

Nemak reports 4Q19 EBITDA of US\$133 million

Monterrey, Mexico. February 12, 2020. - Nemak, S.A.B. de C.V. ("Nemak", or "the Company") (BMV: NEMAK), a leading provider of innovative lightweighting solutions for the global automotive industry, announced today its operational and financial results for the fourth quarter of 2019 ("4Q19") and full-year 2019 ("FY2019"). What follows is a summary of the key figures:

Key Figures

	Fourth Quarter			Twelve months		
	2019	2018	Δ%	2019	2018	Δ%
Volume (M. Equivalent units)	10.2	11.5	(11.2)	44.3	50.0	(11.5)
Revenues	941	1,078	(12.7)	4,017	4,704	(14.6)
EBITDA ¹	133	171	(22.2)	621	734	(15.4)
CAPEX	97	132	NA ²	344	403	NA ²

US\$ Millions, except Volume

(1) EBITDA = Operating Income + Depreciation, Amortization & other Non-Cash Charges

(2) NA = Not applicable

Nemak sold 10.2 million equivalent units ("MEU") during 4Q19, down 11.2% year-on-year ("y-o-y"), mainly due to effects of light-vehicle production cuts among certain North American and European OEMs—in particular, General Motors, which saw effects of a strike in the U.S. during October. Revenue in the period amounted to US\$941 million, down 12.7% y-o-y on lower volume and aluminum prices. FY2019 volume and revenue were affected by the same factors as quarterly figures, finishing down 11.5% and 14.6%, respectively.

4Q19 EBITDA was US\$133 million, a 22.2% y-o-y decrease largely attributed to market headwinds affecting volume, paired with unfavorable exchange rate effects. FY2019 EBITDA showed a similar trend, ending the period with a 15.4% drop.

Capital expenditures amounted to US\$97 million during 4Q19 for a full year amount of US\$344 million. The Company continued investing to ramp up production associated with new contracts. As of December 31, 2019, Net Debt amounted to US\$1,206 million, down 3.6% y-o-y. Nemak's financial ratios were as follows: Net Debt to last-twelve-months ("LTM") EBITDA, 1.9 times; Interest Coverage, 8.6 times.

Message from the CEO

Despite facing softer-than-expected industry conditions in most of our markets, we successfully leveraged efficiency initiatives to meet our Guidance for the year. We also made continued progress on strategy execution, delivering higher value-added solutions to our customers while driving long-term value creation across powertrain, e-mobility, and structural applications.

In the fourth quarter alone, we won new contracts worth approximately US\$360 million in annual revenue across our product lines, bringing the total value of secured business for 2019 to just over US\$1 billion. For the full year, we won contracts worth a total of approximately US\$280 million to supply structural and electric vehicle components, more than half of which represented incremental



business. These projects comprise a variety of applications—including complex battery housings, electric motor housings, and body-in-white parts—for a combination of hybrid and 100% electric vehicles. Currently, our total order book in this segment stands at approximately US\$750 million in annual revenue.

Continuing our efforts to strengthen our sustainability practices, in 2019 we made a commitment, through the Science Based Targets initiative, to set greenhouse reduction targets; and we were selected to be part of two leading sustainability indices: the Dow Jones Sustainability MILA Pacific Alliance Index and the London Stock Exchange's FTSE4Good Index Series.

In 2020, we anticipate that evolving industry and macroeconomic conditions may continue to generate volatility in the markets we serve. To address such risks, we will remain focused on optimizing costs and maintaining discipline in capital allocation through increased reuse of existing assets, while at the same time tapping into higher value-added opportunities linked to accelerating lightweighting and electrification trends in our industry.

Automotive Industry

	Millions of Units Fourth Quarter			Millions of Units Twelve Months		
	2019	2018	% Var.	2019	2018	% Var.
U.S. Vehicle Sales SAAR ⁽¹⁾	16.9	17.6	(4.0)	17.0	17.3	(1.7)
North America Vehicle Production ⁽²⁾	3.8	4.2	(9.5)	16.3	17.0	(4.1)
North America NemaK Customer Production ⁽²⁾	2.5	2.9	(13.8)	11.0	11.8	(6.8)
Europe Vehicle Sales SAAR ⁽¹⁾⁽²⁾	19.8	18.6	6.5	19.6	20.2	(3.0)
Europe Vehicle Production ⁽²⁾	5.0	5.3	(5.7)	20.7	22.0	(5.9)
Europe NemaK Customer Production ⁽²⁾	3.4	3.6	(5.6)	13.9	14.5	(4.1)

(1) SAAR = Seasonally Adjusted Annual Rate
(2) Source: IHS Markit and NemaK estimates

In the quarter, SAAR for U.S. vehicle sales reached 16.9 million units, 4.0% lower y-o-y mainly derived from a high base of comparison vis-à-vis 4Q18, when certain OEMs registered greater benefits from new launches. Meanwhile, vehicle production in North America decreased 9.5%, largely as a result of the combined impact of the General Motors strike in the U.S. and the phase-out of certain vehicle platforms.

In Europe, 4Q19 sales were up 6.5% on a favorable comparison with the same period last year, when the implementation of new emissions testing standards weighed on the market in the region. However, vehicle production saw a 5.7% year-over-year reduction, driven primary by overall market softening as well as lower exports to other regions, particularly China.

Recent Developments

- For full-year 2019, the Company won contracts across its product lines worth a total of more than US\$1 billion in annual revenue. This included contracts worth approximately US\$280 million in annual revenue to produce structural and electric vehicle components, more than half of which represented incremental business.



- In January 2020, completed construction of the first phase of a new facility in North America to be dedicated to the production of e-mobility applications. Ramp up to begin in the second half of the year.
- Effective November 26, 2019, Nematik joined the MSCI Global Small Cap Indexes, making it a member of the MSCI Mexico Small Cap Index as well as the global flagships MSCI ACWI Small Cap and MSCI Emerging Markets Small Cap Indexes.

Financial Results Summary

	Fourth Quarter			Twelve months		
	2019	2018	Δ%	2019	2018	Δ%
Volume (M. Equivalent units)	10.2	11.5	(11.2)	44.3	50.0	(11.5)
Revenue	941	1,078	(12.7)	4,017	4,704	(14.6)
Operating Income	33	94	(64.9)	257	406	(36.7)
EBITDA ¹	133	171	(22.2)	621	734	(15.4)
EBITDA ¹ / Eq. Unit	13.1	14.9	(12.1)	14.0	14.7	(4.8)
Net Income	31	38	(18.4)	130	180	(27.8)
CAPEX	97	132	NA ²	344	403	NA ²
Net Debt ³	1,206	1,251	(3.6)			

US\$ Millions, except Volume and EBITDA / Eq. Unit

(1) EBITDA = Operating Income + Depreciation, Amortization & other Non-Cash Charges

(2) NA = Not applicable

(3) Net Debt = Total Debt - Total Cash

4Q19 total volume decreased 11.2% y-o-y, largely attributed to lower light-vehicle production among certain OEM customers. In North America, the main factors were the impact of the General Motors strike in the U.S., the phase-out of production of certain light-vehicle models among Detroit 3 customers throughout the region, and a reduction in the Company's shipments to China. In Europe, the drop of OEM light-vehicle production also weighed on Nematik's volume. Meanwhile, in Rest of World, volume was affected mainly by lower sales in China. For FY2019, Nematik's volume decreased as a result of the factors described above.

Turning to Revenue, lower volume and lower aluminum prices together with currency effects drove a 12.7% y-o-y decrease in 4Q19. On a full-year basis, revenue decreased 14.6%.

In 4Q19, EBITDA decreased 22.2% y-o-y due mainly to lower revenue and currency effects. 4Q19 EBITDA per equivalent unit was US\$13.1, down 12.1% y-o-y. Operating Income decreased US\$61 million basically as a result of the same factors affecting EBITDA, plus additional impairment of assets related to its manufacturing facility in Windsor, Canada, which as previously announced, is scheduled to close by mid-2020. For the FY2019, EBITDA and Operating Income were 15.4% and 36.7% lower versus 2018, respectively.

Nematik's 4Q19 Net Income was US\$31 million, down 18.4% y-o-y as the combined impact of lower Operating Income was partially offset by lower income taxes and financial expenses. FY 2019 Net Income was US\$130 million, down versus the US\$180 million reported the previous year due to the already explained factors.



Capital expenditures amounted to US\$97 million in 4Q19, continuing with investments to support new product launches in all regions. FY 2019 Capex was US\$344 million, versus US\$403 million in 2018.

As of December 31, 2019, Nemak reported Net Debt in the amount of US\$1.2 billion. Financial ratios were: Net Debt to LTM EBITDA, 1.9 times; and Interest Coverage, 8.6 times. These ratios compared to 1.7 and 7.7 times, respectively, as of quarter-end 4Q18.

Regional Results

North America

In 4Q19, revenue was down 18.7% y-o-y mostly related to lower volume and aluminum prices. 4Q19 EBITDA declined by 26.1% y-o-y on the impact of volume headwinds—in particular, the General Motors strike in the U.S. FY2019 revenue and EBITDA were 16.1% and 17.5% lower due basically to these same factors.

Europe

4Q19 revenue decreased 12.9% y-o-y, mainly due to lower volume and the impact of the depreciation of the euro against the U.S. dollar and lower aluminum prices. Excluding one-time income for US\$7.5 million in 4Q18, EBITDA was 15.8% lower mainly due to the combined impact of volume and the depreciation of the euro against the U.S. dollar. FY2019 revenue and EBITDA were basically affected by the same factors described above, finishing 12.8% and 15.7% lower y-o-y, respectively.

Rest of the World

In 4Q19, revenue increased by US\$26 million y-o-y, reflecting a more favorable product mix in Brazil and the reclassification of tooling sales. 4Q19 EBITDA was US\$9 million, slightly higher than the same period last year as operational efficiencies more than offset the impact of lower volume in China. FY2019 revenue was 12.6% lower than 2018, mainly due to lower volume and aluminum prices. FY2019 EBITDA increased 22.2%, supported mainly by operational efficiencies in China.



Methodology for presentation of results

The report presents unaudited financial information. Figures are in Mexican pesos or U.S. dollars, as indicated. For income statement items, peso amounts were translated into dollars using the average exchange rate of the months during which the operations were recorded. For balance sheet items, peso amounts were translated into dollars using the end-of-period exchange rate. Financial ratios were calculated in dollars. Due to rounding, minor differences may occur when calculating percent changes from one period to another.

Conference call information

Nemak's Fourth Quarter 2019 Conference Call will be held on Thursday, February 13, 2020, 11:30 a.m. Eastern Time (10:30 a.m. Mexico City Time). To participate in the conference call, please dial: Domestic U.S.: (877) 407-0784; International: 1-201-689-8560; Mexico Toll Free: 01 800 522 0034. The conference call will be webcast live through streaming audio. If you are unable to participate, the conference call audio and script will be available on Nemak's website. For more information, please visit investors.nemak.com

Forward-looking statements

This report may contain certain forward-looking statements concerning Nemak's future performance that should be considered as good faith estimates made by the Company. These forward-looking statements reflect management's expectations and are based upon currently available data and analysis. Actual results are subject to future events and uncertainties, which could materially impact Nemak's actual performance and results.

About Nemak

Nemak is a leading provider of innovative lightweighting solutions for the global automotive industry, specializing in the development and manufacturing of aluminum components for powertrain, e-mobility, and structural applications. In 2019, it generated revenue of US\$4.0 billion. For more information about Nemak, visit <http://www.nemak.com>

Four pages of tables to follow



Nemak
Balance Sheet
Millions of Dollars

Assets	Dec-19	Dec-18	% Var
Cash and cash equivalents	312	181	72.4
Accounts receivable	417	521	(20.0)
Inventories	591	636	(7.1)
Other current assets	27	54	(50.0)
Total current assets	1,348	1,392	(3.2)
Investments in shares	33	37	(10.8)
Property, plant and equipment, net	2,554	2,623	(2.6)
Other assets	774	685	13.0
Total assets	4,709	4,738	(0.6)

Liabilities & stockholders' equity	Dec-19	Dec-18	% Var
Bank loans	104	76	36.8
Current maturities of long-term debt	21	49	(57.1)
Interest payable	17	17	0.0
Operating liabilities	1,203	1,206	(0.2)
Total current liabilities	1,344	1,349	(0.4)
Long-term debt	1,375	1,339	2.7
Labor liabilities	75	63	19.0
Other long term-liabilities	113	152	(25.7)
Total liabilities	2,908	2,903	0.2
Total stockholders' equity	1,801	1,833	(1.7)
Total liabilities & stockholders' equity	4,709	4,738	(0.6)



Nemak Regional Results
Millions of Dollars

Volume (million equivalent units)	For the fourth quarter of:			For the twelve months of:		
	2019	2018	% Var.	2019	2018	% Var.
North America	5.9	6.9	(14.9)	25.8	29.7	(13.1)
Europe	3.3	3.5	(6.3)	14.5	15.3	(5.4)
Rest of World	1.0	1.1	(3.7)	4.0	5.0	(20.8)
Total	10.2	11.5	(11.2)	44.3	50.0	(11.5)
Total Revenues*	2019	2018	% Var.	2019	2018	% Var.
North America	490	603	(18.7)	2,210	2,633	(16.1)
Europe	339	389	(12.9)	1,433	1,643	(12.8)
Rest of World	112	86	30.2	374	428	(12.6)
Total	941	1,078	(12.7)	4,017	4,704	(14.6)
EBITDA ¹	2019	2018	% Var.	2019	2018	% Var.
North America	68	92	(26.1)	368	446	(17.5)
Europe	56	74	(24.3)	220	261	(15.7)
Rest of World	9	5	80.0	33	27	22.2
Total	133	171	(22.2)	621	734	(15.4)
EBITDA ¹ Margin in %	2019	2018	% Var.	2019	2018	% Var.
North America	14%	15%	(9.0)	17%	17%	(1.7)
Europe	17%	19%	(13.2)	15%	16%	(3.4)
Rest of World	8%	6%	38.2	9%	6%	39.9
Total	14%	16%	(10.9)	15%	16%	(0.9)
EBITDA ¹ USD/Equivalent units	2019	2018	% Var.	2019	2018	% Var.
North America	11.6	13.3	(13.1)	14.3	15.0	(5.1)
Europe	17.0	21.3	(20.0)	15.2	17.0	(10.9)
Rest of World	8.7	4.4	99.8	8.3	5.4	54.3
Total	13.1	14.9	(12.1)	14.0	14.7	(4.8)

(1) EBITDA = Operating Income + Depreciation, Amortization & other Non-Cash items

* To external customers



