



®

TECHNOLOGY THAT DRIVES THE INDUSTRY

Third 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”.

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 – First
in China



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

Business Unit Performance



DRIVELINE



	3Q 2019	3Q 2018	Difference
Sales	\$ 1,146.7	\$ 1,228.2	\$ (81.5)
Adjusted EBITDA	\$ 171.6	\$ 176.9	\$ (5.3)
Adj. EBITDA Margin	15.0%	14.4%	0.6%

- Sales decline due primarily to the GM work stoppage and lower metal market and foreign currency translation
- Despite lower sales, improved Adj. EBITDA margin on lower project and launch expense and improved operational performance

METAL FORMING



	3Q 2019	3Q 2018	Difference
Sales	\$ 476.6	\$ 509.0	\$ (32.4)
Adjusted EBITDA	\$ 80.4	\$ 83.6	\$ (3.2)
Adj. EBITDA Margin	16.9%	16.4%	0.5%

- Sales decline due primarily to lower North American (including GM work stoppage) and European production volumes.
- Despite lower sales, improved Adj. EBITDA margin on lower project and launch expense and improved operational performance

CASTING



	3Q 2019	3Q 2018	Difference
Sales	\$ 209.0	\$ 219.1	\$ (10.1)
Adjusted EBITDA	\$ 13.8	\$ 14.5	\$ (0.7)
Adj. EBITDA Margin	6.6%	6.6%	0.0%

- Sales decline due primarily to lower commercial and industrial sales
- Sequential margin decline reflects lower sales and higher operating expenses

2019 Financial Outlook



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.

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

Electrification Update



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

3Q Financial Results



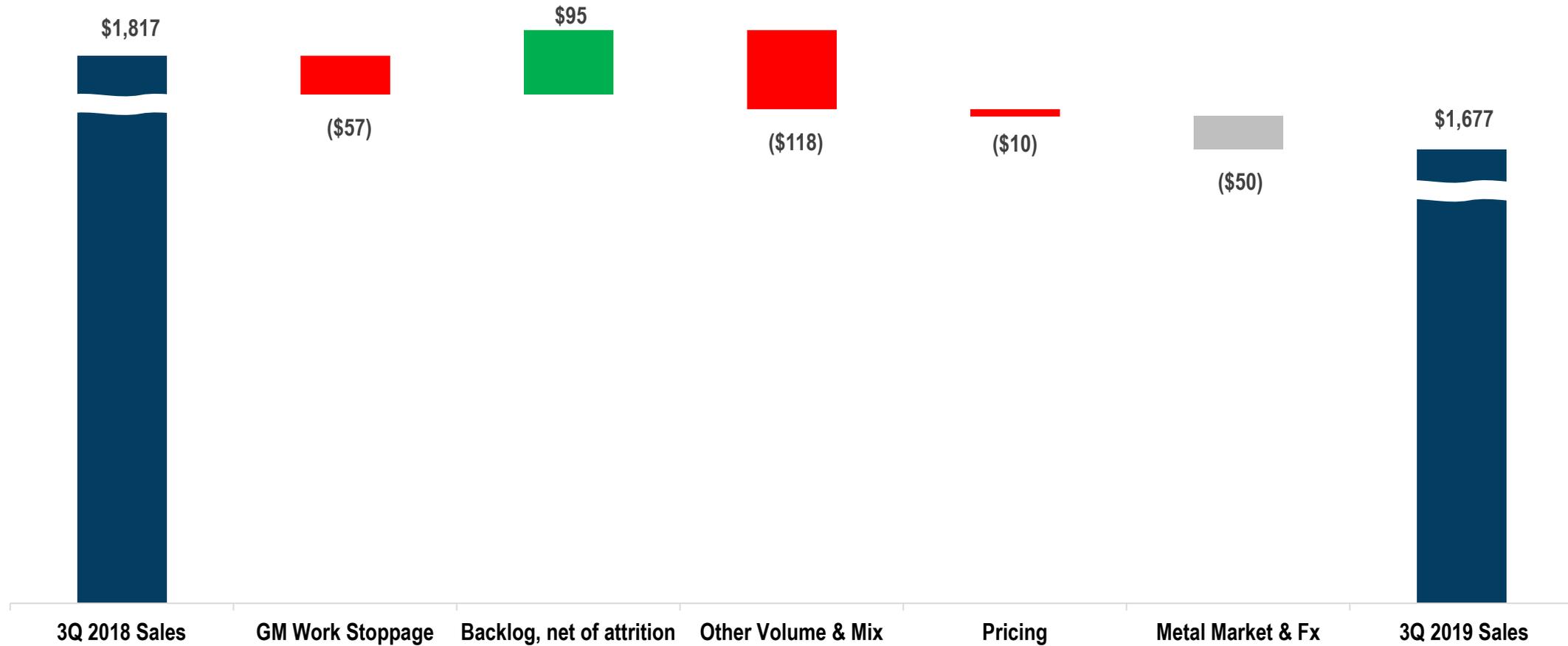
	Three Months Ended September 30,		Difference
	2019	2018	
	(dollars in millions, except per share data)		
Net sales	\$ 1,677.4	\$ 1,817.0	\$ (139.6)
Gross profit	\$ 248.7	\$ 267.4	\$ (18.7)
Gross margin	14.8%	14.7%	0.1%
SG&A	\$ 92.7	\$ 96.3	\$ (3.6)
SG&A as a % of sales	5.5%	5.3%	0.2%
Amortization of intangible assets	\$ 23.7	\$ 24.8	\$ (1.1)
Restructuring and acquisition costs	\$ 11.7	\$ 11.7	\$ -
Other income (expense)	\$ (8.0)	\$ (4.8)	\$ (3.2)
Adjusted EBITDA	\$ 265.8	\$ 275.0	\$ (9.2)
Adjusted EBITDA margin	15.8%	15.1%	0.7%
Net interest expense	\$ 52.1	\$ 54.3	\$ (2.2)
Income tax expense (benefit)	\$ (40.4)	\$ 11.5	\$ (51.9)
Effective tax rate	24.6%	15.2%	9.4%
Net income (loss) attributable to AAM	\$ (124.2)	\$ 63.8	\$ (188.0)
Diluted EPS	\$ (1.10)	\$ 0.55	\$ (1.65)
Adjusted EPS	\$ 0.58	\$ 0.63	\$ (0.05)

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.

* For definitions of Adjusted EBITDA and Adjusted Earnings Per Share (EPS) and non-GAAP reconciliations, please see the attached appendix.

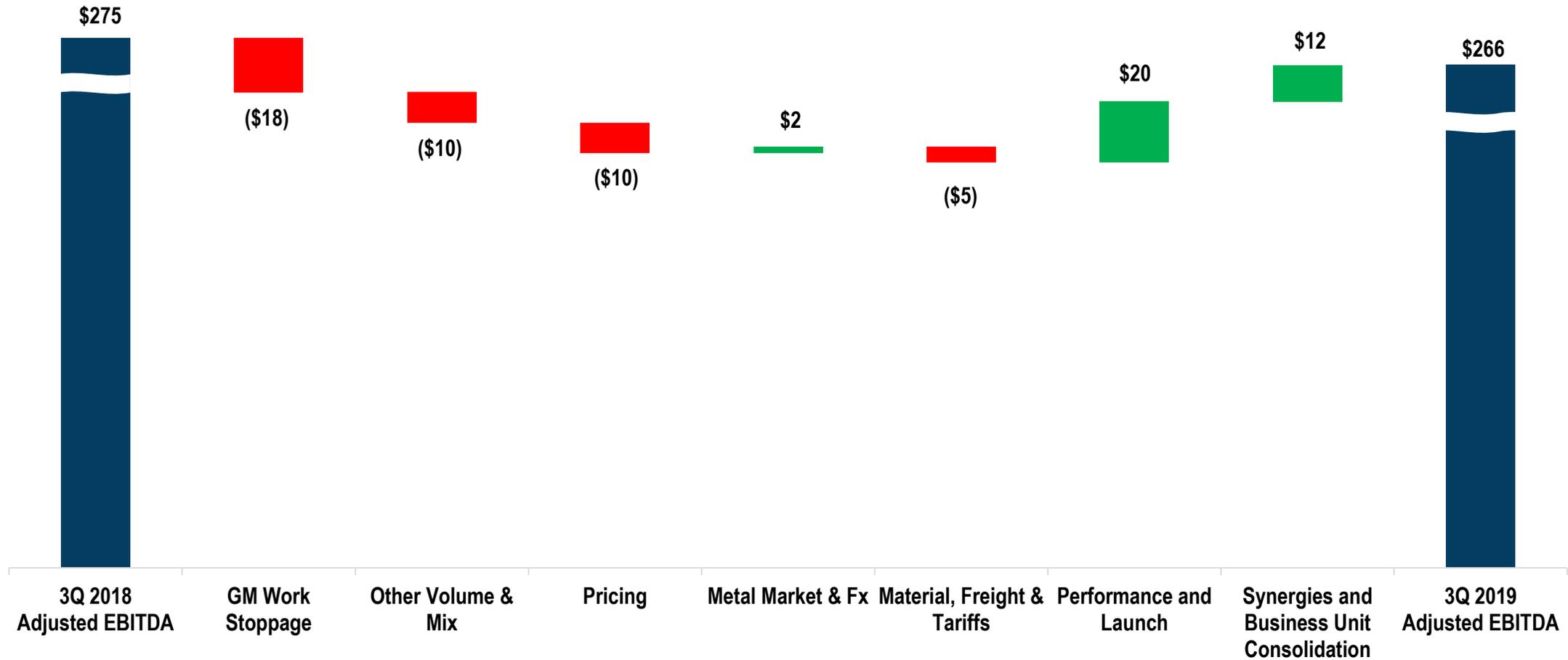
3Q 2019 Year-Over-Year Sales Walk

(in millions)



3Q 2019 Year-over-Year Adjusted EBITDA Walk

(in millions)



Adjusted Free Cash Flow and Debt Profile



Cash Flow and Debt Metrics	3Q 2019
Adjusted Free Cash Flow	\$160.5 million
Net Debt	\$3.3 billion
Net Leverage Ratio	3.25x
Liquidity	> \$1.3 billion

AAM reduced leverage through the generation of significant free cash flow in the quarter



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



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

	Quarter Ended				Trailing Twelve
	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	Months Ended September 30, 2019
Net income (loss)	\$ (361.6)	\$ 41.7	\$ 52.7	\$ (124.1)	\$ (391.3)
Interest expense	53.8	53.4	56.2	54.3	217.7
Income tax expense (benefit)	(88.5)	(3.0)	6.0	(40.4)	(125.9)
Depreciation and amortization	137.9	140.8	136.5	134.2	549.4
EBITDA	(258.4)	232.9	251.4	24.0	249.9
Restructuring and acquisition-related costs	12.1	12.1	12.2	11.7	48.1
Debt refinancing and redemption costs	4.8	-	2.4	5.1	12.3
Impairment charge	485.5	-	-	225.0	710.5
Adjusted EBITDA	\$ 244.0	\$ 245.0	\$ 266.0	\$ 265.8	\$ 1,020.8
as % of net sales	14.4%	14.3%	15.6%	15.8%	15.0%
Net sales	1,694.1	1,719.2	1,704.3	1,677.4	6,795.0

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.



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>



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

	September 30, 2019
Current portion of long-term debt	\$ 23.8
Long-term debt, net	3,673.3
Total debt, net	3,697.1
Less: Cash and cash equivalents	375.1
Net debt at end of period	3,322.0
Adjusted LTM EBITDA	\$ 1,020.8
Net Leverage Ratio	3.25

Supplemental Data



Segment Financial Information (\$ in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Segment Sales				
Driveline	\$ 1,146.7	\$ 1,228.2	\$ 3,422.5	\$ 3,718.6
Metal Forming	476.6	509.0	1,444.1	1,581.7
Casting	209.0	219.1	655.0	701.3
Total Sales	1,832.3	1,956.3	5,521.6	6,001.6
Intersegment Sales	(154.9)	(139.3)	(420.7)	(425.3)
Net External Sales	<u>\$ 1,677.4</u>	<u>\$ 1,817.0</u>	<u>\$ 5,100.9</u>	<u>\$ 5,576.3</u>
Segment Adjusted EBITDA				
Driveline	\$ 171.6	\$ 176.9	\$ 461.7	\$ 570.9
Metal Forming	80.4	83.6	253.7	306.0
Casting	13.8	14.5	61.4	63.0
Total Segment Adjusted EBITDA	<u>\$ 265.8</u>	<u>\$ 275.0</u>	<u>\$ 776.8</u>	<u>\$ 939.9</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, impairment charges 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, impairment charges 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

