# AAM’s SALE OF U.S. IRON CASTING OPERATIONS

September 18, 2019

# Forward-Looking Statements

This report may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, statements with respect to the transaction and the anticipated consequences and benefits of the transaction and other information relating to matters that are not historical facts. 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 the receipt and timing of necessary regulatory approvals and the other factors detailed from time to time in the reports we file with the SEC, including those described under “Risk Factors” in our 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 presentation contains certain financial measures, including Adjusted EBITDA, 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.

# Transaction Overview

## Scope

- Sale of AAM's U.S. iron casting operations ("Grede") – 10 Facilities
- Full Year 2018: $781M of sales ($741M excluding intercompany); ~$53M Adj. EBITDA
- LTM 6/30/2019: $746M of sales ($707M excluding intercompany); ~$50M Adj. EBITDA
- AAM will retain its El Carmen, Mexico iron casting operations

## Proceeds

- ~$245M, subject to certain customary adjustments, including assumption of pension and other liabilities
- ~$185M in cash and $60M deferred payment obligation
- ~5x LTM Adjusted EBITDA
- Net cash proceeds will primarily be used to repay outstanding indebtedness

## Timing

- Anticipate closing in 4Q 2019
- Subject to customary closing conditions and approvals

Note: See slide 6 for definition of Non-GAAP measures; LTM – Last twelve months

# Transaction Rationale

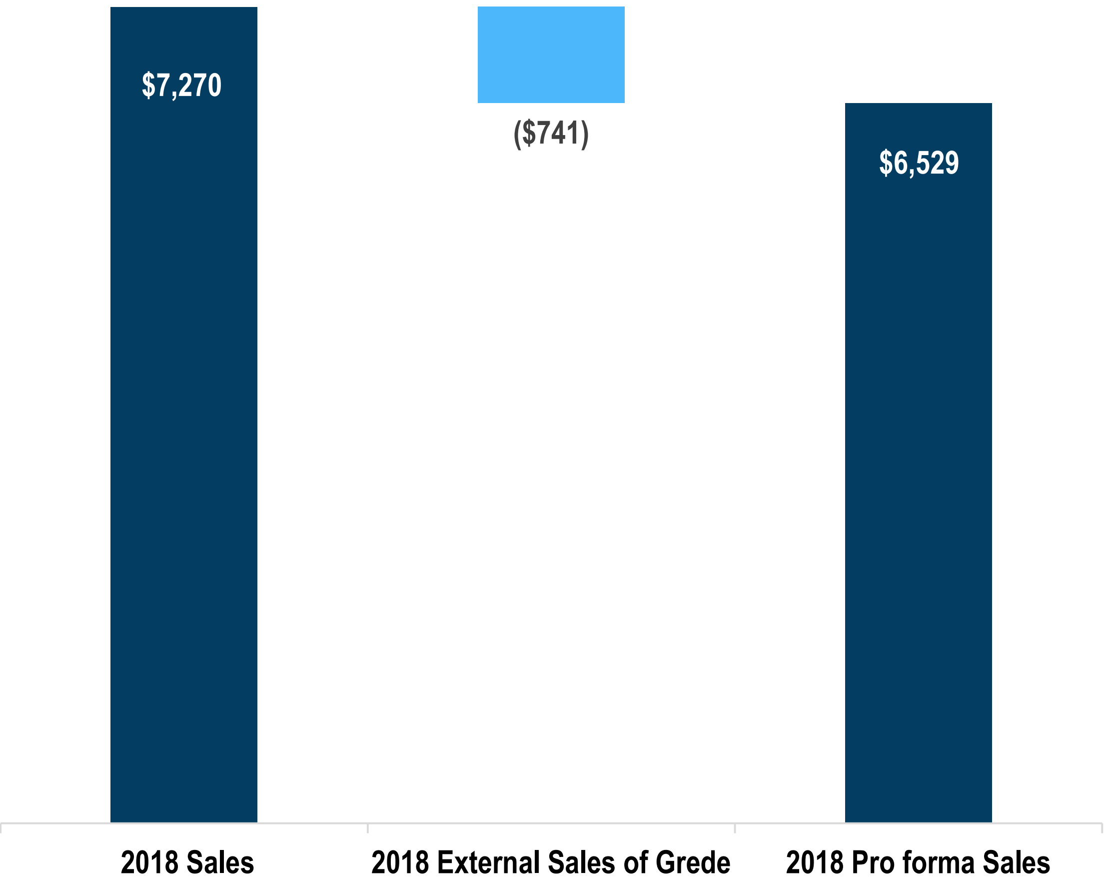
1 **Drives Shareholder Value** – Accelerates debt reduction while enhancing margin profile

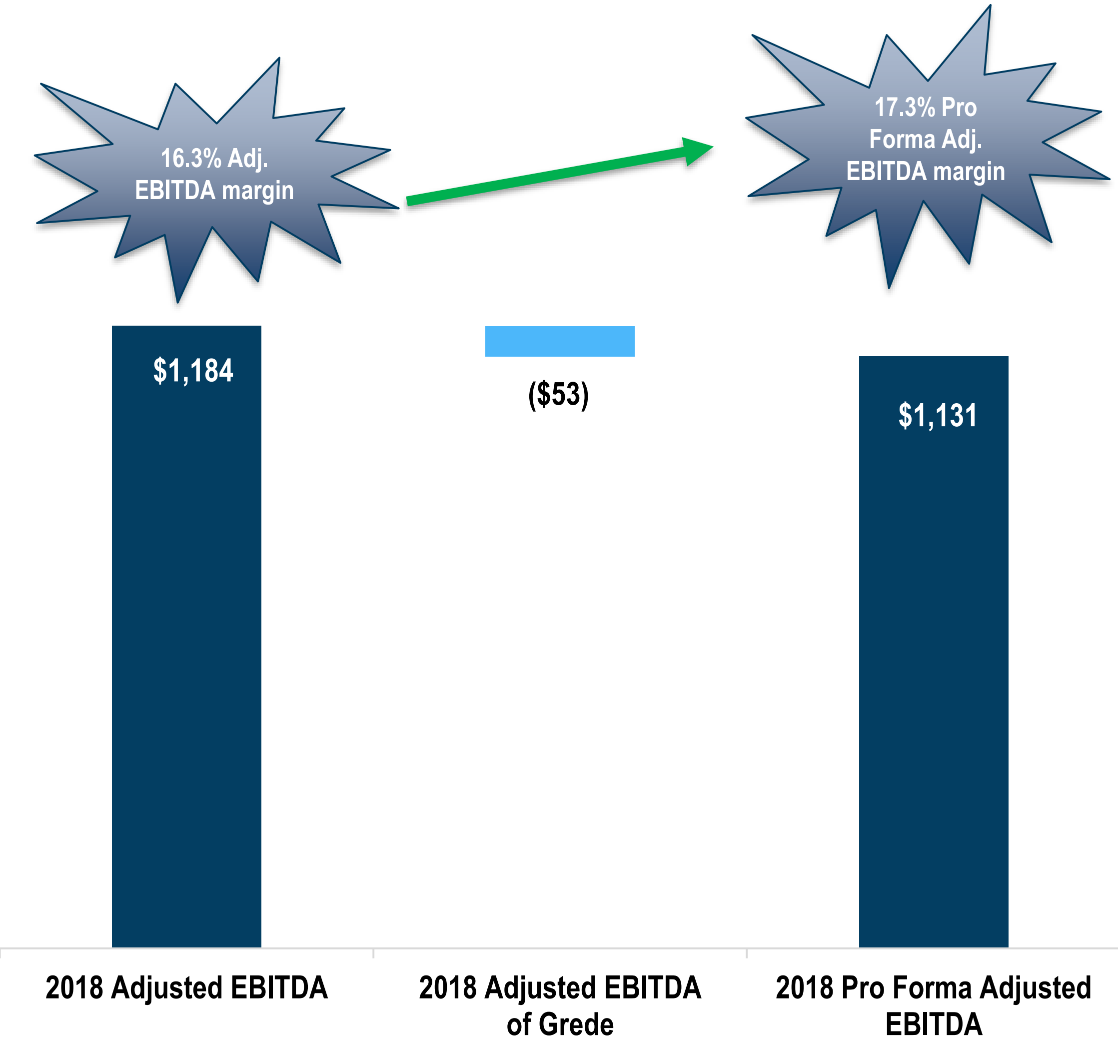
2 **Enhances Strategic Focus** – Strengthens focus of the business on our highly-engineered product portfolio and key growth opportunities, including electrification

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

# 2018 Financials Pro Forma without Grede




* Represents our estimate of 2018 Casting Adjusted EBITDA excluding our Mexico operations; See slide 6 for definitions and reconciliations of Non-Gaap measures;

# 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.

**EBITDA and Adjusted EBITDA Reconciliation**
**($ in millions)**

| | | 2018 |
|---|---|---|
| Net income (loss) | $ | (56.8) |
| Interest expense | | 216.3 |
| Income tax expense (benefit) | | (57.1) |
| Depreciation and amortization | | 528.8 |
| EBITDA | | 631.2 |
| Restructuring and acquisition-related costs | | 78.9 |
| Debt refinancing and redemption costs | | 19.4 |
| Gain on sale of business | | (15.5) |
| Goodwill impairment | | 485.5 |
| Non-recurring items: | | |
| Gain on settlement of capital lease | | (15.6) |
| Acquisition-related fair value inventory adjustment | | - |
| Other | | - |
| Adjusted EBITDA | $ | 1,183.9 |
| as % of net sales | | 16.3% |

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