



NN, Inc. Second Quarter 2024 Earnings Call

August 8, 2024



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



Harold Bevis

President & Chief Executive Officer

Chris Bohnert

SVP & Chief Financial Officer

Opening Comments

Transformation Plan Remains On Track, Delivering Results

- Profitability improvement is working - fourth consecutive quarter of year over year adjusted EBITDA growth
- Operational advancements are aiding business development
 - Facility improvements continue; culture change is underway; customer scorecards turning “green”
- New business program showing momentum in targeted new business areas
 - Rebooted executive relationships with top customers
 - ~\$600 million pipeline is high quality and producing results; \$34.3 million of awards won in 1H'24

Global Business Development Now Fully Engaged with Targeted Accounts – Yielding Participation in Next-Gen Product Development

- Actively bidding on R&D projects
- Strengthening knowledge of leading-edge competitiveness
- Projects underway in medical, electrical, high-end auto (esp. steering/worm gears)

Engaged in a Strategic Refinancing

- Expect to complete process in Q3

Reaffirming Full-Year 2024 Outlook Issued 7/2/24

- Industrial, electrical, medical, and hybrid auto markets are growing
- Global auto market is rebalancing across powertrains and retail inventories have corrected post-COVID-19

NN's Markets Healthy, Business On-Track

Primary End Market Outlook			
End Market	~% of NN Revenue	Market Indicators	NN's Outlook vs. Market
Global Passenger Vehicle	40%	<p>Market reflecting an expectation of flat to modest growth in Global Vehicle Production</p> <p>Rebalance across drivetrain types (BEV, Hybrid, ICE)</p>	<p>NN's legacy demand is tracking to the broader market; NN new business win programs balanced across drivetrain types</p> <p>The '<i>Connect and Protect</i>' product line is focused onto electrical connector, electrical harness and bus bar for vehicles and chargers</p>
General Industrial, Other	30%	<p><i>Statista</i> forecasts approximately 3% growth</p>	<p>Demand is generally flat and steady for the industries that we serve</p>
Power Grid and Electricity Control	15%	<p>Global power grid market modest growth, driven by software and replacement</p> <p>Electrical distribution and control strong in Industrial, weaker in construction</p>	<p>Strong smart meter business is healthy and growing; residential construction is flat-ish for circuit breaker products, business is steady</p>
Commercial Vehicle	10%	<p>Market currently forecasting decline in FY'24; already apparent in OEM market commentary</p>	<p>NN's business is not expected to see much impact from market events</p> <p>Applications where NN operates are stronger than headline market demand</p>
Medical Equipment, Surgical Tools, and Implants	5%	<p>Orthopedic sales expected to increase approximately 3-4% year-over-year through 2026</p>	<p>Recently re-launched business, adding capacity</p> <p>Adding additional capacity</p> <p>Expanding goal to \$100M</p>

Leadership Enhancements

Chris Bohnert, CFO



- Joined as CFO in June 2024 having previously served as an adviser to NN, Inc.
- Brings over 30 years of senior financial leadership and operational experience across industrial sectors
- Has executed multiple successful corporate transformations, strategic refinancings and recapitalizations, and M&A

Jami Statham, General Counsel



- Joined as GC in July 2024
- Brings 18 years of corporate legal and compliance experience with broad automotive industry knowledge
- Has extensive experience in customer negotiations, global supply chain matters, and litigation

Quarterly Highlights

(millions)	Q2'23	Q2'24
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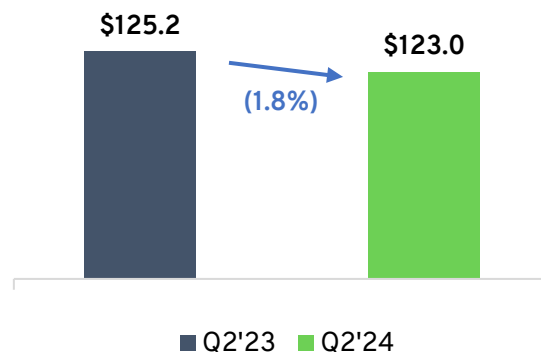
Net Sales	\$125.2	\$123.0
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Adjusted EBITDA	\$10.5	\$13.4
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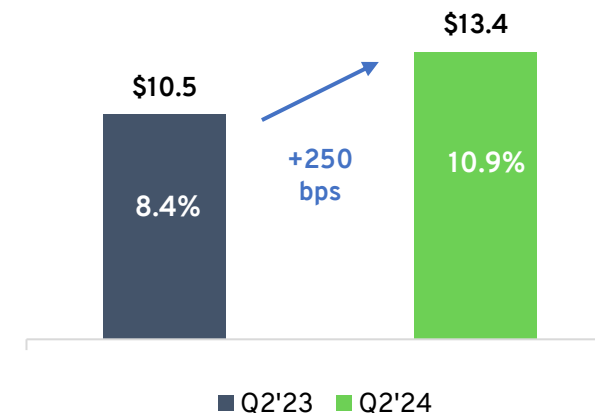
Free Cash Flow	\$3.0	(\$1.3)
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New Business Wins	\$4.8	\$17.9
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Net Sales (\$millions)



Adjusted EBITDA and Adjusted EBITDA Margin (\$millions)



Net Sales

- Unfavorable foreign exchange impacts of 0.8% or \$1.0 million, primarily in Mobile Solutions
- Rationalization of unprofitable business in Mobile Solutions, masking growth in Power Solutions

Adjusted EBITDA

- Fourth consecutive quarter of year-over-year improvement
- \$49.2 million, or 28.7%, improvement in trailing 12 month adjusted EBITDA, year-over-year
- Strong uptick in margin capture – adjusted EBITDA margins overcoming rationalized sales volume
- Making progress towards long-term goal of 13 to 14% margins

Q2 2024 Financial Results

Net Sales

- Stable volumes with some rationalization actions; largely offset by organic volume growth in other areas
- Unfavorable FX impacts, partially offset by the net impact of contractual pricing provisions

Adjusted EBITDA

- Improved operational performance in base business
- Strong 1H'24 from China JV – will balance out in 2H'24
- Positive sales mix and cost productivity benefits

<i>(millions, except per share data)</i>	Q2'23	Q2'24	Δ
Net Sales	\$125.2	\$123.0	(\$2.2)
Operating Income (Loss)	(\$4.0)	(\$2.1)	\$1.9
Adjusted Operating Income (Loss)	\$1.3	\$2.1	\$0.8
Adjusted EBITDA	\$10.5	\$13.4	\$2.9
Adjusted EBITDA Margin	8.4%	10.9%	2.5%
Income (Loss) per Diluted Common Share	(\$0.38)	(\$0.12)	\$0.26
Adjusted Income (Loss) per Diluted Common Share	(\$0.08)	(\$0.02)	\$0.06

Power Solutions – Stamped Products: Q2'2024 Highlights

Sales Up 4.3%, or \$2.1 Million, From Prior Year

(+) Precious metals pricing pass-through of \$1.4 million (also reflected in increased A/R dollar balance) and inflation pricing

(-) Lower volumes

Profitability and Margins

(+) Higher production volumes

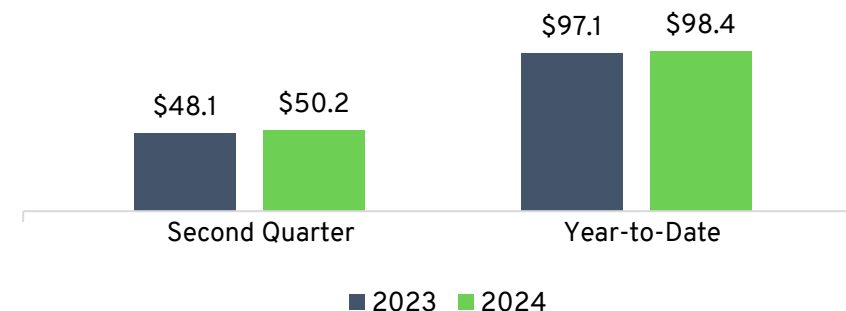
(+) Improved product mix and operating performance within several targeted facilities

Current Focus & Looking Forward

- Cost-out actions have been successful; more programs underway in 2H'24
- Base business remains stable, with targeted wins in ramp-up mode
- Adding dedicated business development staff to increase activity
- Maintaining focus on operational excellence – on-time and in-full
- Strengthening segment's IT systems and management processes
- New product programs underway with electrical connectors and shields

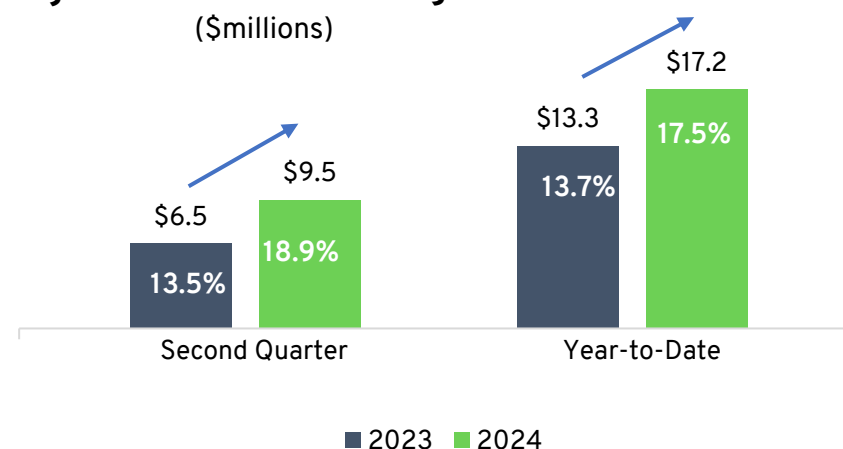
Net Sales

(\$millions)



Adjusted EBITDA and Adjusted EBITDA Margin %

(\$millions)



Mobile Solutions – Machined Products: Q2'2024 Highlights

Sales Down 5.6%, or \$4.3 Million, From Prior Year

- (-) Exited specific unprofitable volumes at underperforming facilities
- (-) Contractual reduction in customer pricing
- (-) FX negatively impacted by \$0.9 million or 1.2%

Profitability and Margins

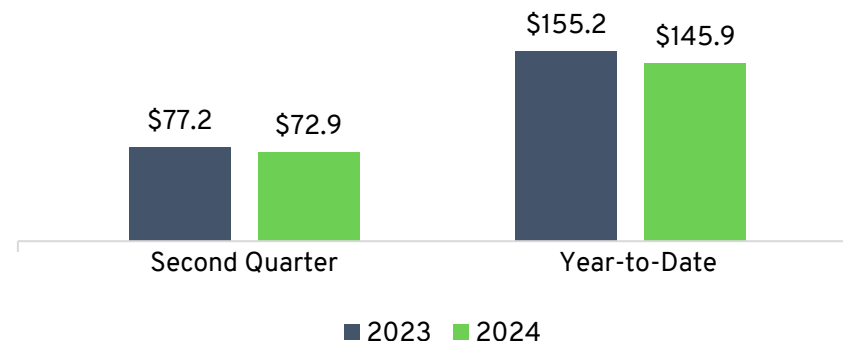
- (+) Improved operating performance at targeted facilities
- (+) Increased profits generated by China joint venture
- (+) Right-sizing indirect labor structure

Current Focus & Looking Forward

- Continued focus on fixing cost structure in North America
- Strategic expansion underway in China
 - ~\$40 million of new business wins over last 6 quarters
 - ~70 new machines installed YTD - many steering programs for new vehicles
- Several next-gen product programs underway that could be door-openers for NN
 - Recently won a 1st program to machine titanium forgings for medical hip implants with a global powerhouse

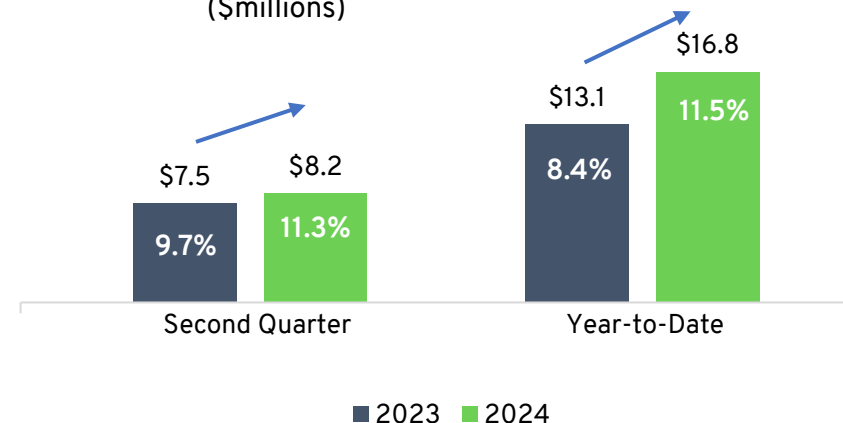
Net Sales

(\$millions)

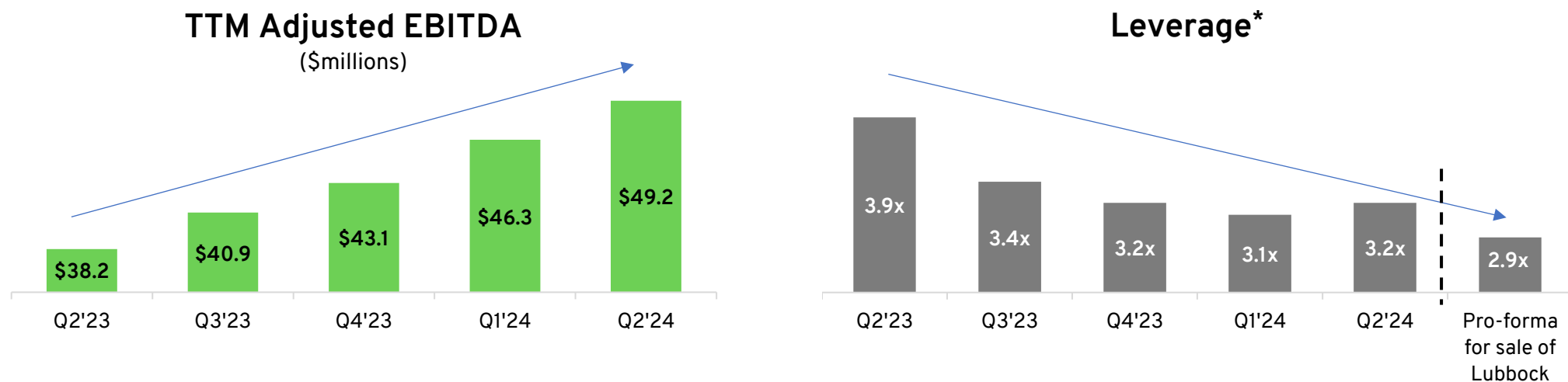


Adjusted EBITDA and Adjusted EBITDA Margin %

(\$millions)



Improved Profitability Setting Stage for Refinancing



Strategic Refinancing Process Underway – Will Help Accelerate Future Growth

- TTM adjusted EBITDA has improved for fourth consecutive quarter Y/Y; leverage has meaningfully declined Y/Y
 - Pro-forma leverage multiple of 2.9x for Q2'24, pro-forma application of the \$15.4 million Lubbock plastics plant sale proceeds
- Refinancing strategy centered on:
 - Improving flexibility and capacity vs. existing debt structure
 - Reducing cost of capital
 - Redeeming a portion of the preferred equity
- Expect to complete in Q3'24 - markets are currently favorable

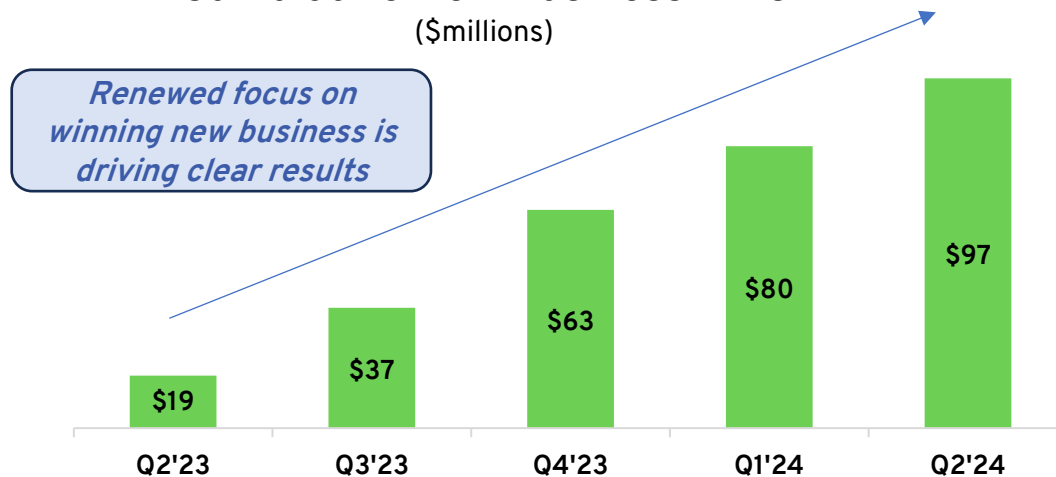
NN's Organic Growth Program is Performing Well

NN has Secured \$97 Million of New Awards From January 2023 to June 2024 – Growth Program Remains on Track

- Increased opportunities through customer targeting, product development, quoting, and prototyping
- Advancing pipeline in higher-margin, higher-growth areas for future mix, and margin improvement
- Participating in innovation programs with large key customers
- Initiated culture change to be more directly customer-accountable - coupling NN's leading quality with improved on-time delivery
- Growing in China: for the China market as well as low-cost exports to other markets

Cumulative New Business Wins

(\$millions)



- ***Winning new business well above market growth rates***

- ***On target to achieve goals of \$55 to \$70 million of new business wins in 2024***

Medical Business: Growing and Building



Upsizing Goal to \$100 Million Business

- Business is at ~\$17 million sales rate now and increasing
- New business opportunities are increasing in size and frequency
- Evaluating small acquisitions

NN Medical Now Entering “Phase 2” of Business Development

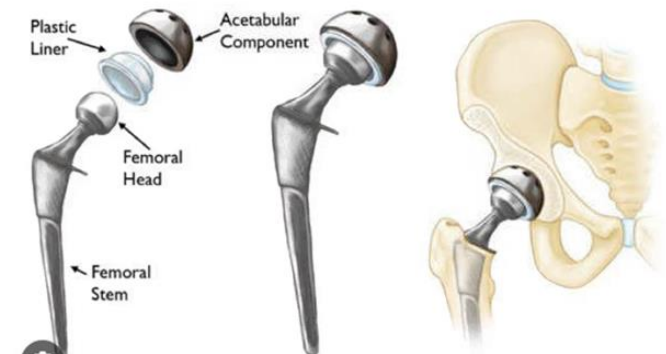
- Will install manufacturing capacity to meet \$50 million organic sales program, and current sales rate is growing. Have ordered first set of new machines, good fit for large percentage of market
- New machinery will execute on growing pipeline opportunities and facilitate growth
- Pipeline is strengthening, and with large/volume industry players
- Will add complexity and deeper specialization and capabilities later

NN Positioning Itself to Be a Player in Machined Medical Parts Business

- Layering on new higher-margin sales utilizing existing equipment base
- Approved supplier status with strong Medical customer base
- Selectively investing in new equipment to expand capabilities and sales
- Have won our 1st titanium part; the *femur implant* section of hip implant kit

Over \$8 Million of High-Probability Prospects in Near-Term Pipeline

- Well-established base of targeted medical customers
- Many of the opportunities are near-term / 10-week ramp-ups as opposed to automotive ramp-ups



Past Medical market experience helping accelerate initial growth

Reaffirming 2024 Outlook

Guidance Metric	Forecast Range
Net Sales	\$465 – \$485 million
Adjusted EBITDA	\$47 – \$51 million
Free Cash Flow	\$8 – \$12 million
New Business Wins	\$55 – \$70 million

- Reaffirming full-year 2024 outlook issued on July 2, 2024, post-planned sale of non-core facility
- Winning new business; targeting power, electrical, and medical markets
- Annualized FCF generation and trajectory is expected to be positively impacted post-refinancing, targeted for Q3 completion
- Profit and growth transformation continues with success
- Markets are stable overall, with noticeable rebalancing in the automotive world across power trains - ICE extensions, EV delays
- New Win program driving capacity expansion program in China - expanding our low-cost country footprint at the same time, and increasing our global cost competitiveness, especially in machined products

Transformation: Delivering Results

Goal	Results	Next Steps
New Leadership	<ul style="list-style-type: none"> Have added and strengthened leadership talent across full organization – Executive leadership to plant-level Strengthening customer relationships Organizational accountability to end results 	<ul style="list-style-type: none"> Selectively adding experienced team leaders where necessary, more to go
Fix Unprofitable Areas	<ul style="list-style-type: none"> Historically underperforming plants on track for breakeven in FY'24 Confront, fix, or exit systemically dilutive areas – price clear and cost-out Refining strategy and tactics for potential footprint consolidation 	<ul style="list-style-type: none"> Footprint rationalization opportunities exist when cashflow permits it, until then optimization and continuous improvement is the key
Expand Margins	<ul style="list-style-type: none"> Cost-Out program is on track with over 1,000 individual projects Increased scrutiny on contracts as operational performance has increased dramatically Driving organic growth in higher-margin sales verticals including medical 	<ul style="list-style-type: none"> Progressively reduce conversion cost and overhead costs
Pay Down Debt and Refi	<ul style="list-style-type: none"> Positive cash flow for organic net debt reduction Strategic actions to lower debt balance including real estate and equipment sale/leaseback and non-core facility sales 	<ul style="list-style-type: none"> Anticipate completing comprehensive refinancing transaction in Q3'24 – lower cost of capital and greater flexibility
Grow the Company	<ul style="list-style-type: none"> Delivered record new business wins in 2023 and expect similar wins in 2024 <ul style="list-style-type: none"> Off new business hold company-wide Entering new and diverse markets where capabilities carry premium value Growing sales by strengthening presence and scale with key customers 	<ul style="list-style-type: none"> Improve capital structure to provide additional growth capacity and flexibility



Appendix

Non-GAAP Financial Measures Footnotes

The Company discloses in this presentation the non-GAAP financial measures of adjusted income (loss) from operations, adjusted EBITDA, adjusted net income (loss), adjusted net income (loss) 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. The costs we incur in completing acquisitions, including the amortization of intangibles and deferred financing costs, and divestitures are excluded from these measures because their size and inconsistent frequency are unrelated to our commercial performance during the period, and 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 (loss) from operations, adjusted EBITDA, adjusted net income (loss), adjusted net income (loss) 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 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.

Reconciliation of GAAP Income (Loss) from Operations to Non-GAAP Adjusted Income (Loss) from Operations and Non-GAAP Adjusted EBITDA

<i>(in thousands)</i>	Three Months Ended June 30,	
	2024	2023
NN, Inc. Consolidated		
GAAP loss from operations	\$ (2,147)	\$ (4,047)
Professional fees	(12)	119
Personnel costs (1)	826	622
Facility costs (2)	(51)	1,022
Amortization of intangibles	3,456	3,563
Non-GAAP adjusted income from operations (a)	\$ 2,072	\$ 1,279
Non-GAAP adjusted operating margin (3)	1.7 %	1.0 %
Depreciation	8,305	7,987
Other expense (income), net	3,461	(5,641)
Non-cash foreign exchange (gain) loss on inter-company loans	684	(445)
Change in fair value of preferred stock derivatives and warrants	(3,949)	5,754
Share of net income from joint venture	2,141	1,093
Non-cash stock compensation	691	471
Non-GAAP adjusted EBITDA (b)	\$ 13,405	\$ 10,498
Non-GAAP adjusted EBITDA margin (4)	10.9 %	8.4 %
GAAP net sales	\$ 122,992	\$ 125,206

<i>(in thousands)</i>	Three Months Ended June 30,	
	2024	2023
Power Solutions		
GAAP income from operations	\$ 5,320	\$ 2,583
Personnel costs (1)	33	—
Facility costs (2)	79	244
Amortization of intangibles	2,617	2,724
Non-GAAP adjusted income from operations (a)	\$ 8,049	\$ 5,551
Non-GAAP adjusted operating margin (3)	16.0 %	11.5 %
Depreciation	1,077	1,118
Other expense (income), net	138	(22)
Non-cash foreign exchange loss on inter-company loans	(45)	(102)
Non-GAAP adjusted EBITDA (b)	\$ 9,219	\$ 6,545
Non-GAAP adjusted EBITDA margin (4)	18.4 %	13.6 %
GAAP net sales	\$ 50,151	\$ 48,062

<i>(in thousands)</i>	Three Months Ended June 30,	
	2024	2023
Mobile Solutions		
GAAP loss from operations	\$ (1,630)	\$ (1,461)
Personnel costs (1)	265	40
Facility costs (2)	(130)	778
Amortization of intangibles	839	838
Non-GAAP adjusted income (loss) from operations (a)	\$ (656)	\$ 195
Share of net income from joint venture	2,141	1,093
Non-GAAP adjusted income from operations with JV (a)	\$ 1,485	\$ 1,288
Non-GAAP adjusted operating margin (3)	2.0 %	1.7 %
Depreciation	6,871	6,447
Other income, net	(170)	(88)
Non-cash foreign exchange (gain) loss on inter-company loans	32	(121)
Share of net income from joint venture	2,141	1,093
Non-GAAP adjusted EBITDA (b)	\$ 8,218	\$ 7,526
Non-GAAP adjusted EBITDA margin (4)	11.3 %	9.8 %
GAAP net sales	\$ 72,855	\$ 77,153

<i>(in thousands)</i>	Three Months Ended June 30,	
	2023	2022
Elimination		
GAAP net sales	\$ (14)	\$ (9)

- (1) Personnel costs include recruitment, retention, relocation, and severance costs
- (2) Facility costs include costs of opening / closing facilities and relocation / exit of manufacturing operations
- (3) Non-GAAP adjusted operating margin = Non-GAAP adjusted income (loss) from operations / GAAP net sales
- (4) Non-GAAP adjusted EBITDA margin = Non-GAAP adjusted EBITDA / GAAP net sales

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

<i>(in thousands)</i>	Three Months Ended June 30,		<i>(per diluted common share)</i>	Three Months Ended June 30,	
	2024	2023		2024	2023
GAAP net loss	\$ (2,203)	\$ (14,377)	GAAP net loss per diluted common share	\$ (0.12)	\$ (0.38)
Pre-tax professional fees	(12)	119	Pre-tax personnel costs	0.02	0.01
Pre-tax personnel costs	826	622	Pre-tax facility costs	—	0.02
Pre-tax facility costs	(51)	1,022	Pre-tax foreign exchange (gain) loss on inter-company loans	0.01	(0.01)
Non-cash foreign exchange (gain) loss on inter-company loans	684	(445)	Pre-tax change in fair value of preferred stock derivatives and warrants	(0.08)	0.12
Pre-tax change in fair value of preferred stock derivatives and warrants	(3,949)	5,754	Pre-tax amortization of intangibles and deferred financing costs	0.08	0.09
Pre-tax amortization of intangibles and deferred financing costs	4,018	4,090	Preferred stock cumulative dividends and deemed dividends	0.08	0.07
Tax effect of adjustments reflected above (c)	(63)	(64)	Non-GAAP adjusted net income (loss) per diluted common share (d)	<u>\$ (0.02)</u>	<u>\$ (0.08)</u>
Non-GAAP adjusted net income (loss) (d)	<u>\$ (750)</u>	<u>\$ (3,279)</u>	Shares used to calculate net earnings (loss) per share	48,839	46,357

Reconciliation of Operating Cash Flow to Free Cash Flow

<i>(in thousands)</i>	Three Months Ended June 30,	
	2024	2023
Net cash provided by (used in) operating activities	\$ (1,281)	\$ 8,417
Acquisition of property, plant, and equipment	(3,592)	(7,199)
Proceeds from sale of property, plant, and equipment	139	1,742
Proceeds from sale-leaseback of equipment	3,415	—
Free cash flow	<u>\$ (1,319)</u>	<u>\$ 2,960</u>

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Thank You