

Nemak
3Q25 Earnings Conference Call
Thursday, October 23, 2025

Speakers

- Armando Tamez, Chief Executive Officer
- Alberto Sada, Chief Financial Officer
- Denise Reyes, Investor Relations Officer

Denise Reyes: Good morning, everyone, and welcome to Nemak's s third quarter 2025 earnings webcast. I am Denise Reyes, Nemak's Investor Relations Officer, and I am pleased to host today's call, along with Armando Tamez, Nemak's CEO, and Alberto Sada, CFO, who are here this morning to discuss the Company's business performance and answer any questions that you may have. As a reminder, today's event is being recorded and will be available on the Company's Investor Relations website.

Armando Tamez, our CEO, will lead off today's call by providing an overview of business and financial highlights for the quarter. Alberto Sada, our CFO, will then discuss our financial results in more detail. Afterwards, we will open for a Q&A session, which participants may join live or submit written questions via the Q&A function.

Before we get started, let me remind you that information discussed on today's call may include forward-looking statements regarding the Company's future financial performance and prospects, which are subject to risks and uncertainties. Actual results may differ materially, and the Company cautions you not to place undue reliance on these forward-looking statements. Nemak undertakes no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events, or otherwise.

I will now turn the call over to Armando Tamez.

Armando Tamez: Thank you, Denise. Hello everyone, and welcome to Nemak's Third Quarter 2025 Earnings webcast. This quarter, our topline remained stable compared to the same period of last year, supported by the continued resilience of the automotive industry. EBITDA declined 15% year-over-year, ending the quarter at 143 million dollars. This change is primarily explained by a high comparison basis in the same quarter of last year, when we benefited from one-time commercial adjustments, as well as the typical seasonality of the third quarter, when summer shutdowns and major maintenance activities take place. While these dynamics were particular to this quarter, for the full year we expect to achieve the high end of our EBITDA guidance at \$600 million dollars, with capital expenditures totaling \$290 million dollars. Our focus remains firmly on executing our strategic priorities and positioning the company for long-term value creation.

In line with this commitment, we recently announced the agreement to acquire the Georg Fischer Casting Solutions automotive business, a milestone that will mark an important step forward in strengthening Nemak's capabilities, and a significant advancement in our strategic journey. Georg Fischer is an outstanding player in the industry, and its capabilities are expected to be highly complementary to Nemak's. This transaction is well aligned with our strategic focus and technical strengths in lightweighting; it will enhance our business profile and be accretive from both a commercial and operational standpoint. It will also expand our innovation platform and extend our reach in R&D, particularly in high-pressure die casting technology. Additionally, we will be able to broaden our product offering—particularly in highly complex aluminum and magnesium parts for the e-mobility, structure and chassis applications segment, which continues to offer ample potential for future growth.

From a geographic perspective, the integration of Georg Fischer Casting Solutions will increase our footprint in Europe and China. The transaction perimeter includes two manufacturing plants in Austria, two in Romania, a tool shop in Germany, and R&D Center in Switzerland, three plants and a tooling shop in China, and one facility currently under construction in the United States. This new plant will be dedicated to highly engineered structural components, and it is expected to begin operations during the second half of 2026.

In addition to footprint diversification, this transaction will provide a valuable entry point to serve important Chinese OEMs, including BYD, Denza, Geely, Hongqi, Li Auto, Nio, Xpeng and Zeekr, among others. Beyond the opportunities with new Chinese customers, this acquisition will also

positively impact business with our existing Western customers. These include Audi, BMW, Jaguar Land Rover, Mercedes-Benz, Porsche, Stellantis, Volkswagen and Volvo, among others, reinforcing our commitment to serve a diverse and globally recognized customer base.

As part of this transition process, we are eager to welcome a highly skilled and experienced management team, along with a dedicated workforce of approximately 2,500 employees. We look forward to the integration phase ahead and the opportunity to combine the strengths of two competitive and complementary cultures. The transaction remains subject to customary regulatory approvals across the various regions involved. While we expect to close by the end of the year, the timeline continues to follow the procedures established by the respective regulatory bodies.

Moving on to commercial activity, during 2025 we have secured 250 million dollars in awarded business across all our regions —80% in the ICE powertrain segment, and the remainder in the e-mobility, structure and chassis applications segment. These new programs will mostly reuse existing assets, deploying capital efficiently, while continuing to deliver high-quality, cost-effective solutions to our customers. The new contracts also highlight the ongoing relevance of the ICE powertrain segment, whose life cycle has been extended due to current electric vehicle adoption trends. In line with this, we have also experienced robust demand for V8 and i6 engines in North America.

In other recent developments, I am proud to share that four of the ten vehicles recognized in the 2025 Wards Auto Best Engines & Propulsion Systems include components manufactured by Nemak. This recognition reflects the trust that leading OEMs place in our technology, as well as our ongoing contribution to efficient, high-performance propulsion systems. Notably, this year hybrid powertrains dominated the list, underscoring the growing relevance of electrified solutions.

Moving on to innovation, the integration of artificial intelligence is becoming increasingly essential to our efforts in this area. At Nemak, we are successfully embedding AI into our business practices to enhance decision-making and operational efficiency. A clear example of this is the evolution of our patented NORIS system, which stands for Nemak Online Real-Time Information System. This system has been running successfully for over a decade as our shopfloor information system.

Recently, we introduced NORIS GPT, a new AI-powered layer that significantly enhances the system's capabilities. Our manufacturing processes involve managing a wide array of variables and parameters. NORIS GPT enables us to quickly turn data into actionable insights, combining this enhanced information with domain expertise to deliver real business outcomes. This advancement reflects our ongoing commitment to innovation and our ability to leverage cutting-edge technologies to heighten our competitive position.

Turning to our sustainability agenda, we continue to make meaningful progress in advancing responsible practices across our operations. Our commitment to the Aluminum Stewardship Initiative remains strong, and this quarter we achieved two additional certifications under the Performance Standard at sites in Europe. In addition, our melting center in Mexico was certified under the Chain of Custody Standard. This is a key milestone in producing certified alloys for our casting facilities in the country. These milestones demonstrate our continued commitment to integrating sustainability across our value chain. Going forward, we plan to have the majority of our sites certified in the near future.

This concludes my remarks. Thank you for your attention, I will now hand the call over to Alberto.

Alberto Sada: Thank you, Armando. Good morning everyone. I will begin with an industry overview of the regions where we operate, followed by a discussion of our consolidated and regional financial results for the third quarter of 2025.

During the third quarter, the top line remained stable at 1.2 billion dollars, on the back of sustained pricing and a favorable product mix. EBITDA decreased by 15% due to the effect from commercial negotiations in 3Q24, which elevated the comparison base, and extraordinary expenses during the period. During the quarter, we generated positive free cash flow on the back of operating results, and a prudent approach to capital expenditure. In turn, this allowed us to maintain our net debt-to-EBITDA ratio at 2.5 times.

Turning to the automotive industry: during the third quarter, light-vehicle sales in the United States showed a 5% year-over-year increase on a SAAR basis to 16.4 million units. This was mainly due to a pull-ahead effect prior to the phase-out of the Inflation Reduction Act EV incentives and tariff potential impacts. Light-vehicle production grew 3% year-over-year to 3.9 million units, driven by sustained demand.

On a SAAR basis, light-vehicle sales in Europe grew 2% year-over-year to 15.7 million units. OEMs continue to introduce less expensive trims, therefore improving affordability. Light-vehicle production in the region remained at 3.4 million units, similar to the same period last year.

In China, light-vehicle sales on a SAAR basis increased 7% year-over-year to 28.6 million units, propelled by trade-in programs and government incentives. Light-vehicle production increased 2% year-over-year to 7.4 million units, driven by stable domestic sales.

In Brazil, light-vehicle sales decreased 1% year-over-year, and production increased by 3%, driven by export activity.

Moving to Nemak's results: during the third quarter, Nemak's volume was 9.6 million equivalent units, in line with the same period last year. Volume was driven by stronger production in North America and partially offset by lower production in Europe.

Revenue was 1.23 billion dollars, stable when compared to the same period last year, as updated pricing and the appreciation of the euro offset the absence of the one-off effect from commercial negotiations in 2024.

During the quarter, EBITDA was 143 million dollars, a 15% decline year-over-year. This was due to the lack of commercial negotiations versus the same period last year, and launching expenses associated with the ramp-up of volumes and mix changes in certain platforms. In turn, the unitary EBITDA margin was 15 dollars per equivalent unit.

Operating income decreased to 26 million dollars from 73 million in the same period last year. The decline was mainly attributable to lower EBITDA and impairment charges of 17 million dollars related to non-operating assets, primarily in North America.

Net income increased to 25 million dollars from 5 million dollars in the same period last year, reflecting lower net financing expenses and a favorable tax effect from foreign exchange movements, particularly the appreciation of the Mexican peso against the U.S. dollar, which more than compensated for lower operating income.

The combined effect of disciplined execution and reduced financial expenses and capital expenditures, allowed us to generate during the quarter a free cash flow of 18 million dollars. This is aligned with the business seasonality and our expectations for the year, and places us in a good position to continue reducing our leverage.

In turn, by the end of September, net debt was 1.59 billion dollars, 173 million dollars lower than in the same period of last year. This is a testament to our disciplined capital allocation and operating efficiency, which more than offset the foreign exchange impact on our balance sheet from euro-denominated liabilities. Looking forward, debt reduction remains a key priority.

At quarter end, the net debt-to-EBITDA ratio was 2.5 times, compared to 2.9 times at the end of the third quarter of last year. Conversely, the interest coverage ratio was 4.9 times, compared to 5.0 times in the same period of 2024. Our cash position at the end of September was 328 million dollars.

Capital expenditures during the quarter totaled 70 million, 27% lower than the same period of last year, in line with our disciplined investment strategy that prioritizes projects with adequate profitability.

Moving on to regional results, in North America, revenue rose 2% year-over-year to 651 million dollars, supported by higher volumes. EBITDA decreased 14% to 67 million dollars, mainly due to the absence of prior year commercial negotiations and additional costs associated with the volume ramp-up of specific platforms.

In Europe, lower volume drove a 4% decline in revenue to 401 million dollars. This decrease was partly offset by improved pricing and the appreciation of the euro. In turn, EBITDA decreased by 26% to 50 million dollars, mainly due to the lower volumes and the absence of one-off customer payments following commercial negotiations on inflation compensations in 2024, which more than offset the benefit from the appreciation of the euro.

In the Rest of World, revenue increased by 3% to 175 million dollars, as lower volume was more than offset by an improved product mix. EBITDA of 26 million was 11% higher, driven by performance and product mix improvements.

In relation to the acquisition of Georg Fischer Casting Solutions Automotive Business, the enterprise value is 336 million dollars. At closing, we will cover a payment of 160 million dollars with existing cash. The remainder of the enterprise value is structured through a combination of holdbacks not related to performance but subject to the absence of contingencies, as well as a portion of assumed operating and financial liabilities. This portion of the transaction will be funded by a vendor financing agreement.

Overall, we continue to focus on maintaining profitability, even when facing a very dynamic landscape in the automotive industry. We believe the diversification and potential synergies of the Georg Fischer acquisition will lead us to strengthen our value proposition. In conjunction with our customary disciplined execution, we believe these measures will enhance our business profile, delivering value to all our stakeholders, as we continue to make strides in our commitment to deleverage and create sustainable value for the future.

I will now turn the call back over to Denise.

Denise Reyes: Thank you, Alberto. We are now ready to move on to the Q&A portion of the event; If you would like to ask your question live, please press the 'Raise Hand' button at the bottom of your screen. When it's your turn to ask a question, you will be granted permission to speak. Questions will be addressed in the order that they are received, calling the name of the next person on the line.

You may also place a written question using the Q&A function, also located at the bottom of your screen. Questions will be addressed in the order they are received. We will now open the floor for questions.

Denise Reyes: The first question is from Jonathan Kutras from JP Morgan. Jonathan, please proceed with your question.

Jonathan Koutras: Hi, thank you, Denise, Hi, Armando, Alberto. Thanks for taking my question. So, I have two questions on my side. The first one is on the recent developments on the supply chain side. There was the fire of the Novelis aluminum plant in New York last month, impacting Ford, which is an important client for Nemak. The question is if you expect any impact or headwind in the fourth quarter volumes stemming from this, aside from the typical seasonality? And the

second question Alberto, flag on the \$17 million impairment in non-operating assets in the quarter, so just wondering if this is still related to the recent investments on the EV side, and if we should expect a similar impairment in terms of magnitude during the fourth quarter, or not. Thank you.

Armando Tamez: I will answer the first, question related to the, Novelis fire. Certainly, we have been in conversations with most of our customers that were supplying aluminum metal sheet from Novelis. So far, we have not seen any volume reduction, that has affected us. Actually, we continue with very strong volumes in North America. Our customers, in conversations with them, are telling us that they have other sources, Novelis is a supplier of Detroit 3 and other OEMs. They told us in the conversations that we have had with them that they have other suppliers, and that they are looking how to expedite, also, the rebuild of the facility that was affected by this fire in New York state where the plant of Novelis was located. But so far, we have not seen any effect. We will monitor this very closely, and in the event that we see any type of volume reductions, certainly we will take the necessary steps to align our cost structure.

Alberto Sada: And related to your second question, Jonathan, related to the impairments. Yes, as you correctly pointed out, these impairments are related to assets, most of them associated with projects on the EV side that have not been used to the extent possible. And going forward, I mean, we could continue reviewing our asset base to make sure that we have the right accounting for all the assets that are currently being used, and those that will have no use would certainly be written off as we negotiate with our customers for compensations in that case. We review that, I mean, all the time, so we will report and due course if we have more impairments to do on the fourth quarter.

Jonathan Koutras: Thank you.

Denise Reyes: Thank you. We have another question from Stefan Styk from Barclays. Stefan, please proceed with your question.

Stefan Styk: Hi team, this is Stefan with Barclays. Thanks for taking my questions. I have a few, if you don't mind. First one is, can you quantify the specific EBITDA impact this quarter from last year's commercial negotiations that you didn't have this quarter?

Alberto Sada: Yeah, hi, Stefan. Well, yeah, as highlighted, last year, particularly the second half, was heavily influenced with commercial negotiations. And as we discussed, I mean, that those were very intense processes with our customers that we concluded along the year. So, part of that was reflected on the third quarter of last year. Unfortunately, we cannot provide specific numbers on the potential benefit from those claims, as those were confidential negotiations with our customers. But I can tell you, as indicated, that, yeah, a portion of the difference between last year and this year is associated to that comparable, that is favorably reflected on the third quarter of last year. We also experienced a little bit of additional costs in certain operations, particularly in North America, which also explains part of that difference.

Stefan Styk: Okay, thank you. On the acquisition front, just curious how you're thinking about the EBITDA contribution on a run rate basis after you close. I think you disclosed a historical EBITDA figure with the purchase memo, but should we expect it to be above or below this? And what sort of ramp-up period are you expecting for integration after closing?

Armando Tamez: Yeah, thank you, Stefan. As we have indicated already, we're in the process of getting all the necessary approvals by the different antitrust places, and once we get the full approval, which is expected to be at the end of this year. And, this is, what we are getting from our legal staff. Once we have this, let's say, complete approval on this acquisition, we will provide the guidance of the combined two companies, the Nemak and the Georg Fischer acquisition. We expect to have that one, let's say, available to share during the first conference call that we will have scheduled for January.

Stefan Styk: Okay. And then if I could just sneak in one more, on the new business that you disclosed, the \$250 million in annual revenue going forward, can you give a bit more color on the contract structure, on the volumes there, and the length of the contracts? And then that's all for me. Thank you.

Armando Tamez: Yes, approximately out of this \$250 million worth of new business, 80% is related to extensions, and new contracts, or volume increases on the ICE, or the internal combustion engine platform. Those are, very interesting, contracts. And the interesting part is that we will use existing assets to produce these parts, and this is related, Stefan, to the change, especially here in North America, related to the slowdown of the electric vehicle adoption, and some of our customers are increasing, let's say, production of ICE and hybrid vehicles. And this

is why we are getting additional volumes. And as I indicated, the beauty of this is that most of that will be absorbed with existing assets without any additional capex, and in the contracts, certainly, we're signing an extension, and with a new pricing that will be beneficial for Nemak.

Denise Reyes: Thank you, Armando. The next question is from Alfonso Salazar from Scotiabank. Alfonso, please proceed with your question. Alfonso Salazar, you can proceed with your question.

We will move on with the next question. The next question is from Alejandro Azar from GBM. Alejandro, please proceed with your question.

Alejandro Azar: Hi, good morning. Thank you, Denise. Morning, Armando, Alberto, I think I have 2 or 3, if I may, on the transaction with GF Casting, if you can give us a little bit more color on the contingencies, you know, you mentioned you are going to pay \$160 million when the transaction closes, and the rest over a 5-year period, related to some contingencies. If you can give us more color on those, related to what is. And my second question is also on GF castings. If the contracts that you're acquiring from this company have similar terms to the ones that you have in Nemak, I mean pass-through, etc. And the third one would be, with this transaction, how does your capital allocation priorities change, thinking specifically on the refinancing or, you know, the maturing of the bond, if I'm not mistaken, that you have in 2028? And those are my three questions, thank you.

Alberto Sada: Let me respond to the first question, Alex, related to the structure of the acquisition of Georg Fischer. As you correctly point out, and as I indicated before, we're due to pay \$160 million dollars upon closing, upon getting the approvals from the regulatory agencies. And after that, we have a combination of a structure, which is a combination of holdbacks, vendor financing and assumed liabilities from the operation. So, it's a combination from all those elements. I cannot disclose you all the elements because of confidentiality restrictions with the seller. But what I can tell you is that, related to those contingencies, those are the type of elements that you normally have on an agreement, which have to do with unknown items or things that have not been adequately reflected on the structure or on the due diligence that may pop up in the future. So, I would say it's nothing different than what you would expect, and the structure certainly allows us to do an efficient execution of any contingency if they materialize.

Alejandro Azar: And those contingencies have a 5-year, let's say, period?

Alberto Sada: Yeah, what we have is 5 years. If any of the identified, let's say, conceptual contingencies materialize in the 5 years. We will deduct part of that from the pending payment. If they do not materialize, we'll pay them back to the seller.

Alejandro Azar: Okay, thank you, Alberto.

Armando Tamez: Related to the contracts, as is normal practice when we're making an acquisition, is that we are not allowed by the antitrust authorities to take, deep look at the contracts. However, in conversations with the management team from Georg Fischer, certainly what they are indicating is that they have similar contracts to the ones that we have, in which they are getting the contracts for the lifetime of the vehicle line on the products that they are getting, and also normal payment terms, not only in Europe, but also in China. This is what they have shared with us, without getting into any specifics. Once we get, let's say, the approvals, certainly we will take a look at all the specific commercial contracts and compare those against ours, and certainly, if we see any difference, we will address those directly with the customers.

Alejandro Azar: Okay, yeah, my worry was actually on China.

Armando Tamez: Normally, in China for the benefit of all the entire supplier base, is that the Chinese government implemented a new policy in which the maximum payment terms now stand at 45 days, which is normal for China. As you know, we have already operations in China, and these are the normal payment terms that we have. And even with the Chinese customers, they have, let's say, similar contracts to the ones that we have with Western customers.

Alejandro Azar: Okay, and on the capital allocation priorities?

Armando Tamez: On the capital allocation, one of the things that we are expecting, Alex is that seems the two combined companies, once we get the approvals from the regulatory authorities, is that we will use existing assets to reduce significantly the capex moving forward. And in some of the due diligence that we have made, we have seen already just opportunities that eventually once we get the approval, we will capitalize in reusing existing assets and try to go forward, at least in our projections, to reduce significantly the capex going forward. So that the company will generate higher free cash flow, and we will be able to reduce our leverage sooner than originally expected.

Alejandro Azar: Okay, can I make one more question?

Armando Tamez: Yes.

Alejandro Azar: And from your press release, you mentioned, if I'm not mistaken, it was 2024, 2023, that Georg Fischer generated 91 million in EBITDA terms. I'm just curious. I understand that that \$91 million does not include some plants in the U.S, so, is there any way that you can share with us, you know, that plan, how much of the production of Georg Fischer represents. I'm trying to, you know, to get the potential, you know, from that point, let's say, like that.

Armando Tamez: Just clarifying, Alex. Today, Georg Fischer is building a new facility in the state of Georgia. This is a state-of-the-art facility. Actually, we have visited all the facilities, and we were very impressed. This is a brand-new greenfield facility built in the state of Georgia, to support one very important German OEM. And certainly, that facility will be operational in the second half of 2026. In this transaction, we excluded, or they excluded out of the deal a few facilities, one iron casting that was located in Germany, that is not part of the deal, and two small plants located in Italy that were for a different industry, that those were not part of the transaction. Once we get the approval from the regulatory bodies, we will be able to share exactly what is the projection on the EBITDA of the combined companies, Alex.

Alejandro Azar: Okay, thank you, thank you both for the color.

Denise Reyes: There are no more live questions. We will now move on to the written question. We have, two questions from Alfonso Salazar from Scotiabank. First, how do you see the outlook for Europe in 2026? And second, given the risk of a strict control of rare earth exports from China, how is Nemak and its main customers preparing for potential bottlenecks?

Armando Tamez: Thank you, Alfonso. Certainly, this is new information that our customers are trying to, again, understand if there are any potential implications. I think they are trying also, as we speak. To look for alternatives for these semiconductors. And so far, I think that we have not seen a major effect related to this at this point in time, but certainly we would monitor this very closely, and as always, part of our operation model. In the event that we start seeing a decline in

volumes, we will immediately align with the normal cost reduction activities that we have as part of our business model.

Denise Reyes: Thank you, Armando. There are no further questions at this time, and with that, we conclude today's event. I would just like to take this opportunity to thank everyone for participating. Please feel free to contact us if you have any follow-up questions or comments. This does conclude today's earnings webcast. Have a good day.