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# Third Quarter Earnings

November 8, 2018



# Forward Looking Statements & Disclosures

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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, delayed customer product launches, risks of capacity underutilization, quality issues, availability of raw materials, currency, pending and completed transactions 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, 2017.

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](http://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.



# Business Highlights - Q3 2018 Results

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- Sales of \$206M
  - Sales growth of \$57.5 million or 39%
  - Acquisitions accounted for \$54.4 million
  - Organic sales growth was \$5.1 million or 3.5% (excluding FX impacts of \$2.0 million)
    - Life Sciences grew 17%
      - Legacy businesses 10%
      - Acquired 19%
    - Mobile Solutions grew 3%
      - New multi-year programs on target
      - Slowing Chinese auto market impacted Q3 2018
    - Power Solutions 3%
      - Order growth 7% consistent with plan expectations
      - Customer programs delays and mix impacted sales 4%



# Business Highlights - Q3 2018 Results

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- Foreign exchange reduced sales \$2.0 million
  - USD strengthened versus Chinese yuan and Brazilian real in Mobile Solutions
- Trade and Tariff Impacts
  - Immediate cost impact muted through a variety of actions
  - Potential to impact customer supply chain decisions longer term
  - Appear to be impacting overall demand in General Industrial and Auto
- Slowing Chinese auto market



# Business Highlights - Q3 2018 Results

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- End market update
  - Life Sciences
    - Expected growth of ~8%
    - Strong underlying macro trends
  - General Industrial
    - Expected growth 4-5%
    - Focused area of growth within Mobile Solutions
  - Aerospace and Defense
    - Expected order growth ~7%
    - Expected sales growth ~5%
    - Aerospace East Coast/West Coast capacity expansions on track
  - Electrical
    - Expected Growth ~6%
    - Marketing shifting from residential to non-residential
  - CAFE
    - Expected growth of ~1%
    - Global automotive slowing
    - Market downturn offset by adoption rates and increased content per vehicle



# Highlights of Q3 2018 Results

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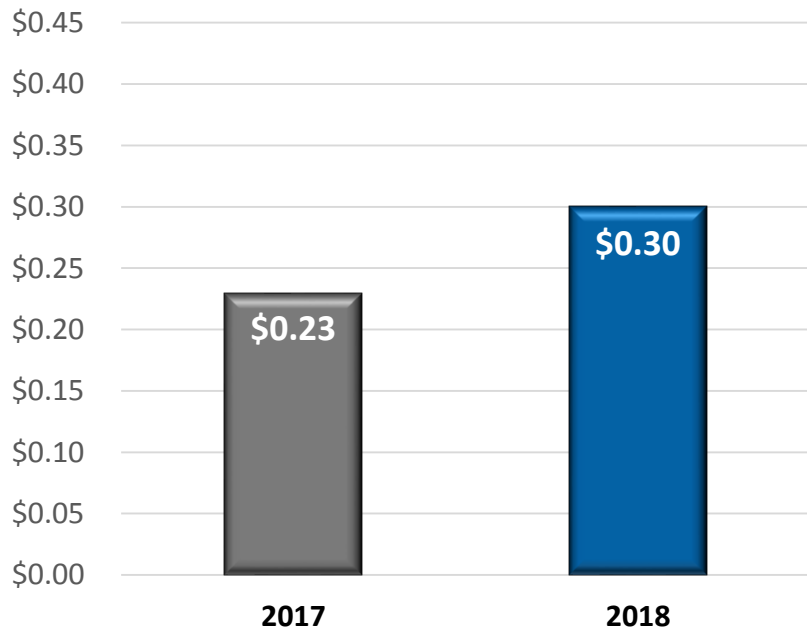
- Adjusted Diluted Earnings Per Share of \$0.30, \$0.07 higher than prior year
  - Driven by acquisitive and organic growth
  - China softness and higher taxes from foreign earnings impact EPS \$0.08
- \$213 million reduction in debt from secondary offering
  - Eliminated high cost 2<sup>nd</sup> lien term loan - \$21M interest saving per year
  - Reduced leverage 1.2x to 4.98x
  - Targeted leverage 2.0x-3.0x



# 3<sup>rd</sup> Quarter 2018 Financial Summary

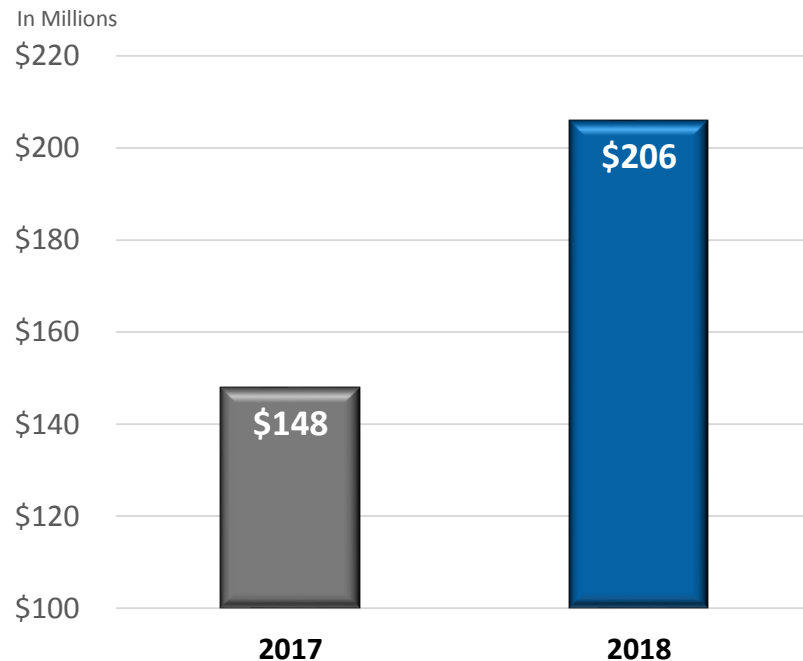
## Adjusted Diluted Earnings Per Share

Earnings growth driven by income on acquisitive and organic sales



## Net Sales

39% growth compared to prior year with acquisition of Paragon and organic growth

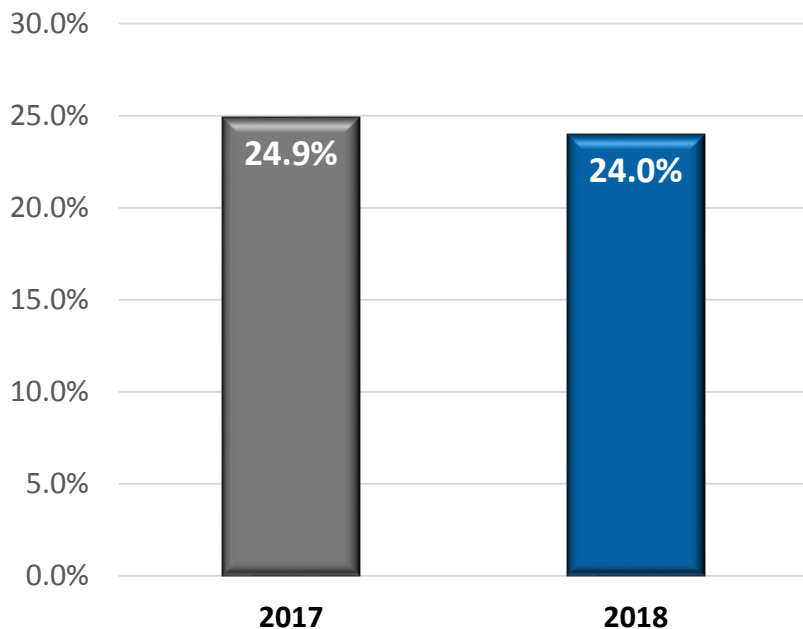




# 3<sup>rd</sup> Quarter 2018 Financial Summary

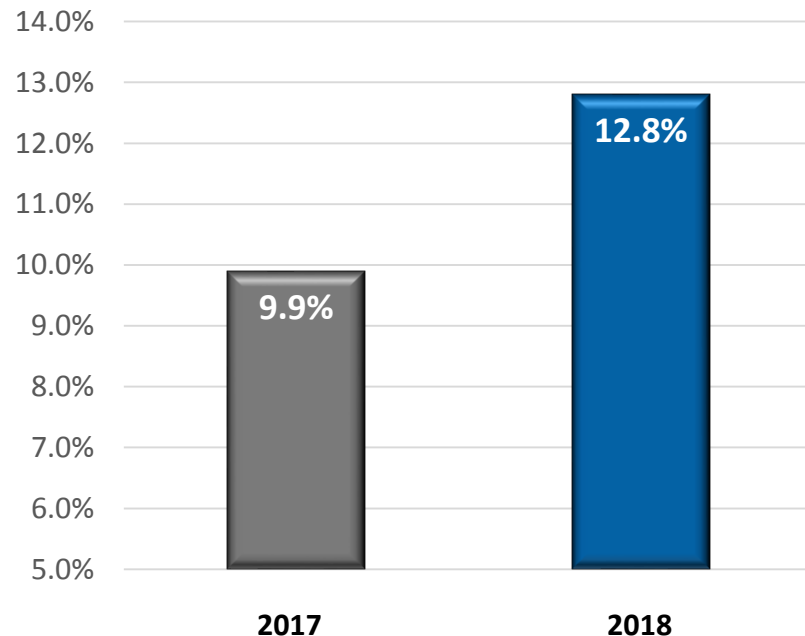
## Gross Margin

Margin impacted 1.0% by investments in new programs



## Adjusted Operating Margin

Improvement driven by growth and improved operating efficiency



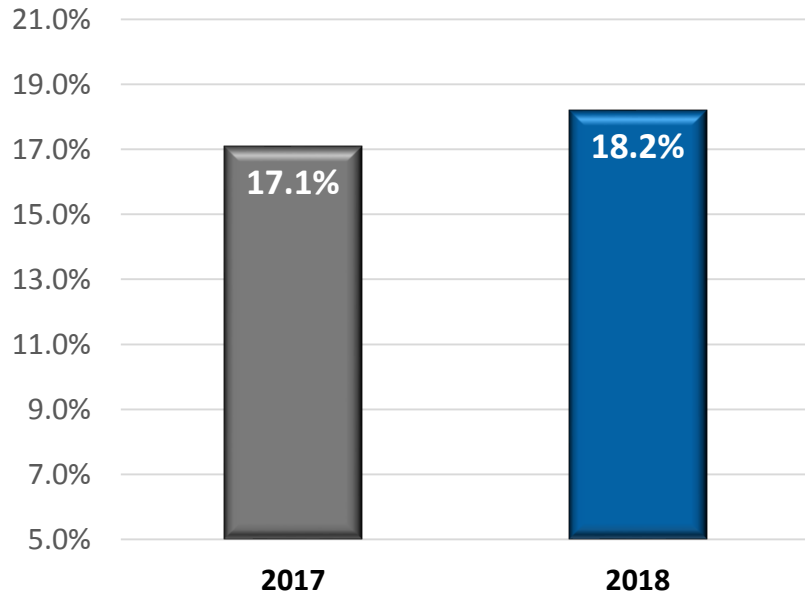




# 3<sup>rd</sup> Quarter 2018 Financial Summary

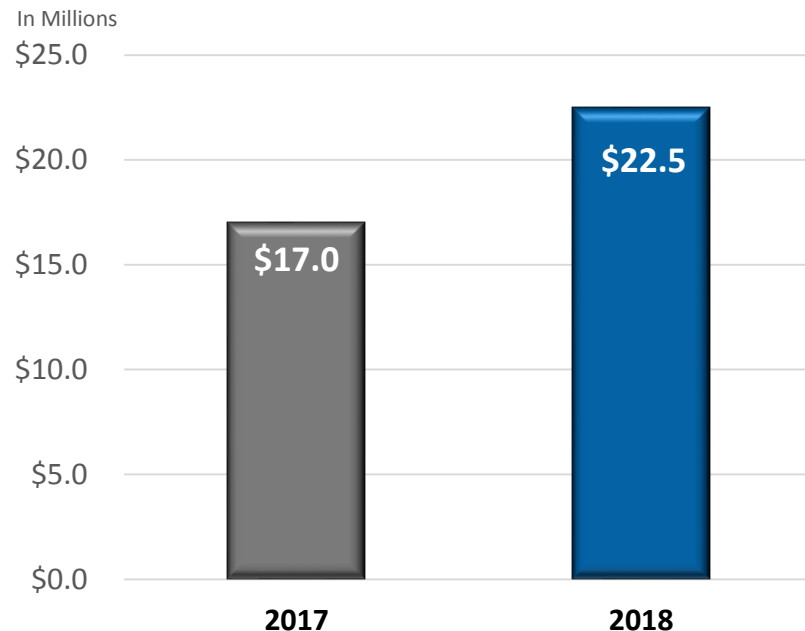
## Adjusted EBITDA Margin

EBITDA margin in line with expectations



## SG&A

2018 SG&A is between 10% and 11% of sales as expected

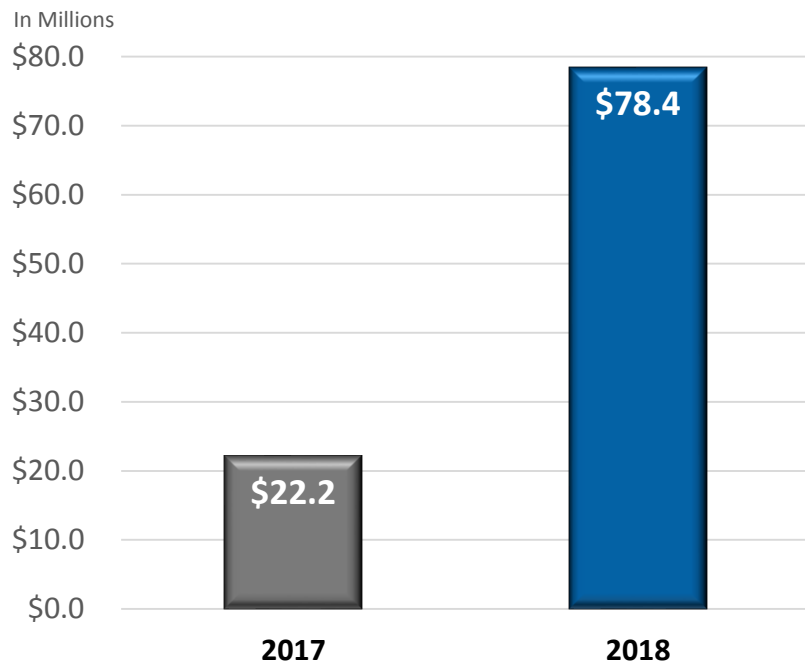




# Life Sciences Segment

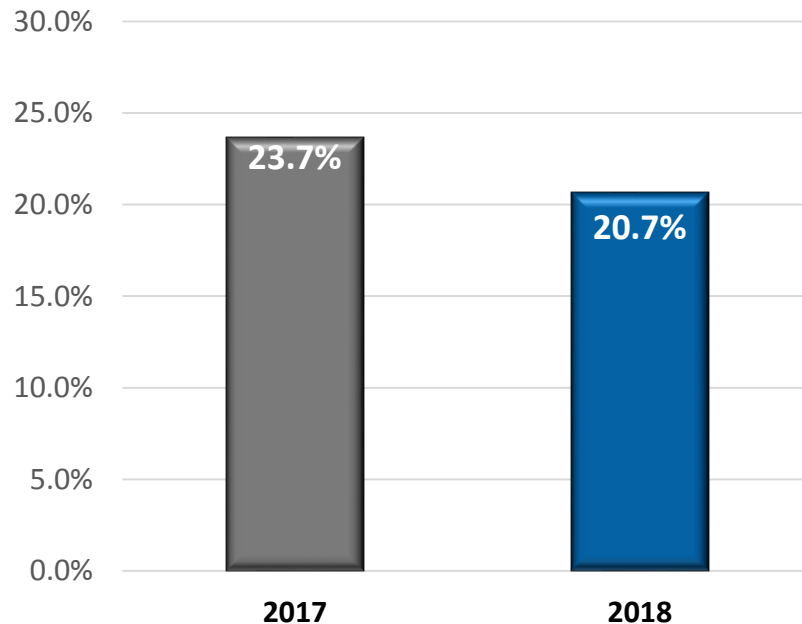
## Net Sales

Growth driven by acquisitions and organic growth



## Adjusted Operating Margin

Acquired operations performing at pre-synergy levels

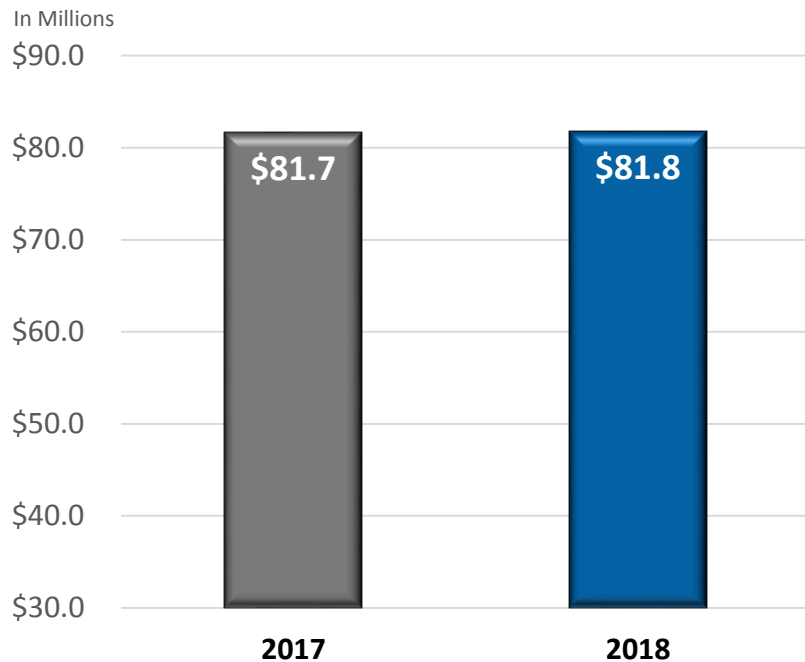




# Mobile Solutions Segment

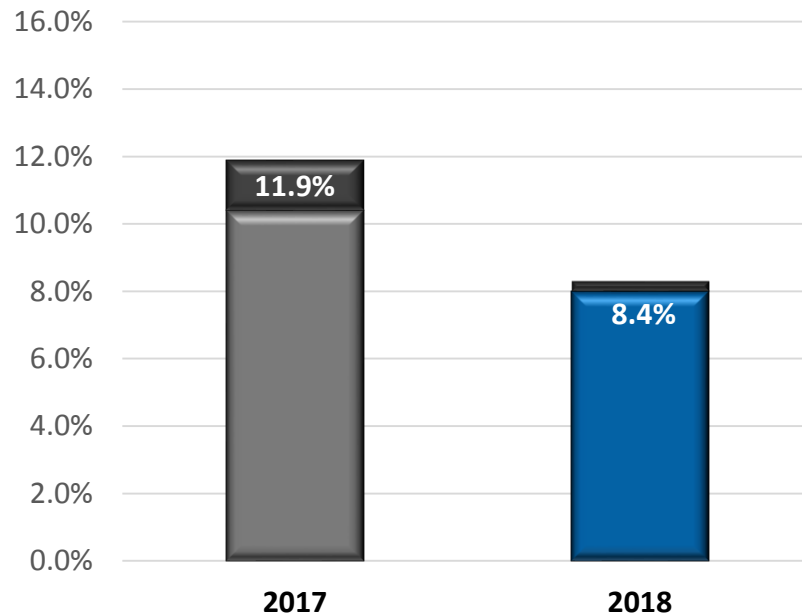
## Net Sales

Constant currency growth at 3%



## Adjusted Operating Margin

Impacted by completing investments in new programs and China softness



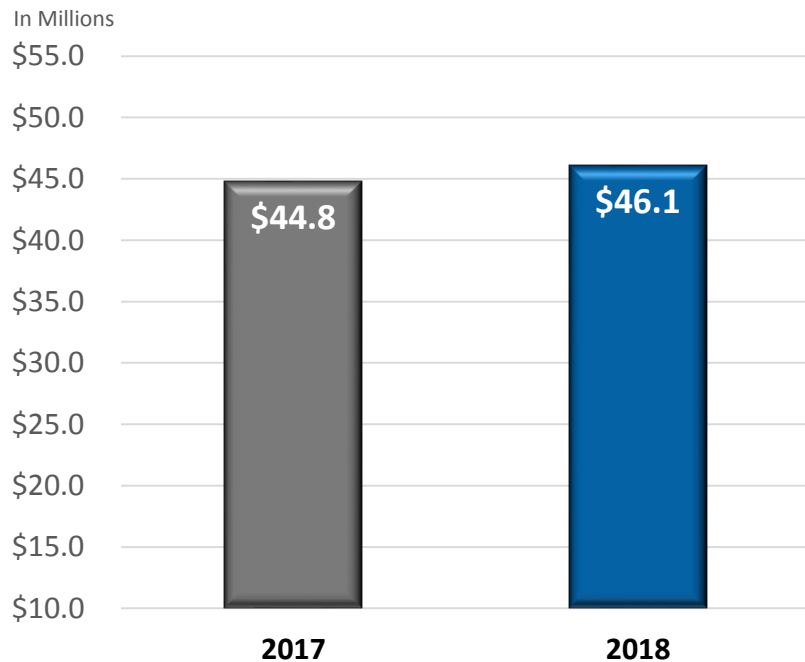
■ JV Contribution



# Power Solutions Segment

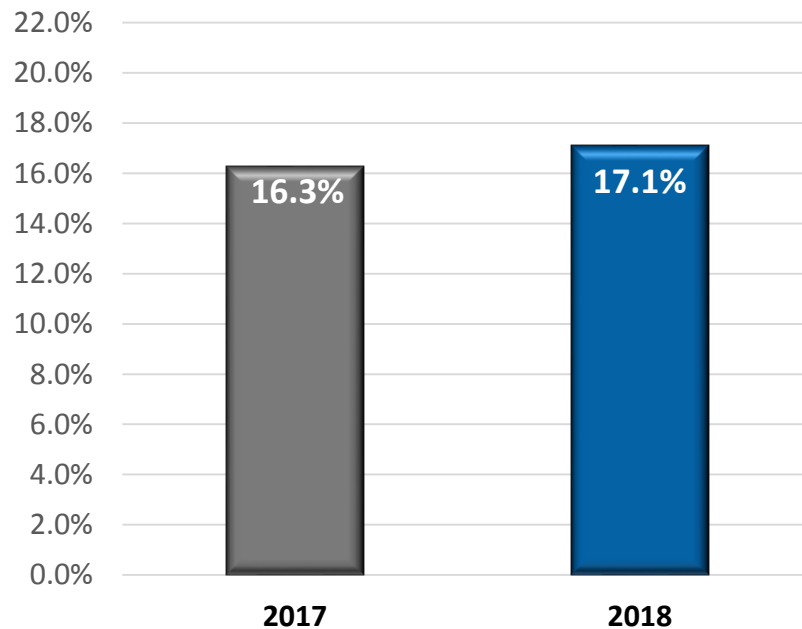
## Net Sales

Increase driven by organic growth



## Adjusted Operating Margin

Margin expansion due to organic growth





# 4<sup>th</sup> Quarter Outlook

Operating Group	Growth Rates	Commentary
Life Sciences	High single digits	<ul style="list-style-type: none"><li>• Strong underlying macro trends</li><li>• Market shares gains</li></ul>
Mobile Solutions	Flat	<ul style="list-style-type: none"><li>• Softness in China</li><li>• Trade and Tariffs impact</li></ul>
Power Solutions	Mid single digits	<ul style="list-style-type: none"><li>• Orders converting to sales</li><li>• Growth in both electrical and aerospace and defense</li></ul>



# 4<sup>th</sup> Quarter 2018 Guidance

	4 <sup>th</sup> Quarter 2018 Guidance	Commentary
<b>Net Sales</b>	\$200M-\$205M	Second half softness in China due to impacts of tariffs and trade
<b>Adjusted Operating Margin</b>	12.0%-12.5%	Margins on track
<b>Adjusted EBITDA Margin</b>	18.0%-18.5%	Margins on track
<b>Adjusted Diluted EPS</b>	\$0.25-\$0.30	Lower sales and dilution



# 2018 Full Year Guidance

	Prior Full Year Guidance	Updated Full Year Guidance	Commentary
<b>Net Sales</b>	\$775M-800M	\$770M-775M	Second half softness in China due to impacts of tariffs and trade
<b>Adjusted Operating Margin</b>	12.5%-13.0%	12.0%-12.5%	Margins in line
<b>Adjusted EBITDA Margin</b>	18.5% -18.75%	18.0%-18.25%	Margins in line
<b>Adjusted Diluted EPS</b>	\$1.60-1.75	\$1.25-1.30	Lower sales, higher taxes and dilution
<b>CAPEX</b>	\$45M-\$53M	\$50M-\$53M	Increased spending on programs
<b>Free Cash Flow<sup>1</sup></b>	\$40M-\$46M	\$35M-\$40M	Increased spending on programs



# 3<sup>rd</sup> Quarter Summary

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- Business continues to grow organically
- Margins overall in line with expectations
- Paragon integration on track with growth outpacing projections
- Completing spend on multi-year program investments
  - Production shipments 2019
- Counter cycle performance as expected
  - Early/mid cycle business slowing and late cycle business accelerating





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## Reconciliation Tables

## Reconciliation of GAAP Income from Operations to Non-GAAP Adjusted Income from Operations

<i>\$000s</i>	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>NN, Inc. Consolidated</b>		
GAAP income from operations	\$ 5,881	\$ 5,551
Restructuring and integration expense	(209)	345
Acquisition and transition expense	9,569	2,922
Amortization of intangibles	11,129	5,835
Non-GAAP adjusted income from operations (a)	<u>\$ 26,370</u>	<u>\$ 14,653</u>
Non-GAAP adjusted operating margin (1)	12.8%	9.9%
GAAP net sales	\$ 205,683	\$ 148,156

<i>\$000s</i>	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Mobile Solutions</b>		
GAAP income from operations	\$ 4,657	\$ 6,799
Restructuring and integration expense	51	345
Acquisition and transition expense	974	500
Amortization of intangibles	885	868
Non-GAAP adjusted income from operations (a)	<u>\$ 6,567</u>	<u>\$ 8,512</u>
Share of net income from joint venture	266	1,202
Non-GAAP adjusted income from operations with JV	6,833	9,714
Non-GAAP adjusted operating margin (1)	8.4%	11.9%
GAAP net sales	\$ 81,805	\$ 81,664

<i>\$000s</i>	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Elimination</b>		
GAAP net sales	\$ (567)	\$ (486)

<i>\$000s</i>	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Power Solutions</b>		
GAAP income from operations	\$ 2,706	\$ 4,166
Restructuring and integration expense	-	-
Acquisition and transition expense	2,139	400
Amortization of intangibles	3,021	2,725
Non-GAAP adjusted income from operations (a)	<u>\$ 7,866</u>	<u>\$ 7,291</u>
Non-GAAP adjusted operating margin (1)	17.1%	16.3%
GAAP net sales	\$ 46,082	\$ 44,824

<i>\$000s</i>	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Life Sciences</b>		
GAAP income from operations	\$ 6,717	\$ 3,011
Restructuring and integration expense	(260)	-
Acquisition and transition expense	2,532	-
Amortization of intangibles	7,223	2,242
Non-GAAP adjusted income from operations (a)	<u>\$ 16,212</u>	<u>\$ 5,253</u>
Non-GAAP adjusted operating margin (1)	20.7%	23.7%
GAAP net sales	\$ 78,363	\$ 22,154

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

## Reconciliation of Net Income (Loss) to Non-GAAP Adjusted EBITDA

<i>\$000s</i>	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>
GAAP net income (loss)	\$ (13,784)	\$ 125,961
Provision (benefit) for income taxes	(5,609)	(1,724)
Interest expense	18,608	12,739
Write-off of unamortized debt issuance cost	6,624	-
Gain on change in fair value of interest rate swap	-	(27)
Depreciation and amortization	21,259	13,384
Acquisition and transition expense	9,569	2,922
Non-cash stock compensation	289	1,708
Non-cash foreign exchange (gain) loss on inter-company loans	658	(538)
Restructuring and integration expense	(209)	345
Income from discontinued operations	-	(129,441)
Non-GAAP adjusted EBITDA (b)	<u>\$ 37,405</u>	<u>\$ 25,329</u>
Non-GAAP adjusted EBITDA margin (2)	18.2%	17.1%
GAAP net sales	\$ 205,683	\$ 148,156

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

**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>	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>
GAAP net income (loss)	\$ (13,784)	\$ 125,961
Pre-tax acquisition and transition expense	9,569	2,922
Pre-tax foreign exchange (gain) loss on inter-company loans	658	(538)
Pre-tax restructuring and integration expense	(209)	345
Pre-tax write-off unamortized debt issuance costs	6,624	-
Pre-tax gain on change in fair value of interest rate swap	-	(27)
Pre-tax amortization of intangibles and deferred financing costs	12,550	7,033
Pre-tax interest expense on cash held from divestiture	-	2,440
Tax effect of adjustment reflected above (c)	(6,737)	(2,279)
Income from discontinued operations	-	(129,441)
Non-GAAP adjusted net income (loss) (d)	<u>\$ 8,671</u>	<u>\$ 6,416</u>

<i>Amounts per share, diluted</i>	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>
GAAP net income (loss) per diluted share	\$ (0.48)	\$ 4.57
Pre-tax acquisition and transition expense	0.33	0.11
Pre-tax foreign exchange (gain) loss on inter-company loans	0.02	(0.02)
Pre-tax restructuring and integration expense	(0.01)	0.01
Pre-tax write-off unamortized debt issuance costs	0.23	-
Pre-tax gain on change in fair value of interest rate swap	-	(0.00)
Pre-tax amortization of intangibles and deferred financing costs	0.44	0.26
Pre-tax interest expense on cash held from divestiture	-	0.09
Tax effect of adjustment reflected above (c)	(0.23)	(0.08)
Income from discontinued operations	-	(4.70)
Non-GAAP adjusted net income (loss) per diluted share (d)	<u>\$ 0.30</u>	<u>\$ 0.23</u>
Weighted average shares outstanding, diluted	28,688	27,544

## Guidance - Reconciliation of GAAP Income from Operations Margin to Non-GAAP Adjusted Income from Operations Margin

<i>As a % of Sales</i>	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>December 31, 2018</b>		<b>December 31, 2018</b>	
<b>NN, Inc. Consolidated</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>
GAAP income from operations margin	4.7%	5.4%	2.3%	2.9%
Restructuring and integration expense	0.0%	0.0%	0.3%	0.3%
Acquisition and transition expense	2.7%	2.6%	5.0%	5.0%
Amortization of intangibles	4.6%	4.5%	4.3%	4.3%
Non-GAAP adjusted income from operations margin (a)	12.0%	12.5%	12.0%	12.5%
GAAP net sales	\$ 200,000	\$ 205,000	\$ 770,000	\$ 775,000

## Guidance - Reconciliation of GAAP Net Income to Non-GAAP Adjusted EBITDA

<i>As a % of Sales</i>	Three Months Ended December 31, 2018		Twelve Months Ended December 31, 2018	
	Low	High	Low	High
GAAP net income (loss)	-0.4%	0.2%	-5.9%	-5.7%
Provision (benefit) for income taxes	-0.3%	0.0%	-1.7%	-1.6%
Interest expense	6.0%	5.8%	7.6%	7.6%
Write-off of unamortized debt issuance cost	0.0%	0.0%	2.5%	2.5%
Depreciation and amortization	9.4%	9.3%	9.2%	9.2%
Acquisition and transition expense	2.7%	2.6%	5.0%	5.0%
Non-cash stock compensation	0.6%	0.6%	0.5%	0.5%
Non-cash foreign exchange (gain) loss on inter-company loans	0.0%	0.0%	0.4%	0.4%
Restructuring and integration expense	0.0%	0.0%	0.3%	0.3%
Income from discontinued operations	0.0%	0.0%	0.0%	0.0%
Non-GAAP adjusted EBITDA margin (b)	18.0%	18.5%	18.0%	18.3%
GAAP net sales	\$ 200,000	\$ 205,000	\$ 770,000	\$ 775,000

## Guidance - Reconciliation of GAAP Net Income to Non-GAAP Adjusted Net Income

<i>Amounts per share, diluted</i>	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>December 31, 2018</b>		<b>December 31, 2018</b>	
	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>
GAAP net income (loss) per diluted share	\$ (0.01)	\$ 0.04	\$ (1.59)	\$ (1.54)
Pre-tax acquisition and transition expense	0.13	0.13	1.32	1.32
Pre-tax amortization of intangibles and deferred financing costs	0.22	0.22	0.11	0.11
Pre-tax restructuring and integration expense	-	-	0.08	0.08
Pre-tax write-off unamortized debt issuance costs	-	-	0.70	0.70
Pre-tax amortization of intangibles and deferred financing costs	-	-	1.22	1.22
Pre-tax interest expense on cash held from divestiture	-	-	0.13	0.13
Tax effect of adjustment reflected above (c)	(0.09)	(0.09)	(0.72)	(0.72)
Non-GAAP adjusted net income (loss) per diluted share (d)	<u>\$ 0.25</u>	<u>\$ 0.30</u>	<u>\$ 1.25</u>	<u>\$ 1.30</u>
Weighted average shares outstanding, diluted	42,200	42,200	30,000	30,000

## Guidance - Non-GAAP Free Cash Flow

	Twelve Months Ending December 31, 2018	
	Low	High
	<u>\$000s</u>	<u>\$000s</u>
EBITDA	\$ 138,638	\$ 141,443
CAPEX	(50,000)	(53,000)
Interest expense	(55,000)	(54,000)
Dividends	(10,554)	(10,554)
Working capital	11,500	16,000
Non-GAAP free cash flow	<u>\$ 34,584</u>	<u>\$ 39,889</u>





# Non-GAAP Financial Measures Footnotes

The Company discloses in this presentation the non-GAAP financial measures of adjusted income from operations, adjusted net income (loss), and adjusted net income per diluted share. 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 four years, we have completed eight acquisitions, three 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 net income (loss), and adjusted net income per diluted share provide 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, 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, 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, and income from discontinued operations, 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. In addition, the footnotes reflect the after-tax amount of each individual adjustment item. NN, Inc. estimates the tax effect of the adjustment items identified in the reconciliation schedule above by applying NN, Inc's. overall estimated effective tax rate to the pretax amount, 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, interest rate swaps and write-offs, foreign exchange gain (loss) on inter-company loans, gains and losses in the fair value of interest rate swaps, estimated interest expense on cash held from divestiture, and on a non-tax affected basis 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.