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Zacks Small-Cap Research

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NN Inc. (NNBR-NASDAQ)

NNBR: The company released 1st quarter 2023 results which were below company expectations due to an ongoing difficult operating environment in certain markets and industries.

Utilizing a DCF valuation process containing conservative estimates combined with other valuation methodologies, we believe NNBR could be worth $5.00 per share. A negative economic environment may lower this value.

Current Price (05/8/23)	$1.00
Valuation	**$5.00**

OUTLOOK

NN Inc. is a diversified industrial company that combines in-depth materials science expertise with advanced engineering and production capabilities to design and manufacture high-precision metal and plastic components and assemblies for a variety of end markets on a global basis. The company is targeting the electric vehicle and electric grid industries which should grow at above average growth rates. In 2021, the company underwent a series of financial transactions in order to transition to a longer-term capital structure which would provide flexibility and financial stability for its growth plans. The company is expected to return to positive free cash flow in 2023.

SUMMARY DATA

52-Week High	**$3.61**
52-Week Low	**$0.97**
One-Year Return (%)	**-68.4**
Beta	**2.80**
Average Daily Volume (sh)	**158,339**
Shares Outstanding (mil)	**45.3**
Market Capitalization ($mil)	**$43.4**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**84**
Insider Ownership (%)	**3**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2022 Estimate	**N/A**
P/E using 2023 Estimate	**N/A**

Risk Level	**Medium**
Type of Stock	**Small-Value**
Industry	**Industrial**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2020	$200 A	$150 A	$114 A	$119 A	$428 A
2021	$127 A	$123 A	$117 A	$110 A	$478 A
2022	$128 A	$125 A	$127 A	$118 A	$499 A
2023	$127 A	$133 E	$136 E	$132 E	$528 E

Adjusted EPS / Loss Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2020	$0.01 A	-$0.11 A	$0.07 A	$0.17 A	-$0.16 A
2021	$0.05 A	$0.00 A	$0.01 A	-$0.01 A	$0.04 A
2022	$0.00 A	-$0.09 A	$0.03 A	-$0.12 A	-$0.19 A
2023	-$0.12 A	-$0.04 E	$0.05 E	$0.06 E	-$0.05 E

Quarterly revenues may not equal annual revenues due to rounding. Quarterly EPS may not equal annual EPS due to rounding, dilution or intangibles. EPS figures are adjusted and Non-GAAP.

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WHAT'S NEW

Financial Review

NN Inc. (NASDAQ:NNBR) reported 1st quarter 2023 financial results on May 5th, 2023. The company's profitability levels continued to be hampered by inflationary pressures, lower production volumes, difficult end markets, and customer reduction of inventory levels.

Total sales decreased 0.8% in the 1st quarter and were flat on a constant currency basis. Price increases totaled $13.0 and were offset by $13 million in volume declines. Operating loss was ($7.1) million and adjusted operating loss was ($0.4) million. The Non-GAAP operating loss eliminates amortization expense and one-time unusual items totaling $3.2 which was largely related to facility closure expenses.

Macro-economic issues and Inflation continues to negatively impact the company's operating results. The company has held proactive pricing discussions with many of its customers in 2022 and these actions will continue into 2023.

In the 1st quarter, sales in the Power Solution segment decreased 5.7% compared to the prior year period primarily due to decreased electrical and general industrial component sales as a result of lower housing starts and customer inventory reductions. U.S. housing starts in the 1st quarter decreased approximately 18.9% compared to the 1st quarter of 2022. Adjusted operating income increased 6.9% to $5.5 million from $5.2 million in the prior year period, largely due to premium pricing at its Irvine facility as well as the company's ability to rationalize unprofitable business at its Taunton facility. The Irvine and Taunton facilities are still on track for closure in the 2nd quarter of 2023 and have the potential to substantially increase operating margins in this segment.

In the Mobile Solutions segment, net sales for the 1st quarter of 2023 increased 2.6% to $78.0 million compared to $76.1 million in the prior year period. The increase in sales was primarily due to pricing actions which offset reduced volume demand. Adjusted loss from operations was ($0.8) million compared to adjusted income from operations of $3.0 million in the 1st quarter of 2022. The decrease in adjusted income from operations was primarily driven by volume reductions, the impact of reduced income from the China joint venture due to lower volumes, unrecovered inflation and inefficiencies at the Wellington and Juarez facilities.

CEO Warren Veltman stated, *"Our first quarter results were adversely impacted by reduced production volumes resulting from decreases in residential and commercial construction and the end of COVID-19 restrictions in China. Customers have also reduced inventory levels to buffer against future volume uncertainty further impacting volumes. From an operational perspective, we continued to experience product launch inefficiencies within our Mobile Solutions group. While we are disappointed with our financial results at the start of the year, we significantly improved free cash flow performance in comparison to a year ago, and our liquidity position remains solid. We remain on plan with cost improvements associated with our facility closures and have taken action to further improve our cost structure through a 10% global reduction of indirect labor that will begin to benefit our results in the second quarter."*

Global liquidity remains strong at $43.0 million, which is comprised of $10.5 million in cash and $32.5 million in availability under its credit line. The preferred equity raise is still under consideration, although not required, and would occur before June 30, 2023. The targeted size if it were to occur would be $10 million and would improve domestic liquidity as the substantial majority of cash balances reside in international markets. It would also reduce the liquidity covenant by $5 million to $15 million. This would also provide approximately $3 million in term loan cost reduction through the 2nd quarter of 2025 due to lower paid-in-kind interest and less penny warrants being issued.

Loan Amendment

On March 3rd, 2023, the company amended its ABL and term loan to create additional flexibility to manage its business operations through an uncertain economic environment. The amendments increase maximum total leverage ratio covenants for the duration of the term loan beginning in 2023 which starts at 4.50x currently and drops to 3.00x in 2025. In addition, the existing cap on customer receivable financing programs has been increased from $20 million to $30 million. The amendments also introduced a quarterly domestic liquidity covenant which is a $20 million minimum. Interest under the term loan amendment is increased on a paid-in-kind basis at a rate dependent on the outstanding leverage ratio at period end or whether the company completes a qualifying preferred equity raise by June 30, 2023. The company also issued penny warrants to satisfy the lender fee associated with the term loan amendment.

Growth Initiatives

The company also provided updates on certain growth initiatives to drive profitable sales going forward. These include implementing a sales compensation program where account managers are incentivized based on individual performance with a higher variable component which increases total earnings opportunities. There are also strategic incentives tied to electric and hybrid vehicles. Overall sales capacity is to be increased by approximately 20%.

Other efforts are being made to increase market awareness and support sales efforts. These include increased participation in industry associations, forums and tradeshows. Customer engagement is also expected to be improved through press releases, social media, and target advertising. The company has also revised its website, updated the investor presentation, and added specific vertical presentations.

The company believes it has created a higher quality and healthier future pipeline of business going forward. The new mix of business proposals aligns with the company's strategic focus into power and eMobility segments. The new pipeline is a reduction from past levels as the company purposely eliminated new business proposals that don't meet strategic growth objectives as well as proposals that were too capital intensive and had unattractive free cash flow characteristics. The closures of the Irvine and Taunton facilities also reduced active proposals in certain verticals such as aerospace and defense. The company indicated there are potentially $546 million in peak annualized sales from current outstanding proposals. This could translate into over $2 billion in sales over the lives of these contracts.

Business and Market Updates

The slowdown in residential and commercial construction in 2023 has affected near-term operating results for the company. However, the long-term outlook for the Power Solutions segment remains strong as residential and commercial construction is expected to grow by the end of 2023 or early 2024. Demand for electric control panels and solar related equipment is expected to regain its strong growth trends in 2023 from end customers that are involved in upgrading the national electric grid. The global market size for grid battery electric storage is also expected to be a strong growth driver and is estimated to reach $6.6 billion in value by 2030. The direct addressable market opportunity for NN is estimated to be in the range of $300 to $500 million by 2030.

Commercial, private, and industrial sectors are expected to yield the highest demand for battery energy storage systems. The rising penetration of lithium-ion batteries will also create growth opportunities. In addition, expansion of infrastructure projects, along with the growth in the transportation sector, will encourage leading companies to tap into those markets. Around the world, many countries are driving progress in grid interconnection gaps, clearing the way for source to load across wide geographies.

The outlook for Mobile Solutions segment is turning positive with light vehicle production forecasted to improve throughout 2023 which reflects recovering markets in China and South Asia. This forecast is somewhat tempered by ongoing supply chain issues and Covid-19 issues in early 2023. Production of

global light vehicles is expected to increase approximately 5.0% in 2023. Zero Emission and Hybrid vehicles are expected to take a larger share of vehicle production in coming years.

The company's sales pipeline is developing as planned with business development teams focusing on key target markets with the expansion of products into the Electric Vehicle (EV) and Electric Grid markets remaining a priority. Another positive sign is the company's average deal size is increasing in value which can be attributed to high volume sales activity in Grid Storage and EV battery systems.

The company has been proactive in taking pricing initiatives in many areas of its business. The company has secured full material pass-through pricing on substantially all Mobile Solutions customers. In addition, discussions are ongoing with a focus on eliminating the negative pass-through lag that often occurs in an inflationary environment. New customer contracts are also being structured to provide additional inflation protection. The benefits of these pricing actions are expected to be fully realized in 2023.

NN has implemented a series of cost reduction initiatives which primarily focus on closing certain aerospace, defense and medical facilities. Facilities in Taunton, Massachusetts and Irvine, California are expected to be closed in the 1st half of 2023 which combined had annual operating losses of approximately $10 million. Three additional facilities are expected to be closed in the Mobile Solutions segment which may bring $3.9 million in benefits through cost savings and EBITDA improvement.

Management Transition

On November 1st, the company announced they have implemented a management transition plan to address the planned retirements of CEO, Warren Veltman and Executive Vice President, Mobile Solutions and Power Solutions, John Buchan. NN anticipates that Mr. Veltman and Mr. Buchan will remain in their current positions until the end of the 1st quarter of 2023, which may be extended in order to facilitate an orderly transition. Following their retirement, the company expects that Mr. Veltman and Mr. Buchan will remain available on a consulting basis to assist with the management transition as needed.

The Board of Directors has engaged Korn Ferry, a global organizational consulting and recruiting firm, to assist in identifying candidates for the President and Chief Executive Officer position, with expertise in the electrical and electric vehicle industries to further NN's focus on these rapidly growing markets. The company stated during the recent earnings call that the company is close to selecting a candidate.

2023 Outlook

The company updated its 2023 outlook which calls for total revenues in the range of $515-$545 million and adjusted EBITDA in the range of $47-$57 million. Free cash flow is expected to be positive and be between $7 and $17 million. The free cash flow guidance does not include the CARES Act tax refund of approximately $11 million due to uncertain timing on when that may be received.

Valuation & Estimate Changes

We are adjusting our EPS estimates slightly for 2023 to account for a difficult 1st quarter. We lower our 2023 revenue estimates to $528.4 million and our 2023 EPS estimate is now ($0.05). Our adjusted EBITDA estimate is $51.9 million.

We are maintaining our DCF derived valuation target of **$5.00**. In addition, the stock is selling below both book value per share and tangible book value per share. We estimate NNBR stock is selling at approximately 26.0% of book value per share.

The markets that NN is focusing on are expected to produce above average growth rates. According to an IHS Market study, products used to expand and modernize the electric grid are expected to grow at

an average annual rate of between 6%-10% from 2022 to 2027. The next generation mobility market, which are components used in the manufacturing of electric vehicles, is also a high-growth market. Electric vehicle production is expected to grow at an average annualized rate of between 16%-20% between 2023 and 2028.

We do not believe the recent operating environment reflects the true earnings power of NN going forward. The company's primary focus on growing end markets such as electric vehicles and electric grid upgrades should provide growth tailwinds for the foreseeable future. The company is already seeing results from recent sales efforts where there has been a significant pipeline expansion in these target growth markets. The company has a focused plan for cost reduction and margin improvement that should start to take hold in 2023. As inflationary and other cost pressures recede, NN should be able to produce strong double-digit cash flow growth.

KEY INVESTMENT POINTS



Source: nninc.com

- Founded in 1980, NN Inc. (NNBR) has grown from a single ball and roller factory into a global diversified manufacturer with over $500 million in revenues (estimated) and advanced engineering and technology capabilities.

- The company combines in-depth materials science expertise with advanced engineering and production capabilities to design and manufacture high-precision metal and plastic components and assemblies for a variety of customers on a global basis.

- The company recently underwent a turnaround and restructuring efforts which include the divestiture of a major business segment, the reduction of debt, and other recapitalization efforts. These efforts should improve the overall viability of the company and transition to a longer-term capital structure which would provide flexibility and financial stability for growth.

- The company has a defined growth strategy to take advantage of global trends associated with the shift from Internal Combustion Engine vehicles to Electric Vehicles as well as the modernization of the electric grid to accommodate the inevitable transition to EVs.

- The company has evolved from a traditional contract manufacturer into a high-tech partner in numerous technologies that provide relevant dynamic growth opportunities to its customers.

- NN has an experienced management team and a reconstituted Board of Directors that possess vast industry expertise relevant to the company's overall long-term growth strategies.

- The company went public in 1994 and currently has a market capitalization of $53.3 million. The leverage ratio as of the 3/31/23 was 3.82x, however based on 2024 EBITDA estimates, the leverage ratio is expected to decline on a forward-looking basis.

- We believe NNBR stock is worth **$5.00** based on a discounted cash flow (DCF) calculation and a peer multiple comparison using EV/EBITDA. In addition, the stock is selling below both book value per share and tangible book value per share.

NN's innovative solutions can be found all around you, from your home to your car to your workplace.



Source: nninc.com

OVERVIEW

Inspired by iNNovation

Source: nninc.com

NN, Inc. is a diversified industrial company that combines complex materials science expertise with advanced engineering and production capabilities to design and manufacture high-precision metal and plastic components and assemblies for a variety of customers on a global basis. The company has evolved from a traditional contract manufacturer to an advanced technology focused partner with its customers.

The company operates under two distinct segments that represent a variety of products and end customers. Mobile Solutions is focused on growth in the automotive and general industrial end markets. The company has developed an expertise in manufacturing highly complex, tight tolerance, system critical components. This segment currently manufactures components on a high-volume basis for use in vehicle power steering, braking, transmissions, and gasoline fuel system applications. In addition, manufactured components include use in heating, ventilation, and air conditioning systems as well as diesel injection and diesel emissions treatment applications.

Power Solutions is focused on growth in the electrical, general industrial, automotive, aerospace and defense markets. Within this group the company combines materials science expertise with advanced engineering and production capabilities to design and manufacture a broad range of high-precision metal and plastic components, assemblies, and finished devices used in applications ranging from power control to flight control and for military devices.

In addition, under the Power Solutions segment, the company manufactures a variety of products including electrical contacts, connectors, contact assemblies, and precision stampings for the electrical end market. The company also produces high precision products for the aerospace and defense end market utilizing extensive process technologies for optical grade plastics, thermally conductive plastics, titanium, Inconel, magnesium, and electroplating.

The company is making a concerted effort to focus on sustainable growth markets, particularly in the areas of electric vehicle components and products related to upgrading the electric grid. According to a report by Emergen Research, the 5-year compound annual growth rate for electric vehicles is expected to be in the range of 16%-20% range and reach an addressable market of over $4 billion. The industry

associated with the upgrade of the national electric grid infrastructure is expected to grow at an annual rate of between 6%-10% and reach an addressable market of over $1 billion.

NN has a strategically placed global footprint with 69% of its manufacturing capacity located in North America, 13% in the Asia/Pacific region, and 9% in both Europe and South America. Approximately 75% of revenues are derived from North America, 12% from the Asia/Pacific region, and roughly 7% from both Europe and South America.

After a series of multiple acquisitions over the 2015-2018 time frame which were mostly financed by debt, the company realized that its overleveraged capital structure was hindering potential investment and growth opportunities. In 2020, the company sold its Life Sciences business for approximately $743 million in net proceeds. This medical related segment produced a variety of tools and instruments for the orthopedics and surgical end markets. The proceeds from this divestiture were used to repay approximately $710 million in net debt which significantly reduced leverage ratios which had been in excess of 6x prior to the sale.

COMPETITIVE ADVANTAGES

NN possesses comprehensive and industry leading high-precision manufacturing capabilities and has the ability to produce high-precision parts in large production volumes. The core technology platform consists of advanced precision machining, progressive stamping, injection molding, laser welding, material science, assembly, and design optimization. Products are manufactured to application-specific customer design and co-design standards that are developed for a specific use. The high-precision capabilities are part of a zero-defect design process which seeks to eliminate variability and manufacturing defects throughout the entire product. The company has the manufacturing capability to create tolerances down to the 1-micron level. For comparison, the width of a human hair is about 88 microns. The company has differentiated themselves among competitors by providing customer engineered solutions and a broad reach and breadth of manufacturing capabilities.

The tight-tolerance and high-quality nature of the company's precision products is specifically suited for use in high demanding applications that require exceptional reliability. The company's products are critical components to the operation and reliability of larger mechanical systems utilized by customers. These types of precision parts are difficult to manufacture and achieve premium pricing in the marketplace as the high cost of failure causes customers to focus on quality. Parts are developed for specific uses within customer critical systems and are typically designed in conjunction with the system designer.

The company's engineering expertise and thorough knowledge of the precision manufacturing processes adds proprietary value throughout the complete lifecycle of the products in conjunction with the customer. The relationship with the customer begins early in the conceptual design process where the company can offer valuable feedback on potential cost, manufacturability, and estimated reliability of the parts. Part designs are then prototyped, tested, and qualified in coordination with the customer design process before going to full-scale production. This close working relationship with customers early in the product lifecycle helps to secure business and increase industry knowledge. Lastly, product performance verification, product troubleshooting, and post-production engineering services further enhance the customer relationship.

NN maintains relationships with hundreds of customers around the world who are typically sophisticated, engineering-driven, mechanical systems manufacturers with long histories of product development and reputations for quality. Customers include well-known companies such as Bosch, Honeywell, Siemens, Itron, Denso, Raytheon, BorgWarner, Parker, and Eaton. The company has no material retail exposure

which limits volatility and provides enhanced sales visibility. Relationships with the company's top ten revenue generating customers average more than ten years.

The company continues to realize benefits and synergistic effects between the Mobile Solutions and Power Solutions segments by sharing experienced engineering resources and wide-ranging portfolio of process technologies from each business to serve customers' changing needs. Recent solutions developed in the electric grid, electric vehicle, aerospace, defense, and general industrial markets leveraged the experience and expertise from each business to respond to increasingly tight and stringent customer requirements.

Precision worm shafts (electric power steering)



Smart meter contact assembly or "blade"



Electric motor shafts



Source: NN Investor Presentation

RISKS

- NN depends on a relatively limited number of customers and the loss of any major customer would have a material adverse effect on the business. Revenues from their ten largest customers accounted for approximately 43% of consolidated net sales. The loss of all or a substantial portion of sales to these customers would result in the company losing a substantial portion of total revenues and would lower operating margins and cash flows from operations.

- Work stoppages or similar difficulties and unanticipated business disruptions could significantly disrupt manufacturing operations, reduce company revenues and materially affect earnings. A work stoppage at one or more facilities could have a material adverse effect on the company's business, prospects, financial condition, operating results, and free cash flows. Also, if end-market customers were to experience a work stoppage, that customer would likely halt or limit purchases of company products.

- The company's markets are highly competitive, and many competitors have significant financial advantages that could adversely affect business operations. The company faces substantial competition in the sale of components, system subassemblies, and finished devices in the vertical end markets into which they sell products.

- Competitors are continuously exploring and implementing improvements in technology and manufacturing processes in order to improve product quality, and their ability to remain competitive will depend on whether NN is able to keep pace with such quality improvements in a cost-effective manner. Further, the company's customers' internal manufacturing capabilities are a significant competitor in which they may choose to manufacture products internally as opposed to outsourced providers.

- The company's debt levels could adversely affect the overall business, prospects, financial condition, results of operations, and cash flows. As of March 31, 2023, the company had approximately $158.3 million of funded indebtedness outstanding.

- Total debt obligations could have important consequences, including increasing vulnerability to adverse economic or competitive developments, requiring a substantial portion of operating cash flows from operations to be dedicated to debt obligations. In addition, certain debt agreements contain restrictions that will limit flexibility in business operations such as covenants that limit the ability to engage in certain types of transactions.

- The company has international operations that are subject to foreign economic uncertainties and foreign currency fluctuations. Approximately 39% of total revenues are denominated in foreign currencies, which may result in additional risk of fluctuating currency values and exchange rates and controls on currency exchange. Any increased costs or reduced revenues as a result of foreign currency fluctuations could affect profits. The company also has material specific country risk exposure to China with its 49.0% investment in Wuxi Weifu Autocam Precision Machinery Company, Ltd.

MANAGEMENT

Warren Veltman (retired)
President and Chief Executive Officer

Warren Veltman was appointed President and Chief Executive Officer in February 2020, after having served as its Interim President and Chief Executive Officer since September 2019. He previously served as Executive Vice President of the Mobile Solutions group. Veltman joined NN in 2014 as part of the Autocam acquisition as the Senior Vice President and General Manager of the Autocam Precision Components Group. Prior to the acquisition, Veltman served as Chief Financial Officer of Autocam Corporation from 1990 and secretary and treasurer since 1991, until NN acquired the company in 2014. Prior to Autocam, he was an audit manager with Deloitte & Touche.

Michael Felcher
Senior Vice President and Chief Financial Officer

Mike Felcher was appointed Senior Vice President and Chief Financial Officer in July 2021, after having served as Vice President and Chief Accounting Officer since June 2018. Prior to joining NN, he served as the Vice President, North America Chief Financial Officer for JELD-WEN, Inc. Before assuming his role at JELD-WEN, Inc., Felcher served in finance roles of increasing responsibility with United Technologies Corporation's Aerospace Systems Division, and its predecessor, Goodrich Corporation. He began his career at PricewaterhouseCoopers and is a licensed CPA. He holds a Bachelor of Science, Accountancy from Bentley University and a Master of Business Administration from Wake Forest University.

Matthew Heiter
Senior Vice President, General Counsel and Secretary

Matt Heiter joined NN in July 2015 as Senior Vice President and General Counsel. Prior to joining NN, he was a shareholder in the law firm of Baker, Donelson, Bearman, Caldwell and Berkowitz, P.C., where he served as chair of the firm's Securities Practice Group. Heiter is a graduate of Vanderbilt Law School and has earned numerous honors while in private practice, including being listed in Best Lawyers in America and Chambers USA

John Buchan (retired)
Executive Vice President, Mobile Solutions and Power Solutions

John Buchan was appointed Interim Executive Vice President of the Mobile Solutions and Power Solutions groups in 2019, and previously served as the Mobile Solutions group's Vice President of Operations. Buchan joined NN as part of the Autocam acquisition in 2014, where he served as Chief Operations Officer. Prior to joining Autocam in 2002, Buchan worked at Benteler Automotive in various technical leadership roles culminating as Executive Vice President of the Exhaust Products Group. He has spent his entire career in operations roles, beginning with General Motors Central Foundry and Rochester Products Divisions. Buchan holds a bachelor's degree in electrical engineering and a master's degree in manufacturing management, both from the General Motors Institute.

Andrew Wall
Senior Vice President and Chief Commercial Officer

Andrew Wall joined NN in January 2022 as Senior Vice President and Chief Commercial Officer. Prior to joining NN, he held numerous marketing and sales, strategy, general management, and factory and field service operations roles with ABB, Ltd., a publicly held, global manufacturer of heavy electrical equipment and automation technology. Most recently, Wall served as Vice President, Product Marketing and Sales, Electrification U.S. He serves on the Board of Directors for Research Triangle Cleantech Cluster, an industry-funded, industry-led initiative focused on accelerating cleantech innovation and the cleantech economy of North Carolina. Wall holds a Bachelor of Science, Business Management from North Carolina State University and a Master of Business Administration from Elon University.

Gail Nixon
Senior Vice President and Chief Human Resources Officer

Gail Nixon joined NN in 2007 and was appointed Senior Vice President and Chief Human Resources Officer in 2018. She previously served as Vice President of Human Resources and has held multiple HR leadership roles within the company. Nixon began her career in the non-profit sector, and from 2000-2007, she held various accounting and human resources positions with a multi-state healthcare organization, ultimately serving as its corporate human resources director. Nixon is a member of the Society for Human Resource Management and has earned her Senior Professional in Human Resources and SHRM-Senior Certified Professional designations.

PROJECTED INCOME STATEMENT

Income Statement		Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Adjusted EBITDA		46,668,000	43,916,000	51,934,358	62,833,283	70,435,891
Net Sales		**477,584,000**	**498,738,000**	**528,352,950**	**570,621,186**	**616,270,881**
Growth		*11.7%*	*4.4%*	*5.9%*	*8.0%*	*8.0%*
Cost of Goods Sold		**389,995,000**	**421,105,000**	**438,507,969**	**470,735,501**	**507,778,070**
%		*81.7%*	*84.4%*	*83.0%*	*82.5%*	*82.4%*
Depreciation & Amort		**31,847,000**	**31,404,000**	**29,863,515**	**29,863,515**	**29,863,515**
Gross Profit		**55,742,000**	**46,229,000**	**59,981,466**	**70,022,170**	**78,629,296**
Margin		*11.7%*	*9.3%*	*11.4%*	*12.3%*	*12.8%*
SG&A Expenses		**51,489,000**	**42,663,000**	**47,244,248**	**46,299,363**	**47,225,350**
% of sales		*10.8%*	*8.6%*	*8.9%*	*8.1%*	*7.7%*
Other		**(1,091,000)**	**2,829,000**	**1,989,375**	**2,009,269**	**2,029,361**
% of sales		*-0.2%*	*0.6%*	*0.4%*	*0.4%*	*0.3%*
Research & Development		**0**	**0**	**0**	**0**	**0**
% of sales		*14`%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Amortization		**14,348,000**	**15,827,000**	**14,252,000**	**13,895,700**	**13,548,308**
% of sales		*3.0%*	*3.2%*	*2.7%*	*2.4%*	*2.2%*
Operating Income		**(9,004,000)**	**(15,090,000)**	**(3,504,157)**	**7,817,838**	**15,826,276**
Margin		*-1.9%*	*-3.0%*	*-0.7%*	*1.4%*	*2.6%*
EBITDA (non-adjusted)		**37,191,000**	**32,141,000**	**40,611,358**	**51,577,053**	**59,238,099**
Margin		*7.8%*	*6.4%*	*7.7%*	*9.0%*	*9.6%*
Other Expenses/(Income)		**774,000**	**(5,064,000)**	**(3,313,680)**	**(390,510)**	**(617,202)**
%		*0.2%*	*-1.0%*	*-0.6%*	*-0.1%*	*-0.1%*
EBIT		**(9,778,000)**	**(10,026,000)**	**(190,477)**	**8,208,348**	**16,443,479**
%		*-2.0%*	*-2.0%*	*0.0%*	*1.4%*	*2.7%*
Total Interest Exp (net)		**12,664,000**	**15,041,000**	**17,152,000**	**14,938,900**	**14,938,900**
%		*2.7%*	*3.0%*	*3.2%*	*2.6%*	*2.4%*
Net Profit Before Tax		**(22,442,000)**	**(25,067,000)**	**(17,342,477)**	**(6,730,552)**	**1,504,579**
%		*-4.7%*	*-5.0%*	*-3.3%*	*-1.2%*	*0.2%*
Income Tax		**(1,756,000)**	**1,621,000**	**2,126,000**	**2,168,520**	**2,211,890**
% Effective Rate		*7.8%*	*-6.5%*	*-12.3%*	*-32.2%*	*147.0%*
% Cash Tax Rate		*7.8%*	*-6.5%*	*-12.3%*	*-32.2%*	*147.0%*
Preferred Stock and JV		**15,217,000**	**4,302,000**	**8,323,000**	**8,406,230**	**8,490,292**
Net Profit		**(35,903,000)**	**(22,386,000)**	**(27,791,477)**	**(17,305,302)**	**(9,197,604)**
%		*-7.5%*	*-4.5%*	*-5.3%*	*-3.0%*	*-1.5%*
Non-recurring income (expense)			(4,674,800)			
Average Diluted Shares Outstanding		44,011,000	44,680,000	45,309,000	45,309,000	45,309,000
Reported FD EPS						
Zacks Adjusted Cash EPS		**0.04**	**(0.19)**	**(0.05)**	**0.05**	**0.22**
Zacks EPS		**(0.79)**	**(0.83)**	**(0.60)**	**(0.20)**	**(0.02)**

KEY PRODUCTS

- **Precision Worm Shafts (Steering Worms)**
  - Application: automotive/electric power steering
  - Competitive Advantage: Turning, milling, griding (some are heat treated)
  - Distribution: France, Brazil, China, US

- **Terminal Assemblies**
  - Application: Electrical/Smart Meters
  - Competitive Advantage: Stamping, Contacts, Over-molding, Assembly
  - Distribution: Attleboro, Massachusetts

- **Electric Motor Shafts**
  - Application: Automotive/ Window/Seat/Wiper Motors
  - Competitive Advantage: Turning, Milling, Rolling, Grinding, Heat Treating
  - Distribution: France, Poland, Brazil

- **Terminal Assemblies**
  - Application: Electrical/Smart Meters
  - Competitive Advantage: Stamping, Contacts, Over-molding, Assembly
  - Distribution: Attleboro, Massachusetts

- **Electrical Contacts**
  - Application: Electrical (100s of various applications)
  - Competitive Advantage: Forming, Cladding, Plating, Machining, Precision Cleaning
  - Distribution: Massachusetts, China

- **Electrical Contact Assemblies**
  - Application: Electrical/ Grid and General Industrial
  - Competitive Advantage: Forming, Contact Manufacturing, Machining, Stamping, Plating, Brazing, Heat Treating, Assembly
  - Distribution: Massachusetts, China, Mexico City

- **High Voltage Connector Shields**
  - Application: Automotive/ EV Battery Connectors
  - Competitive Advantage: Stamping, Custom Tooling, Precision Cleaning
  - Distribution: Algonquin, IL, Attleboro, MA

- **Emissions Components- Diesel**
  - Application: General Industrial/Diesel After-Treatment
  - Competitive Advantage: Turning, Micro-milling, Heat Treating, Honing, EDM Drilling, Grinding, Deburr, Precision Washing
  - Distribution: Kentwood, MI

- **Electrical Reversing Switch**
  - Application: General Industrial/ Garbage Disposal
  - Competitive Advantage: Stamping, Riveting, Contact Manufacturing, Molding, Assembly
  - Distribution: Mexico City, Attleboro, MA

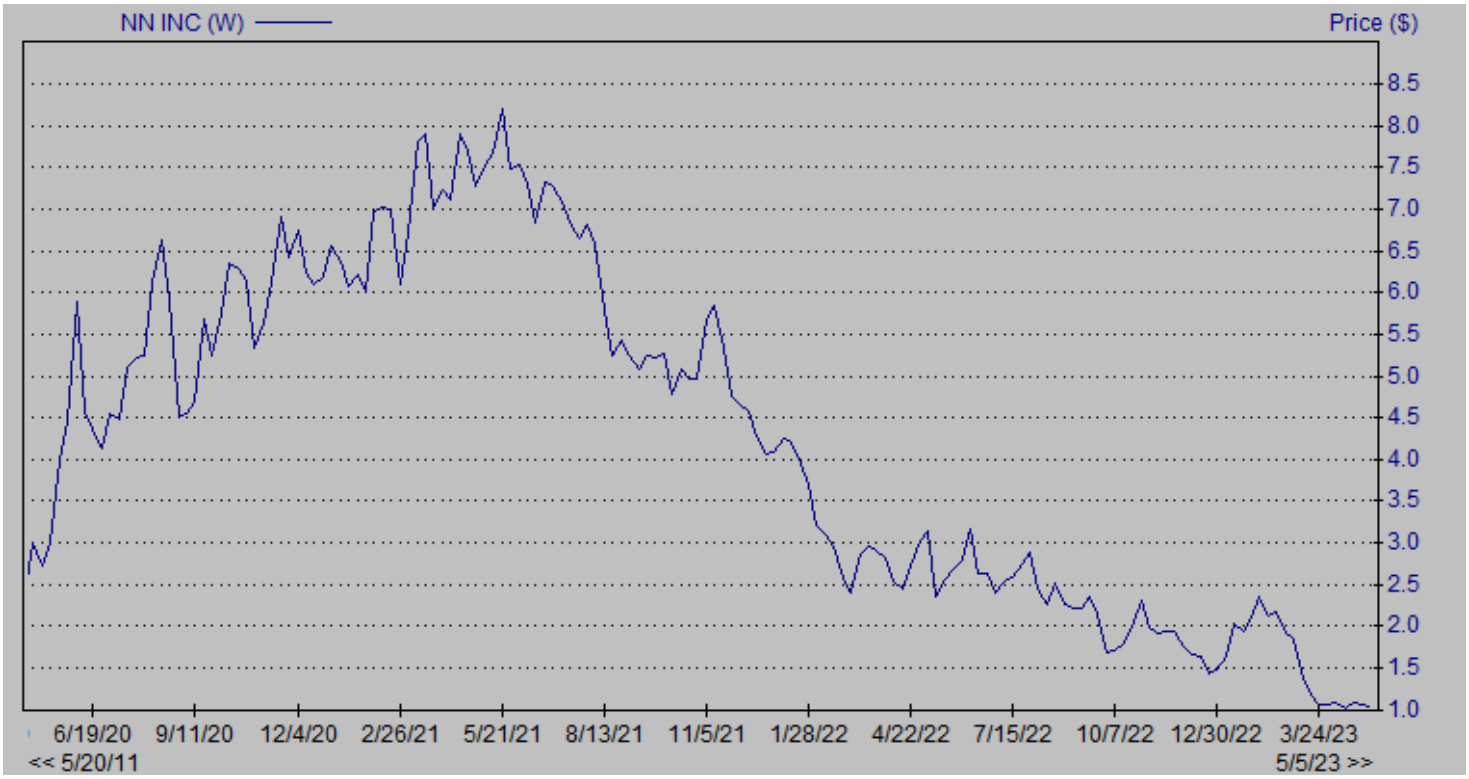
- **Electrical Contact Assemblies**
  - Application: Electrical/ Grid and General Industrial
  - Competitive Advantage: Forming, Contact Manufacturing, Machining, Stamping, Plating, Brazing, Heat Treating, Assembly
  - Distribution: Massachusetts, China, Mexico City

- **Steering Shafts and Pinions**
  - Application: Automotive/ Electric Power Steering
  - Competitive Advantage: Forming, Turing, Milling, Gear Hobbing, Heat Treating, Grinding
  - Distribution: Wellington, OH, Juarez, MX, France, Dowagiac, Michigan



Source: NN Investor Presentation

HISTORICAL STOCK PRICE



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