



Second Quarter 2018 Earnings Call

August 3, 2018

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 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, 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”.

2Q 2018 AAM Highlights



\$1.90B

Record
Quarterly
Sales

\$348M

18.3% of sales

Record
Quarterly
Adj. EBITDA*

\$100M

Adjusted
Free Cash
Flow*

FORTUNE
500
2018

AAM
Recognized as
Fortune 500
Company



Sold
Aftermarket
division of our
Powertrain BU



Prepaid **\$100M**
of Senior Notes
due 2022

Segment Performance – 2Q 2018



DRIVELINE



- Sales of \$1.12 billion
- Segment Adjusted EBITDA of \$184.9 million
- Strong backlog and other volume/mix more than offset Lower RAM HD production

POWERTRAIN



- Sales of \$288.3 million
- Segment Adjusted EBITDA of \$47.0 million
- Underway on significant new global engine and transmission program launches.

METAL FORMING



- Sales of \$397.1 million
- Segment Adjusted EBITDA of \$89.1 million
- Strong operating performance and production volumes result in Adjusted EBITDA margin of > 20%

CASTING



- Sales of \$243.2 million
- Segment Adjusted EBITDA of \$26.9 million
- Continued sequential Adjusted EBITDA margin improvement to 11.1% - achieving target of double digit margin performance by 2Q 2018.

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

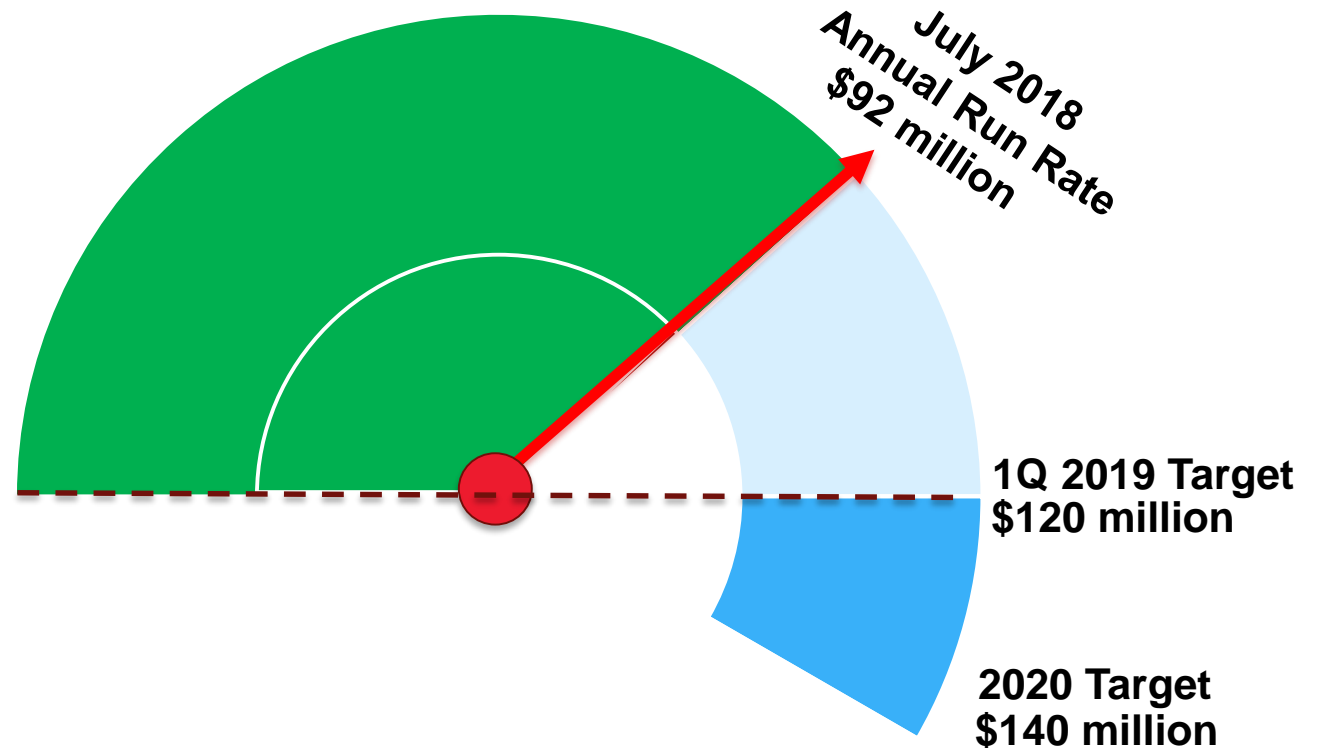


Targeted Cost
Reduction
Synergies - Run
Rate by 2020

= \$140 M

Synergy Achievement Gauge

(Annual Run Rate in millions)



AAM has a clear path to meeting its updated synergy targets

AAM's Updated 2018 Financial Targets



2018 Full Year Targets

Sales	\$7.2 - \$7.25 billion
Adjusted EBITDA* Margin	17.5% - 17.75% of sales
Adjusted Free Cash Flow*	≈ 5% of sales

- Based on the anticipated launch schedule of our new business backlog and our assumption that the US SAAR* is in the range of 16.8 to 17.0 million units.
- Adjusted Free Cash Flow target assumes capital expenditures of ≈ 8% of sales. Elevated capital spending in 2018 reflects significant new and replacement program launches.
- We estimate approximately \$50 to \$75 million of restructuring and acquisition-related costs (net of related gains) and payments during 2018. The impact of these have been excluded from our Adjusted EBITDA and Adjusted Free Cash Flow targets.

AAM expects another record year in 2018

2Q Financial Results



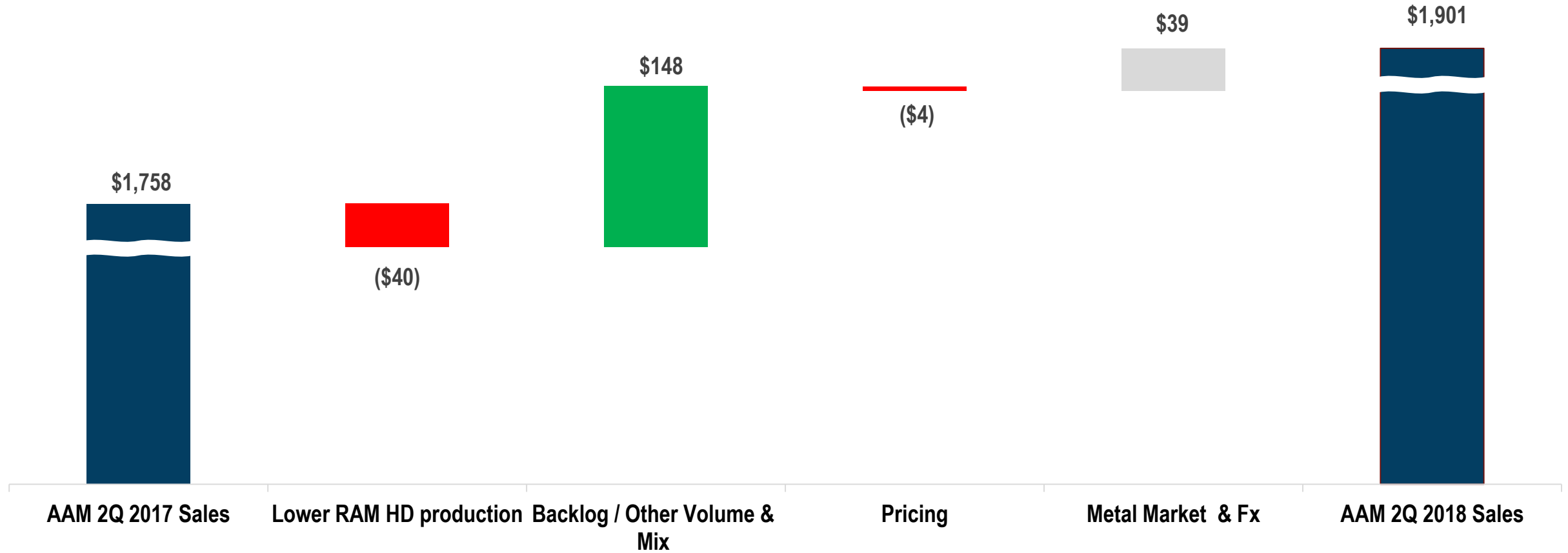
	Three Months Ended June 30,		Difference
	2018	2017	
	(dollars in millions, except per share data)		
Net sales	\$ 1,900.9	\$ 1,757.8	\$ 143.1
Gross profit	\$ 331.4	\$ 316.4	\$ 15.0
Gross margin	17.4%	18.0%	-0.6%
SG&A	\$ 95.0	\$ 105.6	\$ (10.6)
SG&A as a % of sales	5.0%	6.0%	-1.0%
Amortization of intangible assets	\$ 24.8	\$ 24.8	\$ -
Restructuring and acquisition costs	\$ 36.8	\$ 51.7	\$ (14.9)
Other income (expense)	\$ 16.9	\$ (9.5)	\$ 26.4
Adjusted EBITDA*	\$ 347.9	\$ 325.8	\$ 22.1
Adjusted EBITDA* margin	18.3%	18.5%	-0.2%
Net interest expense	\$ 53.9	\$ 56.1	\$ (2.2)
Income tax expense	\$ 2.0	\$ 2.4	\$ (0.4)
Effective tax rate	1.3%	3.6%	-2.2%
Net income attributable to AAM	\$ 151.1	\$ 66.2	\$ 84.9
Diluted EPS	\$ 1.30	\$ 0.59	\$ 0.71
Adjusted EPS*	\$ 1.23	\$ 0.99	\$ 0.24

Adjusted earnings per share are based on weighted average diluted shares outstanding of 116.0 million and 112.0 million for the three months ended on June 30, 2018 and 2017, respectively.

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

2Q 2018 Year-Over-Year Sales Walk

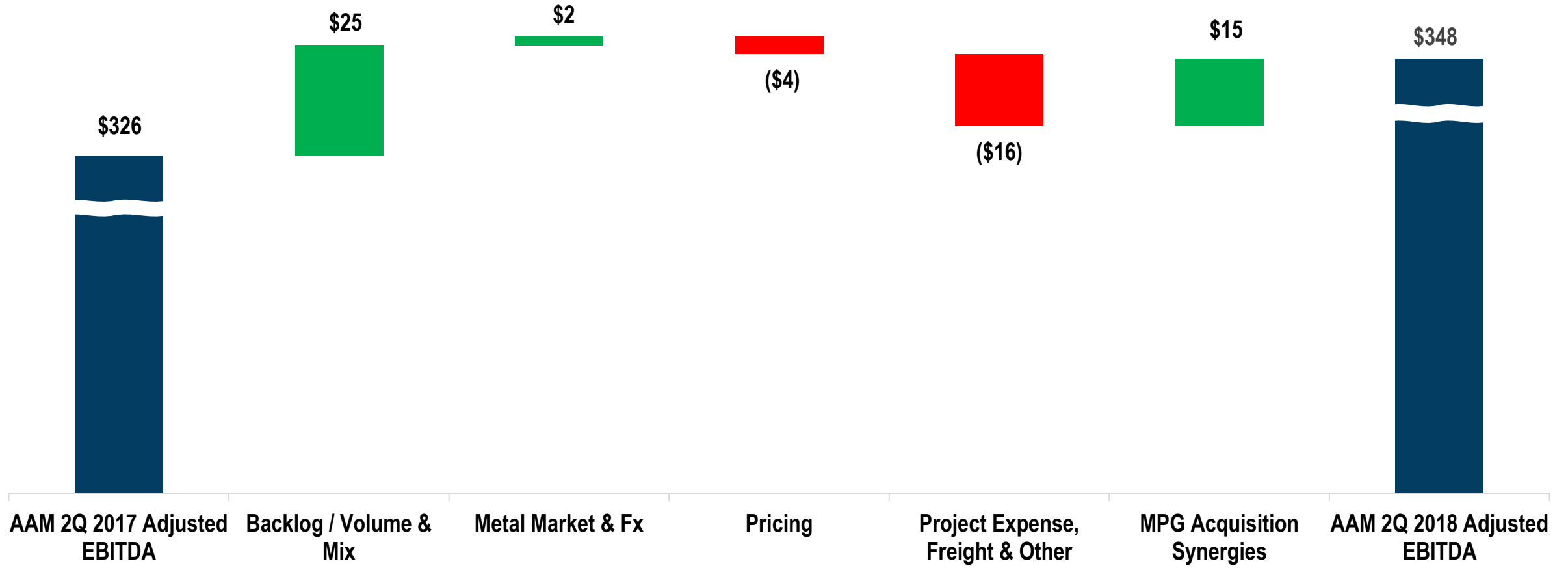
(in millions)



Sales increased over 8% in 2Q 2018 on a year-over-year basis

2Q 2018 Year-Over-Year Adjusted EBITDA Walk

(in millions)



Adjusted EBITDA margin of 18.3% in 2Q 2018

Adjusted Free Cash Flow and Debt Profile



Cash Flow and Debt Metrics	2Q 2018
Adjusted Free Cash Flow*	\$100.3 million
Net Debt*	\$3.55 billion
Net Leverage Ratio*	2.8x
Liquidity*	>\$1.3 billion

AAM prepaid \$100 million of 6.625% Senior Notes due 2022 in 2Q 2018

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



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 and their related effects in any future period. The magnitude of these items, however, may be significant.

Supplemental Data



EBITDA and Adjusted EBITDA Reconciliation (\$ in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$ 151.3	\$ 66.3	\$ 240.8	\$ 144.7
Interest expense	54.4	56.9	107.6	82.4
Income tax expense	2.0	2.4	19.9	9.9
Depreciation and amortization	130.2	124.6	258.0	180.8
EBITDA	337.9	250.2	626.3	417.8
Restructuring and acquisition-related costs	36.8	51.7	55.1	67.7
Debt refinancing and redemption costs	4.3	2.7	14.6	2.7
Gain on sale of business	(15.5)	-	(15.5)	-
Non-recurring items:				
Gain on settlement of capital lease	(15.6)	-	(15.6)	-
Acquisition-related fair value inventory adjustment	-	24.9	-	24.9
Other	-	(3.7)	-	(3.7)
Adjusted EBITDA	\$ 347.9	\$ 325.8	\$ 664.9	\$ 509.4
As % of net sales	18.3%	18.5%	17.7%	18.1%

Supplemental Data



EBITDA and Adjusted EBITDA for the Trailing Twelve Months Ended June 30, 2018 (\$ in millions)

	Quarter Ended				Trailing Twelve Months Ended
	September 30 2017	December 31, 2017	March 31, 2018	June 30, 2018	June 30, 2018
Net income	\$ 86.3	\$ 106.5	\$ 89.5	\$ 151.3	\$ 433.6
Interest expense	57.5	55.7	53.2	54.4	220.8
Income tax expense	5.7	(13.1)	17.9	2.0	12.5
Depreciation and amortization	122.6	125.2	127.8	130.2	505.8
EBITDA	272.1	274.3	288.4	337.9	1,172.7
Restructuring and acquisition-related costs	22.8	20.2	18.3	36.8	98.1
Debt refinancing and redemption costs	-	0.8	10.3	4.3	15.4
Gain on sale of business	-	-	-	(15.5)	(15.5)
Non-recurring items:					
Gain on settlement of capital lease	-	-	-	(15.6)	(15.6)
Other	2.9	0.4	-	-	3.3
Adjusted EBITDA	\$ 297.8	\$ 295.7	\$ 317.0	\$ 347.9	\$ 1,258.4

Supplemental Data



Adjusted Earnings Per Share Reconciliation

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Diluted earnings per share	\$ 1.30	\$ 0.59	\$ 2.08	\$ 1.51
Restructuring and acquisition-related costs	0.32	0.46	0.48	0.71
Debt refinancing and redemption costs	0.04	0.02	0.13	0.03
Gain on sale of business	(0.14)	-	(0.14)	-
Non-recurring items:				
Gain on settlement of capital lease	(0.14)	-	(0.14)	-
Acquisition-related fair value inventory adjustment	-	0.22	-	0.26
Acquisition related tax adjustment	-	(0.04)	-	(0.13)
Adjustment to liability for unrecognized tax benefit	(0.17)	-	(0.17)	-
Other	-	(0.02)	-	(0.01)
Tax effect of adjustments	0.02	(0.24)	(0.03)	(0.33)
Adjusted earnings per share	<u>\$ 1.23</u>	<u>\$ 0.99</u>	<u>\$ 2.21</u>	<u>\$ 2.02</u>

Adjusted earnings per share are based on weighted average diluted shares outstanding of 116.0 million and 112.0 million for the three months ended on June 30, 2018 and 2017, respectively, and 115.4 million and 95.6 million for the six months ended on June 30, 2018 and 2017, respectively.

Supplemental Data



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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net cash provided by operating activities	\$ 222.5	\$ 150.9	\$ 289.4	\$ 213.2
Less: Capital expenditures net of proceeds from sale of property, plant and equipment	(141.7)	(103.0)	(272.1)	(137.1)
Free cash flow	80.8	47.9	17.3	76.1
Cash payments for restructuring and acquisition-related costs	19.5	56.7	41.3	66.2
Acquisition-related settlement of pre-existing accounts payable balances with acquired entities	-	12.4	-	35.2
Interest payments upon the settlement of acquired company debt	-	24.6	-	24.6
Adjusted Free Cash Flow	\$ 100.3	\$ 141.6	\$ 58.6	\$ 202.1

Supplemental Data



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

	June 30, 2018
Current portion of long-term debt	\$ 33.2
Long-term debt, net	3,873.0
Total debt, net	3,906.2
Less: Cash and cash equivalents	353.2
Net debt at end of period	\$ 3,553.0
Adjusted LTM EBITDA	\$ 1,258.4
Net Leverage Ratio	2.8

Supplemental Data



Segment Financial Information (\$ in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Segment Sales				
Driveline	\$ 1,120.2	\$ 1,021.5	\$ 2,190.8	\$ 2,020.8
Metal Forming	397.1	369.3	794.1	519.3
Powertrain	288.3	283.6	580.2	283.6
Casting	243.2	225.6	482.2	225.6
Total Sales	2,048.8	1,900.0	4,047.3	3,049.3
Intersegment Sales	(147.9)	(142.2)	(288.0)	(241.6)
Net External Sales	\$ 1,900.9	\$ 1,757.8	\$ 3,759.3	\$ 2,807.7
Segment Adjusted EBITDA				
Driveline	\$ 184.9	\$ 179.0	\$ 354.9	\$ 332.2
Metal Forming	89.1	69.4	164.4	99.8
Powertrain	47.0	51.9	97.1	51.9
Casting	26.9	25.5	48.5	25.5
Total Segment Adjusted EBITDA	\$ 347.9	\$ 325.8	\$ 664.9	\$ 509.4

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, gain on sale of business 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

For the three and six months ended on June 30, 2017, other non-recurring items reflect 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. For the three months ended September 30, 2017 and December 31, 2017, other non-recurring items reflect the impact of a non-cash pension settlement charge related to one of our foreign entities.

Adjusted Earnings per Share

We define Adjusted earnings per share to be diluted earnings per share excluding the impact of restructuring and acquisition-related costs, debt refinancing and redemption costs, gain on sale of business and non-recurring items, including the tax effect thereon. We believe Adjusted earnings 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 per share differently.

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. 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. 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