

Nemak reports 1Q 2021 EBITDA of US\$169 M

Monterrey, Mexico. April 19, 2021. - Nemak, S.A.B. de C.V. (BMV: NEMAK) and Controladora Nemak, S.A.B. de C.V. (BMV: NMK) (jointly, “Nemak” or “the Company”) announced today their operational and financial results for the first quarter of 2021 (“1Q21”). What follows is a summary of the key figures for the period:

	First Quarter		
	2021	2020	Δ%
Volume (M. Equivalent units)	10.7	10.5	1.5
Revenues	1,039	907	14.6
EBITDA ¹	169	142	19.0
CAPEX	63	97	NA ²

US\$ Millions, except Volume

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

(2) NA = Not applicable

Message from the CEO

During the first quarter, we delivered substantial progress in our growth and transformation journey, recording historic financial results while reaching new milestones in the implementation of our sustainability roadmap as well as the ramp-up of our e-mobility and structural applications (EV/SC) business. These achievements were possible thanks to our team’s continued commitment to implement measures to safeguard the wellbeing of our people and ensure business continuity amidst the pandemic.

We saw improved results in the period mainly on a leaner cost structure and a more favorable product mix—including EV/SC. As a result, we recorded our second-highest EBITDA per equivalent unit ever for a first quarter. Moreover, our cash flow generation enabled us to make further progress in our deleveraging efforts. We also continued to harness our technology portfolio to capitalize on secular growth trends in our industry, winning contracts to produce highly engineered applications for electric vehicles of customers in North America and Europe. As a result, our total order book for our EV/SC business grew to approximately US\$900 million annually.

Given our competitive position, as well as our outlook on our business, I am confident that we are well positioned to continue to drive our strategy forward and seize growth opportunities arising in these extraordinary times.

Recent Developments

- During 1Q21, Nemak won contracts worth approximately US\$240 million in annual revenue, broken down as follows: US\$50 million to produce e-mobility and structural applications; and US\$190 million to produce powertrain applications.
- On March 31, 2021, Nemak announced targets to achieve a 28% absolute reduction in Scope 1 and 2 greenhouse gas emissions (GHG)—direct and certain indirect emissions, respectively—by 2030 from a 2019 base year. Additionally, the Company committed to reduce absolute Scope 3 GHG emissions from purchased goods and services by 14% over the same timeframe. These targets represent a milestone in the implementation of the Company's sustainability roadmap.

Automotive Industry

	Millions of Units		
	First Quarter		
	2021	2020	% Var
U.S. Vehicle Sales SAAR ⁽¹⁾	16.7	15.0	11.1
North America Vehicle Production ⁽²⁾	3.6	3.8	(4.5)
North America Nemak Customer Production ⁽²⁾	2.3	2.5	(7.7)
Europe Vehicles Sales SAAR ⁽¹⁾⁽²⁾	16.3	15.8	2.5
Europe Vehicle Production ⁽²⁾	4.6	4.7	(3.2)
Europe Nemak Customer Production ⁽²⁾	2.9	3.0	(5.4)

(1) SAAR = Seasonally Adjusted Annual Rate

(2) Source: IHS Markit and Nemak estimates

During the quarter, SAAR for U.S. light-vehicle sales reached 16.7 million units, 11.1% higher year-on-year (“y-o-y”) on the back of better general economic conditions, government stimulus programs, and increased disposable income among consumers. However, light-vehicle production in North America showed a 4.5% y-o-y contraction, due mainly to effects of the global semiconductor shortage as well as extreme winter conditions which affected natural gas supply in the region.

In Europe, SAAR for light-vehicle sales increased 2.5% y-o-y mainly due to a combination of better economic conditions and government stimulus programs favoring electric vehicle purchases, which more than offset effects of pandemic-related lockdowns. However, light-vehicle production recorded a 3.2% decrease y-o-y, mainly due to effects of the global semiconductor shortage.

Financial Results Summary

	First Quarter		
	2021	2020	Δ%
Volume (M. Equivalent units)	10.7	10.5	1.5
Revenues	1,039	907	14.6
Operating Income	89	65	36.9
EBITDA ¹	169	142	19.0
EBITDA ¹ / Eq. Unit	15.8	13.5	17.0
Net Income	40	(14)	NA ²
CAPEX	63	97	NA ²
Net Debt ³	1,253	1,210	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

1Q21 total volume increased 1.5% y-o-y, largely driven by new product launches and improved economic and industry conditions in Europe and Asia, which more than offset effects of lower customer production in North America and the wind-down of Nemak's manufacturing operations in Canada.

1Q21 revenue increased 14.6% y-o-y, fueled by volume growth, an improved product mix, higher aluminum prices, and the appreciation of the euro against the US dollar.

In 1Q21, EBITDA grew 19.0% y-o-y on the implementation of cost-reduction initiatives and an improved product mix—including in the EV/SC segment. Meanwhile, 1Q21 EBITDA per equivalent unit was US\$15.8, up 17.0% compared to 1Q20. In turn, these same factors drove a 36.9% rise in Operating Income y-o-y in the period.

Nemak's 1Q21 Net Income was US\$40 million, compared to a US\$14 million net loss in the same period last year. This result was due mainly to the same factors that benefited Operating Income.

Capital expenditures amounted to US\$63 million in 1Q21, primarily focused on supporting new product launches.

As of March 31, 2021, Nemak reported Net Debt of US\$1.253 billion. Financial ratios were: Net Debt to LTM EBITDA, 2.7 times; and, Interest Coverage, 5.9 times. These ratios compare to 2.1 and 8.1 times, respectively, recorded at the end of 1Q20.

Regional Results

North America

In 1Q21, revenue increased 2.4% y-o-y, due mainly to higher aluminum prices, which more than offset effects of lower volume. However, 1Q21 EBITDA saw a 9.9% y-o-y reduction, as operational efficiencies partially offset the combined impact of lower volume and a temporary spike in regional natural gas prices in the period.

Europe

1Q21 revenue climbed 22.9% y-o-y on the back of volume growth, new product launches, and higher aluminum prices. EBITDA was up 63.0% y-o-y, reflecting operational efficiencies, an improved product mix, higher volume, and favorable currency effects.

Rest of the World

In 1Q21, revenue increased 59.2% y-o-y, driven by higher sales in Asia. In turn, 1Q21 EBITDA surged 140.0% y-o-y mainly on a combination of volume, product mix, and operational efficiencies.

Methodology for presentation of results

The report presents unaudited financial information. Figures are in Mexican pesos or US 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 First Quarter 2021 Conference Call will be held on Tuesday, April 20, 2021, 12:00 p.m. Eastern Time (11:00 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: 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 or <https://controladora.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.

Controladora Nemak information

The main purpose of Controladora Nemak is to own and control shares or stakes in other companies. Since the main asset of Controladora Nemak are shares representing Nemak's capital, the business of Controladora Nemak is substantially similar to the business of Nemak, and therefore is subject to the same operating and financial results. The operating and financial results of Nemak that are reported here are therefore also those of Controladora Nemak.

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 2020, it generated revenue of US\$3.2 billion. For more information about Nemak, visit www.nemak.com

Nemak
Income Statement
Millions of Dollars

For the first quarter of:

	2021	% of rev.	2020	% of rev.	% Var.
Volume (million equivalent units)	10.7		10.5		1.5
Total revenues	1,039	100.0	907	100.0	14.6
Gross profit	160	15.4	138	15.2	15.9
Sales & administrative expenses	(67)	(6.4)	(76)	(8.4)	(11.8)
Other income (expenses) net	(4)	(0.4)	2	0.2	NA ²
Operating Income	89	8.6	65	7.2	36.9
Interest Expenses	(21)	(2.0)	(20)	(2.2)	5.0
Interest Income	1	0.1	1	0.1	0.0
Foreign exchange gain (loss)	(14)	(1.3)	(52)	(5.7)	NA ²
Financing expenses net	(34)	(3.3)	(71)	(7.8)	(52.1)
Participation in associates results	3	0.3	1	0.1	NA ²
Income Tax	(18)	(1.7)	(7)	(0.8)	NA ²
Net Income	40	3.8	(14)	(1.5)	NA ²

	2021	% of rev.	2020	% of rev.	% Var.
Operating Income	89	8.6	65	7.2	36.9
Depreciation, Amortization & Other Non-Cash items	80	7.7	77	8.5	3.9
EBITDA ¹	169	16.3	142	15.7	19.0
CAPEX	63	6.1	97	10.7	NA ²

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

(2) Not applicable

Nemak
Balance Sheet
Millions of Dollars

Assets	Mar-21	Dec-20	% Var
Cash and cash equivalents	275	437	(37.1)
Accounts receivable	540	463	16.6
Inventories	701	633	10.7
Other current assets	34	31	9.7
Total current assets	1,550	1,564	(0.9)
Investments in shares	31	32	(3.1)
Property, plant and equipment, net	2,523	2,581	(2.2)
Other assets	736	773	(4.8)
Total assets	4,839	4,949	(2.2)

Liabilities & stockholders' equity	Mar-21	Dec-20	% Var
Bank loans	103	195	(47.2)
Current maturities of long-term debt	46	34	35.3
Interest payable	6	17	(64.7)
Operating liabilities	1,340	1,309	2.4
Total current liabilities	1,495	1,555	(3.9)
Long-term debt	1,373	1,417	(3.1)
Labor liabilities	77	79	(2.5)
Other long term-liabilities	112	110	1.8
Total liabilities	3,057	3,161	(3.3)
Total stockholders' equity	1,782	1,788	(0.3)
Total liabilities & stockholders' equity	4,839	4,949	(2.2)

Nemak Regional Results

Millions of Dollars

	For the first quarter of:		
	2021	2020	% Var.
Volume (million equivalent units)			
North America	5.6	6.1	(8.3)
Europe	3.8	3.4	9.3
Rest of World	1.3	1.0	36.5
Total	10.7	10.5	1.5
Total Revenues*			
North America	520	508	2.4
Europe	397	323	22.9
Rest of World	121	76	59.2
Total	1,039	907	14.6
EBITDA ¹			
North America	82	91	(9.9)
Europe	75	46	63.0
Rest of World	12	5	140.0
Total	169	142	19.0
EBITDA ¹ Margin in %			
North America	16%	18%	(12.0)
Europe	19%	14%	32.7
Rest of World	10%	7%	50.7
Total	16%	16%	3.9
EBITDA ¹ USD/Equivalent units			
North America	14.6	14.9	(1.7)
Europe	19.9	13.4	49.2
Rest of World	9.2	5.2	75.9
Total	15.8	13.5	17.0

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

* To external customers

Nemak
Income Statement
Millions of Pesos

For the first quarter of:

	2021	% of rev.	2020	% of rev.	% Var.
Volume (million equivalent units)	10.7		10.5		1.5
Total revenues	21,125	100.0	17,841	100.0	18.4
Gross profit	3,258	15.4	2,732	15.3	19.3
Sales & administrative expenses	(1,369)	(6.5)	(1,492)	(8.4)	(8.2)
Other income (expenses) net	(72)	(0.3)	39	0.2	NA ²
Operating Income	1,817	8.6	1,279	7.2	42.1
Interest Expenses	(420)	(2.0)	(405)	(2.3)	3.7
Interest Income	15	0.1	11	0.1	36.4
Foreign exchange gain (loss)	(276)	(1.3)	(1,068)	(6.0)	NA ²
Financing expenses net	(681)	(3.2)	(1,462)	(8.2)	(53.4)
Participation in associates results	57	0.3	10	0.1	NA ²
Income Tax	(367)	(1.7)	(130)	(0.7)	182.3
Net Income	826	3.9	(303)	(1.7)	NA ²

	2021	% of rev.	2020	% of rev.	% Var.
Operating Income	1,817	8.6	1,279	7.2	42.1
Depreciation, Amortization & Other Non-Cash items	1,619	7.7	1,535	8.6	5.5
EBITDA ¹	3,436	16.3	2,814	15.8	22.1
CAPEX	1,278	6.0	1,939	10.9	NA ²

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

(2) Not applicable

Nemak
Balance Sheet
Millions of Pesos

Assets	Mar-21	Dec-20	% Var
Cash and cash equivalents	5,673	8,720	(34.9)
Accounts receivable	11,136	9,229	20.7
Inventories	14,439	12,630	14.3
Other current assets	694	613	13.2
Total current assets	31,942	31,192	2.4
Investments in shares	637	635	0.3
Property, plant and equipment, net	51,976	51,491	0.9
Other assets	15,159	15,414	(1.7)
Total assets	99,713	98,732	1.0

Liabilities & stockholders' equity	Mar-21	Dec-20	% Var
Bank loans	2,116	3,894	(45.7)
Current maturities of long-term debt	940	671	40.1
Interest payable	129	346	(62.7)
Operating liabilities	27,609	26,115	5.7
Total current liabilities	30,794	31,027	(0.8)
Long-term debt	28,294	28,277	0.1
Labor liabilities	1,595	1,568	1.7
Other long term-liabilities	2,309	2,193	5.3
Total liabilities	62,992	63,065	(0.1)
Total stockholders' equity	36,721	35,667	3.0
Total liabilities & stockholders' equity	99,713	98,732	1.0