



# First Quarter 2016 Earnings Release

May 4, 2016



# Forward Looking Statements

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Forward Looking Statement: With the exception of the historical information contained in this presentation, the matters described herein contain forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve a number of risks and uncertainties that may cause actual results to be materially different from such forward-looking statements. Such factors include, among others, general economic conditions and economic conditions in the industrial sector, competitive influences, risks that current customers will commence or increase captive production, risks of capacity underutilization, quality issues, availability of raw materials, currency and other risks associated with international trade, the Company's dependence on certain major customers, and other risk factors and cautionary statements listed from time to time in the Company's periodic reports filed with the Securities and Exchange Commission, including, but not limited to, the Company's Annual Report on 10-K for the fiscal year ended December 31, 2015.

With respect to any non-GAAP financial measures included in the following presentation, the accompanying information required by SEC Regulation G can be found at the back of this presentation or in the “Investor Relations” section of the Company’s web site, [www.nninc.com](http://www.nninc.com), under the heading “News & Events” and subheading “Presentations.”

Disclaimer: NN disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements included herein or therein to reflect future events or developments.

A collage of five images representing different industries: a jet engine, power lines, a surgeon, a red car, and gears. The text "First Quarter" is overlaid in the center.

First Quarter





# Highlights of 1<sup>st</sup> Quarter 2016

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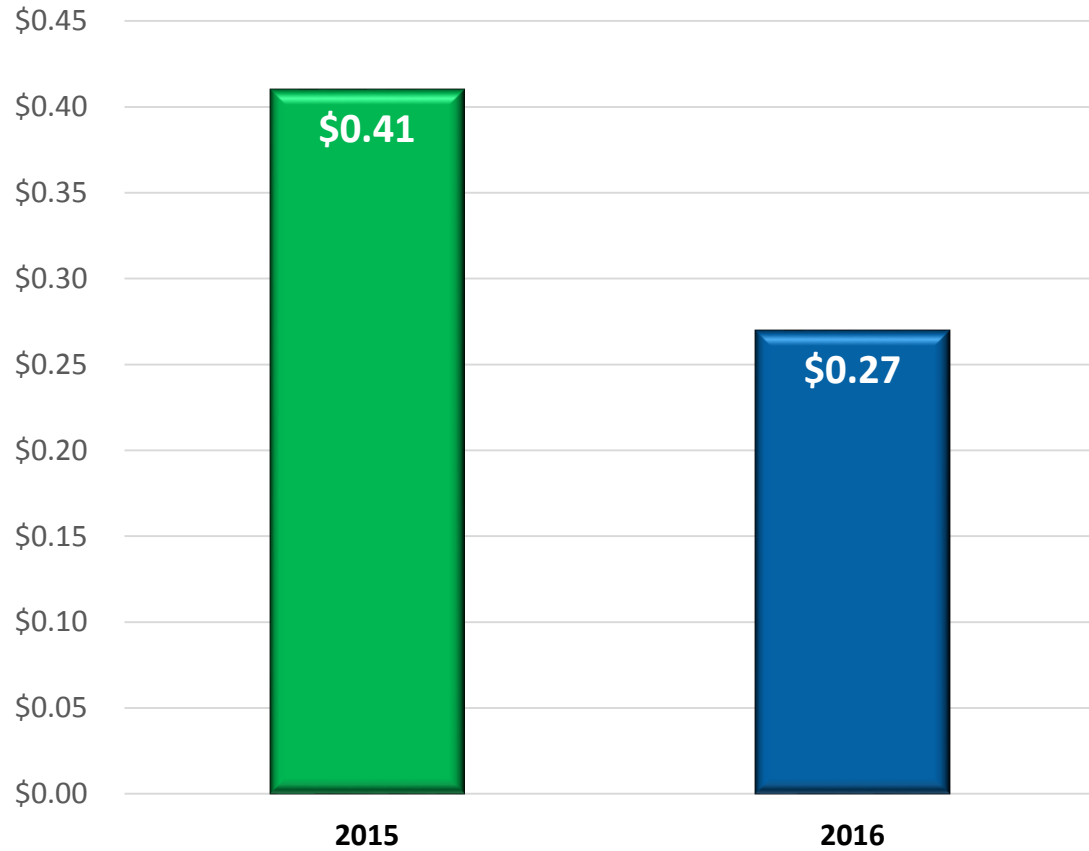
- **Sales of \$212.2M**
  - PEP acquisition contributed \$56.0M
- **Adjusted Earnings Per Share of \$0.27 above the midpoint of our guidance**
- **Adjusted EBITDA of \$35.6M at the top of our guidance range**
- **Adjusted Operating Margins increased 220 bps compared to Q1 2015, exceeding our guidance range**
- **Free Cash Flow ahead of expectations**



# 1<sup>st</sup> Quarter 2016 Financial Summary

## Adjusted Earnings Per Share

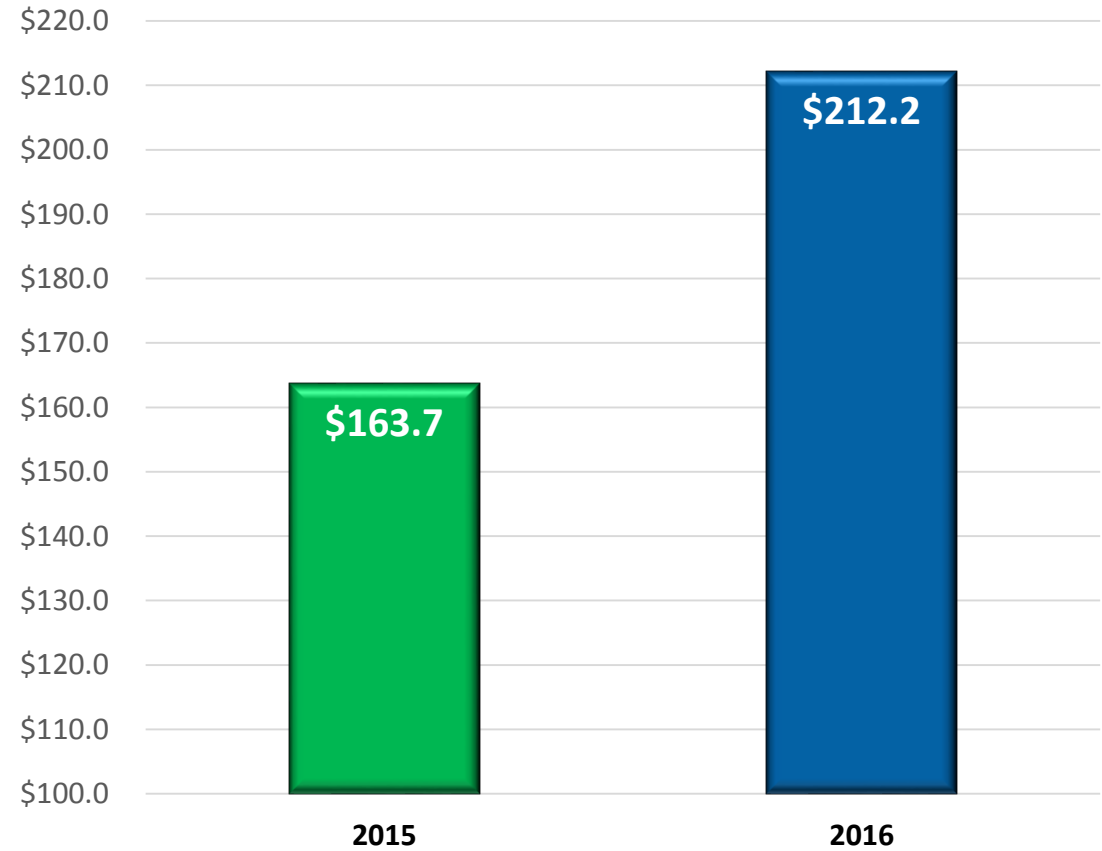
Issued 7.6M shares in Q3 2015



## Net Sales

30% growth compared to prior year

In Millions

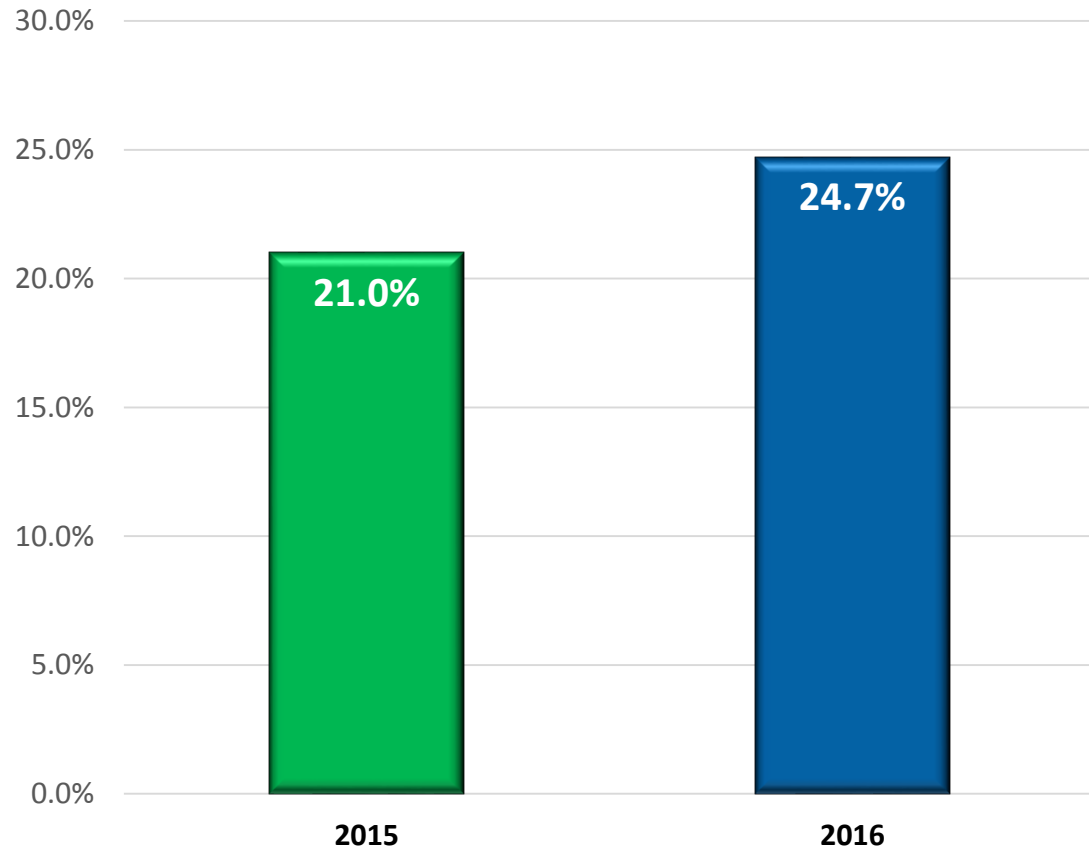




# 1<sup>st</sup> Quarter 2016 Financial Summary

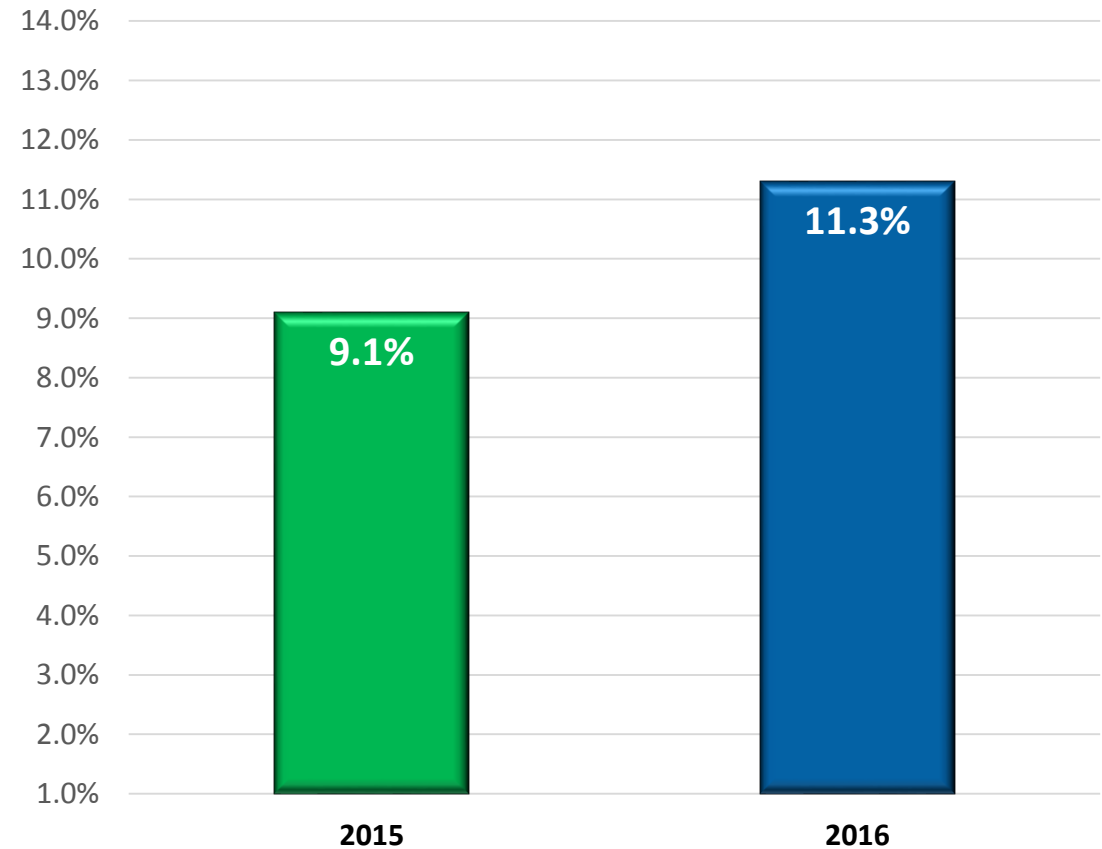
## Gross Margin

370 bps improvement driven by acquisition of PEP and the NN Operating System



## Adjusted Operating Margin

Continued margin expansion resulting from acquisitions and improvements in the NN Operating System

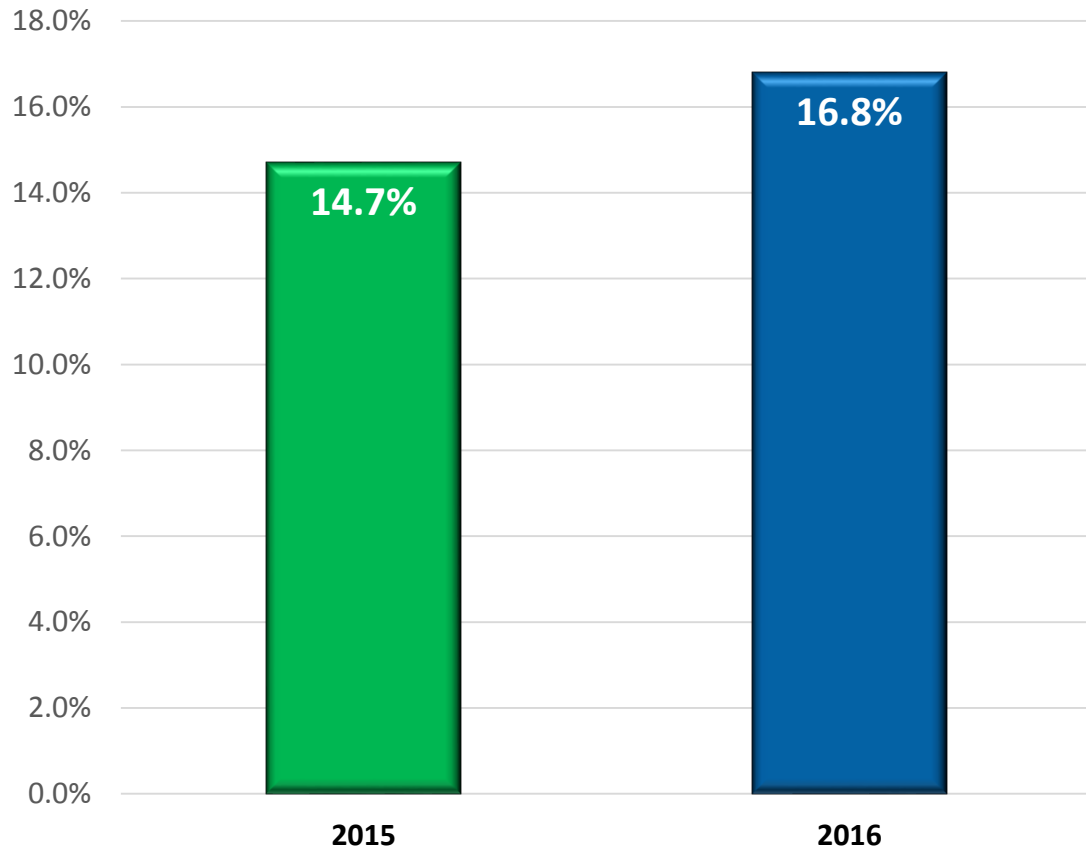




# 1<sup>st</sup> Quarter 2016 Financial Summary

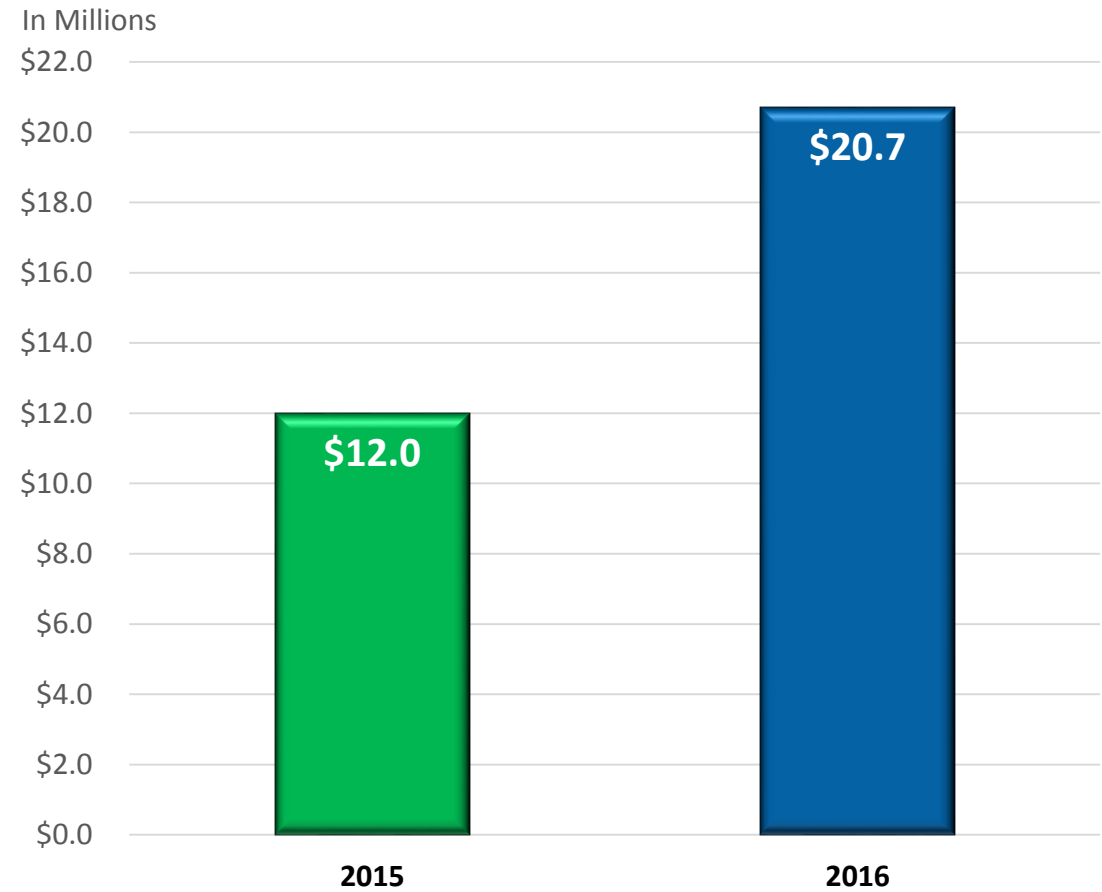
## Adjusted EBITDA Margin

210 bps improvement resulting from the acquisition of PEP & the NN Operating System



## SG&A

\$5.4 million of the increase from the acquisition of PEP

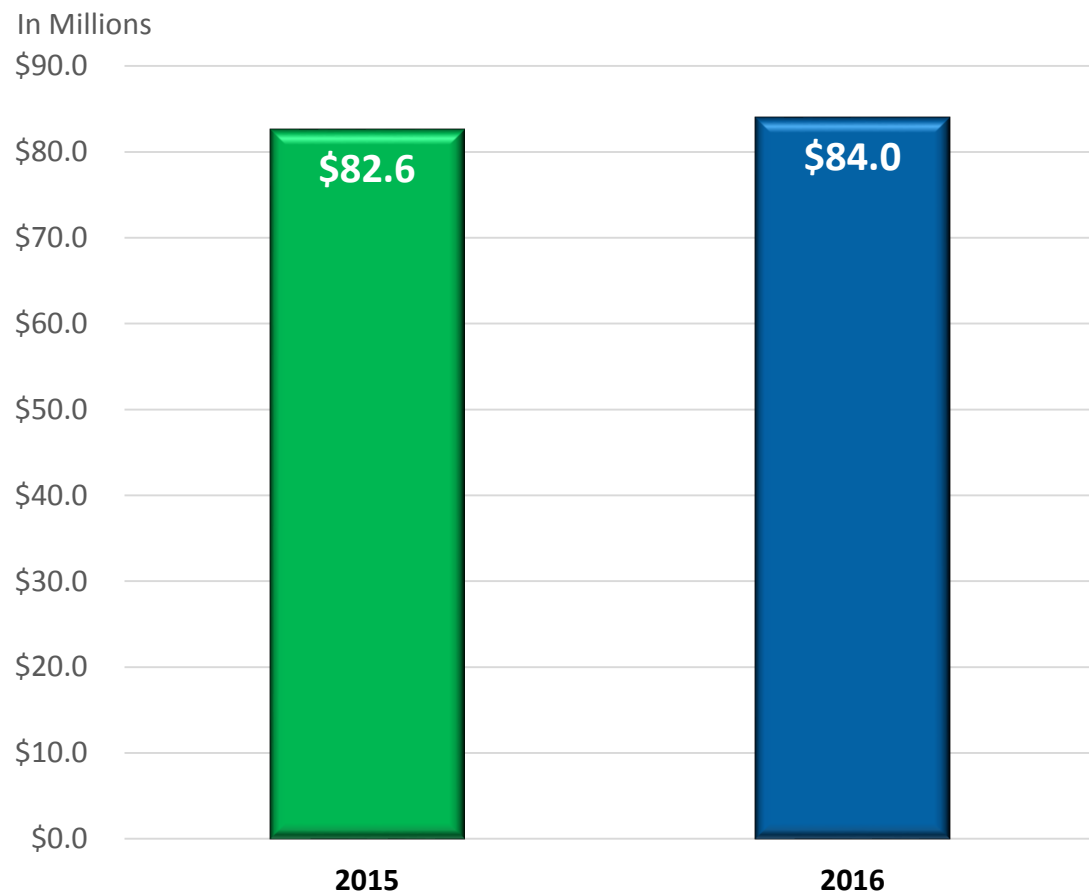




# Autocam Precision Components Group

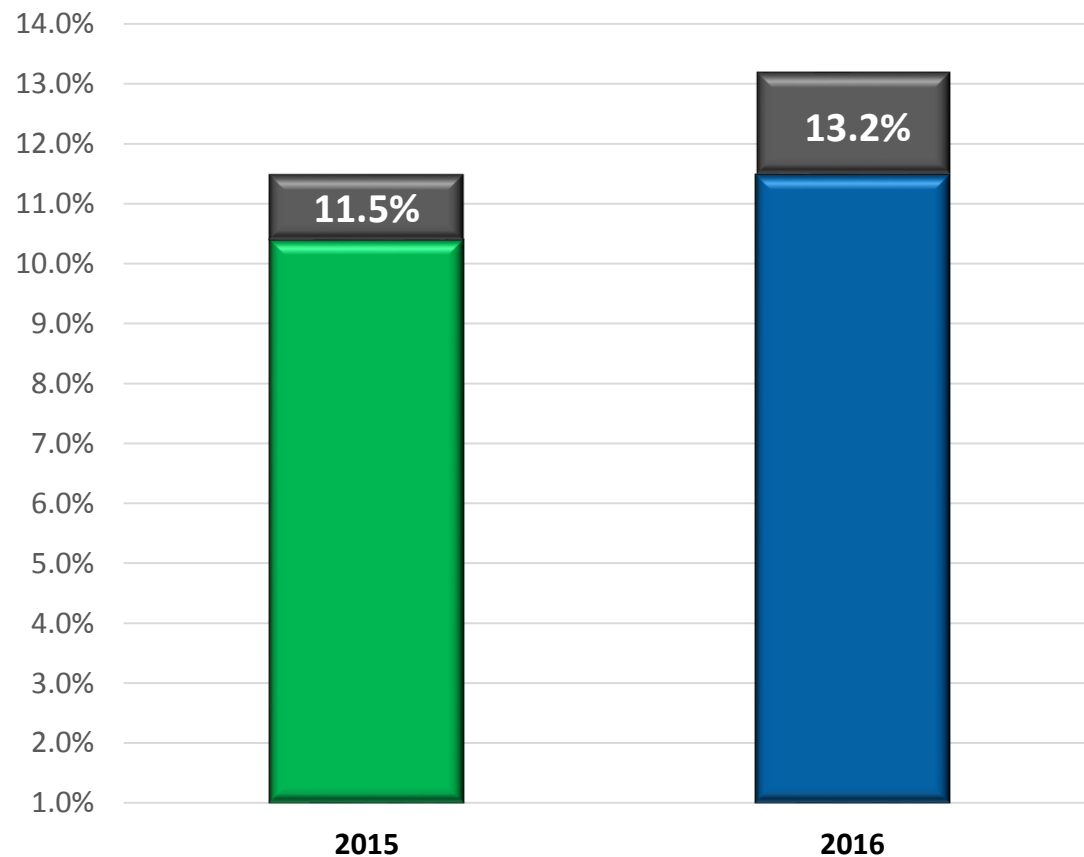
## Net Sales

CAFE adoption continues to drive increased content & margin expansion



## Adjusted Operating Margin

NN Operating System continues to drive margin expansion



■ JV Contribution

[www.nninc.com](http://www.nninc.com)

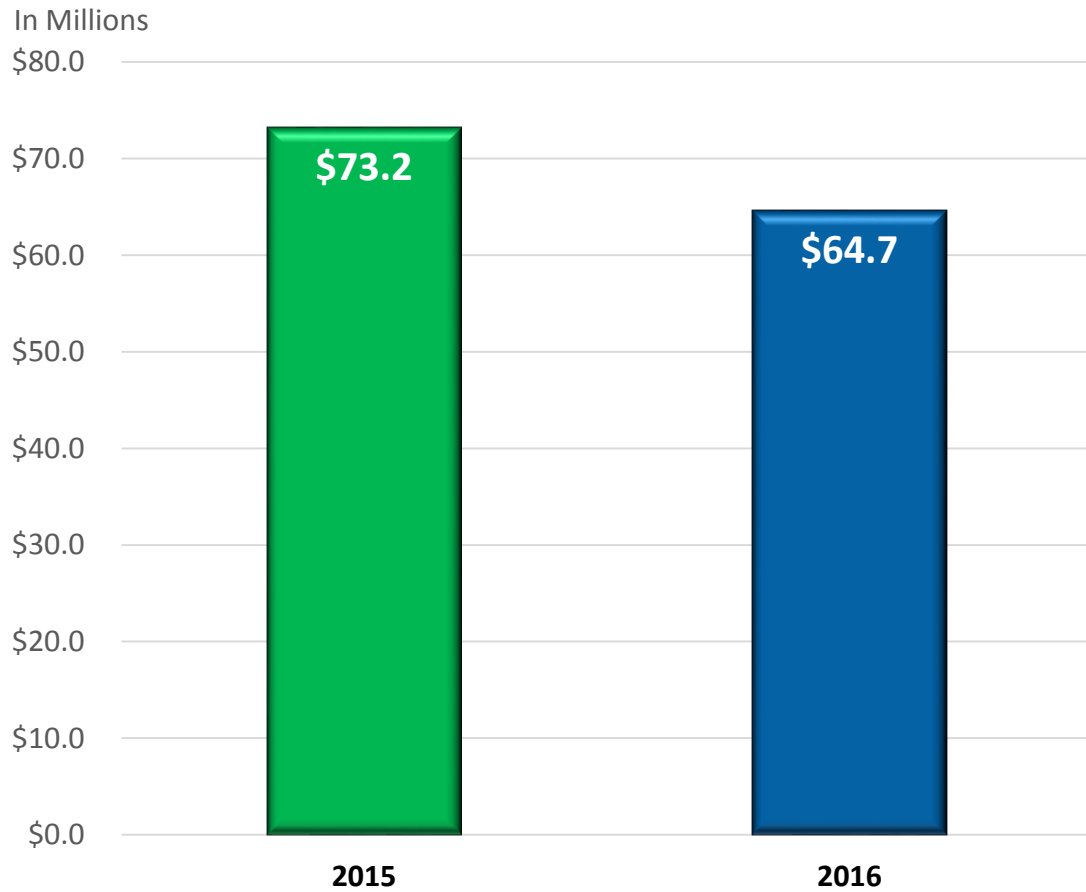




# Precision Bearing Components Group

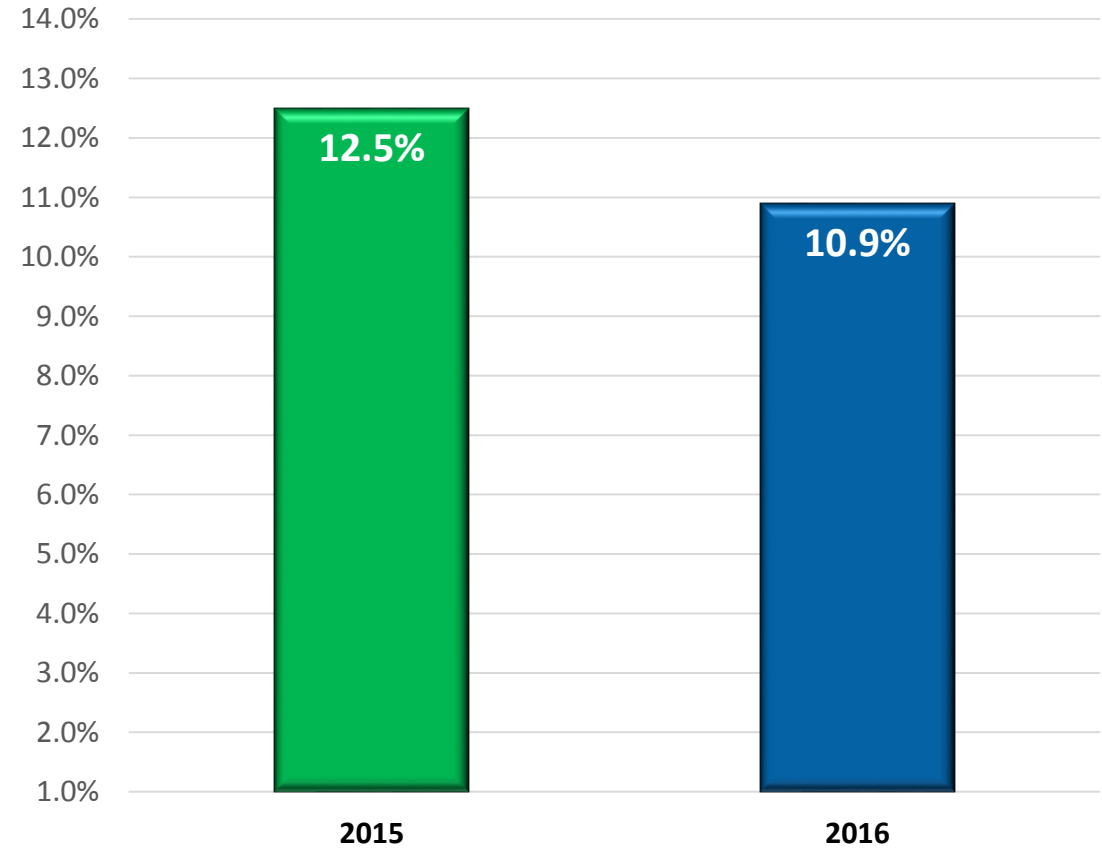
## Net Sales

Negative impact of currency translation and industrial end market softness impacted the quarter by \$8.5M



## Adjusted Operating Margin

Margins were in line with expectations for the 1st quarter, rebounding from Q4



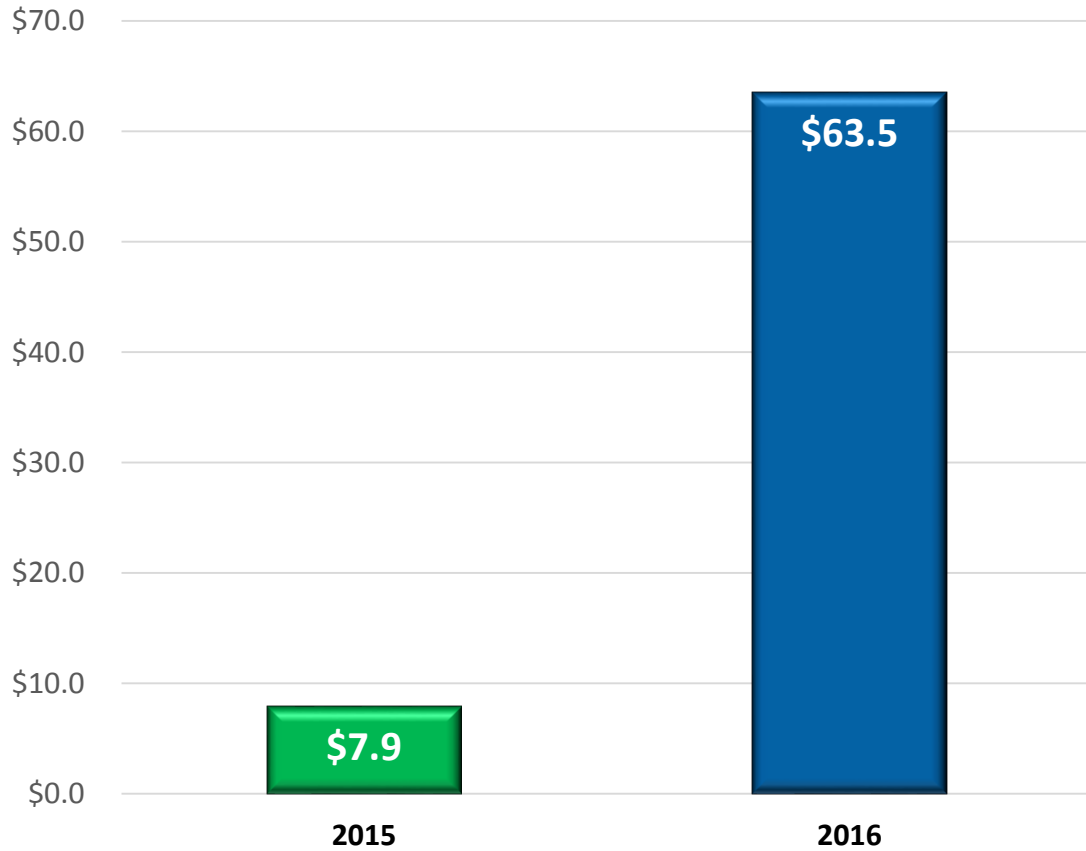


# Precision Engineered Products Group

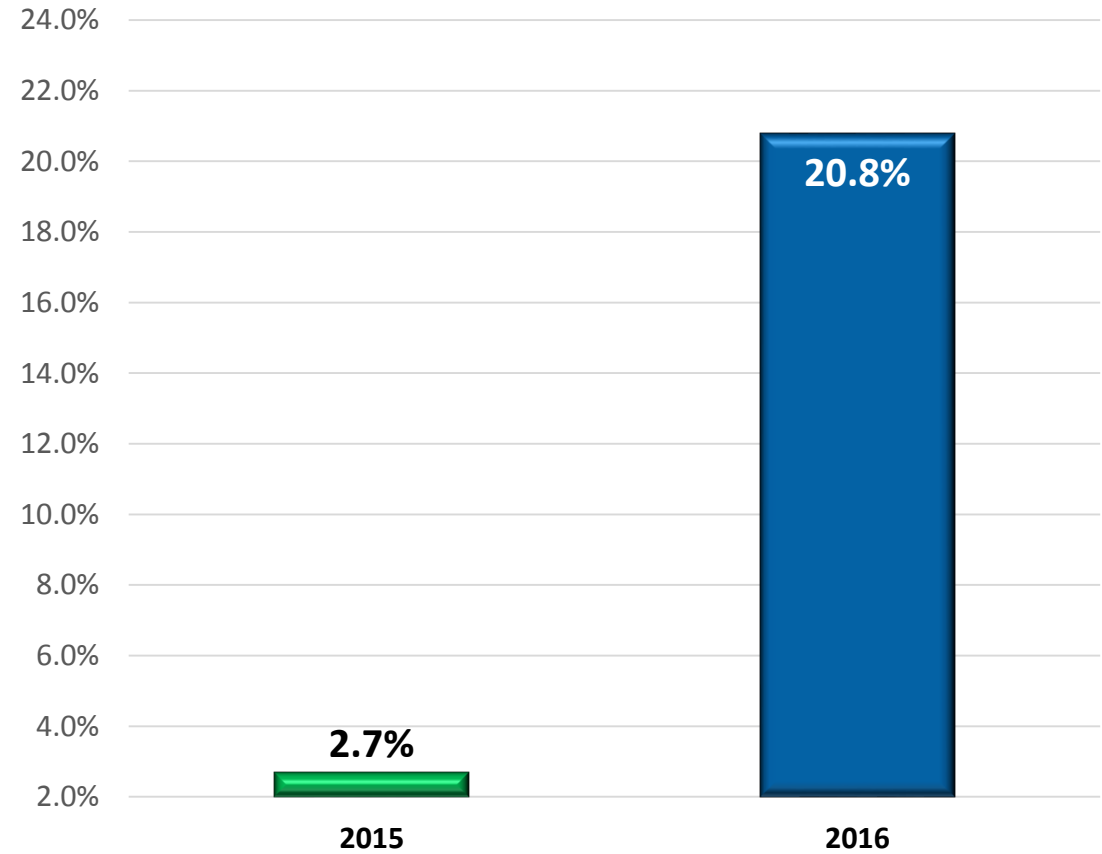
## Net Sales

Acquisition of PEP added \$56M

In Millions



## Adjusted Operating Margin





# 1<sup>st</sup> Quarter Summary

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- **First quarter in line with expectations**
- **NN Operating System continues to drive margin expansion**
- **Free Cash Flow better than expected**
- **PBC group rebounded from difficult Q4**
- **Integration of PEP is on track**
- **Reaffirm our 2016 guidance**

A collage of five images representing different industries: a jet engine, power lines, a surgeon, a red car, and gears. The word "Guidance" is centered over the collage.

# Guidance



# 2<sup>nd</sup> Quarter 2016 Guidance

	First Quarter Actual	Second Quarter Guidance	Commentary
<b>Net Sales</b>	\$212.2M	\$215M - \$225M	Sales continue to increase
<b>Adj. Op Margin</b>	11.3%	13.2% - 14.0%	Margin expansion driven by end market diversification
<b>Adj. EBITDA</b>	\$35.6M	\$40.2M - \$43M	
<b>Adj. EPS</b>	\$0.27	\$0.41 - \$0.48	



# 2016 Guidance Reaffirmed

	2016	Commentary
<b>Net Sales</b>	\$875M - \$905M	Sales growth of ~30% driven by PEP acquisition
<b>Adj. Operating Margin</b>	12.5% - 13.2%	Driven by improvements in the NN Operating System & PEP acquisition
<b>Adj. EBITDA</b>	\$162.5M - \$175M	
<b>Adj. EPS<sup>1</sup></b>	\$1.60 - \$1.80	
<b>CAPEX</b>	\$40M - \$50M	We continue to invest in growth
<b>Adj. Tax Rate<sup>2</sup></b>	22% - 26%	
<b>Free Cash Flow<sup>3</sup></b>	\$50M - \$60M	Significant increase in free cash flow allows us to de-lever faster

1: Excludes the amortization of intangibles and the amortization of financing charges

2: Excludes the effects of M&A activity

3: Free Cash Flow available for debt repayment



A collage of five images: a jet engine, a power line tower, a surgeon in blue scrubs, a red sports car, and a close-up of gears. The text "Reconciliation Tables" is overlaid in white on a dark horizontal band across the center.

# Reconciliation Tables



# Reconciliation of Adjusted Income from Operations

## Reconciliation of income from operations to adjusted income from operations:

### NN, Inc - Total Company

Three Months Ended March 31,

	<u>2016</u>		<u>2015</u>	
	\$'000	% of Sales	\$'000	% of Sales
<b>Income from operations</b>	\$11,874	5.6%	\$13,934	8.5%
Restructuring & impairment charges	2,963	1.4%	-	0.0%
Acquisition & integration expenses	3,263	1.5%	-	0.0%
Amortization of intangibles	5,926	2.8%	983	0.6%
<b>Adjusted income from operations</b>	<u>\$24,026</u>	<u>11.3%</u>	<u>\$14,917</u>	<u>9.1%</u>

**Total Sales** \$212,226 \$163,746

## Reconciliation of income from operations to adjusted income from operations:

### NN, Inc - Precision Bearing Components Group

Three Months Ended March 31,

	<u>2016</u>		<u>2015</u>	
	\$'000	% of Sales	\$'000	% of Sales
<b>Income from operations</b>	\$6,326	9.8%	\$9,089	12.4%
Restructuring & impairment Charges	689	1.1%	-	0.0%
Amortization of intangibles	58	0.1%	73	0.1%
<b>Adjusted income from operations</b>	<u>\$7,073</u>	<u>10.9%</u>	<u>\$9,162</u>	<u>12.5%</u>

**Total Sales** \$64,745 \$73,236

## Reconciliation of income from operations to adjusted income from operations:

### NN, Inc - Autocam Precision Components Group

Three Months Ended March 31,

	<u>2016</u>		<u>2015</u>	
	\$'000	% of Sales	\$'000	% of Sales
<b>Income from operations</b>	\$6,527	7.8%	\$7,718	9.3%
Restructuring & impairment Charges	2,274	2.7%	-	0.0%
Acquisition & integration expenses	-	0.0%	-	0.0%
Amortization of intangibles	885	1.1%	910	1.1%
<b>Adjusted income from operations</b>	<u>\$9,686</u>	<u>11.5%</u>	<u>\$8,628</u>	<u>10.4%</u>

China JV Contribution 1,400 861  
**Adjusted income from operations** **\$11,086 13.2%** **\$9,489 11.5%**

**Total Sales** \$83,990 \$82,622

## Reconciliation of income from operations to adjusted income from operations:

### NN, Inc - Precision Engineered Products Group

Three Months Ended March 31,

	<u>2016</u>		<u>2015</u>	
	\$'000	% of Sales	\$'000	% of Sales
<b>Income from operations</b>	\$5,421	8.5%	\$213	2.7%
Restructuring & impairment Charges	-	0.0%	-	0.0%
Acquisition & integration expenses	2,777	4.4%	-	0.0%
Amortization of intangibles	4,983	7.8%	-	0.0%
<b>Adjusted income from operations</b>	<u>\$13,181</u>	<u>20.8%</u>	<u>\$213</u>	<u>2.7%</u>

**Total Sales** \$63,491 \$7,888



# Reconciliation of Adjusted EBITDA

## Reconciliation of net income to adjusted EBITDA:

NN, Inc - Total Company

Three Months Ended March 31,

## Reconciliation of net income to adjusted EBITDA:

NN, Inc - Total Company

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Net income	(\$1,299)	\$ 6,001	-\$ 7,300
Provision for income taxes	(720)	1,456	(2,174)
Interest Expense	16,422	5,938	10,484
Write off of unamortized debt issuance cost	-	-	-
Depreciation & Amortization	17,348	8,494	8,854
Acquisition & Integration Expenses	775	-	775
Non-cash stock compensation	1,001	783	218
Non-cash foreign exchange (gain) loss on intercompany loans	(882)	1,384	(2,266)
Restructuring & impairment charges	2,963	-	2,963
<b>Adjusted EBITDA</b>	<u>\$ 35,608</u>	<u>\$ 24,056</u>	<u>\$ 11,554</u>
	16.8%	14.7%	2.1%




# Reconciliation of Adjusted Net Income

## Reconciliation of net income to adjusted net income:

### NN, Inc - Total Company

	Three Months Ended March 31, 2016		Three Months Ended March 31, 2015	
	<u>In Thousands</u>	<u>Diluted Earnings Per Share</u>	<u>In Thousands</u>	<u>Diluted Earnings Per Share</u>
Net income	(\$1,299)	(0.05)	6,001	\$ 0.31
After-tax acquisition and integration costs	2,422	0.09	-	-
After-tax foreign exchange loss on inter-company loans	(654)	(0.02)	886	0.04
Restructuring & impairment charges	2,198	0.08	-	-
Amortization of intangibles & deferred financing costs	4,459	0.17	1,140	0.06
Adjusted net income	<u>\$ 7,126</u>	<u>\$ 0.27</u>	<u>\$ 8,027</u>	<u>\$ 0.41</u>



# 2<sup>nd</sup> Quarter Guidance – Adjusted Operating Margin

**Reconciliation of income from operations to adjusted income from operations:**

**NN, Inc - Total Company**

	<b>Three Months Ending June 30, 2016</b>				<b>Twelve Months Ending December 31, 2016</b>			
	<u>Low</u>		<u>High</u>		<u>Low</u>		<u>High</u>	
	<b>\$'000</b>	<b>% of Sales</b>	<b>\$'000</b>	<b>% of Sales</b>	<b>\$'000</b>	<b>% of Sales</b>	<b>\$'000</b>	<b>% of Sales</b>
<b>Income from operations</b>	\$19,397	9.0%	\$22,597	10.0%	\$80,070	9.2%	\$90,600	10.0%
Restructuring & impairment charges	3,000	1.4%	3,000	1.3%	4,000	0.5%	4,000	0.4%
Acquisition & integration expenses	-	0.0%	-	0.0%	1,000	0.1%	1,000	0.1%
Amortization of intangibles	5,926	2.8%	5,926	2.6%	24,000	2.7%	24,000	2.7%
<b>Adjusted income from operations</b>	<b>\$28,323</b>	<b>13.2%</b>	<b>\$31,523</b>	<b>14.0%</b>	<b>\$109,070</b>	<b>12.5%</b>	<b>\$119,600</b>	<b>13.2%</b>
<b>Total Sales</b>	\$215,000		\$225,000		\$875,000		\$905,000	



# 2<sup>nd</sup> Quarter Guidance – Adjusted EBITDA

## Reconciliation of net income to adjusted EBITDA:

NN, Inc - Total Company	Three Months Ending June 30, 2016	
	<u>Low</u>	<u>High</u>
Net income	\$4,267	\$6,129
Provision for income taxes	247	1,104
Interest Expense	16,598	16,598
Depreciation & Amortization	15,286	15,286
Acquisition & integration expenses	-	-
Non-cash stock compensation	875	875
Restructuring & Impairment Charges	<u>3,000</u>	<u>3,000</u>
<b>Adjusted EBITDA</b>	<b><u>\$ 40,273</u></b>	<b><u>\$ 42,992</u></b>

## Reconciliation of net income to adjusted EBITDA:

NN, Inc - Total Company	Year Ending December 31, 2016	
	<u>Low</u>	<u>High</u>
Net income	\$ 20,000	\$ 26,965
Provision for income taxes	6,930	10,500
Interest Expense	67,000	64,400
Depreciation & Amortization	60,070	63,635
Acquisition & integration expenses	-	1,000
Non-cash stock compensation	3,500	4,500
Restructuring & Impairment Charges	<u>3,000</u>	<u>4,000</u>
<b>Adjusted EBITDA</b>	<b><u>\$ 160,500</u></b>	<b><u>\$ 175,000</u></b>





# 2<sup>nd</sup> Quarter Guidance – Adjusted Net Income & EPS

## Reconciliation of EPS to adjusted EPS:

### NN, Inc - Total Company

	Three Months Ending June 30, 2016			
	Low		High	
	In Thousands	Earnings Per Share	In Thousands	Earnings Per Share
Net income	\$4,267	\$0.16	\$6,129	\$0.23
After-tax acquisition and integration costs	-	-	-	-
Restructuring & Impairment Charges	2,400	0.09	2,400	0.09
Amortization of intangibles & deferred financing costs	4,460	0.16	4,460	0.16
Adjusted net income	<u>\$ 11,127</u>	<u>\$ 0.41</u>	<u>\$ 12,989</u>	<u>\$ 0.48</u>
Weighted average diluted shares outstanding	27,170		27,170	

## Reconciliation of EPS to adjusted EPS:

### NN, Inc - Total Company

	Year Ending December 31, 2016			
	Low		High	
	In Thousands	Earnings Per Share	In Thousands	Earnings Per Share
Net income	\$ 20,000	\$0.74	\$ 26,965	\$0.99
After-tax acquisition and integration costs	1,000	0.04	640	0.0236
Restructuring & Impairment Charges	4,000	0.15	2,560	0.0942
Amortization of intangibles & deferred financing costs	18,441	0.68	18,741	0.6898
Adjusted net income	<u>\$ 43,441</u>	<u>\$ 1.60</u>	<u>\$ 48,906</u>	<u>\$ 1.80</u>
Weighted average diluted shares outstanding	27,170		27,170	



# Guidance – Free Cash Flow

## Free Cash Flow

NN, Inc - Total Company	Year Ending December 31, 2016	
	<u>Low</u>	<u>High</u>
EBITDA	\$162,500	\$175,000
CAPEX	(40,000)	(50,000)
Interest Expense*	(62,000)	(60,000)
Dividends	(6,072)	(6,072)
Income Tax Expense	(6,000)	(6,444)
Working Capital	<u>1,572</u>	<u>7,516</u>
Free Cash Flow <sup>+</sup>	<u>\$50,000</u>	<u>\$60,000</u>

\*Excludes deferred financing cost

+ Free cash flow available for debt repayment