



TECHNOLOGY THAT DRIVES THE INDUSTRY

Second Quarter 2019 Earnings Call

Forward-Looking Statements



This supplemental 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, 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”.

Business Unit Performance



DRIVELINE



	2Q 2019	2Q 2018	Difference
Sales	\$ 1,141.1	\$ 1,274.3	\$ (133.2)
Adjusted EBITDA	\$ 152.9	\$ 204.3	\$ (51.4)
Adj. EBITDA Margin	13.4%	16.0%	-2.6%

- Sales decline due to lower GM full-size truck sales and lower global production volumes
- Improved sequential margins 130 basis points from first quarter of 2019

METAL FORMING



	2Q 2019	2Q 2018	Difference
Sales	\$ 484.2	\$ 530.4	\$ (46.2)
Adjusted EBITDA	\$ 88.0	\$ 116.7	\$ (28.7)
Adj. EBITDA Margin	18.2%	22.0%	-3.8%

- Sales decline due to lower European and North American production volumes
- Operating at strong > 18% Adjusted EBITDA margins

CASTING



	2Q 2019	2Q 2018	Difference
Sales	\$ 220.7	\$ 243.2	\$ (22.5)
Adjusted EBITDA	\$ 25.1	\$ 26.9	\$ (1.8)
Adj. EBITDA Margin	11.4%	11.1%	0.3%

- Sales decline due primarily to lower industrial sales
- 2nd consecutive quarter of double digit Adjusted EBITDA margin and sequential margin improvement

2019 Financial Outlook



Updated 2019 Financial Targets

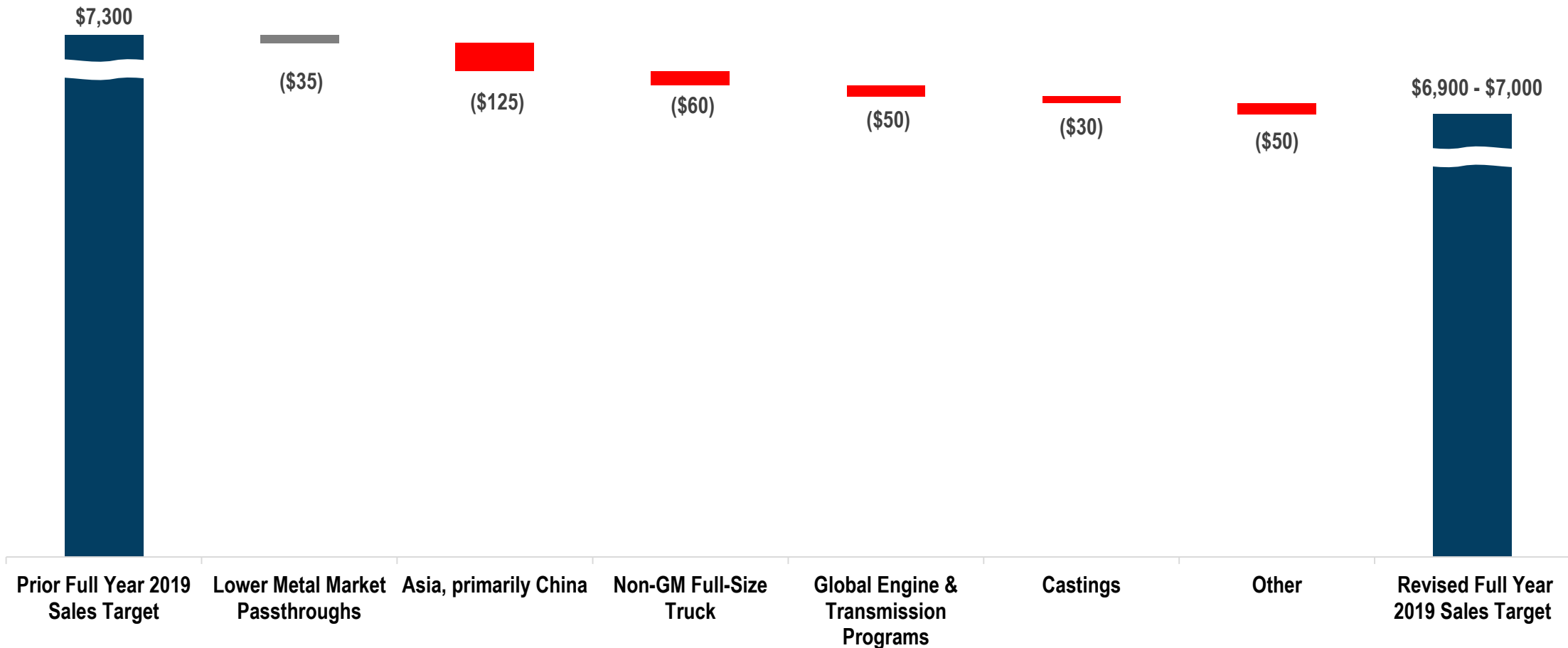
Full Year Sales	\$6.9 - \$7.0 billion
Adjusted EBITDA*	\$1.05 - \$1.10 billion
Capital Expenditures	Reduced to \approx \$485 million (From \approx \$515 million)
Adjusted Free Cash Flow*	\approx \$250 million

AAM's revised full year 2019 financial targets reflect:

- An estimate of production volumes for the remainder of 2019 based on internal and external sources and the current metal market environment.
- A reduction in profitability primarily associated with lower sales and an increase in engineering, research and development expenditures to support our future e-AAM hybrid and electric driveline growth.
- Continued operational improvements in-line with previous commentary.

Sales Walk – Previous Target to Revised Target

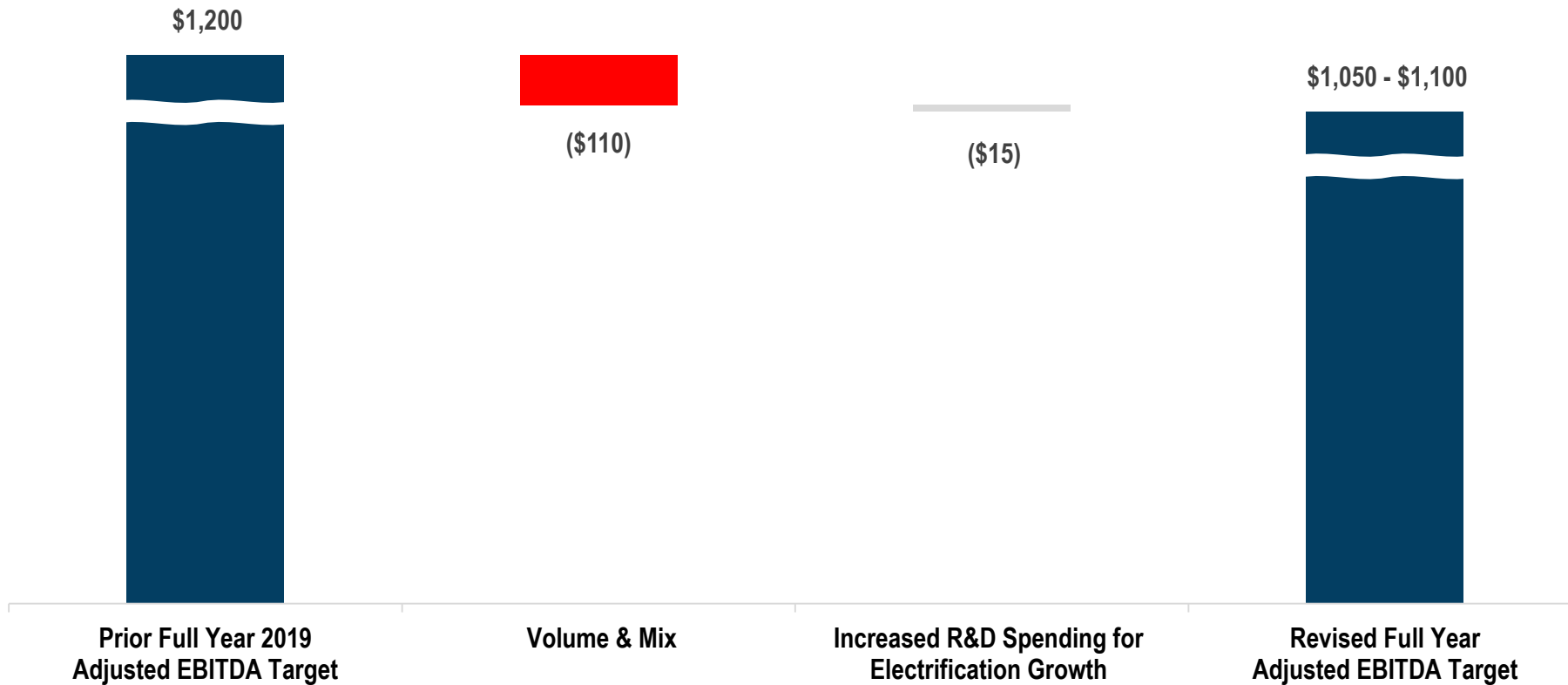
(in millions)



Note: Utilized the mid point for the range of each element for charting purposes

Adj. EBITDA Walk – Previous Target to Revised Target

(in millions)



2Q Financial Results



	Three Months Ended June 30,		Difference
	2019	2018	
	(dollars in millions, except per share data)		
Net sales	\$ 1,704.3	\$ 1,900.9	\$ (196.6)
Gross profit	\$ 248.3	\$ 331.4	\$ (83.1)
Gross margin	14.6%	17.4%	-2.8%
SG&A	\$ 91.3	\$ 95.0	\$ (3.7)
SG&A as a % of sales	5.4%	5.0%	0.4%
Amortization of intangible assets	\$ 24.9	\$ 24.8	\$ 0.1
Restructuring and acquisition costs	\$ 12.2	\$ 36.8	\$ (24.6)
Other income (expense)	\$ (5.5)	\$ 16.9	\$ (22.4)
Adjusted EBITDA	\$ 266.0	\$ 347.9	\$ (81.9)
Adjusted EBITDA margin	15.6%	18.3%	-2.7%
Net interest expense	\$ 55.7	\$ 53.9	\$ 1.8
Income tax expense	\$ 6.0	\$ 2.0	\$ 4.0
Effective tax rate	10.2%	1.3%	8.9%
Net income attributable to AAM	\$ 52.5	\$ 151.1	\$ (98.6)
Diluted EPS	\$ 0.45	\$ 1.30	\$ (0.85)
Adjusted EPS	\$ 0.55	\$ 1.23	\$ (0.68)

Adjusted earnings per share are based on weighted average diluted shares outstanding of 116.1 million and 116.0 million for the three months ended on June 30, 2019 and 2018, respectively.

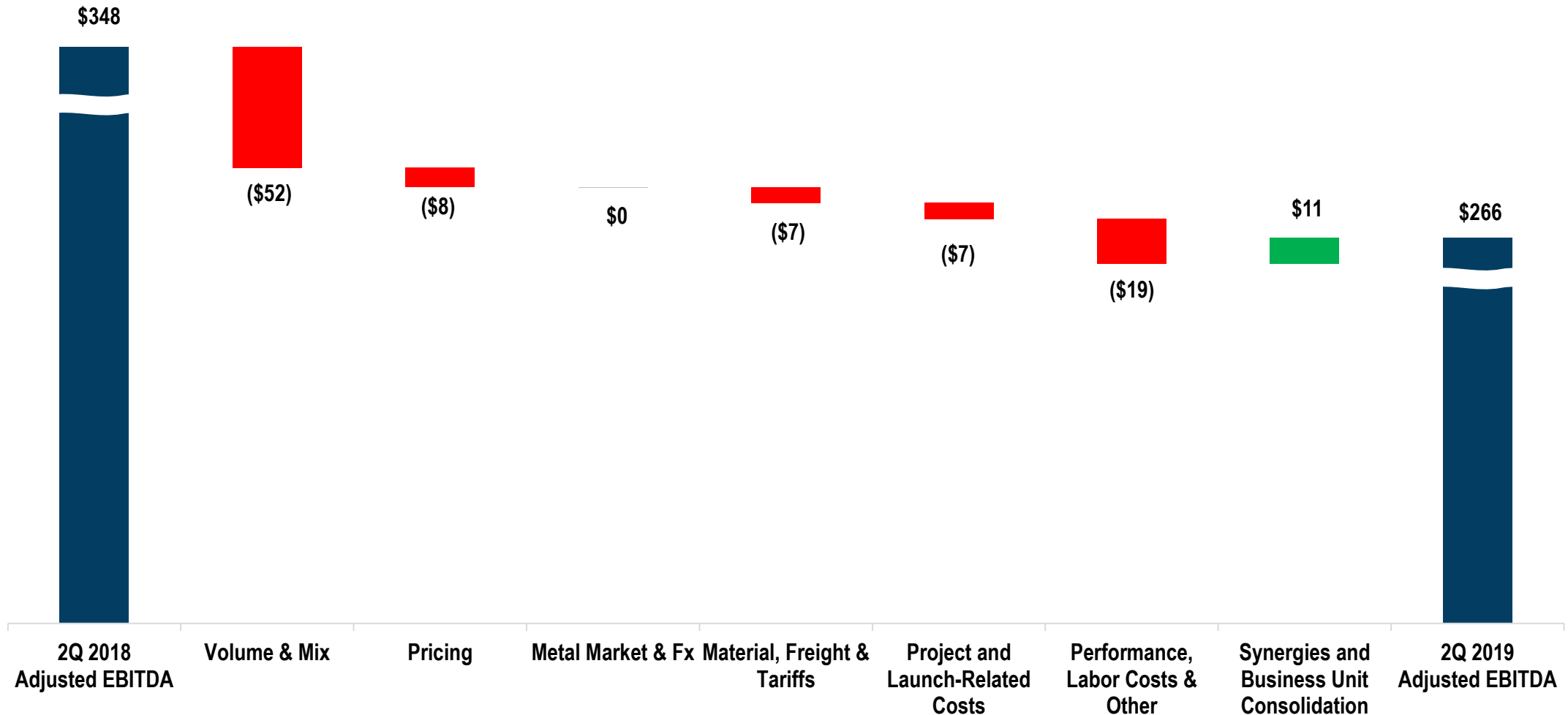
2Q 2019 Year-Over-Year Sales Walk

(in millions)



2Q 2019 Year-over-Year Adjusted EBITDA Walk

(in millions)



Adjusted Free Cash Flow and Debt Profile

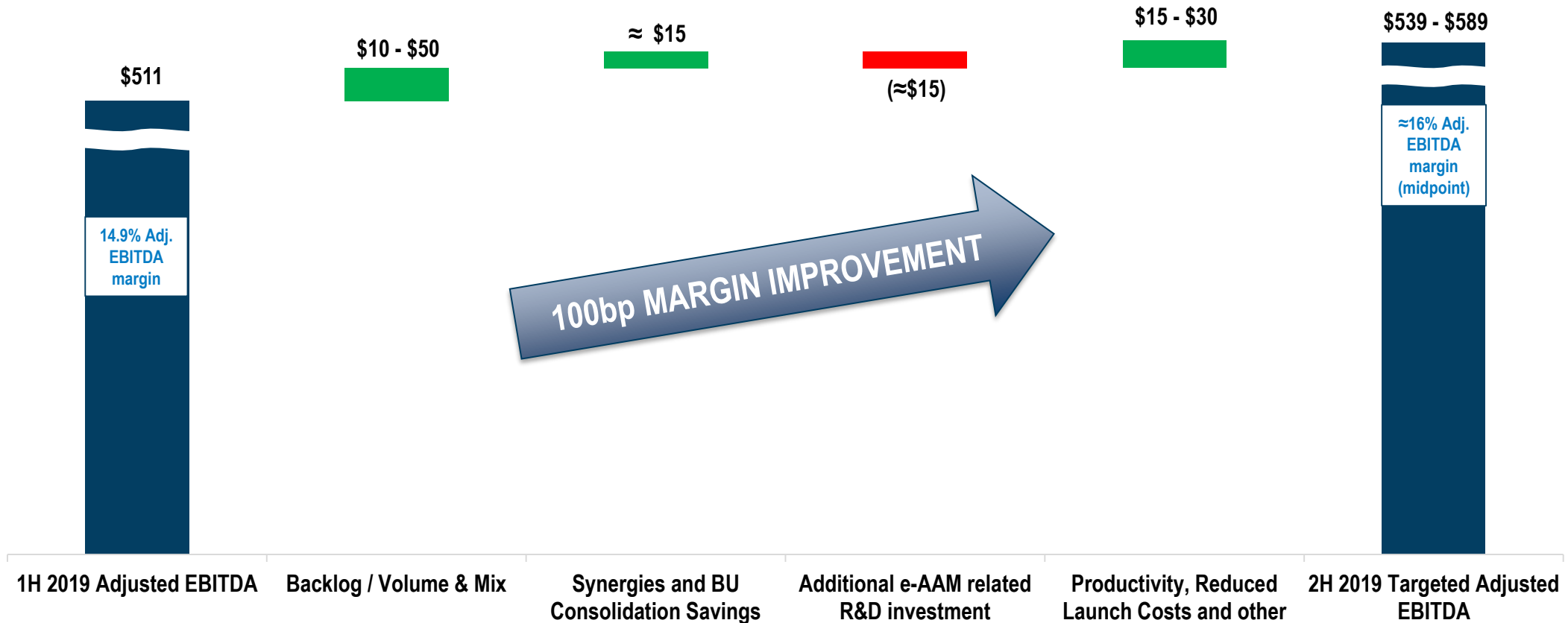


Cash Flow and Debt Metrics	2Q 2019
Adjusted Free Cash Flow	\$119.3 million
Net Debt	\$3.45 billion
Net Leverage Ratio	3.35x
Liquidity	> \$1.2 billion

Expect Net Leverage Ratio to decrease in 2H 19 based on strong free cash flow generation

1H 2019 to 2H 2019 Adjusted EBITDA Walk

(in millions)





Supplemental Data

LV Production and Sales Volume Assumptions



	Previous	Current
Global Light Vehicle Production	≈ 95M units, or up 1% from 2018	≈ Down 4% from 2018
North America (NA) Light Vehicle Production	≈ 16.5M – 17M units	≈ 16.4M - 16.7M units
US SAAR	≈ 16.5M – 17M units	≈ 16.5M – 16.8M units
Europe Light Vehicle Production	≈ Flat from 2018	≈ Down 3 - 4% from 2018
China Light Vehicle Production	≈ Flat from 2018	≈ Down 8 - 10% from 2018

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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 52.7	\$ 151.3	\$ 94.4	\$ 240.8
Interest expense	56.2	54.4	109.6	107.6
Income tax expense	6.0	2.0	3.0	19.9
Depreciation and amortization	136.5	130.2	277.3	258.0
EBITDA	251.4	337.9	484.3	626.3
Restructuring and acquisition-related costs	12.2	36.8	24.3	55.1
Debt refinancing and redemption costs	2.4	4.3	2.4	14.6
Gain on sale of business	-	(15.5)	-	(15.5)
Non-recurring items:				
Gain on settlement of capital lease	-	(15.6)	-	(15.6)
Adjusted EBITDA	\$ 266.0	\$ 347.9	\$ 511.0	\$ 664.9
as % of net sales	15.6%	18.3%	14.9%	17.7%

Supplemental Data



EBITDA and Adjusted EBITDA for the Trailing Twelve Months Ended June 30, 2019 (\$ in millions)

	Quarter Ended				Trailing Twelve Months Ended
	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	June 30, 2019
Net income (loss)	\$ 64.0	\$ (361.6)	\$ 41.7	\$ 52.7	\$ (203.2)
Interest expense	54.9	53.8	53.4	56.2	218.3
Income tax expense (benefit)	11.5	(88.5)	(3.0)	6.0	(74.0)
Depreciation and amortization	132.9	137.9	140.8	136.5	548.1
EBITDA	263.3	(258.4)	232.9	251.4	489.2
Restructuring and acquisition-related costs	11.7	12.1	12.1	12.2	48.1
Debt refinancing and redemption costs	-	4.8	-	2.4	7.2
Goodwill impairment	-	485.5	-	-	485.5
Adjusted EBITDA	\$ 275.0	\$ 244.0	\$ 245.0	\$ 266.0	\$ 1,030.0
as % of net sales	15.1%	14.4%	14.3%	15.6%	14.9%
Net sales	1,817.0	1,694.1	1,719.2	1,704.3	6,934.6

Supplemental Data



Adjusted Earnings Per Share Reconciliation

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Diluted earnings per share	\$ 0.45	\$ 1.30	\$ 0.81	\$ 2.08
Restructuring and acquisition-related costs	0.11	0.32	0.21	0.48
Debt refinancing and redemption costs	0.02	0.04	0.02	0.13
Gain on sale of business	-	(0.14)	-	(0.14)
Non-recurring items:				
Gain on settlement of capital lease	-	(0.14)	-	(0.14)
Tax Cuts and Jobs Act transition tax adjustment	-	-	(0.08)	-
Adjustment to liability for unrecognized tax benefits	-	(0.17)	-	(0.17)
Tax effect of adjustments	(0.03)	0.02	(0.05)	(0.03)
Adjusted earnings per share	<u>\$ 0.55</u>	<u>\$ 1.23</u>	<u>\$ 0.91</u>	<u>\$ 2.21</u>

Adjusted earnings per share are based on weighted average diluted shares outstanding of 116.1 million and 116.0 million for the three months ended on June 30, 2019 and 2018, respectively, and 116.0 million and 115.4 million for the six months ended on June 30, 2019 and 2018, respectively.

Supplemental Data



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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net cash provided by operating activities	\$ 217.1	\$ 222.5	\$ 136.9	\$ 289.4
Less: Capital expenditures net of proceeds from sale of property, plant and equipment	(111.9)	(141.7)	(235.8)	(272.1)
Free cash flow	105.2	80.8	(98.9)	17.3
Cash payments for restructuring and acquisition-related costs	14.1	19.5	29.7	41.3
Adjusted Free Cash Flow	\$ 119.3	\$ 100.3	\$ (69.2)	\$ 58.6



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

	June 30, 2019
Current portion of long-term debt	\$ 26.0
Long-term debt, net	<u>3,674.2</u>
Total debt, net	3,700.2
Less: Cash and cash equivalents	<u>248.8</u>
Net debt at end of period	<u>3,451.4</u>
Adjusted LTM EBITDA	<u><u>\$ 1,030.0</u></u>
 Net Leverage Ratio	 3.35

Supplemental Data



Segment Financial Information (\$ in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Segment Sales				
Driveline	\$ 1,141.1	\$ 1,274.3	\$ 2,275.8	\$ 2,490.4
Metal Forming	484.2	530.4	967.5	1,072.7
Casting	220.7	243.2	446.0	482.2
Total Sales	1,846.0	2,047.9	3,689.3	4,045.3
Intersegment Sales	(141.7)	(147.0)	(265.8)	(286.0)
Net External Sales	\$ 1,704.3	\$ 1,900.9	\$ 3,423.5	\$ 3,759.3
Segment Adjusted EBITDA				
Driveline	\$ 152.9	\$ 204.3	\$ 290.1	\$ 394.0
Metal Forming	88.0	116.7	173.3	222.4
Casting	25.1	26.9	47.6	48.5
Total Segment Adjusted EBITDA	\$ 266.0	\$ 347.9	\$ 511.0	\$ 664.9

Supplemental Data



Full Year 2019 Outlook (\$ in millions)

	Adjusted EBITDA	
	Low End	High End
Net income	\$ 190	\$ 230
Interest expense	220	220
Income tax expense	25	35
Depreciation and amortization	565	565
Full year 2019 targeted EBITDA	1,000	1,050
Restructuring and acquisition-related costs	50	50
Full year 2019 targeted Adjusted EBITDA	<u>\$ 1,050</u>	<u>\$ 1,100</u>

	Adjusted Free Cash Flow
Net cash provided by operating activities	\$ 680
Capital expenditures net of proceeds from the sale of property, plant and equipment	(485)
Full year 2019 targeted Free Cash Flow	195
Cash payments for restructuring and acquisition-related costs	55
Full year 2019 targeted Adjusted Free Cash Flow	<u>\$ 250</u>

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. 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

