



# **Gabelli Funds: 48<sup>th</sup> Annual Automotive Symposium**

**November 4<sup>th</sup>, 2024**



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# 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.
    - Transforming revenue and margin profile
  - Targeted markets are passenger vehicles, electrical grid, and orthopedics
  - Targeted product applications for auto are steering, braking, fuel efficiency, electrical shielding and vehicle control

## Two Primary Product Segments:

- Power Solutions products are primarily precision stamped parts, plated parts, and subassemblies and plated parts and assemblies.
- 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<sup>(1)</sup>**  
\$470 Million

**Adjusted EBITDA%<sup>(1)</sup>**  
10%

**Customers**  
>1,100

**Adjusted EBITDA<sup>(1)</sup>**  
\$46 million



## Global Employees

~3,100; Additional ~700 in China JV

## Revenue Breakdown (1)



# NN's Provides a Strong Growth Play in Global Auto Market for both Geographic Shifts and Product Shifts

## Above-market growth potential



- Changes underway in global auto market favor NN's historical/current product and geographical advantages as a precision parts maker
- Ideal capabilities for next-gen steering, braking, vehicle control, electrical shielding, bus bar and fuel efficiency

## Global trends favor NN's capabilities



- The auto trend towards higher precision vehicle operation favor specialist manufacturers like NN
- Similar trends also seen in global Medical market

## Unique view into industry direction



- Position in value chain gives NN a POV across many OEs and Tier-1 next-gen vehicle programs
  - Downstream visibility into ICE, Hybrid and BEV vehicle types de-risks resource deployment
- Vantage point informs commercial strategy and strengthens win rate of new business program

## Carryover into Other End Markets



- Automotive and Medical markets can utilize same equipment – adding flexibility to commercial strategy
- Growing into our balance sheet, and optimizing capital structure as we go

# NN's Markets Healthy, Business On Track

Primary End Market Outlook				
End Market	~% of NN Revenue	Market Indicators	+/-	NN's Outlook vs. Market
<b>Global Passenger Vehicle</b>	<b>40%</b>	<p>Global light vehicle production is flat; global demand patterns undergoing change</p> <p>China market significantly outpacing US/EU in BEV, Y/Y, and share of EVs is increasing rapidly as China EV leaders are dominating other global brands</p> <p>US light vehicle forecast up modestly (LSD%) in FY25; Globally inventory and demand are balanced with some NA soft spots</p>	↔	<p>Expanding capacity in China to make highest value products; steering, braking, and fuel efficiency</p> <p>The '<b>Connect and Protect</b>' product line is focused onto electrical connector, electrical harness and bus bar for vehicles and chargers</p>
<b>General Industrial</b>	<b>30%</b>	<p>Statista forecasts approximately 3% growth</p>	➔	<p>Demand is generally steady for the industries that we serve</p>
<b>Power Grid and Electricity Control</b>	<b>15%</b>	<p>Global power grid market modest growth, driven by software and replacement</p> <p>Electrical distribution and control strong in Industrial, weaker in construction</p>	➔	<p>Strong smart meter business is healthy and growing; residential construction is flat-ish for circuit breaker products, business is steady</p>
<b>Commercial Vehicle</b>	<b>10%</b>	<p>Line haul to be down in FY'25, up significantly in FY'26</p> <p>Market volatility in Class 6-8 higher than in passenger vehicles</p> <p>China now 1/3<sup>rd</sup> of global commercial trucks built</p>	↔	<p>NN's business is not expected to see much impact from market events</p> <p>Applications where NN operates are stronger than headline market demand</p>
<b>Medical Equipment, Surgical Tools, and Implants</b>	<b>5%</b>	<p>Orthopedic sales are steady and growing modestly</p>	➔	<p>Focused on growing a robust pipeline of new programs and awards</p> <p>Expanded long-term goal to \$100M net sales</p>



# Globally Competitive Operational Footprint

## Close-to-customer engineering centers coupled with both local and 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 \$100+M+ in profitable revenue (included as other income in NN's consolidated financials)



North America	South America	Europe	APAC
71% REVENUE <sup>(1)</sup>	9% REVENUE <sup>(1)</sup>	8% REVENUE <sup>(1)</sup>	13% REVENUE <sup>(1)</sup>
47% EMPLOYEES	23% EMPLOYEES	10% EMPLOYEES	20% EMPLOYEES
18 FACILITIES	4 FACILITIES	2 FACILITIES	3 FACILITIES
~1,341 MACHINE CENTERS	~580 MACHINE CENTERS	~321 MACHINE CENTERS	~311 MACHINE CENTERS

\*NN, Inc. logos represent employee concentration.

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

# Power Solutions: Stamped & Assembled Metal Products

## 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



## 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

## 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)



## 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



# Trends We See → Light Vehicle Production

## Market is Overall Flat but Many Scrambled Forward Platform Decisions

### Market Overview

- Growing slightly ; 2024 Forecast: 16.0M; 2027 Forecast: 16.6M
- Overall market growth for Electric Only vehicles averages 30% Y/Y, while Hybrids grow at a 20% rate on average
- Government funding National Electric Vehicle Infrastructure (NEVI) program dedicates \$5 billion over five years to build a network of charging stations in 50-mile intervals along interstate highways.
- US gov has proposed increasing tariff on Chinese EV's imported to US from 25% to 100% - targeting BYD's low-cost car models

### Ford

- Refocusing on Hybrids (primarily Full HEVs) from BEVs, EV softness vs original estimates, some layoffs
- Delayed launch to retool Oakville (Canada) as EV assembly hub, and launch of Blue Oval City, TN

### Tesla

- Paused launch of Mexico Gigafactory until after U.S. Presidential Election
- Opened supercharged network to non-Tesla owners

### GM

- Debuting more Plug-in Hybrid Electric Vehicles (PHEVs) in 2027 given relaxed EPA regulatory changes
- Cadillac and GMC will update its plans to sell ICE models alongside Electric Vehicles into the next decade

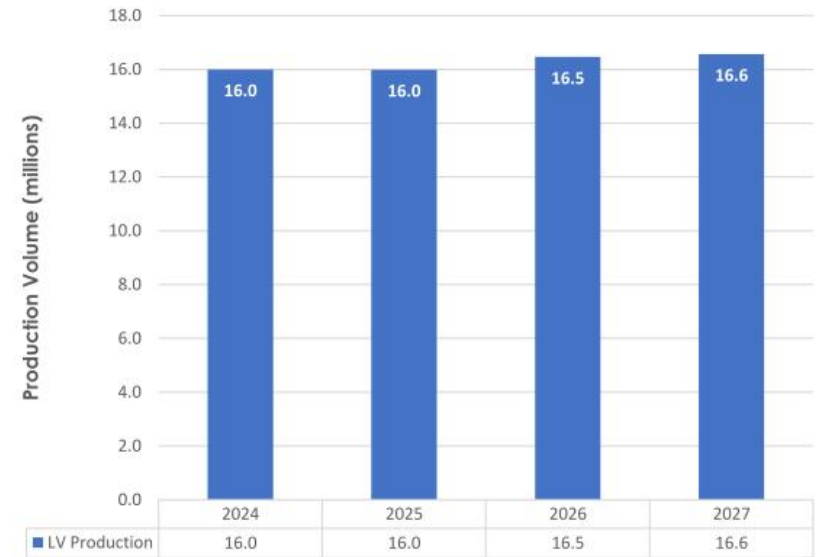
### Stellantis

- Adjusting production due to high dealer inventory (>90 days), end-customer sales are better
- Even though ICE declines by 15% (-200K), see gains with EV's (+3,278K / + 27K) and PHEV's (+37% / 47K)

### Rivian

- Announced the development of the R2 (smaller SUV than R1S) as well as R3 (compact SUV)
- Will add 500 jobs to Normal, IL facility (total employed is 6,000) as it expands to build R2 and R3

North America Light Vehicle Production  
Forecast  
2024 - 2027



# Macro Theme: China is Growing Fast with High-End Products



## Global footprint serves strategic needs

- Plant operations in main auto markets
- Most of NN's customers are global enterprises, and we have a global footprint to serve them.
- Pipeline of new business opportunities >\$650 million, have secured over \$50M of new business wins in 2024 YTD
- NN is underway with a footprint upgrade and – closing 2 North American supply plants and opening 1 new factory in China



## Expanding NN's China footprint

- Expanding in China from 3 plants to 4 plants, installing over 300 new machines to make next-gen products. Have been in China for decades with over 1,000 employees
- Clear trends as OEMs and Tier 1's advance product solutions and increase Chinese production
- China is among NN's best plants in cost, quality, and capabilities – where NN makes its best, high-value products
- Pipeline is strengthening, and with large/volume industry players



# 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.



# Trends We See → Electric Vehicle Shielding & Connectors

High Voltage Electrical systems within Hybrid and Electric Vehicles provides growth opportunities through multiple applications in the vehicle

**Quality, Innovation and Cost remain critical despite demanding requirements:**

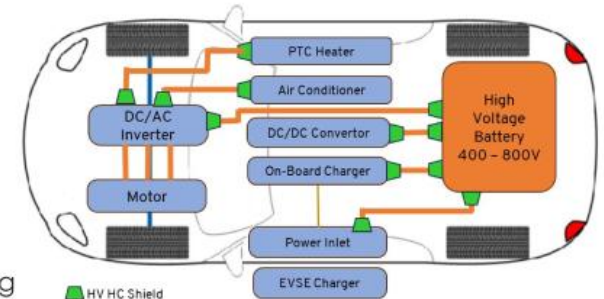


- Voltage requirements increasing from 400V to 800V/1000V
- Current carrying requirements vary from 30A to >300A
- Packaging space becoming constrained even though requirements are increasing

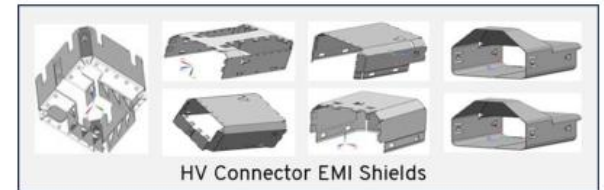
**The NN Inc. Advantage:**



- Precision stamping capabilities to produce small and intricate designs
- Ability to hold tight tolerances to ensure accurate fit and performance
- In-house tooling development to provide best lead time and service possible
- Enhancing prototype capabilities to meet customer needs for samples and trial components



Example: Electric Vehicle Architecture





# Electrical Connector Shielding is a Growing Market

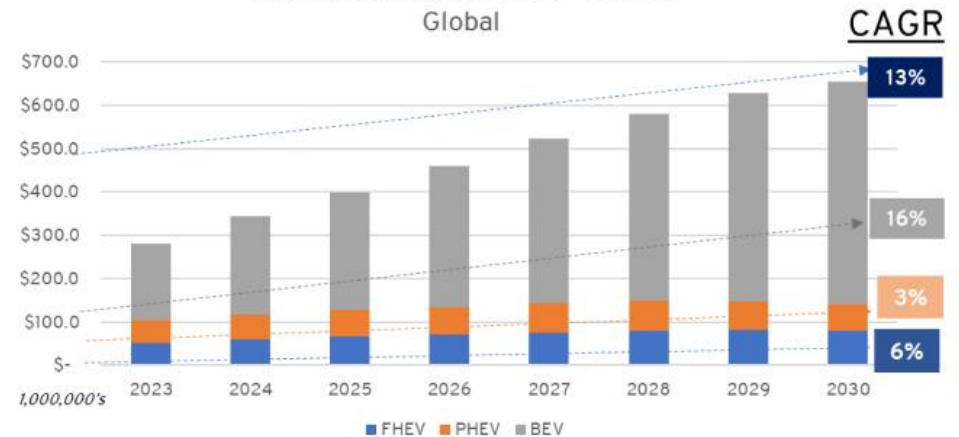
NN is a dominant global supplier of custom EMI Shields in EV, Industrial, and Consumer Electronics

NN shields exceed customer expectations in craftsmanship, speed to market, through using our global manufacturing footprint

## Why use EMI Shields?

- Shielding helps in giving **protection against electromagnetic interference.**
- There is a stream of high current produced at a low frequency between the cables that travel from the battery and engine and the battery and charger.
- This in turn produces a large magnetic field that affects negatively other components of the vehicle. Every High Voltage Connector has a shield.

Total Addressable Market - Shields  
Global



Production Volume Source: Global Data - Sept 2023

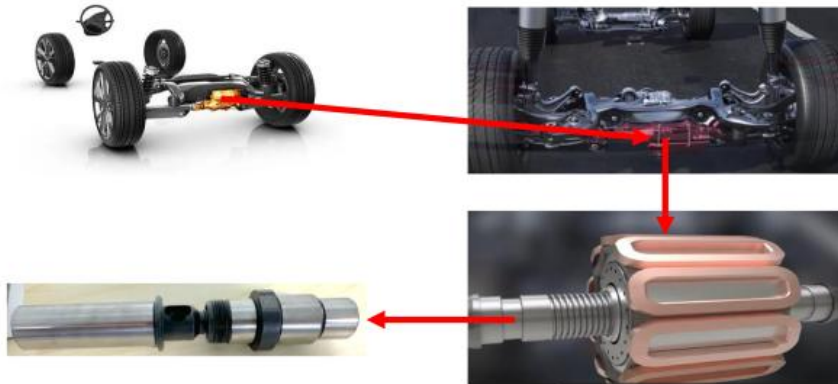
- The chart above represents total estimated market value of high voltage connection system shields
  - FHEV includes only Full Hybrid Systems; Mild, 48V, and Start-Stop excluded
  - BEV has high content per vehicle, as well as largest growth potential / opportunity

# Trends We See -> Rear Wheel Steering (RWS)

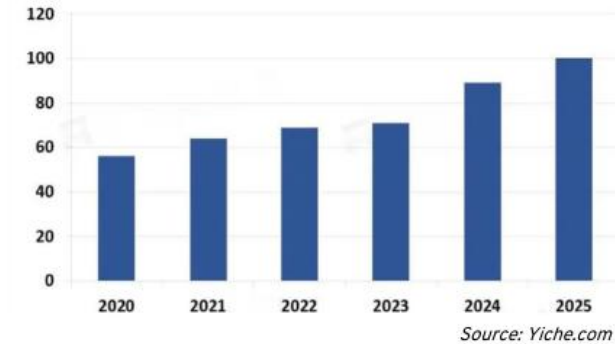
## Rear Wheel Steering (RWS) Advantages

- Unique and safety-related improvements in vehicle handling
- Reduced brake distance on surfaces of varying friction
- Improved agility at low speeds and in evasive maneuvers
- Improved trailer stabilization
- Increased comfort in automated driving mode
- Economical and safe solution using a modular kit system and functional safety compliant control unit

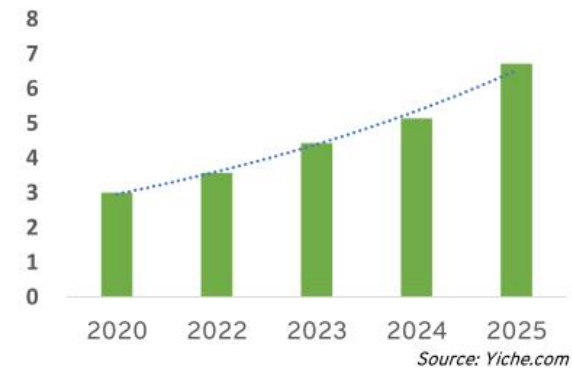
## New NN Inc RWS parts



Global RWS market size and forecast (\$100M USD)



China RWS market size and forecast (\$6M USD)





# New Market for NN: Orthopedic Implant Parts

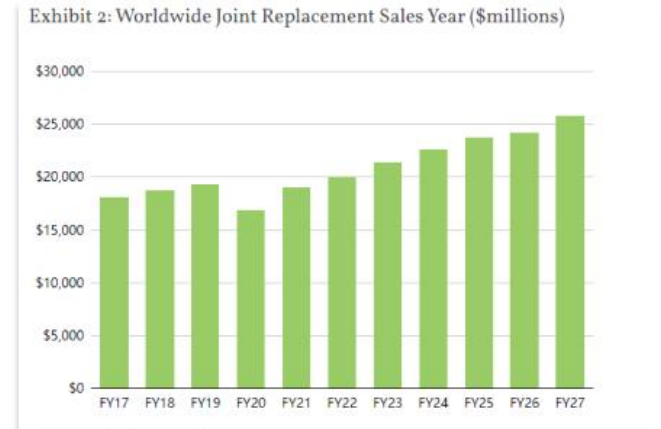
Joint Replacement Implants – Early success in targeted Medical market product innovation

## Participating in the Joint Replacement market\*

Significant global opportunity, expected to grow 6% in 2024

Largest segment in orthopedics; 36% of \$59B global market

Structural support for continued market strength due to backlogged procedures



Source: Orthoworld

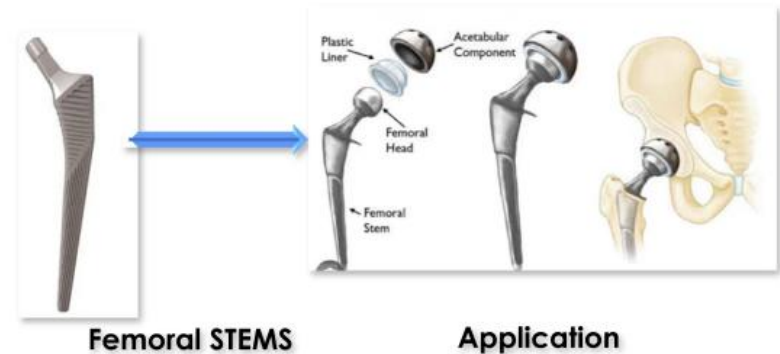


Robodrill

## Femoral Stems - NN WUXI's 1<sup>st</sup> implant product



NN Wuxi's machining capabilities position the business to continue winning and growing in this attractive, expanding global market



Femoral STEMS

Application

# Organic Growth Program Continues to Perform

NN Has Now Secured \$113 Million of New Awards from Q1'23 to Q3'24 – Growth Program Gaining Strength

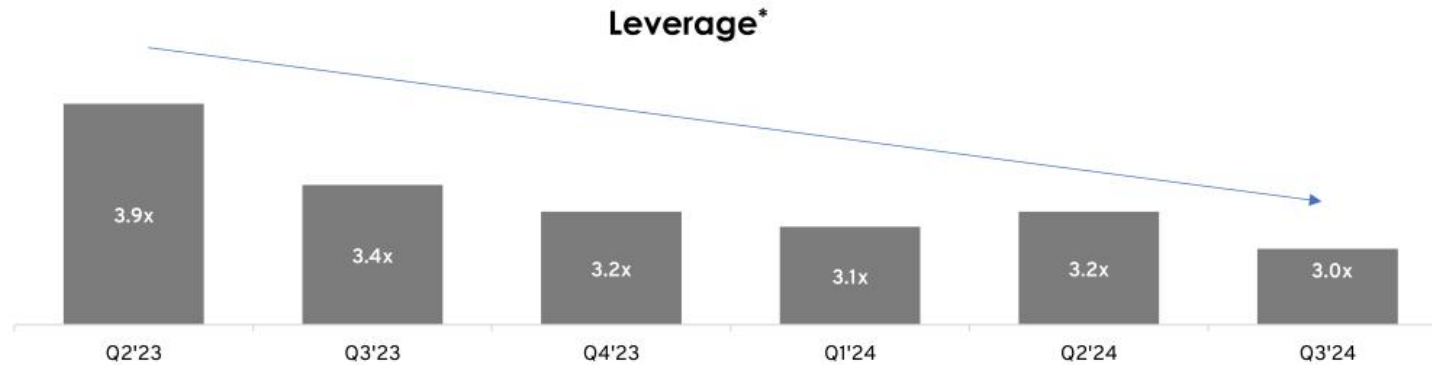
- Strong wins continue in China market with NN's top, highest-quality products
- Continued focus on Electrical end markets, Medical end markets, Stamped products
- Turnaround of underperforming plants and on-time-delivery a key enabler



- **Winning new business both above market growth rates and higher than customer rationalization**
- **On pace to achieve goal of \$55 to \$70 million of new business wins in 2024**
- **Expect year-over-year Sales Growth in 2025**



# Deleveraging Also a Focus Area



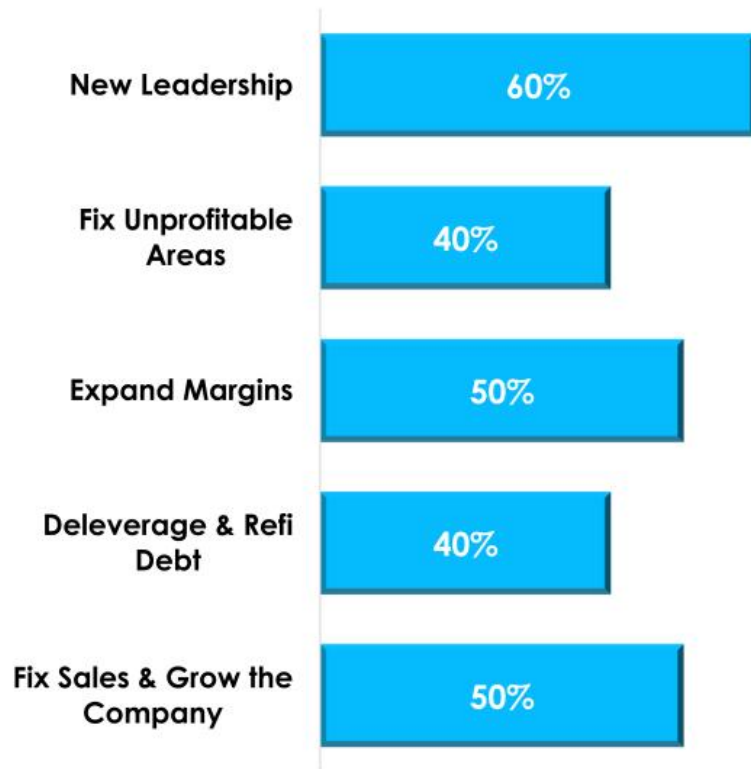
## Strategic Refinancing Process Continues – Will Help Accelerate Transformation and Future Growth

- 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

# 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

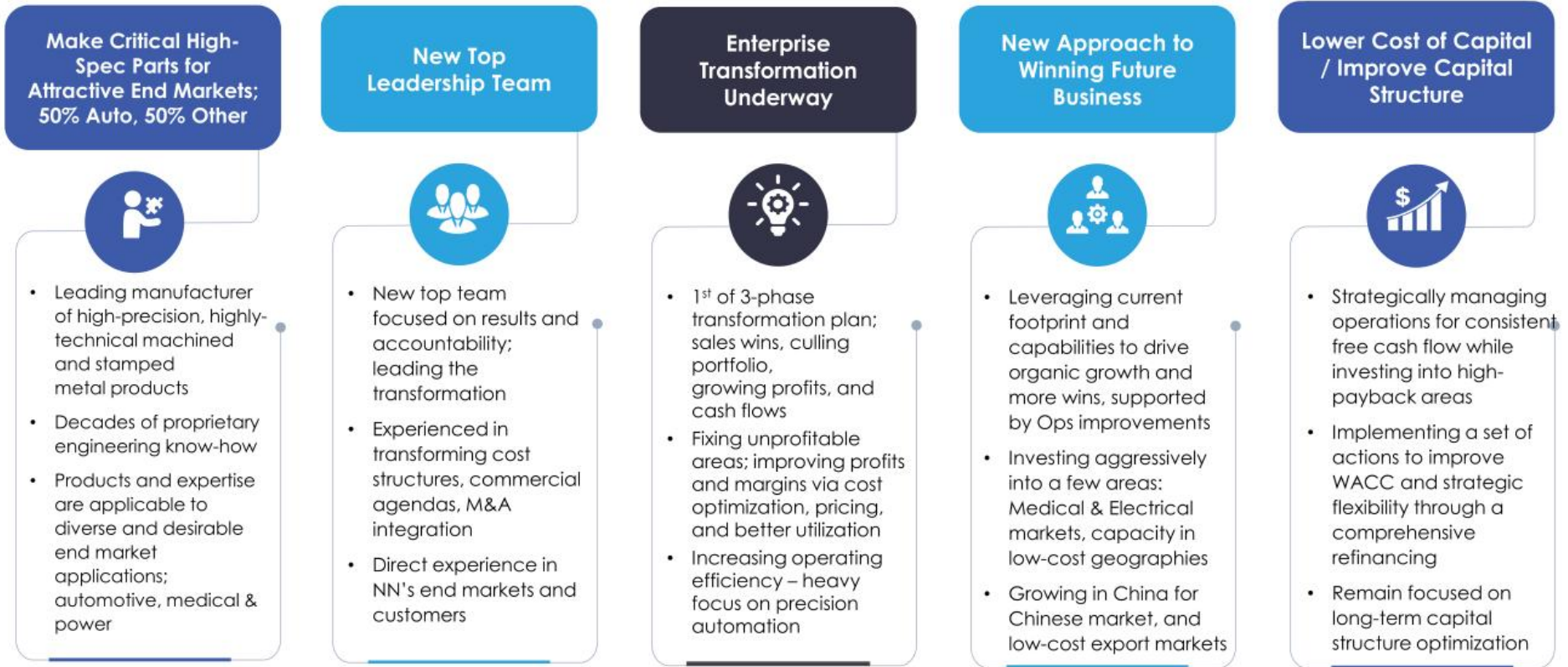
	Q3'23 YTD %	Q3'24 YTD %
Mobile increased	11.4%	13.1%
Power* increased	21.3%	21.5%
NN* increased	14.9%	16.3%

### 4. Reduced leverage

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

### 5. Declining and rationalized legacy sales will be fully offset by >\$100M of new wins – Expect year-over-year Sales Growth in FY'25

# Investment Highlights: Enterprise Transformation Underway and Showing Results

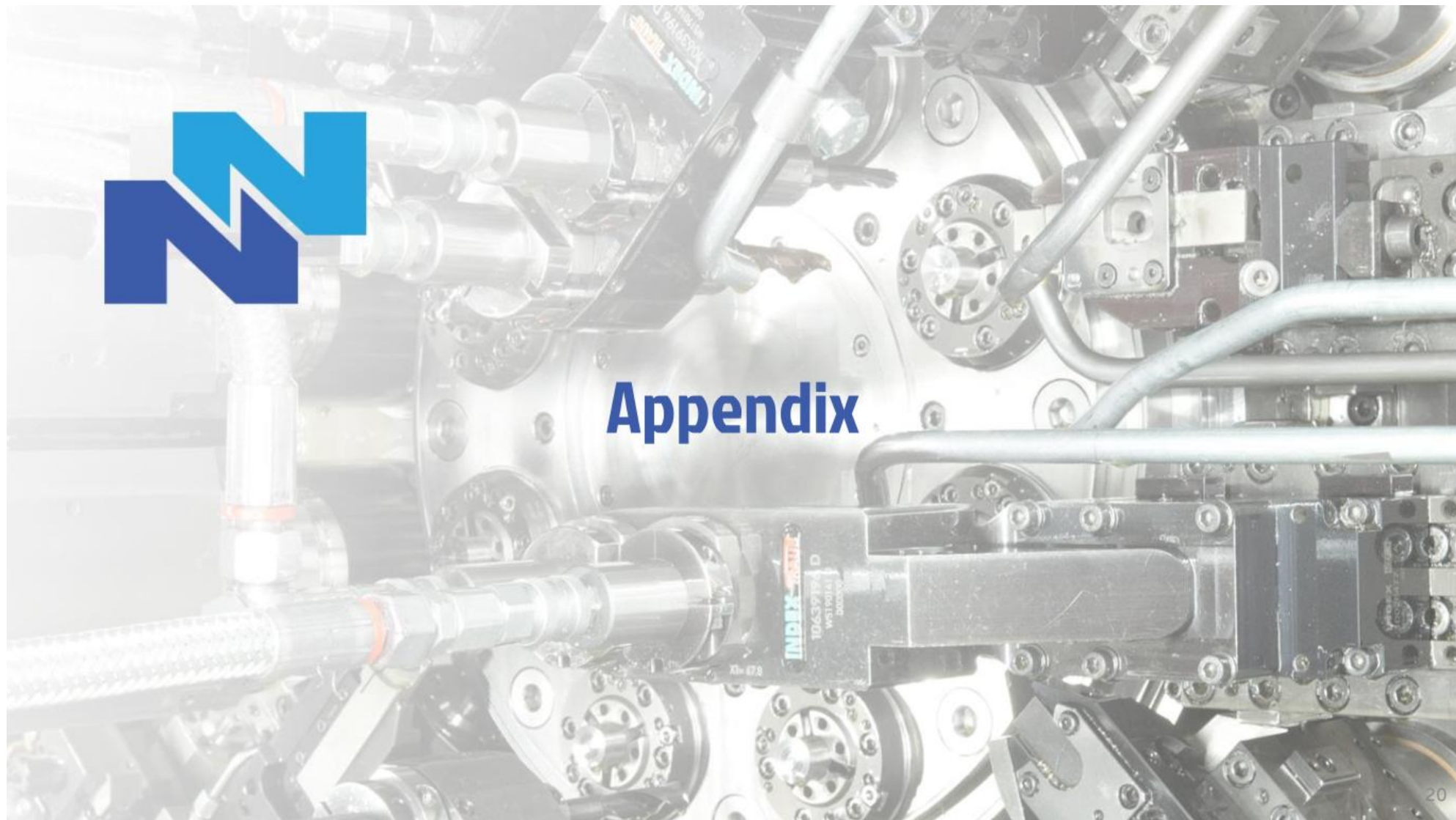


**Repositioning, Increasing Competitiveness, and Delivering Results Remain Focus in FY'24**





# Appendix



# FY'2024 Outlook

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
- 2025 is shaping up to reflect sales Y/Y growth with amount of new wins already in hand
- Winning new business at strong rate; targeting power, electrical, medical, and high-precision auto parts
- Markets are opportunity rich overall
- Cash flows to be invested judiciously in support of new business program and cost rationalization
- Cost initiatives and footprint rationalization will continue to have positive impact





**Thank You**

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