

Nemak reports EBITDA of US\$153 M in 2Q23

Higher revenues driven by increased customer production and new product launches in the EV/SC segment

Monterrey, Mexico. July 18, 2023. Nemak, S.A.B. de C.V. (BMV: NEMAK) (“Nemak” or the “Company”) today announced its operating and financial results for the second quarter of 2023 (“2Q23”). The following is a summary of the key figures for the period:

	Second Quarter			Six months		
	2023	2022	Δ%	2023	2022	Δ%
Volume (M. Equivalent units)	10.9	9.8	11.3	21.7	19.8	9.8
Revenues	1,323	1,197	10.5	2,580	2,328	10.8
EBITDA ¹	153	149	2.7	286	264	8.3
CAPEX	131	92	NA ²	253	182	NA ²

US\$ Millions, except Volume

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

(2) NA = Not applicable

Message from the CEO

We delivered positive results driven by increased customer production and steady growth in our e-mobility, structure, and chassis segment (EV/SC) – which is expected to grow at a rate of 28% by 2023 –. Despite inflationary headwinds, we were able to deliver higher EBITDA, thanks to our financial discipline and partial progress made in commercial negotiations to pass through the impact of inflation to our customers.

Our strategy execution continues to gain momentum, particularly in the transition to e-mobility. On one hand, we made significant progress in setting up new facilities dedicated to producing battery housings in Mexico, Germany, and the Czech Republic. On the other, we expanded our production capabilities for electric vehicles at existing facilities, launching new chassis applications for fully electric SUVs and crossovers in the European market. On the sales front, as our technological advancements position us as a trusted partner in the electric vehicle industry, we secured new business to supply battery housings for heavy commercial vehicles with a Europe-based manufacturer. This new business will deliver approximately US\$90 million of yearly revenue, bringing our order book in the EV/SC segment to US\$1.72 billion annually.

Our second-quarter results reaffirm the untapped growth potential of our EV/SC business. In addition to the new developments of e-mobility applications in light-vehicles, we see attractive opportunities in electrified commercial vehicles, further supported by new legislation. We will continue to drive technological innovation, seize new business opportunities, and collaborate with our customers to further advance along the path of e-mobility.

Recent Developments

- During 2Q23, Nemak won contracts worth approximately US\$100 million in annual revenues, 90% are to produce battery housings for fully electric heavy commercial vehicles, increasing the total value of its EV/SC segment order book to US\$1.72 billion annually.
- Nemak was awarded as “Supplier of the Year 2022” by Hyundai for excellence in project development in Europe and South America, underpinning its collaborative approach with customers in developing lightweighting solutions.
- For the fourth consecutive year, Nemak received the Socially Responsible Company award from the Mexican Center for Philanthropy (CEMEFI) for meeting its high standards in ESG best practices.

Automotive Industry

	Millions of Units Second Quarter		
	2023	2022	% Var
US Vehicle Sales SAAR ⁽¹⁾⁽²⁾	15.6	13.3	17.2
North America Vehicle Production ⁽²⁾	4.0	3.6	12.3
North America Nematik Customer Production ⁽²⁾	2.5	2.3	7.6
Europe Vehicles Sales SAAR ⁽¹⁾⁽²⁾	15.4	15.4	0.4
Europe Vehicle Production ⁽²⁾	4.4	4.0	9.1
Europe Nematik Customer Production ⁽²⁾	2.7	2.6	3.3

(1) SAAR = Seasonally Adjusted Annual Rate

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

During the quarter, US light vehicle SAAR grew 17.2% year-over-year ("y-o-y") to 15.6 million units, as a result of sustained increase in production and pent-up demand. Light-vehicle production in North America was 4.0 million units, up 12.3% y-o-y, mainly attributed to the easing of supply chain constraints, specifically for semiconductors.

In Europe, light-vehicle SAAR and production amounted to 15.4 million and 4.4 million units, respectively, representing a 0.4% and 9.1% increase y-o-y. These figures, particularly production, were driven by the same factors that influenced the dynamics in the US and North America.

Financial Results Summary

	Second Quarter			Six months		
	2023	2022	Δ%	2023	2022	Δ%
Volume (M. Equivalent units)	10.9	9.8	11.3	21.7	19.8	9.8
Revenues	1,323	1,197	10.5	2,580	2,328	10.8
Operating Income	64	74	(13.2)	113	110	2.6
EBITDA ¹	153	149	2.7	286	264	8.3
EBITDA ¹ / Eq. Unit	14.0	15.2	(7.9)	13.2	13.4	(1.5)
Net Income	20	30	NA ²	5	36	NA ²
CAPEX	131	92	NA ²	253	182	NA ²
Net Debt ³	1,526	1,183	29.0			

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

During 2Q23, volume increased 11.3% y-o-y to 10.9 million equivalent units, driven by higher production from Nemak's customers across all regions, derived from the sustained improvement in supply chain conditions; and the ramp-up of EV/SC segment production.

2Q23 revenue totaled US\$1.3 billion, up 10.5% y-o-y, supported by higher volume and an improved product mix.

2Q23 EBITDA increased 2.7% y-o-y to US\$153 million, driven by higher volume and sales, as well as partial progress in customer negotiations, which more than offset new product launching expenses, the appreciation of the Mexican peso against the US dollar, and inflationary impacts.

EBITDA per equivalent unit for 2Q23 was US\$14.0, down 7.9% y-o-y, primarily due to new product launching expenses, inflation, and currency effects. 2Q23 Operating Income was US\$64 million, down 13.2% y-o-y, reflecting the same factors that influenced EBITDA performance, as well as higher depreciation and amortization, and the impairment of obsolete assets in North America of US\$6 million.

2Q23 Net Income was US\$20 million, compared to US\$30 million in 2Q22. This variation was mainly due to the same factors that influenced Operating Income, combined with higher interest expense and foreign exchange loss associated with the appreciation of the Mexican peso against the US dollar.

Capital expenditure totaled US\$131 million in 2Q23, up 42.4% compared to US\$92 million in 2Q22. These resources were mainly invested to new product launches in the EV/SC segment.

As of June 30, 2023, Nemak reported a net debt of US\$1.5 billion. The financial ratios were Net Debt to LTM EBITDA, 2.7 times; and Interest Coverage, 6.6 times. These ratios compare with 2.3 and 5.1 times, respectively, at the end of 2Q22.

Regional Results

North America

In 2Q23, revenue grew 9.7% y-o-y, driven by an 11.7% y-o-y volume growth, resulting from increased customer production and new product launches in the EV/SC segment. However, 2Q23 EBITDA declined by 11.4% y-o-y, as higher product launching expenses, inflationary pressures, and the appreciation of the Mexican peso against the US dollar, offset the combined effect of higher volume, partial inflation recovery, and an improved product mix.

Europe

2Q23 revenue increased 13.3% y-o-y, thanks to an 8.3% y-o-y increase in volume driven by the same factors observed in North America. Additionally, 2Q23 EBITDA increased 8.1% y-o-y, mainly due to higher volume, partial progress on commercial negotiations, and an improved product mix, which more than offset the effects of inflation.

Rest of the World

In 2Q23, revenue increased 6.3% y-o-y, driven by an 18.2% y-o-y increase in volume. 2Q23 EBITDA increased by 113.3% y-o-y, driven by new product launches and an improved product mix.

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 Second Quarter 2023 Earnings Webcast will be held on Wednesday, July 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 <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, visit <https://nemak.com/>

Nemak Regional Results

Millions of Dollars

	For the second quarter of:			For the six months of:		
	2023	2022	% Var.	2023	2022	% Var.
Volume (million equivalent units)						
North America	5.9	5.3	11.7	11.8	10.6	11.9
Europe	3.7	3.4	8.3	7.3	6.8	6.5
Rest of World	1.4	1.2	18.2	2.6	2.4	9.8
Total	10.9	9.8	11.3	21.7	19.8	9.8
Total Revenues*						
North America	727	663	9.7	1,423	1,265	12.5
Europe	446	394	13.3	872	784	11.3
Rest of World	149	140	6.3	284	280	1.6
Total	1,323	1,197	10.5	2,580	2,328	10.8
EBITDA ¹						
North America	74	84	(11.4)	148	152	(2.5)
Europe	61	57	8.1	104	97	6.9
Rest of World	18	8	113.3	34	15	121.6
Total	153	149	2.7	286	264	8.3
EBITDA ¹ Margin in %						
North America	10%	13%	(19.3)	10%	12%	(13.4)
Europe	14%	14%	(4.6)	12%	12%	(3.9)
Rest of World	12%	6%	100.8	12%	5%	118.1
Total	12%	12%	(7.1)	11%	11%	(2.2)
EBITDA ¹ USD/Equivalent units						
North America	12.5	15.8	(20.7)	12.5	14.3	(12.9)
Europe	16.8	16.9	(0.3)	14.3	14.2	0.4
Rest of World	13.1	7.2	80.5	13.0	6.5	101.8
Total	14.0	15.2	(7.9)	13.2	13.4	(1.5)

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

* To external customers