

Nemak reports 3Q19 EBITDA of US\$139 million

Monterrey, Mexico. October 17, 2019. - 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 third quarter of 2019 ("3Q19"). A summary of the key performance indicators is presented below:

Key Figures

	Third Quarter			Nine months		
	2019	2018	Δ%	2019	2018	Δ%
Volume (M. Equivalent units)	10.6	12.3	(13.8)	33.8	38.5	(12.2)
Revenues	963	1,152	(16.4)	3,076	3,626	(15.2)
EBITDA ¹	139	160	(13.1)	487	563	(13.5)
CAPEX	74	72	NA ²	246	271	NA ²

US\$ Millions, except Volume

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

(2) NA = Not applicable

Nemak sold 10.6 million equivalent units during 3Q19, down 13.8% year-on-year ("y-o-y"), largely due to a less favorable product mix in North America and softer customer production in China. Revenue was down 16.4% y-o-y, mainly affected by lower volume and aluminum prices.

3Q19 EBITDA was US\$139 million, a 13.1% y-o-y decrease. This variation followed a lower volume, unfavorable exchange rate effects, and non-recurring expenses associated with a planned facility closure in North America; these factors were partially offset by the achievement of further operational efficiencies.

Capital expenditures amounted to US\$74 million, as the Company continued investing to ramp up production associated with new contracts. As of September 30, 2019, Net Debt amounted to US\$1,221 million, down 6.4% y-o-y. Nemak's financial ratios were: Net Debt to last-twelve-months ("LTM") EBITDA, 1.9 times; Interest Coverage, 9.3 times.

Message from the CEO

We finished the quarter in line with our expectations, leveraging efficiency initiatives to mitigate the negative effects of lower volume on our results. These efforts focused on driving optimization of our shop-floor operations across all regions. Notwithstanding increased volatility in most of the markets we serve, we remain on track to meet our 2019 Guidance.

Likewise, we made further inroads in the ramp-up of our structural and EV components business. We harnessed our technological capabilities—including design engineering, casting, and joining & assembly—to initiate series production of complex battery housings for plug-in hybrid electric applications in Europe. Moreover, seeking to reinforce our product portfolio, we won new contracts to supply parts for pure-electric pick-up trucks and vans for a global OEM. In this regard, we look forward to continuing our efforts to capitalize on our pipeline of sales prospects in this fast-growing segment during the coming months.

Automotive Industry

	Millions of Units		
	Third Quarter		
	2019	2018	% Var.
U.S. Vehicle Sales SAAR ⁽¹⁾	17.1	17.0	0.6
North America Vehicle Production ⁽²⁾	4.1	4.0	2.5
North America Nemak Customer Production ⁽²⁾	2.8	2.9	(3.4)
Europe Vehicle Sales SAAR ⁽¹⁾⁽²⁾	20.6	20.7	(0.5)
Europe Vehicle Production ⁽²⁾	4.2	4.2	0.0
Europe Nemak Customer Production ⁽²⁾	2.9	2.9	0.0

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

In the quarter, SAAR for U.S. vehicle sales was 17.1 million units, 0.6% higher y-o-y supported by continued favorable economic conditions. Although vehicle production was up 2.5% for North America as a whole, it declined at a similar rate among Nemak customers due mainly to the phase-out of certain vehicle platforms.

In Europe, 3Q19 sales were basically flat as effects of a softer overall macroeconomic environment offset the benefit of a favorable base of comparison, as the implementation of new emissions testing standards weighed on this market over the same period last year. In turn, vehicle production remained unchanged y-o-y.

Recent Developments

- During the third quarter, Nemak won new contracts worth a total of US\$240 million in annual revenue, primarily to produce cylinder heads, engine blocks, and EV components.
- Nemak was selected to join the Dow Jones Sustainability MILA Pacific Alliance Index, as well as the London Stock Exchange's FTSE4Good Index Series, based on expert reviews of its economic, social, and environmental practices.
- Nemak was named finalist for the 2019 Automotive News PACE™ Awards for its use of proprietary casting technology to produce highly integrated electric motor housings. Winners will be announced in March 2020.



Financial Results Summary

	Third Quarter			Nine months		
	2019	2018	Δ%	2019	2018	Δ%
Volume (M. Equivalent units)	10.6	12.3	(13.8)	33.8	38.5	(12.2)
Revenues	963	1,152	(16.4)	3,076	3,626	(15.2)
Operating Income	43	69	(37.7)	224	312	(28.2)
EBITDA ¹	139	160	(13.1)	487	563	(13.5)
EBITDA ¹ / Eq. Unit	13.1	13.0	0.8	14.4	14.6	(1.4)
Net Income	(2)	49	NA	99	142	(30.3)
CAPEX	74	72	NA ²	246	271	NA ²
Net Debt ³	1,221	1,304	(6.4)			

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

3Q19 total volume decreased 13.8% y-o-y, with North America and Rest of World accounting for most of this variation. In North America, volume was down mainly due to a less favorable product mix, lower exports to China, and less production among Detroit 3 customers; and, in Rest of World, the main factor was a reduction in Ford light-vehicle sales in China. Meanwhile, Europe volume was down on lower sales to Jaguar Land Rover.

Turning to Revenue, lower volume and aluminum prices drove a 16.4% y-o-y decrease in 3Q19.

Regarding Operating Income, the Company reported a 37.7% y-o-y decrease in 3Q19 mainly due to non-recurring effects derived from the planned closure of its plant in Windsor, Canada; lower revenue; and the impact of the depreciation of the euro against the U.S. dollar, which more than offset the benefit of operating efficiencies. In turn, EBITDA was 13.1% lower y-o-y as this measure excludes the asset impairment associated with the above-mentioned plant closure. Meanwhile, 3Q19 EBITDA per equivalent unit was US\$13.1, 0.8% higher than the US\$13.0 reported on the same quarter last year. Nemak's 3Q19 Net Income was down mainly on the same factors affecting Operating Income as described above, finishing at negative US\$2 million.

Capital expenditures amounted to US\$74 million in 3Q19, continuing with investments to support new product launches in all regions.

As of September 30, 2019, Nemak reported a Net Debt of US\$1.2 billion. Financial ratios were: Net Debt to LTM EBITDA, 1.9 times; and Interest Coverage, 9.3 times. These ratios compared to 1.8 and 8.4 times, respectively, as of quarter-end 3Q18.



Regional Results

North America

In 3Q19, revenue was down 16.7% y-o-y, mostly related to lower volume and aluminum prices. 3Q19 EBITDA declined by 12.5% y-o-y, attributable to a combination of lower volume and non-recurring expenses associated with the wind-down of manufacturing operations in Windsor, Canada.

Europe

3Q19 revenue decreased 13.2% y-o-y, mainly due to lower volume and negative currency effects, as well as lower aluminum prices. 3Q19 EBITDA was 18.8% lower y-o-y mainly due to the reduction in volume, the depreciation of the euro against the U.S. dollar, and severance costs.

Rest of the World

In 3Q19, revenue decreased by 25.4% y-o-y, mainly due to lower sales to Ford China. 3Q19 EBITDA was US\$9 million, slightly higher than the same period last year as operational efficiencies more than offset effects of lower volume.



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 Third Quarter 2019 Conference Call will be held on Friday, October 18, 2019, 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 and body structure applications. In 2018, it generated revenue of US\$4.7 billion. For more information about Nemak, visit <http://www.nemak.com>

Three pages of tables to follow



Nemak
Income Statement
Millions of Dollars

	For the third quarter of:					For the nine months of:				
	2019	% of rev.	2018	% of rev.	% Var.	2019	% of rev.	2018	% of rev.	% Var.
Volume (million equivalent units)	10.6		12.3		(13.8)	33.8		38.5		(12.2)
Total revenues	963	100.0	1,152	100.0	(16.4)	3,076	100.0	3,626	100.0	(15.2)
Gross profit	145	15.1	140	12.2	3.6	461	15.0	544	15.0	(15.3)
Sales & administrative expenses	(69)	(7.2)	(80)	(6.9)	(13.8)	(212)	(6.9)	(240)	(6.6)	(11.7)
Other income (expenses) net	(33)	(3.4)	9	0.8	NA	(25)	(0.8)	8	0.2	NA
Operating Income	43	4.5	69	6.0	(37.7)	224	7.3	312	8.6	(28.2)
Interest Expenses	(23)	(2.4)	(19)	(1.6)	21.1	(64)	(2.1)	(81)	(2.2)	(21.0)
Interest Income	2	0.2	1	0.1	NA	12	0.4	5	0.1	NA
Foreign exchange gain (loss)	(2)	(0.2)	21	1.8	NA	(4)	(0.1)	(26)	(0.7)	(84.6)
Financing expenses net	(23)	(2.4)	3	0.3	NA	(56)	(1.8)	(102)	(2.8)	(45.1)
Participation in associates results	1	0.1	0	0.0	0.0	2	0.1	7	0.2	(71.4)
Income Tax	(23)	(2.4)	(23)	(2.0)	0.0	(71)	(2.3)	(75)	(2.1)	(5.3)
Net Income	(2)	(0.2)	49	4.3	NA	99	3.2	142	3.9	(30.3)

	2019	% of rev.	2018	% of rev.	% Var.	2019	% of rev.	2018	% of rev.	% Var.
Operating Income	43	4.5	69	6.0	(37.7)	224	7.3	312	8.6	(28.2)
Depreciation, Amortization & Other Non-Cash items	96	10.0	91	7.9	5.5	263	8.6	251	6.9	4.8
EBITDA ¹	139	14.4	160	13.9	(13.1)	487	15.8	563	15.5	(13.5)
CAPEX	74	7.7	72	6.3	NA ²	246	8.0	271	7.5	NA ²

(1) EBITDA = Operating Income + Depreciation, Amortization & other Non-Cash items
(2) Not applicable

Nemak
Balance Sheet
Millions of Dollars

Assets	Sep-19	Dec-18	% Var
Cash and cash equivalents	246	181	35.9
Accounts receivable	387	521	(25.7)
Inventories	589	636	(7.4)
Other current assets	54	55	(1.8)
Total current assets	1,276	1,392	(8.3)
Investments in shares	20	37	(45.9)
Property, plant and equipment, net	2,553	2,623	(2.7)
Other assets	744	685	8.6
Total assets	4,593	4,738	(3.1)

Liabilities & stockholders' equity	Sep-19	Dec-18	% Var
Bank loans	97	78	24.4
Current maturities of long-term debt	63	47	34.0
Interest payable	7	17	(58.8)
Operating liabilities	1,094	1,206	(9.3)
Total current liabilities	1,261	1,349	(6.5)
Long-term debt	1,323	1,339	(1.2)
Labor liabilities	67	63	6.3
Other long term-liabilities	160	153	4.6
Total liabilities	2,812	2,904	(3.2)
Total stockholders' equity	1,781	1,834	(2.9)
Total liabilities & stockholders' equity	4,593	4,738	(3.1)



Nemak Regional Results

Millions of Dollars

Volume (million equivalent units)	For the third quarter of:			For the nine months of:		
	2019	2018	% Var.	2019	2018	% Var.
North America	6.3	7.5	(16.0)	19.9	22.8	(12.7)
Europe	3.3	3.4	(2.9)	11.0	11.8	(6.8)
Rest of World	1.0	1.4	(28.6)	2.9	3.9	(25.6)
Total	10.6	12.3	(13.8)	33.8	38.5	(12.2)
Total Revenues*	2019	2018	% Var.	2019	2018	% Var.
North America	555	666	(16.7)	1,724	2,029	(15.0)
Europe	323	372	(13.2)	1,091	1,254	(13.0)
Rest of World	85	114	(25.4)	261	344	(24.1)
Total	963	1,152	(16.4)	3,076	3,626	(15.2)
EBITDA ¹	2019	2018	% Var.	2019	2018	% Var.
North America	91	104	(12.5)	299	355	(15.8)
Europe	39	48	(18.8)	165	186	(11.3)
Rest of World	9	7	28.6	24	22	9.1
Total	139	160	(13.1)	487	563	(13.5)
EBITDA ¹ Margin in %	2019	2018	% Var.	2019	2018	% Var.
North America	16%	16%	5.0	17%	17%	(0.9)
Europe	12%	13%	(6.4)	15%	15%	2.0
Rest of World	11%	6%	72.4	9%	6%	43.8
Total	14%	14%	3.9	16%	16%	2.0
EBITDA ¹ USD/Equivalent units	2019	2018	% Var.	2019	2018	% Var.
North America	14.4	13.9	4.2	15.0	15.6	(3.5)
Europe	11.8	14.1	(16.3)	15.0	15.8	(4.8)
Rest of World	9.0	5.0	80.0	8.3	5.6	46.7
Total	13.1	13.0	0.8	14.4	14.6	(1.4)

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

* To external customers



