

AAM Reports Second Quarter 2017 Financial Results

Strategic actions drive record quarterly sales and business diversification

DETROIT, July 28, 2017 -- American Axle & Manufacturing Holdings, Inc. (AAM), (NYSE: AXL) today reported its financial results for the second quarter of 2017 and confirmed its full year 2017 financial outlook.

Second Quarter 2017 Results

- Sales of \$1.76 billion
- Net income attributable to AAM of \$66.2 million or 3.8% of sales
- Diluted earnings per share of \$0.59
- Adjusted earnings per share of \$0.99
- Adjusted EBITDA of \$325.7 million, or 18.5% of sales
- Net cash provided by operating activities of \$150.9 million
- Adjusted free cash flow of \$141.6 million

“AAM had an outstanding and transformational second quarter,” said David C. Dauch, AAM’s Chairman and Chief Executive Officer. “Our financial results demonstrate the favorable impact of AAM’s recent strategic acquisitions and our ability to deliver operational excellence, technology leadership and world-class quality on a larger, more diverse scale. We are off to a great start on our integration activities and look forward to driving further value through achievement of our synergy and debt reduction targets.”

AAM’s second quarter of 2017 results reflect the impact of the acquisition of Metaldyne Performance Group Inc. (MPG) that was completed on April 6, 2017.

AAM’s sales in the second quarter of 2017 increased to \$1.76 billion as compared to \$1.03 billion in the second quarter of 2016. AAM’s net sales in the first half of 2017 were \$2.81 billion as compared to \$1.99 billion in the first half of 2016. Non-GM sales in the second quarter of 2017 increased to a record \$969.7 million, or 55.2% of sales, as compared to \$333.9 million, or 32.6% of sales, in the second quarter of 2016.

AAM’s net income in the second quarter of 2017 was \$66.2 million, or \$0.59 per share, as compared to net income of \$71.0 million, or \$0.90 per share, in the second quarter of 2016. AAM’s net income in the first half of 2017 was \$144.6 million, or \$1.51 per share, as compared to net income of \$132.1 million, or \$1.68 per share, in the first half of 2016.

AAM defines 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. Adjusted earnings per share in the second quarter of 2017 were \$0.99 compared to \$0.89 in the second quarter of 2016. Adjusted earnings per share in the first half of 2017 were \$2.02 as compared to \$1.67 in the first half of 2016.

AAM defines 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. In the second quarter of 2017, Adjusted EBITDA was \$325.7 million, or 18.5% of sales, as compared to \$164.8

million, or 16.1% of sales, in the second quarter of 2016. In the first half of 2017, AAM's Adjusted EBITDA was \$509.3 million, or 18.1% of sales, as compared to \$314.6 million, or 15.8% of sales, in the first half of 2016.

AAM's net cash provided by operating activities for the second quarter of 2017 was \$150.9 million as compared to \$157.3 million in the second quarter of 2016. AAM's net cash provided by operating activities for the first half of 2017 was \$213.2 million as compared to \$183.5 million for the first half of 2016.

AAM defines 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 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. AAM's Adjusted free cash flow for the second quarter of 2017 was \$141.6 million as compared to \$105.0 million for the second quarter of 2016. AAM's Adjusted free cash flow for the first half of 2017 was \$202.1 million as compared to \$81.2 million for the first half of 2016.

AAM Confirms Full Year 2017 Financial Outlook

AAM confirmed its full year 2017 financial outlook which includes the impact of the MPG acquisition, reflecting the expected financial performance of the acquired entity from April 6, 2017 to December 31, 2017.

- AAM is targeting sales of approximately \$6.1 billion in 2017, which excludes MPG sales for the period between January 1, 2017 and April 5, 2017. This sales projection is based on the anticipated launch schedule of programs in AAM's new and incremental business backlog and the assumption that the U.S. Seasonally Adjusted Annual Rate of sales ("SAAR") will be approximately 17 million light vehicle units in 2017.
- AAM is targeting Adjusted EBITDA margin in the range of 17% to 18% of sales in 2017.
- AAM is targeting Adjusted free cash flow of approximately 5% of sales in 2017.
- AAM is targeting full year capital spending of approximately 8% of sales in 2017.
- We have incurred and expect to further incur significant costs and payments related to restructuring and acquisition-related activities as well as significant purchase accounting adjustments and related effects on the income statement during 2017. The impact of these has been excluded from our Adjusted EBITDA margin and Adjusted free cash flow targets.

Second Quarter 2017 Conference Call

A conference call to review AAM's second quarter 2017 results is scheduled today at 10:00 AM ET. Interested participants may listen to the live conference call and view the related conference call slides by logging onto AAM's investor web site at investor.aam.com or calling (855) 681-2072 from the United States or (973) 200-3383 from outside the United States. A replay will be available from 1:00 p.m. ET on July 28 until 11:59 p.m. ET August 4 by dialing (855) 859-2056 from the United States or (404) 537-3406 from outside the United States. When prompted, callers should enter conference reservation number 87956025.

Non-GAAP Financial Information

In addition to the results reported in accordance with accounting principles generally accepted in the United States of America (GAAP) included within this press release, 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.

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 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 as purchase price adjustments and their related effects in any future period. The magnitude of these items, however, may be significant.

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.

Company Description

AAM is a premier, global leader in design, engineering, validation and manufacturing of driveline, metal forming, powertrain, and casting products for automotive, commercial and industrial markets.

Headquartered in Detroit, AAM has over 25,000 associates operating at more than 90 facilities in 17 countries to support our customers on global and regional platforms with a focus on quality, operational excellence and technology leadership. To learn more, visit www.aam.com.

Cautionary Statements

In this earnings release, we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. Such statements are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995 and relate to trends and events that may affect our future financial position and operating results. The terms such as “will,” “may,” “could,” “would,” “plan,” “believe,” “expect,” “anticipate,” “intend,” “project,” “target,” and similar words or expressions, as well as statements in future tense, are intended to identify forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management’s good faith belief as of that time with respect to future events and are subject to risks and may differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to: reduced purchases of our products by General Motors Company (GM), FCA US LLC (FCA), or other customers; reduced demand for our customers’ products (particularly light trucks and sport utility vehicles (SUVs) produced by GM and FCA); our ability to develop and produce new products that reflect market demand; lower-than-anticipated market acceptance of new or existing products; our ability to respond to changes in technology, increased competition or pricing pressures; our ability to attract new customers and programs for new products; our ability to successfully integrate the business and information systems of Metaldyne Performance Group, Inc. (MPG) and to realize the anticipated benefits of the merger; risks inherent in our global operations (including adverse changes in trade agreements, tariffs, immigration policies, political stability, taxes and other law changes, potential disruptions of production and supply, and currency rate fluctuations); negative or unexpected tax consequences; risks related to disruptions to ongoing business operations as a result of the merger with MPG, including disruptions to management time; liabilities arising from warranty claims, product recall or field actions, product liability and legal proceedings to which we are or may become a party, or the impact of product recall or field actions on our customers; our ability to achieve the level of cost reductions required to sustain global cost competitiveness; supply shortages or price increases in raw materials, utilities or other operating supplies for us or our customers as a result of natural disasters or otherwise; our ability or our customers’ and suppliers’ ability to successfully launch new product programs on a timely basis; our ability to realize the expected revenues from our new and incremental business backlog; risks related to a failure of our information technology systems and networks, and risks associated with current and emerging technology threats and damage from computer viruses, unauthorized access, cyber attack and other similar disruptions; global economic conditions; a significant disruption in operations at one of our key manufacturing facilities; our ability to maintain satisfactory labor relations and avoid work stoppages; our suppliers’, our customers’ and their suppliers’ ability to maintain satisfactory labor relations and avoid work stoppages; price volatility in, or reduced availability of, fuel; potential liabilities or litigation relating to, or assumed in, the MPG merger; potential adverse reactions or changes to business relationships resulting from the completion of the merger with MPG; our ability to protect our intellectual property and successfully defend against assertions made against us; our ability to attract and retain key associates; availability of financing for working capital, capital expenditures, research and development (R&D) or other general corporate purposes including acquisitions, as well as our ability to comply with financial covenants; our customers’ and suppliers’ availability of financing for working capital, capital expenditures, R&D or other general corporate purposes; changes in liabilities arising from pension and other postretirement benefit obligations; risks of noncompliance with environmental laws and regulations or risks of environmental issues that could result in unforeseen costs at our facilities or reputational damage; adverse changes in laws, government regulations or market conditions affecting our products or our customers’ products (such as the Corporate Average Fuel Economy (CAFE) regulations); our ability or

our customers' and suppliers' ability to comply with the Dodd-Frank Act and other regulatory requirements and the potential costs of such compliance; and other unanticipated events and conditions that may hinder our ability to compete. It is not possible to foresee or identify all such factors and we make no commitment to update any forward-looking statement or to disclose any facts, events or circumstances after the date hereof that may affect the accuracy of any forward-looking statement.

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AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	<i>(in millions, except per share data)</i>			
Net sales	\$ 1,757.8	\$ 1,025.4	\$ 2,807.7	\$ 1,994.6
Cost of goods sold	<u>1,441.4</u>	<u>834.0</u>	<u>2,280.6</u>	<u>1,629.2</u>
Gross profit	316.4	191.4	527.1	365.4
Selling, general and administrative expenses	105.6	78.7	186.8	153.2
Amortization of intangible assets	24.8	1.2	26.4	2.3
Restructuring and acquisition-related costs	<u>51.7</u>	<u>—</u>	<u>67.7</u>	<u>—</u>
Operating income	134.3	111.5	246.2	209.9
Interest expense	(56.9)	(23.4)	(82.4)	(47.0)
Investment income	0.8	1.5	1.4	2.1
Other income (expense)				
Debt refinancing and redemption costs	(2.7)	—	(2.7)	—
Other income (expense), net	<u>(6.8)</u>	<u>2.1</u>	<u>(7.9)</u>	<u>3.1</u>
Income before income taxes	68.7	91.7	154.6	168.1
Income tax expense	<u>2.4</u>	<u>20.7</u>	<u>9.9</u>	<u>36.0</u>
Net income	<u>\$ 66.3</u>	<u>\$ 71.0</u>	<u>\$ 144.7</u>	<u>\$ 132.1</u>
Net income attributable to noncontrolling interests	<u>(0.1)</u>	<u>—</u>	<u>(0.1)</u>	<u>—</u>
Net income attributable to AAM	<u>\$ 66.2</u>	<u>\$ 71.0</u>	<u>\$ 144.6</u>	<u>\$ 132.1</u>
Diluted earnings per share	<u>\$ 0.59</u>	<u>\$ 0.90</u>	<u>\$ 1.51</u>	<u>\$ 1.68</u>

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	<i>(in millions)</i>			
Net income	\$ 66.3	\$ 71.0	\$ 144.7	\$ 132.1
Other comprehensive income (loss)				
Defined benefit plans, net of tax ^(a)	0.9	0.5	0.6	4.7
Foreign currency translation adjustments	24.6	0.8	36.5	15.8
Changes in cash flow hedges, net of tax ^(b)	4.9	(5.7)	20.4	(2.3)
Other comprehensive income (loss)	30.4	(4.4)	57.5	18.2
Comprehensive income	\$ 96.7	\$ 66.6	\$ 202.2	\$ 150.3
Net income attributable to noncontrolling interests	(0.1)	—	(0.1)	—
Comprehensive income attributable to AAM	\$ 96.6	\$ 66.6	\$ 202.1	\$ 150.3

(a) Amounts are net of tax of \$(0.4) million and \$(0.2) million for the three and six months ended June 30, 2017, and \$(0.4) million and \$(2.7) million for the three and six months ended June 30, 2016, respectively.

(b) Amounts are net of tax of \$0.7 million for the three and six months ended June 30, 2017.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2017	December 31, 2016
	<i>(in millions)</i>	
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 490.6	\$ 481.2
Accounts receivable, net	1,126.1	560.0
Inventories, net	384.5	182.3
Prepaid expenses and other	142.9	75.8
Total current assets	2,144.1	1,299.3
Property, plant and equipment, net	2,209.3	1,093.7
Deferred income taxes	44.7	369.4
Goodwill	1,610.8	154.0
Intangible assets, net	1,281.1	28.5
GM postretirement cost sharing asset	233.6	236.1
Other assets and deferred charges	366.2	242.9
Total assets	\$ 7,889.8	\$ 3,423.9
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities		
Current portion of long-term debt	\$ 5.2	\$ 3.3
Accounts payable	840.6	382.3
Accrued compensation and benefits	194.1	139.3
Deferred revenue	27.5	24.6
Accrued expenses and other	159.8	102.0
Total current liabilities	1,227.2	651.5
Long-term debt, net	4,173.6	1,400.9
Deferred revenue	78.4	70.8
Deferred income taxes	264.8	15.0
Postretirement benefits and other long-term liabilities	848.7	779.9
Total liabilities	6,592.7	2,918.1
Total stockholders' equity	1,297.1	505.8
Total liabilities and stockholders' equity	\$ 7,889.8	\$ 3,423.9

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	<i>(in millions)</i>			
Operating Activities				
Net income	\$ 66.3	\$ 71.0	\$ 144.7	\$ 132.1
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	124.6	50.7	180.8	100.5
Other	(40.0)	35.6	(112.3)	(49.1)
Net cash provided by operating activities	150.9	157.3	213.2	183.5
Investing Activities				
Purchases of property, plant and equipment	(103.7)	(55.1)	(138.6)	(105.7)
Proceeds from sale of property, plant and equipment	0.7	—	1.5	0.6
Proceeds from government grants	—	2.8	—	2.8
Acquisition of business, net of cash acquired	(751.4)	—	(895.5)	—
Other	(6.1)	1.0	(2.5)	1.0
Net cash used in investing activities	(860.5)	(51.3)	(1,035.1)	(101.3)
Financing Activities				
Net debt activity	(348.1)	21.2	829.9	25.8
Employee stock option exercises	0.9	0.1	0.9	0.1
Purchase of treasury stock	(1.7)	(1.5)	(6.9)	(5.0)
Net cash provided by (used in) financing activities	(348.9)	19.8	823.9	20.9
Effect of exchange rate changes on cash	5.7	0.6	7.4	2.8
Net increase in cash and cash equivalents	(1,052.8)	126.4	9.4	105.9
Cash and cash equivalents at beginning of period	1,543.4	262.0	481.2	282.5
Cash and cash equivalents at end of period	\$ 490.6	\$ 388.4	\$ 490.6	\$ 388.4

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
SUPPLEMENTAL DATA
(Unaudited)

The supplemental data presented below is a reconciliation of certain financial measures which is intended to facilitate analysis of American Axle & Manufacturing Holdings, Inc. business and operating performance.

Earnings before interest expense, income taxes and depreciation and amortization (EBITDA) and Adjusted EBITDA^(a)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	<i>(in millions)</i>			
Net income attributable to AAM	\$ 66.2	\$ 71.0	\$ 144.6	\$ 132.1
Interest expense	56.9	23.4	82.4	47.0
Income tax expense	2.4	20.7	9.9	36.0
Depreciation and amortization	124.6	50.7	180.8	100.5
EBITDA	250.1	165.8	417.7	315.6
Restructuring and acquisition-related costs	51.7	—	67.7	—
Debt refinancing and redemption costs	2.7	—	2.7	—
Non-recurring items:				
Acquisition-related fair value inventory adjustment	24.9	—	24.9	—
Other ^(b)	(3.7)	(1.0)	(3.7)	(1.0)
Adjusted EBITDA	\$ 325.7	\$ 164.8	\$ 509.3	\$ 314.6

Adjusted earnings per share^(c)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Diluted earnings per share	\$ 0.59	\$ 0.90	\$ 1.51	\$ 1.68
Restructuring and acquisition-related costs	0.46	—	0.71	—
Debt refinancing and redemption costs	0.02	—	0.03	—
Non-recurring items:				
Acquisition-related fair value inventory adjustment	0.22	—	0.26	—
Acquisition-related tax adjustments	(0.04)	—	(0.13)	—
Other ^(b)	(0.02)	(0.01)	(0.01)	(0.01)
Tax effect of adjustments	(0.24)	—	(0.35)	—
Adjusted earnings per share	\$ 0.99	\$ 0.89	\$ 2.02	\$ 1.67

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
SUPPLEMENTAL DATA
(Unaudited)

The supplemental data presented below is a reconciliation of certain financial measures which is intended to facilitate analysis of American Axle & Manufacturing Holdings, Inc. business and operating performance.

Free cash flow and Adjusted free cash flow^(d)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	<i>(in millions)</i>			
Net cash provided by operating activities	\$ 150.9	\$ 157.3	\$ 213.2	\$ 183.5
Capital expenditures net of proceeds from the sale of property, plant and equipment and from government grants	(103.0)	(52.3)	(137.1)	(102.3)
Free cash flow	47.9	105.0	76.1	81.2
Cash payments for restructuring and acquisition-related costs	56.7	—	66.2	—
Acquisition-related settlement of pre-existing accounts payable balances with acquired entities	12.4	—	35.2	—
Interest payments upon the settlement of acquired company debt	24.6	—	24.6	—
Adjusted free cash flow	\$ 141.6	\$ 105.0	\$ 202.1	\$ 81.2

Segment Financial Information

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	<i>(in millions)</i>			
Segment Sales				
Driveline	\$ 1,021.5	\$ 969.5	\$ 2,020.8	\$ 1,884.3
Metal Forming	369.3	141.4	519.3	277.2
Powertrain	283.6	—	283.6	—
Casting	225.6	—	225.6	—
Total Sales	1,900.0	1,110.9	3,049.3	2,161.5
Intersegment Sales	(142.2)	(85.5)	(241.6)	(166.9)
Net External Sales	\$ 1,757.8	\$ 1,025.4	\$ 2,807.7	\$ 1,994.6
Segment Adjusted EBITDA^(a)				
Driveline	\$ 178.9	\$ 135.7	\$ 332.1	\$ 257.5
Metal Forming	69.4	29.1	99.8	57.1
Powertrain	51.9	—	51.9	—
Casting	25.5	—	25.5	—
Total Segment Adjusted EBITDA	\$ 325.7	\$ 164.8	\$ 509.3	\$ 314.6

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- (a) 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, Adjusted EBITDA differently.
- (b) For the three and six months ended on June 30, 2017, other non-recurring items 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 three and six months ended on June 30, 2016, other non-recurring items reflect the impact of an investment gain related to the final distribution of the Reserve Yield Plus Fund.
- (c) 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.
- (d) 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 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.