



Investor Presentation

November 2019

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. 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”.

About AAM



As a leading, global tier 1 automotive supplier, AAM designs, engineers and manufactures driveline, metal forming and casting technologies that are making the next generation of vehicles smarter, lighter, safer and more efficient

Over
70
MANUFACTURING
FACILITIES



2018 SALES
\$7.27B

Over
700
CUSTOMERS

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

16
ENGINEERING CENTERS

Over
25,000
ASSOCIATES



17
COUNTRIES

Over
85
LOCATIONS



Business Units and Market Leadership



DRIVELINE



- **2018 Sales - \$4.9B; 28 facilities**
- **#1 Globally**
 - Full-size pickup truck and SUV driveline systems
 - Damped gears and rubber isolations pulleys
 - Viscous dampers for passenger cars
- **#1 North America and #2 China – AWD systems for crossover vehicles**
- **Pioneer** of disconnecting AWD Systems
- One of the **leaders** in hybrid and electric driveline solutions

METAL FORMING



- **2018 Sales - \$2.0B; 35 facilities**
- **Largest automotive forger in the world**
- **#1 Globally**
 - Powdered metal connecting rods
 - Differential gears
 - Axle shafts
 - Hypoid pinions
 - Ring gears
- **#1 North America**
 - Transmission gears
 - CVT pulleys
 - Aluminum valve bodies

CASTING



- **2018 Sales - \$900M; 11 facilities**
- **Leading automotive iron casting operations**
- **#1 North America** ductile iron casting supplier
- **#1 or #2 North America**
 - Differential carriers and cases
 - Steering knuckles
 - Control arms
 - Brake calipers
- **Sale pending of 10 U.S. casting facilities**



Third Quarter 2019 Highlights

3Q 2019 AAM Highlights



\$266M

Quarterly
Adj. EBITDA
15.8% of Sales

\$0.58

Quarterly
Adj. EPS

>\$160M

Quarterly
Adj. Free
Cash Flow



Announced
**Sale of U.S.
Iron Casting
Business**



**3rd eDrive Unit
New Business
Award – AAM's
First in China**



Automotive News
PACE
AWARD
Deloitte. **APMA**
LEAD. REACH. CONNECT.
2020 FINALIST

Sale of U.S. Iron Castings - Transaction Rationale



1

Drives Shareholder Value – Accelerates debt reduction while enhancing margin profile

2

Enhances Strategic Focus – Strengthens focus of the business on our highly-engineered product portfolio and key growth opportunities, including electrification

3

Maintains Vertical Integration Benefits - El Carmen Manufacturing Facility will provide significant vertical integration benefits to AAM and serve global customers

4

Improves AAM's Financial Flexibility – Eliminates fixed costs and improves cyclical downturn resiliency



Financial Targets



Updated 2019 Financial Targets

Full Year Sales	≈ \$6.6 billion
Adjusted EBITDA	\$950 - \$975 million
Adjusted Free Cash Flow	≈ \$175 million

- AAM has revised its 2019 financial targets to reflect the expected impact of the GM work stoppage on our full year sales, which we estimate to be approximately \$250 million. These targets also reflect the impact of lower metal market passthroughs and foreign currency translation of approximately \$50 million and assume a full year of financial results from our U.S. iron casting operations.
- AAM now expects restructuring and acquisition-related cash payments to be between \$60 and \$70 million in 2019. The increase in estimated cash payments for restructuring and acquisition-related costs is a result of expected transactions costs related to our announced sale of the U.S. iron casting operations.

Transition from Heavy Launch and Integration Period



Key Activities	2017 - 2019	2020 - 2022
Launches	Average \approx 60 per year	Expect an average of 10 - 20 per year
MPG Transaction	Key acquisition, integration and synergy activities	Integration will be complete in 2020
Capital Spending	Elevated to support launches and integration (7 - 8% of sales)	Return to normalized levels (5 - 6% of sales)

AAM to benefit from fewer launches and a more stable operating environment

Profit Margin and Cash Flow Opportunities



Margin Opportunities: Expect to achieve \$50 - 75 million* of EBITDA improvements for these items in 2020 compared to 2019

Reduces Decremental Margin Impact if Sales Decline

Additional synergy, SG&A and business unit consolidation savings



Full rate of launch/performance improvements and lower project expense



Pursue additional purchasing and VA/VE savings initiatives



Implement additional capacity rationalization for fixed cost reductions



Increase productivity savings with more stable operating environment



Additional Cash Flow Benefits / Debt Reduction Opportunities

Lower Capital Spending in 2020 of 5 - 6% of sales

Lower expected interest payments in 2020

Evaluate portfolio for non-core business divestitures

*Represents gross savings and includes a portion of savings related to our U.S. iron casting operations that we expect to sell in 4Q 2019 11

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 Recapitating 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

GOAL: Align capacity and cost structure with market demand



Electrification Growth

e-AAM Hybrid and Electric Driveline Systems™

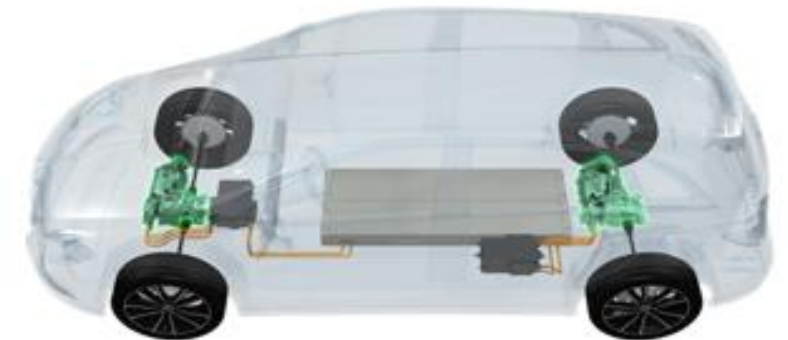


KEY HIGHLIGHTS

- Highly integrated electric motor, gear reduction, & differential
- Power dense, low NVH, high efficiency design allows for easy integration for multiple vehicle platforms
- Broad spectrum of solutions - from value to high performance - to meet a wide range of vehicle, customer and geographic requirements
- First launched on the Jaguar I-Pace AWD crossover – featuring e-AAM's front and rear eDrive units
- Combined annual revenues for our two booked e-AAM programs are expected to be \$100 - \$200 million by 2021



AAM P3 Rear e-Drive unit (Hybrid)
Launching in 2020



Jaguar I-Pace P4 e-Drive units (e-AWD BEV)
Launched in 2018

Combined lifetime revenues of awarded e-AAM programs is estimated to be over \$1 billion

Growing Book of e-Drive Business



1st Award

2nd Award

NEW AWARD



Customer	Jaguar	Premium European OEM	Chinese OEM
Vehicle	I-Pace AWD Crossover	High Performance Pass Car	Small Pass Car
Architecture	P4 BEV	P3 Hybrid	P4 BEV
Customer Req.	Performance	Performance	Value

Future Electrification Opportunities



AAM's product portfolio supporting e-powertrains is driving potential new business globally

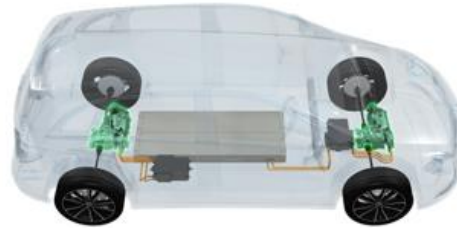
Gear Box Applications



ePowertrain Components



Vehicle Integration



Integrated eFront Drive Units



Integrated eRear Drive Units

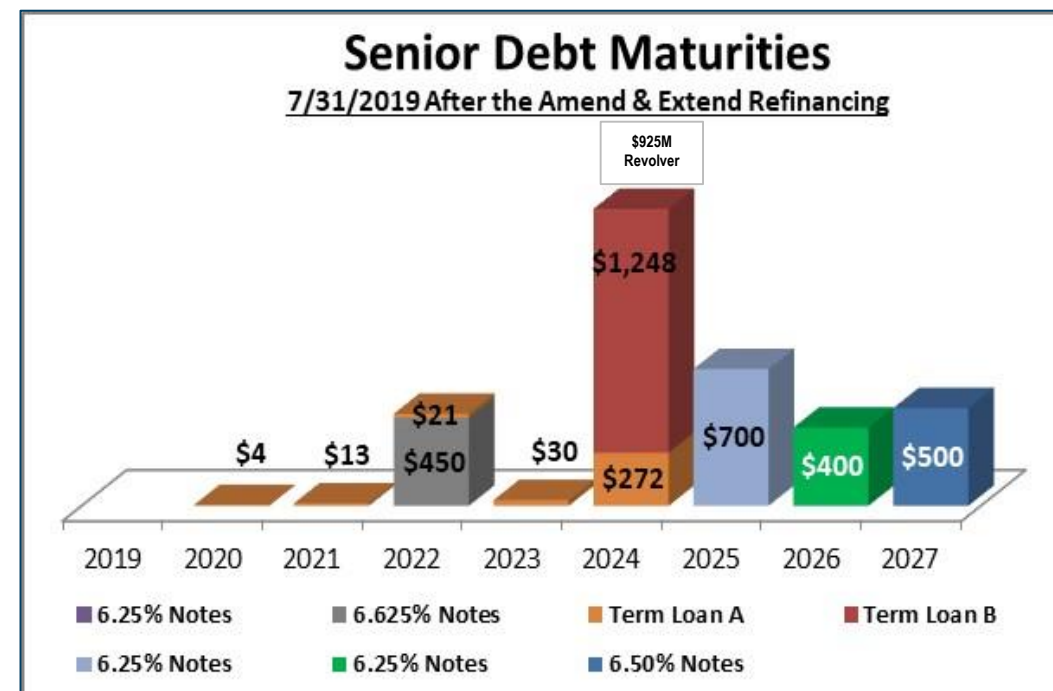
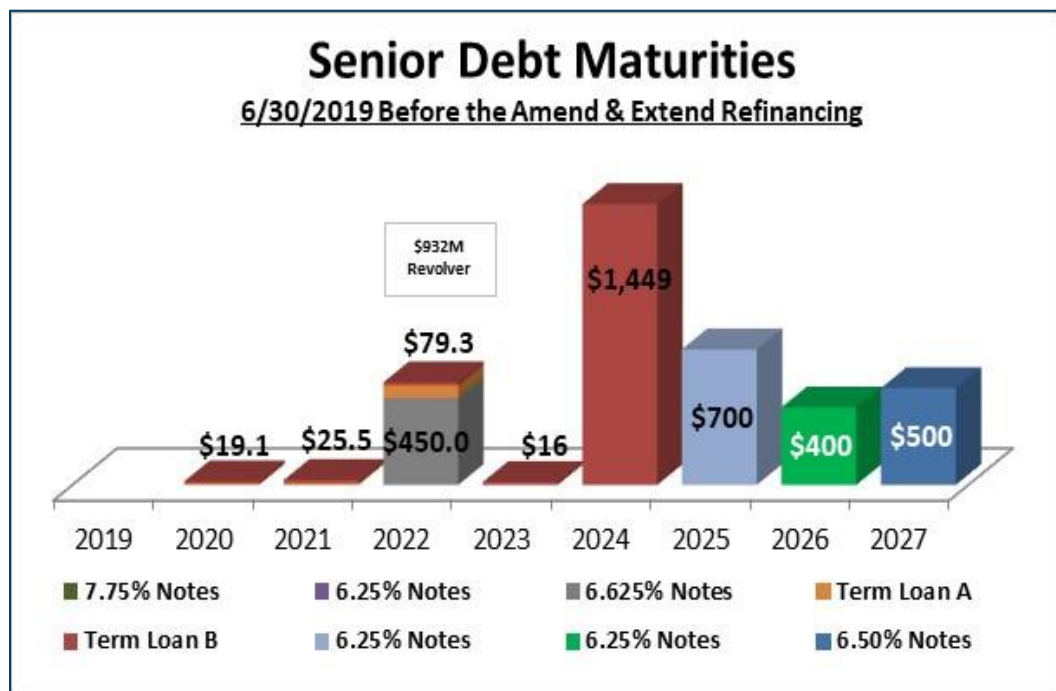


> \$300M
Quoting and Emerging
New Business
Opportunities



Capital Structure and Allocation Priorities

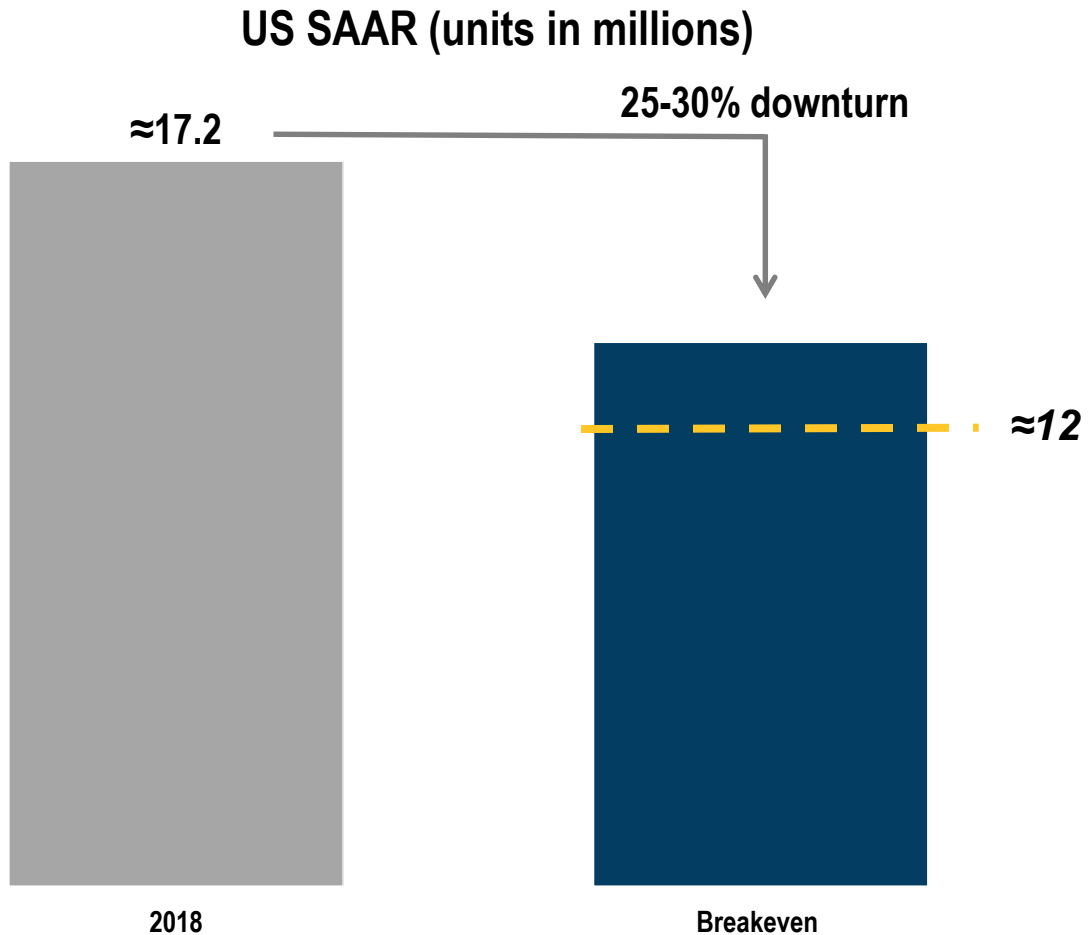
Recent Refinancing and Extended Debt Maturities



Other Benefits:

- Lowered interest expense
- Reset Net Leverage Ratio covenant requirement for business flexibility

Cash Flow Breakeven



- 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

AAM has a flexible cost structure

Capital Allocation



Leverage Reduction	Organic Growth
<i>>\$500M of senior debt payments since the MPG acquisition</i>	<i>Invest in R&D and continue organic growth with the appropriate returns</i>
Strategic	Shareholder Activity
<i>Focus on objectives of technology, portfolio positioning, diversification and growth</i>	<i>At the appropriate time, other options that may benefit our shareholders further</i>

Capital allocation aligned with AAM's strategic objectives



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, 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.

Supplemental Data



EBITDA and Adjusted EBITDA Reconciliation (\$ in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income (loss)	\$ (124.1)	\$ 64.0	\$ (29.7)	\$ 304.8
Interest expense	54.3	54.9	163.9	162.5
Income tax expense (benefit)	(40.4)	11.5	(37.4)	31.4
Depreciation and amortization	134.2	132.9	411.5	390.9
EBITDA	24.0	263.3	508.3	889.6
Restructuring and acquisition-related costs	11.7	11.7	36.0	66.8
Debt refinancing and redemption costs	5.1	-	7.5	14.6
Impairment charge	225.0	-	225.0	-
Gain on sale of business	-	-	-	(15.5)
Non-recurring items:				
Gain on settlement of capital lease	-	-	-	(15.6)
Adjusted EBITDA	\$ 265.8	\$ 275.0	\$ 776.8	\$ 939.9
as % of net sales	15.8%	15.1%	15.2%	16.9%

Supplemental Data



Adjusted Earnings Per Share Reconciliation

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Diluted earnings (loss) per share	\$ (1.10)	\$ 0.55	\$ (0.27)	\$ 2.63
Restructuring and acquisition-related costs	0.10	0.10	0.32	0.58
Debt refinancing and redemption costs	0.05	-	0.07	0.13
Impairment charge	2.00	-	2.00	-
Gain on sale of business	-	-	-	(0.14)
Non-recurring items:				
Tax Cuts and Jobs Act Transition Tax adjustment	-	-	(0.08)	-
Gain on settlement of capital lease	-	-	-	(0.14)
Adjustment to liability for unrecognized tax benefits	-	-	-	(0.17)
Tax effect of adjustments	(0.45)	(0.02)	(0.50)	(0.06)
Adjustment for anti-dilutive effect	(0.02)	-	(0.05)	-
Adjusted earnings per share	<u>\$ 0.58</u>	<u>\$ 0.63</u>	<u>\$ 1.49</u>	<u>\$ 2.83</u>

Adjusted earnings per share are based on weighted average diluted shares outstanding of 115.8 million and 116.3 million for the three months ended on September 30, 2019 and 2018, respectively, and 115.6 million and 115.7 million for the nine months ended on September 30, 2019 and 2018, respectively.

Supplemental Data



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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Net cash provided by operating activities	\$ 241.7	\$ 223.8	\$ 378.6	\$ 513.2
Less: Capital expenditures net of proceeds from sale of property, plant and equipment	(97.5)	(116.5)	(333.3)	(388.6)
Free cash flow	144.2	107.3	45.3	124.6
Cash payments for restructuring and acquisition-related costs	16.3	14.0	46.0	55.3
Adjusted free cash flow	<u>\$ 160.5</u>	<u>\$ 121.3</u>	<u>\$ 91.3</u>	<u>\$ 179.9</u>

Supplemental Data



Full Year 2019 Outlook (\$ in millions)

	Adjusted EBITDA	
	Low End	High End
Net loss	\$ (50)	\$ (30)
Interest expense	220	220
Income tax expense	(45)	(40)
Depreciation and amortization	550	550
Full year 2019 targeted EBITDA	675	700
Restructuring and acquisition-related costs	50	50
Impairment charge	225	225
Full year 2019 targeted Adjusted EBITDA	\$ 950	\$ 975
	Adjusted Free Cash Flow	
Net cash provided by operating activities	\$ 565	
Capital expenditures net of proceeds from the sale of property, plant and equipment	(455)	
Full year 2019 targeted Free Cash Flow	110	
Cash payments for restructuring and acquisition-related costs	65	
Full year 2019 targeted Adjusted Free Cash Flow	\$ 175	

The increase in estimated cash payments for restructuring and acquisition-related costs in 2019 is a result of expected transactions costs related to our announced sale of the U.S. iron casting operations.

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 a business, goodwill impairments 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 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 a business, goodwill impairments 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. 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.

