



# Investor Presentation

December 2024



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# Investment Highlights: Enterprise Transformation Underway and Showing Good Results

## Make Critical High-Spec Parts for Attractive End Markets



- Leading manufacturer of high-precision, highly-technical machined and stamped metal products
- Decades of proprietary engineering know-how
- Products and expertise are applicable to diverse and desirable end market applications; automotive, medical & power

## New Top Leadership Team



- New top team focused on results and accountability; leading the transformation
- Experienced in transforming cost structures, commercial agendas, M&A integration
- Direct experience in NN's end markets and customers

## Enterprise Transformation Underway



- 1<sup>st</sup> of 3-phase transformation plan; sales wins, culling portfolio, growing profits, and cash flows
- Fixing unprofitable areas; improving profits and margins via cost optimization, pricing, and better utilization
- Increasing operating efficiency – heavy focus on precision automation

## New Approach to Winning Future Business



- Leveraging current footprint and capabilities to drive organic growth and more wins, supported by Ops improvements
- Investing aggressively into a few areas: Medical & Electrical markets, capacity in low-cost geographies
- Growing in China for Chinese market, and low-cost export markets

## Lower Cost of Capital / Improve Capital Structure



- Strategically managing operations for consistent free cash flow while investing into high-payback areas
- Implementing a set of actions to improve WACC and strategic flexibility through a comprehensive refinancing
- Remain focused on long-term capital structure optimization

*Repositioning, Increasing Competitiveness, and Delivering Results Going into 2025*



# NN At A Glance

- **Best-In-Class** maker of high-precision, complex metal products
  - Achieved \$113 million in new business wins from Q1'23 – Q3'24
  - Goal is \$65 million wins per year for next 5 years with sub goals of \$50m in Medical Components over 5 years and \$50m in Electrical Components over 3 years
    - On Track to achieve revenue and business diversification
  - Targeted end-markets are passenger vehicles, electrical distribution and control, electrical grid, and medical
  - Targeted product applications for auto are steering, fuel efficiency systems, emissions reduction, electrical shielding, vehicle control
- **Two Primary Product Segments:**
  - Power Solutions products are primarily precision stamped parts, plated parts, and subassemblies.
  - Mobile Solutions products are primarily machined parts and assemblies.
- **Global Manufacturing Platform:** 25 facilities in 6 countries, 49% ownership in China JV machining plant with sales > \$100 million
- **Strategic Partner** to diversified and global customer base with long standing business relationships and long-running business streams

**Revenue**  
\$470 Million

**Adjusted EBITDA**  
\$46 million



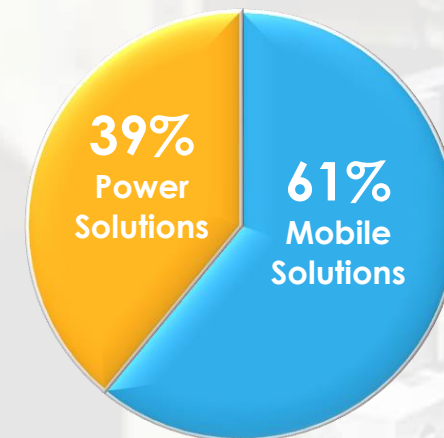
**Adjusted EBITDA %**  
10%

**Customers**  
>1,100

## Global Employees

~3,100 + Additional ~700 in China JV

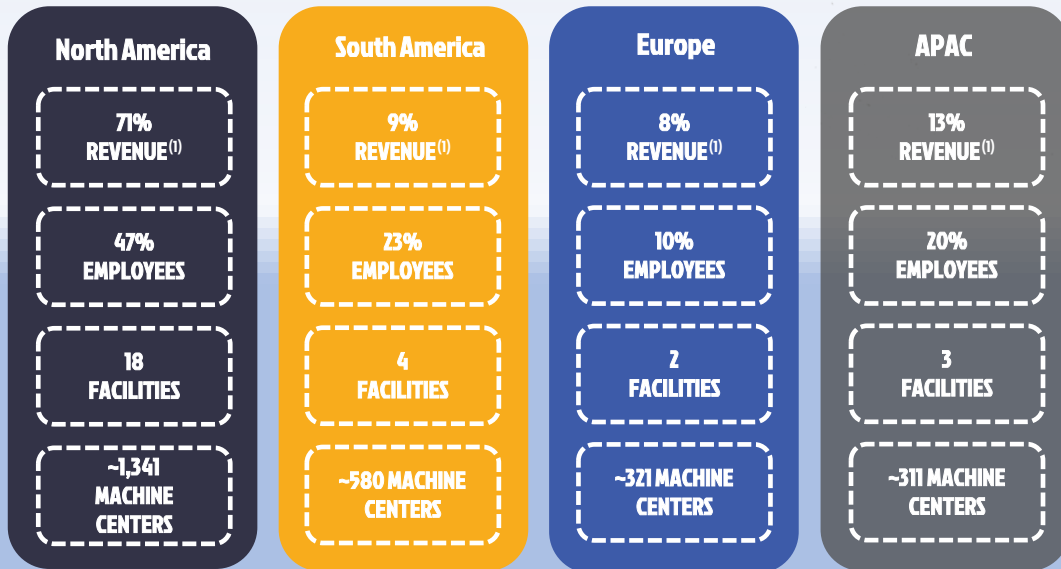
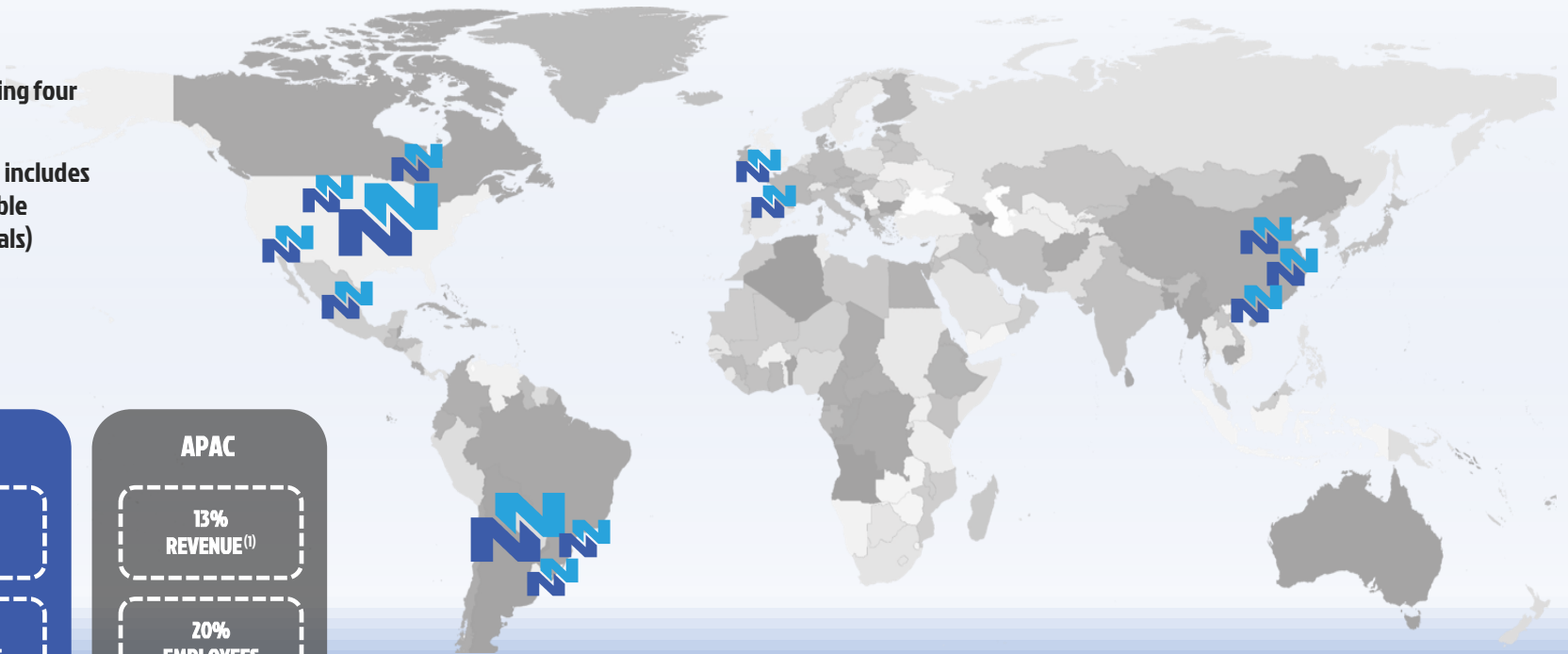
## Revenue Breakdown



# Globally Competitive Operational Footprint

Close-to-customer engineering centers coupled with both localized production for local markets and global low-cost footprint

- Close proximity to customers in all major markets to meet local needs
- Low-cost country footprint aligned with strategy and facility optimization initiative
- Centers of excellence in engineering and manufacturing spanning four continents supporting regional requirements
- China Join Venture (“JV” or “China JV”), of which NN owns 49%, includes ~700 employees in one facility and generates \$100M+ in profitable revenue (included as other income in NN’s consolidated financials)



\*NN, Inc. logos represent employee concentration.

<sup>(1)</sup> Trailing Twelve Months as of 9/30/24

# NN's Markets are Healthy, Business On Track to Grow in 2025

Primary End Market Outlook				
End Market	~% of NN Revenue	Market Indicators	+/-	NN's Outlook vs. Market
Global Passenger Vehicle	40%	Global light vehicle market production is growing slightly; global demand patterns undergoing change	↔	Expanding capacity in China to make highest value products; steering and fuel efficiency  New <b>'Connect and Protect'</b> product line is focused onto electrical connector, electrical harness and bus bar for vehicles and chargers
		China OEs have emerged as global exporters. Powertrain diversification across hybrid, ICE and EV.		
		US light vehicle forecast mostly flat in 2025		
US General Industrial, Other	30%	Statista forecasts approximately 3% growth	➔	Demand is generally steady for the industries that we serve
Power Grid and Electricity Control	15%	Global power grid market modest growth, driven by software and replacement  Electrical distribution and control strong in Industrial, weaker in construction	➔	Strong smart meter business is healthy and growing; residential construction is flat-ish for circuit breaker products, business is steady
Commercial Vehicle	10%	Long haul to be down in FY'25, up in FY'26  Market volatility in Class 6-8 higher than in passenger vehicles  China now 1/3 <sup>rd</sup> of global commercial trucks built	↔	NN's business is focused on light and medium duty trucking and energy efficient engines  Applications and geographic markets where NN operates are stronger than headline market demand
Medical Equipment, Surgical Tools, and Implants	5%	Orthopedic sales are growing modestly	➔	Focused on growing a robust pipeline of new programs and awards  Expanded long-term goal to \$100M net sales

# NN's 5 Year Plan for Growing Sales and Profits

## 2028 Goals

## Pathway to Achievement

## Near-Term Progress

**Grow Revenue to ≥\$650M**

- Organic sales growth of 3-4% on base business
- Higher growth targeted in Medical and Electrical Systems
- Strategic acquisitions to accelerate strategy when timing is right

**2025 will have Y/Y growth overall, and across each segment: Power, Mobile, and Medical**

**New Business Wins of \$325M Over 5 Years**

- Expanding new business program in several new areas:
  - Connect & Protect – Connector components and shields
  - Power Up – Busbar and electrical components
  - Steering – Front and rear steering
  - Fuel efficiency – Hybrid and ICE
- Invest growth capex to expand capabilities in key growth areas

**Secured >\$100M in new business in 2023/24;**

**Heading into 2025 with ~\$700M pipeline**

**Manage Cash Flow Closely**

- Generate free cash flow, invest \$100M in capex over 5 years
- Decrease interest expenses via refinancing and rate reduction

**Repositioning balance sheet for refinancing → goal is lower cost of capital and strategic flexibility**

**Increase Adjusted EBITDA Rate to 12-14%**

- Rationalize business and operations at 7 underperforming plants
- Achieve net cost-down through 'Continuous Improvement' program
- Improve working capital management and return to positive Adj. EPS

**Every plant will make money in 2025; margins are at 10% and headed towards range in 2025**

# Power Solutions: Stamped & Assembled Metal Products

*Many well-positioned customers, strong new wins → Growth in FY'25*

## *Power Solutions – Stamped & Assembled Products*

### **Provides:**

Customers with precision stamped parts, electroplated parts, assembly capabilities to help co-design and produce safe, durable, and high-quality mission-critical components across a flexible volume/mix platform

### **End Markets:**

Electric Grid, Industrial, Vehicles, Electronics, Medical (new), Connector Parts (new), and Electric Shielding (new)

### **Key Product Applications:**

Smart meters, circuit breakers, sensors, transformers, switchgears, defense, and surgical instruments



**Connector Shields**

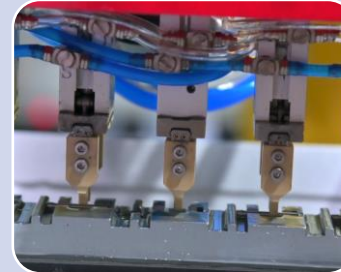


**Smart Meter Contact Assembly or "Blade"**



**Medical Surgical Instruments**

## *Specializing in hard-to-make Stampings & Platings*



**Design and build our own dies in-house**

**In-house rapid prototyping to speed up the innovation process**

**Good footprint between the US, Mexico and China**



# Mobile Solutions: Machined Metal Products

*Many well-positioned global customers with global agendas → Growth in 2025*

## Mobile Solutions – Machined Products

### Provides:

Customers with precision machining and finishing capabilities to develop 6 sigma product designs with unmatched speed to market and advanced in-house precision engineering capabilities

### End Markets:

Vehicles, (ICE/BEV/HEV), Industrial, and Medical (new)

### Key Product Applications:

Electric power steering, electric braking, electric motors, gas and diesel fuel systems, emissions control for heavy duty (dosing)



**Precision Worm Shafts**  
(electric power steering)

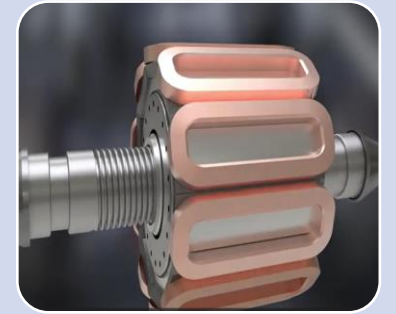


**Inlet Fittings**



**Electric Motor Shafts**

## Specialize in tough, quiet parts with micron tolerances



Every part is customer designed

Key is the best manufacturing process

Lots of know-how

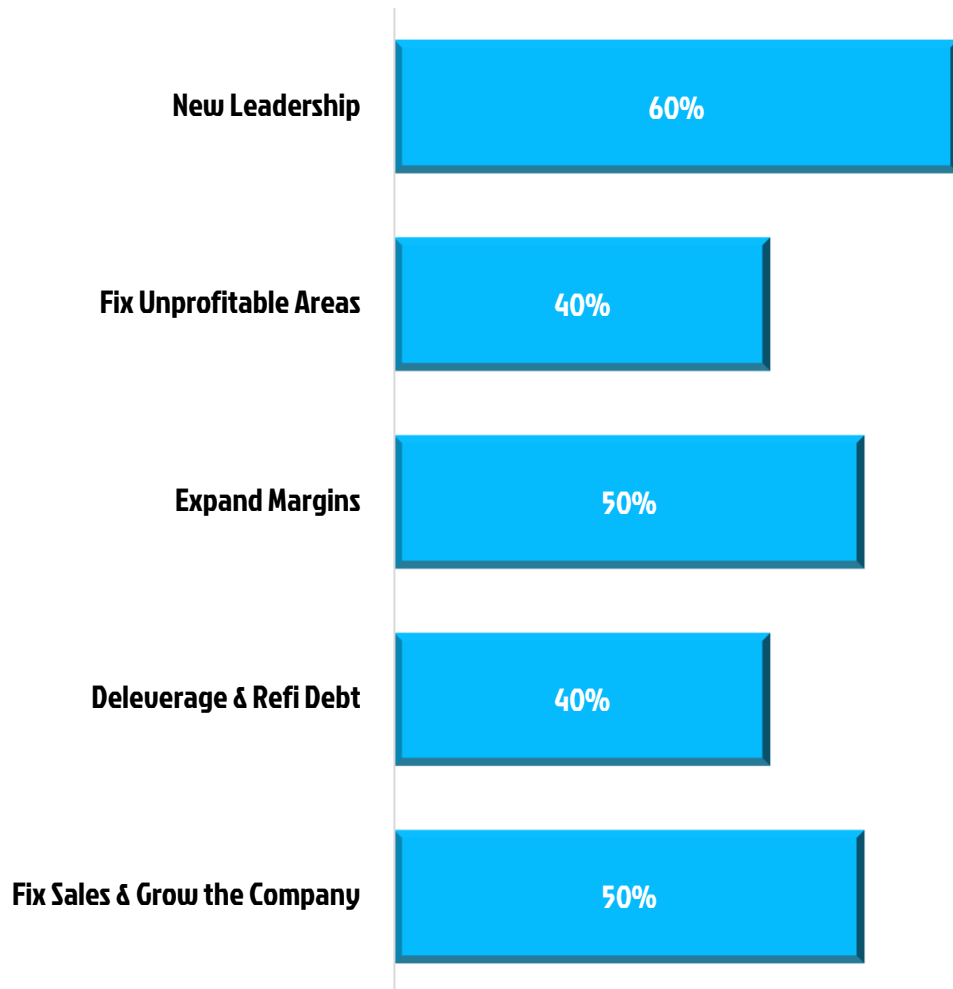
We are part of a larger system

We guarantee mating and compatibility

Focused on next-gen processes and products

Good footprint in US, Brazil, France, Poland, and China

# Transformation Plan Making Solid Progress



## Transformation ~50% Complete After 5 Quarters

### 1. Cemented Top Leadership

- Still strengthening Medical, Electrical Grid, Stamped products, & select plants

### 2. “Group of 7” money-losing plants being fixed, adj. EBITDA dramatic YTD improvement

(\$millions)

	Q3'23 YTD	Q3'24 YTD
	(\$8.4)	(\$0.8)

### 3. Gross Profit margins are expanding

	Q3'23 YTD %	Q3'24 YTD %
Mobile increased	11.4%	13.1%
Power* increased	21.3%	21.5%
NN* increased	14.9%	16.3%

### 4. Reduce leverage

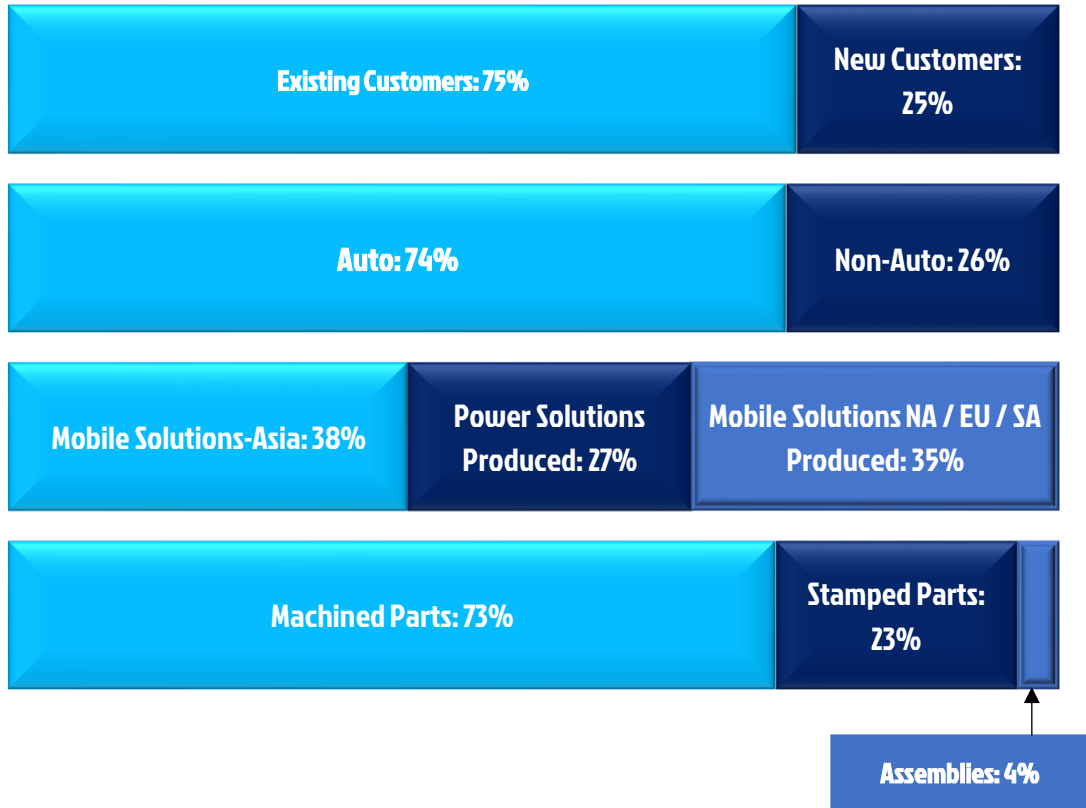
- Down to 3.9x from Q2'23 to 3.0x
- Sold Lubbock, paid off debt, gained operational flexibility to go faster

### 5. Rationalized legacy sales will be fully offset and expect year-over-year sales growth in 2025

# Organic Growth Program Continues to Deliver Growth

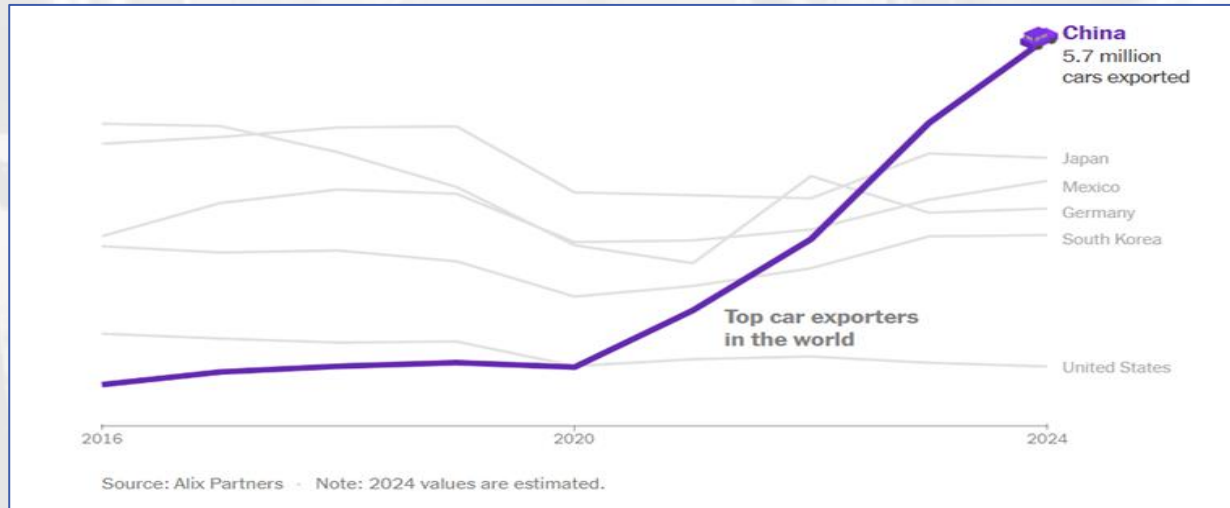
***NN goal is \$325M in new awards over 5 years – on track through first 7 quarters at \$113M of new awards***

- Steering system wins in China market with NN’s most advanced products
- Continued focus on Electrical and Medical end markets, as well as Stamped products
- Turnaround of underperforming plants has become into a key enabler
- Pipeline has grown over last 4 quarters from \$500M to \$700M



- ***Winning new business both above market growth rates and higher than customer rationalization***
- ***On pace to achieve goal of \$60 to \$70 million of new business wins in 2024***
- ***Expect year-over-year Sales Growth in 2025***

# Trends We See → China Making Low-Cost Cars for Domestic and Export Markets



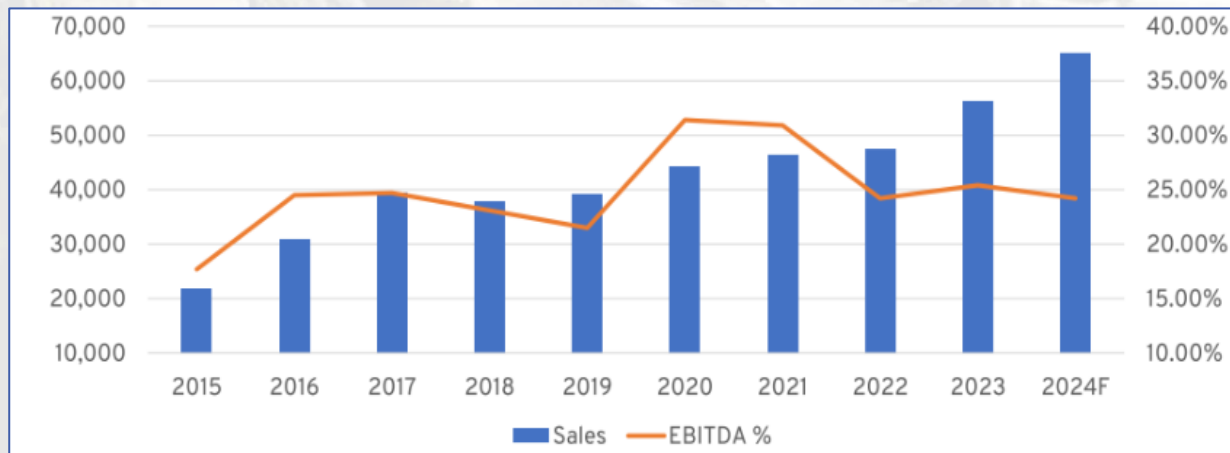
**China's largest markets – China, Russia, Latin America, Middle East and parts of Europe.**

**Largely blocked from US, Canada, India, Turkey, and Brazil.**

**NN has been in China in over 20 years on both auto and medical markets for machined and stamped parts. Sell a great mix of products in that market.**

**NN is benefitting from the emergence of China as an auto exporter.**

**For instance, NN's Wuxi plant sales are growing strongly with additional business wins for 2025, 2026 and 2027.**





# Trends We See → Tariffs are good for NN

US has tariffs on certain auto parts and completed passenger vehicles -> now seeking to further protect US-based production

Tariffs take aim at the expansion of low-cost alternative supply from China, Mexico, & Canada

- NN has ~\$120 million of tariff-protected US-produced auto parts and will be further protected from these actions
  - NN's US auto part business plan focus is to maintain market positions, but not overly invest
- Tariffs action will strengthen NN's US automotive business
  - Proposed tariffs increase NN's competitiveness, strengthen pricing power and protect margins

NN's US auto parts business does not import from China

- NN is in the US for the US market

NN also produces auto parts in China for the Chinese domestic market

- A \$80 million wholly-owned China auto-part making business, and a \$120 million JV that makes auto-parts for China <sup>(1)</sup>
- NN's China production is consumed locally for the Chinese domestic auto market
- The China auto market is healthy and growing
- NN's China business will not be impacted by the proposed US tariffs

# Trends We See → Steering Systems

Electric steering systems continue to present content rich, powertrain-agnostic opportunities globally

## Quality, Innovation and Cost continue to drive sourcing to NN Inc.

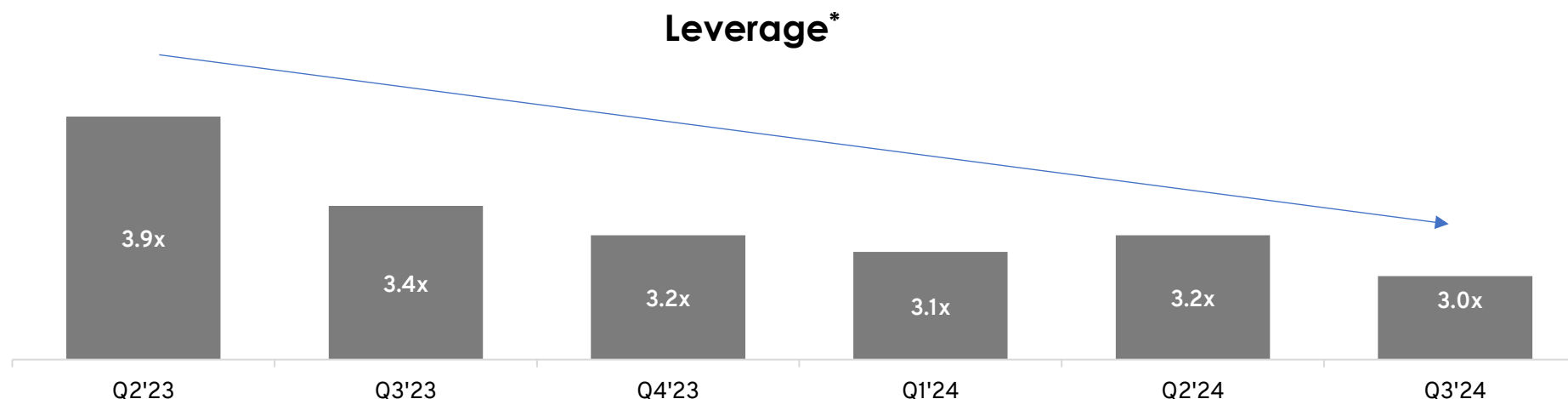
- Higher torque outputs in smaller packaging by selective material science
- Noise vibration and harshness (NVH) optimizations through DFM Input
- Efficiency test results = reduced losses yield range extension, and reliability

## The NN Inc. Advantage:

- Advanced processing techniques for high torque materials
- Competence to optimize NVH and efficiency through manufacturing quality
- Best total cost solutions – a global partner to OEM and Tier 1 suppliers.



# Deleveraging and Fixing Balance Sheet is a Focus Area



## Strategic Refinancing Process Continues – Will Help Accelerate Transformation and Future Growth

- Leverage has meaningfully declined Y/Y – reflecting improved adjusted EBITDA, strategic divestiture of Lubbock
- Refinancing strategy centered on improving flexibility and capacity vs. existing debt structure
- Process is influenced by NN's evolving growth capital and capacity expansion needs as well as the Company's changing cost structure



## Deleveraging remains part of long-term capital structure optimization, including preferred equity

# 2024 Guidance & Looking Ahead to 2025

FY'24	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

Maintaining full-year 2024 outlook; subject to end market production.



## FY'25 First Glance – Returning to Growth

- Expect 2025 sales to be higher on both a GAAP and pro-forma basis
  - Power Solutions is the largest Y/Y growth area
  - 41 new business programs launching in 2025, as part of new business win achievements
  - Launching several next-gen manufacturing processes with anchor customers
- Focused on increasing free cash flow generation
- Markets are opportunity rich, new business pipeline is large and high quality
- EBITDA improvement program remains on track with expectations





**Thank You**

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