



# Investor Presentation

## July 2016



# Forward Looking Statements

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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, risks of capacity underutilization, quality issues, availability of raw materials, currency and other risks associated with international trade, the Company's dependence on certain major customers, 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 10-K for the fiscal year ended December 31, 2015.

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 “Investor Relations” section of the Company’s web site, [www.nninc.com](http://www.nninc.com), under the heading “News & Events” and subheading “Presentations.”

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# The Journey Continues

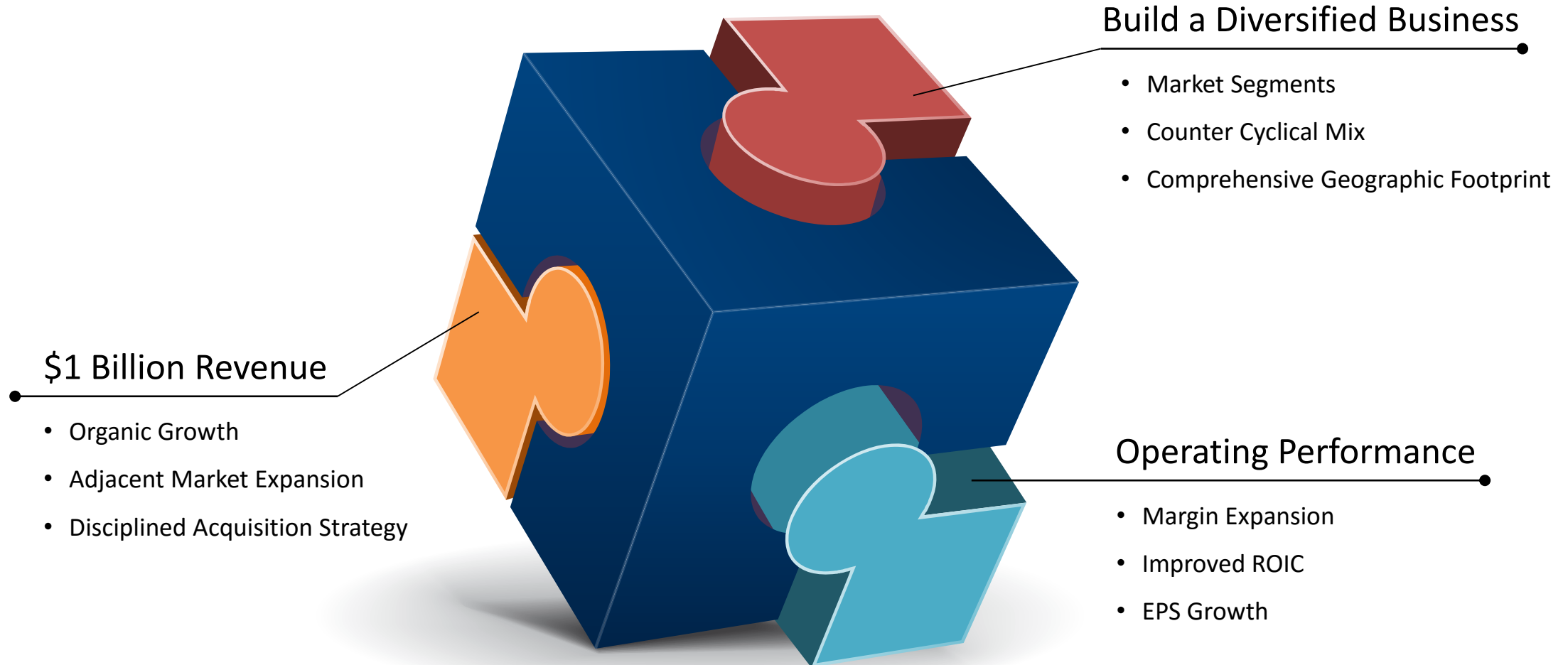


## A Diversified Industrial

1980	1999	2000	2001	2003		2006	2014				2015	
NN founded in Erwin, TN	Industrial Molding Corporation	Euroball	Delta Rubber Company	Veenendaal	Slovakia	Whirlaway Corporation	VS Industries	RFK	Chelsea Grinding	Autocam	Caprock	Precision Engineered Products



# 2018 Strategic Plan at a Glance







# Value Proposition

## Global Reach

- 42 Facilities on 4 Continents
- Full service in every region
- Global Supply Chain Management

## High Precision Manufacturing

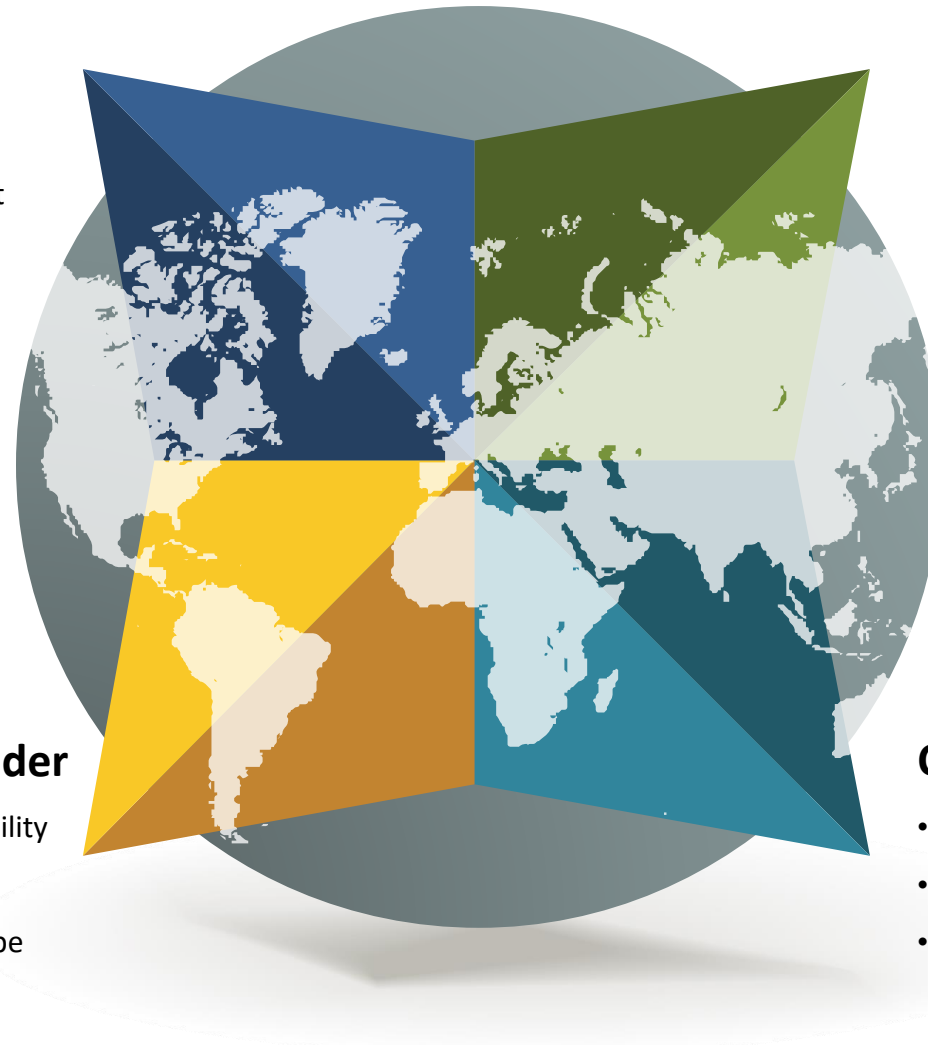
- Precision capabilities to less than one micron
- 7 Billion+ components produced annually
- In-house machine & tool building

## Engineered Solution Provider

- Application specific, co-design capability
- Total life cycle support
- 4 Innovation Centers around the globe

## Comprehensive Portfolio

- World-class process technologies
- Applications and Design expertise across multiple industries
- Wide reaching product offering: mission critical components to finished assemblies





# Attractive End Markets



**Addressable Market: \$10B**  
**Current Revenue\*: \$10M**

**Growth Rate: 4% - 6%**  
**EBITDA: 1%**  
**Free Cash Flow: 1%**

**Growth Drivers:**

1. Commercial Build
2. Weight Reduction

Late Cycle



**Addressable Market: \$6B**  
**Current Revenue\*: \$510M**  
 • CAFE= \$255M

**Growth Rate: 4% - 6%**  
**EBITDA: 20% / CAFE= 26%**  
**Free Cash Flow: 18%**  
 • CAFE= 22%

**Growth Drivers:**

1. Fuel Economy
2. Critical Components

Early Cycle  
Mid Cycle



**Addressable Market: \$25B**  
**Current Revenue\*: \$110M**

**Growth Rate: 6% - 8%**  
**EBITDA: 12%**  
**Free Cash Flow: 14%**

**Growth Drivers:**

1. Resi/Non-Resi Const
2. Micro Grids

Mid Cycle



**Addressable Market: \$3B**  
**Current Revenue\*: \$150M**

**Growth Rate: 6% - 7%**  
**EBITDA: 23%**  
**Free Cash Flow: 24%**

**Growth Drivers:**

1. Efficiency
2. Automation

Early Cycle  
Late Cycle



**Addressable Market: \$40B**  
**Current Revenue\*: \$110M**

**Growth Rate: 6% - 8%**  
**EBITDA: 18%**  
**Free Cash Flow: 21%**

**Growth Drivers:**

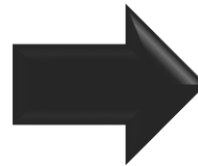
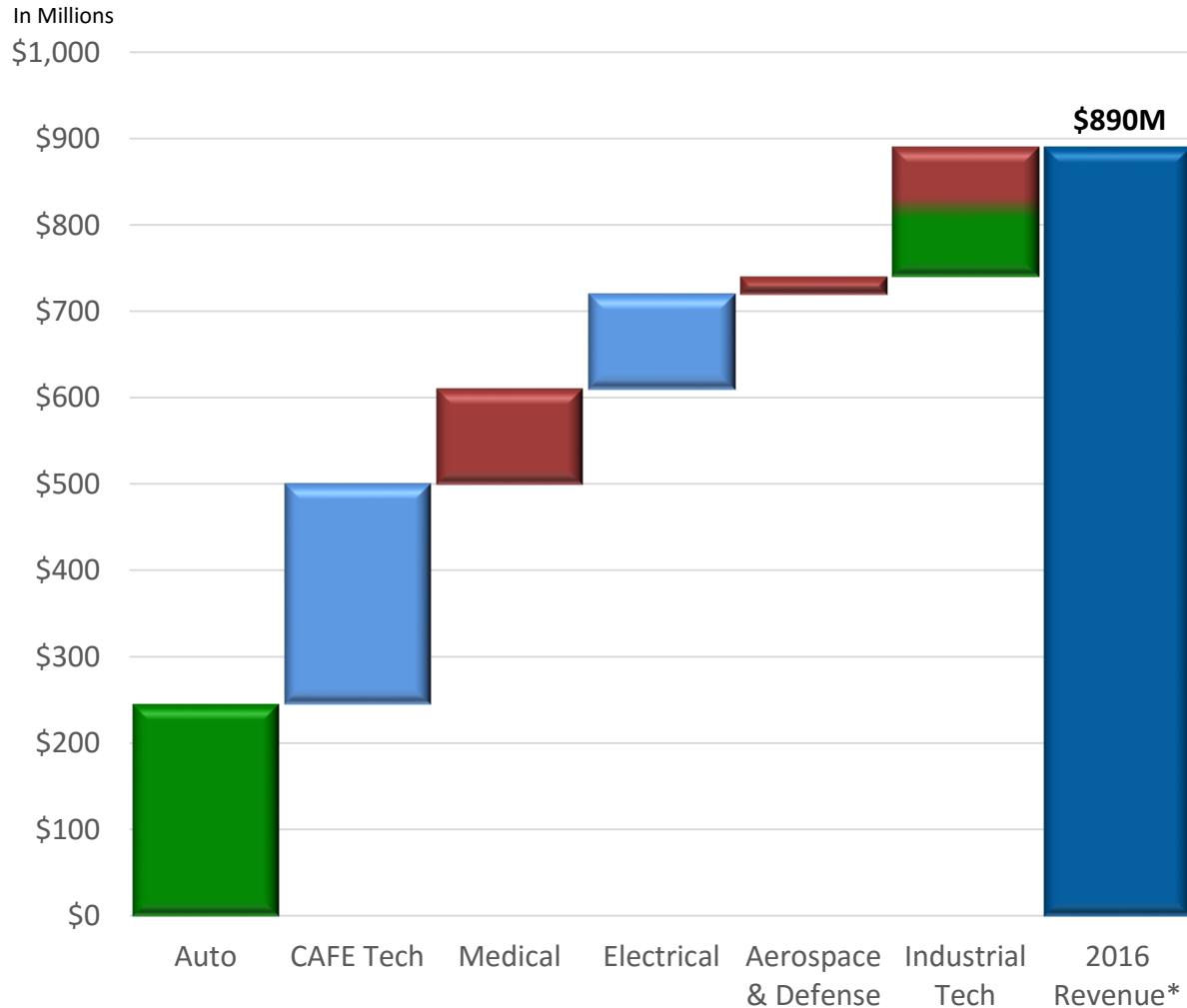
1. Aging Population
2. Less Invasive Surgery

Late Cycle

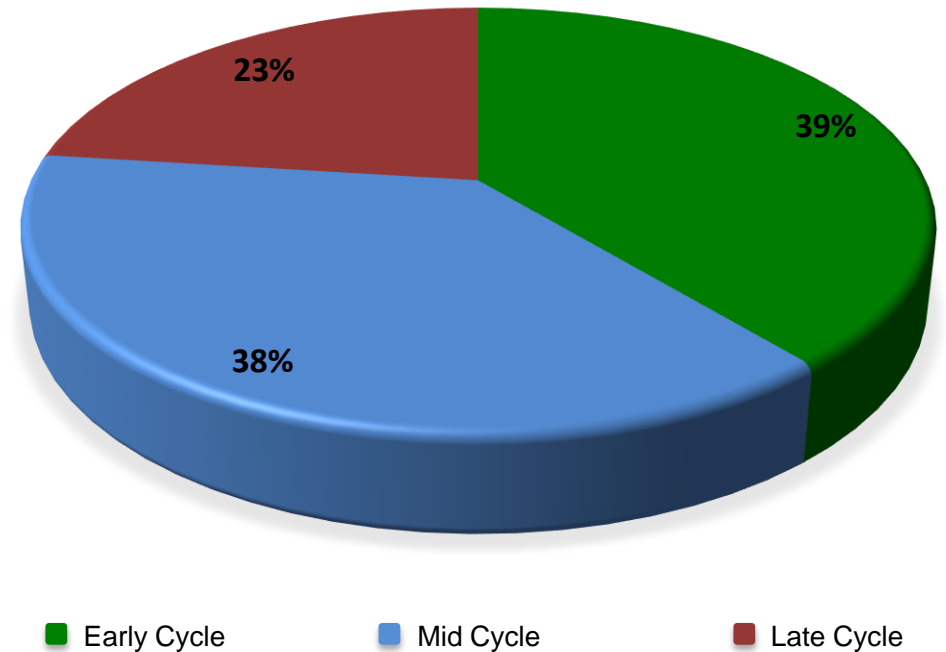


# A Balanced Business – Cyclical Mix

## 2016 Market Segment Revenue



## Cyclical Mix

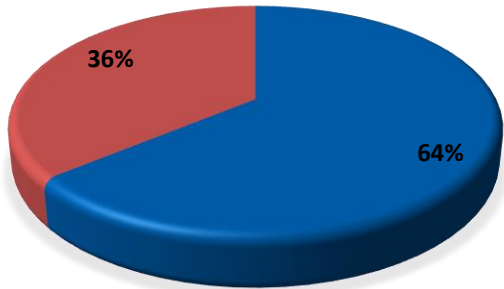




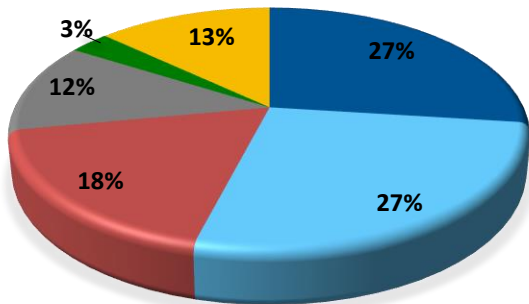
# A Balanced Business

End Markets as a % of Revenue

2013

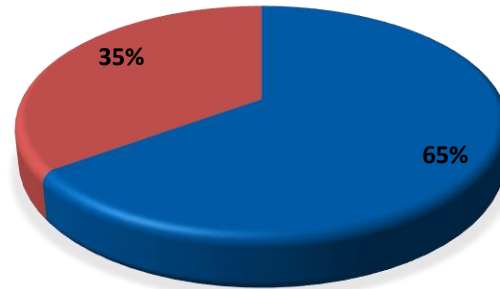


2016\*

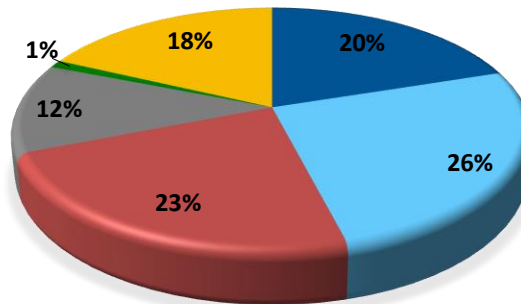


End Markets as a % of EBITDA

2013

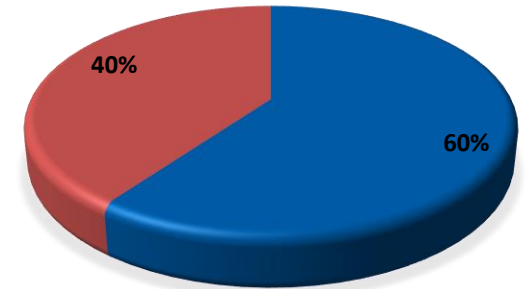


2016\*

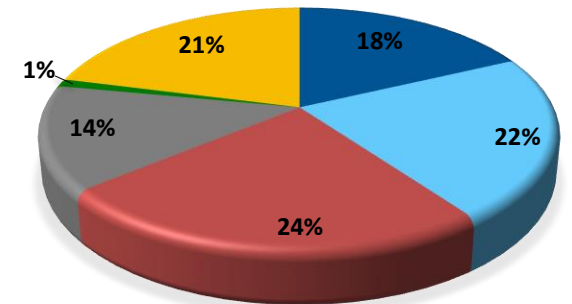


End Markets as a % of Free Cash Flow

2013



2016\*

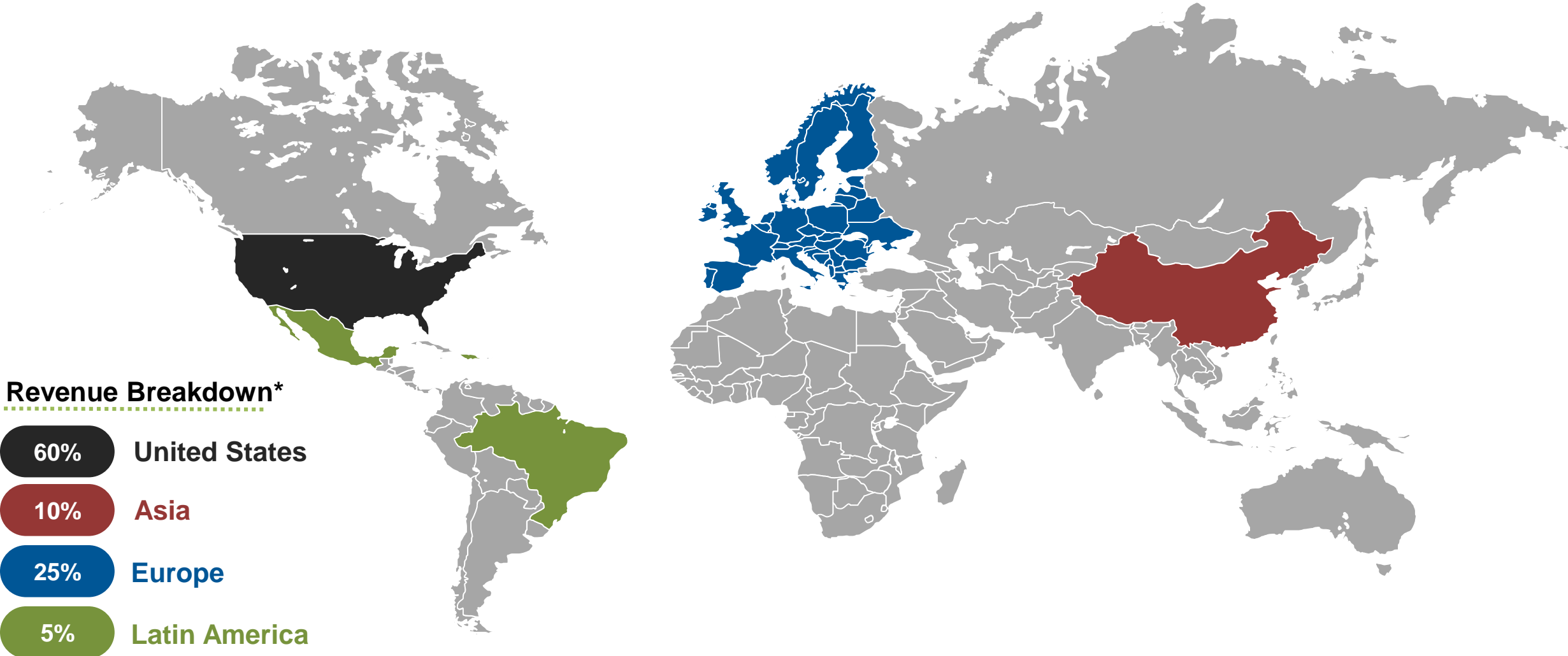


- Aerospace & Defense
- CAFE Technology
- Medical
- Automotive
- Electrical
- Industrial Technology





# Balanced Strategic Global Footprint



## Revenue Breakdown\*

- 60% United States
- 10% Asia
- 25% Europe
- 5% Latin America

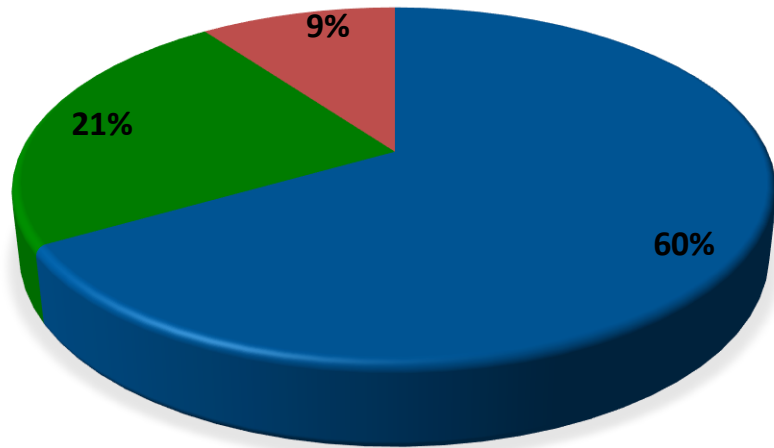
42 Manufacturing Facilities on Four Continents



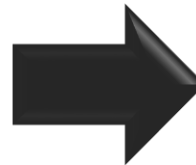
# Balanced Business Groups

**2013**

Segments as a % of revenue

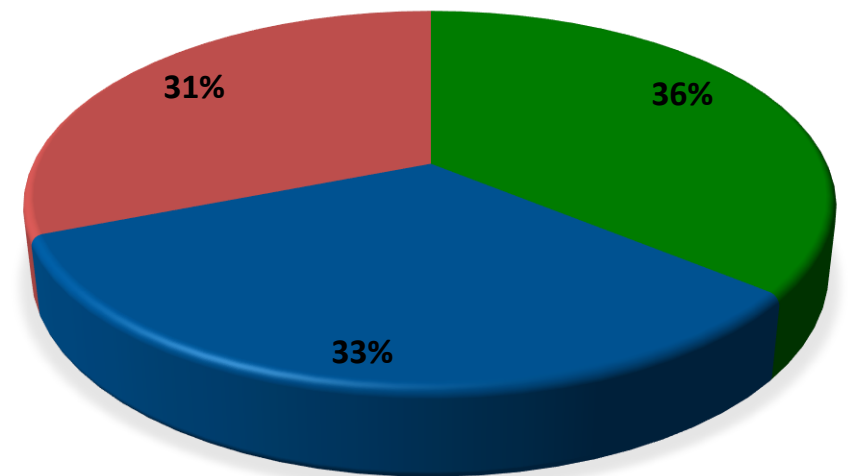


■ Metal Bearing Components ■ Precision Metal Components  
■ Plastic & Rubber Components



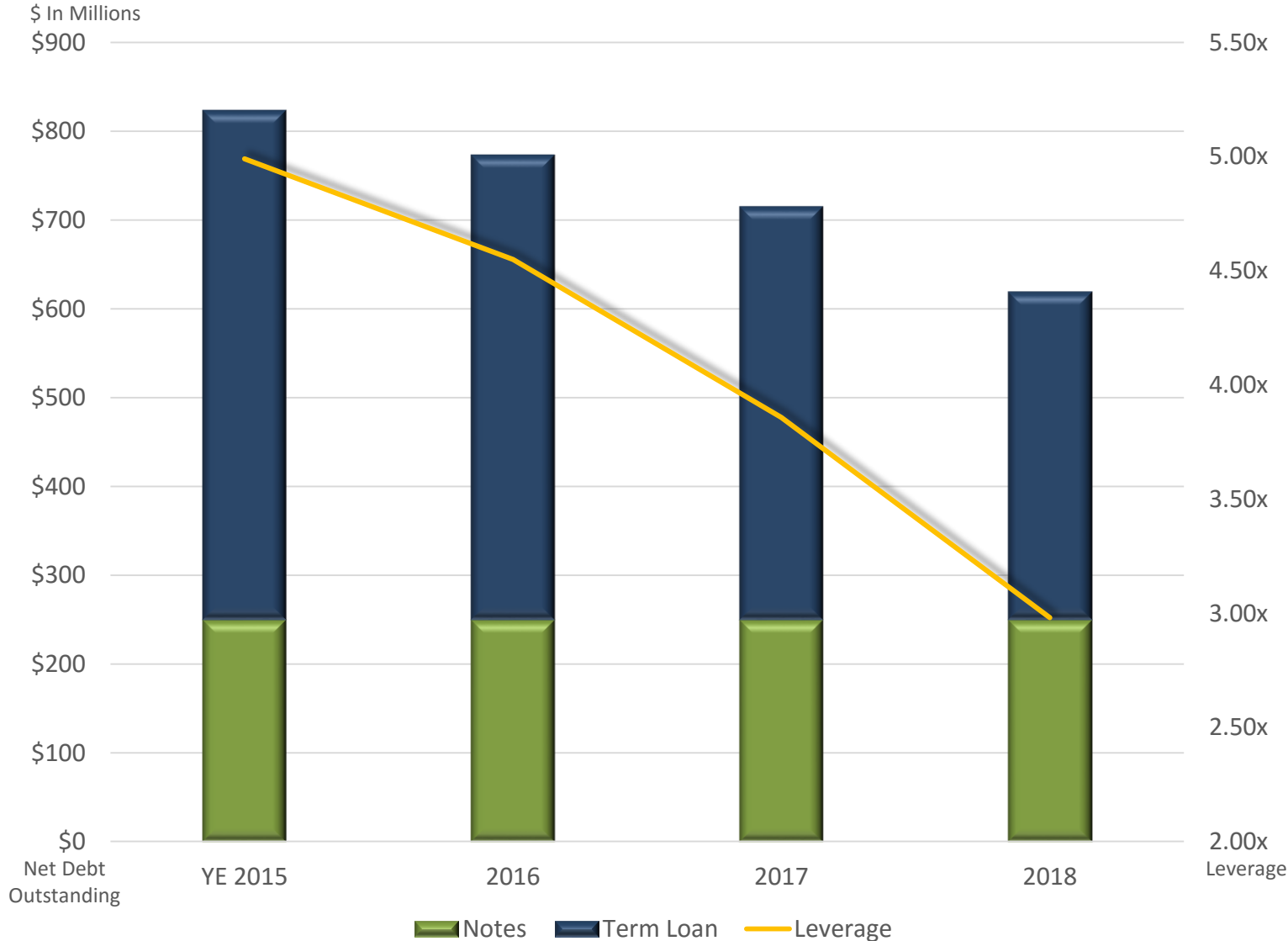
**2016**

Segments as a % of revenue\*





# De-Leveraging Profile



- Institutional focus on deleveraging
- Flexible call provisions & ratings increases can speed up deleveraging
- Free cash flow will be directed to debt repayment
- With no EBITDA growth we are still less than 3.5x levered at that end of 2018.



# Premise of the NN Operating System

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## **Integrated Operating Company**

- Common methodologies delivering near & long term value

## **Flex Productivity**

- Maximizing performance no matter the market conditions

## **Leverage Technology**

- One Platform, one company

## **Prescriptive Processes**

- Disciplined execution of the operating plan

**A Disciplined & Flexible Operation**





# NN Operating System





# Flex Productivity

## Bottom Line

- Hitting the bottom line isn't good enough. Our operations must earn the right operating profit for each dollar of increased sales

## Foundation of the NN Operating System

- Prescriptive mechanics
- Integrated system
- Close loop system



## Declining Sales

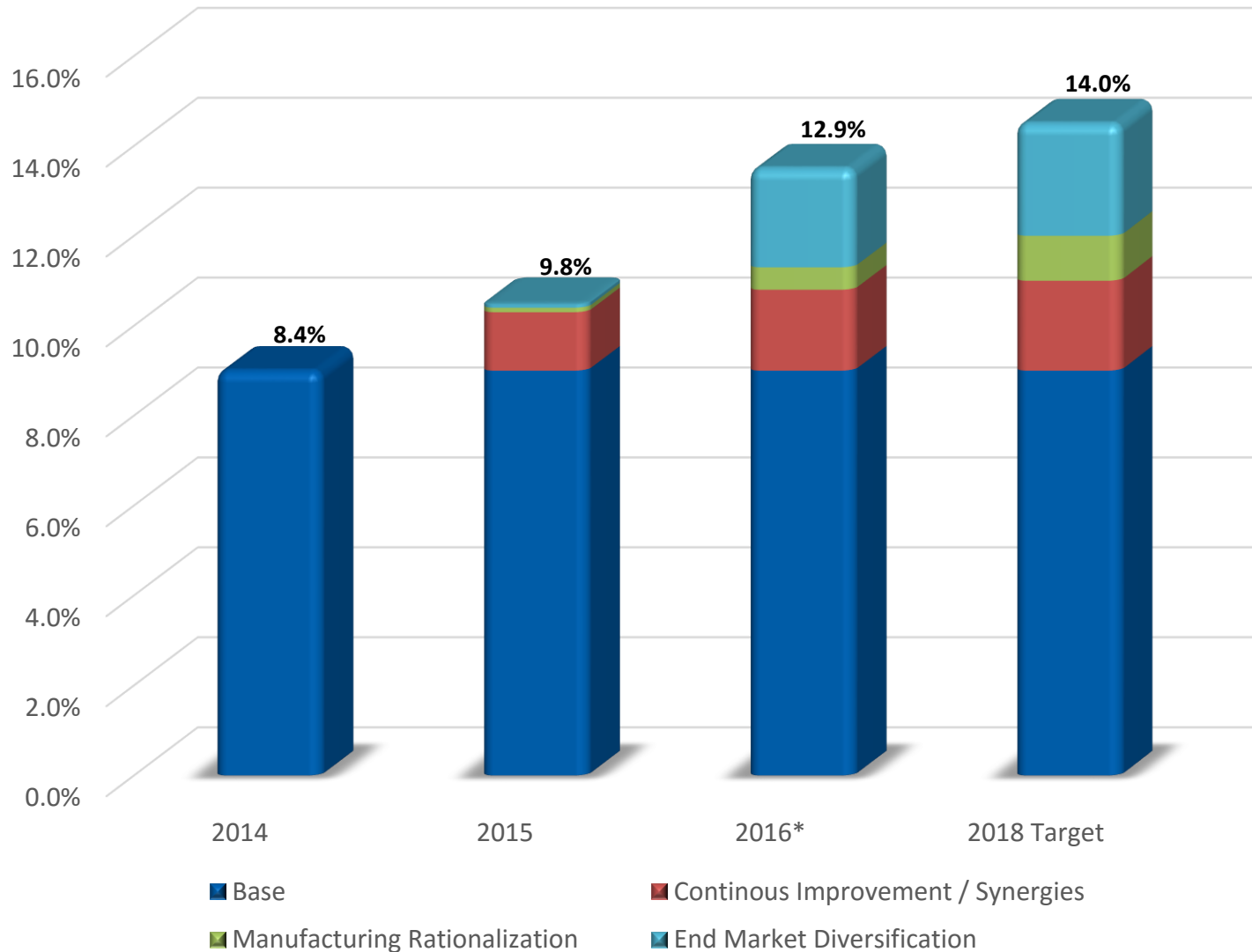
- Synchronized variable cost adjustment
- Immediate labor adjustment
- Expense Management

## Defined Targets

- 35% incremental average
- 25% decremental average



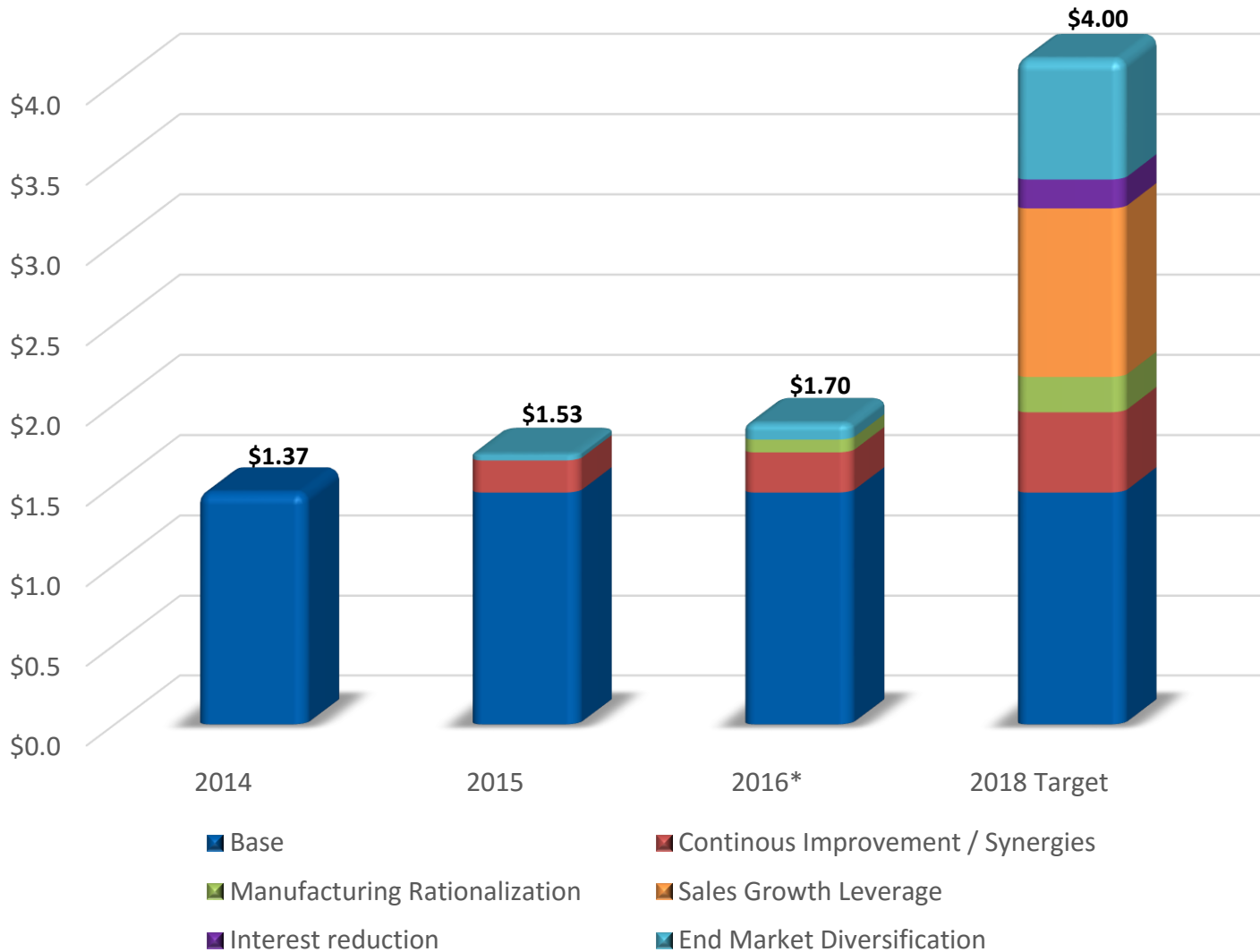
# Adjusted Operating Margin



- End market diversification
- Operational efficiency driven by the NN Operating System
- Synergies



# Adjusted EPS Expansion



- Margin Improvement driven by the NN Operating System
- Reduction in interest expense
- Flex Productivity leverages increased Sales





# 2016 – A Year of Transformation

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## **Leverage the NN Operating System across the entire platform**

- Integrate PEP on the platform

## **Remain focused on our Strategic Plan objectives**

- Continued progress on our operating & financial targets

## **De-Leveraging a priority**

- Our strong free cash flow will lead the charge

## **Transform our Sales Platform**

- Deliver engineered solutions across the entire portfolio

**Focused on becoming a well-oiled machine**



Who We Are

# Engineered Solutions...



Automotive

Industrial Technology

Medical

Aerospace

Electrical

Inspired by i  ovation



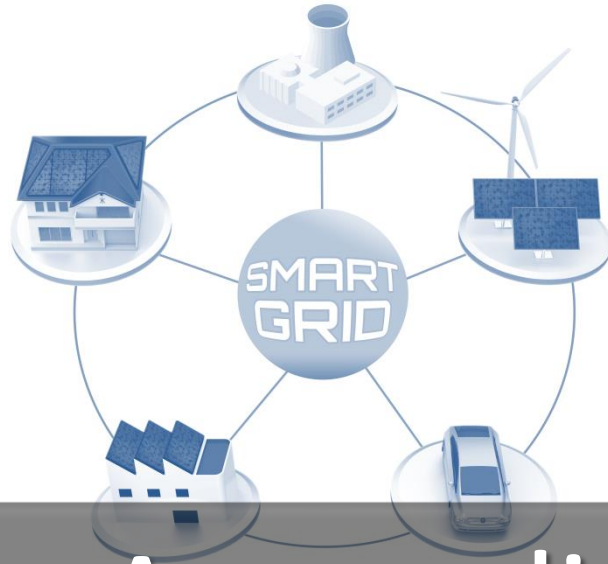
# Guidance

	Q2 2016	Full Year 2016	Commentary
<b>Net Sales</b>	\$215M - \$225M	\$875M - \$905M	Sales growth of ~30% driven by PEP acquisition
<b>Adj. Operating Margin</b>	13.2% - 14.0%	12.5% - 13.2%	Driven by improvements in the NN Operating System & PEP acquisition
<b>Adj. EBITDA</b>	\$40.2M - \$43M	\$162.5M - \$175M	
<b>Adj. EPS<sup>1</sup></b>	\$0.41 - \$0.48	\$1.60 - \$1.80	
<b>CAPEX</b>		\$40M - \$50M	We continue to invest in growth
<b>Adj. Tax Rate<sup>2</sup></b>		22% - 26%	
<b>Free Cash Flow<sup>3</sup></b>		\$50M - \$60M	Significant increase in free cash flow allows us to de-lever faster

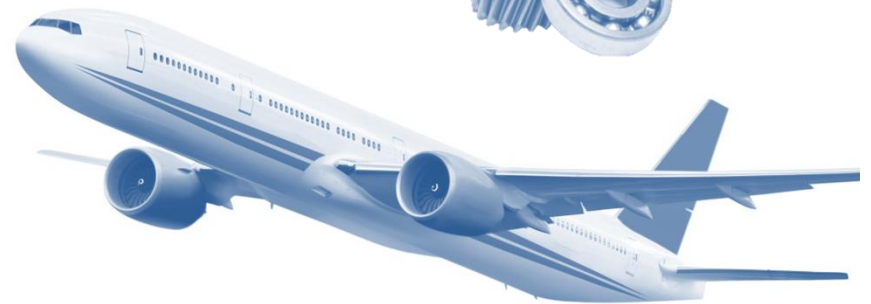
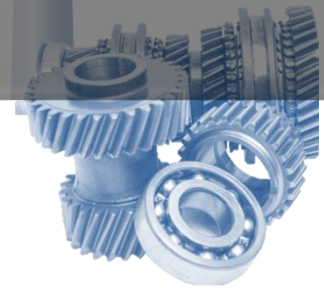
1: Excludes the amortization of intangibles and the amortization of financing charges

2: Excludes the effects of M&A activity

3: Free Cash Flow available for debt repayment



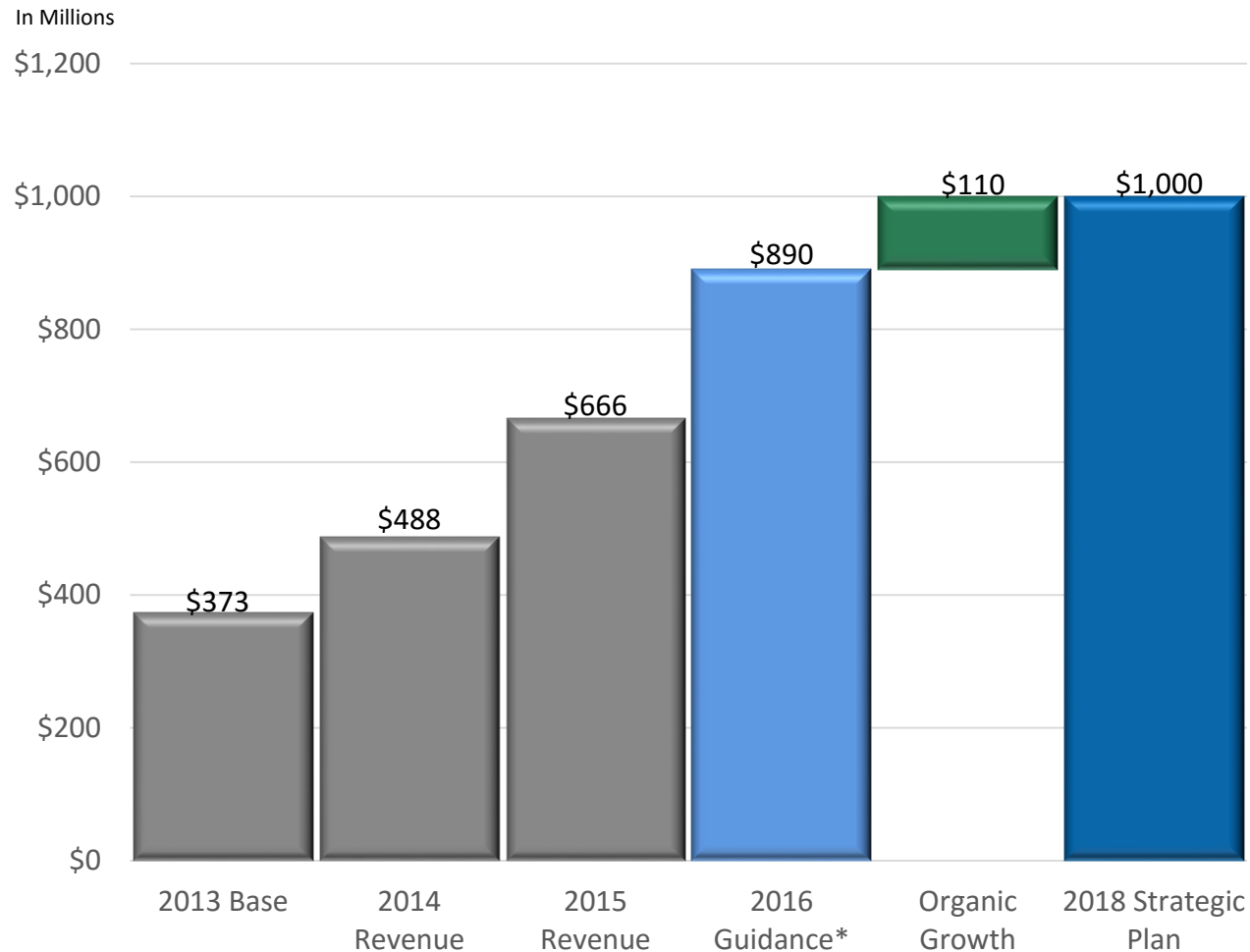
# Appendix







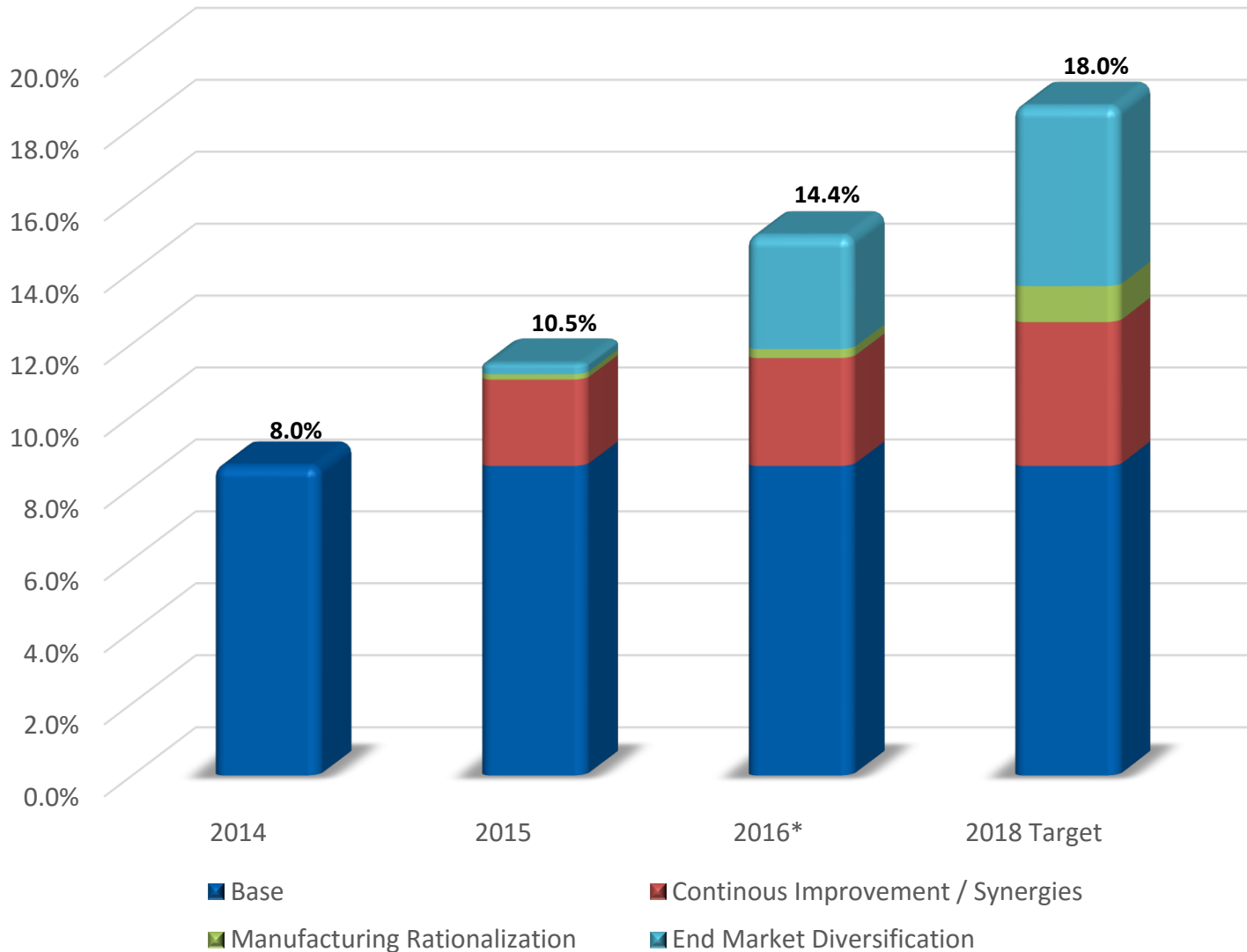
# Road to \$1 Billion



- ✓ Focused organic growth that outpaces our end markets
- ✓ Electrical, Medical and Aerospace segments positioned for higher growth
- ✓ Acquisitions will be focused on tuck-ins & product extensions



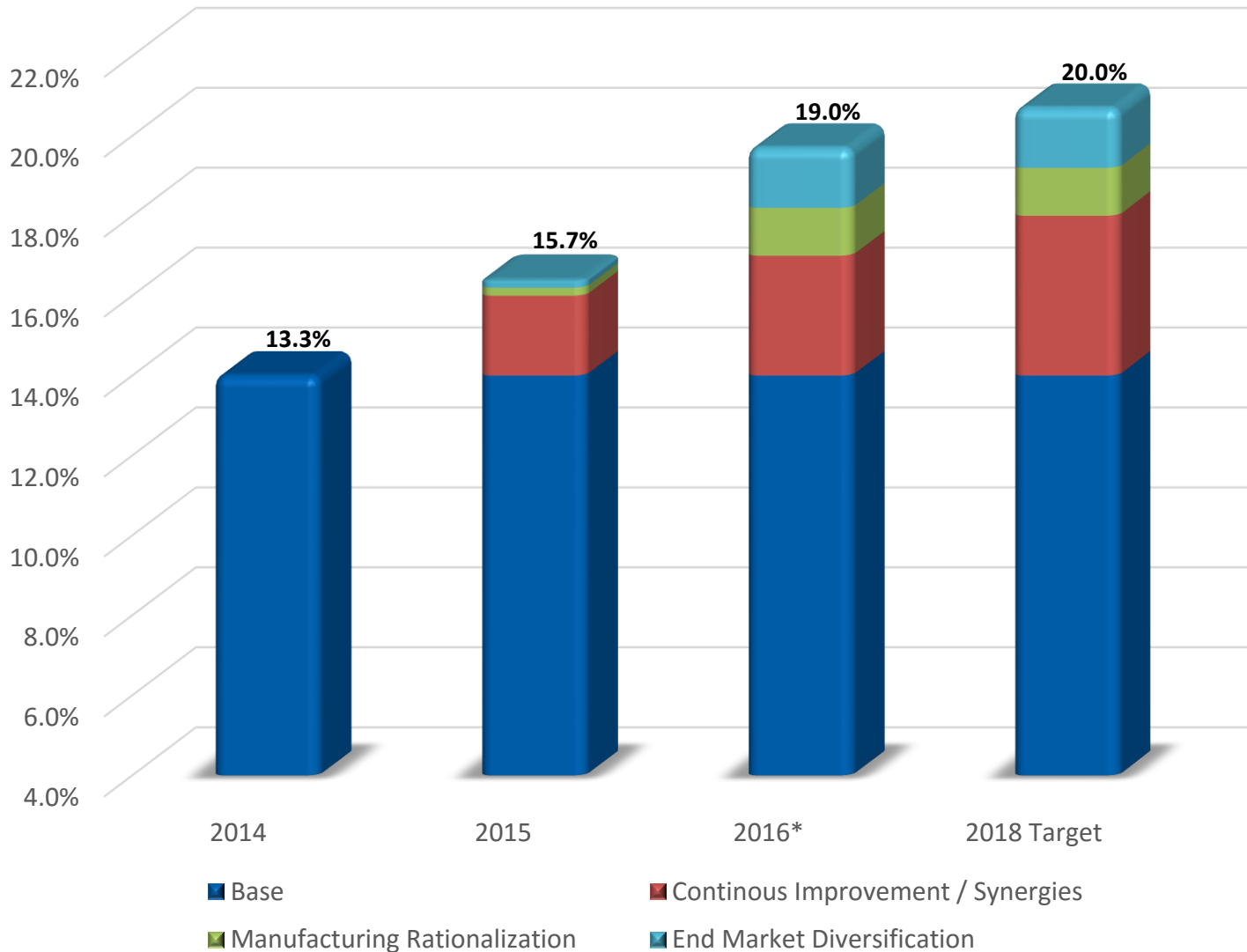
# Return on Invested Capital (ROIC)



- Growing profits on 2016 base of invested capital increases ROIC from 8% to 18%
- Capital intensity reduced from ~8% to ~5% of Sales
- Continuous improvement and synergies add to returns



# Adjusted EBITDA Margin



- Expansion driven primarily by the NN Operating System
- Free Cash Flow<sup>+</sup> will exceed \$200 million
- Less than 3x levered by end of 2018