



Second Quarter 2022 Earnings Call

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Forward-Looking Statements



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This presentation 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, 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.”

2Q 2022 AAM Financial Highlights



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\$1.44B

Quarterly
Sales

\$195.1M

Second Quarter
Adjusted EBITDA

\$114.3M

Adjusted Free
Cash Flow

AAM Delivers Solid Results In A Difficult Operating Environment



Mercedes-AMG

AAM's electric driveline technology powers AMG's first plug-in hybrid electric (PHEV) model, the GT 63 S E PERFORMANCE. AAM supplies the performance car's rear drive unit, which was recently named a 2022 Automotive News PACE™ Award finalist.



Electrification

AAM awarded multiple contracts to supply major global OEMs with highly engineered electric components including gears for front and rear electric drive units.



Tekfor

Completed the acquisition of Tekfor Group in June. The acquisition provides significant synergy potential, diversifies AAM's geographic and customer sales mix and increases AAM's electrification product portfolio.

Updated 2022 Financial Outlook (as of August 5, 2022)



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2022 Financial Targets

Full Year Sales	\$5.75 to \$5.95 billion
Adjusted EBITDA	\$790 to \$830 million
Adjusted Free Cash Flow	\$300 to \$350 million

- The updated financial outlook includes the Tekfor acquisition (which became effective on June 1) – cost synergies are on track for 2023
- These targets are based on North American light vehicle production range of 14.3 – 14.7 million units, current customer production and launch schedules and business environment
- Adjusted Free Cash Flow target assumes capital spending in the range of 3.5% - 4.0% of sales
- AAM expects restructuring and acquisition-related cash payments to be between \$30 and \$40 million

Note: For definitions of Adjusted EBITDA and Adjusted Free Cash Flow and Non-GAAP reconciliations, please see the attached appendix.

2Q Financial Results



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	Three Months Ended June 30,		Difference
	2022	2021	
	(dollars in millions, except per share data)		
Net sales	\$ 1,438.3	\$ 1,283.3	\$ 155.0
Gross profit	\$ 173.5	\$ 190.0	\$ (16.5)
Gross margin	12.1%	14.8%	-2.7%
Selling, general and administrative expenses	\$ 84.8	\$ 86.2	\$ (1.4)
SG&A as a % of sales	5.9%	6.7%	-0.8%
Amortization of intangible assets	\$ 21.4	\$ 21.4	\$ -
Restructuring and acquisition-related costs	\$ 9.6	\$ 15.9	\$ (6.3)
Debt refinancing and redemption costs	\$ (0.2)	\$ (1.3)	\$ 1.1
Gain on bargain purchase of business	\$ 11.6	\$ -	\$ 11.6
Unrealized loss on equity securities	\$ (3.7)	\$ -	\$ (3.7)
Other income (expense), net	\$ (2.4)	\$ 0.6	\$ (3.0)
Adjusted EBITDA	\$ 195.1	\$ 222.6	\$ (27.5)
Adjusted EBITDA margin	13.6%	17.3%	-3.7%
Net interest expense	\$ (39.5)	\$ (47.3)	\$ 7.8
Income tax expense	\$ 0.6	\$ 2.4	\$ (1.8)
Effective income tax rate	2.6%	13.0%	-10.4%
Net income	\$ 22.9	\$ 16.0	\$ 6.9
Diluted earnings per share	\$ 0.19	\$ 0.13	\$ 0.06
Adjusted EPS	\$ 0.22	\$ 0.29	\$ (0.07)

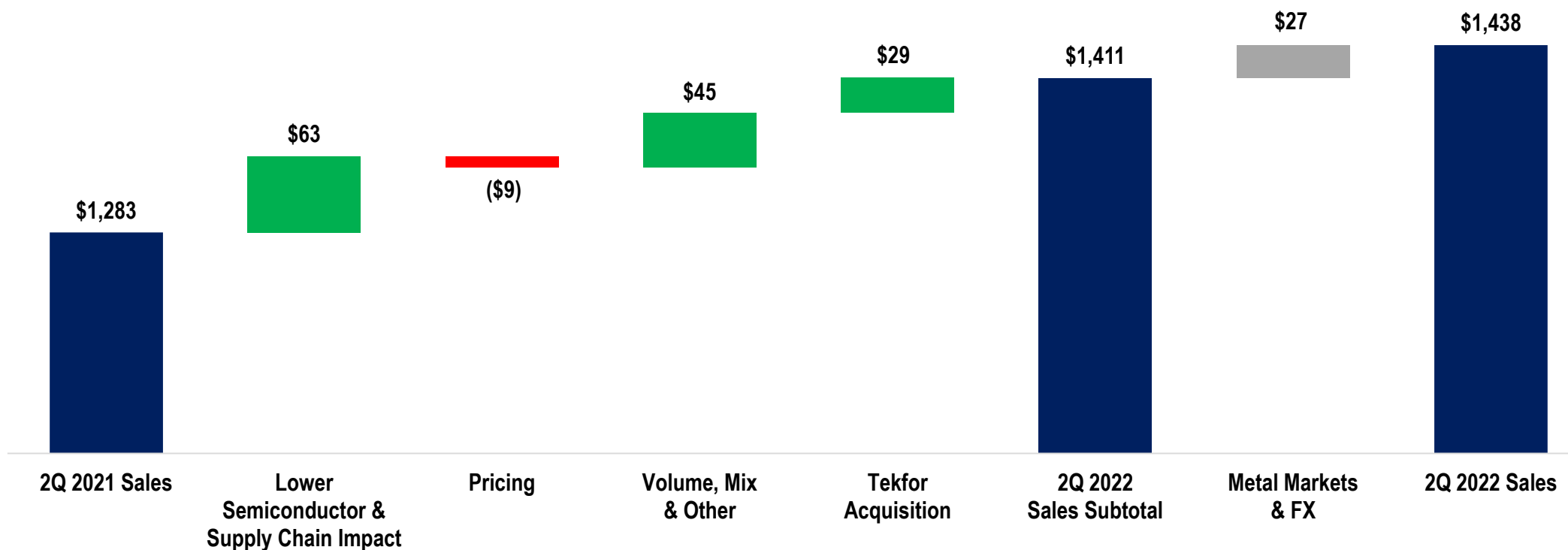
Note: Adjusted earnings per share are based on weighted average diluted shares outstanding of 120.3 million and 119.1 million for the three months ended on June 30, 2022 and 2021, respectively.

2Q 2022 Revenue Walk (Yr/Yr)



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\$ in millions



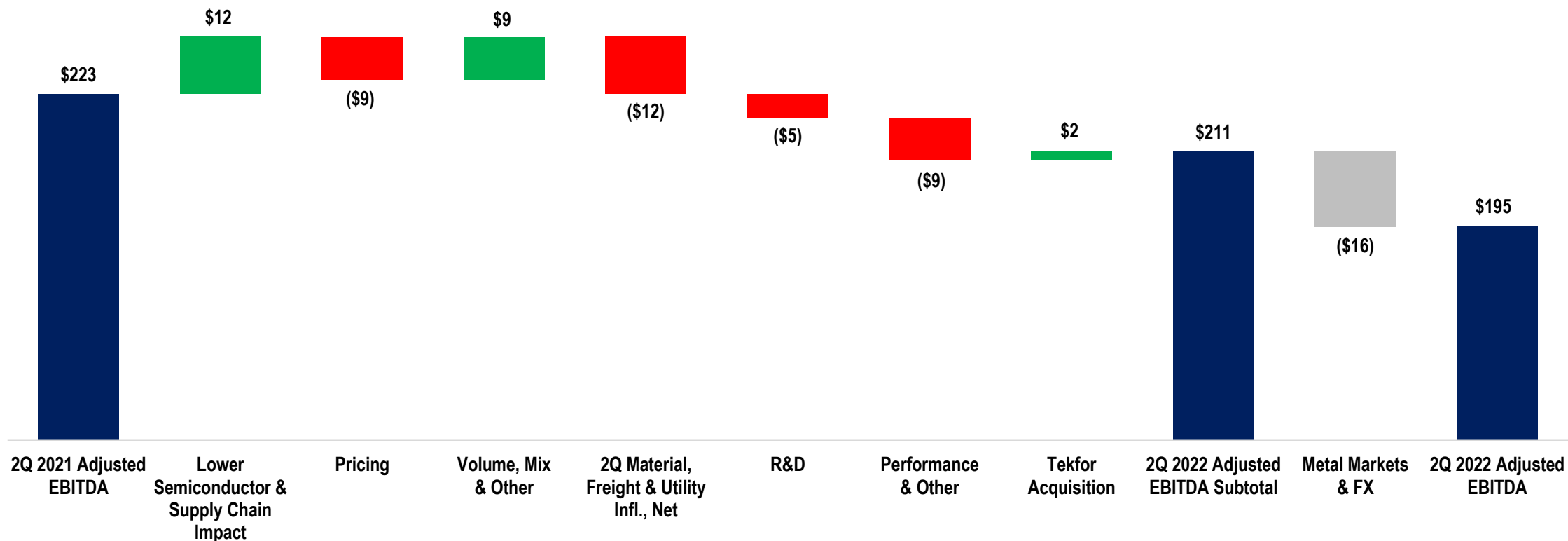
Note: chart not to scale

2Q 2022 Adjusted EBITDA Walk



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\$ in millions



Note: For definitions and reconciliations of non-GAAP financial measures, please see the attached appendix. Chart not to scale.

Adjusted Free Cash Flow and Credit Profile

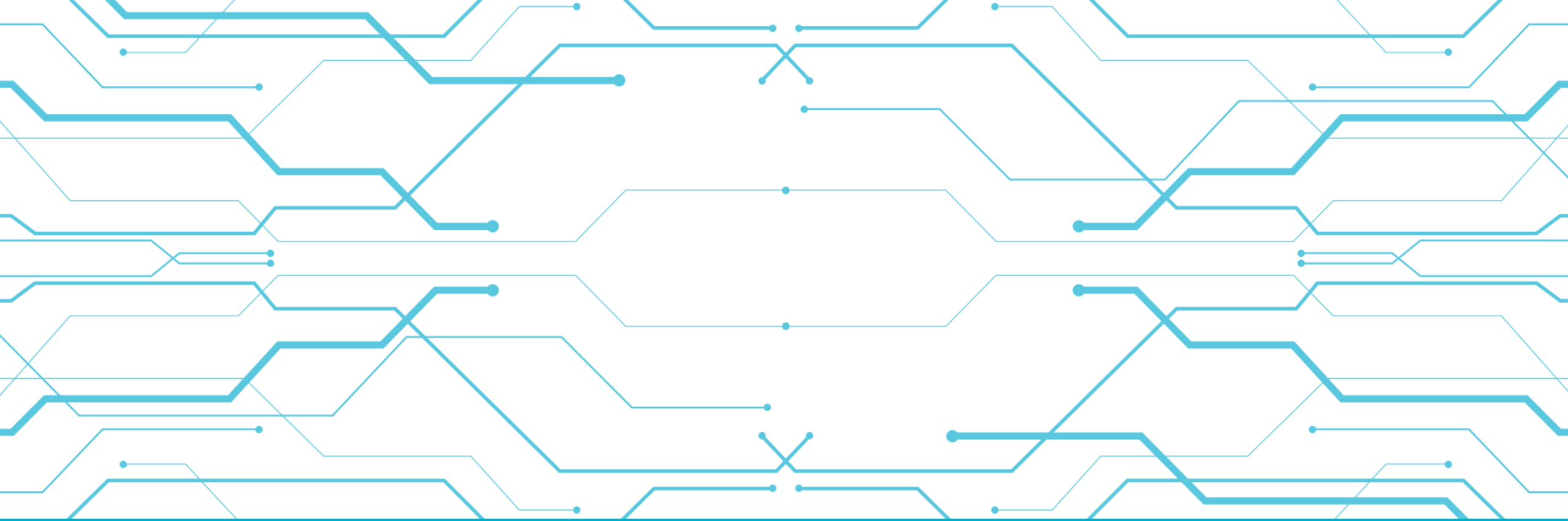


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Cash Flow and Debt Metrics	2Q 2022
Adjusted Free Cash Flow	\$114 million
Net Debt	\$2.5 billion
Net Leverage Ratio	3.4x
Liquidity	~\$1.5 billion

AAM Maintains Strong Liquidity

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



Supplemental Data



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Reconciliation of Non-GAAP Measures



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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.



EBITDA and Adjusted EBITDA Reconciliation
(\$ in millions)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Net income	\$ 22.9	\$ 16.0	\$ 23.9	\$ 54.6
Interest expense	42.7	49.9	87.4	101.0
Income tax expense	0.6	2.4	3.6	11.2
Depreciation and amortization	121.9	143.6	242.3	285.6
EBITDA	188.1	211.9	357.2	452.4
Restructuring and acquisition-related costs	9.6	15.9	18.5	33.4
Debt refinancing and redemption costs	0.2	1.3	5.8	2.4
Loss on sale of business	-	0.1	-	2.7
Unrealized loss on equity securities	3.7	-	21.7	-
Non-recurring items:				
Malvern fire charges, net of recoveries	0.1	(6.6)	(5.4)	(5.4)
Acquisition-related fair value inventory adjustment	5.0	-	5.0	-
Gain on bargain purchase of business	(11.6)	-	(11.6)	-
Adjusted EBITDA	\$ 195.1	\$ 222.6	\$ 391.2	\$ 485.5
Sales	1,438.3	1,283.3	2,874.5	2,708.4
as a % of net sales	13.6%	17.3%	13.6%	17.9%

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EBITDA and Adjusted EBITDA for the Trailing Twelve Months Ended June 30, 2022 (\$ in millions)

	Quarter Ended				Trailing Twelve Months Ended
	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	June 30, 2022
Net income (loss)	\$ (2.4)	\$ (46.3)	\$ 1.0	\$ 22.9	\$ (24.8)
Interest expense	49.7	44.5	44.7	42.7	181.6
Income tax expense (benefit)	(13.6)	(2.3)	3.0	0.6	(12.3)
Depreciation and amortization	135.6	123.1	120.4	121.9	501.0
EBITDA	169.3	119.0	169.1	188.1	645.5
Restructuring and acquisition-related costs	7.4	8.6	8.9	9.6	34.5
Debt refinancing and redemption costs	31.6		5.6	0.2	37.4
Pension settlement		42.3			42.3
Unrealized loss (gain) on equity securities	(19.4)	(5.0)	18.0	3.7	(2.7)
Non-recurring items:					
Malvern fire charges, net of recoveries	(5.7)	(0.3)	(5.5)	0.1	(11.4)
Acquisition-related fair value inventory adjustment				5.0	5.0
Gain on bargain purchase of business				(11.6)	(11.6)
Adjusted EBITDA	\$ 183.2	\$ 164.6	\$ 196.1	\$ 195.1	\$ 739.0
Sales	1,213.1	1,235.1	1,436.2	1,438.3	5,322.7
as a % of net sales	15.1%	13.3%	13.7%	13.6%	13.9%



Adjusted Earnings Per Share Reconciliation

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Diluted earnings per share	\$ 0.19	\$ 0.13	\$ 0.20	\$ 0.46
Restructuring and acquisition-related costs	0.08	0.14	0.14	0.28
Debt refinancing and redemption costs	-	0.01	0.05	0.02
Loss on sale of business	-	-	-	0.02
Unrealized loss on equity securities	0.03	-	0.18	-
Accelerated depreciation*	-	0.09	-	0.19
Non-recurring items:				
Malvern fire charges, net of recoveries	-	(0.06)	(0.04)	(0.05)
Acquisition-related fair value inventory adjustment	0.04	-	0.04	-
Gain on bargain purchase of business	(0.09)	-	(0.09)	-
Tax effect of adjustments	(0.03)	(0.02)	(0.08)	(0.06)
Adjusted earnings per share	<u>\$ 0.22</u>	<u>\$ 0.29</u>	<u>\$ 0.40</u>	<u>\$ 0.86</u>

*Please refer to definition of Non-GAAP measures.



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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net cash provided by operating activities	\$ 146.7	\$ 167.1	\$ 215.2	\$ 346.2
Capital expenditures net of proceeds from the sale of property, plant and equipment	(42.6)	(41.2)	(67.0)	(80.8)
Free cash flow	104.1	125.9	148.2	265.4
Cash payments for restructuring and acquisition-related costs	8.1	15.5	16.5	38.9
Cash payments related to the Malvern fire, net of recoveries	2.1	(5.3)	3.5	5.9
Adjusted free cash flow	<u>\$ 114.3</u>	<u>\$ 136.1</u>	<u>\$ 168.2</u>	<u>\$ 310.2</u>



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

	June 30, 2022
Current portion of long term debt	\$ 14.1
Long-term debt, net	3,034.8
Total debt, net	3,048.9
Less: Cash and cash equivalents	501.4
Net debt at end of period	2,547.5
Adjusted LTM EBITDA	\$ 739.0
Net Leverage Ratio	3.4x

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Segment Financial Information (\$ in millions)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Segment Sales				
Driveline	\$ 1,040.7	\$ 935.4	\$ 2,102.5	\$ 1,961.5
Metal Forming	512.9	440.1	994.7	929.4
Total Sales	1,553.6	1,375.5	3,097.2	2,890.9
Intersegment Sales	(115.3)	(92.2)	(222.7)	(182.5)
Net External Sales	<u>\$ 1,438.3</u>	<u>\$ 1,283.3</u>	<u>\$ 2,874.5</u>	<u>\$ 2,708.4</u>
Segment Adjusted EBITDA				
Driveline	\$ 141.4	\$ 151.3	\$ 273.9	\$ 321.8
Metal Forming	53.7	71.3	117.3	163.7
Total Segment Adjusted EBITDA	<u>\$ 195.1</u>	<u>\$ 222.6</u>	<u>\$ 391.2</u>	<u>\$ 485.5</u>

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	Adjusted EBITDA	
	Low End	High End
	<i>(in millions)</i>	
Net income	\$ 55	\$ 85
Interest expense	175	175
Income tax expense	10	20
Depreciation and amortization	500	500
Full year 2022 targeted EBITDA	740	780
Restructuring and acquisition-related costs	35	35
Other	15	15
Full year 2022 targeted Adjusted EBITDA	<u>\$ 790</u>	<u>\$ 830</u>

	Adjusted Free Cash Flow	
	Low End	High End
	<i>(in millions)</i>	
Net cash provided by operating activities	\$ 480	\$ 530
Capital expenditures net of proceeds from the sale of property, plant and equipment	(215)	(215)
Full year 2022 targeted Free Cash Flow	265	315
Cash payments for restructuring and acquisition-related costs	35	35
Full year 2022 targeted Adjusted Free	<u>\$ 300</u>	<u>\$ 350</u>

Definition of Non-GAAP Measures



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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, unrealized gains or losses on equity securities 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 are also key metrics used in our calculation of incentive compensation. 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 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, loss on sale of a business, impairment charges, pension settlements, certain accelerated depreciation, unrealized gains or losses on equity securities 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 and cash payments related to the Malvern fire, including payments for capital expenditures, net of recoveries. 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.

Accelerated Depreciation

In the first quarter of 2021, one of our largest customers announced their intention to cease production operations in Brazil in 2021 as part of their restructuring actions. As such, we accelerated depreciation on certain property, plant and equipment beginning in the first quarter of 2021.

