



Second Quarter 2023 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 2023 AAM Financial Highlights



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\$1.57B

Quarterly
Sales

\$191.6M

Second Quarter
Adjusted EBITDA

\$95.8M

Adjusted Free
Cash Flow

AAM Delivered Solid Financial Results

Business Update



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E-beam Axle Award

AAM to supply 2-in-1 E-beam axles for light duty truck application in the China market for an undisclosed OEM.

EV Component Wins

AAM to supply electric vehicle components for North American and European programs for multiple global OEMs.

Forbes Award

Forbes has named AAM one of America's Best Employers for Diversity for 2023. The award is based on survey responses from U.S. employees working for companies in 25 different sectors.

Forbes Award

AAM was named one of Forbes America's Best Employers for New Graduates in 2023. The award reinforces AAM's reputation as a company young professionals say offers superior career opportunities.



2023 Financial Targets

Full Year Sales	\$5.95 to \$6.25 billion
Adjusted EBITDA	\$725 to \$800 million
Adjusted Free Cash Flow	\$225 to \$300 million

- These targets are based on AAM's production estimates of key programs that we support, North American light vehicle production of approximately 15.5 million units, and the current operating 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 \$20 and \$30 million.

2Q Financial Results



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	Three Months Ended June 30,		Difference
	2023	2022	
	(dollars in millions, except per share data)		
Net sales	\$ 1,570.7	\$ 1,438.3	\$ 132.4
Gross profit	\$ 178.2	\$ 173.5	\$ 4.7
Gross margin	11.3%	12.1%	-0.8%
Selling, general and administrative expenses	\$ 91.1	\$ 84.8	\$ 6.3
SG&A as a % of sales	5.8%	5.9%	-0.1%
Amortization of intangible assets	\$ 21.4	\$ 21.4	\$ -
Restructuring and acquisition-related costs	\$ 7.9	\$ 9.6	\$ (1.7)
Debt refinancing and redemption costs	\$ -	\$ (0.2)	\$ 0.2
Unrealized gain (loss) on equity securities	\$ 0.3	\$ (3.7)	\$ 4.0
Other expense, net	\$ (0.5)	\$ (2.4)	\$ 1.9
Adjusted EBITDA	\$ 191.6	\$ 195.1	\$ (3.5)
Adjusted EBITDA margin	12.2%	13.6%	-1.4%
Net interest expense	\$ (44.3)	\$ (39.5)	\$ (4.8)
Income tax expense	\$ 5.3	\$ 0.6	\$ 4.7
Effective income tax rate	39.8%	2.6%	37.2%
Net income	\$ 8.0	\$ 22.9	\$ (14.9)
Diluted earnings per share	\$ 0.07	\$ 0.19	\$ (0.12)
Adjusted EPS	\$ 0.12	\$ 0.22	\$ (0.10)

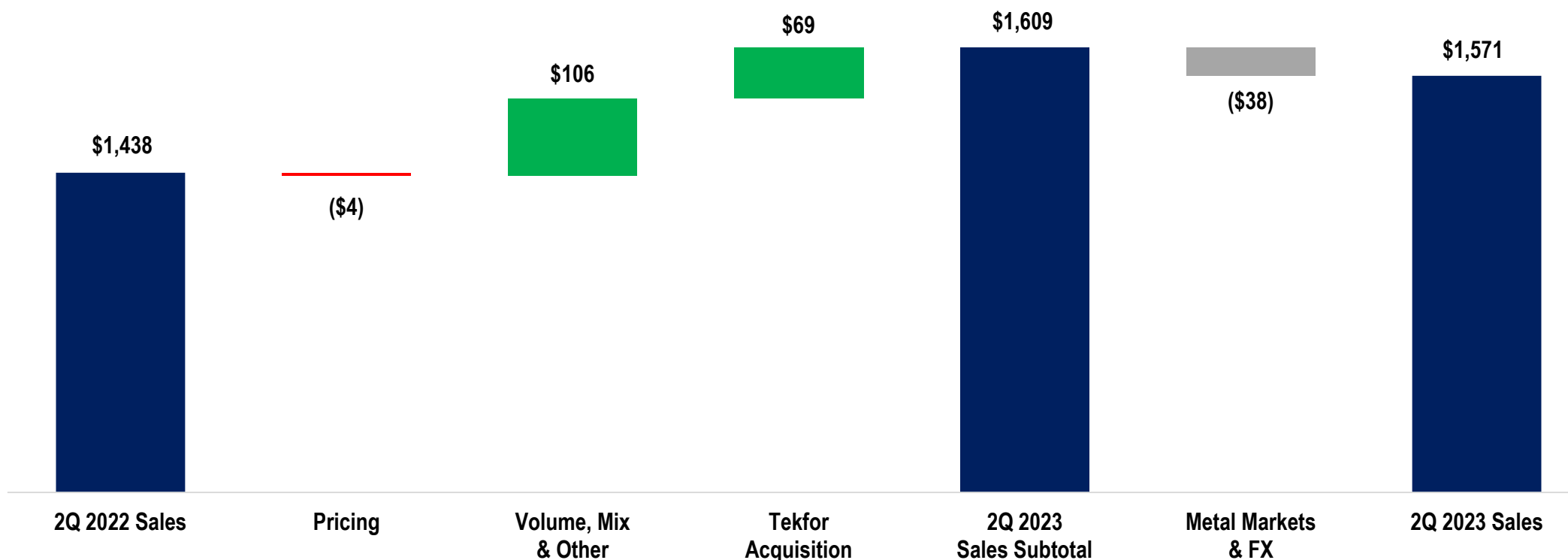
Note: Adjusted earnings per share are based on weighted average diluted shares outstanding of 120.6 million and 120.3 million for the three months ended June 30, 2023 and 2022, respectively.

2023 Q2 Revenue Walk (Yr/Yr)



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\$ in millions



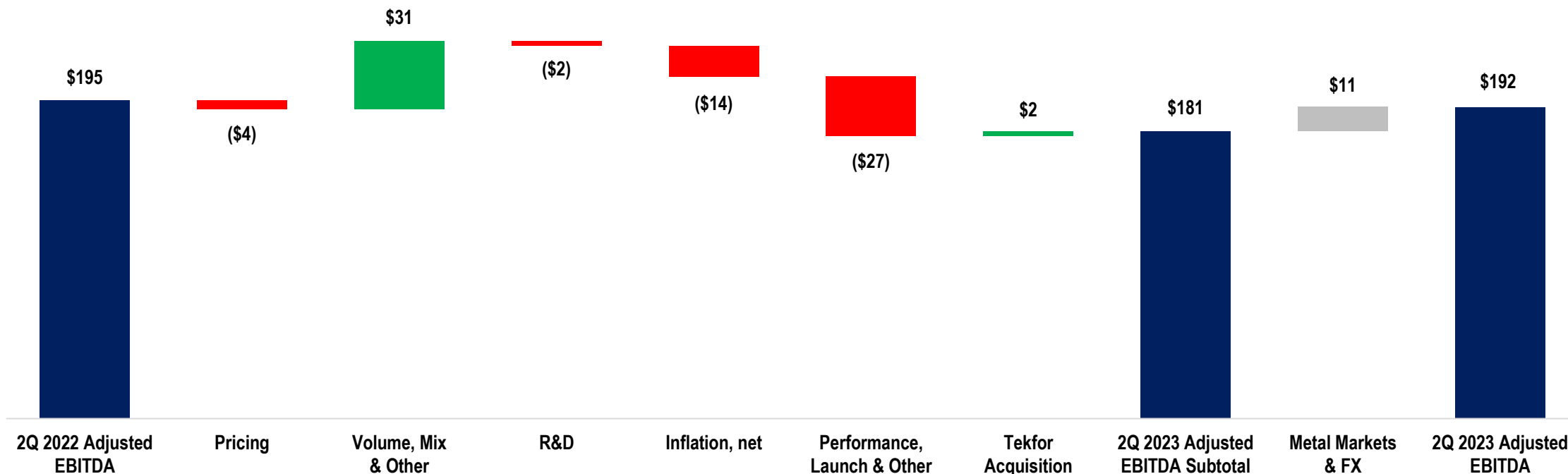
Note: Chart not to scale

2023 Q2 Adjusted EBITDA Walk (Yr/Yr)



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\$ in millions



Note: Chart not to scale. For definitions of Adjusted EBITDA and Non-GAAP reconciliations, please see the attached appendix.

Adjusted Free Cash Flow and Credit Profile

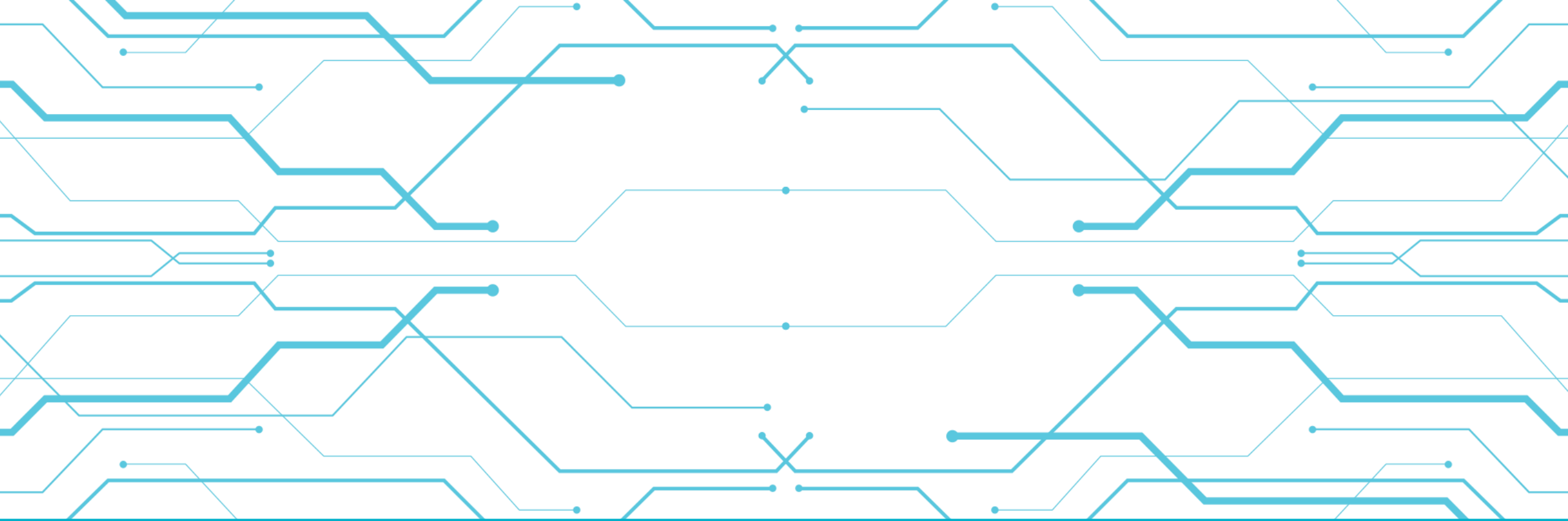


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Cash Flow and Debt Metrics	2Q 2023
Adjusted Free Cash Flow	\$95.8 million
Net Debt	\$2.4 billion
Net Leverage Ratio	3.3x
Liquidity	~\$1.5 billion

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.

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EBITDA and Adjusted EBITDA Reconciliation (\$ in millions)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Net income	\$ 8.0	\$ 22.9	\$ 2.9	\$ 23.9
Interest expense	50.2	42.7	100.7	87.4
Income tax expense	5.3	0.6	5.3	3.6
Depreciation and amortization	120.5	121.9	245.4	242.3
EBITDA	184.0	188.1	354.3	357.2
Restructuring and acquisition-related costs	7.9	9.6	12.7	18.5
Debt refinancing and redemption costs	-	0.2	-	5.8
Unrealized loss (gain) on equity securities	(0.3)	3.7	-	21.7
Non-recurring items:				
Malvern fire charges (insurance recoveries), net	-	0.1	-	(5.4)
Acquisition-related fair value inventory adjustment	-	5.0	-	5.0
Gain on bargain purchase of business	-	(11.6)	-	(11.6)
Adjusted EBITDA	\$ 191.6	\$ 195.1	\$ 367.0	\$ 391.2
Sales	1,570.7	1,438.3	3,064.6	2,874.5
as a % of net sales	12.2%	13.6%	12.0%	13.6%

*Please refer to definition of Non-GAAP measures.

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EBITDA and Adjusted EBITDA for the Trailing Twelve Months Ended June 30, 2023 (\$ in millions)

	Quarter Ended				Trailing Twelve Months Ended
	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	June 30, 2023
Net income (loss)	\$ 26.5	\$ 13.9	\$ (5.1)	\$ 8.0	\$ 43.3
Interest expense	44.8	42.3	50.5	50.2	187.8
Income tax expense (benefit)	(5.7)	4.1	-	5.3	3.7
Depreciation and amortization	124.8	125.0	124.9	120.5	495.2
EBITDA	190.4	185.3	170.3	184.0	730.0
Restructuring and acquisition-related costs	7.9	3.8	4.8	7.9	24.4
Debt refinancing and redemption costs	0.2	0.4	-	-	0.6
Unrealized loss (gain) on equity securities	2.3	1.5	0.3	(0.3)	3.8
Non-recurring items:					
Malvern fire charges (insurance recoveries), net	(1.0)	(32.7)	-	-	(33.7)
Gain on bargain purchase of business	(1.4)	(0.6)	-	-	(2.0)
Adjusted EBITDA	\$ 198.4	\$ 157.7	\$ 175.4	\$ 191.6	\$ 723.1
Sales	1,535.2	1,392.7	1,493.9	1,570.7	5,992.5
as a % of net sales	12.9%	11.3%	11.7%	12.2%	12.1%

*Please refer to definition of Non-GAAP measures.



Adjusted Earnings Per Share Reconciliation

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Diluted earnings per share	\$ 0.07	\$ 0.19	\$ 0.02	\$ 0.20
Restructuring and acquisition-related costs	0.07	0.08	0.11	0.14
Debt refinancing and redemption costs	-	-	-	0.05
Unrealized loss on equity securities	-	0.03	-	0.18
Non-recurring items:				
Malvern fire charges (insurance recoveries), net	-	-	-	(0.04)
Acquisition-related fair value inventory adjustment	-	0.04	-	0.04
Gain on bargain purchase of business	-	(0.09)	-	(0.09)
Tax effect of adjustments	(0.02)	(0.03)	(0.02)	(0.08)
Adjusted earnings per share	<u>\$ 0.12</u>	<u>\$ 0.22</u>	<u>\$ 0.11</u>	<u>\$ 0.40</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,	
	2023	2022	2023	2022
Net cash provided by operating activities	\$ 132.8	\$ 146.7	\$ 164.9	\$ 215.2
Capital expenditures net of proceeds from the sale of property, plant and equipment	(44.1)	(42.6)	(90.3)	(67.0)
Free cash flow	88.7	104.1	74.6	148.2
Cash payments for restructuring and acquisition-related costs	7.1	8.1	11.1	16.5
Cash payments (insurance proceeds) related to Malvern fire, net	-	2.1	(7.0)	3.5
Adjusted free cash flow	\$ 95.8	\$ 114.3	\$ 78.7	\$ 168.2

*Please refer to definition of Non-GAAP measures.



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

	June 30, 2023
Current portion of long term debt	\$ 16.3
Long-term debt, net	2,853.9
Total debt, net	2,870.2
Less: Cash and cash equivalents	511.1
Net debt at end of period	2,359.1
Adjusted LTM EBITDA	\$ 723.1
Net Leverage Ratio	3.3x

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Segment Financial Information

(\$ in millions)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Segment Sales				
Driveline	\$ 1,086.5	\$ 1,024.7	\$ 2,100.3	\$ 2,070.1
Metal Forming	634.2	557.7	1,253.3	1,082.8
Total Sales	1,720.7	1,582.4	3,353.6	3,152.9
Intersegment Sales	(150.0)	(144.1)	(289.0)	(278.4)
Net External Sales	<u>\$ 1,570.7</u>	<u>\$ 1,438.3</u>	<u>\$ 3,064.6</u>	<u>\$ 2,874.5</u>
Segment Adjusted EBITDA				
Driveline	\$ 152.1	\$ 132.4	\$ 266.2	\$ 255.2
Metal Forming	39.5	62.7	100.8	136.0
Total Segment Adjusted EBITDA	<u>\$ 191.6</u>	<u>\$ 195.1</u>	<u>\$ 367.0</u>	<u>\$ 391.2</u>

*Please refer to definition of Non-GAAP measures.

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	Adjusted EBITDA	
	Low End	High End
	<i>(in millions)</i>	
Net income (loss)	\$ (5)	\$ 45
Interest expense	200	200
Income tax expense	15	40
Depreciation and amortization	490	490
Full year 2023 targeted EBITDA	700	775
Restructuring and acquisition-related costs	25	25
Full year 2023 targeted Adjusted EBITDA	<u>\$ 725</u>	<u>\$ 800</u>

Net cash provided by operating activities	\$ 435	\$ 510
Capital expenditures net of proceeds from the sale of property, plant and equipment	(230)	(230)
Full year 2023 targeted Free Cash Flow	205	280
Cash payments for restructuring and acquisition-related costs	25	25
Other	(5)	(5)
Full year 2023 targeted Adjusted Free Cash Flow	<u>\$ 225</u>	<u>\$ 300</u>

	Adjusted Free Cash Flow	
	Low End	High End
	<i>(in millions)</i>	
Net cash provided by operating activities	\$ 435	\$ 510
Capital expenditures net of proceeds from the sale of property, plant and equipment	(230)	(230)
Full year 2023 targeted Free Cash Flow	205	280
Cash payments for restructuring and acquisition-related costs	25	25
Other	(5)	(5)
Full year 2023 targeted Adjusted Free Cash Flow	<u>\$ 225</u>	<u>\$ 300</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 business, pension settlements, unrealized gains or losses on equity securities and non-recurring items. 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, pension settlements, 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.

