



# Investor Presentation

September 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 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 presentation 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”.

# 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**

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

**16**  
ENGINEERING CENTERS

**Fortune 500**

**20,000**  
ASSOCIATES



**17**  
COUNTRIES

Nearly  
**80**  
LOCATIONS



# Business Units and Market Leadership



## DRIVELINE



- **2019 Sales - \$4.6B**
- **A Global Leader in**
  - Full-size pickup truck and SUV driveline systems
  - AWD systems for crossover vehicles
  - Damped gears, viscous dampers and rubber isolation pulleys
- **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**
- **A Global Leader in**
  - Powdered metal connecting rods
  - Differential gears
  - Axle shafts
  - Hypoid pinions
  - Ring gears
  - Transmission gears
  - CVT pulleys
  - Aluminum valve bodies



# Growth Opportunities in Electrification

# Building a Diverse and Scalable eDrive Business



## Several new business wins for eDrive components

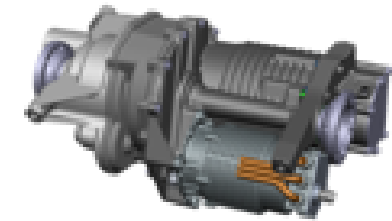
- Winning business across multiple regions and vehicle segments
- New program awards include electric commercial vehicle with a new customer and an electric pickup truck
- Launching several programs during 2020 - 2022

## High performance eDrive systems for Premium European OEMs

- AWD Jaguar I-Pace Crossover launched in 2018
- Multiple variants of high-performance hybrid to launch in 2021-2022 with second premium European OEM
- Both programs generating larger content-per-vehicle (CPV) than traditional ICE drive units

## Cost-competitive value-oriented eDrives for China market

- Launches in our Liuzhou AAM JV and Changshu Manufacturing facilities in 2020 / 2021
- Serving FWD passenger cars – previously an under-represented market in AAM's portfolio
- Gaining momentum in the growing new energy vehicle market in China



Expect lifetime revenues for booked eDrive related business to be over \$1 billion

# Electrification Growth Drivers for AAM

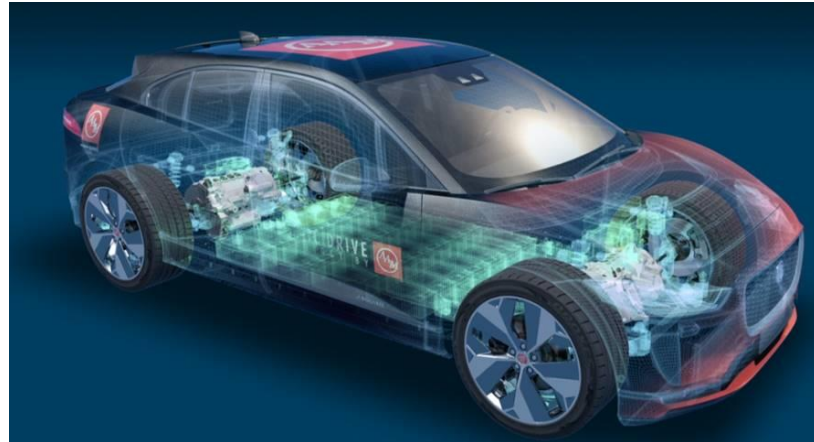


Successful products in market

Partnerships providing new business prospects

Expanding served market and increasing CPV

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



# 2Q 2020 Highlights and COVID-19 Update



# 2Q 2020 AAM Highlights



**\$515M**

Quarterly  
Sales

**(\$52M)**

Quarterly  
Adj. EBITDA

**> \$1.6B**

Quarter-end  
Liquidity



Launched First  
China eDrive  
Program at our  
Liuzhou AAM JV



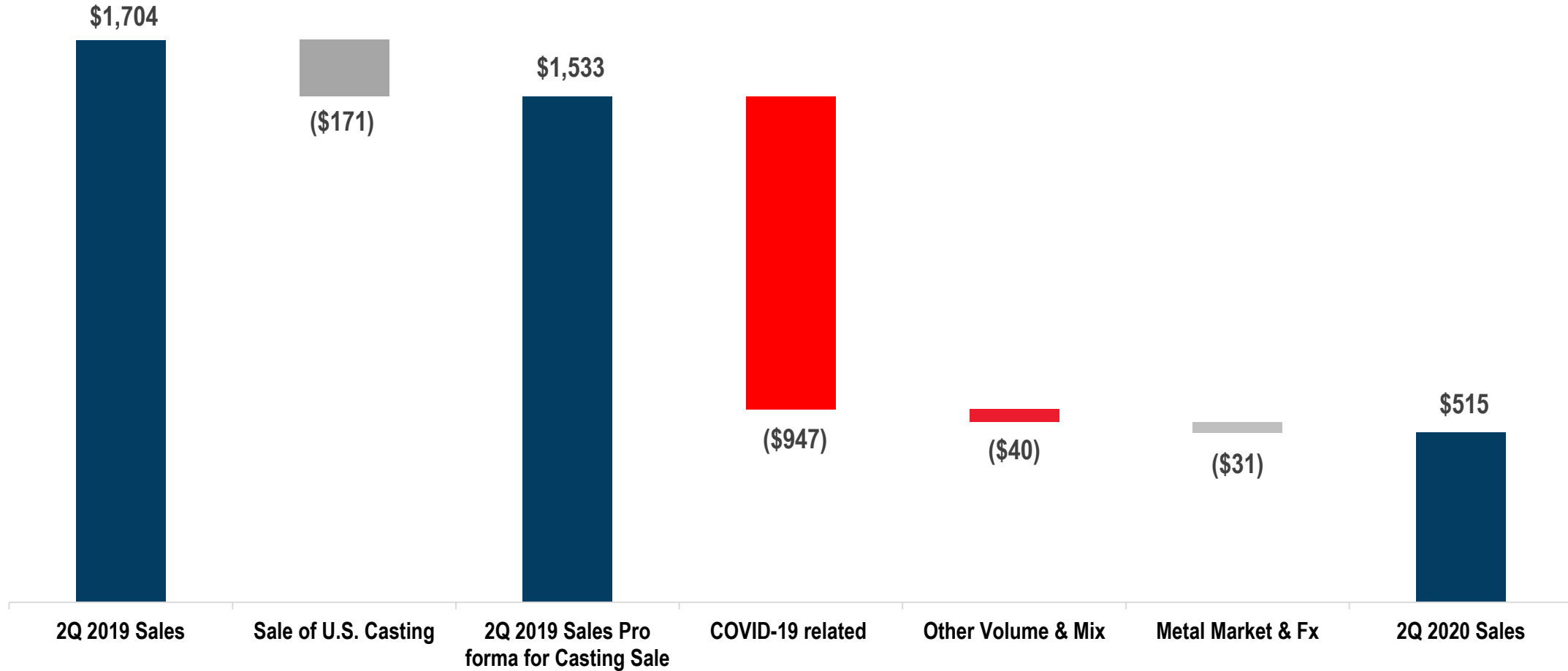
Issued  
\$400 Million  
of Unsecured  
Senior Notes

2019  
**SUPPLIER**  
of the  
**YEAR**

Awarded GM  
Supplier of the  
Year for Fourth  
Year in a Row

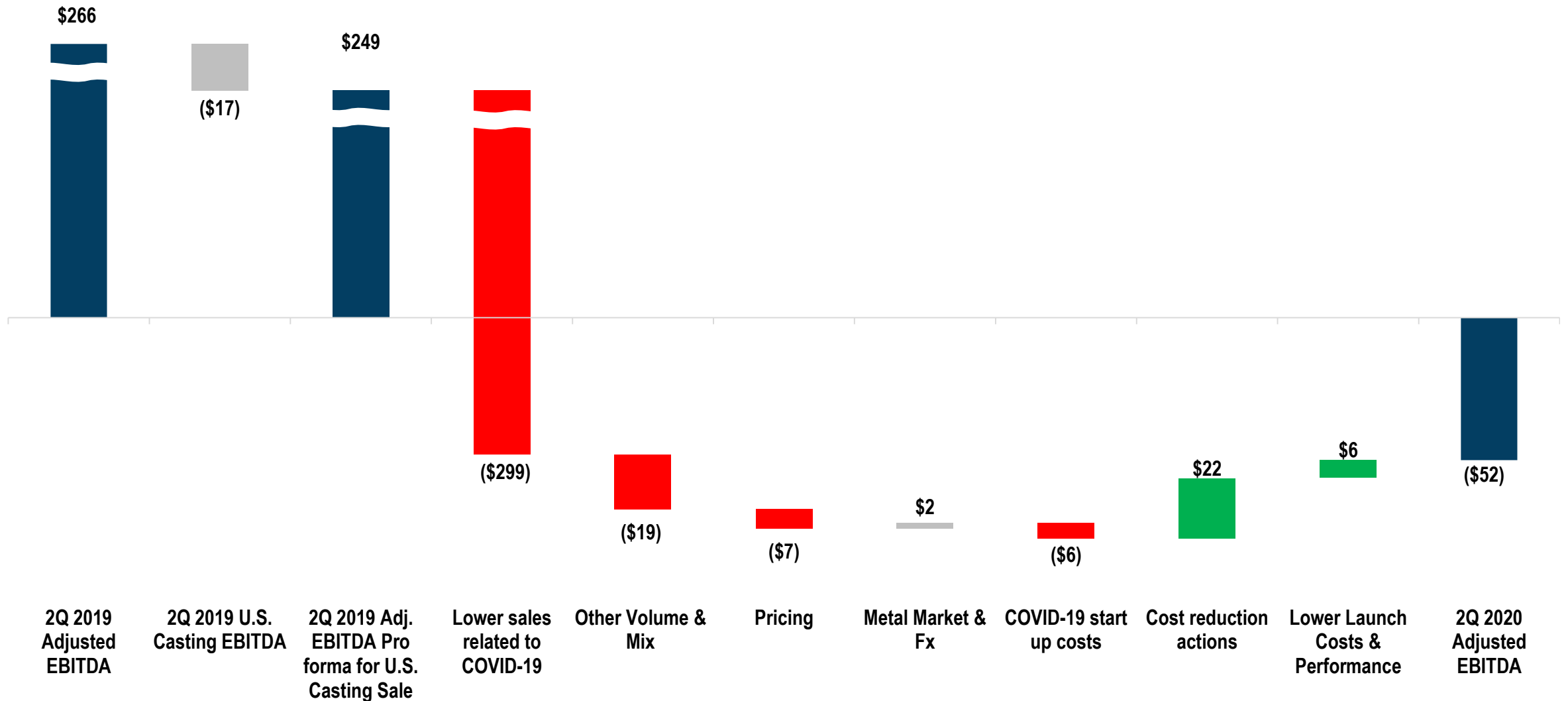
# 2Q 2020 Year-Over-Year Sales Walk

(in millions)



# 2Q 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	2Q 2020
Adjusted Free Cash Flow	(\$161.8) million
Net Debt	\$3.24 billion
Net Leverage Ratio	5.2x
Liquidity	\$1.66 billion



# 2020 Breakeven Scenario & Capital Structure

# Adjusted Free Cash Flow Breakeven Scenario

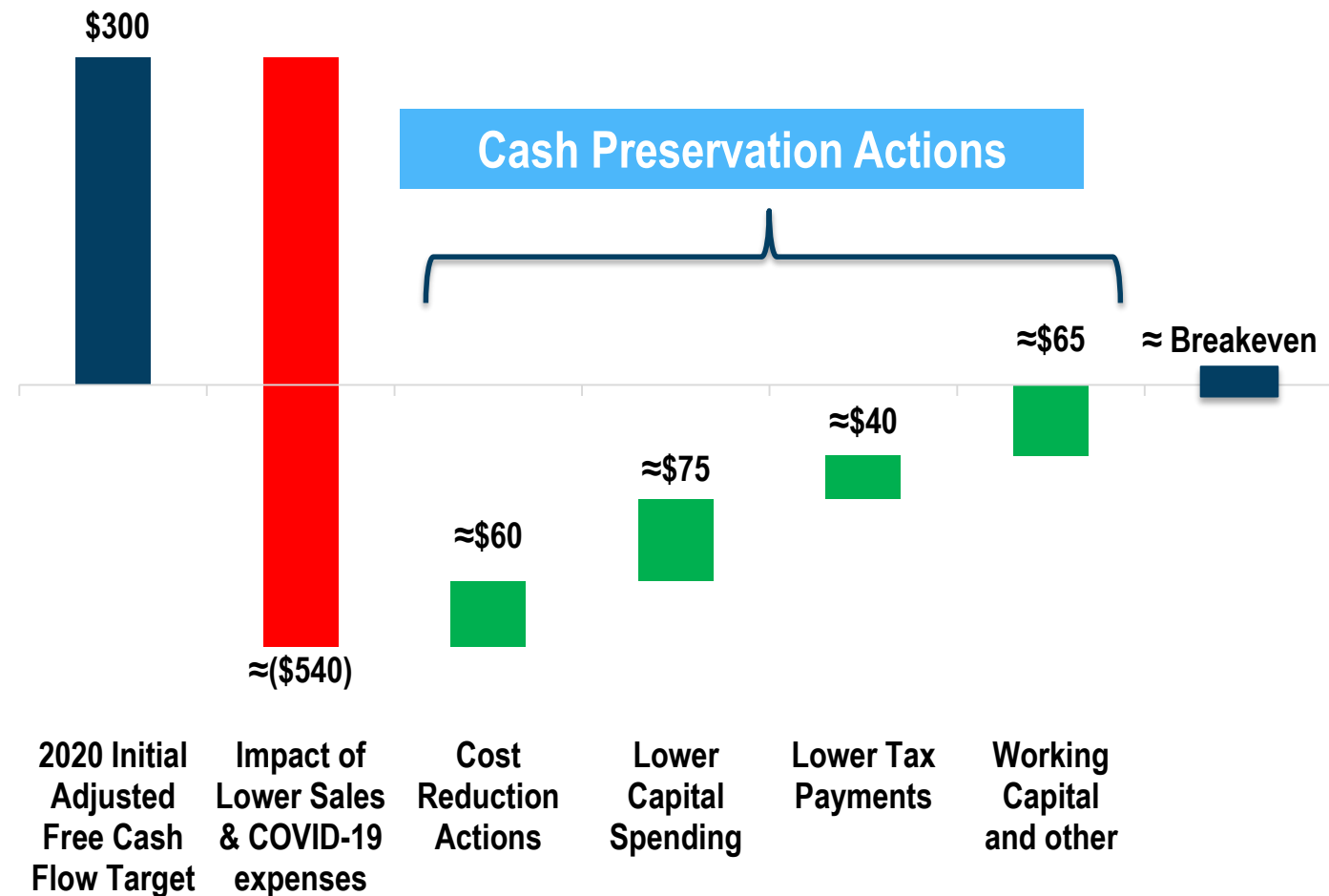
(in millions)



## Adj. EBITDA to Adj. FCF Breakeven

Initial 2020 Adj. EBITDA Target (midpoint)	\$ 945
Impact of 25% to 30% lower sales (midpoint)	≈ (500)
COVID-19 start-up & supplier inefficiency costs	≈ (40)
Cost reduction actions	≈ 60
	\$ 465
Capital Expenditures	≈ (250)
Interest Payments	≈ (205)
Tax Payments	≈ (50)
Inventory and other working capital	≈ 40
<b>Adjusted Free Cash Flow</b>	<b>≈ BREAKEVEN</b>

## Initial Adj. FCF Target to Adj. FCF Breakeven



\* For definitions and reconciliations of non-GAAP financial measures, please see the attached appendix. As disclosed on May 8, 2020

# 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



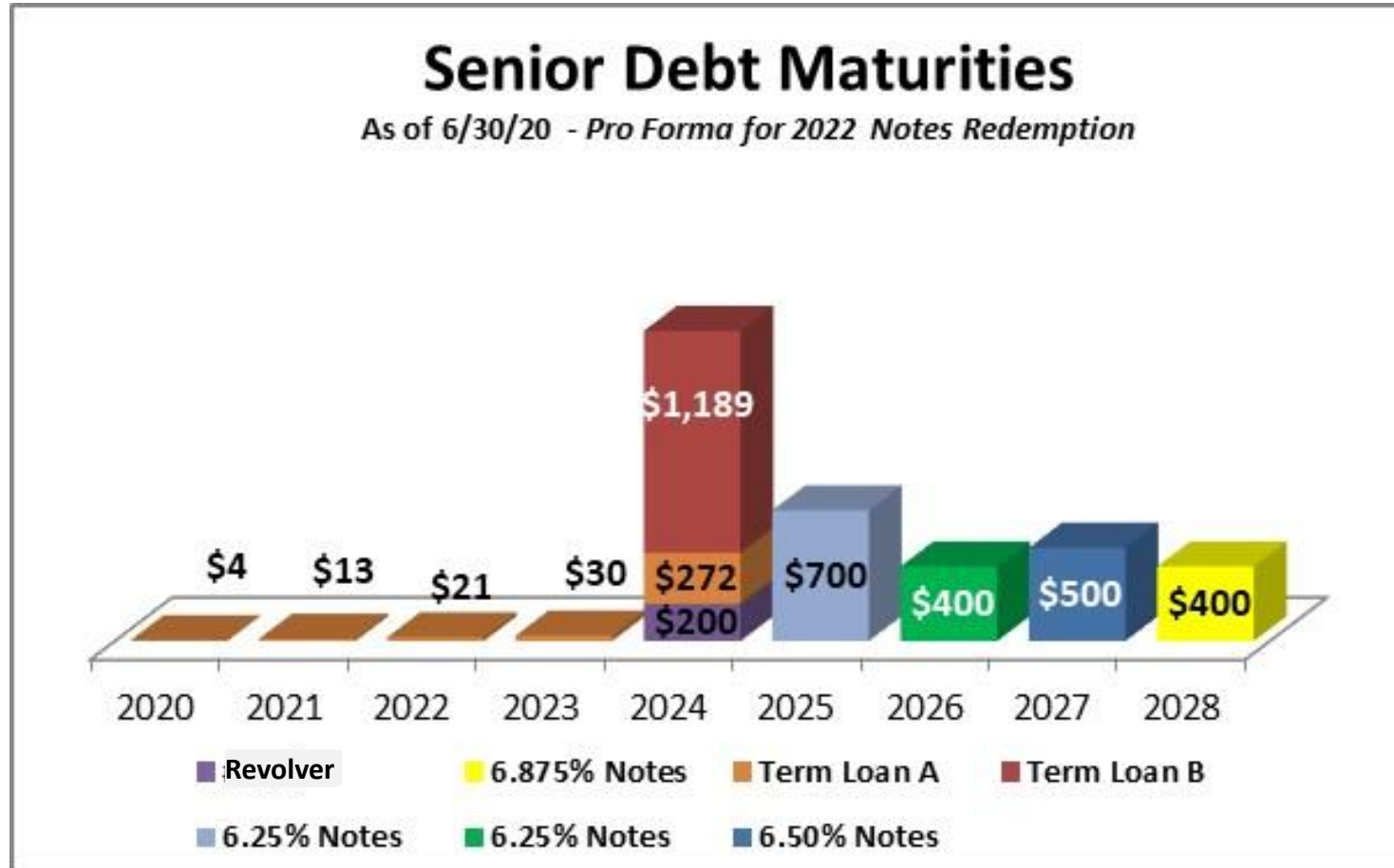
Restructuring Costs Required?
No
Limited
Moderate
Higher

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

**AAM is analyzing its full playbook and in process with many actions across its global operations**

# Debt Maturity Profile

(in millions)



No significant debt maturities until 2024





**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, AAM has provided certain information, which includes non-GAAP financial measures such as Adjusted EBITDA, Adjusted earnings per share and Adjusted free cash flow. Such information is reconciled to its closest GAAP measure in accordance with Securities and Exchange Commission rules and is included in the attached supplemental data.

Management believes that these non-GAAP financial measures are useful to management, investors, and banking institutions in their analysis of the Company's business and operating performance. Management also uses this information for operational planning and decision-making purposes.

Non-GAAP financial measures are not and should not be considered a substitute for any GAAP measure. Additionally, non-GAAP financial measures as presented by AAM may not be comparable to similarly titled measures reported by other companies.

# Supplemental Data



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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net income (loss)	\$ (213.2)	\$ 52.7	\$ (714.4)	\$ 94.4
Interest expense	54.6	56.2	106.1	109.6
Income tax expense (benefit)	(43.9)	6.0	(40.6)	3.0
Depreciation and amortization	139.1	136.5	268.7	277.3
EBITDA	(63.4)	251.4	(380.2)	484.3
Restructuring and acquisition-related costs	11.3	12.2	28.9	24.3
Debt refinancing and redemption costs	-	2.4	1.5	2.4
Impairment charge	-	-	510.0	-
Loss on sale of business	-	-	1.0	-
Adjusted EBITDA	\$ (52.1)	\$ 266.0	\$ 161.2	\$ 511.0
Sales	515.3	1,704.3	1,858.8	3,423.5
as % of net sales	-10.1%	15.6%	8.7%	14.9%

# Supplemental Data



## EBITDA and Adjusted EBITDA for the Trailing Twelve Months Ended June 30, 2020 (\$ in millions)

	Quarter Ended				Trailing Twelve Months Ended
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	June 30, 2020
Net income (loss)	\$ (124.1)	\$ (454.4)	\$ (501.2)	\$ (213.2)	\$ (1,292.9)
Interest expense	54.3	53.4	51.5	54.6	213.8
Income tax expense (benefit)	(40.4)	(11.5)	3.3	(43.9)	(92.5)
Depreciation and amortization	134.2	125.4	129.6	139.1	528.3
EBITDA	24.0	(287.1)	(316.8)	(63.4)	(643.3)
Restructuring and acquisition-related costs	11.7	21.8	17.6	11.3	62.4
Debt refinancing and redemption costs	5.1	0.9	1.5	-	7.5
Impairment charges	225.0	440.0	510.0	-	1,175.0
Pension settlement	-	9.8	-	-	9.8
Loss on sale of business	-	21.3	1.0	-	22.3
Non-recurring items:					
Gain on bargain purchase of business	-	(10.8)	-	-	(10.8)
Other	-	(2.4)	-	-	(2.4)
Adjusted EBITDA	\$ 265.8	\$ 193.5	\$ 213.3	\$ (52.1)	\$ 620.5
as % of net sales	15.8%	13.5%	15.9%	-10.1%	12.5%

# Supplemental Data



## Adjusted Earnings (Loss) Per Share Reconciliation

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Diluted earnings (loss) per share	\$ (1.88)	\$ 0.45	\$ (6.33)	\$ 0.81
Restructuring and acquisition-related costs	0.10	0.11	0.26	0.21
Debt refinancing and redemption costs	-	0.02	0.01	0.02
Impairment charge	-	-	4.52	-
Loss on sale of business	-	-	0.01	-
Non-recurring items:				
Adjustment to liability for unrecognized tax benefits	(0.06)	-	(0.06)	-
Tax adjustments related to the CARES Act and Tax Cuts and Jobs Act	-	-	(0.07)	(0.08)
Other	0.08	-	0.14	-
Tax effect of adjustments	(0.03)	(0.03)	(0.07)	(0.05)
Adjusted earnings (loss) per share	\$ (1.79)	\$ 0.55	\$ (1.59)	\$ 0.91

Adjusted earnings (loss) per share are based on weighted average diluted shares outstanding of 113.1 million and 116.1 million for the three months ended on June 30, 2020 and 2019, respectively, and 112.9 million and 116.0 million for the six months ended on June 30, 2020 and 2019, respectively.



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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net cash provided by (used in) operating activities	\$ (142.5)	\$ 217.1	\$ (3.1)	\$ 136.9
Less: Capital expenditures net of proceeds from sale of property, plant and equipment	(35.0)	(111.9)	(104.2)	(235.8)
Free cash flow	(177.5)	105.2	(107.3)	(98.9)
Cash payments for restructuring and acquisition-related costs	15.7	14.1	28.8	29.7
Adjusted Free Cash Flow	<u>\$ (161.8)</u>	<u>\$ 119.3</u>	<u>\$ (78.5)</u>	<u>\$ (69.2)</u>



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

	<b>June 30, 2020</b>
Current portion of long-term debt	\$ 573.7
Long-term debt, net	3,561.4
Total debt, net	4,135.1
Less: Cash and cash equivalents	893.3
Net debt at end of period	3,241.8
Adjusted LTM EBITDA	\$ 620.5
 Net Leverage Ratio	 5.2



# Supplemental Data



## Segment Financial Information (\$ in millions)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Segment Sales				
Driveline	\$ 403.7	\$ 1,181.5	\$ 1,435.4	\$ 2,347.8
Metal Forming	150.3	484.2	572.6	967.5
Casting	-	179.7	-	373.4
Total Sales	554.0	1,845.4	2,008.0	3,688.7
Intersegment Sales	(38.7)	(141.1)	(149.2)	(265.2)
Net External Sales	\$ 515.3	\$ 1,704.3	\$ 1,858.8	\$ 3,423.5
Segment Adjusted EBITDA				
Driveline	\$ (31.2)	\$ 162.1	\$ 108.1	\$ 304.9
Metal Forming	(20.9)	86.5	53.1	170.9
Casting	-	17.4	-	35.2
Total Segment Adjusted EBITDA	\$ (52.1)	\$ 266.0	\$ 161.2	\$ 511.0

# Definition of Non-GAAP Measures



## **EBITDA and Adjusted EBITDA**

We define EBITDA to be earnings (loss) 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 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.

