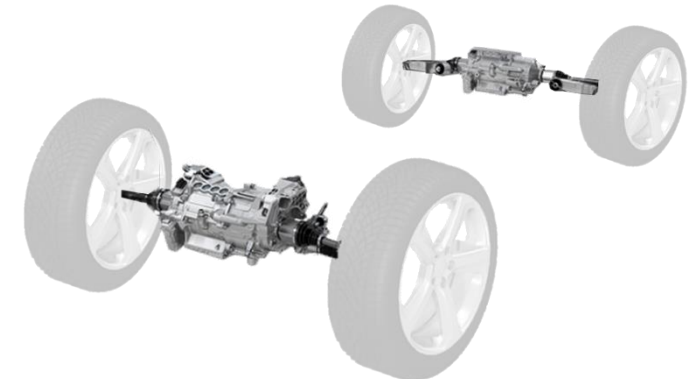


## KEY ATTRIBUTES

- Highly integrated electric motor, gear reduction, & differential
- Power dense, low NVH, high efficiency design allows for easy integration for multiple vehicle platforms
- Modular solutions for passenger cars / crossovers to provide economies of scale
- Optional features for performance and functionality



AAM P4 Rear e-Drive unit (Hybrid)

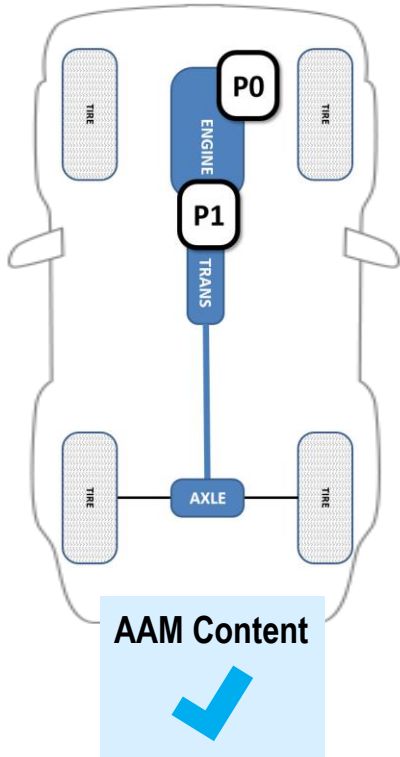


AAM P4 e-Drive units (e-AWD BEV)

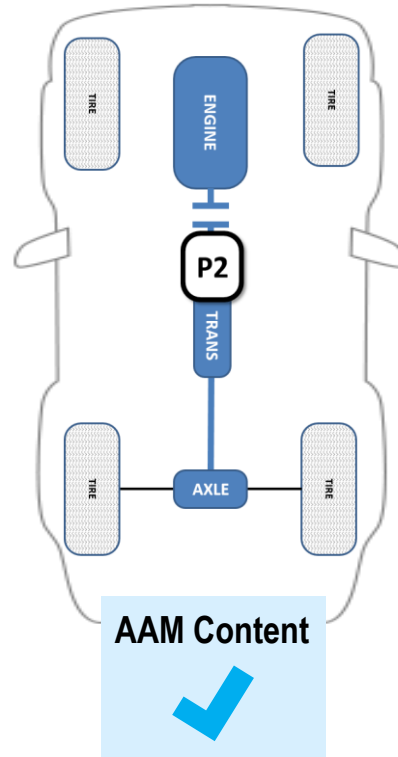
# Hybrid and Electric Vehicle Architectures



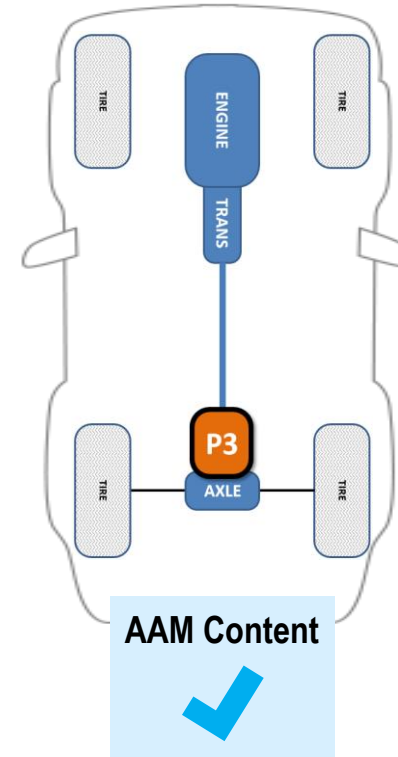
P0/P1



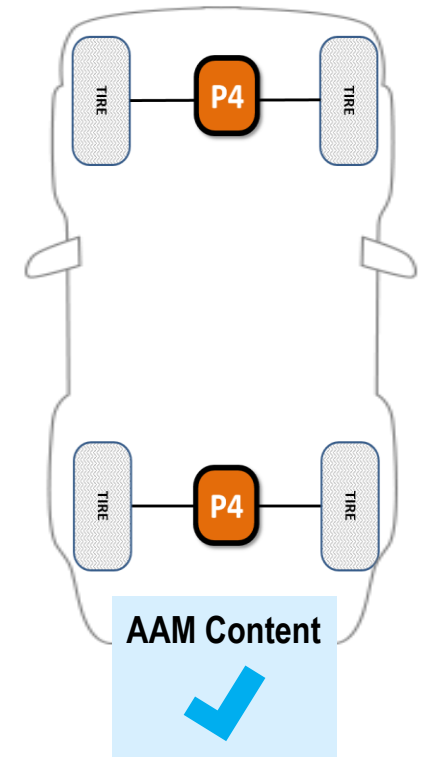
P2



P3



P4



 Conventional AAM Content

 New Electrification AAM Content

AAM content is featured across all hybrid and electric vehicle architectures

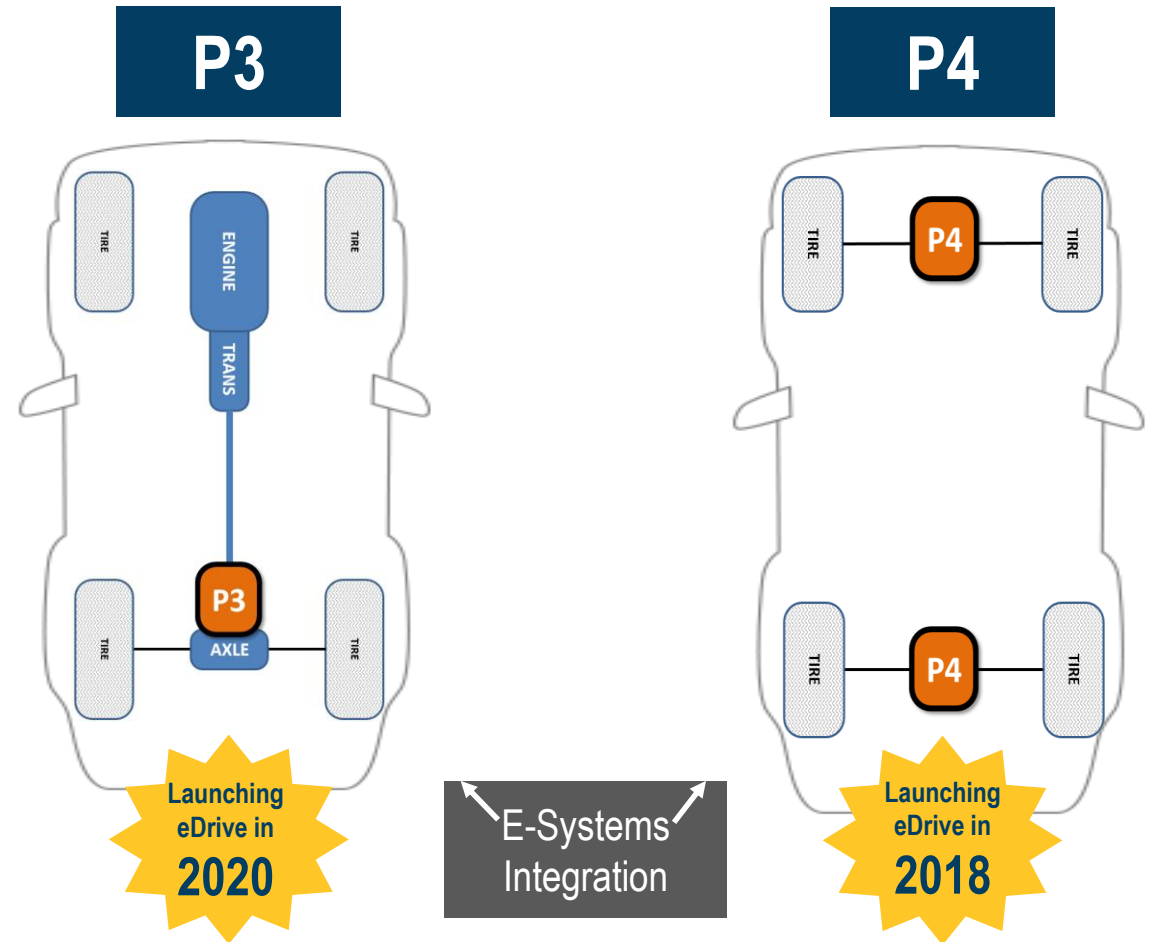
# AAM's Capabilities for Hybrid and Electric Vehicles



**P0**, **P1** and **P2** are **fully supported** by AAM's conventional content.

Our e-AAM investments have been focused on **P3** and **P4** solutions as **growth opportunities**.

- Conventional AAM Content
- New Electrification AAM Content



Content per vehicle opportunities of \$500 - \$2,500+ for P3 and P4 applications

# AAM and Electrification | Current State



**>5%**

of our 2018 – 2020 Backlog

e-AAM is becoming an increasing part of our new business backlog

**\$100M - \$200M**

Revenue by 2021

Launching two sizable electrification programs with premium global OEMs

**>\$1B**

Booked Revenue

Revenues of awarded business through lifetime of the booked programs

**AAM is benefiting from early investments in electrification**

# AAM and Electrification | Future State



## RAPID GROWTH

### Total Addressable Market

Estimated TAM for e-Drive units expected to grow from \$2 billion today to \$10 billion by 2025

≈ \$500M\*

### New Business Opportunities

Approximately 1/3 of AAM's **current** \$1.5 billion quoted and emerging new business opportunities relate to our e-AAM products across Asia, Europe and North America

25% - 30%

### Expected Win Rate

Based on AAM's technology and customer interest, we expect to achieve our normal win rate on new e-Drive business opportunities

**We expect e-AAM quoting activity to continue to expand and deliver significant organic growth**



# Financial Overview

# 3Q 2018 AAM Highlights



**\$1.82B**

Quarterly  
Sales  
5% YoY Growth

**\$275M**

Quarterly  
Adj. EBITDA\*

**\$121M**

Quarterly  
Adj. Free  
Cash Flow\*



**QUANTUM™**  
Technology wins  
Altair and SAA  
Lightweighting  
Awards



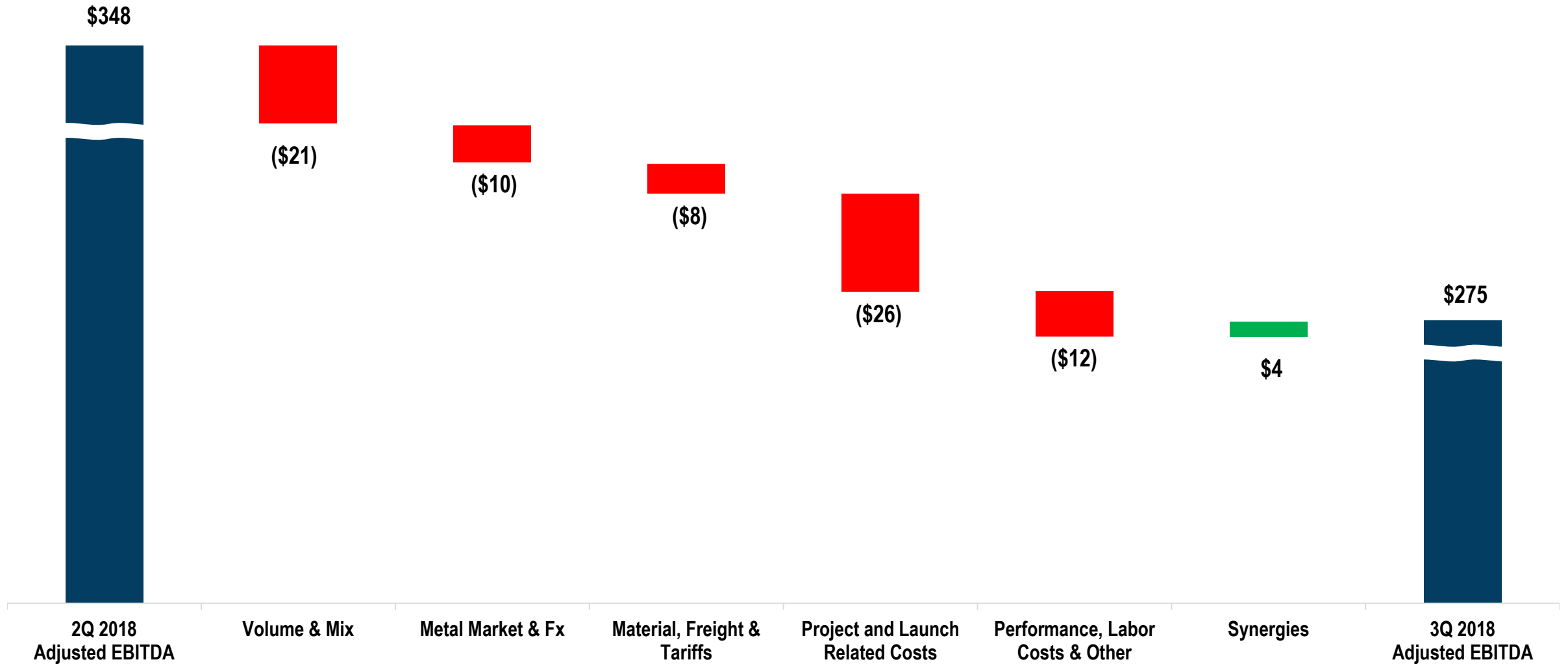
**5<sup>th</sup> New  
Business Award**  
for our **Ecotrac™**  
Disconnecting  
AWD Technology



Announces  
Redemption of  
**\$100M** of Senior  
Notes due 2019

# 3Q Sequential Adjusted EBITDA Walk

(in millions)



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



# Performance Improvement Plans



## 3Q Issues



## Action Plan

### Anticipated Resolution Timing

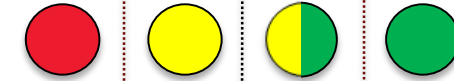
3Q18 4Q18 1Q19 2Q19

Driveline



- Supplier delivery performance
- Late changes affecting launch
- Scrap performance

- Increased monitoring of supplier operations
- Confirmation of customer launch requirements
- Reinforcement of daily root cause analysis



Metal Forming



- European capacity constraints

- Capacity expansion / Throughput optimization initiatives



Powertrain



- Launch performance
- Ineffective program management

- Executive team changes
- Increased resources on launch management
- Assignment of legacy AAM associates



Casting



- Operational inefficiencies / Availability of labor
- Inflationary pressures

- Stabilize operations through additional hiring and training
- Customer pricing initiatives



# AAM's Updated 2018 Financial Targets



## 2018 Full Year Targets

<b>Sales</b>	<b>≈ \$7.25 billion</b>
<b>Adjusted EBITDA* Margin</b>	<b>16.25% - 16.5%</b>
<b>Adjusted Free Cash Flow*</b>	<b>≈ 4% of sales</b>

- Adjustments to previous targets reflect higher launch related expenses and manufacturing costs .
- We expect restructuring and acquisition-related payments to be between \$60 and \$75 million for the full year 2018.

**Despite lowering full year targets – AAM still expects a strong financial performance in 2018**

# Other Forward-Looking Information Updates



## Updated Forward-Looking Targets

<b>2019 Full Year Sales</b>	<b>Flat to 2% growth</b>
<b>2019 Adjusted EBITDA* Margin</b>	<b>≈ 17% of sales</b>
<b>2017 – 2020 Cumulative Adjusted Free Cash Flow*</b>	<b>≈ \$1.5 billion</b>

- Based on the anticipated launch schedule of our new business backlog, our assumption that the US SAAR\* is approximately 16.5 - 17 million units and current metal market levels.

# Synergy Achievement Progress from MPG Acquisition



Public Company  
Costs and  
Overhead  
Rationalization

**\$40 M**

Vertical  
Integration  
Benefits and  
Manufacturing  
Initiatives

**\$40 M**



Purchasing  
Power and  
AAM Know-How

**\$60 M**

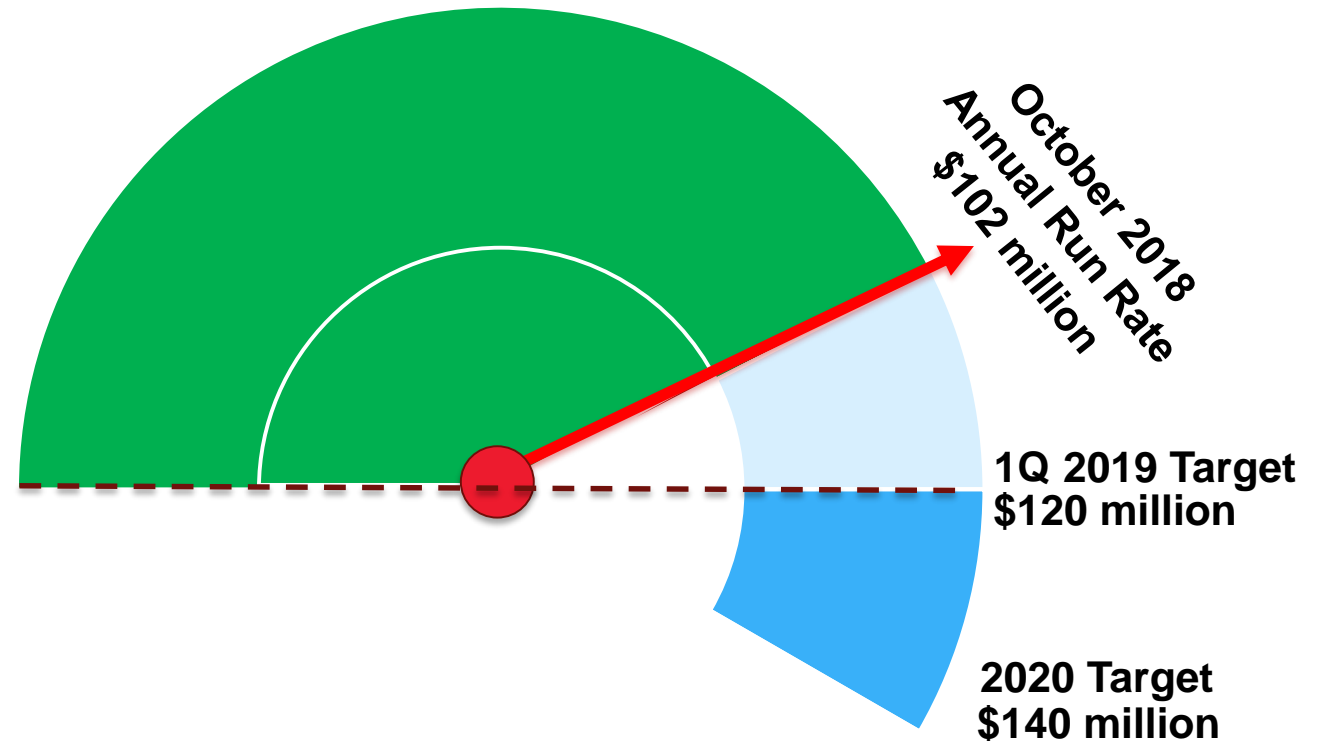
Targeted Cost  
Reduction  
Synergies - Run  
Rate by 2020

**= \$140 M**



## Synergy Achievement Gauge

(Annual Run Rate in millions)

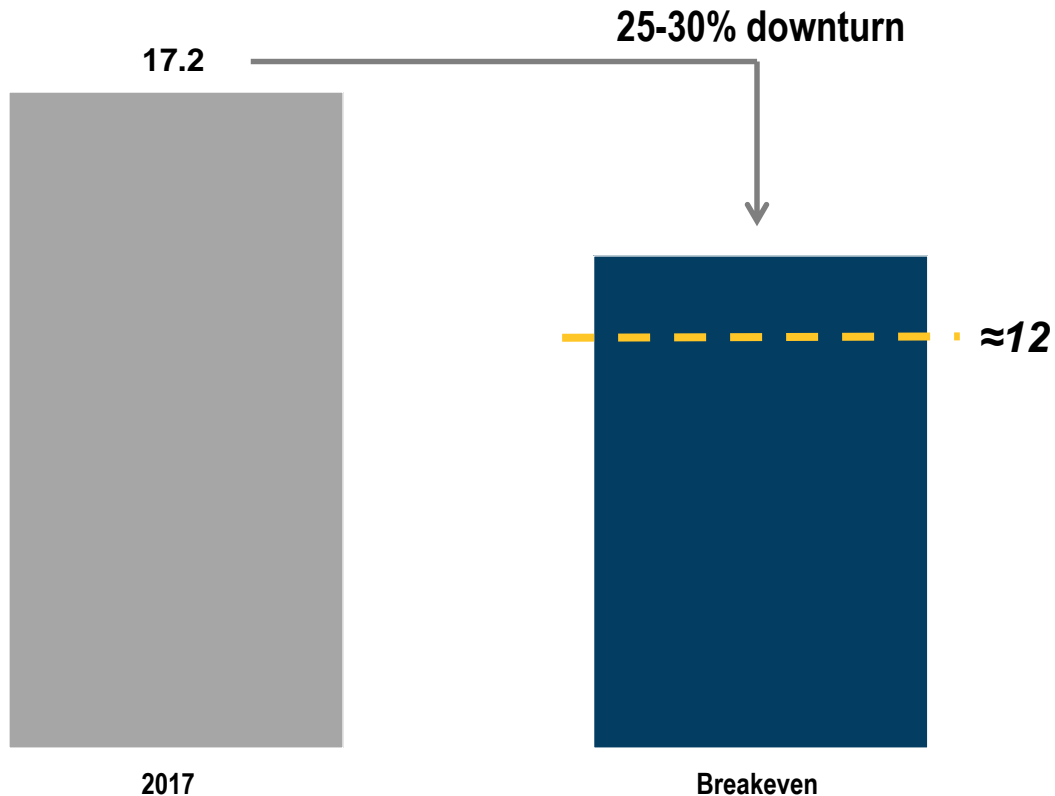


**AAM has a clear path to meeting its updated synergy targets**

# Cash Flow Breakeven



US SAAR (units in millions)



- 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 very flexible cost structure**

# Capital Allocation



Leverage Reduction	Organic Growth
<i>AAM has made &gt;\$400M of senior debt payments over last 12 months</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 strategic objectives of AAM

# Why AAM?



## SOLID FOUNDATIONAL BUSINESS

Concentrated in the strongest vehicle segments of light trucks, SUVs and crossovers

## INNOVATIVE TECHNOLOGY LEADERSHIP

Focused on hybridization, electrification, lightweighting, fuel efficiency and performance

## COMPELLING GROWTH AND DIVERSIFICATION

Driven by our new business backlog, innovative advanced technologies and global footprint

## INDUSTRY LEADING PROFITABILITY

Fueled by powerful vertical integration, productivity initiatives and operational excellence

## POWERFUL CASH GENERATOR

Strong free cash flow yield while funding investments in profitable growth opportunities

Potential for  
Multiple  
Expansion  
and Share  
Appreciation



Q&A





# SUPPLEMENTAL DATA

# Reconciliation of Non-GAAP Measures

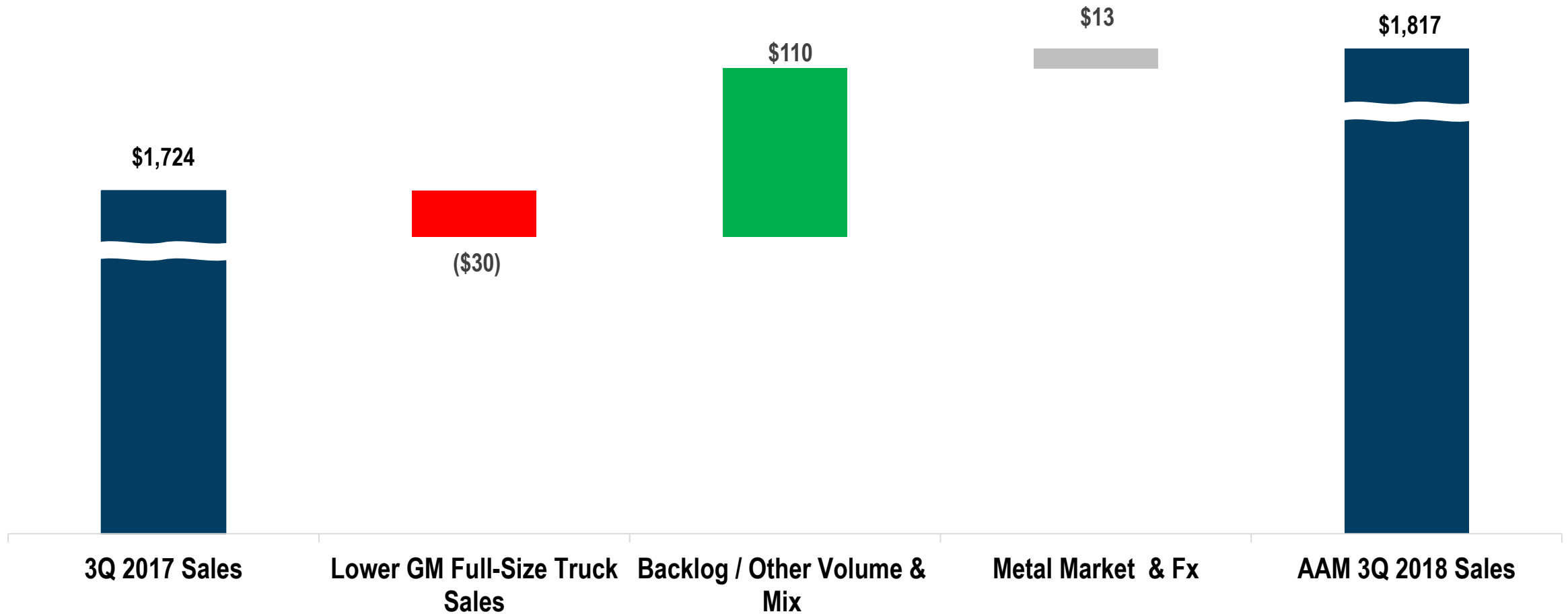


In addition to the results reported in accordance with accounting principles generally accepted in the United States of America (GAAP) included within this presentation, we have provided certain information, which includes non-GAAP financial measures. Such information is reconciled to its closest GAAP 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 presentation are provided on a non-GAAP basis. A reconciliation of non-GAAP forward-looking financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP is not practical given the difficulty of projecting event driven transactional and other non-core operating items, as well as accounting adjustments related to recent tax reform and their related effects in any future period. The magnitude of these items, however, may be significant.

# 3Q 2018 Year-Over-Year Sales Walk

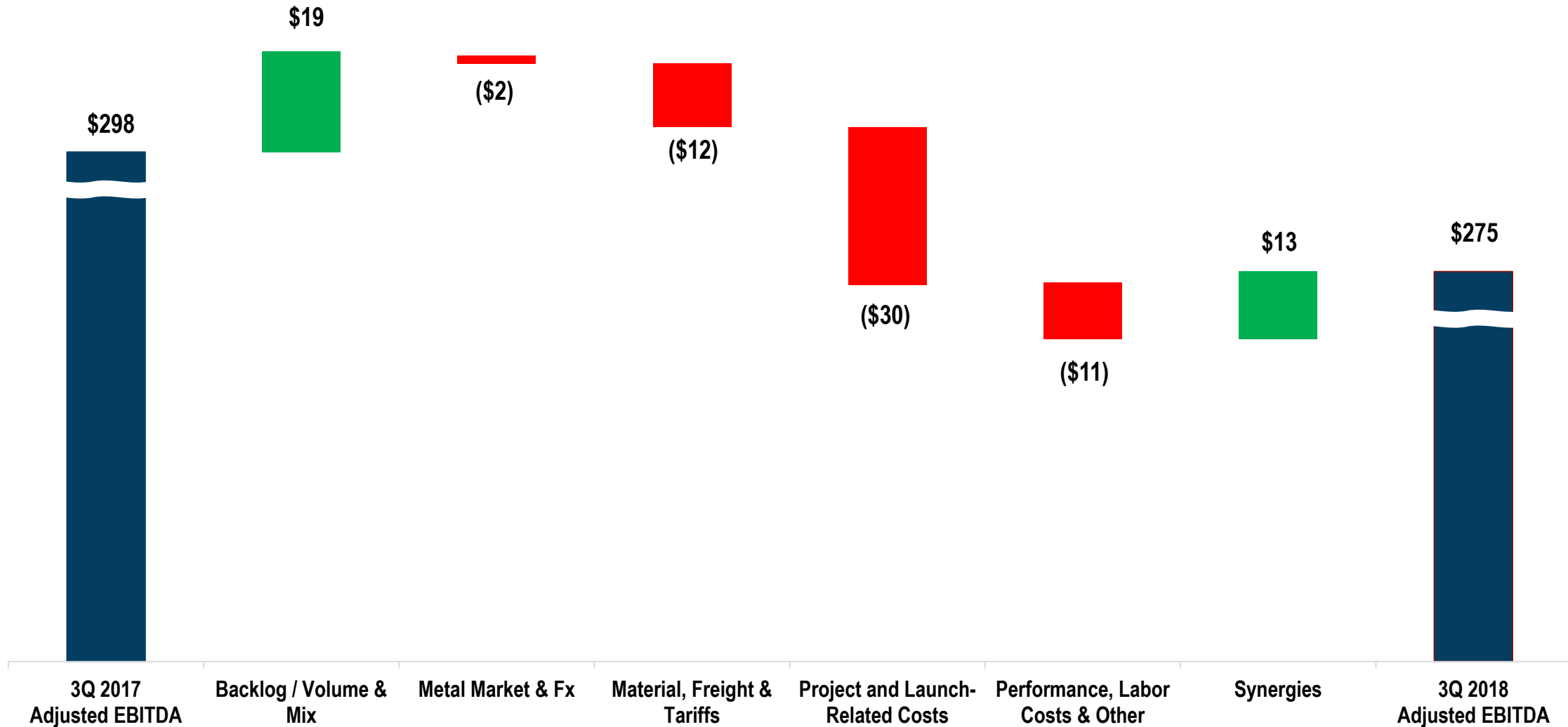
(in millions)



Approximately 5% of organic growth in 3Q 2018 on a year-over-year basis

# 3Q 2018 Year-Over-Year Adjusted EBITDA Walk

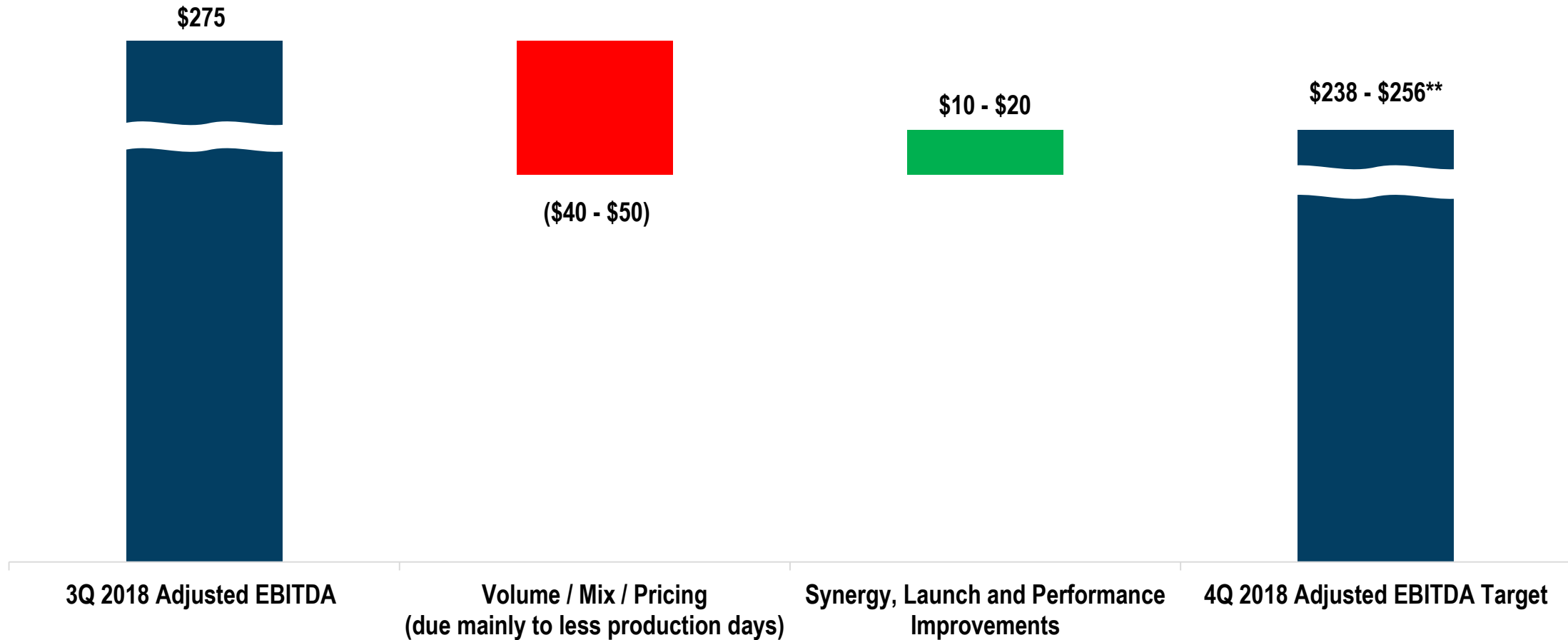
(in millions)



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

# 3Q 2018 to 4Q 2018 Adjusted EBITDA Walk

(in millions)



In 4Q 2018, we expect improved performance to partially offset impact of lower seasonal 4Q production volumes

\* For definitions of terms and non-GAAP reconciliations, please see the attached appendix. \*\* Represents implied 4Q Adjusted EBITDA based on our full year 2018 Adjusted EBITDA targets

# Supplemental Data



## Earnings before Interest, Income Taxes, Depreciation and Amortization (EBITDA) and Adjusted EBITDA

(\$ in millions)

	2017	2016	2015	2014	2013
Net income	\$ 337.5	\$ 240.7	\$ 235.6	\$ 143.0	\$ 94.5
Interest expense	195.6	93.4	99.2	99.9	115.9
Income tax expense (benefit)	2.5	58.3	37.1	33.7	(8.2)
Depreciation and amortization	428.5	201.8	198.4	199.9	177.0
EBITDA	\$ 964.1	\$ 594.2	\$ 570.3	\$ 476.5	\$ 379.2
Restructuring and acquisition-related costs, debt refinancing and redemption costs and non-recurring items	138.6	25.2	0.8	35.5	42.6
Adjusted EBITDA	1,102.7	\$ 619.4	\$ 571.1	\$ 512.0	\$ 421.8
as % of net sales	17.6 %	15.7 %	14.6 %	13.9 %	13.2 %

# Supplemental Data



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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net income	\$ 64.0	\$ 86.3	\$ 304.8	\$ 231.0
Interest expense	54.9	57.5	162.5	139.9
Income tax expense	11.5	5.7	31.4	15.6
Depreciation and amortization	132.9	122.6	390.9	303.4
EBITDA	263.3	272.1	889.6	689.9
Restructuring and acquisition-related costs	11.7	22.8	66.8	90.5
Debt refinancing and redemption costs	-	-	14.6	2.7
Gain on sale of business	-	-	(15.5)	-
Non-recurring items:				
Gain on settlement of capital lease	-	-	(15.6)	-
Acquisition-related fair value inventory adjustment	-	-	-	24.9
Other	-	2.9	-	(0.8)
Adjusted EBITDA	\$ 275.0	\$ 297.8	\$ 939.9	\$ 807.2
As % of net sales	15.1%	17.3%	16.9%	17.8%

# Supplemental Data



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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net cash provided by operating activities	\$ 223.8	\$ 207.5	\$ 513.2	\$ 420.7
Capital expenditures net of proceeds from the sale of property, plant and equipment	(116.5)	(139.9)	(388.6)	(277.0)
Free cash flow	107.3	67.6	124.6	143.7
Cash payments for restructuring and acquisition-related costs	14.0	20.3	55.3	86.5
Acquisition-related settlement of pre-existing accounts payable balances with acquired entities	-	-	-	35.2
Interest payments upon the settlement of acquired company debt	-	-	-	24.6
Adjusted free cash flow	\$ 121.3	\$ 87.9	\$ 179.9	\$ 290.0



# Supplemental Data



## **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, 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.

## **Other Non-recurring Items**

Other non-recurring items reflect the impact of a non-cash pension settlement charge related to one of our foreign entities, the impact of a gain related to the change of our method of accounting for indirect inventory and the interest expense for the debt drawdown period prior to acquisition funding requirement.

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

We define free cash flow to be net cash provided by operating activities less capital expenditures net of proceeds from the sale of property, plant and equipment and from government grants. Adjusted free cash flow is defined as free cash flow excluding the impact of cash payments for restructuring and acquisition-related costs, settlements of pre-existing accounts payable balances with acquired entities, and interest payments upon the settlement of acquired company debt. 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 or pro forma Adjusted EBITDA, where applicable. Pro forma Adjusted EBITDA includes AAM's Adjusted EBITDA and the pre-acquisition EBITDA of acquired entities. 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.

## **CAGR**

We define CAGR to be the compound annual growth rate of sales.