

Barclays High Yield Bond and Syndicated Loan Conference

May 22, 2018



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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”.

Agenda



- Diversification and Value Creation
- Technology Leadership
- Financial Highlights and Targets
- Appendix – Industry Data, 1Q 2018 Walkdowns and 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

Over
75
MANUFACTURING
FACILITIES



\$7B
PRO FORMA SALES

Over
700
CUSTOMERS

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

17
ENGINEERING CENTERS

Over
25,000
ASSOCIATES



17
COUNTRIES

Over
90
LOCATIONS





DIVERSIFICATION AND VALUE CREATION



Driving Long-Term Value



SOLID FOUNDATIONAL BUSINESS

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

INNOVATIVE TECHNOLOGY LEADERSHIP

Focused on electrification, lightweighting, fuel efficiency, and vehicle safety 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

**Creating
Value for All
Key
Stakeholders**

Comprehensive Solutions from Engine to Driveline



DRIVELINE

- Rear and front axles
- Rear drive modules
- Power transfer units
- Driveshafts
- Transfer cases
- Electric drive units

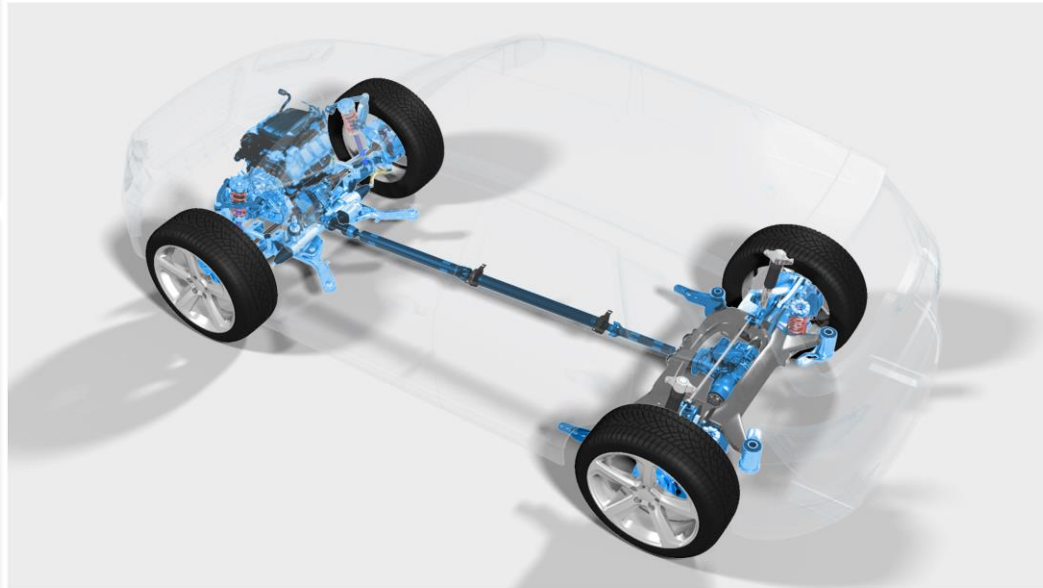
≈ \$4.0 billion

METAL FORMING

- Ring / pinion gears
- Axle / transmission shafts
- Differential gears
- Transmission gears
- CVT components
- Suspension components

≈ \$1.5 billion

Our diverse product portfolio and technologies provide continued growth and exciting cross-selling opportunities



POWERTRAIN

- Transmission module and differential assemblies
- Aluminum valve bodies
- Vibration control systems
- Connecting rods
- VVT products

≈ \$1.1 billion

CASTING





- Axle carriers
- Differential cases
- Steering knuckles
- Control arms
- Turbo charger housings
- Brackets

≈ \$900 million

*Based on estimated 2017 pro forma amounts before eliminations of intercompany sales of approximately \$0.5 billion

MPG Acquisition Update – 2017 Results



Acquisition Benefit	FY 2017 Result	
Greater scale and financial profile	Pro forma sales of over \$6.9 billion	
Accelerated business diversification	Non-GM sales made up more than 50% of total sales Larger presence with commercial and industrial business as those markets strengthened in 2017	
Enhanced profitability and free cash flow generation	AAM achieved Adjusted EBITDA* of over \$1.1 billion AAM generated over \$340 million of Adjusted Free Cash Flow*	
Synergy attainment and value capture	AAM recognized > \$30 million of cost reduction synergies in 2017 On track to meet our updated target of \$120 million of annual run rate cost reduction synergies by 1Q 2019 and achieved our target of 70% of this total by March 2018	

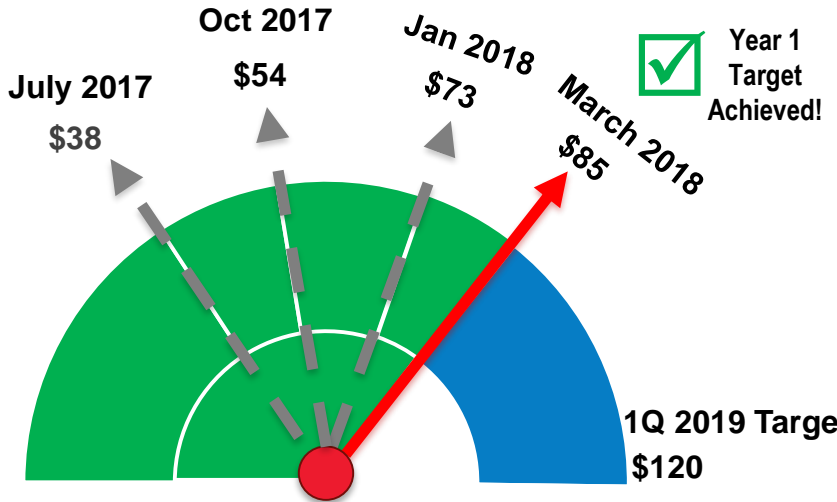
* For definitions of terms, please see the attached appendix

Synergy Achievement Progress from MPG Acquisition



Sources of Cost Savings	Initial Targeted Annual Profit Impact
Overhead <ul style="list-style-type: none"> Optimize operating structure Elimination of redundant public company costs 	≈ \$45 - \$50 million
Purchasing <ul style="list-style-type: none"> Combine global purchasing to leverage larger scale Direct and indirect material opportunities Insourcing initiatives 	≈ \$45 - \$50 million
Other Cost Savings <ul style="list-style-type: none"> Manufacturing initiatives Plant loading optimization / facility rationalization 	≈ \$10 - \$20 million
Initial Targeted Annual Improvement	≈ \$100-\$120 million

Synergy Achievement Gauge (Annual Run Rate in millions)



AAM is on track to achieve synergy targets

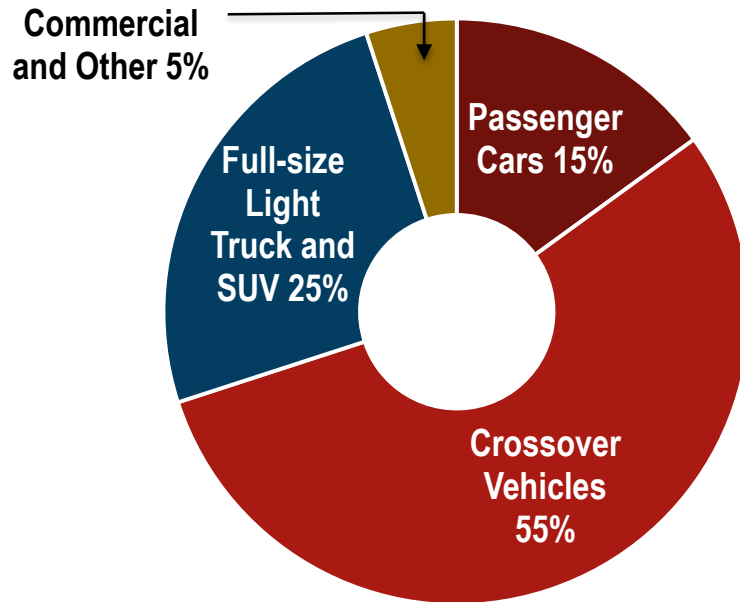
AAM's Gross New and Incremental Business Backlog



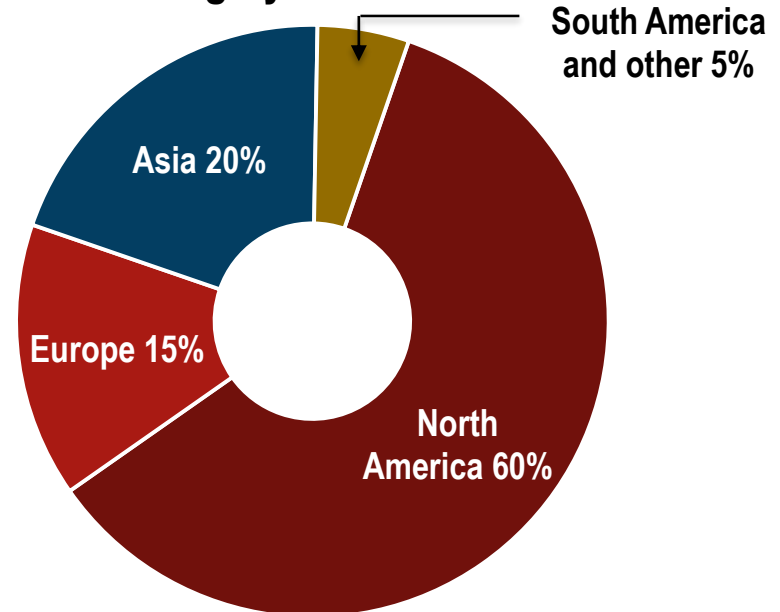
As of January 17, 2018

\$1.5 BILLION: 2018-2020

Backlog by Vehicle Segment



Backlog by Global Market



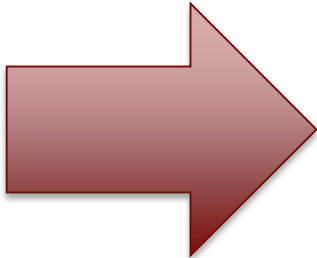
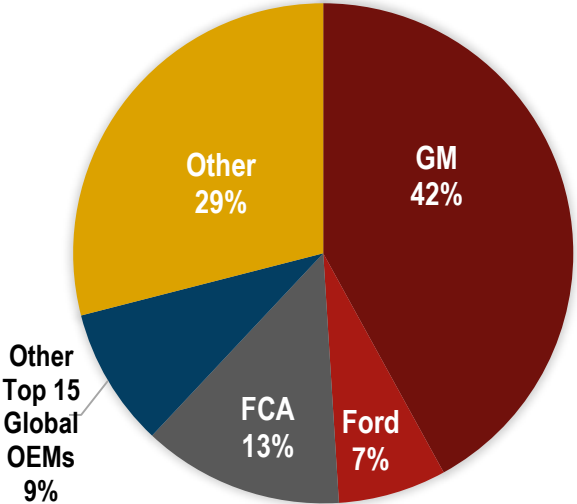
≈80% of new business backlog relates to Non-GM business

* For production and sales assumptions for 2018-2020, please see the attached appendix

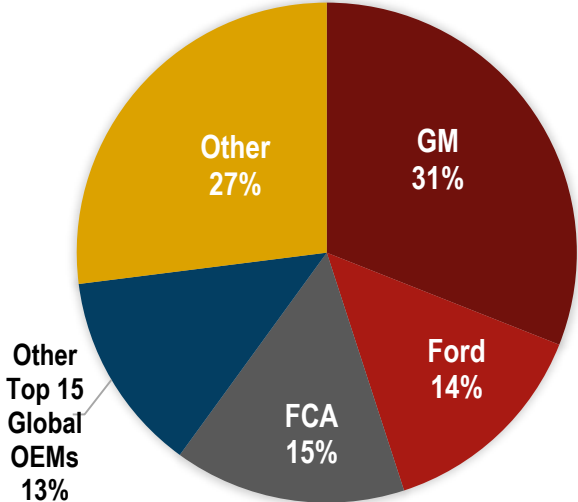
Continued Customer Diversification



AAM 1Q 2018 Sales By Customer



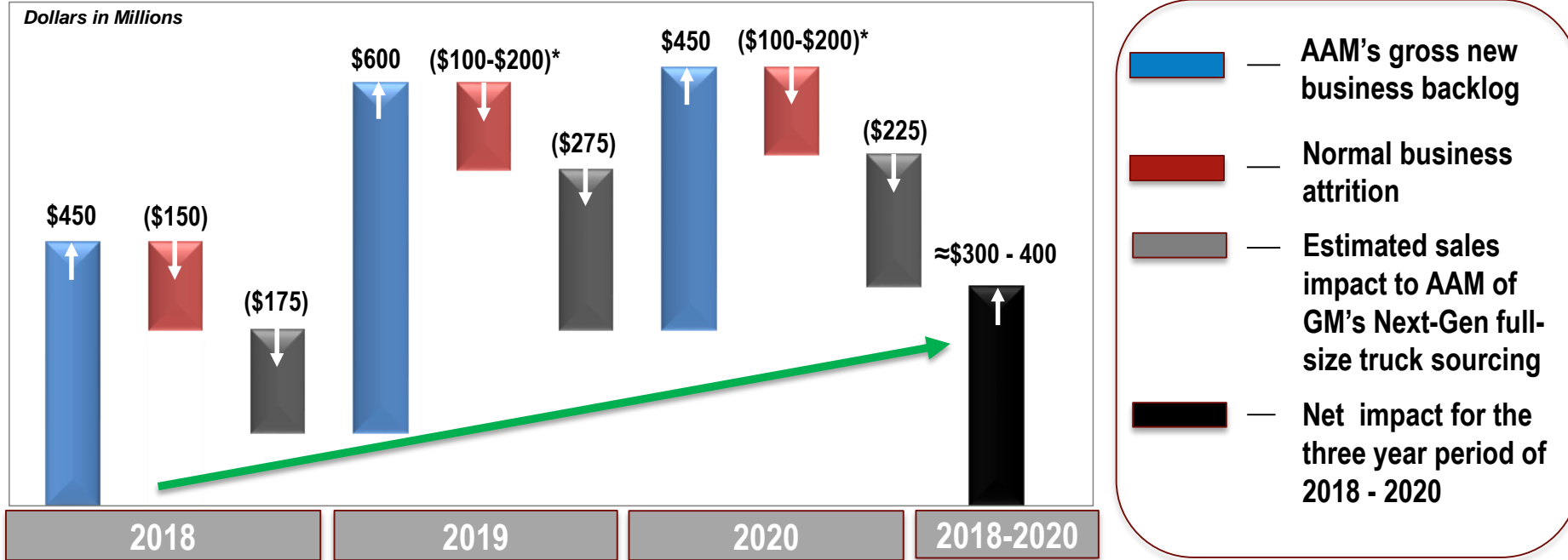
AAM 2020E Sales by Customer



AAM will continue to diversify its customer concentricity through the backlog period

Backlog and Impact of GM's Sourcing Decision

As of January 17, 2018



AAM's new business backlog more than offsets attrition and the sales impact of GM's next generation full-size truck program sourcing

* Utilized the mid point for the range for charting purposes.



TECHNOLOGY LEADERSHIP

Additional Electrification New Business Award



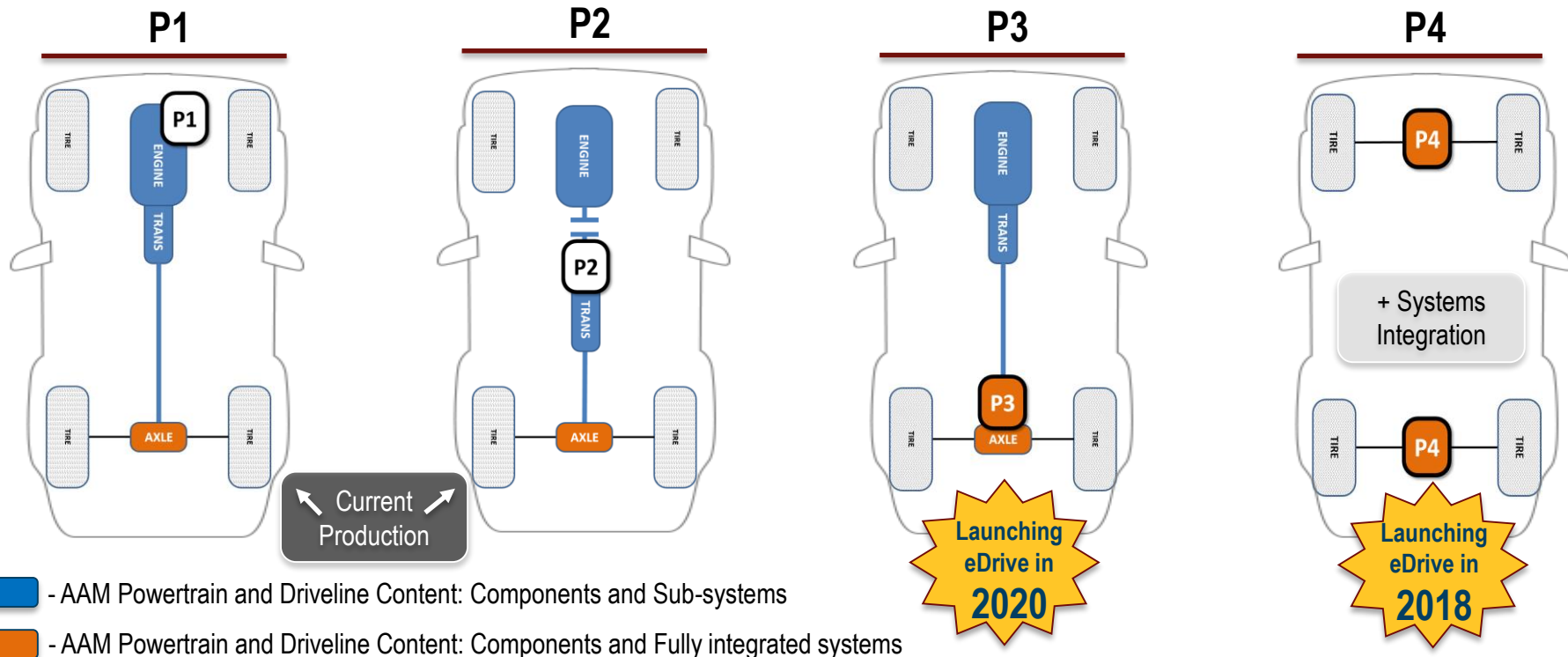
AAM's **new business award** is for a rear eDrive unit on a high performance, hybrid passenger car launching with a **second e-AAM customer** in 2020



AAM expects our e-AAM products to account for **between \$100 - \$200 million of revenue by 2021** – with the potential to grow this higher

ELECTRIFICATION | Driving served market and content-per-vehicle growth for AAM

AAM's Capabilities for Hybrid and Electric Vehicles



Content per vehicle opportunities > \$2,500 for all architectures

Electric Powertrain Integrator



ICE Powertrain Components

Engine



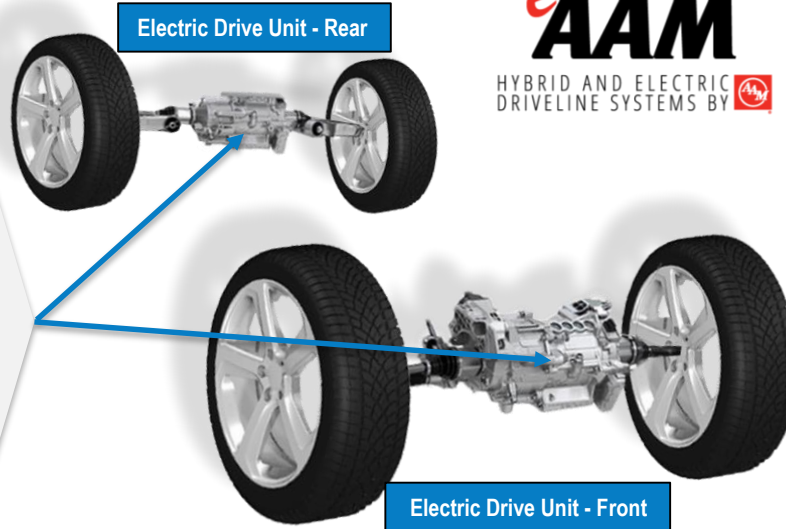
Transmission



Axle



AAM's AWD Electric Drive Units



- Each unit integrates an electric motor, gear box and differential to deliver power to the vehicle
- e-AAM products provide content-per-vehicle opportunity of over \$2,500

Competitive Advantage in Electric Powertrains



1 Ability to engineer and integrate the electric powertrain into a single eDrive unit

2 Expertise in highly engineered components critical to eDrive performance

3 Continued commitment and investment in next generation eDrive innovations

4 Global footprint and launch capabilities

5 Product in the market place in 2018



AAM's **QUANTUM technology** 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.

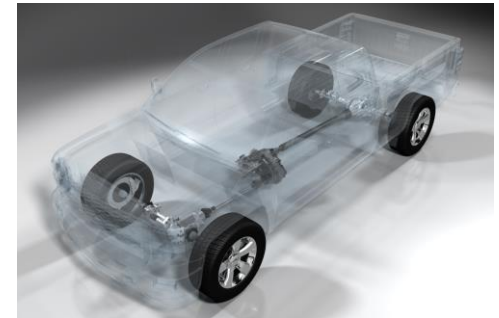
QUANTUM™
LIGHTWEIGHT AXLE TECHNOLOGY BY 



QUANTUM™ RDU w/ eLSD



QUANTUM™ Rear Axle



Actively collaborating on QUANTUM projects with multiple customers



AAM

AAM FINANCIAL HIGHLIGHTS AND TARGETS

1Q 2018 AAM Highlights



Record Net Sales

Net Income

Adjusted EPS

Adjusted EBITDA Margin

\$1.86B

\$89.4M

\$0.98

17.1%



\$400 Million

Debt Refinancing
Enhances Maturity
Schedule



Entered into Joint
Venture with
**Liuzhou
Wuling**

AAM's 2018 Financial Targets



	2018 Full Year Targets
Sales	≈ \$7 billion
Adjusted EBITDA* Margin	≈ 17.5% - 18%
Adjusted Free Cash Flow*	≈ 5% of sales

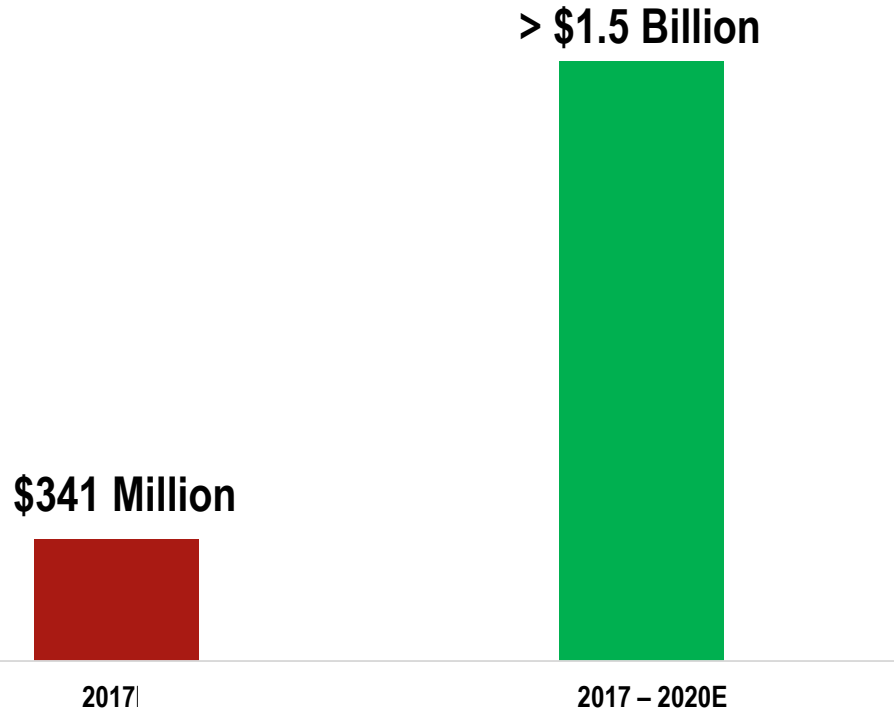
- Based on the anticipated launch schedule of our new business backlog and our assumption that the US SAAR* is in the range of 16.8 to 17.0 million units.
- Adjusted Free Cash Flow target assumes capital expenditures of ≈ 8% of sales. Elevated capital spending in 2018 reflects significant new and replacement program launches.
- We estimate approximately \$50 to \$75 million of restructuring and acquisition-related costs and related payments during 2018. The impact of these have been excluded from our Adjusted EBITDA and Adjusted Free Cash Flow targets.
- Our 2018 financial targets for the full year contemplate significant customer downtime in preparation for critical program changeovers and related project expense. We expect this to have the greatest impact in the first quarter of 2018.

AAM expects another record year in 2018!

Free Cash Flow Generation Has Just Begun!



Projected Cumulative Adj. Free Cash Flow* 2017 - 2020



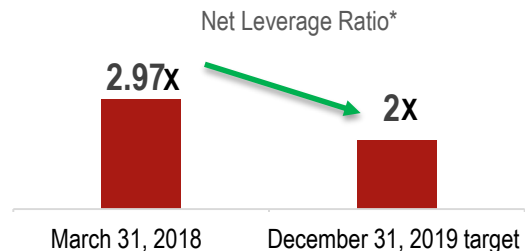
- We expect to generate cumulative adjusted free cash flow of over \$1.5 billion in the 4 year period 2017 – 2020
- AAM expects Adjusted EBITDA* margins to be in the range of 17% to 18% of sales through 2020
- Starting in 2019, AAM should benefit from:
 - Lower capital spending
 - Lower restructuring and integration payments
 - Lower interest payments
 - Full run rate synergies

Capital Allocation Priorities



Debt Paydown

Plan to Delever



Maintain Appropriate Liquidity*

- > \$1.3 billion at March 31, 2018
- Target >\$1 billion going forward

Favorable Debt Maturities

- \$100M redemption of 6.625% Notes due 2022 scheduled for May 30
- Minimal maturities until 2022 (\$200M in 2019)
- Flexible prepayment options

Organic Growth

Capital Investment

- Support \$1.5 billion in new and incremental business backlog
- Constant focus of quoting and emerging opportunities on profitable growth and diversification

Research and Development

- Product, process and systems technology
- Leverage global engineering capabilities
- Focused on the global automotive megatrends of electrification, lightweighting, and fuel efficiency

Others

Strategic Initiatives

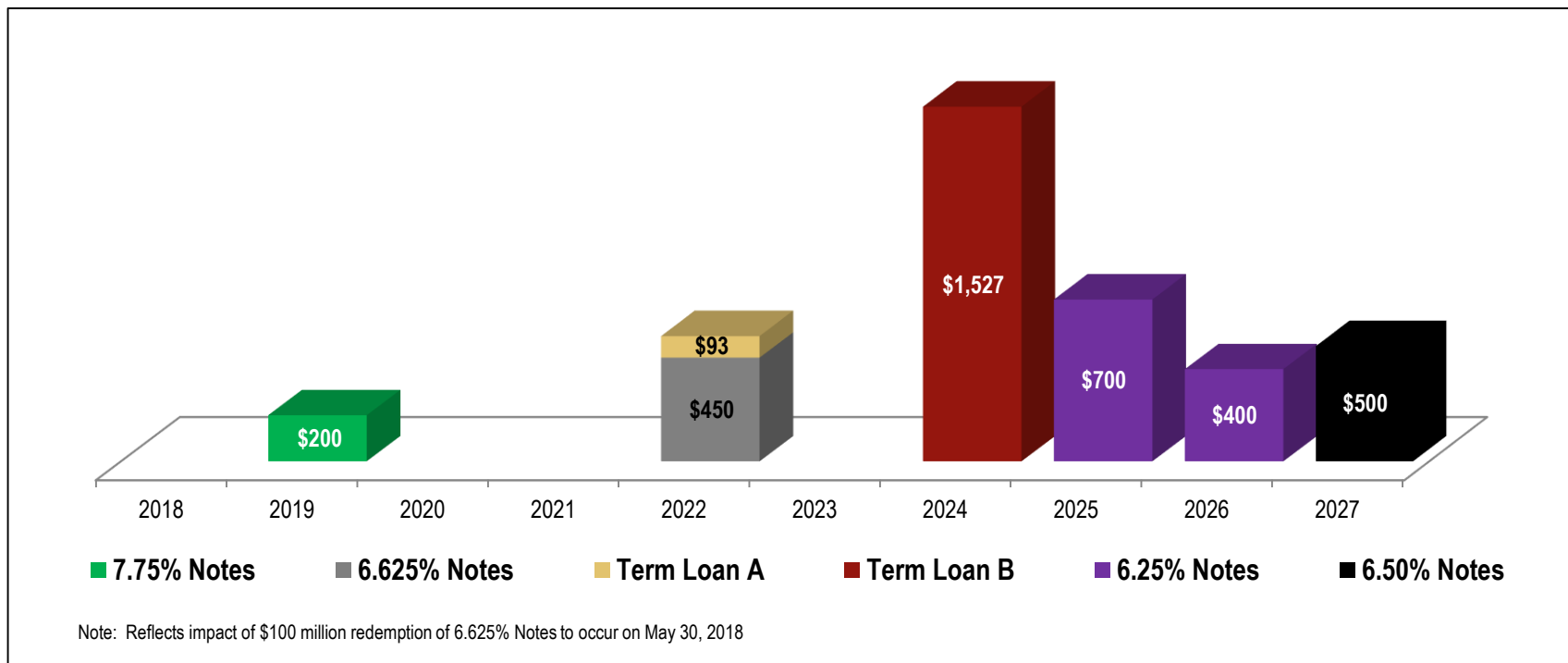
- Will analyze opportunities within our current capital structure to:
 - Diversify geographically
 - Expand technology leadership
 - Enhance profitability

Shareholder Friendly Actions

- Will balance among other capital allocation priorities

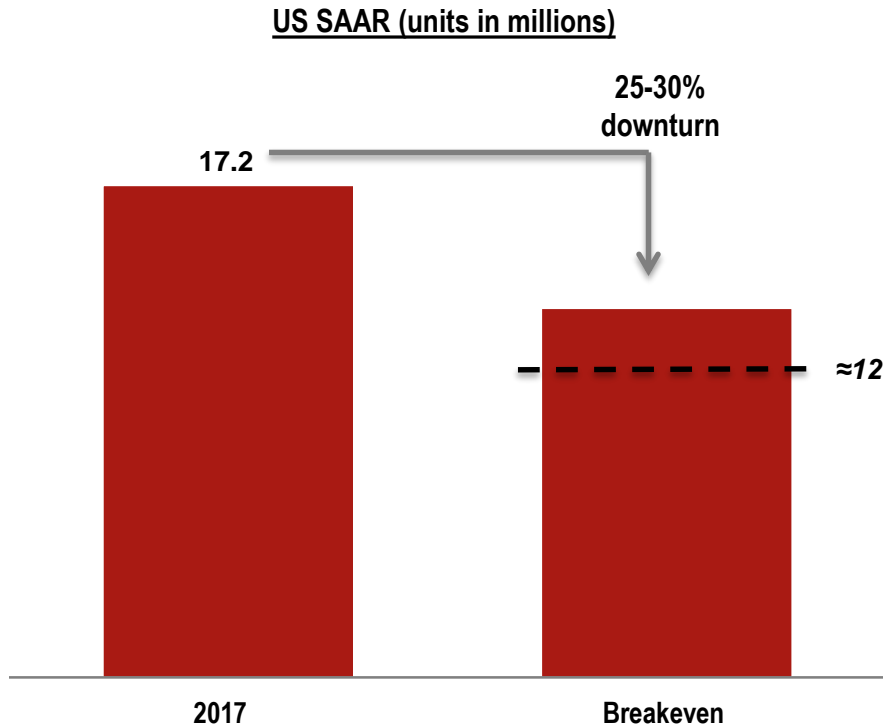
*For definitions of terms, please see the attached appendix

Debt Maturity Schedule



We continue to enhance our strong debt maturity profile

Well Positioned in a Potential Downside Scenario



- 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



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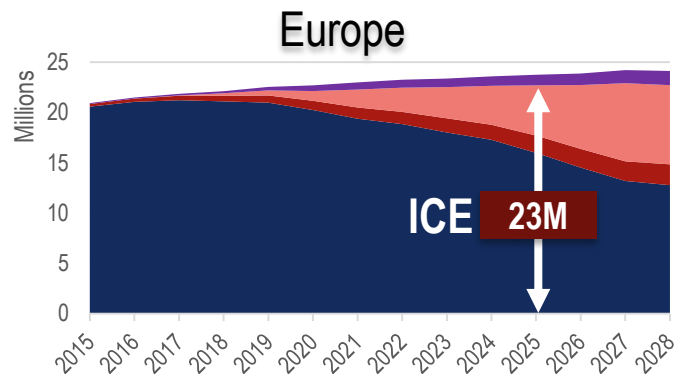
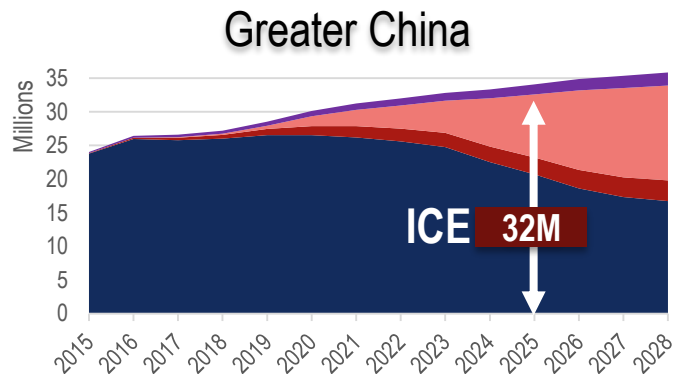
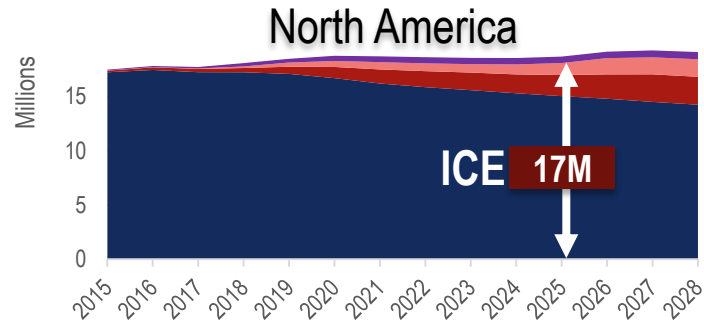
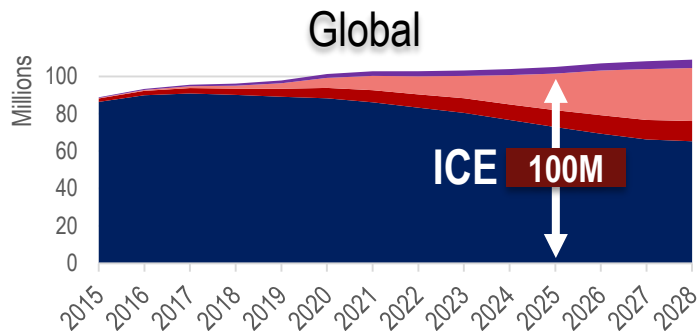
APPENDIX – INDUSTRY DATA, 1Q 2018 WALKDOWNS AND NON-GAAP MEASURES

Production and Sales Volume Assumptions



	2018	2019 - 2020
Global Light Vehicle Production	≈ 97M units	≈ 2% annual growth
North America Light Vehicle Production	≈ 17.5M units	Flat
US SAAR	16.8 – 17M units	16.5 – 17M units
Europe Light Vehicle Production	≈ 23M units	Flat
China Light Vehicle Production	≈ 28M units	≈ 4-5% annual growth
North America Class 5-8 Commercial Vehicle Production	≈ 550k units	Flat

Powertrain Projections



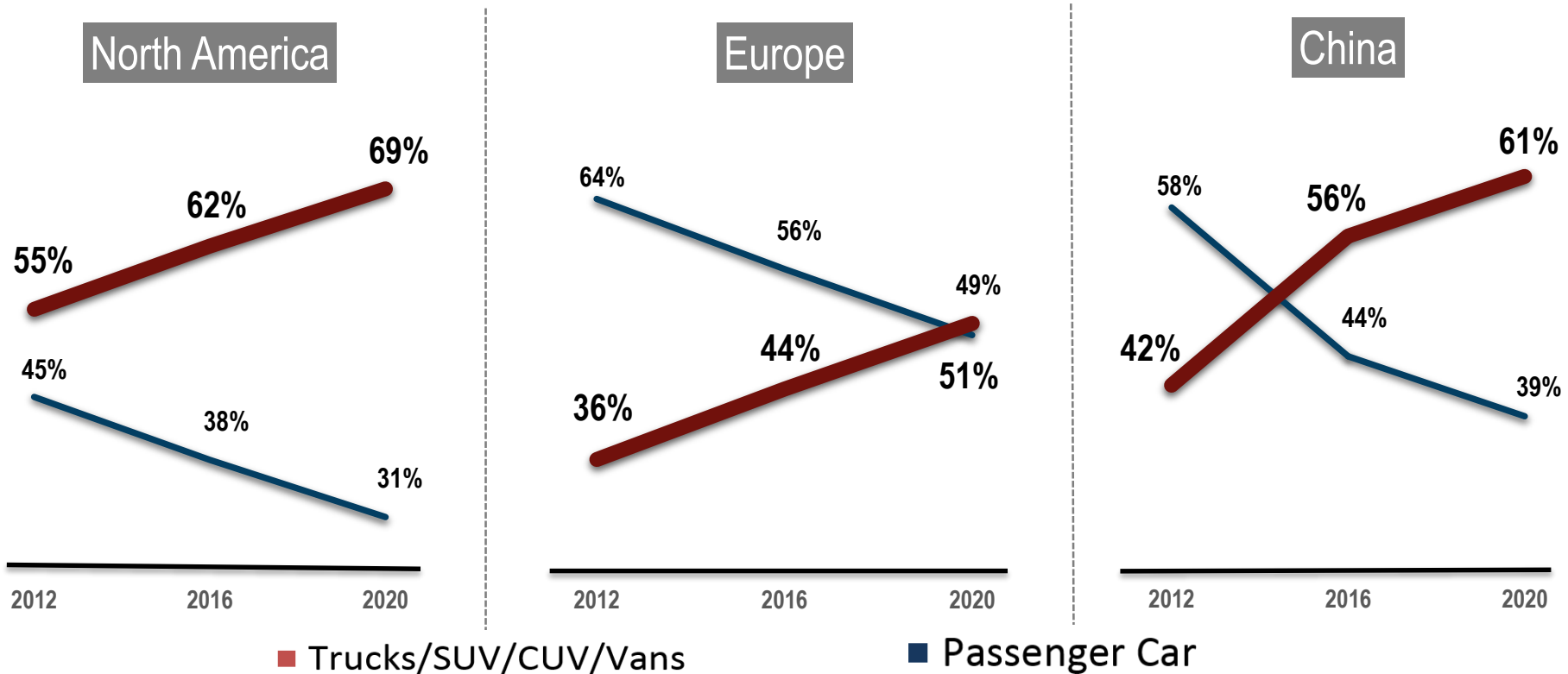
- Electric
- Hybrid-Mild
- Hybrid-Full
- ICE

For at least the next decade, the internal combustion engine (ICE) is expected to be the main source of power for vehicles

Projected LV Production Mix



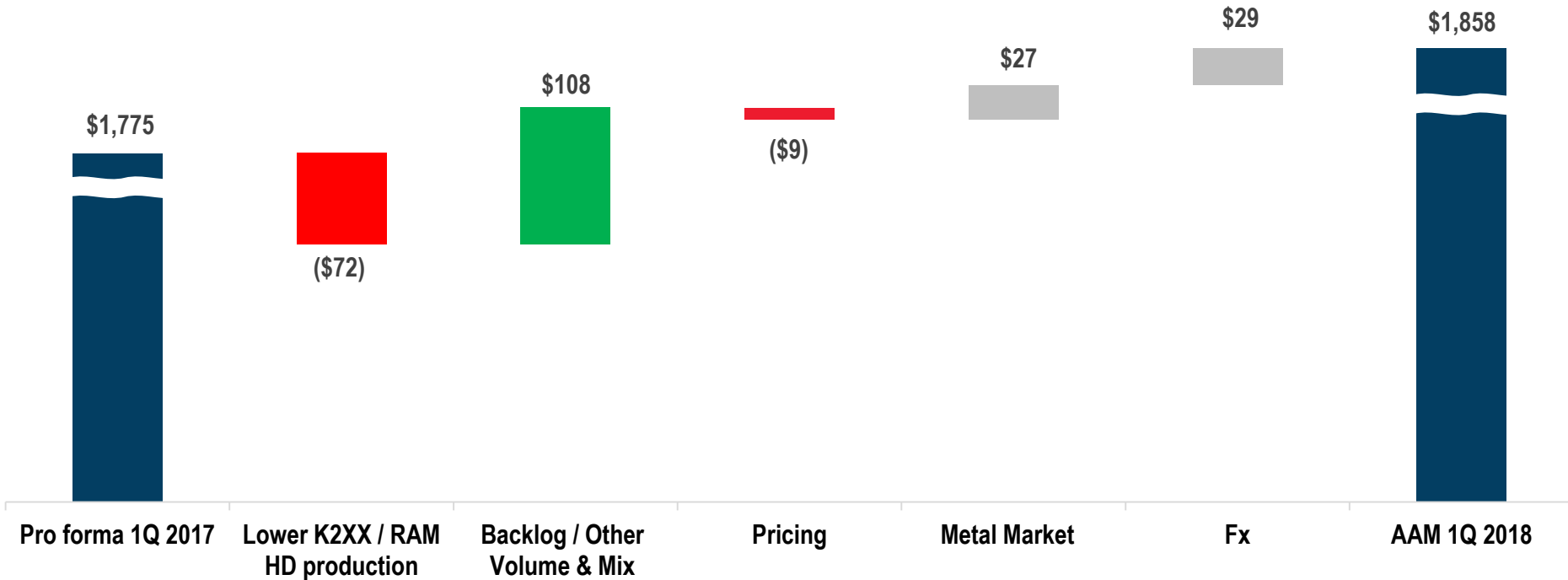
IHS Forecasts as of March 23, 2018



Vehicle mix is trending favorably for AAM in all of our key markets

1Q 2018 Year-Over-Year Sales Walkdown

(in millions)

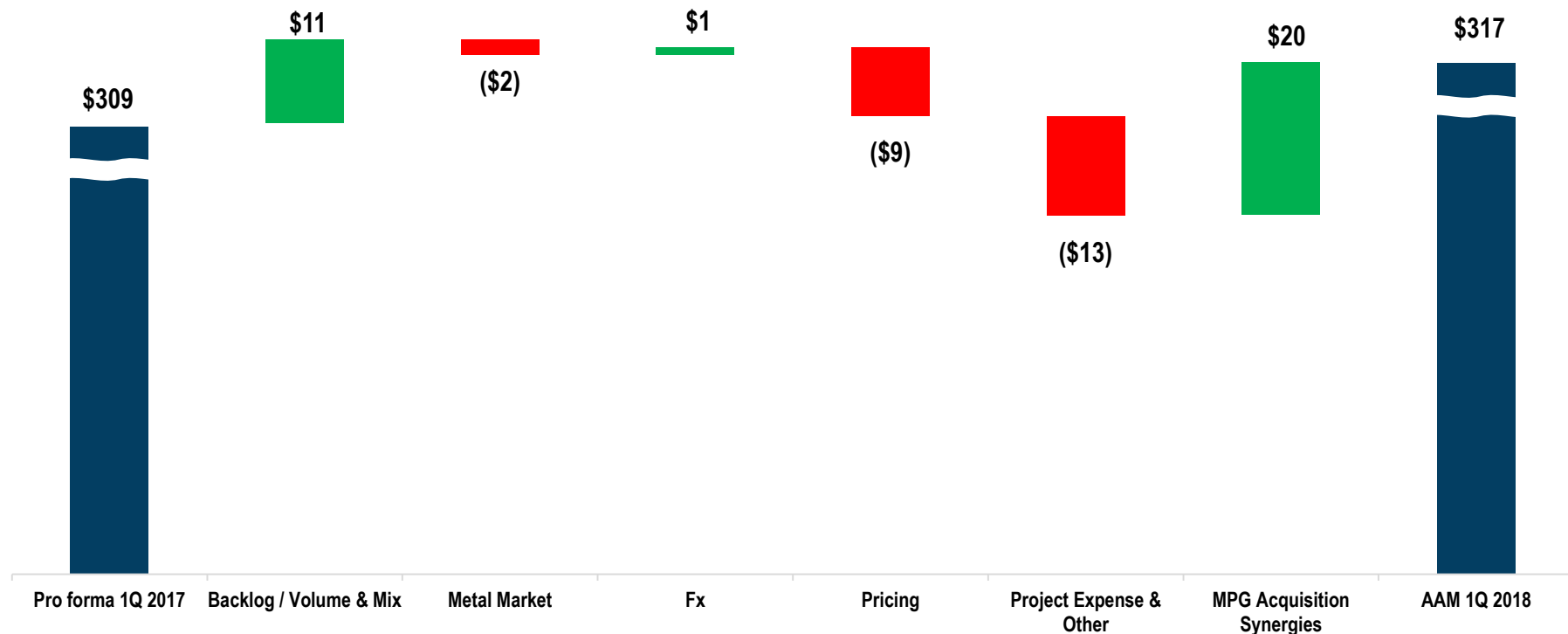


Experienced Y-O-Y organic growth in 1Q despite lower K2XX and RAM HD production

Pro forma sales for 1Q 2017 includes AAM sales of \$1,050 million and MPG sales of \$750 million, adjusted for the elimination of MPG sales to AAM of \$25 million

1Q 2018 Year-Over-Year Adjusted EBITDA* Walk

(in millions)



Adjusted EBITDA margin of 17.1% in 1Q 2018

* Pro forma Adjusted EBITDA for 1Q 2017 includes AAM of \$184 and estimated MPG of approximately \$125 million. For definitions of terms and non-GAAP reconciliations, please see the appendix.

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 accounting adjustments related to recent tax reform and their related effects in any future period. The magnitude of these items, however, may be significant.

EBITDA and Adjusted EBITDA Reconciliation

(\$ in millions)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Net income	\$ 106.5	\$ 46.9	\$ 337.5	\$ 240.7
Interest expense	55.7	23.2	195.6	93.4
Income tax expense (benefit)	(13.1)	4.5	2.5	58.3
Depreciation and amortization	125.2	51.4	428.5	201.8
EBITDA, as defined	\$ 274.3	\$ 126.0	\$ 964.1	\$ 594.2
Restructuring and acquisition-related costs	20.2	22.2	110.7	26.2
Debt refinancing and redemption costs	0.8	—	3.5	—
Non-recurring items:				
Acquisition-related fair value inventory adjustment	—	—	24.9	—
Other	0.4	—	(0.5)	(1.0)
Adjusted EBITDA	\$ 295.7	\$ 148.2	\$ 1,102.7	\$ 619.4
As % of net sales	17.1 %	15.7 %	17.6 %	15.7 %

Free Cash Flow and Adjusted Free Cash Flow Reconciliation

(\$ in millions)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Net cash provided by operating activities	\$ 226.3	\$ 116.6	\$ 647.0	\$ 407.6
Less: Purchases of property, plant & equipment, net of proceeds from sale of property, plant and equipment and from government grants	(198.2)	(63.3)	(475.2)	(218.5)
Free cash flow	\$ 28.1	\$ 53.3	\$ 171.8	\$ 189.1
Cash payments for restructuring and acquisition-related costs	\$ 22.8	\$ 9.5	\$ 109.3	\$ 9.5
Acquisition-related settlement of pre-existing accounts payable balances with acquired entities	—	—	35.2	—
Interest payments upon settlement of acquired company debt	—	—	24.6	—
Adjusted free cash flow	\$ 50.9	\$ 62.8	\$ 340.9	\$ 198.6

EBITDA and Adjusted EBITDA Reconciliation (\$ in millions)

	Three Months Ended March 31,	
	2018	2017
Net income	\$ 89.5	\$ 78.4
Interest expense	53.2	25.5
Income tax expense	17.9	7.5
Depreciation and amortization	127.8	56.2
EBITDA	\$ 288.4	\$ 167.6
Restructuring and acquisition-related costs	18.3	16.0
Debt refinancing and redemption costs	10.3	-
Adjusted EBITDA	\$ 317.0	\$ 183.6
<i>As % of net sales</i>	17.1%	17.5%

Adjusted Earnings Per Share Reconciliation

	Three Months Ended	
	March 31,	
	2018	2017
Diluted earnings per share	\$ 0.78	\$ 0.99
Restructuring and acquisition-related costs	0.16	0.20
Debt refinancing and redemption costs	0.09	-
Non-recurring items	-	(0.09)
Tax effect of adjustments	(0.05)	(0.07)
Adjusted earnings per share	<u>\$ 0.98</u>	<u>\$ 1.03</u>

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

	Three Months Ended March 31,	
	2018	2017
Net cash provided by operating activities	\$ 66.9	\$ 62.3
Less: Purchases of property, plant and equipment, net of proceeds from sale of property, plant and equipment	(130.4)	(34.1)
Free cash flow	<u>\$ (63.5)</u>	<u>\$ 28.2</u>
Cash payments for restructuring and acquisition-related costs	21.8	9.5
Acquisition-related settlement of pre-existing accounts payable balances with acquired entities	-	22.8
Adjusted Free Cash Flow	<u>\$ (41.7)</u>	<u>\$ 60.5</u>

EBITDA and Adjusted EBITDA for the Trailing Twelve Months Ended March 31, 2018 (\$ in millions)

	Quarter Ended				Trailing Twelve Months Ended March 31, 2018
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	
Net income	\$ 66.3	\$ 86.3	\$ 106.5	\$ 89.5	\$ 348.6
Interest expense	56.9	57.5	55.7	53.2	223.3
Income tax expense (benefit)	2.4	5.7	(13.1)	17.9	12.9
Depreciation and amortization	124.6	122.6	125.2	127.8	500.2
EBITDA	\$ 250.2	\$ 272.1	\$ 274.3	\$ 288.4	\$ 1,085.0
Restructuring and acquisition-related costs	51.7	22.8	20.2	18.3	113.0
Debt refinancing and redemption costs	2.7	-	0.8	10.3	13.8
Non-recurring items:					
Acquisition-related fair value inventory adjustment	24.9	-	-	-	24.9
Other	(3.8)	2.9	0.4	-	(0.5)
Adjusted EBITDA	\$ 325.7	\$ 297.8	\$ 295.7	\$ 317.0	\$ 1,236.2

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

	Trailing Twelve Months Ended March 31, 2018
Current portion of long term debt	\$ 31.8
Long-term debt, net	3,986.2
Total debt, net	4,018.0
Less: Cash and cash equivalents	340.7
Net debt at end of period	\$ 3,677.3
Adjusted LTM EBITDA	\$ 1,236.2
 Net Leverage Ratio	 2.97

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, 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 months ended December 31, 2017, other non-recurring items reflect the impact of a non-cash pension settlement charge related to one of our foreign entities. For the twelve months ended December 31, 2017, other non-recurring items also 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 twelve months ended December 31, 2016, other non-recurring items reflect the impact of an investment gain related to the final distribution of the Reserve Yield Plus Fund.

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, 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 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 pro forma Adjusted EBITDA. 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