



Q3 2021 **Earnings**

NN, INC. | NOVEMBER 05, 2021

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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 September 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.”

Today's Agenda

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

Third Quarter 2021

UPDATE

Third Quarter 2021 Overview

Sales Growth

- Third quarter sales of \$117.2 million, up 3.1% year over year
- Power Solutions up 12.1%, driven by continued recovery in end-market demand, including a 25% increase in residential and commercial electric markets
- Mobile Solutions down 2.5% due to semiconductor chip shortage

Inflation

- Financial results impacted by inflation in material and labor costs during the quarter as well as supply chain constraints
- NN has been proactive in recovering cost increases in excess of existing contractual price adjustments
- Expect to achieve normalized margins as operating environment stabilizes

Operating Income / EPS

- Operating loss of (\$4.6) million versus (\$1.5) million in 2020
- Non-GAAP adjusted operating income decreased from \$4.9 million to a (\$0.2) million loss
- EPS from Cont. Ops. of (\$0.13) vs. (\$0.04) last year; Non-GAAP adjusted EPS of \$0.01 vs. 0.07 last year

EBITDA

- Reported EBITDA of \$12.2 million, or 10.4% of sales, up 40 basis points from prior year
- Adjusted EBITDA of \$9.7 million, or 8.3% of sales, down 460 basis points from prior year

Debt / Liquidity

- Net debt to adjusted EBITDA leverage ratio of 2.3x and liquidity of \$61.1 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 \$3.7 million
- Working capital turns decreased from 4.5 in Q2 to 4.1 in Q3
- Cash flow and working capital were affected by NN's decision to maintain higher inventories in response to supply chain interruptions

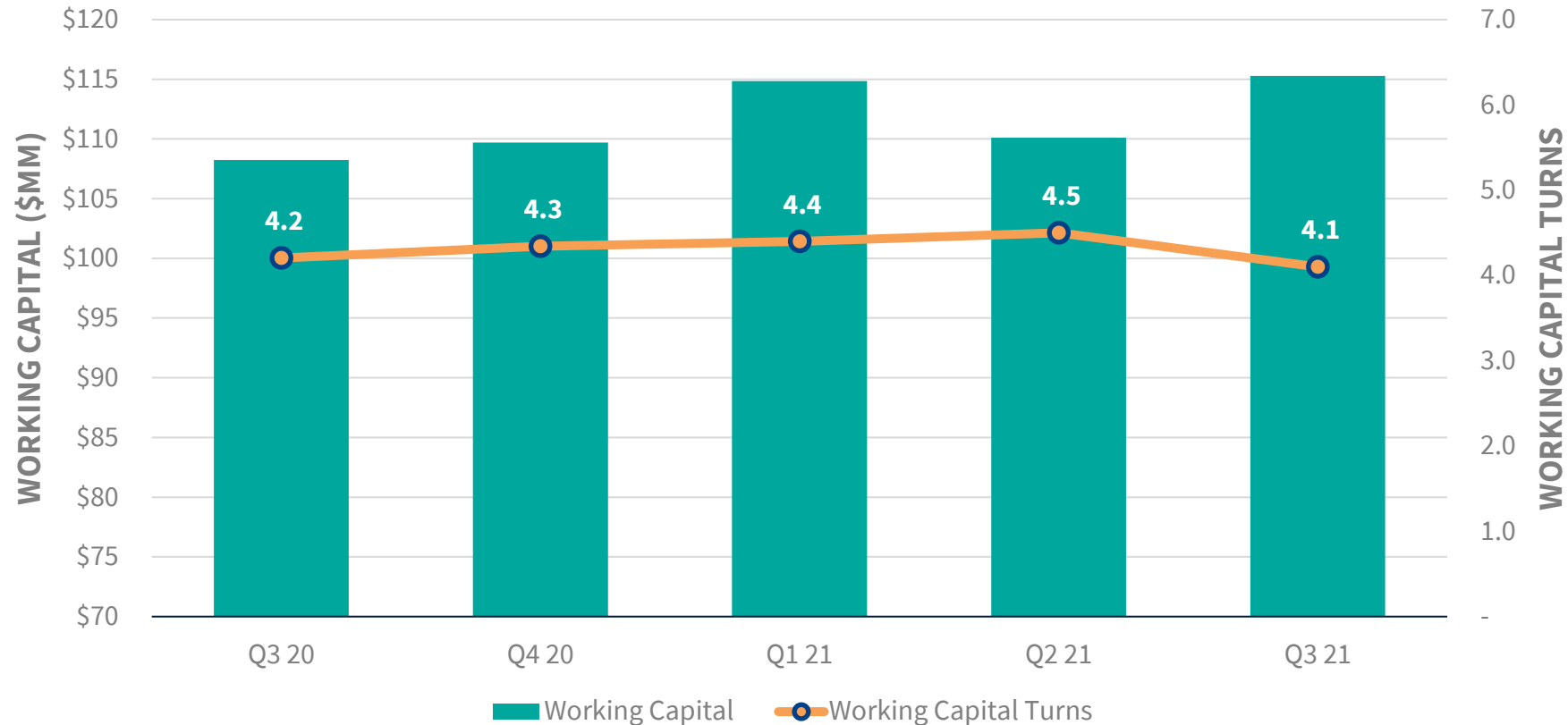
Note: All figures exclude Life Sciences except where noted

Third Quarter Financial Highlights

	Δ Y/Y	Q3 2021	Q3 2020
Sales	↑ 3.1%	\$117.2 million	\$113.8 million
Organic	↑	+ 1.9%	
FX Impact	↑	+ 1.2%	
GAAP Operating Income/(Loss)	↓ - 206.7%	(\$4.6) million	(\$1.5) million
Non-GAAP Adj Operating Income	↓ - 104.1%	(\$0.2) million	\$4.9 million
Non-GAAP Adj EBITDA	↓ - 34.0%	\$9.7 million	\$14.7 million
Non-GAAP Adj EBITDA Margin	↓ - 460 bps	8.3%	12.9%
GAAP Diluted EPS from Continuing Ops	↓ - 225.0%	(\$0.13)	(\$.04)
Non-GAAP Adj Diluted EPS	↓ - 85.7%	\$0.01	\$0.07

- Continued organic sales recovery from the COVID-19 pandemic, partially offset by the semiconductor chip shortage's impact on Mobile Solutions
- Margin decline reflects reintroduction of certain temporary cost reductions in the prior year made in response to the pandemic as well as the impact of material and labor inflation

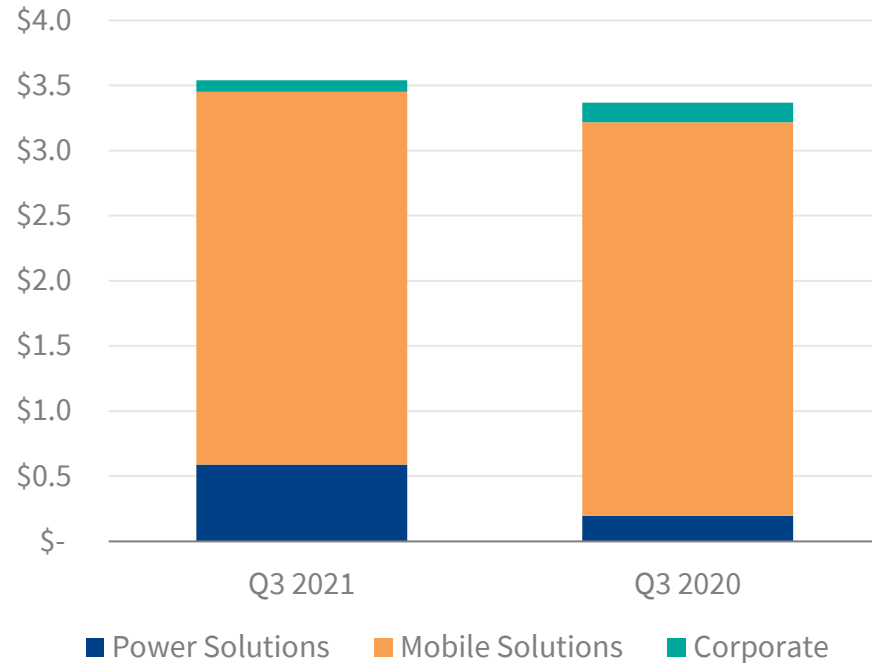
Working Capital



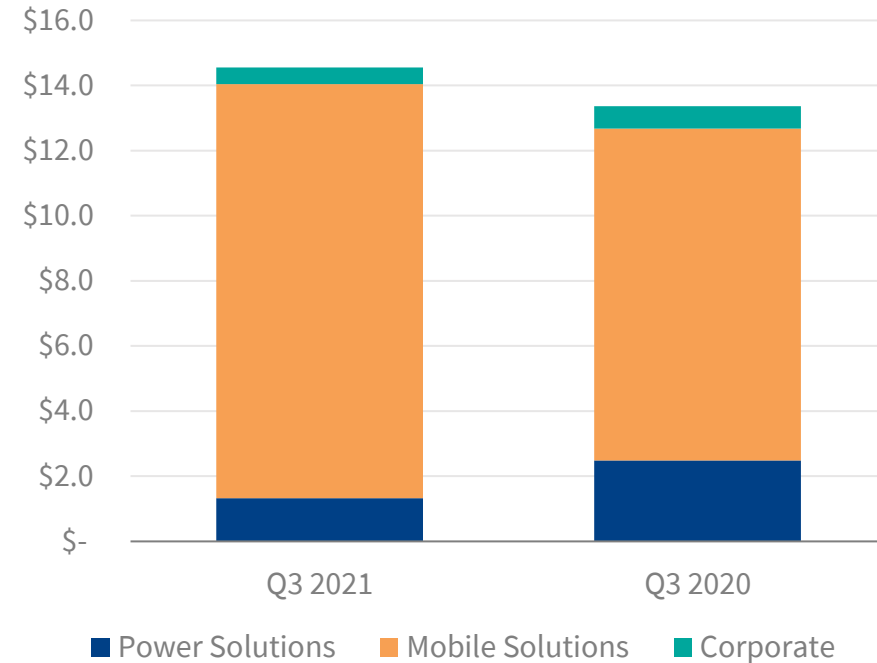
Working capital turns decreased in Q3 as semiconductor chip shortages and other supply chain issues impacted volume and increased lead times and safety stock levels

Capital Spending

QTD Capital Expenditures (\$mm)

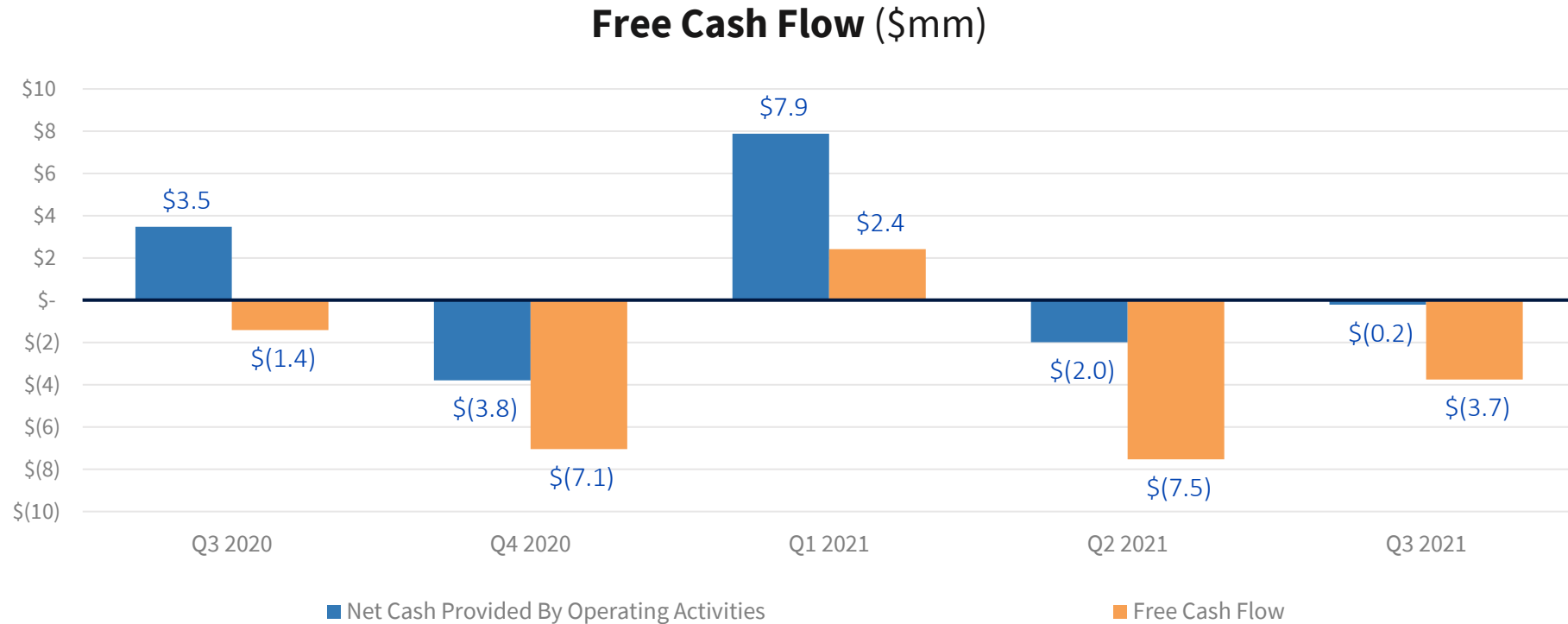


YTD Capital Expenditures (\$mm)



Capital expenditures reduced to \$3.5 million in third quarter from \$5.5 million in the first and second quarters due to focus on free cash flow during challenging operating environment

Free Cash Flow



Note: Metrics include Life Sciences impacts in periods prior to Q1'21.

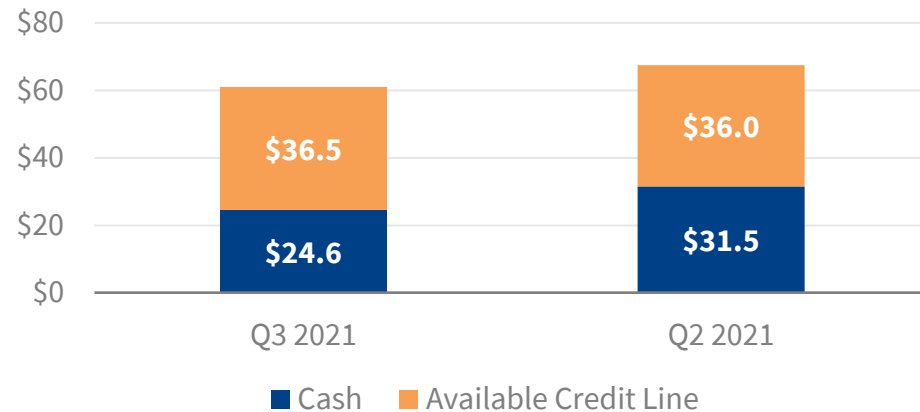
Despite supply chain and inflation impacts on results and working capital levels, cash flow from operations close to break even

Net Debt & Leverage

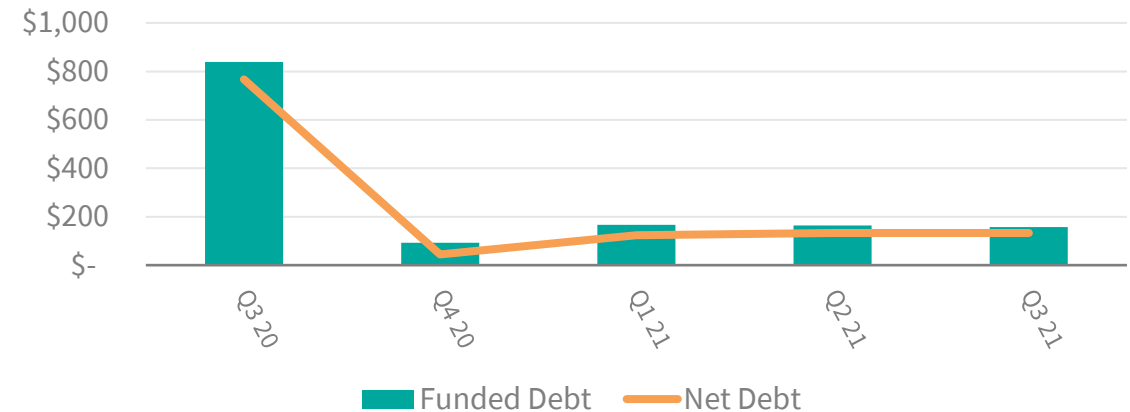
Debt Metrics		
\$000's	Q3 2021	Q3 2020 ¹
Short Term Debt	\$ 6,901	\$ 717,735
Long Term Debt (excl. issuance costs)	150,492	127,241
Funded Debt	157,393	844,976
Cash	24,611	72,118
Net Debt	\$ 132,782	\$ 772,858
Shareholders Equity	\$ 224,827	\$ 86,348
Net Debt (Per Above)	\$ 132,782	\$ 772,858
TTM Adjusted EBITDA as Reported	\$ 56,877	\$ 114,935
Net Debt to Adjusted EBITDA	2.33 x	6.72 x

¹Prior period actuals include Life Sciences

Liquidity (\$mm)



Debt (\$mm)



Note: Available Credit Line reduced by non-cash lines of credit

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 global light vehicle production outlook is 75.8 million units, +2% over 2020 output levels. Main influence on the outlook remains the ongoing supply chain challenges due to semiconductors. 2022 production outlook is 82.6 million, +9% over 2021*.
- North American light vehicle production – 2021 production rates are down as the impact from the semiconductor shortage deteriorated in Q2 and continued into Q3. The shortage is projected to continue to impact Q4 and future periods until semiconductor capacity is aligned with market demand. US inventory levels remain low, enabling significant volume upside as channels restock.
- NN is well positioned for the EV transition as OEMs continue to invest in electrical vehicle development.



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). Green 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 are a focus of the current administration and 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

*Note: 2022 production outlook was obtained from IHS.

Mobile Solutions - Q3 2021

Sales – Sales down 2.5% (\$1.8mm) from prior year:

- (-) Automotive sales detrimentally impacted by global semiconductor chip shortage. Q3 2021 light vehicle production down 16% from Q3 2020.
- (+) Favorable sales in General Industrial end market.
- (+) Favorable foreign currency translation.

Profitability:

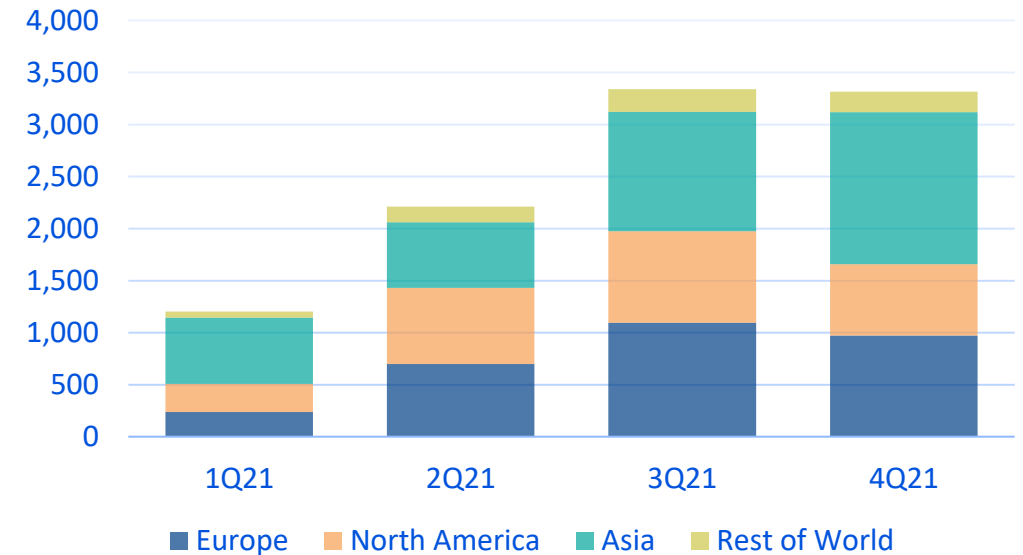
- (-) Resumption of certain costs suspended during pandemic, including employee payroll, benefits, gainsharing, and travel related expenses.
- (-) Inflationary pressures on material, labor, and variable burden costs.
- (-) Variable cost inefficiencies associated with supply chain interruptions and uneven customer ordering patterns.

Current Focus & Looking Forward:

- Q4 customer demand will remain soft as the semiconductor chip shortage continues.
- Actively engaged in discussions with customers about unreimbursed inflationary cost increases.
- Actively managing supply chain and manpower challenges and protecting cash flow through capital expenditure and working capital management.
- YTD the group has been awarded \$24 million (annualized) in new business wins with start of production dates in 2022 through 2023.

<i>Mobile Solutions</i>	<i>Q3 2021</i>	<i>% of Sales</i>	<i>Q3 2020</i>	<i>% of Sales</i>	<i>% Change</i>	<i>Margin Change</i>
<i>(In millions)</i>						
Sales	\$ 68.6		\$ 70.4		-2.5%	
Operating Profit - GAAP	\$ (0.3)	-0.4%	\$ 5.0	7.1%	-106.0%	-750 bps
Operating Profit - Adjusted	\$ 1.0	1.5%	\$ 6.3	8.9%	-84.1%	-760 bps
Reported EBITDA	\$ 7.6	11.1%	\$ 13.1	18.6%	-42.0%	-760 bps
Adjusted EBITDA	\$ 8.2	12.0%	\$ 13.7	19.5%	-40.1%	-760 bps

OEM Production Lost from Chip Shortage



Units in thousands

Source: LMC Automotive Global Light Vehicle Disruption Tracker Oct. 27, 2021

Power Solutions - Q3 2021

Sales – Sales up 12.1% (\$5.3mm) from prior year:

- (+) Customer demand rebounded to pre-pandemic levels mainly within electrical markets.
- (+) 2021 favorably impacted by increased selling prices for precious metals due to increases in underlying commodities costs since 2020.

Profitability:

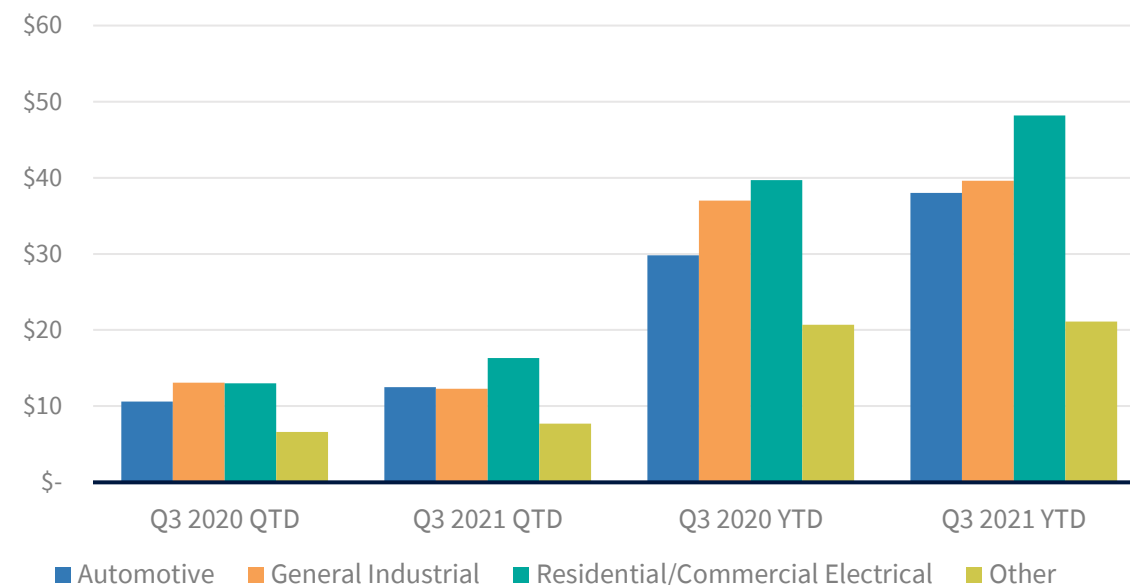
- (+) Contribution from higher sales.
- (-) Resumption of certain costs suspended during pandemic, including employee payroll, benefits, gainsharing, and travel related expenses.
- (-) Inefficiencies associated with unfavorable mix shifts and planned inventory reductions.

Current Focus & Looking Forward:

- Q4 customer demand expected to be up ~ 3% over prior year.
- Inflationary costs successfully passed through to customers.
- Actively managing supply chain and manpower challenges and protecting cash flow through capital expenditure and working capital management.
- YTD the group has been awarded \$15 million (annualized) in new business wins with start of production dates beginning in 2022.

<u>Power Solutions</u> <i>(In millions)</i>	<u>Q3</u> <u>2021</u>	<u>% of</u> <u>Sales</u>	<u>Q3</u> <u>2020</u>	<u>% of</u> <u>Sales</u>	<u>%</u> <u>Change</u>	<u>Margin</u> <u>Change</u>
Sales	\$ 48.7		\$ 43.4		12.1%	
Operating Profit - GAAP	\$ 1.3	2.6%	\$ 1.1	2.6%	13.7%	0 bps
Operating Profit - Adjusted	\$ 4.0	8.2%	\$ 5.4	12.5%	-26.0%	-420 bps
Reported EBITDA	\$ 5.3	10.9%	\$ 5.3	12.1%	0.8%	-120 bps
Adjusted EBITDA	\$ 5.4	11.1%	\$ 6.6	15.2%	-18.3%	-410 bps

Revenue by Customer Market (\$mm)



2021 Outlook



Q4 Cash Flow Outlook

- Dividend of \$3.6 million from China joint venture in Q4 2021
- Q4 2021 cash tax payments of \$2.3 million related to Life Sciences sale
- Timing of CARES tax refund of ~\$10 million pushed out to 2022



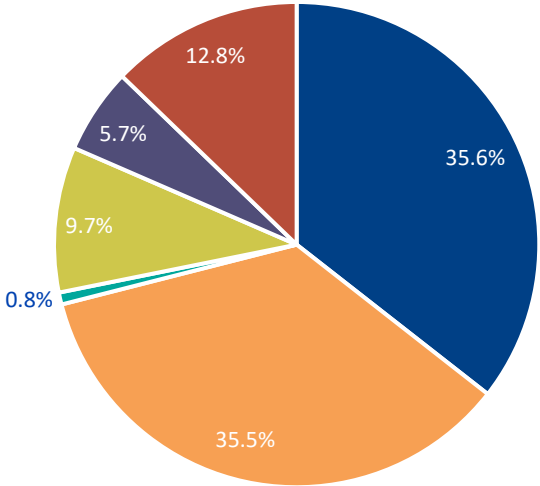
Full-year Outlook

- Capital expenditures ~\$19 million
- Cash interest ~\$12 million
- Depreciation ~\$33 million
- Amortization ~\$14 million
- Cash tax payments associated with Life Sciences Sale \$9.7 million (\$7.4 million in Q2; \$2.3 million in Q4)

Progress Towards 2025 Sales Targets

2021 INITIATIVES

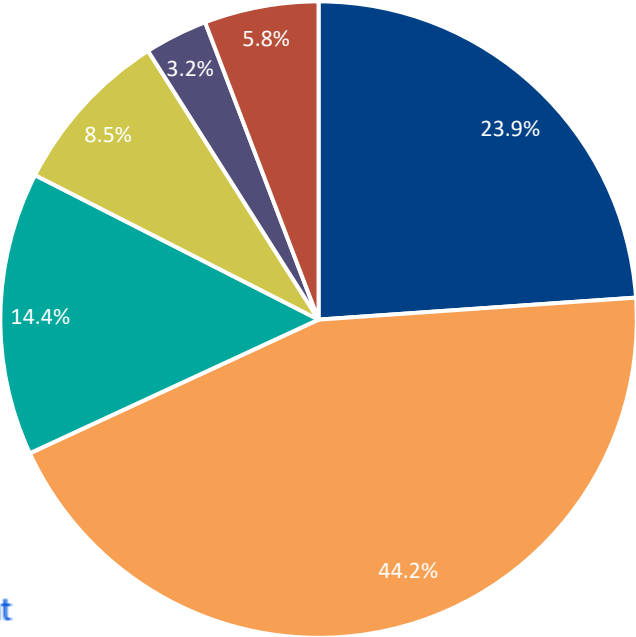
2020 SALES PIPELINE



- Restructured Sales Team
- Recruiting Chief Commercial Officer
- Ongoing Focus on BEV and Grid Sales Growth, as Evidenced by Pipeline Development

69% INCREASE IN PIPELINE

2021 SALES PIPELINE



- Auto - ICE Dependent
- Auto - ICE Independent
- Auto - Electric Vehicle
- General Industrial
- Electric - Commercial / Residential
- AD&M

Note: ("ICE") Internal Combustible Engine; ("BEV") Battery Electric Vehicle

Summary

- **Future sales growth** will be driven by resolution of semiconductor chip shortage, EV transition, and strong growth in electric end markets
- **Closely monitoring industry conditions**, specifically in automotive considering the current semiconductor chip and supply chain challenges, broader industrial tailwinds from higher diesel engine demand, and ongoing impact of the COVID-19 pandemic
- **Adjusted EBITDA**; Focus on recovery of material and other cost inflation and operational improvements to return margins to expected levels
- **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



Questions & Answers



Appendix

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

\$000s NN, Inc. Consolidated	Three Months Ended September 30,	
	2021	2020
GAAP income (loss) from operations	\$ (4,612)	\$ (1,456)
Acquisition and transition expense*	832	2,762
Amortization of intangibles	3,586	3,587
Non-GAAP adjusted income (loss) from operations (a)	\$ (194)	\$ 4,893
Non-GAAP adjusted operating margin (1)	(0.2)%	4.3 %
Depreciation	8,019	7,848
Other income/expense	4,346	262
Non-cash foreign exchange (gain) loss on inter-company loans	615	(630)
Change in fair value of preferred stock derivatives and warrants	(4,829)	(73)
Share of net income from joint venture	842	1,136
Non-cash stock compensation	931	1,222
Non-GAAP adjusted EBITDA (b)	\$ 9,730	\$ 14,658
Non-GAAP adjusted EBITDA margin (2)	8.3 %	12.9 %
GAAP net sales	\$ 117,244	\$ 113,761
\$000s Power Solutions	Three Months Ended September 30,	
	2021	2020
GAAP income (loss) from operations	\$ 1,252	\$ 1,143
Acquisition and transition expense*	(17)	1,515
Amortization of intangibles	2,748	2,748
Non-GAAP adjusted income (loss) from operations (a)	\$ 3,983	\$ 5,406
Non-GAAP adjusted operating margin (1)	8.2 %	12.5 %
Depreciation	1,226	1,211
Other income/expense	41	153
Non-cash foreign exchange (gain) loss on inter-company loans	110	(162)
Non-GAAP adjusted EBITDA (b)	\$ 5,360	\$ 6,608
Non-GAAP adjusted EBITDA margin (2)	11.0 %	15.2 %
GAAP net sales	\$ 48,680	\$ 43,415

\$000s Mobile Solutions	Three Months Ended September 30,	
	2021	2020
GAAP income (loss) from operations	\$ (257)	\$ 4,954
Acquisition and transition expense*	404	507
Amortization of intangibles	838	838
Non-GAAP adjusted income (loss) from operations (a)	\$ 985	\$ 6,299
Share of net income from joint venture	842	1,136
Non-GAAP adjusted income (loss) from operations with JV	\$ 1,827	\$ 7,435
Non-GAAP adjusted operating margin (1)	2.7 %	10.6 %
Depreciation	6,411	6,250
Other income/expense	(268)	(114)
Non-cash foreign exchange (gain) loss on inter-company loans	223	141
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	842	1,136
Non-cash stock compensation	—	—
Non-GAAP adjusted EBITDA (b)	\$ 8,192	\$ 13,712
Non-GAAP adjusted EBITDA margin (2)	11.9 %	19.5 %
GAAP net sales	\$ 68,586	\$ 70,371
\$000s Elimination	Three Months Ended September 30,	
	2021	2020
GAAP net sales	\$ (22)	\$ (25)

(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 - \$0.4 / Integration & Transformation - \$0.4 / Acq Transaction Costs - / Asset Write-Downs/Inventory Step-Up -

*2020 Includes Capacity & Capabilities - \$0.6 / Prof Fees - \$0.3 / Integration & Transformation - \$1.8 / Acq Transaction Costs - \$— / Asset Write-Downs/Inventory Step-Up - \$—

000's	Three Months Ended September 30,	
	2021	2020
GAAP net income (loss)	\$ (3,377)	\$ 21,970
Pre-tax acquisition and transition expense	832	2,762
Pre-tax foreign exchange (gain) loss on inter-company loans	615	(630)
Pre-tax change in fair value of preferred stock derivatives and warrants	(4,829)	(73)
Pre-tax amortization of intangibles and deferred financing costs	3,918	4,007
Pre-tax costs related to divested businesses and litigation settlement	—	—
Tax effect of adjustments reflected above (c)	(113)	(1,308)
Non-GAAP discrete tax adjustments	3,469	(3,685)
(Income) loss from discontinued operations	—	(20,330)
Non-GAAP adjusted net income (loss) (d)	\$ 515	\$ 2,857

Amounts per share, diluted	Three Months Ended September 30,	
	2021	2020
GAAP net income (loss) per diluted share	\$ (0.13)	\$ 0.45
Pre-tax acquisition and transition expense	0.02	0.07
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	(0.11)	—
Pre-tax amortization of intangibles and deferred financing costs	0.09	0.09
Pre-tax costs related to divested businesses and litigation settlement	—	—
Tax effect of adjustments reflected above (c)	—	(0.03)
Non-GAAP discrete tax adjustments	0.08	(0.09)
(Income) loss from discontinued operations	—	(0.48)
Preferred stock cumulative dividends and deemed dividends	0.05	0.07
Non-GAAP adjusted net income (loss) per diluted share (d)	\$ 0.01	\$ 0.07
Weighted average common shares outstanding	44,455	42,202

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

Reconciliation of Operating Cash Flow to Free Cash Flow

000's	Three Months Ended September 30,	
	2021	2020
Net cash provided by (used in) operating activities	\$ (207)	\$ 3,482
Acquisition of property, plant and equipment	(3,541)	(4,894)
Free cash flow	\$ (3,748)	\$ (1,412)

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.

