



# Q1 2021 Earnings Presentation



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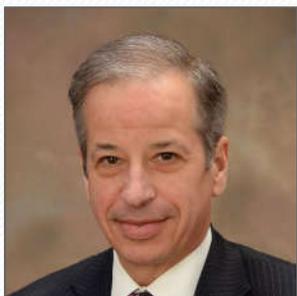
For additional information concerning such risk factors and cautionary statements, please see the section titled “Risk Factors” in the Company’s periodic reports filed with the Securities and Exchange Commission, including, but not limited to, the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and, when filed, the Company’s Quarterly Report on Form 10-Q for the three months ended March 31, 2021. Except as required by law, we undertake no obligation to update or revise any forward-looking statements we make in our press releases, whether as a result of new information, future events or otherwise.

With respect to any non-GAAP financial measures included in the following presentation, the accompanying information required by SEC Regulation G can be found at the back of this presentation or in the “Investor Relations” section of the Company’s web site, [www.nninc.com](http://www.nninc.com), under the heading “News & Events” and subheading “Presentations.”

# On the Call Today



**Warren Veltman**  
*President and  
Chief Executive Officer*



**Thomas DeByle**  
*Senior Vice President and  
Chief Financial Officer*

## Agenda

1. Executive Overview
2. First Quarter Financial Update
3. Segment and Market Review
4. Outlook for 2021
5. Q&A

# First Quarter 2021 Update



# First Quarter 2021 Overview

## Key Quarterly Highlights

- Continued market recovery and year-over-year growth in sales and EBITDA
- Completed refinancing to position company for long-term growth
- Continued operational improvements

## Refinancing Transaction

- Completed a refinancing with \$150 million term loan, \$65 million preferred issuance, and \$50 million ABL which remains undrawn
- Reduces overall financing costs
- New financing has longer tenure, providing flexibility for growth

## Sales Growth

- First-quarter sales of \$126.8 million
- Up 9.1% year-over-year, up 6.5% sequentially
- Market recovery ongoing in both segments, with strong recovery in automotive from the impact of the COVID-19 pandemic

## EBITDA

- Reported EBITDA of \$14.1 million, or 11.1% of sales
- Adjusted EBITDA of \$16.9 million, or 13.3% of sales, up 460 basis points from prior year
- Strong Mobile Solutions performance with an Adjusted EBITDA of \$14.9 million, or 19.2% of sales

## Operating Income/EPS

- Operating income improved to \$1.0 million from (\$103.9) million in 2020
- Non-GAAP adjusted operating income improved to \$6.4 million from \$1.3 million
- EPS from Cont. Ops. of (\$0.46) vs. (\$5.96) last year; Non-GAAP Adjusted EPS of \$0.05 vs. (\$0.16) last year

## Cash Flow / Working Capital

- Free cash flow of \$2.4 million
- Sequential working capital improvements over the last three quarters
- Ongoing cash discipline

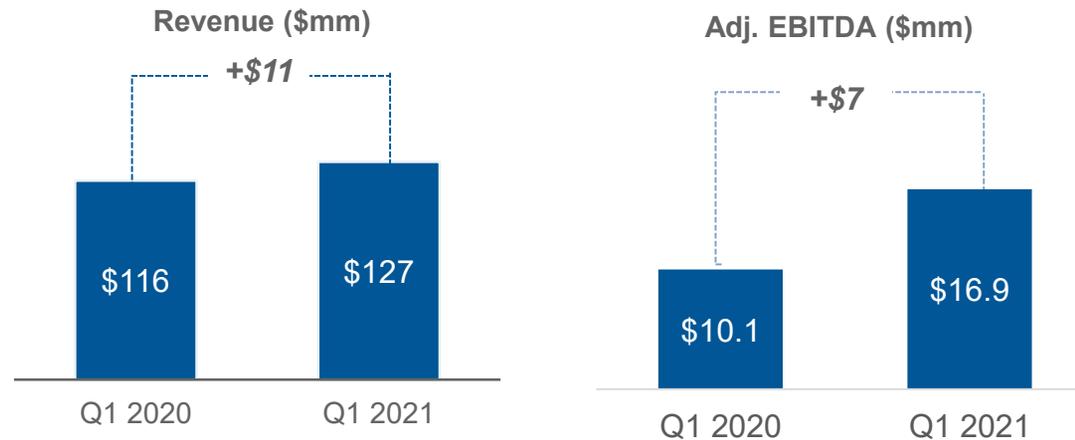
Note: All figures exclude Life Sciences except where noted

# First Quarter Financial Highlights

	Δ Y/Y	Q1 2021	Q1 2020
Sales	↑ 9.1%	\$126.8 million	\$116.2 million
Organic	↑	+ 9.7%	
FX Impact	↓	- 0.6%	
GAAP Operating Income/(Loss)	↑	\$1.0 million	(\$103.9) million
Non-GAAP Adj Operating Income	↑ 392%	\$6.4 million	\$1.3 million
Non-GAAP Adj EBITDA	↑ 67%	\$16.9 million	\$10.1 million
Non-GAAP Adj EBITDA Margin	↑ 460 bps	13.3%	8.7%
GAAP Diluted EPS from Continuing Ops	↑	(\$0.46)	(\$5.96)
Non-GAAP Adj Diluted EPS	↑	\$0.05	(\$0.16)

- Strong organic sales growth and double-digit Adjusted EBITDA margins
- GAAP Diluted EPS from Continuing Operations impacted by costs related to the refinancing transaction and the termination of the interest rate swap

# Ongoing Recovery Positioning NN for Future Growth

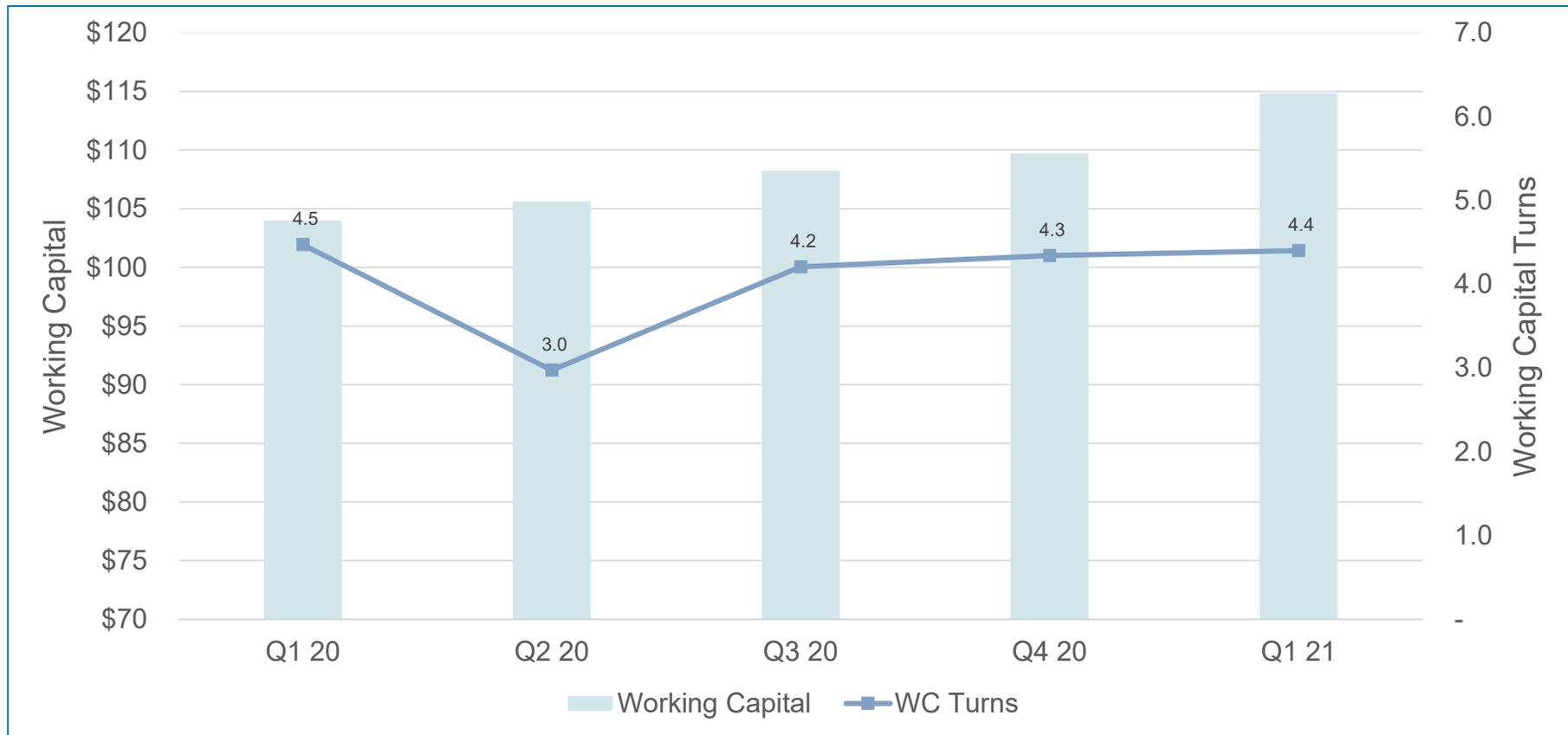


Management remains focused on leveraging synergies across Mobile and Power Solutions



Following 2Q'20, which was most significantly impacted by COVID-19, revenue has continued to recover sequentially and year over year

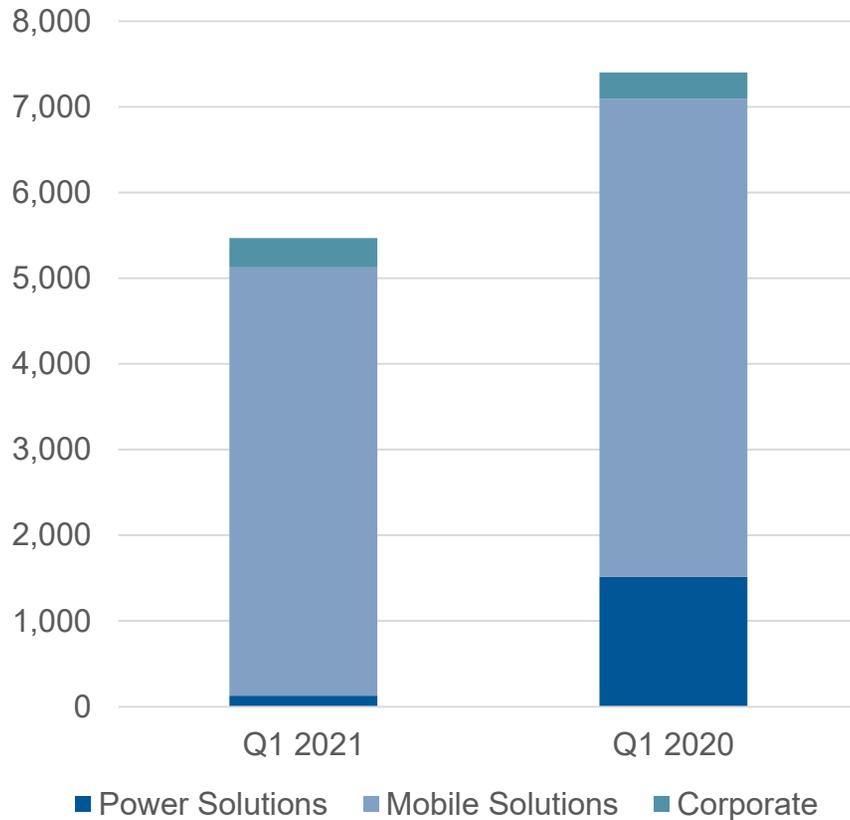
# Working Capital



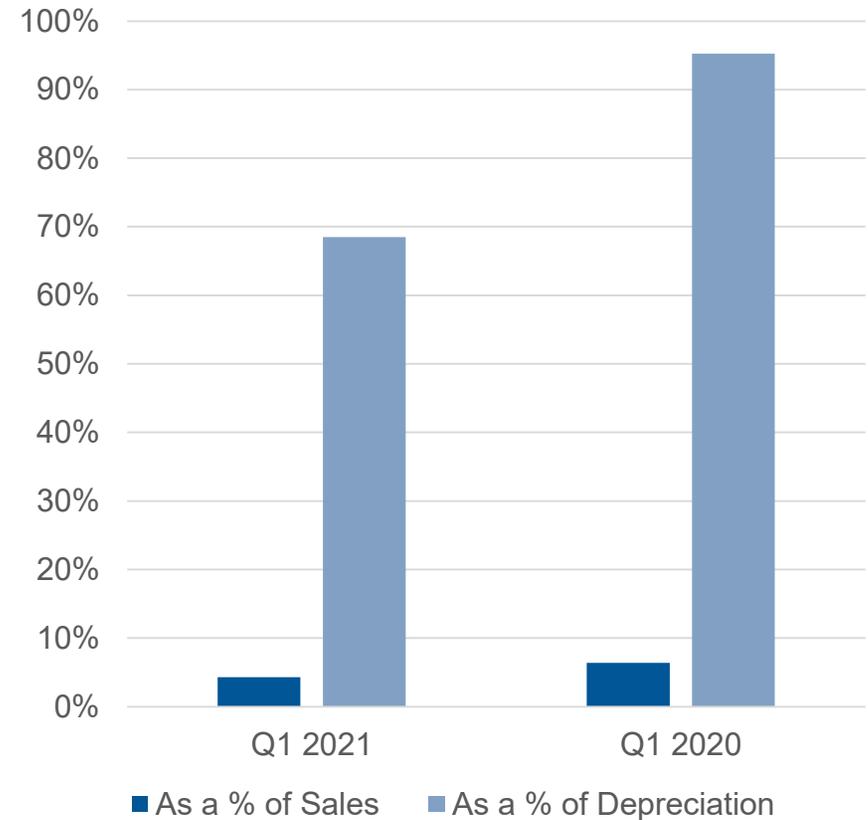
Sequential working capital improvements over the last three quarters

# Capital Spending Discipline

## Capital Expenditures



## Capex %

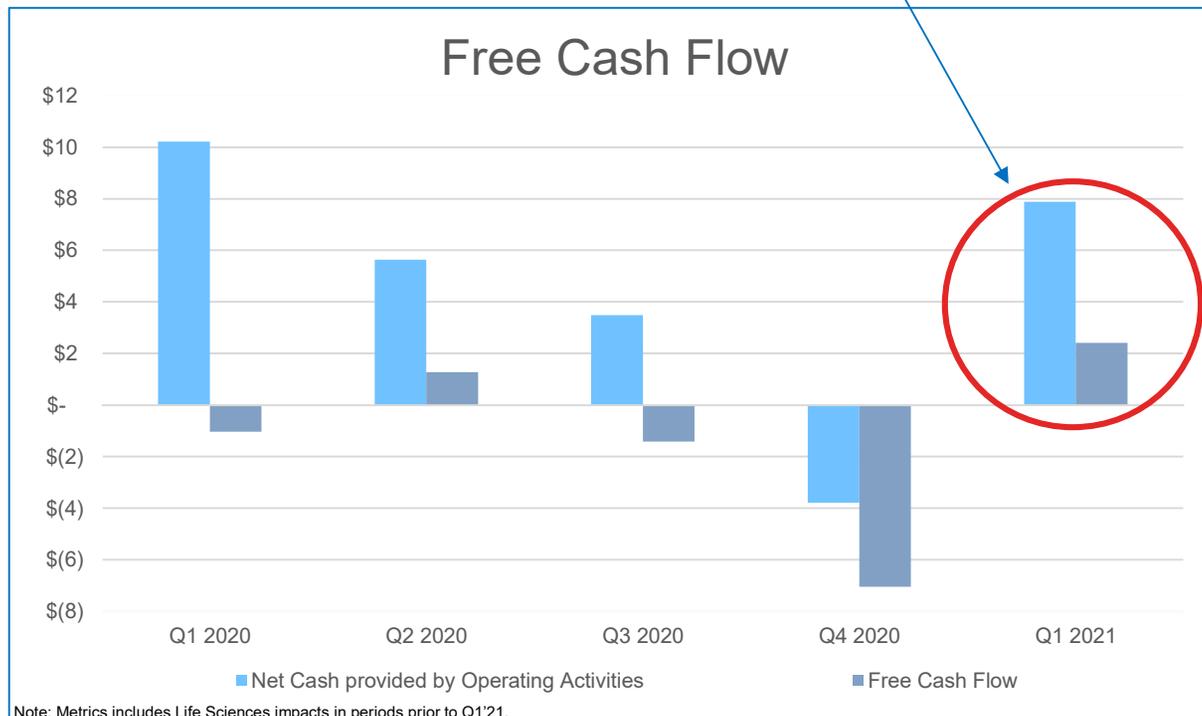


Capital expenditures through the first quarter in-line with management's anticipated investment of \$22.0 million for the fiscal year

# Free Cash Flow

Cash Flow Metrics		
\$000's		
<i>Free cash flow:</i>		
	<b>Q1 2021</b>	<b>Q1 2020<sup>1</sup></b>
Net cash provided by operating activities, as reported	\$ 7,884	\$ 10,224
Less: Capital expenditures	(5,468)	(11,260)
<b>Free cash flow</b>	<b>\$ 2,417</b>	<b>\$ (1,036)</b>

<sup>1</sup>Prior period actuals include Life Sciences

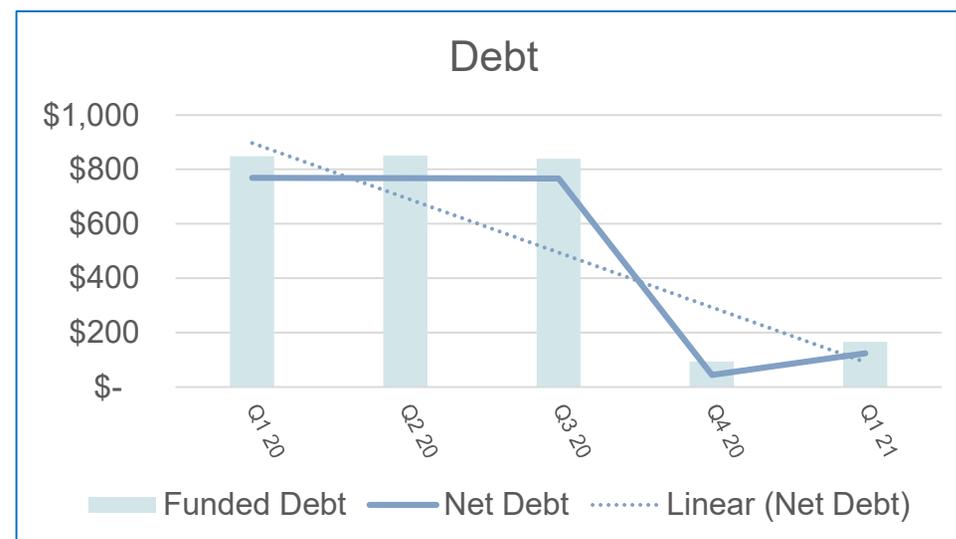
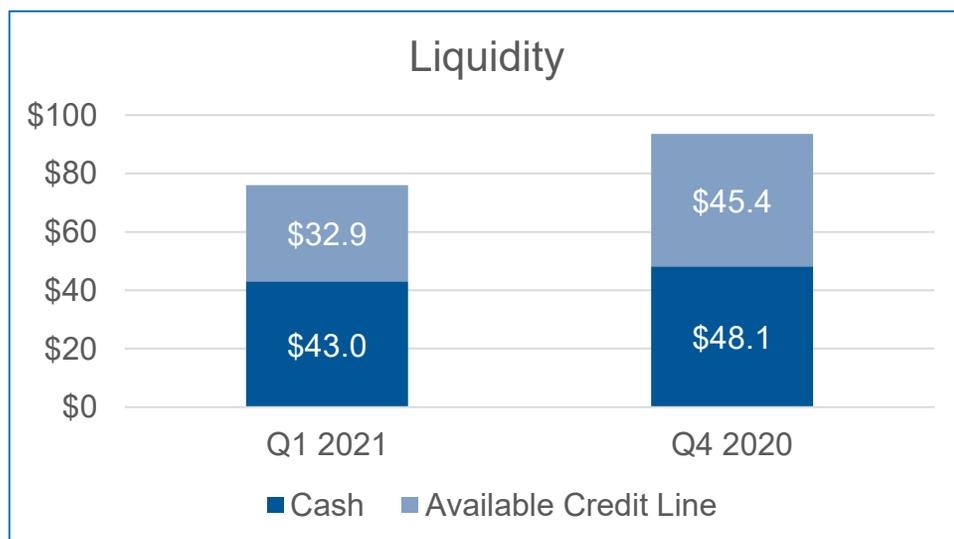


Q1'21 free cash flow generation of \$2.4 million

# Net Debt and Leverage

Debt Metrics		
<i>\$000's</i>	<b>Q1 2021</b>	<b>Q1 2020<sup>1</sup></b>
Short Term Debt	\$ 8,886	\$ 23,207
Long Term Debt (ex-issuance costs)	157,466	824,897
Funded Debt	166,351	848,104
Cash	43,033	79,214
Net Debt	<u>\$ 123,318</u>	<u>\$ 768,890</u>
TTM Adjusted EBITDA as Reported	\$ 53,263	\$ 143,084
<b>Adjusted EBITDA to Net Debt</b>	<b>2.32 x</b>	<b>5.37 x</b>

<sup>1</sup>Prior period actuals include Life Sciences



Refinancing completed in Q1'21 positions NN for long-term growth  
 – Leverage Ratio under 3x

# Segment Highlights



# Current Market Update

## Mobile Solutions:

- North American auto industry production – overall 2021 production rates are expected to recover approximately 24% from pandemic impacted levels of 2020 – nearly reaching 2019 levels. Production output driven by low car and truck channel inventory levels.
- Chip shortage affecting large segment of OEMs – causing unpredictable volumes through Q2 – NN product mix is more weighted to truck and SUV models mitigates chip shortage impact.
- Supply chain demands have increased growth rates in the Medium and Heavy Truck market in NA, EU, and CH, driving demand for diesel engines. Chinese Government rolling out CN6 emission standards effective in July 2021 is resulting in acceleration of volume prior to the effective date.

## Power Solutions:

- Power Companies have accelerated efforts to justify and implement aging grid infrastructure upgrades on the distribution side in preparation for continued installments of smart-grid systems, green power generation and storage devices (wind, solar, battery), and increased demand driven by electrified vehicles in the future.
- Green initiatives will be accelerated and promoted by the current administration, which introduced a \$2.25 trillion infrastructure plan with heavy emphasis on green energy and reduced carbon emissions.

# Mobile Solutions – Q1 2021

<b>Mobile Solutions</b> <i>(In millions)</i>	<b>Q1 2021</b>	<b>% of Sales</b>	<b>Q1 2020</b>	<b>% of Sales</b>	<b>% Change</b>	<b>Margin Change</b>
Sales	\$ 77.8		\$ 69.9		11.3%	
Operating Profit - GAAP	\$ 6.1	7.8%	\$ 0.3	0.4%	2207.4%	750 bps
Operating Profit - Adjusted	\$ 7.1	9.1%	\$ 1.5	2.1%	377.2%	700 bps
Reported EBITDA	\$ 14.4	18.6%	\$ 6.2	8.9%	131.1%	960 bps
Adjusted EBITDA	\$ 14.9	19.2%	\$ 7.4	10.6%	101.4%	860 bps

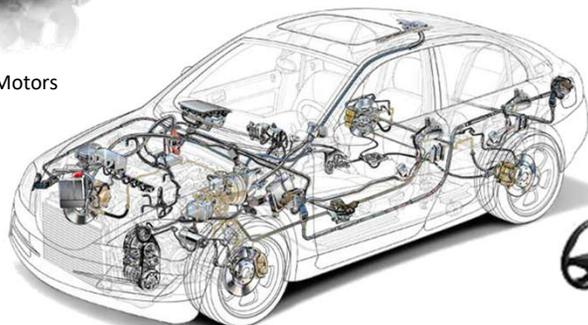
Focused expansion in components serving the growing electric vehicle marketplace



Electric Motors



Braking



Sensors



Electric Power Steering

## Sales – Sales up 11.3% (\$7.9M) from prior year:

- Automotive and general industrial demand rebounded to pre-COVID levels.
- Favorable automotive platform mix.
- Higher global demand for diesel components driven by e-commerce logistics.

## Profitability:

- Contribution from higher sales.
- Fixed cost absorption through inventory builds during Q1 '21.
- Successful continuous improvement activities in several product lines resulted in improved variable margin.
- Increased China joint venture net income due to higher sales.

## Current Focus & Looking Forward:

- Demand continues to be strong in Q2 '21.
- Continued success in managing supply chain and manpower challenges will be the key to maintaining margins.
- Continued protection of cash flow through capital expenditure curtailment and working capital management.

# Power Solutions – Q1 2021

<b>Power Solutions</b> <i>(In millions)</i>	<b>Q1</b> <b>2021</b>	<b>% of</b> <b>Sales</b>	<b>Q1</b> <b>2020</b>	<b>% of</b> <b>Sales</b>	<b>%</b> <b>Change</b>	<b>Margin</b> <b>Change</b>
Sales	\$ 49.1		\$ 46.4		5.8%	
Operating Profit - GAAP*	\$ 2.4	5.0%	\$ 2.6	5.6%	-6.7%	-70 bps
Operating Profit - Adjusted	\$ 5.5	11.2%	\$ 7.0	15.0%	-21.5%	-390 bps
Reported EBITDA*	\$ 6.5	13.2%	\$ 6.2	13.3%	5.2%	-10 bps
Adjusted EBITDA	\$ 6.8	13.9%	\$ 8.4	18.1%	-18.8%	-420 bps

\*Q1 2020 metrics exclude goodwill impairment of \$92.9M.



BEV High Voltage Connector



Critical Components for DC Contactors in BEV's



Micro-electronics Lead-frame

## Sales – Sales up 5.8% (\$2.7M) from prior year:

- Sales were positively impacted by increased selling prices for precious metals allowed under customer contracts due to the sharp rise in underlying commodities costs since the second half of 2020.
- Automotive demand rebounded to pre-COVID levels.
- Sales of smart meter components were negatively impacted by inventory adjustments at a key customer.
- Sales of components to the medical industry detrimentally impacted by COVID delays in elective surgeries.

## Profitability:

- Margins were unfavorably impacted by increased precious metal costs, which are converted to sell price at a fixed industry standard margin lower than Power Solutions margins on non-PM sales.
- Reported EBITDA increased \$0.3 million within the quarter on a \$1.4 million sales reduction adjusted for the precious metals impact.

## Current Focus & Looking Forward:

- Consistent demand forecasted in Q2 '21.
- Continued success in managing supply chain and manpower challenges will be the key to favorable performance.
- Continued protection of cash flow through capital expenditure curtailment and working capital management.

# Outlook for 2021

- **Sales growth;** first-half recovery from pandemic lows in 2020, followed by more stable growth in the second half;
- **Closely monitoring industry conditions** specifically in automotive considering current chip and supply chain challenges and broader industrial tailwinds from higher diesel engine demand
- **Improved adjusted EBITDA,** driven by volume increases and cost improvement initiatives
- **Focus on achieving synergies across business units;** Applying relationships and best practices across Mobile and Power
- **Long term capital structure** to support our strategic growth initiatives
- **Free cash flow generation** remains a focus through improved margins, working capital management, and disciplined growth capital investments
- **Key financial metrics** - Capital Spending to be in the range of ~\$22 million, Depreciation ~\$33 million, and Amortization ~\$14 million

# Questions & Answers



# Appendix





# Reconciliation of Net Income (Loss) to Non-GAAP Adjusted Net Income (Loss) and Net Income (Loss) per Diluted Share to Non-GAAP Adjusted Net Income (Loss) per Diluted Share

<i>\$000s</i>	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
GAAP net income (loss)	\$ (4,913)	\$ (248,191)
Pre-tax acquisition and transition expense	1,789	8,625
Pre-tax foreign exchange (gain) loss on inter-company loans	619	1,912
Pre-tax write-off of unamortized debt issuance costs	2,390	-
Pre-tax change in fair value of preferred stock derivatives and warrants	(449)	(57)
Pre-tax amortization of intangibles and deferred financing costs	3,992	4,014
Pre-tax interest rate swap payments and change in fair value	3,750	-
Pre-tax impairments of fixed asset costs	-	7
Tax effect of adjustments reflected above (c)	(2,564)	(2,972)
Non-GAAP discrete tax adjustments	(2,382)	(3,036)
Impairments (Goodwill and JV)	-	92,942
Loss from discontinued operations	-	140,114
Non-GAAP adjusted net income (loss) (d)	<u>\$ 2,232</u>	<u>\$ (6,642)</u>

<i>Amounts per share, diluted</i>	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
GAAP net income (loss) per diluted share	\$ (0.46)	\$ (5.96)
Pre-tax acquisition and transition expense	0.04	0.20
Pre-tax foreign exchange (gain) loss on inter-company loans	0.01	0.05
Pre-tax write-off of unamortized debt issuance costs	0.06	-
Pre-tax change in fair value of preferred stock derivatives and warrants	(0.01)	(0.00)
Pre-tax amortization of intangibles and deferred financing costs	0.09	0.10
Pre-tax interest rate swap payments and change in fair value	0.09	-
Pre-tax impairments of fixed asset costs	-	0.00
Tax effect of adjustments reflected above (c)	(0.06)	(0.07)
Non-GAAP discrete tax adjustments	(0.06)	(0.07)
Impairments (Goodwill and JV)	-	2.21
Loss from discontinued operations	-	3.33
Preferred stock cumulative dividends and deemed dividends	0.34	0.07
Non-GAAP adjusted net income (loss) per diluted share (d)	<u>\$ 0.05</u>	<u>\$ (0.16)</u>
Weighted average shares outstanding, diluted	42,672	42,111

## Reconciliation of Operating Cash Flow to Free Cash Flow

<i>\$000s</i>	Three Months Ended	
	March 31,	
	2021	2020
Net cash provided (used) by operating activities	\$ 7,884	\$ 10,224
Acquisition of property, plant and equipment	(5,468)	(11,260)
Free Cash Flow	<u>\$ 2,417</u>	<u>\$ (1,036)</u>

# Non-GAAP Financial Measures Footnotes

*The Company discloses in this presentation the non-GAAP financial measures of adjusted income from operations, adjusted EBITDA, adjusted net income (loss), adjusted net income per diluted share, free cash flow and net debt. Each of these non-GAAP financial measures provides supplementary information about the impacts of acquisition, divestiture and integration related expenses, foreign-exchange impacts on inter-company loans, reorganizational and impairment charges. Over the past five years, we have completed several acquisitions, two of which were transformative for the Company, and sold three of our businesses. The costs we incurred in completing such acquisitions, including the amortization of intangibles and deferred financing costs, and these divestitures have been excluded from these measures because their size and inconsistent frequency are unrelated to our commercial performance during the period, and which we believe are not indicative of our ongoing operating costs. We exclude the impact of currency translation from these measures because foreign exchange rates are not under management's control and are subject to volatility. Other non-operating charges are excluded as the charges are not indicative of our ongoing operating cost. We believe the presentation of adjusted income from operations, adjusted EBITDA, adjusted net income (loss), adjusted net income per diluted share, free cash flow and net debt provides useful information in assessing our underlying business trends and facilitates comparison of our long-term performance over given periods.*

*The non-GAAP financial measures provided herein may not provide information that is directly comparable to that provided by other companies in the Company's industry, as other companies may calculate such financial results differently. The Company's non-GAAP financial measures are not measurements of financial performance under GAAP and should not be considered as alternatives to actual income growth derived from income amounts presented in accordance with GAAP. The Company does not consider these non-GAAP financial measures to be a substitute for, or superior to, the information provided by GAAP financial results.*

*(a) Non-GAAP Adjusted income from operations represents GAAP income (loss) from operations, adjusted to exclude the effects of restructuring and integration expense; non-operational charges related to acquisition and transition expense, intangible amortization costs for fair value step-up in values related to acquisitions, non-cash impairment charges, and when applicable, our share of income from joint venture operations. We believe this presentation is commonly used by investors and professional research analysts in the valuation, comparison, rating, and investment recommendations of companies in the industrial industry. We use this information for comparative purposes within the industry. Non-GAAP adjusted income from operations is not a measure of financial performance under GAAP and should not be considered as a measure of liquidity or as an alternative to GAAP income from operations.*

*(b) Non-GAAP adjusted EBITDA represents GAAP income (loss) from operations, adjusted to include income taxes, interest expense, write-off of unamortized debt issuance costs, interest rate swap payments and change in fair value, change in fair value of preferred stock derivatives and warrants, depreciation and amortization, charges related to acquisition and transition costs, non-cash stock compensation expense, foreign exchange gain (loss) on inter-company loans, restructuring and integration expense, costs related to divested businesses and litigation settlements, income from discontinued operations, and non-cash impairment charges, to the extent applicable. We believe this presentation is commonly used by investors and professional research analysts in the valuation, comparison, rating, and investment recommendations of companies in the industrial industry. We use this information for comparative purposes within the industry. Non-GAAP adjusted EBITDA is not a measure of financial performance under GAAP and should not be considered as a measure of liquidity or as an alternative to GAAP income (loss) from continuing operations.*

*(c) This line item reflects the aggregate tax effect of all nontax adjustments reflected in the respective table. NN, Inc. estimates the tax effect of the adjustment items identified in the reconciliation schedule above by applying the applicable statutory rates by tax jurisdiction unless the nature of the item and/or the tax jurisdiction in which the item has been recorded requires application of a specific tax rate or tax treatment.*

*(d) Non-GAAP adjusted net income (loss) represents GAAP net income (loss) adjusted to exclude the tax-affected effects of charges related to acquisition and transition costs, foreign exchange gain (loss) on inter-company loans, restructuring and integration charges, amortization of intangibles costs for fair value step-up in values related to acquisitions and amortization of deferred financing costs, non-cash impairment charges, write-off of unamortized debt issuance costs, interest rate swap payments and change in fair value, change in fair value of preferred stock derivatives and warrants, costs related to divested businesses and litigation settlements, income (loss) from discontinued operations, and preferred stock cumulative dividends and deemed dividends. We believe this presentation is commonly used by investors and professional research analysts in the valuation, comparison, rating, and investment recommendations of companies in the industrial industry. We use this information for comparative purposes within the industry. Non-GAAP adjusted income (loss) from segment operations is not a measure of financial performance under GAAP and should not be considered as a measure of liquidity or as an alternative to GAAP income (loss) from continuing operations.*

