

Nemak reports EBITDA of US\$164 M in 3Q23

Sustained growth in revenue and EBITDA supported by higher customer production and new product launches in EV/SC segment

Monterrey, Mexico. October 18, 2023. Nemak, S.A.B. de C.V. (BMV: NEMAK) ("Nemak" or the "Company") today announced its operating and financial results for the third quarter of 2023 ("3Q23"). The following is a summary of the key figures for the period:

	Third Quarter			Nine months		
	2023	2022	Δ%	2023	2022	Δ%
Volume (M. Equivalent units)	10.6	10.0	5.6	32.3	29.8	8.3
Revenues	1,273	1,219	4.4	3,853	3,547	8.6
EBITDA ¹	164	157	4.5	450	421	6.9
CAPEX	129	111	NA ²	382	293	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 third quarter, our revenues continued with sustained growth, driven by increased customer production and the launch of new products, mainly in our e-mobility, structure, and chassis ("EV/SC") segment. Consequently, EBITDA increased 4% year-over-year ("y-o-y") on the back of higher volume, improved product mix, and inflation recovery negotiations, partially offsetting the impact related to the appreciation of the Mexican peso against the US dollar and launching expenses.

On the commercial front, we secured business for approximately US\$230 million, including replacement contracts in the EV/SC segment for US\$30 million, maintaining our order book at US\$1.72 billion. At this time, 15 of our 38 plants produce components for the EV/SC segment, supporting the 28% expected increase in annual revenues from this segment, and showcasing substantial progress in our transition to e-mobility.

We are confident in our strategy and committed to our transformation process; while remaining optimistic about our strategic position, both in the internal combustion engine powertrain, as well as in the EV/SC segment. Our investments, innovation, and commitments reflect our efforts to create value for our stakeholders, and to provide a significant contribution to the sustainable future of the automobile industry.

Recent Developments

- During 3Q23, Nemak secured contracts valued at approximately US\$230 million annually, 15% related to replacement business for the EV/SC segment. The Company's order book remains at US\$1.72 billion annually.
- Nemak received recognition for its innovation efforts from two prestigious associations in the automotive industry. It was named a dual finalist of the PACE Awards, and was selected as runner-up in the Altair Enlighten Awards.
- The Company was awarded a Platinum medal for the first time in the EcoVadis Sustainability Rating, positioned among the top 1% of assessed companies globally.
- Nemak Brazil was distinguished by receiving the Top Employer 2023 certification, joining the US, Mexico, and Germany's operations as recipients of this recognition that highlights best practices and policies prioritizing employee development and well-being.

Automotive Industry

	Millions of Units Third Quarter		
	2023	2022	% Var
US Vehicle Sales SAAR ⁽¹⁾⁽²⁾	15.6	13.3	17.2
North America Vehicle Production ⁽²⁾	4.0	3.7	7.7
North America Nemak Customer Production ⁽²⁾	2.5	2.4	5.2
Europe Vehicles Sales SAAR ⁽¹⁾⁽²⁾	16.6	14.0	18.2
Europe Vehicle Production ⁽²⁾	4.6	4.0	14.4
Europe Nemak Customer Production ⁽²⁾	2.8	2.6	8.0

(1) SAAR = Seasonally Adjusted Annual Rate

(2) Source: S&P Global Mobility and Nemak estimates

During the quarter, US light-vehicle SAAR increased by 17.2% year-over-year ("y-o-y"), reaching 15.6 million units on the back of pent-up demand. Concurrently, light-vehicle production in North America increased 7.7% y-o-y to 4.0 million units, reflecting consistent production schedules.

In Europe, both light-vehicle SAAR and production saw a rise of 18.2% and 14.4% y-o-y, respectively, reaching 16.6 and 4.6 million units. The trends mirror the dynamics seen in the US and North America.

Financial Results Summary

	Third Quarter			Nine months		
	2023	2022	Δ%	2023	2022	Δ%
Volume (M. Equivalent units)	10.6	10.0	5.6	32.3	29.8	8.3
Revenues	1,273	1,219	4.4	3,853	3,547	8.6
Operating Income	76	80	(5.0)	189	189	0.0
EBITDA ¹	164	157	4.5	450	421	6.9
EBITDA ¹ / Eq. Unit	15.5	15.7	(1.3)	13.9	14.1	(1.4)
Net Income	25	19	NA ²	30	55	NA ²
CAPEX	129	111	NA ²	382	293	NA ²
Net Debt ³	1,598	1,296	23.3			

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

Volume was 10.6 million equivalent units in 3Q23, y-o-y growth of 5.6%. This expansion was fueled by higher production call-offs, and EV/SC product launches.

Revenue in 3Q23 increased by 4.4% y-o-y, settling at US\$1.3 billion. This rise is attributed to the higher volume, and the euro's appreciation against the US dollar, which partially offset the drop in aluminum prices.

EBITDA in the third quarter was US\$164 million, reflecting a 4.5% y-o-y surge, mainly due to increased revenue, the EV/SC segment's incremental contribution, and inflation-recovery negotiations, partially offsetting launching expenses and the impact of the Mexican peso's appreciation against the US dollar.

EBITDA per equivalent unit in 3Q23 was US\$15.5, a slight reduction y-o-y, due to the same factors. Operating Income decreased by 5.0% y-o-y, to US\$76 million, due to higher depreciation associated with an increase in fixed assets, which more than offset the higher EBITDA.

Net Income was US\$25 million in 3Q23, compared to US\$19 million in 3Q22, as a favorable accounting effect from foreign exchange offset the slight decrease in operating income.

Capital investments totaled US\$129 million in 3Q23, compared to US\$111 million reported in 3Q22. Most investments were focused on the EV/SC segment and strategic growth initiatives.

As of September 30, 2023, Nemak reported net debt of US\$1.6 billion. Financial ratios were Net Debt to LTM EBITDA 2.8 times, and Interest Coverage, 5.5 times. These ratios compare to 2.3 and 8.7 times, respectively, recorded at the end of 3Q22.

Regional Results

North America

During 3Q23, revenue increased 2.4% y-o-y, due to a 4.9% y-o-y volume growth, attributed to steady customer production, offsetting declining aluminum prices. EBITDA in 3Q23 decreased 4.7% y-o-y, resulting from launching expenses and the appreciation of the Mexican peso against the US dollar.

Europe

In 3Q23, revenue rose by 11.2% y-o-y, thanks to a volume increase of 7.0% y-o-y, as well as the appreciation of the euro against the US dollar. EBITDA in the third quarter increased by 12.5% y-o-y, due to higher volume, an improved product mix, as well as customer negotiations, and currency translation effects.

Rest of the World

In 3Q23, revenue decreased by 2.6% y-o-y due to aluminum prices, offsetting the volume increase of 4.8% y-o-y. However, EBITDA in 3Q23 showed growth of 31.8% y-o-y, supported by an improved product mix and sustained operating efficiencies.

Methodology for presentation of results

The report presents unaudited financial information. Figures are in US dollars, and financial ratios are calculated in the same currency. Due to rounding, minor differences may occur when calculating percent changes from one period to another.

Earnings webcast information

Nemak's Third Quarter 2023 Earnings Webcast will be held on Thursday, October 19, 2023, 1:00 p.m. Eastern Time (11:00 a.m. Mexico City Time). To participate, please join the [live webcast](#) or dial as follows: Domestic U.S.: (877) 407-0784; International: 1-201-689-8560; Mexico Toll Free: 800 522 0034. If you are unable to participate, the transcript and audio recording of the event will be available on Nemak's website. For more information, please visit the following link: <https://investors.nemak.com/>

Forward-looking statements

This report may contain certain "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to risks, uncertainty, and changes in circumstances, which may cause actual results, performance, or achievements to differ materially from anticipated results, performance, or achievements. All statements contained herein that are not clearly historical in nature are forward-looking and the words "anticipate," "believe," "expect," "estimate," "plan," and similar expressions are generally intended to identify forward-looking statements. Nemak is under no obligation (and expressly disclaims any such obligation) to update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

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 e-mobility, structure & chassis, and ICE powertrain applications. In 2022, it generated revenue of US\$4.7 billion. For more information about Nemak, please visit the following link: <https://nemak.com/>

Nemak
Income Statement
Millions of Dollars

	For the third quarter of:			For the nine months of:		
	2023	2022	% Var.	2023	2022	% Var.
Volume (million equivalent units)	10.6	10.0	5.6	32.3	29.8	8.3
Total revenues	1,273	1,219	4.4	3,853	3,547	8.6
Gross profit	158	154	2.6	443	391	13.3
Sales & administrative expenses	(89)	(76)	17.1	(258)	(215)	20.0
Other income (expenses) net	8	2	NA ²	5	14	(64.3)
Operating Income	76	80	(5.0)	189	189	0.0
Interest Expenses	(38)	(19)	NA ²	(88)	(52)	69.2
Interest Income	2	1	NA ²	6	5	20.0
Foreign exchange gain (loss)	16	(6)	NA ²	(27)	1	NA ²
Financing expenses net	(20)	(24)	NA ²	(109)	(47)	NA ²
Participation in associates results	(0)	0	NA ²	8	1	NA ²
Income Tax	(31)	(37)	NA ²	(59)	(88)	NA ²
Net Income	25	19	NA ²	30	55	NA ²

	2023	2022	% Var.	2023	2022	% Var.
Operating Income	76	80	(5.0)	189	189	0.0
Depreciation, Amortization & Other Non-Cash items	88	77	14.3	260	232	12.1
EBITDA ¹	164	157	4.5	450	421	6.9
CAPEX	129	111	NA ²	382	293	NA ²

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

(2) Not applicable

Nemak
Balance Sheet
Millions of Dollars

Assets	Sep-23	Dec-22	% Var
Cash and cash equivalents	245	417	(41.2)
Accounts receivable	795	636	25.0
Inventories	840	841	(0.1)
Other current assets	31	28	10.7
Total current assets	1,912	1,921	(0.5)
Investments in shares	25	24	4.2
Property, plant and equipment, net	2,759	2,631	4.9
Other assets	651	686	(5.1)
Total assets	5,347	5,263	1.6

Liabilities & stockholders' equity	Sep-23	Dec-22	% Var
Bank loans	262	87	NA ¹
Current maturities of long-term debt	35	29	19.8
Interest payable	11	7	57.1
Operating liabilities	1,589	1,693	(6.1)
Total current liabilities	1,898	1,815	4.6
Long-term debt	1,528	1,525	0.2
Labor liabilities	79	74	6.8
Other long term-liabilities	109	124	(12.1)
Total liabilities	3,613	3,539	2.1
Total stockholders' equity	1,734	1,724	0.6
Total liabilities & stockholders' equity	5,347	5,263	1.6

(1) Not applicable

Nemak Regional Results

Millions of Dollars

Volume (million equivalent units)	For the third quarter of:			For the nine months of:		
	2023	2022	% Var.	2023	2022	% Var.
North America	5.8	5.6	4.9	17.7	16.1	9.5
Europe	3.3	3.1	7.0	10.6	9.9	6.7
Rest of World	1.5	1.4	4.8	4.0	3.8	8.0
Total	10.6	10.0	5.6	32.3	29.8	8.3

Total Revenues*	2023	2022	% Var.	2023	2022	% Var.
North America	718	701	2.4	2,141	1,966	8.9
Europe	406	365	11.2	1,278	1,148	11.3
Rest of World	149	153	(2.6)	433	433	0.1
Total	1,273	1,219	4.4	3,853	3,547	8.6

EBITDA ¹	2023	2022	% Var.	2023	2022	% Var.
North America	86	90	(4.7)	234	242	(3.3)
Europe	57	51	12.5	161	148	8.8
Rest of World	21	16	31.8	54	31	76.1
Total	164	157	4.5	450	421	6.9

EBITDA ¹ Margin in %	2023	2022	% Var.	2023	2022	% Var.
North America	12%	13%	(6.9)	11%	12%	(11.3)
Europe	14%	14%	1.2	13%	13%	(2.2)
Rest of World	14%	10%	35.3	13%	7%	75.9
Total	13%	13%	0.0	12%	12%	(1.6)

EBITDA ¹ USD/Equivalent units	2023	2022	% Var.	2023	2022	% Var.
North America	14.8	16.3	(9.2)	13.2	15.0	(11.7)
Europe	17.3	16.5	5.1	15.2	14.9	2.1
Rest of World	14.2	11.3	25.7	13.5	8.2	63.1
Total	15.5	15.7	(1.3)	13.9	14.1	(1.4)

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

* To external customers