



Q2 2021 Earnings Presentation



Forward Looking Statement & Disclosures

Except for specific historical information, many of the matters discussed in this presentation may express or imply projections of revenues or expenditures, statements of plans and objectives or future operations or statements of future economic performance. These, and similar statements, are forward-looking statements concerning matters that involve risks, uncertainties and other factors which may cause the actual performance of NN, Inc. and its subsidiaries to differ materially from those expressed or implied by this discussion. All forward-looking information is provided by the Company pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these factors. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “assumptions”, “target”, “guidance”, “outlook”, “plans”, “projection”, “may”, “will”, “would”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “potential” or “continue” (or the negative or other derivatives of each of these terms) or similar terminology. Factors which could materially affect actual results include, but are not limited to: general economic conditions and economic conditions in the industrial sector, the impacts of the coronavirus (COVID-19) pandemic on the Company’s financial condition, business operations and liquidity, inventory levels, regulatory compliance costs and the Company’s ability to manage these costs, start-up costs for new operations, debt reduction, competitive influences, risks that current customers will commence or increase captive production, risks of capacity underutilization, quality issues, availability and price of raw materials, currency and other risks associated with international trade, the Company’s dependence on certain major customers, and the successful implementation of the global growth plan including development of new products. Similarly, statements made herein and elsewhere regarding pending and completed transactions are also forward-looking statements, including statements relating to the future performance and prospects of an acquired business, the expected benefits of an acquisition on the Company’s future business and operations and the ability of the Company to successfully integrate recently acquired businesses.

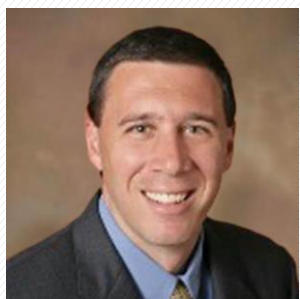
For additional information concerning such risk factors and cautionary statements, please see the section titled “Risk Factors” in the Company’s periodic reports filed with the Securities and Exchange Commission, including, but not limited to, the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and, when filed, the Company’s Quarterly Report on Form 10-Q for the three months ended June 30, 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, under the heading “News & Events” and subheading “Presentations.”

On the Call Today



Warren Veltman
*President and
Chief Executive Officer*

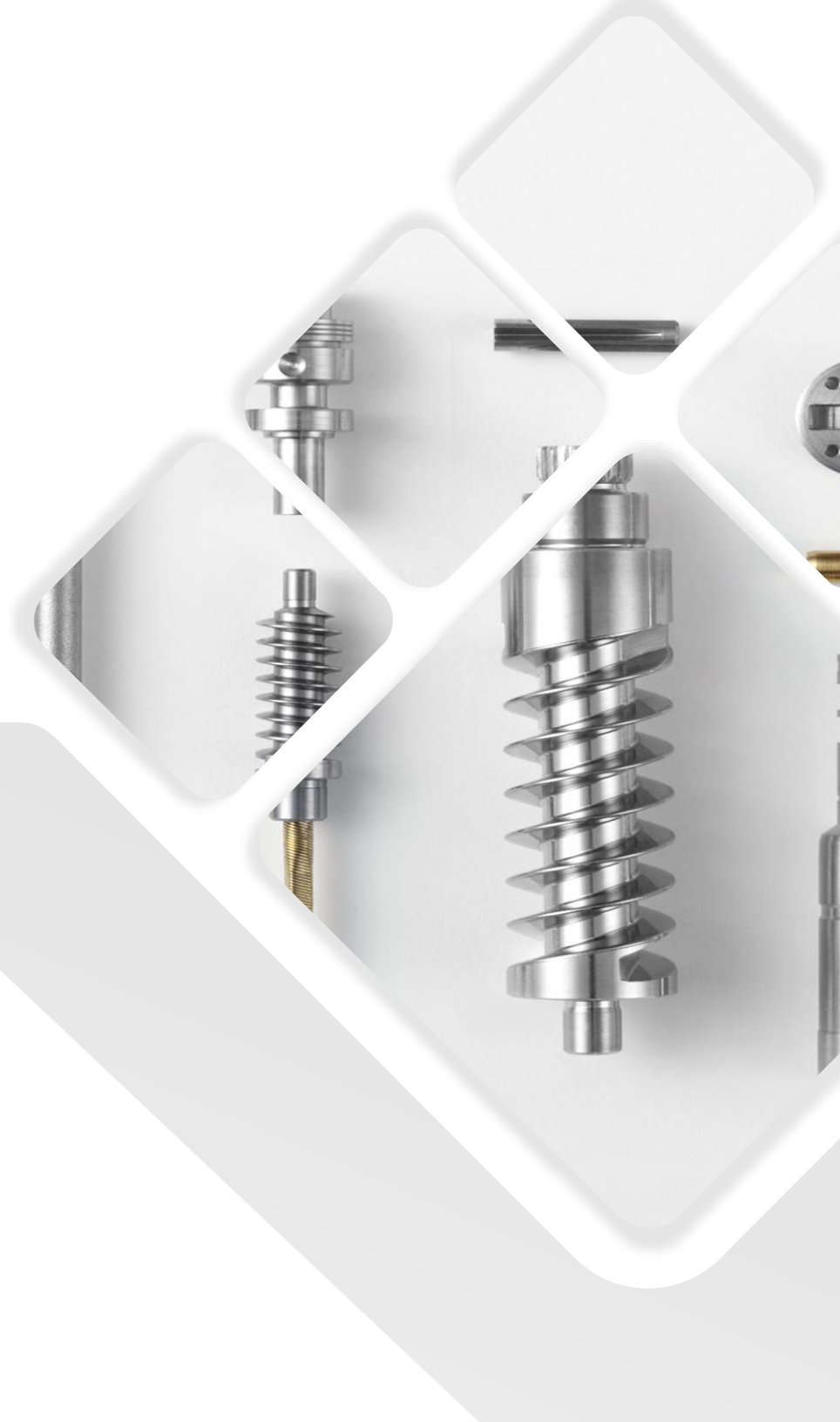


Mike Felcher
*Senior Vice President and
Chief Financial Officer*

Agenda

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

Second Quarter 2021 Update



Second Quarter 2021 Overview

Key Quarterly Highlights

- Strong year-over-year growth in sales and EBITDA driven by continuing market recovery
- Continued year-over-year and sequential improvement in working capital turns

Sales Growth

- Second quarter sales of \$123.2 million, up 56.8% year-over-year
- Strong demand from the automotive and general industrial markets
- Sales impacted positively by FX effects and precious metals pricing

Operating Income / EPS

- Operating loss improved to (\$1.6) million from (\$11.2) million in 2020
- Non-GAAP adjusted operating income improved to \$3.2 million from a loss of (\$5.7) million
- EPS from Cont. Ops. of (\$0.17) vs. (\$0.49) last year; Non-GAAP adjusted EPS of \$0.00 vs. (\$0.24) last year

EBITDA

- Reported EBITDA of \$9.6 million, or 7.8% of sales, up 490 basis points from prior year
- Adjusted EBITDA of \$13.4 million, or 10.9% of sales, up 470 basis points from prior year

Debt / Liquidity

- Net debt to adjusted EBITDA leverage ratio of 2.15x and liquidity of \$67.5 million at quarter end
- During July, the company entered into a \$60 million notional amount variable to fixed interest rate swap

Cash Flow / Working Capital

- Free cash flow use of \$7.5 million included \$9.2 million in payments related to the sale of Life Sciences
- Sequential working capital improvements over the last four quarters
- Continued focus on free cash flow

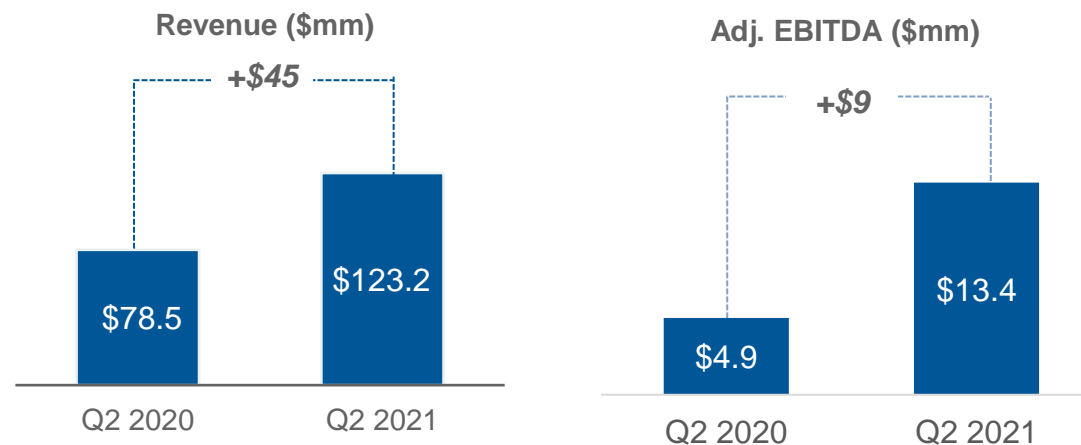
Note: All figures exclude Life Sciences except where noted

Second Quarter Financial Highlights

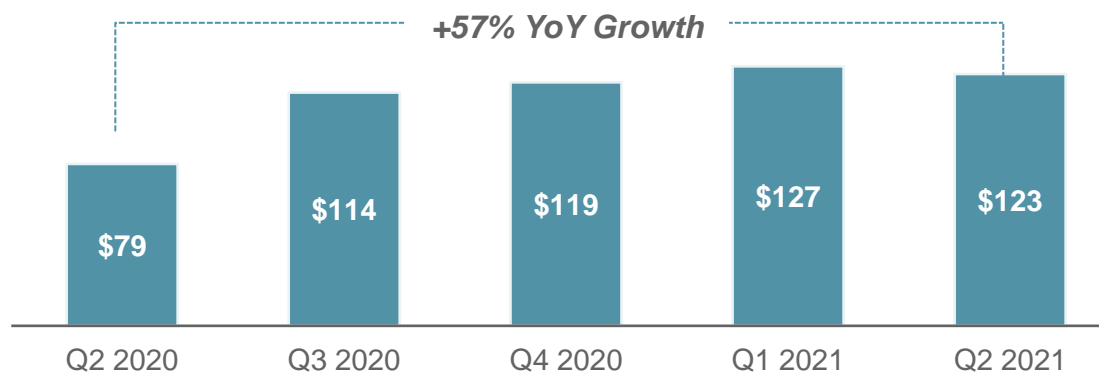
	Δ Y/Y	Q2 2021	Q2 2020
Sales	↑ 56.8%	\$123.2 million	\$78.5 million
Organic	↑	+ 53.6%	
FX Impact	↑	+ 3.2%	
GAAP Operating Income/(Loss)	↑ 85.8%	(\$1.6) million	(\$11.2) million
Non-GAAP Adj Operating Income	↑	\$3.2 million	(\$5.7) million
Non-GAAP Adj EBITDA	↑ 176.0%	\$13.4 million	\$4.9 million
Non-GAAP Adj EBITDA Margin	↑ 470 bps	10.9%	6.2%
GAAP Diluted EPS from Continuing Ops	↑	(\$0.17)	(\$0.49)
Non-GAAP Adj Diluted EPS	↑	\$0.00	(\$0.24)

- Significant organic sales recovery from COVID-19 impacted prior year
- Margin improvement reflects volume impact as well as net cost reduction despite reintroduction of temporary cost reductions in response to the pandemic

Customer Demand Recovery Drove Margin Expansion

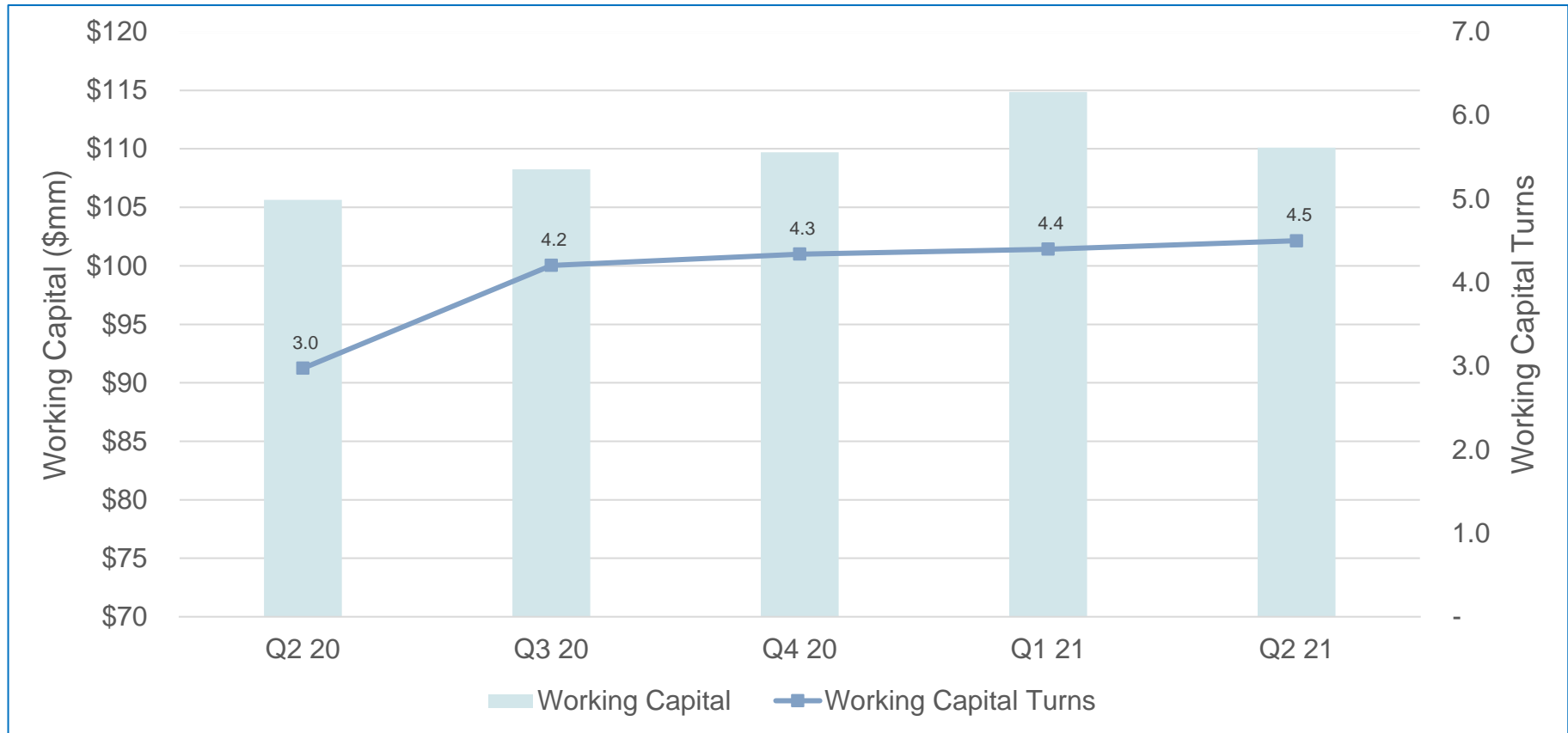


**Recovery of customer demand drove margin expansion;
Year-over-year variable contribution primarily impacted by reinstatement of
suspended costs and precious metals pricing**



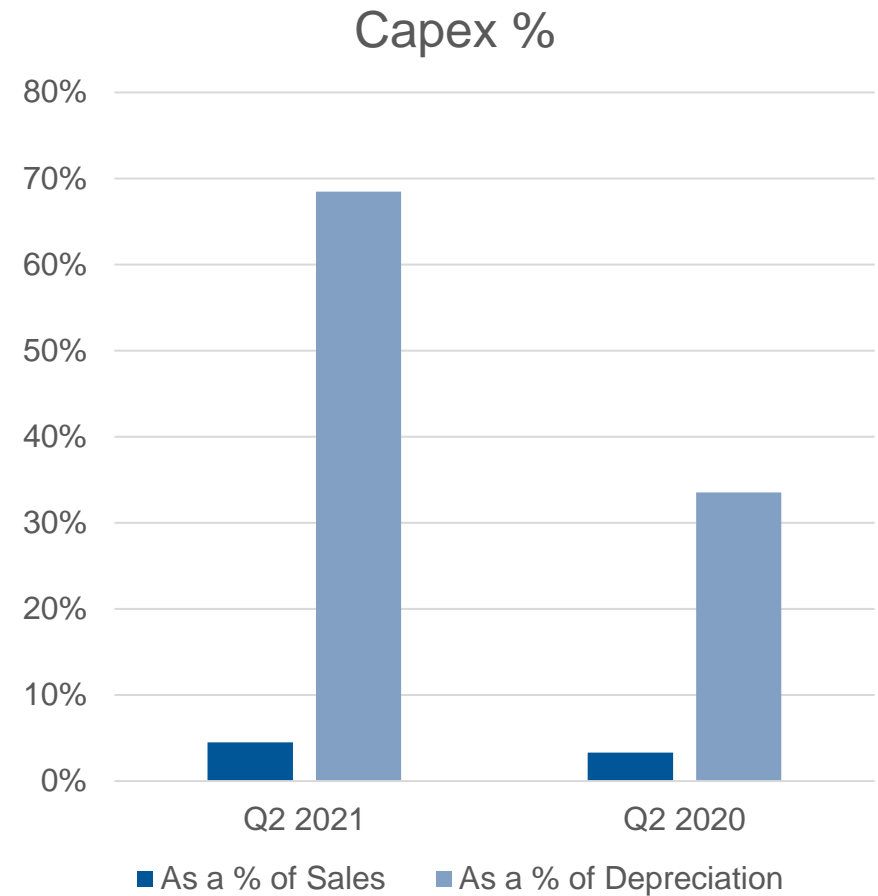
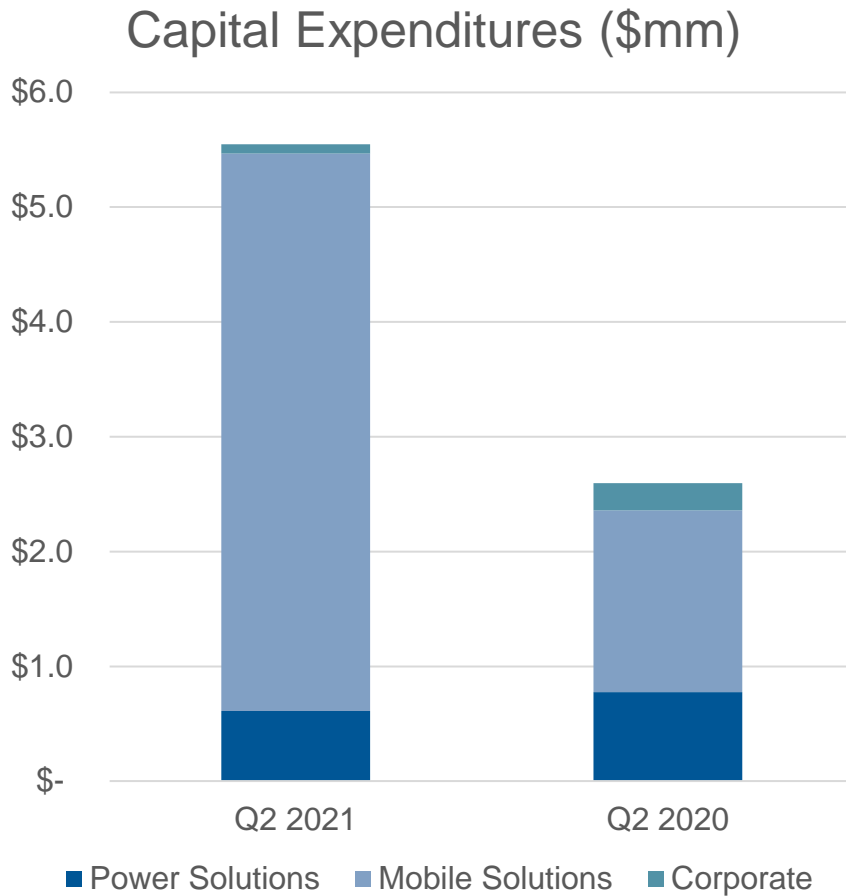
**Following 2Q'20, which was most significantly impacted by COVID-19,
customer demand has strengthened and stabilized**

Working Capital



Sequential working capital turn improvements over the last four quarters

Capital Spending

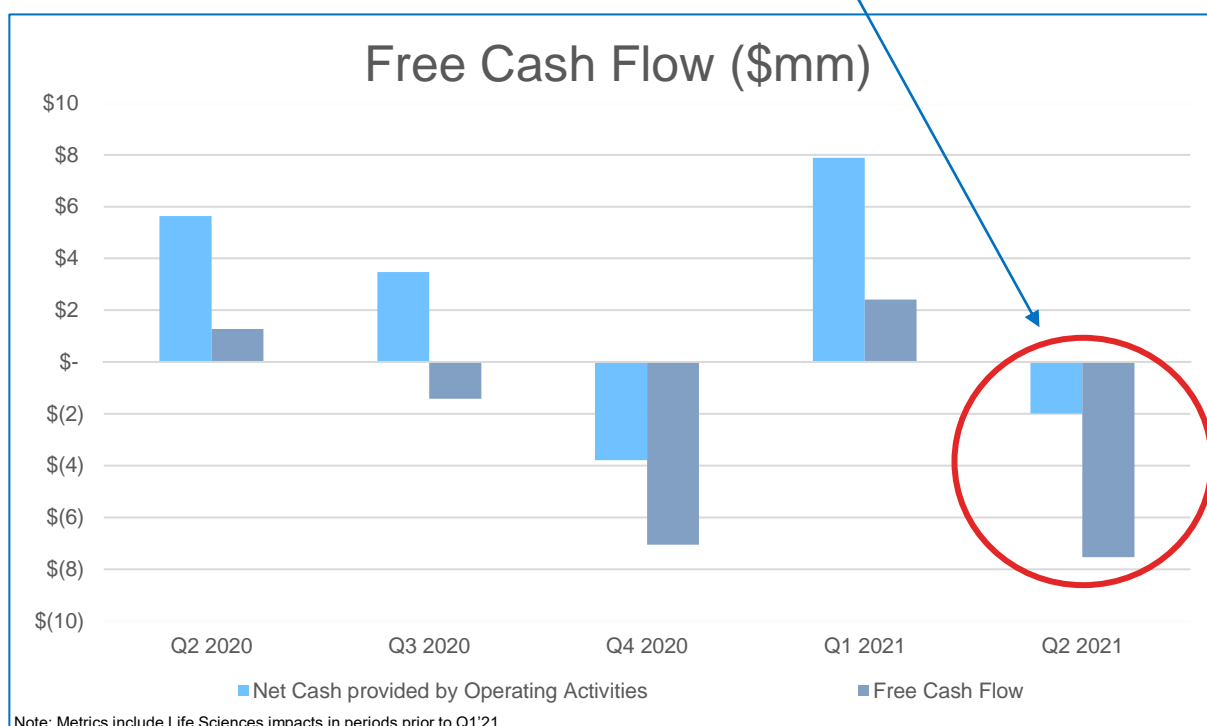


Capital expenditures through the second quarter in-line with management's anticipated investment of approximately \$22.0 million for the fiscal year

Free Cash Flow

Cash Flow Metrics		
\$000's		
<i>Free cash flow:</i>		
	Q2 2021	Q2 2020¹
Net cash provided by (used in) operating activities, as reported	\$ (1,986)	\$ 5,638
Less: Capital expenditures	(5,547)	(4,364)
Free cash flow	\$ (7,533)	\$ 1,274

¹Prior period actuals include Life Sciences

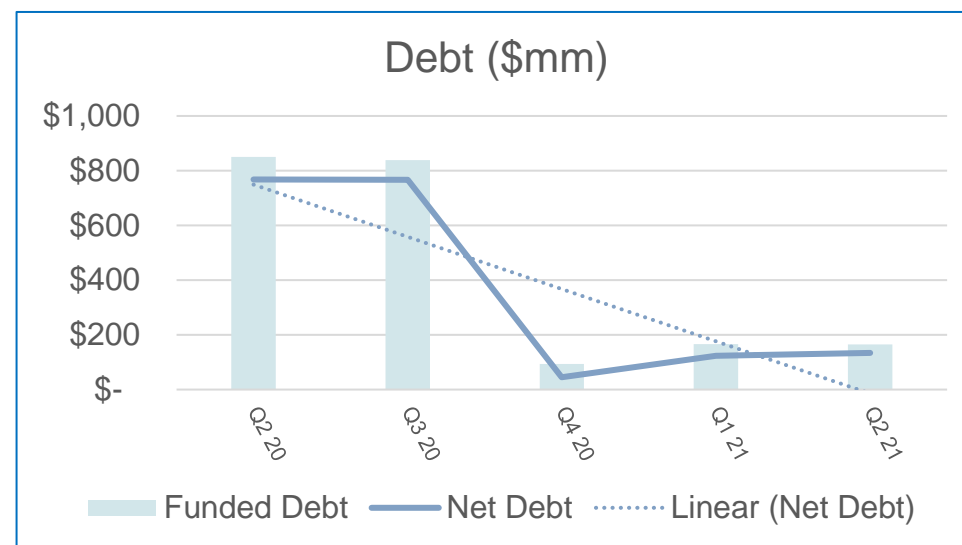
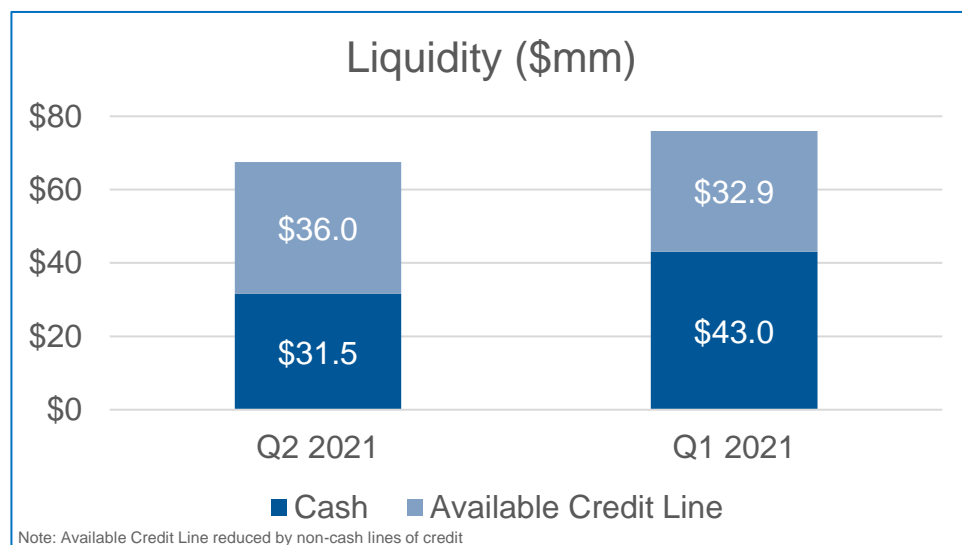


Q2'21 free cash flow impacted by ~\$9.2 million in payments related to the sale of Life Sciences, primarily driven by tax from the gain on sale

Net Debt and Leverage

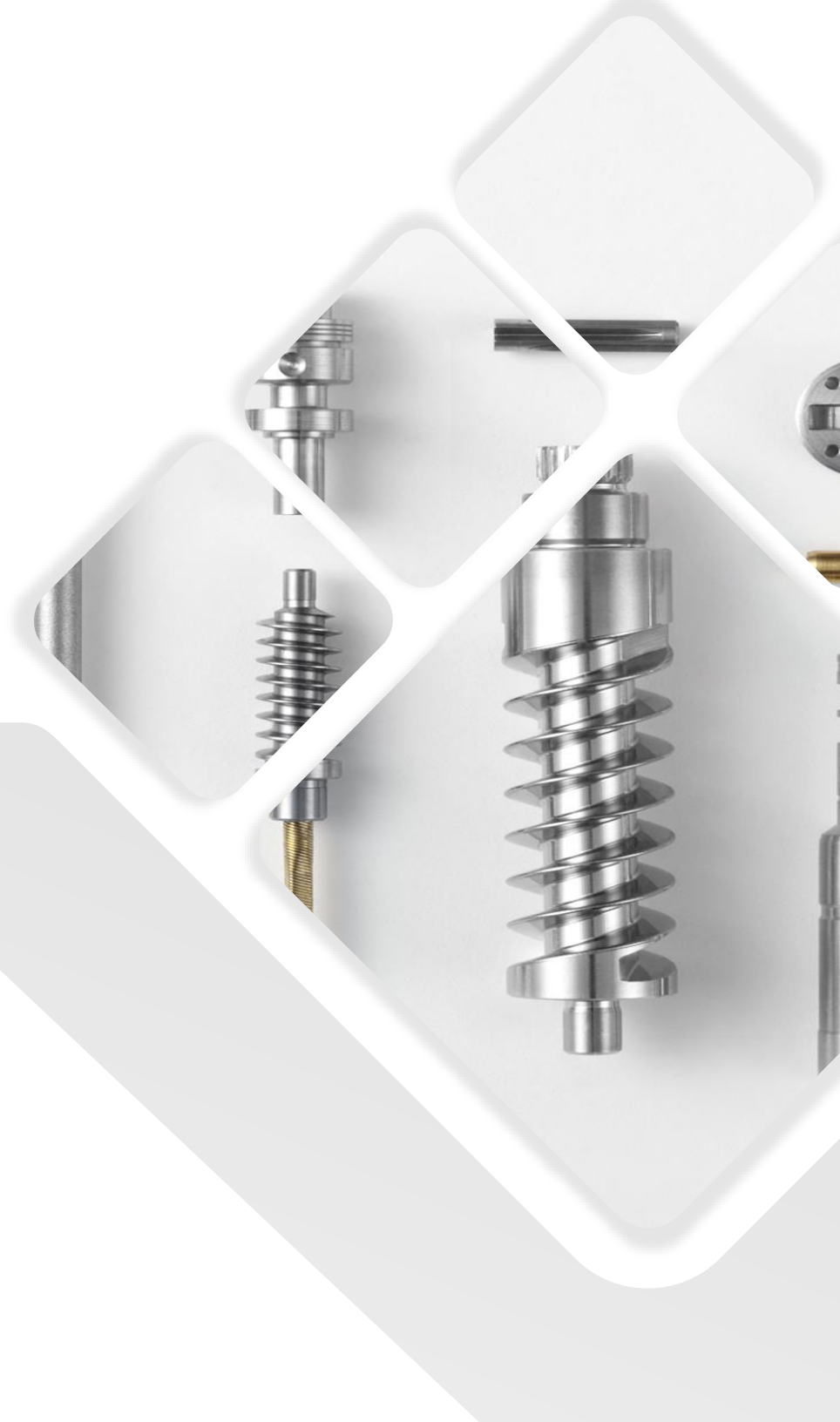
Debt Metrics		
<i>\$000's</i>	Q2 2021	Q2 2020¹
Short Term Debt	\$ 8,737	\$ 24,178
Long Term Debt (ex-issuance costs)	155,954	826,368
Funded Debt	164,691	850,546
Cash	31,543	82,695
Net Debt	<u>\$ 133,147</u>	<u>\$ 767,851</u>
TTM Adjusted EBITDA as Reported	\$ 61,804	\$ 126,739
Net Debt to Adjusted EBITDA	2.15 x	6.06 x

¹Prior period actuals include Life Sciences



Executed 3-year \$60 million notional variable-to-fixed interest rate swap to hedge rate exposure;
Strong liquidity and leverage ratio well under 3x

Segment Highlights



Current Market Update

Mobile Solutions:

- Full year 2021 production outlook is 82 million units; +10% over 2020 output levels. Main influence on the outlook remains the ongoing supply chain challenges due to semiconductors. Full Electric Vehicle (EV) production is expected to comprise ~5% of the market increasing to ~10% by 2024.
- North American auto industry production – overall 2021 production rates are down slightly as the impact from the semiconductor shortage deteriorated in Q2. The shortage is projected to continue to impact Q3 with recovery throughout Q4 and into 2022.
- US inventory levels are the lowest since 2009; currently below 1.5 million units or less than 30 days supply, enabling significant volume upside as channels restock.

Power Solutions:

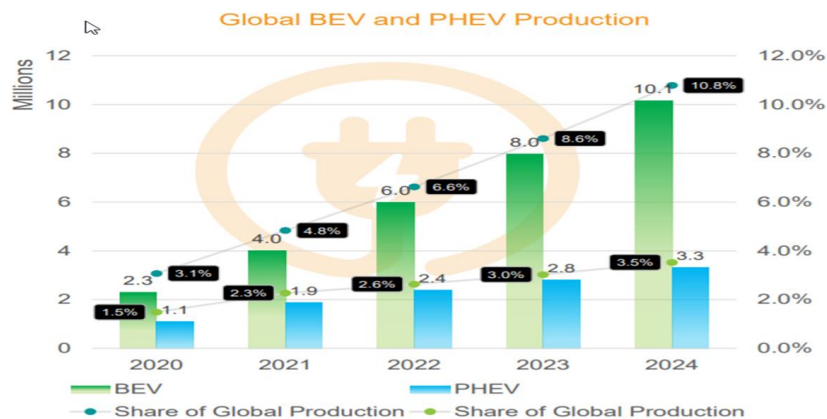
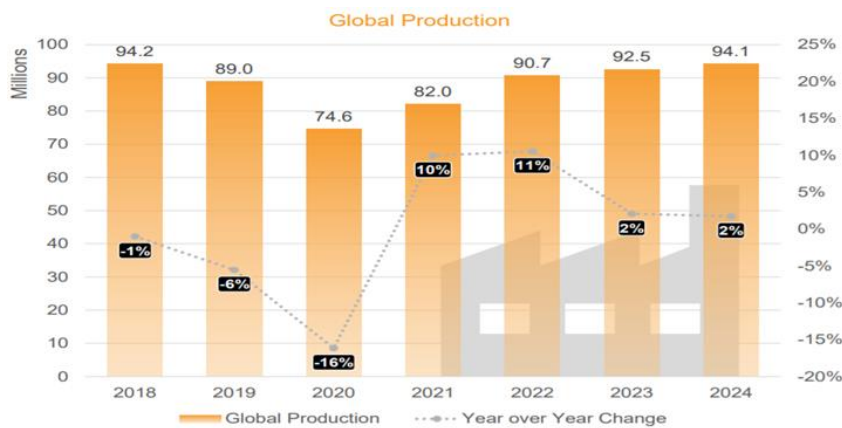
- Utilities and hardware providers that service them continue to focus resources on infrastructure to tie clean energy sources (Wind, Solar, Bio, Hydroelectric, Geothermal) into the grid along with expanding storage capacity (Batteries). Clean energy surpassed coal and nuclear for the first time in 2020 and became the second largest source of power in the US at 834B kWh, or about 21% of total US output.
- Green initiatives march forward under the current administration and are a substantial part of the recently negotiated \$1.2 trillion spending package, including \$73 billion for power and grid authority and \$15 billion for electric vehicles, buses, and transit.

2025 Transformational Growth Initiatives Aligned With Markets



Mobile Solutions – Q2 2021

<u>Mobile Solutions</u>	<u>Q2 2021</u>	<u>% of Sales</u>	<u>Q2 2020</u>	<u>% of Sales</u>	<u>% Change</u>	<u>Margin Change</u>
<i>(In millions)</i>						
Sales	\$ 73.9		\$ 41.0		80.0%	
Operating Profit - GAAP	\$ 2.5	3.4%	\$ (4.6)	-11.2%	154.6%	1460 bps
Operating Profit - Adjusted	\$ 3.3	4.5%	\$ (3.4)	-8.3%	198.2%	1280 bps
Reported EBITDA	\$ 11.5	15.5%	\$ 3.7	9.0%	210.5%	650 bps
Adjusted EBITDA	\$ 11.1	15.0%	\$ 4.1	10.0%	171.2%	500 bps



IHS – Global Auto, BEV/PHEV Production Forecast

Sales – Sales up 80.0% (\$32.9M) from prior year:

- Automotive and general industrial demand rebounded to pre-COVID-19 levels.
- Higher global demand for diesel components driven by e-commerce logistics and rollout of CN6 emission standards.

Profitability:

- (+) Contribution from higher sales.
- (+) Increased China joint venture net income due to higher sales.
- (-) Resumption of certain costs suspended during pandemic, including employee payroll, benefits, bonuses, and travel related expenses.
- (-) Mix changes included new business launches.

Current Focus & Looking Forward:

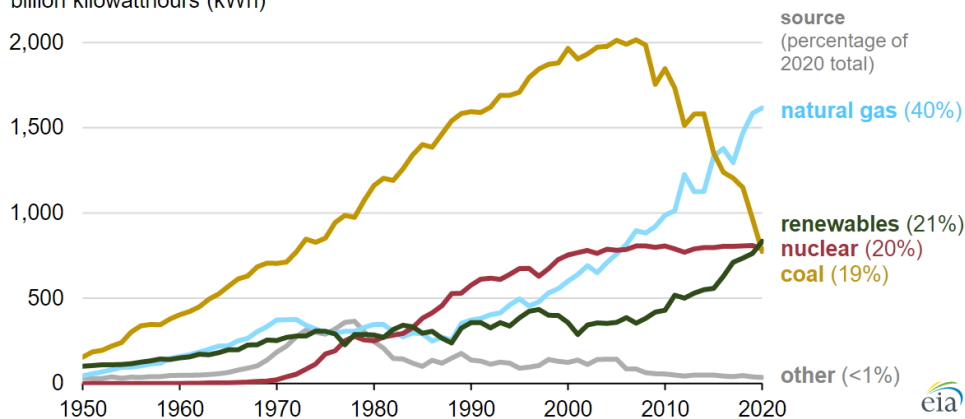
- Second half customer demand continues to be consistent with first half volume assuming a partial recovery of the auto industry semiconductor chip shortage.
- Continued success in managing supply chain and manpower challenges will be the key to maintaining margins.
- Continued protection of cash flow through capital expenditure and working capital management.

Power Solutions – Q2 2021

<i>Power Solutions</i> <i>(In millions)</i>	Q2 2021	% of Sales	Q2 2020	% of Sales	% Change	Margin Change
Sales	\$ 49.3		\$ 37.5		31.4%	
Operating Profit - GAAP	\$ 2.9	5.8%	\$ 1.5	3.9%	97.8%	200 bps
Operating Profit - Adjusted	\$ 5.7	11.6%	\$ 4.7	12.6%	21.7%	-90 bps
Reported EBITDA	\$ 6.6	13.5%	\$ 5.8	15.4%	14.9%	-190 bps
Adjusted EBITDA	\$ 6.8	13.7%	\$ 6.2	16.5%	8.9%	-280 bps

Renewables became the second-most prevalent U.S. electricity source in 2020

Annual U.S. electricity generation from all sectors (1950–2020)
billion kilowatthours (kWh)



Source: U.S. Energy Information Administration (EIA), *Monthly Energy Review*

Note: This graph shows electricity net generation in all sectors (electric power, industrial, commercial, and residential) and includes both utility-scale and small-scale (customer-sited, less than 1 megawatt) solar.

Sales – Sales up 31.4% (\$11.8M) from prior year:

- Customer demand rebounded to pre-COVID-19 levels across all markets.
- 2021 favorably impacted by increased selling prices for precious metals due to the on-going increases in underlying commodities costs since 2020.

Profitability:

- (+) Contribution from higher sales.
- (-) Margins unfavorably impacted by increased precious metal (“PM”) costs, which are converted to sell price at a fixed industry standard margin lower than Power Solutions margins on non-PM sales.
- (-) Resumption of certain costs suspended during pandemic, including employee payroll, benefits, bonuses, and travel related expenses.

Current Focus & Looking Forward:

- Second half customer demand expected to be up 3-7% from prior year.
- Continued success in managing supply chain and manpower challenges will be the key to favorable performance.
- Continued protection of cash flow through capital expenditure and working capital management.

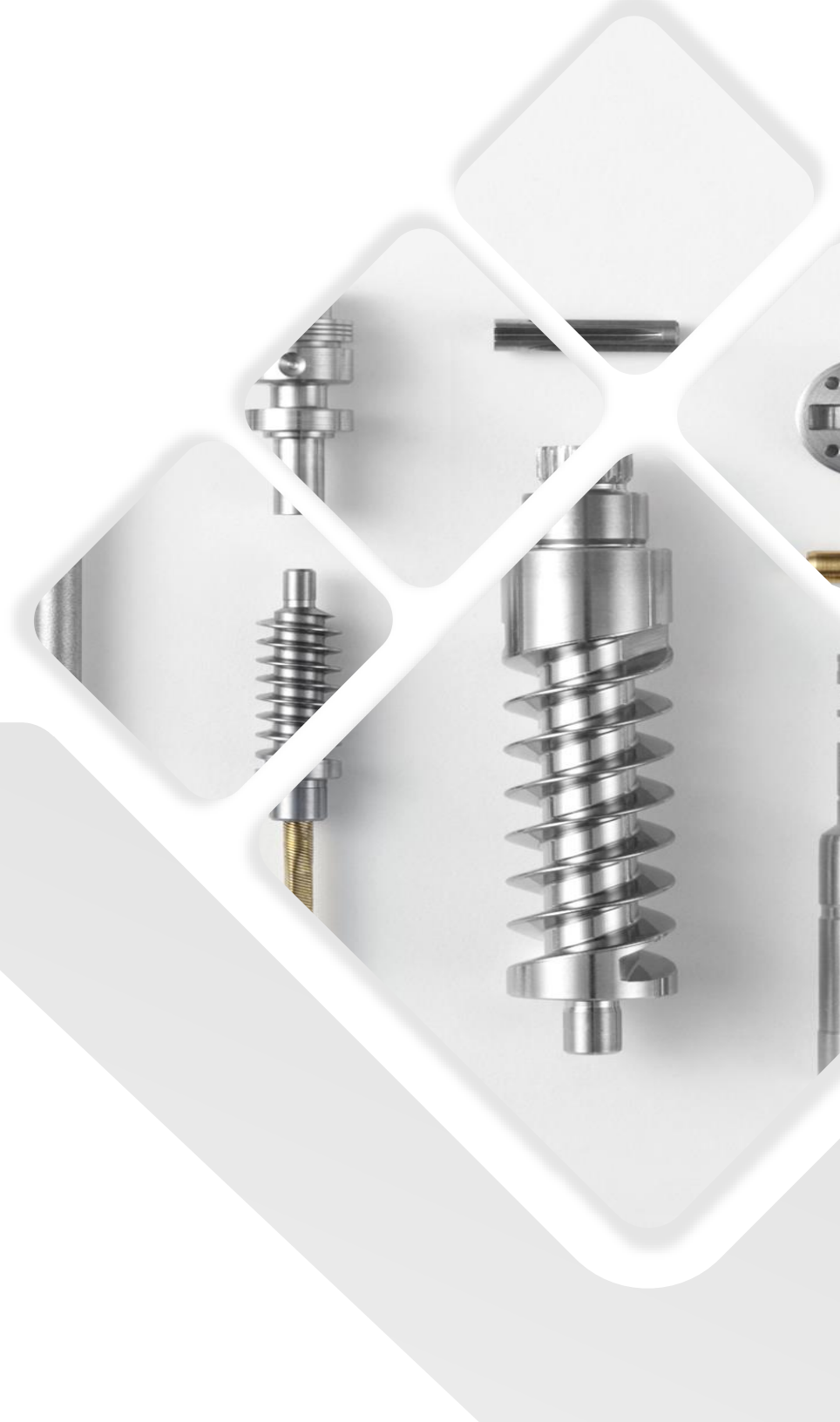
Summary

- **Sales** expected to be consistent to first half with adjustment for normal fourth quarter seasonality
- **Closely monitoring industry conditions** specifically in automotive considering current chip and supply chain challenges, broader industrial tailwinds from higher diesel engine demand, and the impact of the COVID-19 delta variant
- **Adjusted EBITDA;** Continued focus on variable margin improvement as demand patterns and inflationary environment stabilizes
- **Focus on achieving synergies** across business units and building salesforce capabilities; Applying relationships and best practices across Mobile and Power
- **Long-term capital structure** to support our strategic growth initiatives with interest rate swap to hedge potential rate risk
- **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, Amortization ~\$14 million, and Cash Interest Expense of ~\$12 million

Questions & Answers



Appendix



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

<i>\$000s</i> NN, Inc. Consolidated	Three Months Ended June 30,	
	2021	2020
GAAP income (loss) from operations	\$ (1,588)	\$ (11,177)
Acquisition and transition expense*	1,151	1,858
Amortization of intangibles	3,588	3,587
Non-GAAP adjusted income (loss) from operations (a)	\$ 3,151	\$ (5,732)
Non-GAAP adjusted operating margin (1)	2.6 %	(7.3)%
Depreciation	8,099	7,740
Other income/expense	(1,680)	1,215
Non-cash foreign exchange (gain) loss on inter-company loans	(643)	(474)
Change in fair value of preferred stock derivatives and warrants	672	(31)
Costs related to divested businesses and litigation settlement	1,500	—
Share of net income from joint venture	1,219	927
Non-cash stock compensation	1,076	1,208
Non-GAAP adjusted EBITDA (b)	\$ 13,394	\$ 4,853
Non-GAAP adjusted EBITDA margin (2)	10.9 %	6.2 %
GAAP net sales	\$ 123,157	\$ 78,532
<i>\$000s</i> Power Solutions	Three Months Ended June 30,	
	2021	2020
GAAP income (loss) from operations	\$ 2,875	\$ 1,454
Acquisition and transition expense*	105	507
Amortization of intangibles	2,749	2,749
Non-GAAP adjusted income (loss) from operations (a)	\$ 5,729	\$ 4,710
Non-GAAP adjusted operating margin (1)	11.6 %	12.6 %
Depreciation	1,219	1,215
Other income/expense	(193)	369
Non-cash foreign exchange (gain) loss on inter-company loans	(3)	(96)
Change in fair value of preferred stock derivatives and warrants	—	—
Costs related to divested businesses and litigation settlement	—	—
Share of net income from joint venture	—	—
Non-cash stock compensation	—	—
Non-GAAP adjusted EBITDA (b)	\$ 6,752	\$ 6,198
Non-GAAP adjusted EBITDA margin (2)	13.7 %	16.5 %
GAAP net sales	\$ 49,271	\$ 37,491

<i>\$000s</i> Mobile Solutions	Three Months Ended June 30,	
	2021	2020
GAAP income (loss) from operations	\$ 2,509	\$ (4,592)
Acquisition and transition expense*	—	345
Amortization of intangibles	839	838
Non-GAAP adjusted income (loss) from operations (a)	\$ 3,348	\$ (3,409)
Share of net income from joint venture	1,219	927
Non-GAAP adjusted income (loss) from operations with JV	\$ 4,567	\$ (2,482)
Non-GAAP adjusted operating margin (1)	6.2 %	(6.0)%
Depreciation	6,494	6,137
Other income/expense	392	379
Non-cash foreign exchange (gain) loss on inter-company loans	(373)	54
Change in fair value of preferred stock derivatives and warrants	—	—
Costs related to divested businesses and litigation settlement	—	—
Share of net income from joint venture	1,219	927
Non-cash stock compensation	—	—
Non-GAAP adjusted EBITDA (b)	\$ 11,081	\$ 4,088
Non-GAAP adjusted EBITDA margin (2)	15.0 %	10.0 %
GAAP net sales	\$ 73,886	\$ 41,037

<i>\$000s</i> Elimination	Three Months Ended June 30,	
	2021	2020
GAAP net sales	\$ —	\$ 4

(1) Non-GAAP adjusted operating margin = Non-GAAP adjusted income from operations / GAAP net sales

(2) Non-GAAP adjusted EBITDA margin = Non-GAAP adjusted EBITDA / GAAP net sales

*2021 Includes Capacity & Capabilities - \$— / Prof Fees - \$0.2 / Integration & Transformation - \$0.9 / Acq Transaction Costs - \$— / Asset Write-Downs/Inventory Step-Up - \$—

*2020 Includes Capacity & Capabilities - \$0.4 / Prof Fees - \$0.9 / Integration & Transformation - \$1.4 / Acq Transaction Costs - \$— / Asset Write-Downs/Inventory Step-Up - \$(0.9)



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>000's</i>	Three Months Ended June 30,	
	2021	2020
GAAP net income (loss)	\$ (5,391)	\$ (21,748)
Pre-tax acquisition and transition expense	1,151	1,858
Pre-tax foreign exchange (gain) loss on inter-company loans	(643)	(474)
Pre-tax change in fair value of preferred stock derivatives and warrants	672	(31)
Pre-tax amortization of intangibles and deferred financing costs	3,900	4,035
Pre-tax costs related to divested businesses and litigation settlement	1,500	—
Tax effect of adjustments reflected above (c)	(1,382)	(1,133)
Non-GAAP discrete tax adjustments	—	3,123
Loss from discontinued operations	—	4,182
Non-GAAP adjusted net income (loss) (d)	<u>\$ (193)</u>	<u>\$ (10,188)</u>

<i>Amounts per share, diluted</i>	Three Months Ended June 30,	
	2021	2020
GAAP net income (loss) per diluted share	\$ (0.17)	\$ (0.59)
Pre-tax acquisition and transition expense	0.03	0.04
Pre-tax foreign exchange (gain) loss on inter-company loans	(0.01)	(0.01)
Pre-tax change in fair value of preferred stock derivatives and warrants	0.02	—
Pre-tax amortization of intangibles and deferred financing costs	0.09	0.10
Pre-tax costs related to divested businesses and litigation settlement	0.03	—
Tax effect of adjustments reflected above (c)	(0.03)	(0.03)
Non-GAAP discrete tax adjustments	—	0.07
Loss from discontinued operations	—	0.10
Preferred stock cumulative dividends and deemed dividends	0.05	0.07
Non-GAAP adjusted net income (loss) per diluted share (d)	<u>\$ —</u>	<u>\$ (0.24)</u>
Weighted average common shares outstanding	44,440	42,197

Reconciliation of Operating Cash Flow to Free Cash Flow

<i>000's</i>	Three Months Ended June 30,	
	2021	2020
Net cash provided by (used in) operating activities	\$ (1,986)	\$ 5,638
Acquisition of property, plant and equipment	(5,547)	(4,364)
Free cash flow	<u>\$ (7,533)</u>	<u>\$ 1,274</u>

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. Over the past five years, we have completed several acquisitions, one of which was transformative for the Company, and sold two 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 (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 income (loss) 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 (loss) 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 (loss) 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 non-GAAP 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.

