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Q3 2020 Earnings Presentation



Forward Looking Statements & Disclosures

Forward Looking Statement: With the exception of the historical information contained in this presentation, the matters described herein contain forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve a number of risks and uncertainties that may cause actual results to be materially different from such forward-looking statements. Such factors include, among others, general economic conditions and economic conditions in the industrial sector, competitive influences, risks that current customers will commence or increase captive production, delayed customer product launches, risks of capacity underutilization, quality issues, availability of raw materials, pending and completed transactions and other risks associated with international trade, the Company's dependence on certain major customers, the impacts of the coronavirus (COVID-19) pandemic on the Company's financial condition, business operations and liquidity, foreign currency volatility, unstable economic growth, fluctuations in unemployment rates, retention of key employees, outcomes of legal proceedings, claims and investigations and other risk factors and cautionary statements listed from time to time 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, 2019 and when filed, the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2020.

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."

Disclaimer: NN disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements included herein or therein to reflect future events or developments.



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Third Quarter 2020



Renewed Focus for NN, Inc.

Prior to sale of Life Sciences

- Unsustainable capital structure
- Substantial doubt about Going Concern
- Highly leveraged +6x
- COVID-19 driven covenant relief
- Liquidity focused
- CAPEX constrained
- Three segments

Post sale of Life Sciences

- Improved capital structure
- No issues with Going Concern
- Manageable leverage 2x
- Covenant compliance
- Financial flexibility
- CAPEX for growth/productivity
- Two focused segments

Improved capital structure positions NN for success



Third Quarter 2020 Overview

Note: All figures exclude Life Sciences except where noted.

Key Quarterly Highlights

- Completed a significant deleveraging event paying off \$700M of debt in early October 2020
- Sold Life Sciences for \$825M, \$755M cash plus \$70M earn out in 2022
- Sale provided company with financial flexibility to deliver long-term shareholder value
- Improving end markets and recovery in Mobile Solutions sales and profitability

Net Debt

- Net Debt \$782.9M at 9/30/20 reduced to pro forma \$82.9M on 10/6/20 post transaction
- Reduced Term Debt by \$700M and paid off \$59M revolver post Life Sciences sale

Sales

- Sales of \$113.8M, down 5.6% from prior year including FX drag of \$2.4M
- Sales sequentially snapped back from Q2 2020 by \$35M or 44.9%

EBITDA

- Reported EBITDA of \$11.4M or 10.0% of sales versus \$9.1M or 7.6% in prior year
- Adjusted EBITDA of \$14.7M or 12.9% of sales versus \$15.9M or 13.2% in prior year

Operating Income / EPS

- GAAP – Operating Loss of \$1.5M versus a loss of \$1.8M in prior year
- Non-GAAP – Adjusted Operating Income of \$4.9M versus \$7.2M in prior year
- GAAP EPS Loss from continuing operations of \$0.04 versus \$0.12 loss in prior year
- Non-GAAP – Adjusted Net Income of \$0.07 per share versus \$0.08 in prior year

Free Cash Flow / Working Capital

- Free Cash Flow including Life Sciences was negative \$1.4M
- Working Capital – Sequential improvement in working capital turns from Q2 to Q3 2020

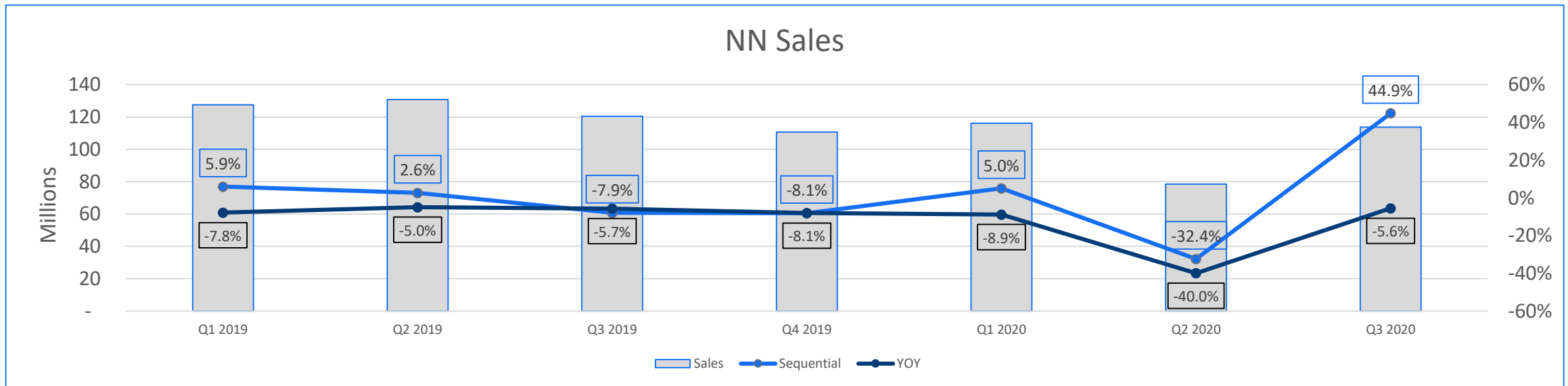


Revenue Metrics

Note: All figures exclude Life Sciences except where noted.

Q3 2020 YOY Change %	Power Solutions	Mobile Solutions	Total
Organic	-7.8%	-0.8%	-3.6%
Currency	-0.6%	-2.9%	-2.0%
Total	-8.5%	-3.7%	-5.6%

YTD 2020 YOY Change %	Power Solutions	Mobile Solutions	Total
Organic	-14.5%	-19.1%	-17.3%
Currency	0.3%	-2.3%	-1.3%
Total	-14.2%	-21.4%	-18.6%



Strong recovery as end markets improved throughout Q3



Third Quarter Profit and Loss

Note: All figures exclude Life Sciences except where noted.

(In millions, except per share data)

Net Revenues

% Change

Gross Profit

%

Operating Income

%

Net Interest (Expense)

Other Income (Expense)

Pre-Tax Income

Provision for Income Taxes

Share of net income (loss) from joint venture

Income (Loss) from continuing operations

%

Diluted EPS

Weighted Avg Diluted Shares

Non-GAAP Measures

EBITDA

%

EBITA

%

	Q3 20				
	GAAP Reported	Special Items*	Non-GAAP Excl Special	Integration Non-Ops**	Total Adj Non-GAAP
Net Revenues	\$ 113.8		\$ 113.8		\$ 113.8
% Change					
Gross Profit	23.7	0.0	23.7	1.2	24.9
%	20.8%		20.8%		21.9%
Operating Income	(1.5)	0.3	(1.2)	6.1	4.9
%	-1.3%		-1.0%		4.3%
Net Interest (Expense)	(7.0)	0.1	(6.9)	0.4	(6.5)
Other Income (Expense)	0.3	-	0.3	(0.7)	(0.4)
Pre-Tax Income	(8.2)	0.4	(7.8)	5.8	(2.0)
Provision for Income Taxes	8.7	(3.8)	4.9	(1.2)	3.7
Share of net income (loss) from joint venture	1.1	-	1.1	-	1.1
Income (Loss) from continuing operations	\$ 1.6	(3.4)	\$ (1.7)	4.6	\$ 2.9
%	1.4%		-1.5%		2.5%
Diluted EPS	\$ (0.04)		\$ (0.04)		\$ 0.07
Weighted Avg Diluted Shares	42.2		42.2		42.2
		Special Items*	Non-GAAP Excl Special	Integration Non-Ops**	Total Adj Non-GAAP
EBITDA	\$ 11.4	0.4	\$ 11.8	2.9	\$ 14.7
%	10.0%		10.4%		12.9%
EBITA	\$ 3.5	0.4	\$ 3.9	2.9	\$ 6.8
%	3.1%		3.5%		6.0%

	Q3 19				
	GAAP Reported	Special Items*	Non-GAAP Excl Special	Integration Non-Ops**	Total Adj Non-GAAP
Net Revenues	\$ 120.5		\$ 120.5		\$ 120.5
% Change					
Gross Profit	23.8	0.3	24.1	1.6	25.7
%	19.8%		20.0%		21.3%
Operating Income	(1.8)	1.6	(0.3)	7.5	7.2
%	-1.5%		-0.2%		6.0%
Net Interest (Expense)	(3.8)	-	(3.8)	0.4	(3.4)
Other Income (Expense)	(0.6)	-	(0.6)	0.7	0.0
Pre-Tax Income	(6.3)	1.6	(4.7)	8.5	3.8
Provision for Income Taxes	1.1	(0.3)	0.8	(1.7)	(0.9)
Share of net income (loss) from joint venture	0.3	-	0.3	-	0.3
Income (Loss) from continuing operations	\$ (4.8)	1.2	\$ (3.6)	6.8	\$ 3.2
%	-4.0%		-3.0%		2.7%
Diluted EPS	\$ (0.12)		\$ (0.09)		\$ 0.08
Weighted Avg Diluted Shares	42.0		42.0		42.0
		Special Items*	Non-GAAP Excl Special	Integration Non-Ops**	Total Adj Non-GAAP
EBITDA	\$ 9.1	1.6	\$ 10.7	5.2	\$ 15.9
%	7.6%		8.9%		13.2%
EBITA	\$ 1.5	1.6	\$ 3.0	5.2	\$ 8.2
%	1.2%		2.5%		6.8%

	YOY Change		
	GAAP Reported	Non-GAAP Excl Special	Total Adj Non-GAAP
Net Revenues	\$ (6.7)	\$ (6.7)	\$ (6.7)
% Change	-5.6%	-5.6%	-5.6%
Gross Profit	\$ (0.1)	\$ (0.4)	\$ (0.8)
%	110 bps	80 bps	60 bps
Operating Income	\$ 0.4	\$ (0.9)	\$ (2.3)
%	20 bps	-80 bps	-170 bps
Income (Loss) from continuing operations	\$ 6.5	\$ 1.9	\$ (0.4)
%	550 bps	150 bps	-20 bps
Diluted EPS	69.2%	52.5%	-12.2%
	Reported	Non-GAAP Excl Special	Total Adj Non-GAAP
EBITDA	\$ 2.3	\$ 1.1	\$ (1.2)
%	240 bps	150 bps	-30 bps
EBITA	\$ 2.1	\$ 0.9	\$ (1.4)
%	190 bps	100 bps	-80 bps

* Special Items are one time discrete adjustments

** Integration Non-Ops represent additional discrete transition and acquisition, foreign currency and amortization expense adjustments

Strong Gross Profit and double-digit EBITDA margins for the quarter



Third Quarter Bridge

Note: All figures exclude Life Sciences except where noted.

(In millions, except per share data)

Reported - GAAP

Special Items*

Add:

	Pre-tax Income	Tax	China JV	Cont Ops	Income Cont Ops	EPS
Asset Write-Downs	-	-	-	-	-	-
Brazil VAT / Law Change	-	-	-	-	-	-
Relocation, Recruiting & Severance Agreements	0.3	(0.1)	-	0.2	0.00	0.00
Write-off of unamortized debt issuance costs	0.1	(0.0)	-	0.1	0.00	0.00
Preferred Stock Cumulative dividends and deemed dividends***						0.07

Less:

Discrete Tax Items		(3.7)	-	(3.7)		(0.09)
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Total Non-GAAP Excluding Special Items	\$ (7.8)	\$ 4.9	\$ 1.1	\$ (1.7)	\$ (0.04)	\$ (0.04)
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Integration Non-Ops**

Transition and Acquisition:

Capacity and Capabilities Development	0.6	(0.1)	-	0.5	0.01	0.01
Professional Fees	0.3	(0.1)	-	0.3	0.01	0.01
Integration & Transformation	1.7	(0.4)	-	1.3	0.03	0.03
Foreign exchange (gain) loss on inter-company loans	(0.6)	0.1	-	(0.5)	(0.01)	(0.01)
Change in fair value of preferred stock tax withholding	(0.1)	0.0	-	(0.1)	(0.00)	(0.00)
Amortization of intangibles and deferred financing costs	4.0	(0.8)	-	3.2	0.07	0.07

Total Non-Operations Adjustments	\$ 5.9	\$ (1.2)	\$ -	\$ 4.7	\$ 0.11	\$ 0.11
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Total Adjusted Non-GAAP	\$ (2.0)	\$ 3.7	\$ 1.1	\$ 2.9	\$ 0.07	\$ 0.07
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Diluted Shares

42.202

Q3 19					
Pre-tax Income	Tax	China JV	Cont Ops	Income Cont Ops	EPS
\$ (6.3)	\$ 1.1	\$ 0.3	\$ (4.8)	\$ (0.12)	\$ (0.12)
0.3	(0.1)	-	0.3	0.01	0.01
0.3	(0.1)	-	0.2	0.01	0.01
0.9	(0.2)	-	0.8	0.02	0.02
-	-	-	-	-	-
-	-	-	-	-	-
\$ (4.7)	\$ 0.8	\$ 0.3	\$ (3.6)	\$ (0.09)	\$ (0.09)
1.4	(0.3)	-	1.1	0.03	0.03
0.5	(0.1)	-	0.4	0.01	0.01
2.0	(0.4)	-	1.6	0.04	0.04
0.7	(0.1)	-	0.5	0.01	0.01
-	-	-	-	-	-
4.0	(0.8)	-	3.2	0.08	0.08
\$ 8.5	\$ (1.7)	\$ -	\$ 6.8	\$ 0.16	\$ 0.16
\$ 3.8	\$ (0.9)	\$ 0.3	\$ 3.2	\$ 0.08	\$ 0.08

42.038

% Change		
Pre-tax Income	Income Cont Ops	EPS
-31.3%	134.0%	69.2%
-66.1%	52.3%	52.5%
30.6%	31.1%	31.4%
-151.0%	-9.7%	-7.6%

* Special Items are one time discrete adjustments

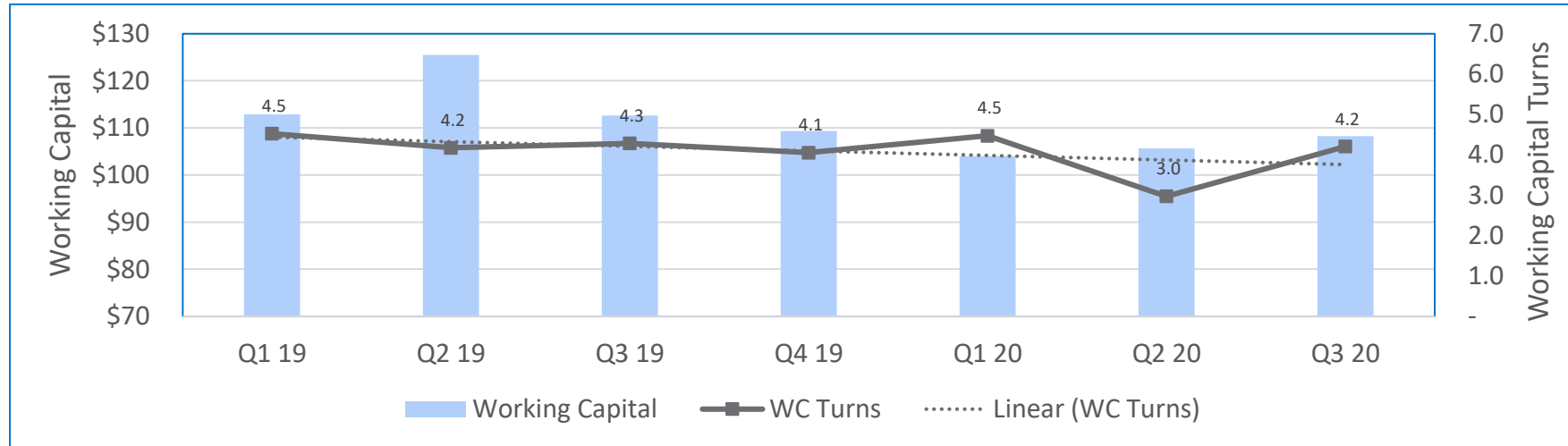
** Integration Non-Ops represent additional discrete transition and acquisition, foreign currency and amortization expense adjustments

*** Preferred Stock Cumulative dividends and deemed dividends (\$3,139/42,202)=.07



Working Capital

Note: All figures exclude Life Sciences except where noted.



(Total Consolidated)	Working Capital Metrics							
	Mobile Solutions		Power Solutions		HQ		Total NN, Inc	
	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3
\$000's	9/30/20	9/30/19	9/30/20	9/30/19	9/30/20	9/30/19	9/30/20	9/30/19
A/R	\$ 57,137	\$ 55,270	\$ 30,275	\$ 34,599	\$ -	\$ -	\$ 87,411	\$ 89,869
DSO	74.1	69.0	63.6	66.6			70.1	68.1
Inventory	\$ 37,707	\$ 42,451	\$ 26,011	\$ 28,992	\$ -	\$ -	\$ 63,718	\$ 71,443
Days Inventory	62.4	63.3	68.0	74.5			64.5	67.4
Inventory Turns	5.9	5.8	5.4	4.9			5.7	5.4
A/P	\$ (26,548)	\$ (25,531)	\$ (9,768)	\$ (14,136)	\$ (6,574)	\$ (9,057)	\$ (42,890)	\$ (48,724)
DPO	(43.9)	(38.1)	(25.5)	(36.3)			(43.4)	(46.0)
Net Working Capital	\$ 68,296	\$ 72,190	\$ 46,517	\$ 49,455	\$ (6,574)	\$ (9,057)	\$ 108,239	\$ 112,588
Cash Conversion Cycle	92.5	94.3	106.1	104.8	-	-	91.2	89.5
W/Cap Turns	4.1	4.0	3.7	3.8	0.0	0.0	4.2	4.3

Working Capital turns improved sequentially from Q2 to Q3

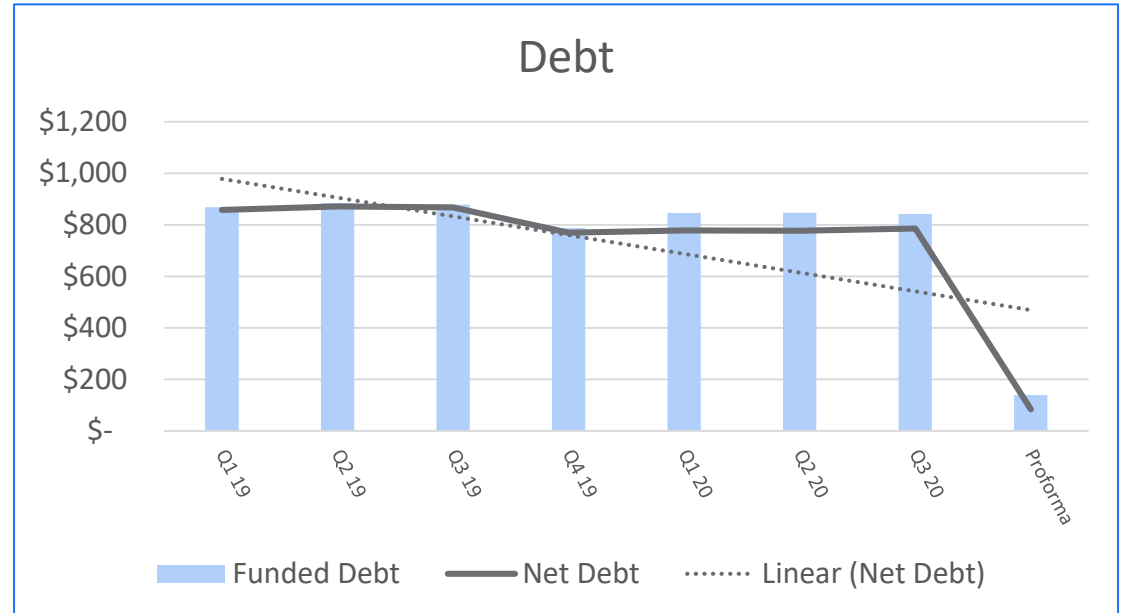


Debt

Note: All figures exclude Life Sciences except where noted.

Debt Metrics			
	Proforma*	Actual	Actual
	Q3	Q3	Q3
\$000's	9/30/2020	9/30/2020	9/30/2019
Short Term Debt	\$ 4,624	\$ 716,374	\$ 28,164
Long Term Debt (ex-issuance costs)	134,454	122,704	849,873
Funded Debt	139,077	839,077	878,037
Cash	56,131	56,131	11,208
Net Debt	\$ 82,946	\$ 782,946	\$ 866,829
TTM Adjusted EBITDA as Reported	\$ 42,840		
Adjusted EBITDA to Net Debt	1.94 x		

* On October 6 applied \$700M of cash proceeds from the Life Sciences sale to Debt

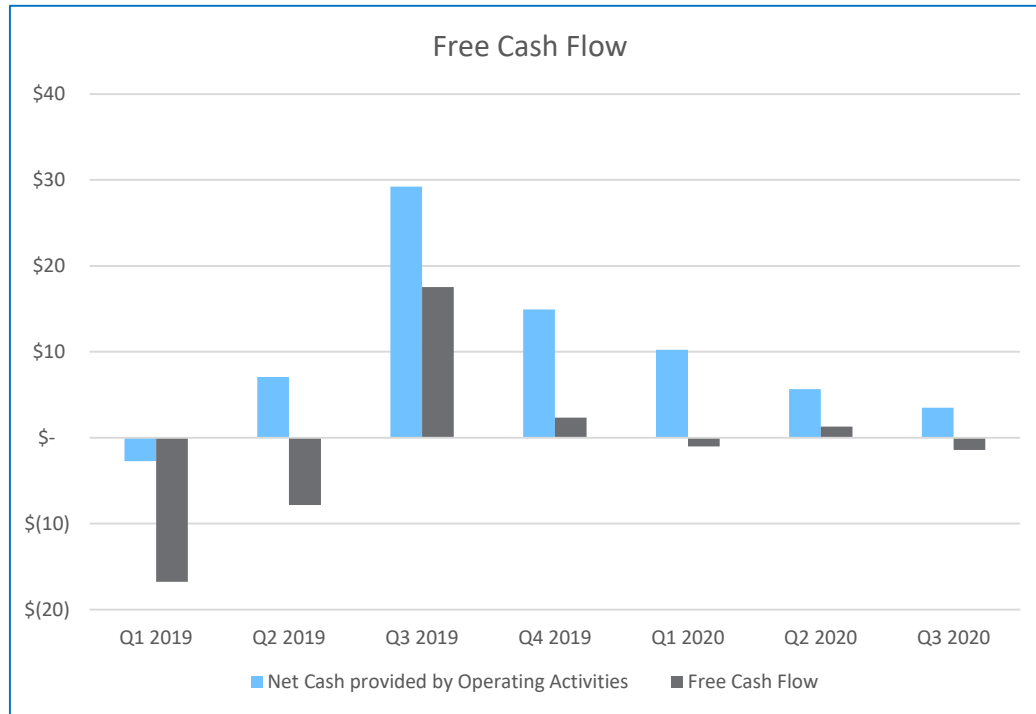


Significant deleveraging event post Life Sciences sale on October 6, 2020



Free Cash Flow

Note: All figures exclude Life Sciences except where noted.



Note: Cash Flow includes Life Sciences in all periods presented.

Cash Flow Metrics				
(\$000's)				
	Q3 FY 2020	Q3 FY 2019	YTD FY 20	YTD FY 19
<i>Free operating cash flow:</i>				
Net cash provided by operating activities, as reported	\$ 3,482	\$ 29,240	\$ 19,344	\$ 33,607
Less: Capital Expenditures	(4,894)	(11,726)	(20,518)	(40,720)
Free operating cash flow	\$ (1,412)	\$ 17,514	\$ (1,174)	\$ (7,113)
Net Income	\$ 21,970	\$ (5,855)	\$ (247,969)	\$ (32,656)
Conversion of free operating cash flow	N/A	N/A	N/A	N/A

Sixth consecutive quarter of positive “Net Cash provided by Operating Activities”

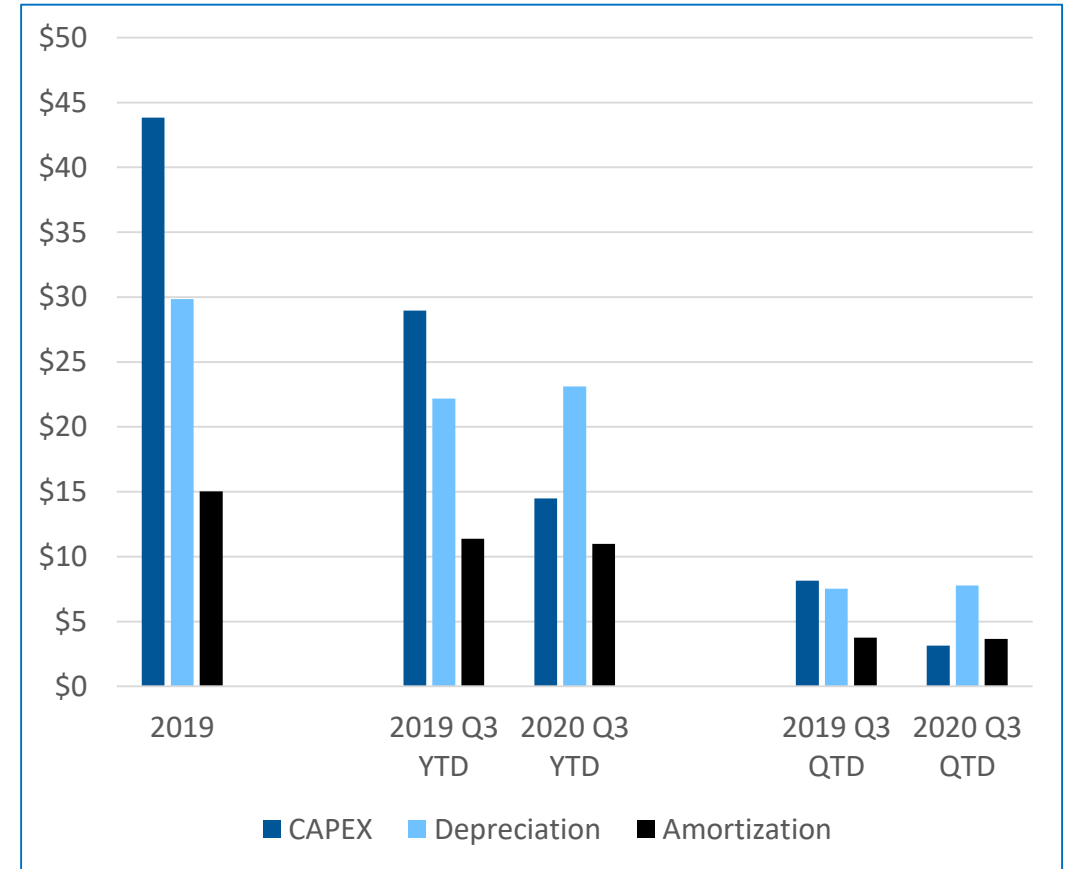


Capital Spending

Note: All figures exclude Life Sciences except where noted.

Capital Spending Metrics*				
	Sep-20	Sep-19	Sep-20	Sep-19
\$000's	QTD	QTD	YTD	YTD
Power Solutions	130	2,471	1,967	4,020
Mobile Solutions	2,419	5,820	11,013	18,530
Corporate HQ	149	1,042	689	1,728
Total CAPEX including AP	\$ 2,699	\$ 9,333	\$ 13,670	\$ 24,278
Sales	\$ 113,761	\$ 120,459	\$ 308,506	\$ 378,838
CAPEX % of Sales	2.4%	7.7%	4.4%	6.4%
Non-cash Capex Movements	\$ (433)	\$ 1,187	\$ (814)	\$ (4,684)
Cash CAPEX	\$ 3,132	\$ 8,146	\$ 14,483	\$ 28,962
Cash CAPEX % of Sales	2.8%	6.8%	4.7%	7.6%

*Excludes Life Sciences Capital Spending Metrics



Capital expenditures as a percent of sales significantly reduced year over year



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Segment Highlights



Mobile Solutions – Q3 2020

Mobile Solutions <i>(In millions)</i>	Q3 FY20	% of Sales	Q3 FY19	% of Sales	% Change	Margin Change
Sales	\$ 70.4		\$ 73.1		-3.7%	
Operating Profit - GAAP	\$ 5.0	7.0%	\$ 3.4	4.7%	44.7%	240 bps
Operating Profit - Adjusted*	\$ 6.3	9.0%	\$ 5.1	6.9%	24.3%	200 bps
Reported EBITDA	\$ 13.1	18.6%	\$ 10.3	14.1%	26.6%	440 bps
Adjusted EBITDA*	\$ 13.7	19.5%	\$ 11.4	15.5%	20.7%	390 bps

E-bike Drive S-Mag



Sales – Sales down 3.7% (\$2.7M) from prior year primarily due to fx and the lingering effects of the COVID pandemic:

- Q3 saw volume increases as many customers ramped production. Worldwide sales increased 71% over Q2.
- Q3 regional sales as % of PY (fx-neutral): NAO (93%); EO (86%); SAO (112%); AO (128%).
- Q3 sales were negatively impacted by the devaluation of foreign currencies (\$2.1M) vs. the U.S. dollar, and lower customer demand due to COVID-19 pandemic (\$0.6M).

Profitability – In spite of lower sales, profitability improved over 2019:

- Successful continuous improvement activities in several product lines resulted in improved variable margin.
- Improved fixed cost leverage as many Q2 cost reductions necessitated by the COVID-19 pandemic have carried into Q3.
- Q3 2019 included a one-time gain associated with a favorable litigation settlement (\$1.4M), which did not repeat in Q3 2020.

Current Focus & Looking Forward

- Q4 demand continues to strengthen in all regions with sales predicted to be 95%+ of prior year sales levels.
- Continued protection of cash flow through capital expenditure curtailment and working capital management.



Power Solutions – Q3 2020

Power Solutions <i>(In millions)</i>	Q3 FY20	% of Sales	Q3 FY19	% of Sales	% Change	Margin Change
Sales	\$ 43.4		\$ 47.4		-8.5%	
Operating Profit - GAAP	\$ 1.1	2.6%	\$ 3.4	7.1%	-65.9%	-440 bps
Operating Profit - Adjusted	\$ 5.4	12.5%	\$ 8.5	18.0%	-36.6%	-550 bps
Reported EBITDA	\$ 5.3	12.1%	\$ 7.1	14.9%	-25.7%	-280 bps
Adjusted EBITDA	\$ 6.6	15.2%	\$ 9.5	20.0%	-30.4%	-480 bps

Sales – Sales down 8.5% (\$4.0M) from prior year:

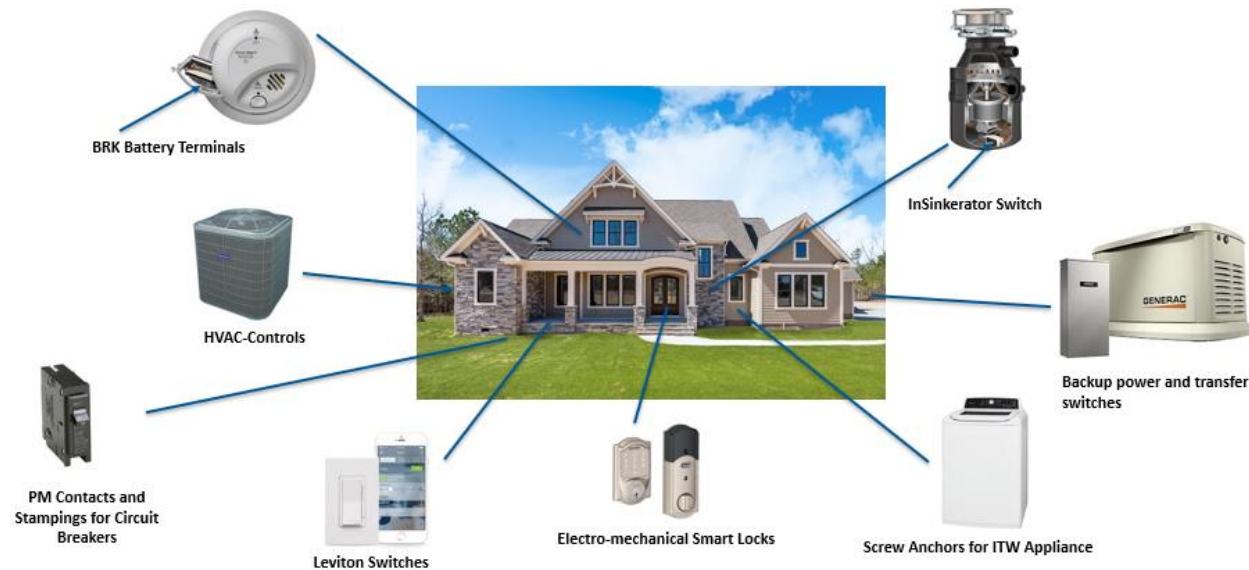
- Sales were negatively impacted by lower customer demand for electrical products, automotive, and oil and gas end markets, and reduced elective surgeries resulting from the COVID-19 pandemic.
- Sales were positively impacted by sales of products with precious metals content, particularly gold and silver, the market price for which increased 30-40% between the periods.

Profitability

- Unfavorable variable margin in Q3 primarily driven by unfavorable product mix and the labor productivity and scrap impacts associated with COVID-19 production disturbances and A&D validation delays.
- Commodity prices on precious metals dramatically increased during Q3 2020, driving up materials costs and decreasing profit margins of certain products.
- Aggressive fixed cost reductions implemented resulting in \$1.0M in profit improvement.

Current Focus & Looking Forward

- Q4 daily sales rate forecasted to be in line with Q3.
- Backorders within the aerospace, defense and medical businesses may be deferred due to the current COVID-19 pandemic environment.
- Continued protection of cash flow through capital expenditure curtailment and working capital management.





Key Takeaways

- Significant deleveraging event allows for financial flexibility going forward
- Capitalize on improving market conditions
- Monitor costs based on volume changes
- Manage working capital and improve inventory turns
- Maintain lower capital expenditures and improve cash flows
- Continue to monitor cash and adhere to bank liquidity requirements

No Sales, Cash Flow or EPS guidance due to uncertain environment



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Reconciliation Tables



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

<i>\$000s</i>	Three Months Ended	
	September 30,	
NN, Inc. Consolidated	2020	2019
GAAP income (loss) from operations	\$ (1,456)	\$ (1,811)
Acquisition and transition expense*	2,762	\$ 5,429
Amortization of intangibles	3,587	\$ 3,618
Non-GAAP adjusted income from operations (a)	<u>\$ 4,893</u>	<u>\$ 7,235</u>
Non-GAAP adjusted operating margin (1)	4.3%	6.0%
Depreciation	\$ 7,848	\$ 7,484
Other income/expense	262	(634)
Non-cash foreign exchange (gain) loss on inter-company loans	(630)	668
Change in fair value of preferred stock tax withholding	(73)	-
Share of net income from joint venture	1,136	279
Non-cash stock compensation	1,222	829
Non-GAAP adjusted EBITDA (b)	<u>\$ 14,658</u>	<u>\$ 15,860</u>
Non-GAAP adjusted EBITDA margin (2)	12.9%	13.2%
GAAP net sales	\$ 113,761	\$ 120,459
	Three Months Ended	
	September 30,	
	2020	2019
<i>\$000s</i>		
Power Solutions		
GAAP income (loss) from operations	\$ 1,143	\$ 3,351
Acquisition and transition expense	1,515	2,430
Amortization of intangibles	2,748	2,748
Non-GAAP adjusted income from operations (a)	<u>\$ 5,407</u>	<u>\$ 8,530</u>
Non-GAAP adjusted operating margin (1)	12.5%	18.0%
Depreciation	\$ 1,211	\$ 1,032
Other income/expense	153	(59)
Non-cash foreign exchange (gain) loss on inter-company loans	(162)	-
Change in fair value of preferred stock tax withholding	-	-
Share of net income from joint venture	-	-
Non-cash stock compensation	-	-
Non-GAAP adjusted EBITDA (b)	<u>\$ 6,610</u>	<u>\$ 9,503</u>
Non-GAAP adjusted EBITDA margin (2)	15.2%	20.0%
GAAP net sales	\$ 43,415	\$ 47,430

<i>\$000s</i>	Three Months Ended	
	September 30,	
Mobile Solutions	2020	2019
GAAP income (loss) from operations	\$ 4,954	\$ 3,423
Acquisition and transition expense	507	775
Amortization of intangibles	838	869
Non-GAAP adjusted income from operations (a)	<u>\$ 6,300</u>	<u>\$ 5,067</u>
Share of net income from joint venture	1,136	279
Non-GAAP adjusted income from operations with JV	<u>7,436</u>	<u>5,346</u>
Non-GAAP adjusted operating margin (1)	10.6%	7.3%
Depreciation	\$ 6,250	\$ 5,949
Other income/expense	(114)	(200)
Non-cash foreign exchange (gain) loss on inter-company loans	141	266
Change in fair value of preferred stock tax withholding	-	-
Share of net income from joint venture	1,136	279
Non-cash stock compensation	-	-
Non-GAAP adjusted EBITDA (b)	<u>\$ 13,713</u>	<u>\$ 11,362</u>
Non-GAAP adjusted EBITDA margin (2)	19.5%	15.5%
GAAP net sales	\$ 70,371	\$ 73,071
	Three Months Ended	
	September 30,	
	2020	2019
<i>\$000s</i>		
Elimination		
GAAP net sales	\$ (25)	\$ (42)

(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

* 2020 Includes Capacity & Capabilities Dev - \$0.6 / Prof Fees - \$0.3 / Integration & Transformation - \$1.9 / Acq Transaction Costs - \$0.0 / Asset Write-Downs/Inventory Step-Up - \$0.0

* 2019 Includes Capacity & Capabilities Dev - \$1.4 / Prof Fees - \$0.5 / Integration & Transformation - \$3.2 / Acq Transaction Costs - \$0.0 / Asset Write-Downs/Inventory Step-Up - \$0.3



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>	Three Months Ended	
	September 30,	
	2020	2019
GAAP net income (loss)	\$ 21,970	\$ (5,855)
Pre-tax acquisition and transition expense	2,762	5,429
Pre-tax foreign exchange (gain) loss on inter-company loans	(630)	668
Pre-tax write-off of unamortized debt issuance costs	144	-
Pre-tax change in fair value of preferred stock tax withholding	(73)	-
Pre-tax amortization of intangibles and deferred financing costs	4,007	3,990
Tax effect of adjustments reflected above (c)	(1,308)	(2,007)
Non-GAAP discrete tax adjustments	(3,685)	-
(Income) loss from discontinued operations	(20,330)	1,019
Non-GAAP adjusted net income (loss) (d)	<u>\$ 2,858</u>	<u>\$ 3,243</u>

<i>Amounts per share, diluted</i>	Three Months Ended	
	September 30,	
	2020	2019
GAAP net income (loss) per diluted share	\$ 0.45	\$ (0.14)
Pre-tax acquisition and transition expense	0.07	0.13
Pre-tax foreign exchange (gain) loss on inter-company loans	(0.01)	0.02
Pre-tax write-off of unamortized debt issuance costs	0.00	-
Pre-tax change in fair value of preferred stock tax withholding	(0.00)	-
Pre-tax amortization of intangibles and deferred financing costs	0.09	0.09
Tax effect of adjustments reflected above (c)	(0.03)	(0.05)
Non-GAAP discrete tax adjustments	(0.09)	-
(Income) loss from discontinued operations	(0.48)	0.02
Preferred stock cumulative dividends and deemed dividends	0.07	-
Non-GAAP adjusted net income (loss) per diluted share (d)	<u>\$ 0.07</u>	<u>\$ 0.08</u>
Weighted average shares outstanding, diluted	42,202	42,038



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 seven acquisitions, two of which were 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 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 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 net income (loss), adjusted to include income taxes, interest expense, Interest rate swaps and write-offs, change in fair value of preferred stock tax withholding, 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, 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 restructuring and integration charges (related to plant closures and other charges incurred to implement our strategic goals that do not necessarily represent a major strategic shift in operations), charges related to acquisition and transition costs, amortization of intangibles costs for fair value step-up in values related to acquisitions and amortization of deferred financing costs, foreign exchange gain (loss) on inter-company loans, estimated interest expense on cash held from divestiture, non-cash impairment charges, change in fair value of preferred stock tax withholding, the impact of enactment of the Tax Cut and Jobs Act and income from discontinued 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 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.