



®

TECHNOLOGY THAT DRIVES THE INDUSTRY

# Fourth 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”.

# 2019 4Q and Full Year Financial Highlights



4Q  
2019

**\$1.43B**

Quarterly  
Sales

**\$194M**

Quarterly  
Adj. EBITDA

**\$117M**

Quarterly  
Adj. Free  
Cash Flow

FY  
2019

**\$6.53B**

Full Year  
Sales

**\$970M**

Full Year  
Adj. EBITDA

**\$208M**

Full Year  
Adj. Free  
Cash Flow

# 2019 Business Update



## Benefits

**Favorable light truck mix**

**Utilized flexible operations and variable cost structure to adjust to market demand; managed capital spending**

**Improved launch and operational performance**

**Restructured and streamlined the business, including asset sale**

## Challenges

**GM work stoppage**

**Lower than expected production volumes in China, Europe and India and certain key programs in North America**

**Customer launch downtime and delays**

**Trade and tariff uncertainty**

# Business Unit Performance



## DRIVELINE



|                    | 4Q 2019    | 4Q 2018    | Difference |
|--------------------|------------|------------|------------|
| Sales              | \$ 1,015.6 | \$ 1,172.4 | \$ (156.8) |
| Adjusted EBITDA    | \$ 124.9   | \$ 163.8   | \$ (38.9)  |
| Adj. EBITDA Margin | 12.3%      | 14.0%      | -1.7%      |

- Sales decline due primarily to the GM work stoppage and lower metal market and foreign currency translation
- This business unit now includes the El Carmen Manufacturing Facility from our Casting segment

## METAL FORMING



|                    | 4Q 2019  | 4Q 2018  | Difference |
|--------------------|----------|----------|------------|
| Sales              | \$ 401.2 | \$ 464.3 | \$ (63.1)  |
| Adjusted EBITDA    | \$ 66.2  | \$ 73.8  | \$ (7.6)   |
| Adj. EBITDA Margin | 16.5%    | 15.9%    | 0.6%       |

- Sales decline due primarily to lower North American (including GM work stoppage) and European production volumes.
- This business unit continues to perform at high margin levels and benefit from improved launch and operating performance

## CASTING

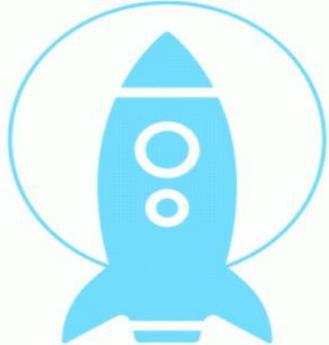


|                    | 4Q 2019  | 4Q 2018  | Difference |
|--------------------|----------|----------|------------|
| Sales              | \$ 127.5 | \$ 184.2 | \$ (56.7)  |
| Adjusted EBITDA    | \$ 2.4   | \$ 6.4   | \$ (4.0)   |
| Adj. EBITDA Margin | 1.9%     | 3.5%     | -1.6%      |

- The financial results of the Casting business unit has been restated to include only the U.S. Casting operations
- We completed the sale of our U.S. iron casting operations in December 2019 and we will not be reporting this segment going forward.

\* For definitions of Adjusted EBITDA and Adjusted Free Cash Flow and Non-GAAP reconciliations, please see the attached appendix

# 2019 AAM Highlights



Completed  $\approx$ 50  
Global Product  
and Program  
Launches



Automotive News  
**PACE**  
AWARD  
Deloitte APMA  
2020 FINALIST



Continued Strong  
Free Cash Flow  
Generation and  
Debt Reduction



Sold U.S. Iron  
Casting  
Business



Celebrated 25 years  
of, World-Class  
Quality, Technology  
Leadership and  
Operational  
Excellence at AAM



3<sup>rd</sup> eDrive Unit New  
Business Award –  
AAM's First in  
China Market



AAM Received  
Supplier of the Year  
and Gold Diversity  
Award from GM



Published 1<sup>st</sup>  
Sustainability  
Review



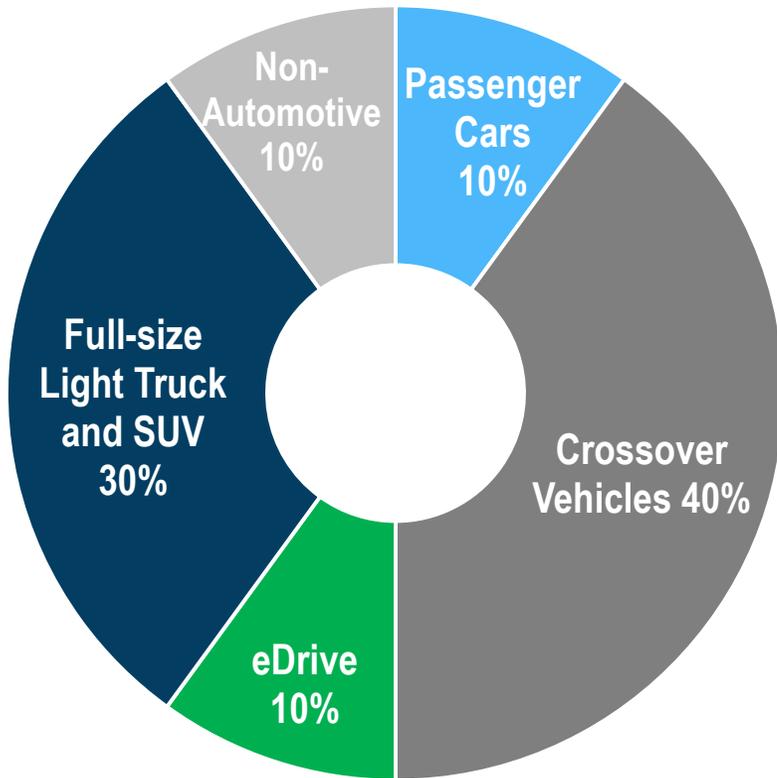
AAM Received  
Sustainability  
Award from Ford  
Motor Company

# Gross New and Incremental Business Backlog

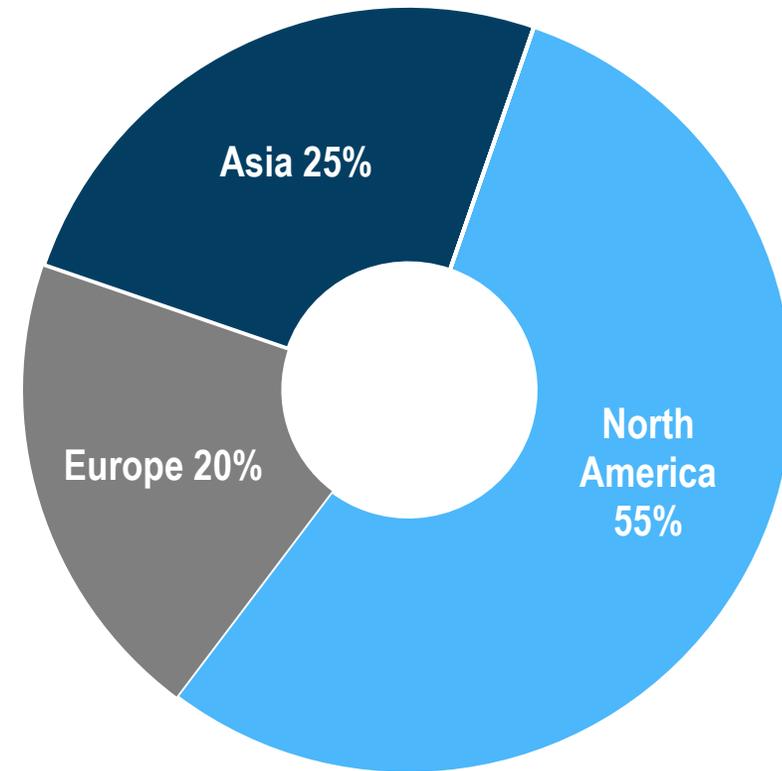


**\$750 MILLION: 2020 - 2022**

**Backlog by Vehicle Segment**



**Backlog by Region**



**Our new business backlog continues to drive product, customer and geographic diversification**

# 2020 Financial Outlook



## 2020 Financial Targets

|                                |                              |
|--------------------------------|------------------------------|
| <b>Full Year Sales</b>         | <b>\$5.8 - \$6.0 billion</b> |
| <b>Adjusted EBITDA Margin</b>  | <b>≈ 16% of sales</b>        |
| <b>Adjusted Free Cash Flow</b> | <b>≈ \$300 million</b>       |

- These targets are based on the following industry production assumptions for 2020:
  - North American light vehicle production of 16.3 to 16.5 million
  - European light vehicle production down 1% to 3% compared to 2019
  - China light vehicle production down 3% to 5% compared to 2019
- Adjusted Free Cash Flow target assumes capital spending of approximately 5.5% of sales
- AAM expects restructuring and acquisition-related cash payments to be between \$30 and \$45 million

# 4Q Financial Results



|                                       | Three Months Ended December 31,              |            | Difference |
|---------------------------------------|--|------------|------------|
|                                       | 2019   | 2018       |            |
|                                       | (dollars in millions, except per share data) |            |            |
| Net sales                             | \$ 1,430.0                                   | \$ 1,694.1 | \$ (264.1) |
| Gross profit                          | \$ 183.4                                     | \$ 225.3   | \$ (41.9)  |
| Gross margin                          | 12.8%  | 13.3%      | -0.5%      |
| SG&A                                  | \$ 90.0                                      | \$ 97.1    | \$ (7.1)   |
| SG&A as a % of sales                  | 6.3%   | 5.7%       | 0.6%       |
| Amortization of intangible assets     | \$ 21.8                                      | \$ 24.9    | \$ (3.1)   |
| Impairment charges                    | \$ 440.0                                     | \$ 485.5   | \$ (45.5)  |
| Restructuring and acquisition costs   | \$ 21.8                                      | \$ 12.1    | \$ 9.7     |
| Other income (expense)                | \$ (3.4)                                     | \$ (2.4)   | \$ (1.0)   |
| Adjusted EBITDA                       | \$ 193.5                                     | \$ 244.0   | \$ (50.5)  |
| Adjusted EBITDA margin                | 13.5%  | 14.4%      | -0.9%      |
| Net interest expense                  | \$ 51.0                                      | \$ 53.4    | \$ (2.4)   |
| Income tax expense (benefit)          | \$ (11.5)                                    | \$ (88.5)  | \$ 77.0    |
| Effective tax rate                    | 2.5%   | 19.7%      | -17.1%     |
| Net income (loss) attributable to AAM | \$ (454.4)                                   | \$ (361.8) | \$ (92.6)  |
| Diluted EPS                           | \$ (4.04)                                    | \$ (3.24)  | \$ (0.80)  |
| Adjusted EPS                          | \$ 0.13                                      | \$ 0.45    | \$ (0.32)  |

Adjusted earnings per share are based on weighted average diluted shares outstanding of 116.2 million for the three months ended on December 31, 2019 and 2018.

# Full Year Financial Results



|                                       | Twelve Months Ended December 31,             |            |            | Difference |
|---------------------------------------|--|------------|------------|------------|
|                                       | 2019   | 2018       |            |            |
|                                       | (dollars in millions, except per share data) |            |            |            |
| Net sales                             | \$ 6,530.9                                   | \$ 7,270.4 | \$ (739.5) |            |
| Gross profit                          | \$ 902.6                                     | \$ 1,140.4 | \$ (237.8) |            |
| Gross margin                          | 13.8%  | 15.7%      | -1.9%      |            |
| SG&A                                  | \$ 364.7                                     | \$ 385.7   | \$ (21.0)  |            |
| SG&A as a % of sales                  | 5.6%   | 5.3%       | 0.3%       |            |
| Amortization of intangible assets     | \$ 95.4                                      | \$ 99.4    | \$ (4.0)   |            |
| Impairment charges                    | \$ 665.0                                     | \$ 485.5   | \$ 179.5   |            |
| Restructuring and acquisition costs   | \$ 57.8                                      | \$ 78.9    | \$ (21.1)  |            |
| Other income (expense)                | \$ (19.9)                                    | \$ (6.0)   | \$ (13.9)  |            |
| Adjusted EBITDA                       | \$ 970.3                                     | \$ 1,183.9 | \$ (213.6) |            |
| Adjusted EBITDA margin                | 14.9%  | 16.3%      | -1.4%      |            |
| Net interest expense                  | \$ 211.5                                     | \$ 214.3   | \$ (2.8)   |            |
| Income tax expense (benefit)          | \$ (48.9)                                    | \$ (57.1)  | \$ 8.2     |            |
| Effective tax rate                    | 9.2%   | 50.1%      | -40.9%     |            |
| Net income (loss) attributable to AAM | \$ (484.5)                                   | \$ (57.5)  | \$ (427.0) |            |
| Diluted EPS                           | \$ (4.31)                                    | \$ (0.51)  | \$ (3.80)  |            |
| Adjusted EPS                          | \$ 1.62                                      | \$ 3.28    | \$ (1.66)  |            |

Adjusted earnings per share are based on weighted average diluted shares outstanding of 116.1 million and 115.8 million for the twelve months ended on December 31, 2019 and 2018, respectively.

# 4Q 2019 Year-Over-Year Sales Walk

(in millions)



# 4Q 2019 Year-over-Year Adjusted EBITDA Walk

(in millions)



# Adjusted Free Cash Flow and Debt Profile

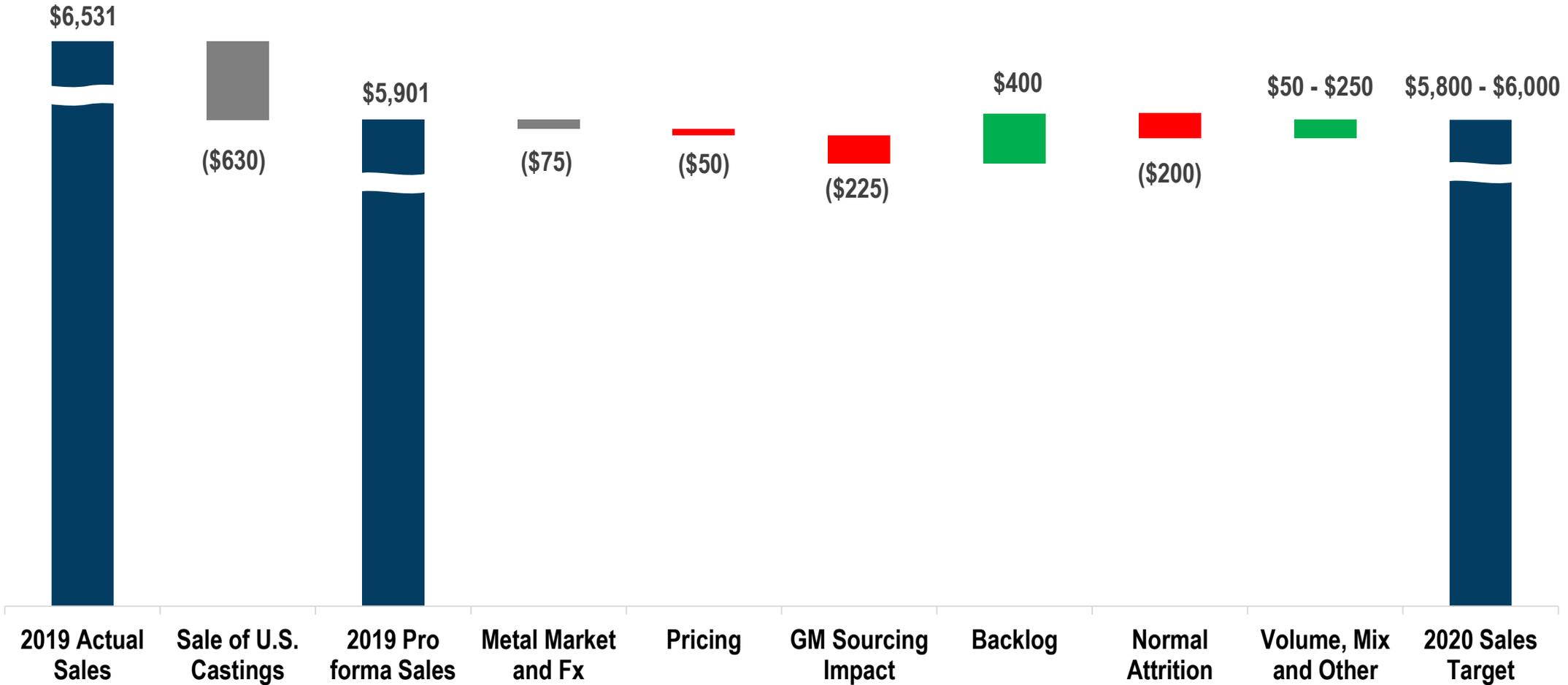


| Cash Flow and Debt Metrics | 4Q 2019         |
|----------------------------|-----------------|
| Adjusted Free Cash Flow    | \$116.5 million |
| Net Debt                   | \$3.1 billion   |
| Net Leverage Ratio         | 3.2x            |
| Liquidity                  | \$1.5 billion   |

**AAM's second straight quarter of > \$100M in adjusted free cash flow**

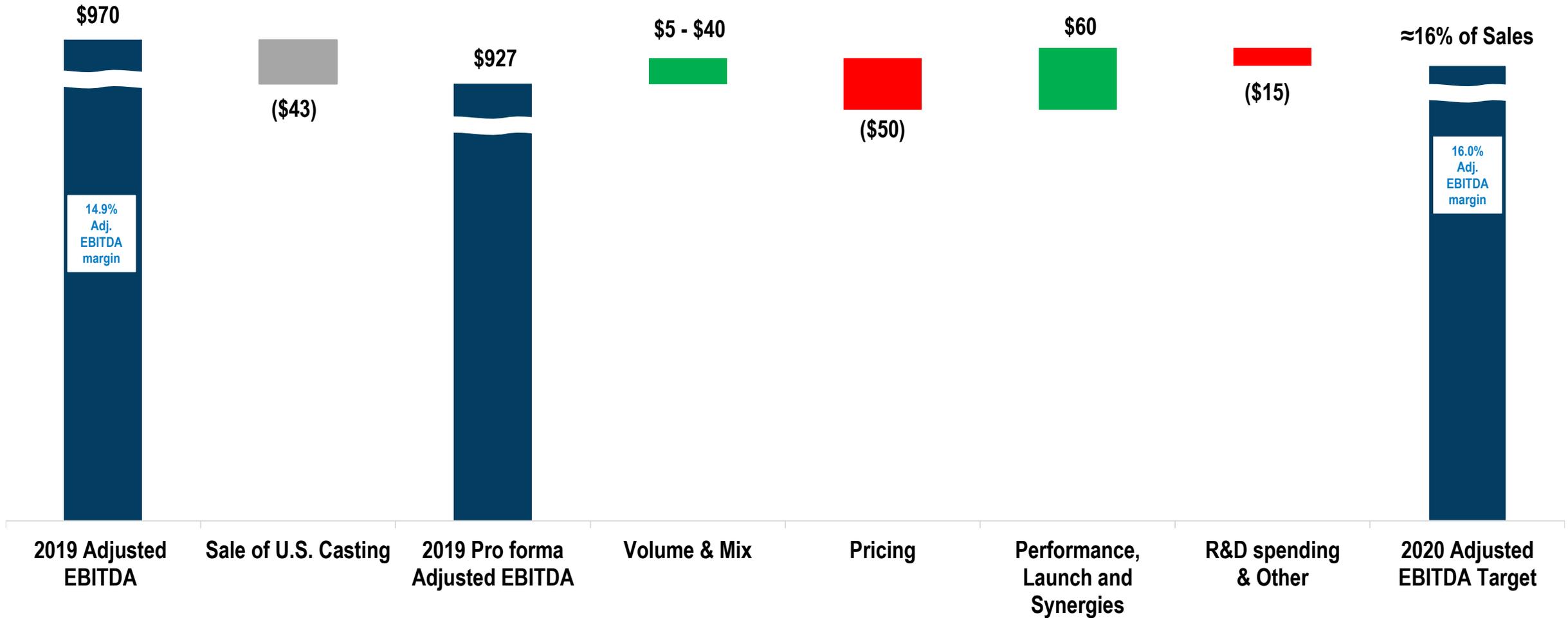
# 2020 Sales Walk

(in millions)



# 2020 Adjusted EBITDA Walk

(in millions)





# 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.

# Production and Sales Volume Assumptions



|  | 2019        | 2020                |
|--|-------------|---------------------|
| North America Light Vehicle Production | 16.3M units | 16.3 - 16.5M units  |
| Europe Light Vehicle Production        | 21.1M units | ≈ 1% to 3% decrease |
| Greater China Light Vehicle Production | 24.6M units | ≈ 3% to 5% decrease |

# Supplemental Data



## EBITDA and Adjusted EBITDA Reconciliation (\$ in millions)

|   | Three Months Ended<br>December 31, |            | Twelve Months Ended<br>December 31, |            |
|---|------------------------------------|------------|-------------------------------------|------------|
|   | 2019                               | 2018       | 2019                                | 2018       |
| Net income (loss)                           | \$ (454.4)                         | \$ (361.6) | \$ (484.1)                          | \$ (56.8)  |
| Interest expense                            | 53.4                               | 53.8       | 217.3                               | 216.3      |
| Income tax expense (benefit)                | (11.5)                             | (88.5)     | (48.9)                              | (57.1)     |
| Depreciation and amortization               | 125.4                              | 137.9      | 536.9                               | 528.8      |
| EBITDA                                      | (287.1)                            | (258.4)    | 221.2                               | 631.2      |
| Restructuring and acquisition-related costs | 21.8                               | 12.1       | 57.8                                | 78.9       |
| Debt refinancing and redemption costs       | 0.9                                | 4.8        | 8.4                                 | 19.4       |
| Impairment charges                          | 440.0                              | 485.5      | 665.0                               | 485.5      |
| Pension settlement                          | 9.8                                | -          | 9.8                                 | -          |
| (Gain) loss on sale of business             | 21.3                               | -          | 21.3                                | (15.5)     |
| Non-recurring items:                        |                                    |            |                                     |            |
| Gain on bargain purchase of business        | (10.8)                             | -          | (10.8)                              | -          |
| Gain on settlement of capital lease         | -                                  | -          | -                                   | (15.6)     |
| Other                                       | (2.4)                              | -          | (2.4)                               | -          |
| Adjusted EBITDA                             | \$ 193.5                           | \$ 244.0   | \$ 970.3                            | \$ 1,183.9 |
| as % of net sales                           | 13.5%                              | 14.4%      | 14.9%                               | 16.3%      |

# Supplemental Data



## Adjusted Earnings Per Share Reconciliation

|   | Three Months Ended |                | Twelve Months Ended |                |
|---|--------------------|----------------|---------------------|----------------|
|   | December 31,       |                | December 31,        |                |
|   | 2019               | 2018           | 2019                | 2018           |
| Diluted earnings (loss) per share                     | \$ (4.04)          | \$ (3.24)      | \$ (4.31)           | \$ (0.51)      |
| Restructuring and acquisition-related costs           | 0.19               | 0.11           | 0.51                | 0.71           |
| Debt refinancing and redemption costs                 | 0.01               | 0.04           | 0.07                | 0.17           |
| (Gain) loss on sale of business                       | 0.19               | -              | 0.19                | (0.14)         |
| Impairment charges                                    | 3.91               | 4.35           | 5.92                | 4.35           |
| Pension settlement                                    | 0.09               | -              | 0.09                | -              |
| Non-recurring items:                                  |                    |                |                     |                |
| Gain on bargain purchase of business                  | (0.10)             | -              | (0.10)              | -              |
| Gain on settlement of capital lease                   | -                  | -              | -                   | (0.14)         |
| Tax Cuts and Jobs Act Transition Tax adjustment       | -                  | -              | (0.08)              | -              |
| Adjustment to liability for unrecognized tax benefits | -                  | -              | -                   | (0.18)         |
| Other   | (0.02)             | -              | (0.02)              | -              |
| Tax effect of adjustments                             | (0.10)             | (0.79)         | (0.60)              | (0.85)         |
| Adjustment for anti-dilutive effect                   | -                  | (0.02)         | (0.05)              | (0.13)         |
| Adjusted earnings per share                           | <u>\$ 0.13</u>     | <u>\$ 0.45</u> | <u>\$ 1.62</u>      | <u>\$ 3.28</u> |

Adjusted earnings per share are based on weighted average diluted shares outstanding of 116.2 million for the three months ended on December 31, 2019 and 2018, and 116.1 million and 115.8 million for the twelve months ended on December 31, 2019 and 2018, respectively.



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

|  | Three Months Ended<br>December 31, |                 | Twelve Months Ended<br>December 31, |                 |
|--|------------------------------------|-----------------|-------------------------------------|-----------------|
|  | 2019                               | 2018            | 2019                                | 2018            |
| Net cash provided by operating activities  | \$ 181.0                           | \$ 258.3        | \$ 559.6                            | \$ 771.5        |
| Less: Capital expenditures net of proceeds from sale of property,<br>plant and equipment | (95.0)                             | (131.2)         | (428.3)                             | (519.8)         |
| Free cash flow   | 86.0                               | 127.1           | 131.3                               | 251.7           |
| Cash payments for restructuring and acquisition-related costs                            | 30.5                               | 15.3            | 76.5                                | 70.6            |
| Adjusted free cash flow  | <u>\$ 116.5</u>                    | <u>\$ 142.4</u> | <u>\$ 207.8</u>                     | <u>\$ 322.3</u> |



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

|                                   | <b>December 31,<br/>2019</b> |
|-----------------------------------|------------------------------|
| Current portion of long-term debt | \$ 28.7                      |
| Long-term debt, net               | <u>3,612.3</u>               |
| Total debt, net                   | 3,641.0                      |
| Less: Cash and cash equivalents   | <u>532.0</u>                 |
| Net debt at end of period         | <u>3,109.0</u>               |
| Adjusted LTM EBITDA               | <u><u>\$ 970.3</u></u>       |
| <br>Net Leverage Ratio            | <br>3.20                     |

# Supplemental Data



## Segment Financial Information (\$ in millions)

|                               | Three Months Ended<br>December 31, |                   | Twelve Months Ended<br>December 31, |                   |
|-------------------------------|------------------------------------|-------------------|-------------------------------------|-------------------|
|                               | 2019                               | 2018              | 2019                                | 2018              |
| Segment Sales                 |                                    |                   |                                     |                   |
| Driveline                     | \$ 1,015.6                         | \$ 1,172.4        | \$ 4,550.2                          | \$ 5,001.2        |
| Metal Forming                 | 401.2                              | 464.3             | 1,845.2                             | 2,046.0           |
| Casting                       | 127.5                              | 184.3             | 669.2                               | 780.6             |
| Total Sales                   | 1,544.3                            | 1,821.0           | 7,064.6                             | 7,827.8           |
| Intersegment Sales            | (114.3)                            | (126.9)           | (533.7)                             | (557.4)           |
| Net External Sales            | <u>\$ 1,430.0</u>                  | <u>\$ 1,694.1</u> | <u>\$ 6,530.9</u>                   | <u>\$ 7,270.4</u> |
| Segment Adjusted EBITDA       |                                    |                   |                                     |                   |
| Driveline                     | \$ 124.9                           | \$ 163.8          | \$ 610.8                            | \$ 754.5          |
| Metal Forming                 | 66.2                               | 73.8              | 316.5                               | 376.5             |
| Casting                       | 2.4                                | 6.4               | 43.0                                | 52.9              |
| Total Segment Adjusted EBITDA | <u>\$ 193.5</u>                    | <u>\$ 244.0</u>   | <u>\$ 970.3</u>                     | <u>\$ 1,183.9</u> |

# Supplemental Data



## Full Year 2020 Outlook (\$ in millions)

|   | Adjusted EBITDA |               |
|---|-----------------|---------------|
|   | Low End         | High End      |
| Net income                                  | \$ 140          | \$ 165        |
| Interest expense                            | 205             | 205           |
| Income tax expense                          | 35              | 40            |
| Depreciation and amortization               | 515             | 515           |
| Full year 2020 targeted EBITDA              | 895             | 925           |
| Restructuring and acquisition-related costs | 35              | 35            |
| Full year 2020 targeted Adjusted EBITDA     | <u>\$ 930</u>   | <u>\$ 960</u> |

|   | Adjusted<br>Free Cash<br>Flow |
|---|-------------------------------|
| Net cash provided by operating activities   | \$ 590                        |
| Capital expenditures net of proceeds from the sale of property, plant and equipment | (325)                         |
| Full year 2020 targeted Free Cash Flow  | 265                           |
| Cash payments for restructuring and acquisition-related costs                       | 35                            |
| Full year 2020 targeted Adjusted Free Cash Flow                                     | <u>\$ 300</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 (loss) on sale of a business, impairment charges, pension settlements 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 (loss) on sale of a business, impairment charges, pension settlements 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.

