



Third 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.”

3Q 2022 AAM Financial Highlights



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\$1.54B

Quarterly
Sales

\$198.4M

Third Quarter
Adjusted EBITDA

\$45.8M

Adjusted Free
Cash Flow

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



EKA Mobility

AAM to deliver electric-beam axles to EKA Mobility for its 2.5T battery electric light commercial vehicle program. EKA Mobility is a subsidiary of Pinnacle Industries Limited.



Volvo Cars

AAM awarded contracts to supply Volvo Cars with gears for its next generation front and rear electric drive units.



PACE Awards

AAM named a winner of a PACE Award for its P3 2-speed Electric Drive Technology featured on the Mercedes-AMG 63 S E PERFORMANCE.



PACE Innovation Partnership Award

AAM recognized as a winner of a PACE Innovation Partnership Award for successfully bringing to market technology innovations (P3 2-speed Electric Drive Technology).



PACEpilot Award

AAM named a winner of a PACEpilot Innovation to Watch award for the company's P4 integrated 3-in-1 Wheel-End Electric Drive Unit which includes a motor, gearbox, and inverter in a single compact package.

The Above Awards Are In Addition To Two Awards Received In 2020



Chery Automobile Company, Ltd.

AAM awarded contracts to supply power transfer units and rear drive modules for a new Chery SUV program.



GM Colorado/Canyon

AAM selected as the new axle supplier for GM's next generation mid-size pickup trucks. The new vehicles will debut for model year 2023.



2022 Financial Targets

Full Year Sales **\$5.75 to \$5.85 billion**

Adjusted EBITDA **\$745 to \$765 million**

Adjusted Free Cash Flow **~\$300 million**

- Adjusted Free Cash Flow target assumes capital spending in the range of 3.0% - 3.5% of sales.
- AAM expects restructuring and acquisition-related cash payments to be between \$30 and \$40 million.
- 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.

3Q Financial Results



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	Three Months Ended September 30,		Difference
	2022	2021	
	(dollars in millions, except per share data)		
Net sales	\$ 1,535.2	\$ 1,213.1	\$ 322.1
Gross profit	\$ 177.4	\$ 165.6	\$ 11.8
Gross margin	11.6%	13.7%	-2.1%
Selling, general and administrative expenses	\$ 85.7	\$ 90.5	\$ (4.8)
SG&A as a % of sales	5.6%	7.5%	-1.9%
Amortization of intangible assets	\$ 21.5	\$ 21.4	\$ 0.1
Restructuring and acquisition-related costs	\$ 7.9	\$ 7.4	\$ 0.5
Debt refinancing and redemption costs	\$ (0.2)	\$ (31.6)	\$ 31.4
Gain on bargain purchase of business	\$ 1.4	\$ -	\$ 1.4
Unrealized gain (loss) on equity securities	\$ (2.3)	\$ 19.4	\$ (21.7)
Other income (expense), net	\$ (1.0)	\$ (3.1)	\$ 2.1
Adjusted EBITDA	\$ 198.4	\$ 183.2	\$ 15.2
Adjusted EBITDA margin	12.9%	15.1%	-2.2%
Net interest expense	\$ 39.4	\$ 47.0	\$ (7.6)
Income tax benefit	\$ 5.7	\$ 13.6	\$ (7.9)
Effective income tax rate	-27.4%	85.0%	-112.4%
Net income (loss)	\$ 26.5	\$ (2.4)	\$ 28.9
Diluted earnings (loss) per share	\$ 0.22	\$ (0.02)	\$ 0.24
Adjusted EPS	\$ 0.27	\$ 0.15	\$ 0.12

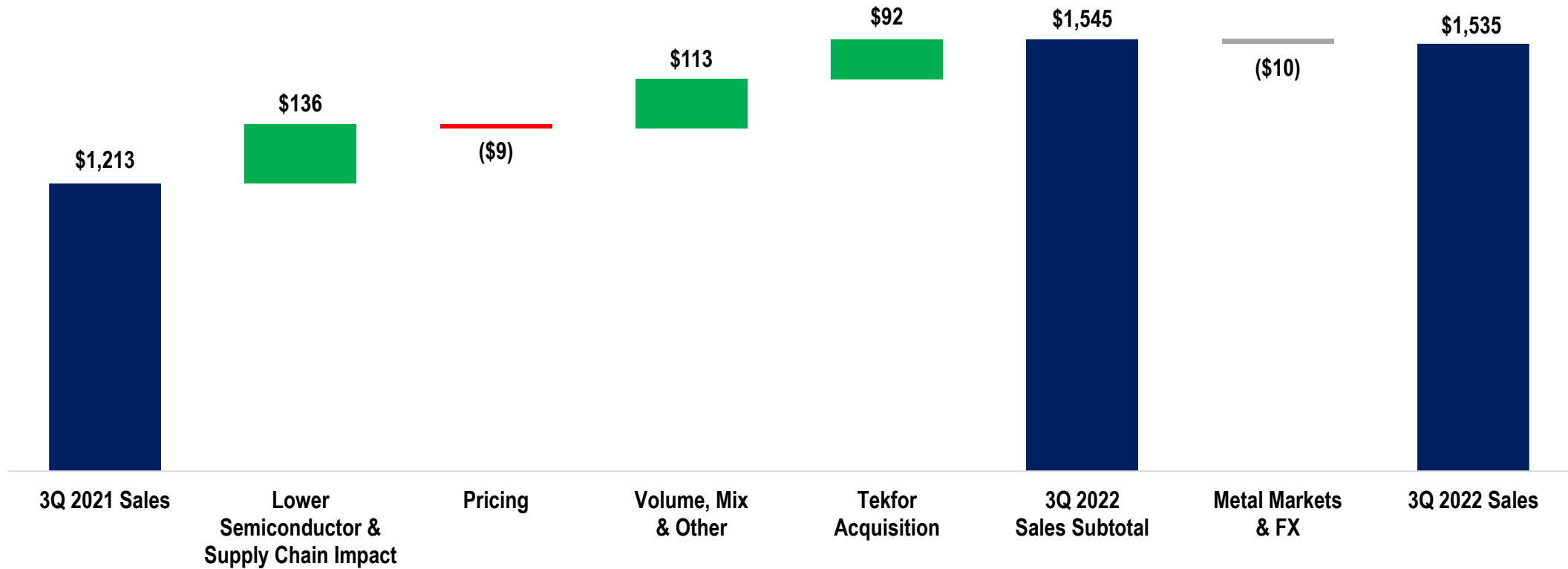
Note: Adjusted earnings per share are based on weighted average diluted shares outstanding of 121.1 million and 118.7 million for the three months ended on September 30, 2022 and 2021, respectively.

3Q 2022 Revenue Walk (Yr/Yr)



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\$ in millions



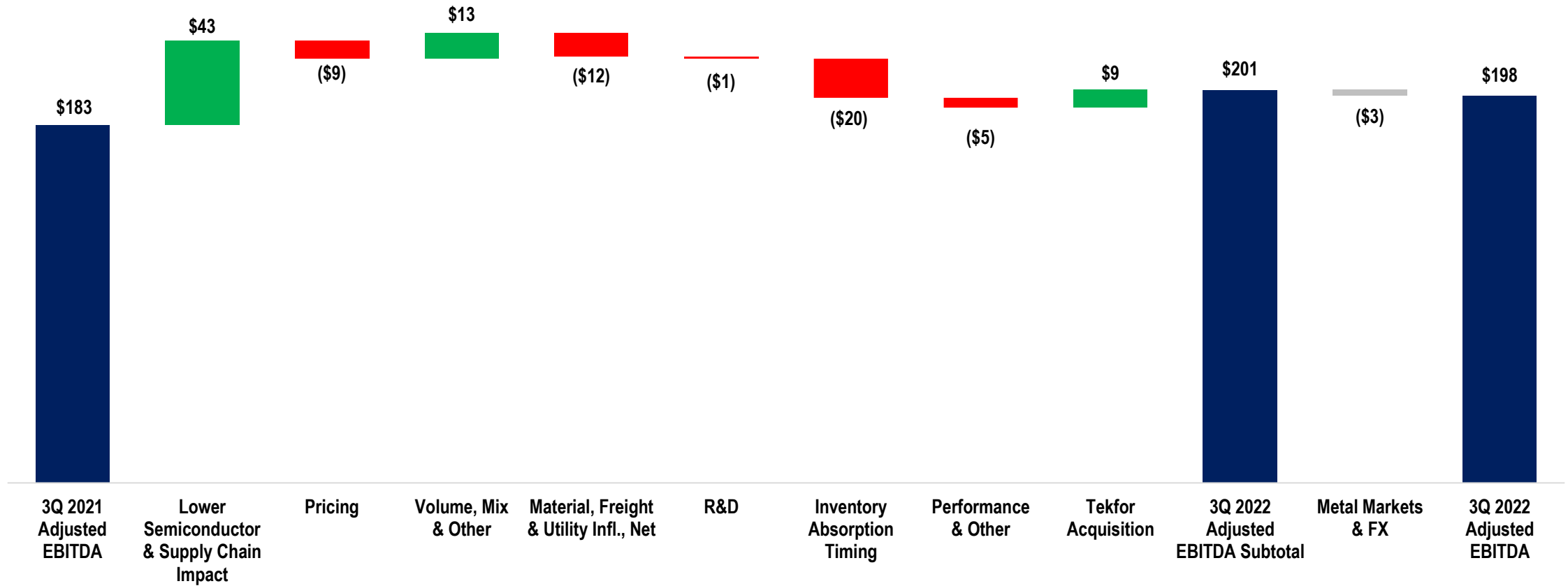
Note: chart not to scale

3Q 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

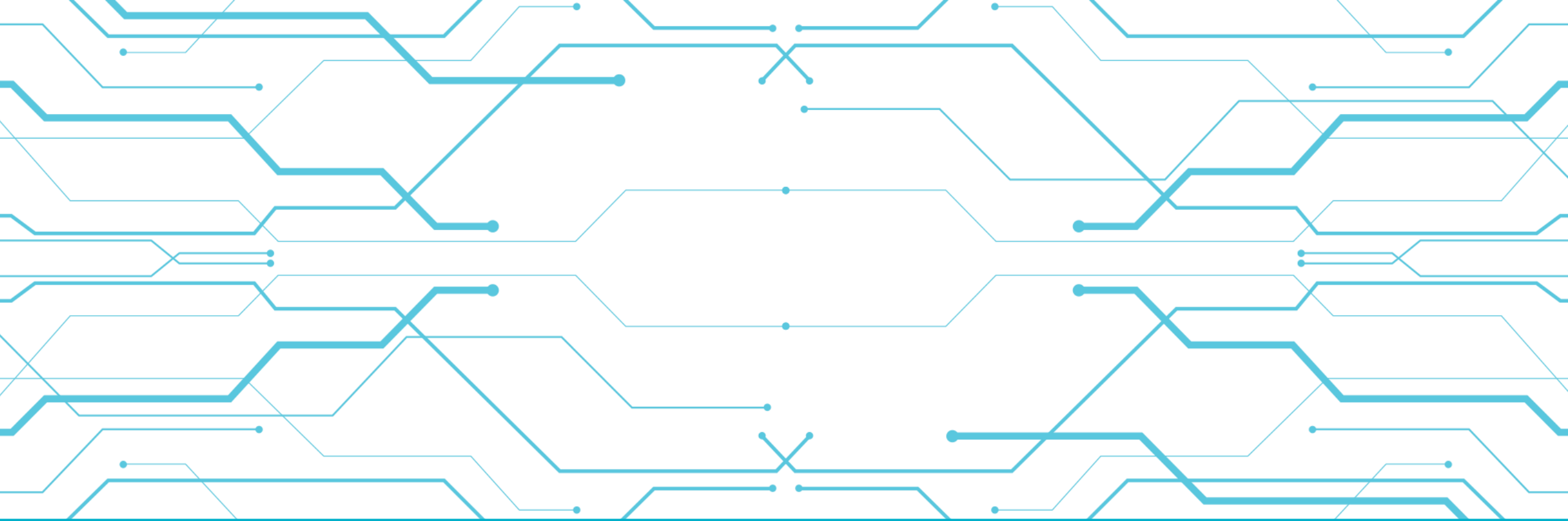


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Cash Flow and Debt Metrics	3Q 2022
Adjusted Free Cash Flow	\$45.8 million
Net Debt	\$2.5 billion
Net Leverage Ratio	3.3x
Liquidity	~\$1.4 billion

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		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
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
Sales	1,535.2	1,213.1	4,409.7	3,921.5
as a % of net sales	12.9%	15.1%	13.4%	17.1%

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

	Quarter Ended				Trailing Twelve
	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	Months Ended September 30, 2022
Net income (loss)	\$ (46.3)	\$ 1.0	\$ 22.9	\$ 26.5	\$ 4.1
Interest expense	44.5	44.7	42.7	44.8	176.7
Income tax expense (benefit)	(2.3)	3.0	0.6	(5.7)	(4.4)
Depreciation and amortization	123.1	120.4	121.9	124.8	490.2
EBITDA	119.0	169.1	188.1	190.4	666.6
Restructuring and acquisition-related costs	8.6	8.9	9.6	7.9	35.0
Debt refinancing and redemption costs	-	5.6	0.2	0.2	6.0
Pension settlement	42.3	-	-	-	42.3
Unrealized loss (gain) on equity securities	(5.0)	18.0	3.7	2.3	19.0
Non-recurring items:	-	-	-	-	-
Malvern fire charges, net of recoveries	(0.3)	(5.5)	0.1	(1.0)	(6.7)
Acquisition-related fair value inventory adjustment	-	-	5.0	-	5.0
Gain on bargain purchase of business	-	-	(11.6)	(1.4)	(13.0)
Adjusted EBITDA	\$ 164.6	\$ 196.1	\$ 195.1	\$ 198.4	\$ 754.2
Sales	1,235.1	1,436.2	1,438.3	1,535.2	5,644.8
as a % of net sales	13.3%	13.7%	13.6%	12.9%	13.4%



Adjusted Earnings Per Share Reconciliation

	Three Months Ended September 30,		Nine Months Ended 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*	-	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	<u>\$ 0.27</u>	<u>\$ 0.15</u>	<u>\$ 0.67</u>	<u>\$ 1.01</u>

*Please refer to definition of Non-GAAP measures.



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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Net cash provided by operating activities	\$ 85.2	\$ 89.8	\$ 300.4	\$ 436.0
Capital expenditures net of proceeds from the 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	<u>\$ 45.8</u>	<u>\$ 69.1</u>	<u>\$ 214.0</u>	<u>\$ 379.3</u>



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

	September 2022
Current portion of long term debt	\$ 19.2
Long-term debt, net	2,974.1
Total debt, net	2,993.3
Less: Cash and cash equivalents	472.3
Net debt at end of period	2,521.0
Adjusted LTM EBITDA	\$ 754.2
Net Leverage Ratio	3.3x



Segment Financial Information
(\$ in millions)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
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	<u>\$ 1,535.2</u>	<u>\$ 1,213.1</u>	<u>\$ 4,409.7</u>	<u>\$ 3,921.5</u>
Segment Adjusted EBITDA				
Driveline	\$ 146.4	\$ 128.4	\$ 420.3	\$ 450.2
Metal Forming	52.0	54.8	169.3	218.5
Total Segment Adjusted EBITDA	<u>\$ 198.4</u>	<u>\$ 183.2</u>	<u>\$ 589.6</u>	<u>\$ 668.7</u>

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	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	<u>\$ 745</u>	<u>\$ 765</u>

	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)	<u>\$</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 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.

