



AAM Reports Third Quarter 2022 Financial Results

AAM Continues To Deliver Positive Free Cash Flow Under Current Industry Conditions

DETROIT, November 4, 2022 -- American Axle & Manufacturing Holdings, Inc. (AAM), (NYSE: AXL) today reported its financial results for the third quarter 2022.

Third Quarter 2022 Results

- Sales of \$1.54 billion
- Net income of \$26.5 million, or 1.7% of sales
- Adjusted EBITDA of \$198.4 million, or 12.9% of sales
- Diluted earnings per share of \$0.22; Adjusted earnings per share of \$0.27
- Net cash provided by operating activities of \$85.2 million; Adjusted free cash flow of \$45.8 million

“We remain focused on consistent cash flow generation as we navigate near-term industry volatility stemming from ongoing semiconductor and supply chain challenges,” said AAM’s Chairman and Chief Executive Officer, David C. Dauch. “In addition, our objective is to build long-term shareholder value through innovative engineering development, evidenced by our recent PACE Award wins for our electric drive technology.”

AAM’s sales in the third quarter of 2022 were \$1.54 billion as compared to \$1.21 billion in the third quarter of 2021. On a year-over-year basis, sales for the third quarter of 2022 were favorably impacted from the recent Tekfor acquisition and volume and mix.

AAM’s net income in the third quarter of 2022 was \$26.5 million, or \$0.22 per share, as compared to a net loss of \$(2.4) million, or a loss of \$(0.02) per share in the third quarter of 2021. Adjusted earnings per share in the third quarter of 2022 was \$0.27 compared to \$0.15 in the third quarter of 2021.

In the third quarter of 2022, Adjusted EBITDA was \$198.4 million, or 12.9% of sales, as compared to \$183.2 million, or 15.1% of sales, in the third quarter of 2021.

AAM’s net cash provided by operating activities for the third quarter of 2022 was \$85.2 million as compared to \$89.8 million for the third quarter of 2021.

AAM’s Adjusted free cash flow for the third quarter of 2022 was \$45.8 million as compared to \$69.1 million for the third quarter of 2021.

AAM's 2022 Updated Financial Outlook

AAM's full year 2022 financial targets are as follows:

- AAM is targeting sales in the range of \$5.75 - \$5.85 billion vs. \$5.75 - \$5.95 billion prior.
- AAM is targeting Adjusted EBITDA in the range of \$745 - \$765 million vs. \$790 - \$830 million prior.
- AAM is targeting Adjusted free cash flow of approximately \$300 million vs. \$300 - \$350 million prior; this target assumes capital spending of approximately 3.0% - 3.5% of sales.

These targets are based on the following assumptions for 2022:

- In addition to normal production seasonality, we expect the fourth quarter operating environment to be similar to that experienced in the third quarter, including the continuation of higher than previously anticipated volatility in truck production.

Third Quarter 2022 Conference Call Information

A conference call to review AAM's third quarter results is scheduled today at 10:00 a.m. ET. Interested participants may listen to the live conference call by logging onto AAM's investor website at <http://investor.aam.com> or calling (877) 883-0383 from the United States or (412) 902-6506 from outside the United States with access code 8290843. A replay will be available one hour after the call is complete until November 11, 2022 by dialing (877) 344-7529 from the United States or (412) 317-0088 from outside the United States. When prompted, callers should enter replay access code 5252586.

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 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.

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.

Definition of Non-GAAP Financial Measures

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, loss on sale of business, impairment charges, pension settlements, certain accelerated depreciation, unrealized gains or losses on equity securities and non-recurring items, including the tax effect thereon.

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, loss on sale of business, impairment charges, pension settlements, unrealized gains or losses on equity securities and non-recurring items.

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. 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.

Company Description

As a leading global Tier 1 Automotive and Mobility Supplier, AAM (NYSE: AXL) designs, engineers and manufactures Driveline and Metal Forming technologies to support electric, hybrid and internal combustion vehicles. Headquartered in Detroit with nearly 85 facilities in 18 countries, AAM is bringing the future faster for a safer and more sustainable tomorrow. To learn more, visit aam.com.

Forward-Looking 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: significant disruptions in production, sales and/or supply as a result of public health crises, including pandemic or epidemic illness such as COVID-19, or otherwise; global economic conditions, including the impact of inflation or slower growth in the markets in which we operate; reduced purchases of our products by General Motors Company (GM), Stellantis N.V. (Stellantis), Ford Motor Company (Ford) or other customers; our ability to respond to changes in technology, increased competition or pricing pressures; 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 attract new customers and programs for new products; reduced demand for our customers’ products (particularly light trucks and sport utility vehicles (SUVs) produced by GM, Stellantis and Ford); risks inherent in our global operations (including tariffs and the potential consequences thereof to us, our suppliers, and our customers and their suppliers, adverse changes in trade agreements, such as the United States-Mexico-Canada Agreement (USMCA), immigration policies, political stability or geopolitical conflicts, taxes and other law changes, potential disruptions of production and supply, and currency rate fluctuations); supply shortages, such as the semiconductor shortage that the automotive industry is currently experiencing and the availability of natural gas or other fuel and utility sources in certain regions, labor shortages, including increased labor costs, or price increases in raw material and/or freight, utilities or other operating supplies for us or our customers as a result of pandemics, geopolitical conflicts, natural disasters or otherwise; a significant disruption in operations at one or more of our key manufacturing facilities; negative or unexpected tax consequences; 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 attacks and other similar disruptions; cost or 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; an impairment of our goodwill, other intangible assets, or long-lived assets if our business or market conditions indicate that the carrying values of those assets exceed their fair values; 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 or our customers’ and suppliers’ ability to successfully launch new product programs on a timely basis; risks of environmental issues, including impacts of climate-related events, that could result in unforeseen issues or costs at our facilities, or risks of noncompliance with environmental laws and regulations, including reputational damage; 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; our ability to consummate and successfully integrate acquisitions and joint ventures; our ability to achieve the level of cost reductions required to sustain global cost competitiveness; our ability to realize the expected revenues from our new and incremental business backlog; price volatility in, or reduced availability of, fuel; our ability to protect our intellectual property and successfully defend against assertions made against us; adverse changes in laws, government regulations or market conditions affecting our products or our customers’ products; our ability or our customers’ and suppliers’ ability to comply with regulatory requirements and the potential costs of such compliance; changes in liabilities arising from pension and other postretirement benefit obligations; our ability to attract and retain qualified personnel in key positions and functions; 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 OPERATIONS
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	<i>(in millions, except per share data)</i>			
Net sales	\$ 1,535.2	\$ 1,213.1	\$ 4,409.7	\$ 3,921.5
Cost of goods sold	1,357.8	1,047.5	3,872.0	3,338.8
Gross profit	<u>177.4</u>	<u>165.6</u>	<u>537.7</u>	<u>582.7</u>
Selling, general and administrative expenses	85.7	90.5	256.6	266.7
Amortization of intangible assets	21.5	21.4	64.4	64.3
Restructuring and acquisition-related costs	7.9	7.4	26.4	40.8
Loss on sale of business	—	—	—	2.7
Operating income	<u>62.3</u>	<u>46.3</u>	<u>190.3</u>	<u>208.2</u>
Interest expense	(44.8)	(49.7)	(132.2)	(150.7)
Interest income	5.4	2.7	11.6	8.2
Other income (expense):				
Debt refinancing and redemption costs	(0.2)	(31.6)	(6.0)	(34.0)
Gain on bargain purchase of business	1.4	—	13.0	—
Unrealized gain (loss) on equity securities	(2.3)	19.4	(24.0)	19.4
Other expense, net	<u>(1.0)</u>	<u>(3.1)</u>	<u>(4.4)</u>	<u>(1.3)</u>
Income (loss) before income taxes	20.8	(16.0)	48.3	49.8
Income tax benefit	<u>(5.7)</u>	<u>(13.6)</u>	<u>(2.1)</u>	<u>(2.4)</u>
Net income (loss)	<u>26.5</u>	<u>(2.4)</u>	<u>50.4</u>	<u>52.2</u>
Diluted earnings (loss) per share	<u>\$ 0.22</u>	<u>\$ (0.02)</u>	<u>\$ 0.42</u>	<u>\$ 0.44</u>

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

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
	<i>(in millions)</i>	
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 472.3	\$ 530.2
Accounts receivable, net	974.6	762.8
Inventories, net	446.8	410.4
Prepaid expenses and other	161.8	152.6
Total current assets	2,055.5	1,856.0
Property, plant and equipment, net	1,905.3	1,996.1
Deferred income taxes	135.7	121.1
Goodwill	179.3	183.8
Other intangible assets, net	636.2	697.2
GM postretirement cost sharing asset	200.2	201.1
Operating lease right-of-use asset	111.8	123.7
Other assets and deferred charges	455.6	456.7
Total assets	\$ 5,679.6	\$ 5,635.7
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities		
Current portion of long-term debt	\$ 19.2	\$ 18.8
Accounts payable	779.6	612.8
Accrued compensation and benefits	202.1	195.2
Deferred revenue	29.2	28.1
Current portion of operating lease liabilities	23.2	24.6
Accrued expenses and other	161.0	160.4
Total current liabilities	1,214.3	1,039.9
Long-term debt, net	2,974.1	3,085.7
Deferred revenue	70.1	94.8
Deferred income taxes	14.9	13.5
Long-term portion of operating lease liabilities	89.6	99.9
Postretirement benefits and other long-term liabilities	830.1	844.1
Total liabilities	5,193.1	5,177.9
Total stockholders' equity	486.5	457.8
Total liabilities and stockholders' equity	\$ 5,679.6	\$ 5,635.7

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	<i>(in millions)</i>			
Operating activities				
Net income (loss)	\$ 26.5	\$ (2.4)	\$ 50.4	\$ 52.2
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	124.8	135.6	367.1	421.2
Other	(66.1)	(43.4)	(117.1)	(37.4)
Net cash provided by operating activities	85.2	89.8	300.4	436.0
Investing activities				
Purchases of property, plant and equipment	(46.7)	(33.4)	(117.9)	(115.8)
Proceeds from sale of property, plant and equipment	0.1	0.2	4.3	1.8
Acquisition of business, net of cash acquired	(0.7)	—	(88.3)	(4.9)
Proceeds from sale of business, net of cash divested	—	1.6	—	0.9
Other	0.1	11.0	4.5	23.1
Net cash used in investing activities	(47.2)	(20.6)	(197.4)	(94.9)
Financing activities				
Net debt activity	(56.9)	(152.6)	(151.2)	(386.4)
Other	(4.2)	(1.4)	3.4	(7.8)
Net cash used in financing activities	(61.1)	(154.0)	(147.8)	(394.2)
Effect of exchange rate changes on cash	(6.0)	(2.2)	(13.1)	(3.2)
Net decrease in cash and cash equivalents	(29.1)	(87.0)	(57.9)	(56.3)
Cash and cash equivalents at beginning of period	501.4	587.7	530.2	557.0
Cash and cash equivalents at end of period	\$ 472.3	\$ 500.7	\$ 472.3	\$ 500.7

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		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	<i>(in millions)</i>			
Net income (loss)	\$ 26.5	\$ (2.4)	\$ 50.4	\$ 52.2
Interest expense	44.8	49.7	132.2	150.7
Income tax benefit	(5.7)	(13.6)	(2.1)	(2.4)
Depreciation and amortization	124.8	135.6	367.1	421.2
EBITDA	190.4	169.3	547.6	621.7
Restructuring and acquisition-related costs	7.9	7.4	26.4	40.8
Debt refinancing and redemption costs	0.2	31.6	6.0	34.0
Loss on sale of business	—	—	—	2.7
Unrealized loss (gain) on equity securities	2.3	(19.4)	24.0	(19.4)
Non-recurring items:				
Malvern fire charges, net of recoveries	(1.0)	(5.7)	(6.4)	(11.1)
Acquisition-related fair value inventory adjustment	—	—	5.0	—
Gain on bargain purchase of business	(1.4)	—	(13.0)	—
Adjusted EBITDA	\$ 198.4	\$ 183.2	\$ 589.6	\$ 668.7

Adjusted earnings per share^(b)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Diluted earnings (loss) per share	\$ 0.22	\$ (0.02)	\$ 0.42	\$ 0.44
Restructuring and acquisition-related costs	0.07	0.06	0.22	0.33
Debt refinancing and redemption costs	—	0.27	0.05	0.29
Loss on sale of business	—	—	—	0.02
Unrealized loss (gain) on equity securities	0.02	(0.16)	0.20	(0.16)
Accelerated depreciation ^(c)	—	0.08	—	0.27
Non-recurring items:				
Malvern fire charges, net of recoveries	(0.01)	(0.05)	(0.05)	(0.09)
Acquisition-related fair value inventory adjustment	—	—	0.04	—
Gain on bargain purchase of business	(0.01)	—	(0.11)	—
Tax effect of adjustments	(0.02)	(0.03)	(0.10)	(0.09)
Adjusted earnings per share	\$ 0.27	\$ 0.15	\$ 0.67	\$ 1.01

Adjusted earnings per share are based on weighted average diluted shares outstanding of 121.1 million and 118.7 million for the three months ended September 30, 2022 and 2021 respectively, and 120.2 million and 118.7 million for the nine months ended September 30, 2022 and 2021, respectively.

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		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	<i>(in millions)</i>			
Net cash provided by operating activities	\$ 85.2	\$ 89.8	\$ 300.4	\$ 436.0
Capital expenditures net of proceeds from sale of property, plant and equipment	(46.6)	(33.2)	(113.6)	(114.0)
Free cash flow	38.6	56.6	186.8	322.0
Cash payments for restructuring and acquisition-related costs	4.7	9.0	21.2	47.9
Cash payments related to the Malvern fire, net of recoveries	2.5	3.5	6.0	9.4
Adjusted free cash flow	\$ 45.8	\$ 69.1	\$ 214.0	\$ 379.3

Segment Financial Information

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	<i>(in millions)</i>			
Segment Sales				
Driveline	\$ 1,061.1	\$ 870.4	\$ 3,163.6	\$ 2,831.9
Metal Forming	591.2	422.7	1,585.9	1,352.1
Total Sales	1,652.3	1,293.1	4,749.5	4,184.0
Intersegment Sales	(117.1)	(80.0)	(339.8)	(262.5)
Net External Sales	\$ 1,535.2	\$ 1,213.1	\$ 4,409.7	\$ 3,921.5
Segment Adjusted EBITDA^(a)				
Driveline	\$ 146.4	\$ 128.4	\$ 420.3	\$ 450.2
Metal Forming	52.0	54.8	169.3	218.5
Total Segment Adjusted EBITDA	\$ 198.4	\$ 183.2	\$ 589.6	\$ 668.7

Full Year 2022 Financial Outlook

	Adjusted EBITDA	
	Low End	High End
	<i>(in millions)</i>	
Net income	\$ 20	\$ 30
Interest expense	180	180
Income tax expense (benefit)	(5)	5
Depreciation and amortization	500	500
Full year 2022 targeted EBITDA	695	715
Restructuring and acquisition-related costs	35	35
Other	15	15
Full year 2022 targeted Adjusted EBITDA	\$ 745	\$ 765

	Adjusted Free Cash Flow
	<i>(in millions)</i>
Net cash provided by operating activities	\$ 455
Capital expenditures net of proceeds from the sale of property, plant and equipment	(190)
Full year 2022 targeted free cash flow	265
Cash payments for restructuring and acquisition-related costs	35
Full year 2022 targeted Adjusted free cash flow (approximate)	\$ 300

- (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, 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.
- (b) 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.
- (c) 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.
- (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. 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.