# UNITED STATES SECURITIES AND EXCHANGE COMMISSION
# WASHINGTON, D.C. 20549

# FORM 10-Q

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended March 31, 2021**

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____________ to _____________

Commission File Number: 1-14303

## AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

(Exact Name of Registrant as Specified in Its Charter)

| | |
|---|---|
| **Delaware** | **38-3161171** |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |
| **One Dauch Drive, Detroit, Michigan** | **48211-1198** |
| (Address of Principal Executive Offices) | (Zip Code) |

**(313) 758-2000**

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.01 per share | AXL | New York Stock Exchange |

As of May 4, 2021, the latest practicable date, the number of shares of the registrant's Common Stock, par value $0.01 per share, outstanding was 113,988,342 shares.

**Internet Website Access to Reports**

The website for American Axle & Manufacturing Holdings, Inc. is *www.aam.com.* Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

**AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.**
**FORM 10-Q**
**FOR THE QUARTER ENDED MARCH 31, 2021**
**TABLE OF CONTENTS**


| | | | Page Number |
|---|---|---|---|
| FORWARD-LOOKING STATEMENTS | | | 1 |
| Part I | | FINANCIAL INFORMATION | 2 |
| | Item 1 | Financial Statements | 2 |
| | | Condensed Consolidated Statements of Operations | 2 |
| | | Condensed Consolidated Statements of Comprehensive Income (Loss) | 3 |
| | | Condensed Consolidated Balance Sheets | 4 |
| | | Condensed Consolidated Statements of Cash Flows | 5 |
| | | Condensed Consolidated Statements of Stockholders' Equity | 6 |
| | | Notes to Condensed Consolidated Financial Statements | 7 |
| | Item 2 | Management's Discussion and Analysis of Financial Condition and Results of Operations | 28 |
| | Item 3 | Quantitative and Qualitative Disclosures About Market Risk | 36 |
| | Item 4 | Controls and Procedures | 37 |
| Part II | | OTHER INFORMATION | 38 |
| | Item 1A | Risk Factors | 38 |
| | Item 2 | Unregistered Sales of Equity Securities and Use of Proceeds | 38 |
| | Item 6 | Exhibits | 39 |
| | | Signatures | 40 |

## FORWARD-LOOKING STATEMENTS

In this Quarterly Report on Form 10-Q (Quarterly Report), we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. Such statements are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995 and relate to trends and events that may affect our future financial position and operating results. The terms such as “will,” “may,” “could,” “would,” “plan,” “believe,” “expect,” “anticipate,” “intend,” “project,” "target," and similar words or expressions, as well as statements in future tense, are intended to identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management’s good faith belief as of that time with respect to future events and are subject to risks and may differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- significant disruptions in production, sales and/or supply as a result of public health crises, including pandemic or epidemic illness such as Novel Coronavirus (COVID-19), or otherwise;
- global economic conditions;
- reduced purchases of our products by General Motors Company (GM), Stellantis N.V. (Stellantis), Ford Motor Company (Ford) or other customers;
- our ability to respond to changes in technology, increased competition or pricing pressures;
- our ability to develop and produce new products that reflect market demand;
- lower-than-anticipated market acceptance of new or existing products;
- our ability to attract new customers and programs for new products;
- reduced demand for our customers' products (particularly light trucks and sport utility vehicles (SUVs) produced by GM, Stellantis and Ford);
- risks inherent in our global operations (including tariffs and the potential consequences thereof to us, our suppliers, and our customers and their suppliers, adverse changes in trade agreements, such as United States-Mexico-Canada Agreement (USMCA), immigration policies, political stability, taxes and other law changes, potential disruptions of production and supply, and currency rate fluctuations);
- a significant disruption in operations at one or more of our key manufacturing facilities;
- negative or unexpected tax consequences;
- risks related to a failure of our information technology systems and networks, and risks associated with current and emerging technology threats and damage from computer viruses, unauthorized access, cyber attacks and other similar disruptions;
- supply shortages, such as the semiconductor shortage that the automotive industry is currently experiencing, or price increases in raw material and/or freight, utilities or other operating supplies for us or our customers as a result of pandemics, natural disasters or otherwise;
- availability of financing for working capital, capital expenditures, research and development (R&D) or other general corporate purposes including acquisitions, as well as our ability to comply with financial covenants;
- our customers' and suppliers' availability of financing for working capital, capital expenditures, R&D or other general corporate purposes;
- an impairment of our goodwill, other intangible assets, or long-lived assets if our business or market conditions indicate that the carrying values of those assets exceed their fair values;
- liabilities arising from warranty claims, product recall or field actions, product liability and legal proceedings to which we are or may become a party, or the impact of product recall or field actions on our customers;
- our ability or our customers' and suppliers' ability to successfully launch new product programs on a timely basis;
- our ability to maintain satisfactory labor relations and avoid work stoppages;
- our suppliers', our customers' and their suppliers' ability to maintain satisfactory labor relations and avoid work stoppages;
- our ability to achieve the level of cost reductions required to sustain global cost competitiveness;
- our ability to realize the expected revenues from our new and incremental business backlog;
- price volatility in, or reduced availability of, fuel;
- our ability to protect our intellectual property and successfully defend against assertions made against us;
- risks of noncompliance with environmental laws and regulations or risks of environmental issues that could result in unforeseen costs at our facilities, or reputational damage;
- adverse changes in laws, government regulations or market conditions affecting our products or our customers' products;
- our ability or our customers' and suppliers' ability to comply with regulatory requirements and the potential costs of such compliance;
- changes in liabilities arising from pension and other postretirement benefit obligations;
- our ability to attract and retain key associates; and
- other unanticipated events and conditions that may hinder our ability to compete.

It is not possible to foresee or identify all such factors and any or all of the foregoing factors may be exacerbated by COVID-19. Further, we make no commitment to update any forward-looking statement or to disclose any facts, events or circumstances after the date hereof that may affect the accuracy of any forward-looking statement.

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

### AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
### CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
***(Unaudited)***

| | Three Months Ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| | *(in millions, except per share data)* | |
| Net sales | **$ 1,425.1** | $ 1,343.5 |
| Cost of goods sold | **1,198.0** | 1,148.2 |
| Gross profit | **227.1** | 195.3 |
| Selling, general and administrative expenses | **90.0** | 90.3 |
| Amortization of intangible assets | **21.5** | 21.8 |
| Impairment charges (Note 4) | — | 510.0 |
| Restructuring and acquisition-related costs | **17.5** | 17.6 |
| Loss on sale of business | **2.6** | 1.0 |
| Operating income (loss) | **95.5** | (445.4) |
| Interest expense | **(51.1)** | (51.5) |
| Interest income | **2.9** | 2.8 |
| Other income (expense) | | |
| Debt refinancing and redemption costs | **(1.1)** | (1.5) |
| Other income (expense), net | **1.2** | (2.3) |
| Income (loss) before income taxes | **47.4** | (497.9) |
| Income tax expense | **8.8** | 3.3 |
| Net income (loss) | **$ 38.6** | $ (501.2) |
| Net income attributable to noncontrolling interests | — | (0.1) |
| Net income (loss) attributable to AAM | **$ 38.6** | $ (501.3) |
| Basic earnings (loss) per share | **$ 0.33** | $ (4.45) |
| Diluted earnings (loss) per share | **$ 0.33** | $ (4.45) |

*See accompanying notes to condensed consolidated financial statements.*

**AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
***(Unaudited)***

| | Three Months Ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| | *(in millions)* | |
| Net income (loss) | **$ 38.6** | $ (501.2) |
| | | |
| Other comprehensive income (loss) | | |
| Defined benefit plans, net of tax [(a)] | **2.1** | 1.6 |
| Foreign currency translation adjustments | **(11.0)** | (48.8) |
| Changes in cash flow hedges, net of tax [(b)] | **(0.3)** | (34.7) |
| Other comprehensive loss | **(9.2)** | (81.9) |
| | | |
| Comprehensive income (loss) | **$ 29.4** | $ (583.1) |
| | | |
| Net income attributable to noncontrolling interests | **—** | (0.1) |
| Foreign currency translation adjustments attributable to noncontrolling interests | **—** | 0.3 |
| | | |
| Comprehensive income (loss) attributable to AAM | **$ 29.4** | $ (582.9) |

*(a) Amounts are net of tax of $(0.6) million for the three months ended March 31, 2021, and $(0.4) million for the three months ended March 31, 2020, respectively.*

*(b) Amounts are net of tax of $(1.3) million for the three months ended March 31, 2021, and $2.3 million for the three months ended March 31, 2020, respectively.*

*See accompanying notes to condensed consolidated financial statements.*

**AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| | *(Unaudited)* | |
| **Assets** | *(in millions)* | |
| Current assets | | |
| Cash and cash equivalents | **$ 601.2** | $ 557.0 |
| Accounts receivable, net | **852.8** | 793.2 |
| Inventories, net | **338.1** | 323.2 |
| Prepaid expenses and other | **190.3** | 203.6 |
| Total current assets | **1,982.4** | 1,877.0 |
| Property, plant and equipment, net | **2,115.8** | 2,163.8 |
| Deferred income taxes | **106.7** | 107.8 |
| Goodwill | **184.7** | 185.7 |
| Other intangible assets, net | **759.4** | 780.7 |
| GM postretirement cost sharing asset | **235.1** | 237.0 |
| Operating lease right-of-use assets | **120.0** | 116.6 |
| Other assets and deferred charges | **432.8** | 447.7 |
| Total assets | **$ 5,936.9** | $ 5,916.3 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities | | |
| Current portion of long-term debt | **$ 13.7** | $ 13.7 |
| Accounts payable | **655.4** | 578.9 |
| Accrued compensation and benefits | **158.3** | 170.9 |
| Deferred revenue | **23.2** | 23.4 |
| Current portion of operating lease liabilities | **22.9** | 22.6 |
| Accrued expenses and other | **168.6** | 169.8 |
| Total current liabilities | **1,042.1** | 979.3 |
| Long-term debt, net | **3,360.9** | 3,441.3 |
| Deferred revenue | **93.0** | 91.0 |
| Deferred income taxes | **12.9** | 13.2 |
| Long-term portion of operating lease liabilities | **97.7** | 94.4 |
| Postretirement benefits and other long-term liabilities | **929.0** | 923.9 |
| Total liabilities | **5,535.6** | 5,543.1 |
| Stockholders' equity | | |
| Common stock, par value $0.01 per share; 150.0 million shares authorized; | | |
| 122.3 million shares issued as of March 31, 2021 and 121.3 million shares issued as of December 31, 2020 | **1.3** | 1.2 |
| Paid-in capital | **1,338.6** | 1,333.3 |
| Accumulated deficit | **(281.2)** | (319.8) |
| Treasury stock at cost, 8.4 million shares as of March 31, 2021 and 8.0 million shares as of December 31, 2020 | **(216.0)** | (212.0) |
| Accumulated other comprehensive loss | | |
| Defined benefit plans, net of tax | **(308.9)** | (311.0) |
| Foreign currency translation adjustments | **(112.1)** | (101.1) |
| Unrecognized loss on cash flow hedges, net of tax | **(20.4)** | (20.1) |
| Total AAM stockholders' equity | **401.3** | 370.5 |
| Noncontrolling interests in subsidiaries | **—** | 2.7 |
| Total stockholders' equity | **401.3** | 373.2 |
| Total liabilities and stockholders' equity | **$ 5,936.9** | $ 5,916.3 |

*See accompanying notes to condensed consolidated financial statements.*

**AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
***(Unaudited)***

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 |
|---|---|---|
| | *(in millions)* | |
| **Operating activities** | | |
| Net income (loss) | **$ 38.6** | $ (501.2) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | |
| Depreciation and amortization | **142.0** | 129.6 |
| Impairment charges | **—** | 510.0 |
| Deferred income taxes | **0.8** | 36.0 |
| Stock-based compensation | **5.3** | 4.6 |
| Pensions and other postretirement benefits, net of contributions | **(4.3)** | (1.8) |
| Loss on sale of business | **2.6** | 1.0 |
| Loss (gain) on disposal of property, plant and equipment, net | **(0.2)** | 5.1 |
| Debt refinancing and redemption costs | **1.1** | 1.5 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | **(66.4)** | 11.3 |
| Inventories | **(19.6)** | (27.1) |
| Accounts payable and accrued expenses | **75.4** | 12.7 |
| Deferred revenue | **4.9** | (1.9) |
| Other assets and liabilities | **(1.1)** | (40.4) |
| Net cash provided by operating activities | **179.1** | 139.4 |
| **Investing activities** | | |
| Purchases of property, plant and equipment | **(39.6)** | (69.7) |
| Proceeds from sale of property, plant and equipment | **—** | 0.5 |
| Proceeds from sale of business, net of cash divested | **(0.8)** | — |
| Net cash used in investing activities | **(40.4)** | (69.2) |
| **Financing activities** | | |
| Proceeds from Revolving Credit Facility | **—** | 200.0 |
| Proceeds from issuance of long-term debt | **21.8** | 2.4 |
| Payments of long-term debt | **(107.3)** | (113.3) |
| Purchase of treasury stock | **(4.0)** | (2.4) |
| Other financing activities | **(1.1)** | 1.0 |
| Net cash provided by (used in) financing activities | **(90.6)** | 87.7 |
| Effect of exchange rate changes on cash | **(3.9)** | (7.2) |
| Net increase in cash and cash equivalents | **44.2** | 150.7 |
| **Cash and cash equivalents at beginning of period** | **557.0** | 532.0 |
| **Cash and cash equivalents at end of period** | **$ 601.2** | $ 682.7 |
| **Supplemental cash flow information** | | |
| Interest paid | **$ 43.3** | $ 34.1 |
| Income taxes paid, net | **$ 0.2** | $ 4.2 |

*See accompanying notes to condensed consolidated financial statements.*

## AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
## CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
*(Unaudited)*

| | Common Stock | | | | | Accumulated | Noncontrolling |
|---|---|---|---|---|---|---|---|
| | Shares Outstanding | Par Value | Paid-in Capital | Retained Earnings (Accumulated Deficit) | Treasury Stock | Other Comprehensive Income (Loss) | Interest in Subsidiaries |
| | | | | *(in millions)* | | | |
| **Balance at January 1, 2020** | 112.6 | $ 1.2 | $ 1,313.9 | $ 248.6 | $ (209.3) | $ (376.8) | $ 2.8 |
| Net income (loss) | — | — | — | (501.3) | — | — | 0.1 |
| Vesting of restricted stock units and performance shares | 0.8 | — | — | — | — | — | — |
| Stock-based compensation | — | — | 4.6 | — | — | — | — |
| Modified-retrospective application of ASU 2016-13 | — | — | — | (7.1) | — | — | — |
| Purchase of treasury stock | (0.4) | — | — | — | (2.4) | — | — |
| Changes in cash flow hedges | — | — | — | — | — | (34.7) | — |
| Foreign currency translation adjustments | — | — | — | — | — | (48.5) | (0.3) |
| Defined benefit plans, net | — | — | — | — | — | 1.6 | — |
| **Balance at March 31, 2020** | 113.0 | $ 1.2 | $ 1,318.5 | $ (259.8) | $ (211.7) | $ (458.4) | $ 2.6 |
| | | | | | | | |
| **Balance at January 1, 2021** | **113.3** | **$ 1.2** | **$ 1,333.3** | **$ (319.8)** | **$ (212.0)** | **$ (432.2)** | **$ 2.7** |
| Net income | — | — | — | **38.6** | — | — | — |
| Vesting of restricted stock units and performance shares | **1.0** | **0.1** | — | — | — | — | — |
| Stock-based compensation | — | — | **5.3** | — | — | — | — |
| Purchase of treasury stock | **(0.4)** | — | — | — | **(4.0)** | — | — |
| Changes in cash flow hedges | — | — | — | — | — | **(0.3)** | — |
| Foreign currency translation adjustments | — | — | — | — | — | **(11.0)** | — |
| Defined benefit plans, net | — | — | — | — | — | **2.1** | — |
| Sale of business (Note 1) | — | — | — | — | — | — | **(2.7)** |
| **Balance at March 31, 2021** | **113.9** | **$ 1.3** | **$ 1,338.6** | **$ (281.2)** | **$ (216.0)** | **$ (441.4)** | **$ —** |

*See accompanying notes to condensed consolidated financial statements.*

## AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.
## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
## MARCH 31, 2021
*(Unaudited)*

### 1. ORGANIZATION AND BASIS OF PRESENTATION

**Organization** We are a global Tier 1 supplier to the automotive industry. We design, engineer and manufacture driveline and metal forming technologies that are making the next generation of vehicles smarter, lighter, safer and more efficient. We employ approximately 20,000 associates, operating at nearly 80 facilities in 17 countries, to support our customers on global and regional platforms with a continued focus on delivering quality, operational excellence and technology leadership.

**Basis of Presentation** We have prepared the accompanying interim condensed consolidated financial statements in accordance with the instructions to Form 10-Q under the Securities Exchange Act of 1934. These condensed consolidated financial statements are unaudited but include all normal recurring adjustments, which we consider necessary for a fair presentation of the information set forth herein. Results of operations for the periods presented are not necessarily indicative of the results for the full fiscal year.

The balance sheet at December 31, 2020 presented herein has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (GAAP) for complete consolidated financial statements.

In order to prepare the accompanying interim condensed consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts and disclosures in our interim condensed consolidated financial statements. These estimates and assumptions are impacted by risks and uncertainties, including those associated with the Novel Coronavirus (COVID-19) pandemic and the semiconductor supply shortage that is impacting the automotive industry. While we have made estimates and assumptions based on the facts and circumstances available as of the date of this report, the full impact of COVID-19 and the semiconductor shortage cannot be predicted, and actual results could differ materially from those estimates and assumptions.

For further information, refer to the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2020.

**Sale of Interest in Consolidated Joint Venture**

In the first quarter of 2021, we completed the sale of substantially all of our ownership interest in a consolidated joint venture and received cash proceeds of approximately $2.4 million. As a result of the sale and deconsolidation of this joint venture, we recognized a loss of $2.6 million. Subsequent to the sale of this joint venture, we no longer present noncontrolling interest in our condensed consolidated financial statements as all consolidated entities are wholly-owned.

**Commencement of Lease of European Headquarters and Engineering Center (EHEC)**

In the first quarter of 2021, the lease of our new EHEC in Langen, Germany commenced. This lease has a term of 20 years and is classified as a finance lease. We recognized a right-of-use (ROU) asset and finance lease liability of approximately $49 million upon commencement of this lease. The ROU asset is presented in Property, plant and equipment, net and the finance lease liability is presented in Accrued expenses and other (current portion), and Postretirement benefits and other long-term liabilities (long-term portion) in our Condensed Consolidated Balance Sheet at March 31, 2021.

**Effect of New Accounting Standards and Other Regulatory Pronouncements**

*Accounting Standard Update 2020-04*

On March 12, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2020-04 - *Reference Rate Reform (Topic 848),* and has subsequently issued ASU 2021-01 - *Reference Rate Reform (Topic 848)*. This guidance provides optional expedients and exceptions that are intended to ease the burden of updating contracts to contain a new reference rate due to the discontinuation of the London Inter-Bank Offered Rate (LIBOR). This guidance is available immediately and may be implemented in any period prior to the guidance expiration on December 31, 2022. We expect to utilize certain of the optional expedients and exceptions available under ASU 2020-04 and ASU 2021-01 and we do not expect the adoption of this guidance to have a material impact on our financial statements.

*Accounting Standard Update 2019-12*

On December 18, 2019, the FASB issued ASU 2019-12 - *Income Taxes (Topic 740)*. This guidance is intended to simplify the accounting and disclosure requirements for income taxes by removing various exceptions and requires that the effect of an enacted change in tax laws or rates be included in the annual effective tax rate computation in the interim period of the enactment. This guidance became effective and we adopted this guidance on January 1, 2021. The adoption of this guidance did not have a material impact on our consolidated financial statements.

*Coronavirus Aid, Relief, and Economic Security Act*

The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was enacted on March 27, 2020 in the United States. The key provisions of the CARES Act, as they remain applicable to AAM, include the following:

- The ability to use net operating losses (NOLs) to offset income without the 80% taxable income limitation enacted as part of the Tax Cuts and Jobs Act (TCJA) of 2017, and to carry back NOLs to offset prior year income for five years. These are temporary provisions that apply to NOLs incurred in 2018, 2019 or 2020 tax years. We recognized a tax benefit of $14.4 million for the year ended December 31, 2020 related to our ability to carry back prior year losses, as well as projected current year losses, under the CARES Act to years with the previous 35% tax rate. We received an income tax refund of approximately $6.0 million during the first quarter of 2021 as a result of this provision of the CARES Act.
- The ability to defer the payment of the employer portion of social security taxes incurred between March 27, 2020 and December 31, 2020, with 50% of the deferred amount to be paid by December 31, 2021 and the remaining 50% to be paid by December 31, 2022. At March 31, 2021, we had deferred $15.2 million of social security taxes that will be paid in the fourth quarter of 2021 and the fourth quarter of 2022.
- The ability to claim an Employee Retention Credit (ERC), which is a refundable payroll tax credit, for 50% of qualified wages or benefits, subject to certain limitations, that are paid to an employee when they are not providing services due to COVID-19. The ERC applied to qualified wages paid or incurred during the period March 13, 2020 through December 31, 2020 and was available to eligible employers whose operations were fully or partially suspended due to COVID-19, or whose gross receipts declined by more than 50% when compared to the applicable period in the prior year. At March 31, 2021, we have a refundable ERC amount of $6.7 million included in Prepaid expenses and other in our Condensed Consolidated Balance Sheet.

**2. RESTRUCTURING AND ACQUISITION-RELATED COSTS**

In the first quarter of 2020, we initiated a new global restructuring program (the 2020 Program). The primary objectives of the 2020 Program are to achieve efficiencies within our corporate and business unit support teams to reduce cost in our business, and to structurally adjust our operations based on the impact of COVID-19. We expect to incur costs under the 2020 Program into 2022.

A summary of our restructuring activity for the first three months of 2021 and 2020 is shown below:

| | Severance Charges | Implementation Costs | Total |
|---|---|---|---|
| | | *(in millions)* | |
| **Accrual at December 31, 2019** | $ 4.8 | $ 7.4 | $ 12.2 |
| Charges | 2.2 | 12.5 | 14.7 |
| Cash utilization | (6.6) | (5.5) | (12.1) |
| **Accrual at March 31, 2020** | $ 0.4 | $ 14.4 | $ 14.8 |
| | | | |
| **Accrual at December 31, 2020** | **$ 1.7** | **$ 9.8** | **$ 11.5** |
| Charges | **0.5** | **16.0** | **16.5** |
| Cash utilization | **(2.2)** | **(19.4)** | **(21.6)** |
| **Accrual at March 31, 2021** | **$ —** | **$ 6.4** | **$ 6.4** |

As part of our restructuring actions, we incurred total severance charges of approximately $0.5 million and $2.2 million during the three months ended March 31, 2021 and 2020, respectively. We also incurred total implementation costs of approximately $16.0 million and $12.5 million during the three months ended March 31, 2021 and 2020, respectively. Implementation costs consist primarily of professional fees and plant exit costs.

Substantially all of the restructuring costs incurred during the three months ended March 31, 2021 were under the 2020 Program. Approximately $1.2 million and $0.5 million of our total restructuring costs for the three months ended March 31, 2021 related to our Driveline and Metal Forming segments, respectively, while the remainder were corporate costs. Approximately $6.8 million and $5.2 million of our total restructuring costs for the three months ended March 31, 2020 related to our Driveline and Metal Forming segments, respectively, while the remainder were corporate costs. We expect to incur approximately $50 million to $65 million of total restructuring charges in 2021, including costs incurred under the 2020 Program.

During the three months ended March 31, 2021 and 2020, we incurred the following integration charges primarily related to the integration of MPG:

| | Integration Expenses |
|---|---|
| | *(in millions)* |
| Charges for the three months ended March 31, 2021 | **$ 1.0** |
| Charges for the three months ended March 31, 2020 | 2.9 |

These integration expenses primarily reflect costs incurred for information technology infrastructure and enterprise resource planning systems. Total restructuring charges and acquisition-related charges are presented on a separate line item titled Restructuring and acquisition-related costs in our Condensed Consolidated Statements of Operations, and totaled $17.5 million for the three months ended March 31, 2021 and $17.6 million for the three months ended March 31, 2020.

## 3. INVENTORIES

We state our inventories at the lower of cost or net realizable value. The cost of our inventories is determined using the first-in first-out method. When we determine that our gross inventories exceed usage requirements, or if inventories become obsolete or otherwise not saleable, we record a provision for such loss as a component of our inventory accounts.

Inventories consist of the following:

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| | *(in millions)* | |
| Raw materials and work-in-progress | **$ 296.3** | $ 276.2 |
| Finished goods | **65.6** | 70.4 |
| Gross inventories | **361.9** | 346.6 |
| Inventory valuation reserves | **(23.8)** | (23.4) |
| Inventories, net | **$ 338.1** | $ 323.2 |

## 4. GOODWILL AND OTHER INTANGIBLE ASSETS

**Goodwill** The following table provides a reconciliation of changes in goodwill for the three months ended March 31, 2021:

| | Consolidated |
|---|---|
| | *(in millions)* |
| **Balance at December 31, 2020** | **$ 185.7** |
| Foreign currency translation | **(1.0)** |
| **Balance at March 31, 2021** | **$ 184.7** |

We conduct our annual goodwill impairment test in the fourth quarter of each year, as well as whenever adverse events or changes in circumstances indicate a possible impairment. In performing this test, we utilize a third-party valuation specialist to assist management in determining the fair value of our reporting units. Fair value of each reporting unit is estimated based on a combination of discounted cash flows and the use of pricing multiples derived from an analysis of comparable public companies multiplied against historical and/or anticipated financial metrics of each reporting unit. These calculations contain uncertainties as they require management to make assumptions including, but not limited to, market comparables, future cash flows of the reporting units, and appropriate discount and long-term growth rates. This fair value determination is categorized as Level 3 within the fair value hierarchy.

In the first quarter of 2020, the reduction in global automotive production volumes caused by the impact of COVID-19 represented an indicator to test our goodwill for impairment. This reduction in production volumes began in March of 2020 and resulted in lower forecasted sales volumes in the periods included in our long-range plan as revised in the first quarter of 2020.

As a result of this goodwill impairment test in the first quarter of 2020, we determined that the carrying values of both our Driveline and Metal Forming reporting units were greater than their respective fair values. As such, we recorded a goodwill impairment charge of $510.0 million in the first quarter of 2020, of which $210.8 million was associated with our Driveline reporting unit and $299.2 million was associated with our Metal Forming reporting unit. The Metal Forming impairment charge represented a full impairment of the goodwill associated with that reporting unit. As a result, all remaining goodwill is attributable to our Driveline reporting unit.

These impairment charges were primarily the result of a decline in the projected cash flows of these reporting units under our revised long-range plan completed in the first quarter of 2020. The revision to our long-range plan was driven by lower forecasted sales volumes in the internal and external data sources used to form our projections primarily due to the reduction in global automotive production volumes caused by the impact of COVID-19. The impairment charges were also the result of changes in certain market-related inputs to the analysis to reflect macro-economic changes caused by the impact of COVID-19, including increased discount rates and lower pricing multiples for comparable public companies. At March 31, 2021, accumulated goodwill impairment losses were $1,435.5 million.

The reduction in production volumes and changes to macro-economic factors caused by the impact of COVID-19 also represented an indicator to test our long-lived assets, including other intangible assets and property, plant and equipment, for impairment. We completed this test in the first quarter of 2020 and there was no impairment of these assets.

**Other Intangible Assets** The following table provides a reconciliation of the gross carrying amount and associated accumulated amortization for AAM's other intangible assets, which are all subject to amortization:

| | March 31, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | **Gross Carrying Amount** | **Accumulated Amortization** | **Net Carrying Amount** | **Gross Carrying Amount** | **Accumulated Amortization** | **Net Carrying Amount** |
| | | | *(in millions)* | | | |
| Capitalized computer software | **$ 47.9** | **$ (35.3)** | **$ 12.6** | $ 47.6 | $ (33.9) | $ 13.7 |
| Customer platforms | **856.2** | **(253.7)** | **602.5** | 856.2 | (237.9) | 618.3 |
| Customer relationships | **53.0** | **(13.7)** | **39.3** | 53.0 | (12.8) | 40.2 |
| Technology and other | **156.3** | **(51.3)** | **105.0** | 156.7 | (48.2) | 108.5 |
| **Total** | **$ 1,113.4** | **$ (354.0)** | **$ 759.4** | $ 1,113.5 | $ (332.8) | $ 780.7 |

Amortization expense for our intangible assets was $21.5 million for the three months ended March 31, 2021, and $21.8 million for the three months ended March 31, 2020, respectively. Estimated amortization expense for the years 2021 through 2025 is expected to be in the range of approximately $80 million to $85 million per year.

## 5. LONG-TERM DEBT

Long-term debt consists of the following:

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| | *(in millions)* | |
| Revolving Credit Facility | **$ —** | $ — |
| Term Loan A Facility due 2024 | **318.8** | 323.0 |
| Term Loan B Facility due 2024 | **988.8** | 1,088.8 |
| 6.875% Notes due 2028 | **400.0** | 400.0 |
| 6.50% Notes due 2027 | **500.0** | 500.0 |
| 6.25% Notes due 2026 | **400.0** | 400.0 |
| 6.25% Notes due 2025 | **700.0** | 700.0 |
| Foreign credit facilities and other | **109.0** | 88.8 |
| Total debt | **3,416.6** | 3,500.6 |
| Less: Current portion of long-term debt | **13.7** | 13.7 |
| Long-term debt | **3,402.9** | 3,486.9 |
| Less: Debt issuance costs | **42.0** | 45.6 |
| Long-term debt, net | **$ 3,360.9** | $ 3,441.3 |

***Senior Secured Credit Facilities*** In 2017, American Axle & Manufacturing Holdings, Inc. (Holdings) and American Axle & Manufacturing, Inc. (AAM, Inc.) entered into a credit agreement (the Credit Agreement). In connection with the Credit Agreement, Holdings, AAM, Inc. and certain of their restricted subsidiaries entered into a Collateral Agreement and Guarantee Agreement with the financial institutions party thereto. The Credit Agreement, as amended in July 2019 (First Amendment), includes a $340 million term loan A facility (the Term Loan A Facility due 2024), a $1.55 billion term loan B facility (the Term Loan B Facility due 2024) and a $925 million multi-currency revolving credit facility (the Revolving Credit Facility, and together with the Term Loan A Facility due 2024 and the Term Loan B Facility due 2024, the Senior Secured Credit Facilities). The Term Loan A Facility due 2024 and the Term Loan B Facility due 2024 have been paid down from the original amounts through both scheduled and voluntary payments. There are no scheduled payments under the Term Loan B due 2024 until maturity.

In April 2020, Holdings, AAM, Inc., and certain subsidiaries of Holdings entered into the Second Amendment (Second Amendment) to the Credit Agreement. For the period from April 1, 2020 through March 31, 2022 (the Amendment Period), the Second Amendment, among other things, replaced the total net leverage ratio covenant with a new senior secured net leverage ratio covenant, reduced the minimum levels of the cash interest expense coverage ratio covenant, and modified certain covenants restricting the ability of Holdings, AAM and certain subsidiaries of Holdings to create, incur, assume or permit to exist certain additional indebtedness and liens and to make certain restricted payments, voluntary payments and distributions. The Second Amendment also increased the maximum levels of the total net leverage ratio covenant after the Amendment Period, modified the applicable margin with respect to interest rates under the Term Loan A Facility due 2024 and interest rates and commitment fees under the Revolving Credit Facility, and increased the minimum adjusted London Interbank Offered Rate for Eurodollar-based loans under the Term Loan A Facility due 2024 and Revolving Credit Facility. The applicable margin for the Term Loan B Facility remains unchanged.

In February 2021, we made a voluntary prepayment of $100.0 million on our Term Loan B Facility due 2024 and $4.3 million on our Term Loan A Facility due 2024. As a result, we expensed approximately $1.1 million for the write-off of a portion of the unamortized debt issuance costs that we had been amortizing over the expected life of these borrowings.

At March 31, 2021, we had $894.1 million available under the Revolving Credit Facility. This availability reflects a reduction of $30.9 million for standby letters of credit issued against the facility. The proceeds of the Revolving Credit Facility are used for general corporate purposes.

The Senior Secured Credit Facilities provide back-up liquidity for our foreign credit facilities. We intend to use the availability of long-term financing under the Senior Secured Credit Facilities to refinance any current maturities related to such debt agreements that are not otherwise refinanced on a long-term basis in their local markets, except where otherwise reclassified to Current portion of long-term debt on our Condensed Consolidated Balance Sheet.

***Subsequent Event*** In April 2021, we made a voluntary prepayment of $88.8 million on our Term Loan B Facility due 2024. As a result, we expect to expense approximately $0.9 million for the write-off of a portion of the unamortized debt issuance costs that we had been amortizing over the expected life of the borrowing.

***Redemption of 6.625% Notes due 2022*** In the first quarter of 2020, we voluntarily redeemed a portion of our 6.625% Notes due 2022. This resulted in a principal payment of $100.0 million and $2.0 million in accrued interest. We also expensed approximately $0.4 million for the write-off of a portion of the unamortized debt issuance costs that we had been amortizing over the expected life of the borrowing, and approximately $1.1 million for an early redemption premium.

***Foreign credit facilities*** We utilize local currency credit facilities to finance the operations of certain foreign subsidiaries. At March 31, 2021, $109.0 million was outstanding under our foreign credit facilities, as compared to $88.8 million at December 31, 2020. At March 31, 2021, an additional $58.6 million was available under our foreign credit facilities.

***Weighted-Average Interest Rate*** The weighted-average interest rate of our long-term debt outstanding was 5.8% at both March 31, 2021 and December 31, 2020.

## 6. DERIVATIVES

Our business and financial results are affected by fluctuations in global financial markets, including interest rates and currency exchange rates. Our hedging policy has been developed to manage these risks to an acceptable level based on management's judgment of the appropriate trade-off between risk, opportunity and cost. We do not hold financial instruments for trading or speculative purposes.

***Currency derivative contracts*** From time to time, we use foreign currency forward contracts to reduce the effects of fluctuations in exchange rates relating to certain foreign currencies. As of March 31, 2021 and December 31, 2020, we had currency forward contracts outstanding with a total notional amount of $171.3 million and $178.2 million, respectively, that hedge our exposure to changes in foreign currency exchange rates for certain payroll expenses into the fourth quarter of 2023 and the purchase of certain direct and indirect inventory and other working capital items into the fourth quarter of 2021.

***Fixed-to-fixed cross-currency swap*** In 2019, we entered into a fixed-to-fixed cross-currency swap to reduce the variability of functional currency equivalent cash flows associated with changes in exchange rates on certain Euro-based intercompany loans. In the first quarter of 2020, we discontinued this fixed-to-fixed cross-currency swap, which was in an asset position of $9.8 million on the date that it was discontinued.

Also in the first quarter of 2020, we entered into a new fixed-to-fixed cross-currency swap to reduce the variability of functional currency equivalent cash flows associated with changes in exchange rates on certain Euro-based intercompany loans. As of March 31, 2021 and December 31, 2020, the notional amount of the fixed-to-fixed cross-currency swap was $234.6 million and $244.2 million, respectively, and hedges our exposure to changes in exchange rates on the intercompany loans into the second quarter of 2024.

***Variable-to-fixed interest rate swap*** In 2019, we entered into a variable-to-fixed interest rate swap to reduce the variability of cash flows associated with interest payments on our variable rate debt. We have the following notional amounts hedged in relation to our variable-to-fixed interest rate swap: $900.0 million through May 2021, $750.0 million through May 2022, $600.0 million through May 2023 and $500.0 million through May 2024.

The following table summarizes the reclassification of pre-tax derivative gains and losses into net income from accumulated other comprehensive income (loss) for those derivative instruments designated as cash flow hedges under ASC 815 - *Derivatives and Hedging*:

| | Location of Gain (Loss) Reclassified into Net Income | Gain (Loss) Reclassified During Three Months Ended March 31, 2021 | Gain (Loss) Reclassified During Three Months Ended March 31, 2020 | Total of Financial Statement Line Item 2021 | Gain (Loss) Expected to be Reclassified During the Next 12 Months |
|---|---|---|---|---|---|
| | | *(in millions)* | | | |
| Currency forward contracts | Cost of Goods Sold | **$ 2.3** | $ 1.3 | **$ 1,198.0** | **$ 3.0** |
| Fixed-to-fixed cross-currency swap | Other Income (Expense), net | **10.1** | 3.7 | **1.2** | **1.7** |
| Variable-to-fixed interest rate swap | Interest Expense | **(4.2)** | (2.0) | **(51.1)** | **(13.8)** |

See Note 12 - Reclassifications Out of Accumulated Other Comprehensive Income (Loss) (AOCI) for amounts recognized in other comprehensive income (loss) during the three months ended March 31, 2021 and 2020.

The following table summarizes the amount and location of gains and losses recognized in the Condensed Consolidated Statements of Operations for those derivative instruments not designated as hedging instruments under ASC 815:

| | Location of Gain (Loss) Recognized in Net Income | Gain (Loss) Recognized During Three Months Ended March 31, 2021 | Gain (Loss) Recognized During Three Months Ended March 31, 2020 | Total of Financial Statement Line Item 2021 |
|---|---|---|---|---|
| | | *(in millions)* | | |
| Currency forward contracts | Cost of Goods Sold | **$ —** | $ (8.4) | **$ 1,198.0** |
| Currency forward contracts | Other Income (Expense), net | **(0.1)** | (0.4) | **1.2** |

**7. FAIR VALUE**

ASC 820 - *Fair Value Measurement* defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” The definition is based on an exit price rather than an entry price, regardless of whether the entity plans to hold or sell the asset. This guidance also establishes a fair value hierarchy to prioritize inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

***Financial instruments*** The estimated fair value of our financial assets and liabilities that are recognized at fair value on a recurring basis, using available market information and other observable data, are as follows:

| | March 31, 2021 | | December 31, 2020 | | |
|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Input |
| | (in millions) | | | | |
| **Balance Sheet Classification** | | | | | |
| Cash equivalents | **$ 227.6** | **$ 227.6** | $ 206.7 | $ 206.7 | Level 1 |
| Prepaid expenses and other | | | | | |
| Cash flow hedges - currency forward contracts | **3.5** | **3.5** | 5.8 | 5.8 | Level 2 |
| Cash flow hedges - variable-to-fixed interest rate swap | **4.0** | **4.0** | 4.9 | 4.9 | Level 2 |
| Nondesignated - currency forward contracts | **0.1** | **0.1** | 0.2 | 0.2 | Level 2 |
| Other assets and deferred charges | | | | | |
| Cash flow hedges - currency forward contracts | **1.6** | **1.6** | 3.3 | 3.3 | Level 2 |
| Cash flow hedges - variable-to-fixed interest rate swap | **6.3** | **6.3** | 8.6 | 8.6 | Level 2 |
| Accrued expenses and other | | | | | |
| Cash flow hedges - currency forward contracts | **0.5** | **0.5** | 0.1 | 0.1 | Level 2 |
| Cash flow hedges - variable-to-fixed interest rate swap | **15.3** | **15.3** | 17.8 | 17.8 | Level 2 |
| Postretirement benefits and other long-term liabilities | | | | | |
| Cash flow hedges - currency forward contracts | **0.5** | **0.5** | 0.1 | 0.1 | Level 2 |
| Cash flow hedges - fixed-to-fixed cross-currency swap | **11.2** | **11.2** | 20.6 | 20.6 | Level 2 |
| Cash flow hedges - variable-to-fixed interest rate swap | **25.5** | **25.5** | 32.1 | 32.1 | Level 2 |

The carrying values of our cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturities of these instruments. The carrying values of our borrowings under the foreign credit facilities approximate their fair value due to the frequent resetting of the interest rates.

We estimated the fair value of the amounts outstanding on our debt using available market information and other observable data, to be as follows:

| | March 31, 2021 | | December 31, 2020 | | |
|---|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** | **Input** |
| | *(in millions)* | | | | |
| Revolving Credit Facility | **$ —** | **$ —** | $ — | $ — | Level 2 |
| Term Loan A Facility due 2024 | **318.8** | **316.8** | 323.0 | 318.6 | Level 2 |
| Term Loan B Facility due 2024 | **988.8** | **980.2** | 1,088.8 | 1,071.1 | Level 2 |
| 6.875% Notes due 2028 | **400.0** | **416.0** | 400.0 | 426.0 | Level 2 |
| 6.50% Notes due 2027 | **500.0** | **516.3** | 500.0 | 523.8 | Level 2 |
| 6.25% Notes due 2026 | **400.0** | **408.0** | 400.0 | 411.0 | Level 2 |
| 6.25% Notes due 2025 | **700.0** | **721.0** | 700.0 | 724.3 | Level 2 |

## 8. EMPLOYEE BENEFIT PLANS

The components of net periodic benefit cost (credit) are as follows:

| | Pension Benefits | |
|---|---|---|
| | Three Months Ended March 31, | |
| | **2021** | **2020** |
| | *(in millions)* | |
| Service cost | **$ 0.5** | $ 0.5 |
| Interest cost | **4.3** | 5.4 |
| Expected asset return | **(9.7)** | (9.6) |
| Amortized loss | **2.7** | 2.1 |
| Net periodic benefit credit | **$ (2.2)** | $ (1.6) |

| | Other Postretirement Benefits | |
|---|---|---|
| | Three Months Ended March 31, | |
| | **2021** | **2020** |
| | *(in millions)* | |
| Service cost | **$ 0.1** | $ 0.1 |
| Interest cost | **2.1** | 2.6 |
| Amortized loss | **0.4** | 0.2 |
| Amortized prior service credit | **(0.4)** | (0.4) |
| Net periodic benefit cost | **$ 2.2** | $ 2.5 |

The noncurrent liabilities associated with our pension and other postretirement benefit plans are classified as Postretirement benefits and other long-term liabilities on our Condensed Consolidated Balance Sheets. As of March 31, 2021 and December 31, 2020, we have a noncurrent pension liability of $134.5 million and $141.2 million, respectively. As of March 31, 2021 and December 31, 2020, we have a noncurrent other postretirement benefits liability of $554.2 million and $556.7 million, respectively.

Due to the availability of our pre-funded pension balances (previous contributions in excess of prior required pension contributions), we expect our regulatory pension funding requirements in 2021 to be less than $1 million. We expect our cash payments for other postretirement benefit obligations in 2021, net of GM cost sharing, to be approximately $17 million.

## 9. PRODUCT WARRANTIES

We record a liability for estimated warranty obligations at the dates our products are sold. These estimates are established using sales volumes and internal and external warranty data where there is no payment history and historical information about the average cost of warranty claims for customers with prior claims. We estimate our costs based on the contractual arrangements with our customers, existing customer warranty terms and internal and external warranty data, which includes a determination of our warranty claims and actions taken to improve product quality and minimize warranty claims. We continuously evaluate these estimates and our customers' administration of their warranty programs. We monitor actual warranty claim data and adjust the liability, as necessary, on a quarterly basis.

The following table provides a reconciliation of changes in the product warranty liability:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| | *(in millions)* | |
| Beginning balance | **$ 66.7** | $ 62.0 |
| Accruals | **4.3** | 4.2 |
| Payments | **(0.8)** | (1.3) |
| Adjustment to prior period accruals | **(0.7)** | (0.1) |
| Foreign currency translation | **(0.4)** | (0.6) |
| Ending balance | **$ 69.1** | $ 64.2 |

## 10. INCOME TAXES

We adjust our effective tax rate each quarter based on our estimated annual effective tax rate. We also record the tax impact of certain discrete, unusual or infrequently occurring items, including changes in judgment about valuation allowances and the effects of changes in tax laws or rates on deferred tax balances, in the interim period in which they occur. In addition, jurisdictions with a projected loss for the year or a year-to-date loss where no tax benefit can be recognized are excluded from the estimated annual effective tax rate. The impact of such an exclusion could result in a higher or lower effective tax rate during a particular quarter, based upon the mix and timing of actual earnings versus annual projections.

Income tax expense was $8.8 million for the three months ended March 31, 2021, an effective income tax rate of 18.6%, as compared to income tax expense of $3.3 million for the three months ended March 31, 2020, an effective income tax rate of (0.7)%.

During the three months ended March 31, 2020, we recognized a net tax benefit of approximately $7.5 million related to our ability to carry back losses from prior years under the CARES Act. This income tax benefit was the result of our ability to carry back losses to tax years with the higher 35% corporate income tax rate.

Our effective income tax rate for the three months ended March 31, 2021 varies from our effective income tax rate for the three months ended March 31, 2020 primarily as a result of the impact of the goodwill impairment charge recorded during the first quarter of 2020, which had no corresponding income tax benefit. For the three months ended March 31, 2021 and 2020, our effective income tax rates vary from the U.S. federal statutory rate of 21% primarily due to favorable foreign tax rates, the impact of tax credits, and the effect of the goodwill impairment charge in the first quarter of 2020.

In accordance with the guidance in ASC 740 - *Income Taxes*, we review the likelihood that we will realize the benefit of deferred tax assets and estimate whether recoverability of our deferred tax assets is "more likely than not" based on the available evidence. Due to the uncertainty associated with the extent and ultimate impact of COVID-19 and the semiconductor shortage on global automotive production volumes, we may experience lower than projected earnings in certain jurisdictions in future periods, and it is reasonably possible that changes in valuation allowances could be recognized in the next twelve months as a result.

We operate in multiple jurisdictions throughout the world and the income tax returns of several subsidiaries in various tax jurisdictions are currently under examination. We are currently under a U.S. federal income tax examination for the years 2015 through 2018. Generally, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2013.

Based on the status of ongoing tax audits, and the protocol of finalizing audits by the relevant tax authorities, it is not possible to estimate the impact of changes, if any, to previously recorded uncertain tax positions. We will continue to monitor the progress and conclusions of all ongoing audits and other communications with tax authorities, and will adjust our estimated liability as necessary. As of March 31, 2021 and December 31, 2020, we have recorded a liability for unrecognized income tax benefits and related interest and penalties of $22.4 million and $22.2 million, respectively.

## 11. EARNINGS (LOSS) PER SHARE (EPS)

We present EPS using the two-class method. This method allocates undistributed earnings between common shares and non-vested share based payment awards that entitle the holder to non-forfeitable dividend rights. Our participating securities include non-vested restricted stock units.

The following table sets forth the computation of our basic and diluted EPS available to shareholders of common stock (excluding participating securities):

| | Three Months Ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| | *(in millions, except per share data)* | |
| **Numerator** | | |
| Net income (loss) attributable to AAM | **$ 38.6** | $ (501.3) |
| Less: Net income attributable to participating securities | **(1.6)** | — |
| Net income (loss) attributable to common shareholders - Basic and Dilutive | **$ 37.0** | $ (501.3) |
| **Denominators** | | |
| Basic common shares outstanding - | | |
| Weighted-average shares outstanding | **118.3** | 116.4 |
| Less: Participating securities | **(4.8)** | (3.7) |
| Weighted-average common shares outstanding | **113.5** | 112.7 |
| Effect of dilutive securities - | | |
| Dilutive stock-based compensation | **—** | — |
| Diluted shares outstanding - | | |
| Adjusted weighted-average shares after assumed conversions | **113.5** | 112.7 |
| Basic EPS | **$ 0.33** | $ (4.45) |
| Diluted EPS | **$ 0.33** | $ (4.45) |

## 12. RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (AOCI)

Reclassification adjustments and other activity impacting accumulated other comprehensive income (loss) during the three months ended March 31, 2021 and March 31, 2020 are as follows *(in millions)*:

| | Defined Benefit Plans | Foreign Currency Translation Adjustments | Unrecognized Gain (Loss) on Cash Flow Hedges | Total |
|---|---|---|---|---|
| **Balance at December 31, 2020** | **$ (311.0)** | **$ (101.1)** | **$ (20.1)** | **$ (432.2)** |
| Other comprehensive income (loss) before reclassifications | — | **(11.5)** | **9.2** | **(2.3)** |
| Income tax effect of other comprehensive income (loss) before reclassifications | — | — | **(2.5)** | **(2.5)** |
| Amounts reclassified from accumulated other comprehensive loss | **2.7** (a) | **0.5** | **(8.2)** (b) | **(5.0)** |
| Income taxes reclassified into net income | **(0.6)** | — | **1.2** | **0.6** |
| Net change in accumulated other comprehensive loss | **2.1** | **(11.0)** | **(0.3)** | **(9.2)** |
| **Balance at March 31, 2021** | **$ (308.9)** | **$ (112.1)** | **$ (20.4)** | **$ (441.4)** |

| | Defined Benefit Plans | Foreign Currency Translation Adjustments | Unrecognized Gain (Loss) on Cash Flow Hedges | Total |
|---|---|---|---|---|
| **Balance at December 31, 2019** | $ (259.9) | $ (101.2) | $ (15.7) | $ (376.8) |
| Other comprehensive income (loss) before reclassifications | — | (48.5) | (34.0) | (82.5) |
| Income tax effect of other comprehensive income (loss) before reclassifications | — | — | 1.9 | 1.9 |
| Amounts reclassified from accumulated other comprehensive loss | 2.0 (a) | — | (3.0) (b) | (1.0) |
| Income taxes reclassified into net income | (0.4) | — | 0.4 | — |
| Net change in accumulated other comprehensive loss | 1.6 | (48.5) | (34.7) | (81.6) |
| **Balance at March 31, 2020** | $ (258.3) | $ (149.7) | $ (50.4) | $ (458.4) |

*(a) These amounts were reclassified from AOCI to Other income (expense), net for the three months ended March 31, 2021 and March 31, 2020.*

*(b) The amounts reclassified from AOCI included $(2.3) million in cost of goods sold (COGS), $4.2 million in interest expense and $(10.1) million in Other income (expense), net for the three months ended March 31, 2021 and $(1.3) million in COGS, $2.0 million in interest expense and $(3.7) million in Other income (expense), net for the three months ended March 31, 2020.*

## 13. REVENUE FROM CONTRACTS WITH CUSTOMERS

Net sales recognized from contracts with customers, disaggregated by segment and geographical location, are presented in the following table for the three months ended March 31, 2021 and 2020. Net sales are attributed to regions based on the location of production. Intersegment sales have been excluded from the table.

In the first quarter of 2021, we reorganized our segments and moved certain of our Driveline facilities to our Metal Forming segment. The amounts previously reported in the tables below for the three months ended March 31 2020 have been retroactively restated to reflect this change.

| | Three Months Ended March 31, 2021 | | |
|---|---|---|---|
| | **Driveline** | **Metal Forming** | **Total** |
| North America | **$ 773.8** | **$ 320.4** | **$ 1,094.2** |
| Asia | **121.2** | **12.8** | **134.0** |
| Europe | **110.0** | **64.2** | **174.2** |
| South America | **20.0** | **2.7** | **22.7** |
| Total | **$ 1,025.0** | **$ 400.1** | **$ 1,425.1** |

| | Three Months Ended March 31, 2020 | | |
|---|---|---|---|
| | **Driveline** | **Metal Forming** | **Total** |
| North America | $ 725.1 | $ 327.8 | $ 1,052.9 |
| Asia | 103.1 | 6.1 | 109.2 |
| Europe | 98.9 | 61.2 | 160.1 |
| South America | 18.7 | 2.6 | 21.3 |
| Total | $ 945.8 | $ 397.7 | $ 1,343.5 |

*Contract Assets and Liabilities*

The following table summarizes our beginning and ending balances for accounts receivable and contract liabilities associated with our contracts with customers:

| | Accounts Receivable, Net | Contract Liabilities (Current) | Contract Liabilities (Long-term) |
|---|---|---|---|
| December 31, 2020 | $ 793.2 | $ 23.4 | $ 91.0 |
| March 31, 2021 | **852.8** | **23.2** | **93.0** |
| Increase/(decrease) | $ 59.6 | $ (0.2) | $ 2.0 |

Contract liabilities relate to deferred revenue associated with various settlements and commercial agreements for which we have a future performance obligation to the customer. We recognize this deferred revenue into revenue over the life of the associated program as we satisfy our performance obligations to the customer. We do not have contract assets as defined in ASC 606. During the three months ended March 31, 2021, we amortized $5.0 million of previously recorded contract liabilities into revenue as we satisfied performance obligations with our customers.

## 14. MANUFACTURING FACILITY FIRE AND INSURANCE RECOVERY

On September 22, 2020, a significant industrial fire occurred at our Malvern Manufacturing Facility in Ohio (Malvern Fire). All associates were evacuated safely and without injury. We continue to focus on managing this disruption and protecting continuity of supply to our customers, including utilizing production capacity and resources at other AAM facilities.

Our insurance policies are expected to cover the repair, replacement or actual cash value of the assets that incurred loss or damage, less our applicable deductible of $1.0 million. In addition, our insurance policies are expected to provide coverage for interruption to our business, including lost or reduced profits and reimbursement for certain expenses and costs that are incurred relating to the fire. In the three months ended March 31, 2021, we recorded $8.3 million of charges primarily related to transportation and freight, asset repairs and other costs incurred to resume or relocate operations and ensure continuity of supply to our customers. We also recorded an estimated insurance recovery of $7.1 million and received advances under our insurance policies of $11.4 million in the three months ended March 31, 2021. This resulted in a net pre-tax impact to our Condensed Consolidated Statement of Operations of approximately $1.2 million in Cost of goods sold for the three months ended March 31, 2021. At March 31, 2021, $38.8 million of insurance recovery receivable is included in Prepaid expenses and other in our Condensed Consolidated Balance Sheet.

In the fourth quarter of 2020, we determined that we will cease production at the Malvern Manufacturing Facility and relocate production capacity to other AAM manufacturing facilities during 2021. As such, we cannot estimate the total claim eligible costs that we will incur as a result of the Malvern Fire and the associated relocation of production capacity to other AAM manufacturing facilities. At March 31, 2021, we have estimated the amount of expected insurance proceeds recoverable in consideration of the policy provisions, carrying amount of the PP&E that was written-down, and claim eligible expenses incurred from the date of the fire. We expect the claim settlement process to continue through 2021, however, based on the provisions of the policy the process could continue into 2022. We will update our estimates as additional information becomes available, however, the actual impact on our results of operations, financial position or cash flows, or the timing of such impact, could differ from our estimates.

## 15. SEGMENT REPORTING

Our business is organized into Driveline and Metal Forming segments, with each representing a reportable segment under ASC 280 *Segment Reporting*. In the first quarter of 2021, we completed a reorganization of our segments, which included moving certain locations that were previously reported under our Driveline segment to our Metal Forming segment in order to better align our product and process technologies. The amounts in the tables below for the three months ended March 31, 2020 have been retrospectively restated to reflect this reorganization.

The results of each segment are regularly reviewed by the chief operating decision maker to assess the performance of the segment and make decisions regarding the allocation of resources to the segments.

Our product offerings by segment are as follows:

- Driveline products consist primarily of front and rear axles, driveshafts, differential assemblies, clutch modules, balance shaft systems, disconnecting driveline technology, and electric and hybrid driveline products and systems for light trucks, sport utility vehicles (SUVs), crossover vehicles, passenger cars and commercial vehicles; and
- Metal Forming products consist primarily of axle and transmission shafts, ring and pinion gears, differential gears and assemblies, connecting rods and variable valve timing products for Original Equipment Manufacturers and Tier 1 automotive suppliers.

We use Segment Adjusted EBITDA as the measure of earnings to assess the performance of each segment and determine the resources to be allocated to the segments. We define EBITDA to be earnings before interest expense, income taxes, depreciation and amortization. Segment Adjusted EBITDA is defined as EBITDA for our reportable segments excluding the impact of restructuring and acquisition-related costs, debt refinancing and redemption costs, loss on the sale of a business, impairment charges, pension settlements and non-recurring items.

The following tables represent information by reportable segment for the three months ended March 31, 2021 and 2020 *(in millions)*:

| | **Three Months Ended March 31, 2021** | | |
|---|---|---|---|
| | **Driveline** | **Metal Forming** | **Total** |
| Sales | **$ 1,026.1** | **$ 489.3** | **$ 1,515.4** |
| Less: intersegment sales | **1.1** | **89.2** | **90.3** |
| Net external sales | **$ 1,025.0** | **$ 400.1** | **$ 1,425.1** |
| Segment Adjusted EBITDA | **$ 170.5** | **$ 92.4** | **$ 262.9** |

| | Three Months Ended March 31, 2020 | | |
|---|---|---|---|
| | **Driveline** | **Metal Forming** | **Total** |
| Sales | $ 945.9 | $ 482.1 | $ 1,428.0 |
| Less: intersegment sales | 0.1 | 84.4 | 84.5 |
| Net external sales | $ 945.8 | $ 397.7 | $ 1,343.5 |
| Segment Adjusted EBITDA | $ 134.5 | $ 78.8 | $ 213.3 |

The following table represents a reconciliation of Total Segment Adjusted EBITDA to consolidated income (loss) before income taxes for the three months ended March 31, 2021 and 2020 *(in millions)*:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| Total segment adjusted EBITDA | **$ 262.9** | $ 213.3 |
| Interest expense | **(51.1)** | (51.5) |
| Depreciation and amortization | **(142.0)** | (129.6) |
| Restructuring and acquisition-related costs | **(17.5)** | (17.6) |
| Loss on sale of business | **(2.6)** | (1.0) |
| Debt refinancing and redemption costs | **(1.1)** | (1.5) |
| Impairment charges | **—** | (510.0) |
| Non-recurring items: | | |
| Malvern Fire charges, net of recoveries | **(1.2)** | — |
| Income (loss) before income taxes | **$ 47.4** | $ (497.9) |

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis (MD&A) should be read in conjunction with the unaudited condensed consolidated financial statements and notes appearing elsewhere in this Quarterly Report and our Annual Report on Form 10-K for the year ended December 31, 2020.

Unless the context otherwise requires, references to "we," "our," "us" or "AAM" shall mean collectively (i) American Axle & Manufacturing Holdings, Inc. (Holdings), a Delaware corporation, (ii) American Axle & Manufacturing, Inc. (AAM, Inc.), a Delaware corporation, and its direct and indirect subsidiaries, and, (iii) Metaldyne Performance Group, Inc. (MPG) and its direct and indirect subsidiaries. AAM Inc. and MPG are wholly-owned subsidiaries of Holdings.

## COMPANY OVERVIEW

We are a global Tier 1 supplier to the automotive industry. We design, engineer and manufacture driveline and metal forming technologies that are making the next generation of vehicles smarter, lighter, safer and more efficient. We employ approximately 20,000 associates, operating at nearly 80 facilities in 17 countries, to support our customers on global and regional platforms with a focus on quality, operational excellence and technology leadership.

### *Major Customers*

We are a primary supplier of driveline components to General Motors Company (GM) for its full-size rear-wheel drive (RWD) light trucks, sport utility vehicles (SUVs), and crossover vehicles manufactured in North America, supplying a significant portion of GM's rear axle and four-wheel drive and all-wheel drive (4WD/AWD) axle requirements for these vehicle platforms. We also supply GM with various products from our Metal Forming segment. Sales to GM were approximately 37% of our consolidated net sales in the first three months of 2021, 41% in the first three months of 2020, and 39% for the full year 2020.

We also supply driveline system products to Stellantis N.V. (Stellantis) for programs including the heavy-duty Ram full-size pickup trucks and its derivatives, the AWD Chrysler Pacifica and the AWD Jeep Cherokee. In addition, we sell various products to Stellantis from our Metal Forming segment. Sales to Stellantis were approximately 19% of our consolidated net sales in the first three months of 2021, 16% in the first three months of 2020, and 19% for the full year 2020.

We are also a supplier to Ford Motor Company (Ford) for driveline system products on certain vehicle programs including the Ford Bronco Sport, Ford Edge, Ford Escape and Lincoln Nautilus, and we sell various products to Ford from our Metal Forming segment. Sales to Ford were approximately 12% of our consolidated net sales in the first three months of 2021, and were also 12% for both the first three months of 2020 and the full year of 2020.

No other customer represented 10% or more of consolidated net sales during these periods.

### COVID-19 Update

In the first quarter of 2021, our operations continued to return to more normalized levels of production and we did not experience significant reductions in production volumes as a result of the impact of COVID-19. Continuing to sustain increased levels of production will depend on future developments, including the number of COVID-19 cases reported, the potential reimplementation of shelter-in-place orders, and customer production levels, which are outside of our control. We continue to monitor the impact of COVID-19 on our operations, as well as the operations of our customers and suppliers, as a resurgence in cases could have a sudden and significant impact on our operations, financial condition and financial results.

## RESULTS OF OPERATIONS — THREE MONTHS ENDED MARCH 31, 2021 AS COMPARED TO THREE MONTHS ENDED MARCH 31, 2020

**Net Sales** Net sales were $1,425.1 million in the first quarter of 2021, as compared to $1,343.5 million in the first quarter of 2020. The increase in net sales in the first quarter of 2021, as compared to the first quarter of 2020, primarily reflects increased production volumes as net sales in the first quarter of 2020 were adversely impacted by an estimated $169 million associated with the decline in global automotive production as a result of COVID-19. Net sales in the first quarter of 2021, as compared to the first quarter of 2020, also increased by approximately $44 million associated with the effect of metal market pass-throughs to our customers and the impact of foreign exchange related to translation adjustments. These increases were partially offset by a reduction in production volumes on certain vehicle programs that we support as a result of the semiconductor shortage that is impacting the automotive industry, the impact of which we estimate to be approximately $64 million for the first quarter of 2021.

We are monitoring the semiconductor supply shortage as it may continue to adversely impact automotive production volumes. Due to the uncertainty associated with the semiconductor shortage, the ultimate impact on our net sales and results of operations is unknown.

**Cost of Goods Sold** Cost of goods sold was $1,198.0 million in the first quarter of 2021, as compared to $1,148.2 million in the first quarter of 2020. The change in cost of goods sold principally reflects the net increase in production volumes on the vehicle programs we support in the first quarter of 2021, as compared to the first quarter of 2020, as well as an increase of approximately $44 million associated with the effect of metal market pass-throughs to our customers and the impact of foreign exchange related to translation adjustments. For the three months ended March 31, 2021, material costs were approximately 59% of total cost of goods sold, as compared to approximately 57% for the three months ended March 31, 2020.

In the first quarter of 2021, one of our Major Customers announced their intention to cease production operations in Brazil in 2021 as part of their restructuring actions. This decision impacts certain of the programs that we support and, as a result, we have accelerated depreciation on certain property, plant and equipment beginning in the first quarter of 2021. The impact on cost of goods sold of this acceleration was approximately $11 million in the first quarter of 2021 and we expect the full year impact to be approximately $32 million.

**Gross Profit** Gross profit was $227.1 million in the first quarter of 2021, as compared to $195.3 million in the first quarter of 2020. Gross margin was 15.9% in the first quarter of 2021, as compared to 14.5% in the first quarter of 2020. Gross profit and gross margin were impacted by the factors discussed in Net Sales and Cost of Goods Sold above.

**Selling, General and Administrative Expenses (SG&A)** SG&A (including research and development (R&D)) was $90.0 million or 6.3% of net sales in the first quarter of 2021, as compared to $90.3 million or 6.7% of net sales in the first quarter of 2020. R&D expense, net of customer engineering, design and development (ED&D) recoveries, was approximately $31.7 million in the first quarter of 2021, as compared to $36.6 million in the first quarter of 2020. The decrease in SG&A expense in the three months ended March 31, 2021, as compared to the three months ended March 31, 2020, was primarily attributable to lower net R&D expense, partially offset by higher incentive compensation accruals.

**Amortization of Intangible Assets** Amortization expense related to intangible assets was $21.5 million for the three months ended March 31, 2021 and $21.8 million for the three months ended March 31, 2020.

**Impairment Charge** In the first quarter of 2020, the reduction in global automotive production volumes caused by the impact of COVID-19 represented an indicator to test our goodwill for impairment. As a result of this goodwill impairment test, we determined that the carrying values of our Driveline and Metal Forming reporting units were greater than their respective fair values. As such, we recorded a total goodwill impairment charge of $510.0 million in the first quarter of 2020. See Note 4 - Goodwill and Other Intangible Assets for further detail.

**Restructuring and Acquisition-Related Costs** Restructuring and acquisition-related costs were $17.5 million in the first quarter of 2021 and $17.6 million in the first quarter of 2020. See Note 2 - Restructuring and Acquisition-Related Costs for additional detail. We expect to incur approximately $50 million to $65 million of total restructuring costs in 2021. In addition, we expect to incur approximately $5 million of integration charges in 2021 as we finalize the integration of ERP systems at legacy MPG locations.

**Loss on Sale of Business** In the first quarter of 2021, we completed the sale of substantially all of our ownership interest in a consolidated joint venture. As a result of the sale and deconsolidation of this joint venture, we recognized a loss of $2.6 million. In the first quarter of 2020, we finalized certain customary post-closing calculations associated with the sale of the U.S.

operations of our Casting business that was completed in the fourth quarter of 2019, resulting in an additional loss of $1.0 million.

**Operating Income (Loss)** Operating income was $95.5 million in the first quarter of 2021, as compared to operating loss of $445.4 million in the first quarter of 2020. Operating margin was 6.7% in the first quarter of 2021, as compared to (33.2)% in the first quarter of 2020. The changes in operating income (loss) and operating margin were primarily due to factors discussed in Net Sales, Cost of Goods Sold and Impairment Charge above.

**Interest Expense and Interest Income** Interest expense was $51.1 million in the first quarter of 2021, as compared to $51.5 million in the first quarter of 2020. Interest income was $2.9 million in the first quarter of 2021, as compared to $2.8 million in the first quarter of 2020. The weighted-average interest rate of our long-term debt outstanding was 5.9% in the first quarter of 2021 and 5.8% in the first quarter of 2020. We expect our interest expense in 2021 to be approximately $195 million to $205 million.

**Debt Refinancing and Redemption Costs** In the first quarter of 2021, we made voluntary prepayments of $100 million on our Term Loan B Facility due 2024 and $4.3 million on our Term Loan A Facility due 2024. As a result, we expensed approximately $1.1 million for the write-off of a portion of the unamortized debt issuance costs that we had been amortizing over the life of these borrowings.

In the first quarter of 2020, we voluntarily redeemed $100 million of our 6.625% Notes due 2022. As a result, we expensed approximately $0.4 million for the write-off of a portion of the unamortized debt issuance costs that we had been amortizing over the expected life of the borrowing, and approximately $1.1 million for an early redemption premium.

**Other Income (Expense), Net** Other income (expense), net includes the net effect of foreign exchange gains and losses, our proportionate share of earnings from equity in unconsolidated subsidiaries, and all components of net periodic pension and postretirement benefit costs other than service cost. Other income (expense), net was income of $1.2 million in the first quarter of 2021, as compared to expense of $2.3 million in the first quarter of 2020.

At March 31, 2021, we have a cost method investment in an e-mobility company that has announced entry into a merger agreement in an effort to become publicly traded. If the merger is completed and the company becomes publicly traded, the form of our investment would change from a cost method investment to an investment in equity securities that would be measured at fair value. While it is uncertain whether the merger will be completed and the company will become publicly traded, and while the future value of these potential equity securities is unknown should the company become publicly traded, the impact of the change in accounting from cost method to fair value may be significant to our financial statements.

**Income Tax Expense** Income tax expense was $8.8 million for the three months ended March 31, 2021, as compared to $3.3 million for the three months ended March 31, 2020. Our effective income tax rate was 18.6% in the first quarter of 2021, as compared to (0.7)% in the first quarter of 2020.

During the three months ended March 31, 2020, we recognized a net tax benefit of approximately $7.5 million related to our ability to carry back losses from prior years under the CARES Act. This income tax benefit was the result of our ability to carry back losses to tax years with the higher 35% corporate income tax rate.

Our effective income tax rate for the three months ended March 31, 2021 varies from our effective income tax rate for the three months ended March 31, 2020 primarily as a result of the impact of the goodwill impairment charge recorded during the first quarter of 2020, which had no corresponding income tax benefit. For the three months ended March 31, 2021 and 2020, our effective income tax rates vary from the U.S. federal statutory rate of 21% primarily due to favorable foreign tax rates, the impact of tax credits, and the effect of the goodwill impairment charge in the first quarter of 2020.

Due to the uncertainty associated with the extent and ultimate impact of COVID-19 and the semiconductor shortage on global automotive production volumes, we may experience lower than projected earnings in certain jurisdictions in future periods, and it is reasonably possible that changes in valuation allowances could be recognized in the next twelve months as a result.

**Net Income (Loss) Attributable to AAM and Earnings (Loss) Per Share (EPS)** Net income (loss) attributable to AAM was income of $38.6 million in the first quarter of 2021, as compared to a loss of $501.3 million in the first quarter of 2020. Diluted earnings per share was $0.33 in the first quarter of 2021, as compared to diluted loss per share of $4.45 in the first quarter of 2020. Net income (loss) attributable to AAM and EPS for the first quarters of 2021 and 2020 were primarily impacted by the factors discussed above.

**SEGMENT REPORTING**

Our business is organized into Driveline and Metal Forming segments, with each representing a reportable segment under ASC 280 *Segment Reporting*. In the first quarter of 2021, we completed a reorganization of our segments, which included moving certain locations that were previously reported under our Driveline segment to our Metal Forming segment in order to better align our product and process technologies. The amounts in the tables below for the three months ended March 31, 2020 have been retrospectively restated to reflect this reorganization.

The results of each segment are regularly reviewed by the chief operating decision maker to assess the performance of the segment and make decisions regarding the allocation of resources to the segments.

Our product offerings by segment are as follows:

- Driveline products consist primarily of front and rear axles, driveshafts, differential assemblies, clutch modules, balance shaft systems, disconnecting driveline technology, and electric and hybrid driveline products and systems for light trucks, SUVs, crossover vehicles, passenger cars and commercial vehicles; and
- Metal Forming products consist primarily of axle and transmission shafts, ring and pinion gears, differential gears and assemblies, connecting rods and variable valve timing products for Original Equipment Manufacturers and Tier 1 automotive suppliers.

The following table represents sales by reportable segment for the three months ended March 31, 2021 and 2020 *(in millions)*:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| Driveline | **$ 1,026.1** | $ 945.9 |
| Metal Forming | **489.3** | 482.1 |
| Eliminations | **(90.3)** | (84.5) |
| Net Sales | **$ 1,425.1** | $ 1,343.5 |

The change in Driveline sales for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020, primarily reflects increased production volumes as net sales in the first quarter of 2020 were adversely impacted by an estimated $128 million associated with the decline in global automotive production as a result of COVID-19. The change in Driveline sales also reflects an increase of approximately $24 million associated with the effect of metal market pass-throughs to our customers and the impact of foreign exchange related to translation adjustments. These increases were partially offset by a reduction in production volumes on certain vehicle programs that we support as a result of the semiconductor shortage that is impacting the automotive industry, the impact of which we estimate to be approximately $62 million for the first quarter of 2021.

The change in net sales in our Metal Forming segment in the three months ended March 31, 2021, as compared to the three months ended March 31, 2020, primarily reflects increased production volumes as net sales in the first quarter of 2020 were adversely impacted by an estimated $41 million associated with the decline in global automotive production as a result of COVID-19. The change in Metal Forming sales also reflects an increase of approximately $20 million associated with the effect of metal market pass-throughs to our customers and the impact of foreign exchange related to translation adjustments.

We use Segment Adjusted EBITDA as the measure of earnings to assess the performance of each segment and determine the resources to be allocated to the segments. We define EBITDA to be earnings before interest expense, income taxes, depreciation and amortization. Segment Adjusted EBITDA is defined as EBITDA for our reportable segments excluding the impact of restructuring and acquisition-related costs, debt refinancing and redemption costs, loss on the sale of a business, impairment charges, pension settlements, and non-recurring items.

The amounts for Segment Adjusted EBITDA for the three months ended March 31, 2021 and 2020 are as follows *(in millions)*:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| Driveline | **$ 170.5** | $ 134.5 |
| Metal Forming | **92.4** | 78.8 |
| Total segment adjusted EBITDA | **$ 262.9** | $ 213.3 |

For the three months ended March 31, 2021, as compared to the three months ended March 31, 2020, the increase in Segment Adjusted EBITDA for the Driveline segment was primarily attributable to a net increase in production volumes on the vehicle programs that we support, as well as improved operating performance and our continued emphasis on cost management.

The increase in Metal Forming Segment Adjusted EBITDA for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020, was primarily attributable to improved operating performance and the impact of our continued emphasis on cost management.

**Reconciliation of Non-GAAP and GAAP Information**

In addition to results reported in accordance with accounting principles generally accepted in the United States of America (GAAP) in this MD&A, we have provided certain non-GAAP financial measures such as EBITDA and Total Segment Adjusted EBITDA. Such information is reconciled to its closest GAAP measure in accordance with Securities and Exchange Commission rules below.

We define EBITDA to be earnings before interest expense, income taxes, depreciation and amortization. Total Segment Adjusted EBITDA is defined as EBITDA for our reportable segments excluding the impact of restructuring and acquisition-related costs, debt refinancing and redemption costs, loss on the sale of a business, impairment charges, pension settlements, and non-recurring items. We believe that EBITDA and Total Segment Adjusted EBITDA are meaningful measures of performance as they are commonly utilized by management and investors to analyze operating performance and entity valuation. Our management, the investment community and the banking institutions routinely use EBITDA and Total Segment Adjusted EBITDA, together with other measures, to measure our operating performance relative to other Tier 1 automotive suppliers and to assess the relative mix of Adjusted EBITDA by segment. We also believe that Total Segment Adjusted EBITDA is a meaningful measure as it is used for operational planning and decision-making purposes. These non-GAAP financial measures are not and should not be considered a substitute for any GAAP measure. Additionally, non-GAAP financial measures as presented by AAM may not be comparable to similarly titled measures reported by other companies.

| | Three Months Ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| Net income (loss) | **$ 38.6** | $ (501.2) |
| Interest expense | **51.1** | 51.5 |
| Income tax expense | **8.8** | 3.3 |
| Depreciation and amortization | **142.0** | 129.6 |
| EBITDA | **$ 240.5** | $ (316.8) |
| Restructuring and acquisition-related costs | **17.5** | 17.6 |
| Debt refinancing and redemption costs | **1.1** | 1.5 |
| Impairment charges | **—** | 510.0 |
| Loss on sale of business | **2.6** | 1.0 |
| Non-recurring items: | | |
| Malvern Fire charges, net of recoveries | **1.2** | — |
| Total segment adjusted EBITDA | **$ 262.9** | $ 213.3 |

## LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity needs are to fund debt service obligations, capital expenditures and working capital requirements, in addition to advancing our strategic initiatives.  We believe that operating cash flow, available cash and cash equivalent balances and available borrowing capacity under our Senior Secured Credit Facilities and foreign credit facilities will be sufficient to meet these needs.

At March 31, 2021, we had over $1.5 billion of liquidity consisting of approximately $601 million of cash and cash equivalents, approximately $894 million of available borrowings under our Revolving Credit Facility and approximately $59 million of available borrowings under foreign credit facilities. We have no significant debt maturities before 2024.

**Operating Activities** In the first three months of 2021, net cash provided by operating activities was $179.1 million as compared to $139.4 million in the first three months of 2020. The following factors impacted cash from operating activities in the first three months of 2021, as compared to the first three months of 2020:

***Accounts receivable*** For the three months ended March 31, 2021, we experienced a decrease in cash flow from operating activities of approximately $78 million related to the change in our accounts receivable balance from December 31, 2020 to March 31, 2021, as compared to the change in our accounts receivable balance from December 31, 2019 to March 31, 2020. This change was primarily attributable to increased sales in March 2021 as sales in March 2020 were negatively impacted due to the onset of COVID-19.

***Inventories*** For the three months ended March 31, 2021, we experienced an increase in cash flow from operating activities of approximately $8 million related to the change in our inventories balance from December 31, 2020 to March 31, 2021, as compared to the change in our inventories balance from December 31, 2019 to March 31, 2020. This change was primarily attributable to increased finished goods inventory at March 31, 2020 as a result of a sharp reduction in sales at the end of the first quarter of 2020 due to the onset of COVID-19.

***Accounts payable and accrued expenses*** For the three months ended March 31, 2021, we experienced an increase in cash flow from operating activities of approximately $63 million related to the change in our accounts payable and accrued expenses balance from December 31, 2020 to March 31, 2021, as compared to the change from December 31, 2019 to March 31, 2020. This change was primarily attributable to increased sales and purchasing activity in March 2021 as this activity was reduced in March 2020 due to the onset of COVID-19 and as a result of the timing of payments to suppliers.

***Income taxes*** Income taxes paid, net was $0.2 million in the first three months of 2021, as compared to $4.2 million in the first three months of 2020. During the first quarter of 2021, we received an income tax refund of approximately $6 million related to the utilization of net operating losses under the provisions of the CARES Act.

***Interest paid*** Interest paid was $43.3 million in the first three months of 2021, as compared to $34.1 million in the first three months of 2020. The increase in interest paid is primarily the result of the timing of semi-annual interest payments on our 6.875% Notes due 2028 that were issued in June 2020.

***Malvern Fire*** In the first three months of 2021, we received $11.4 million of cash as an advance under our insurance policies associated with expenses incurred as a result of the Malvern Fire. At March 31, 2021, we have an insurance recovery receivable of $38.8 million, which is included in Prepaid expenses and other in our Condensed Consolidated Balance Sheet.

***Restructuring and acquisition-related costs*** For the full year 2021, we expect restructuring and acquisition-related payments in cash flows from operating activities to be between $50 million and $65 million, and we expect the timing of cash payments to approximate the timing of charges incurred.

***Pension and other postretirement benefits*** Due to the availability of our pre-funded pension balances (previous contributions in excess of prior required pension contributions), we expect our regulatory pension funding requirements in 2021 to be less than $1 million. We expect our cash payments for other postretirement benefit obligations in 2021, net of GM cost sharing, to be approximately $17 million.

**Investing Activities** In the first three months of 2021, net cash used in investing activities was $40.4 million as compared to $69.2 million for the three months ended March 31, 2020. Capital expenditures were $39.6 million in the first three months of 2020 as compared to $69.7 million in the first three months of 2020. We expect our capital spending in 2021 to be approximately 4.5% of sales.

**Financing Activities** In the first three months of 2021, net cash used in financing activities was $90.6 million, as compared to net cash provided by financing activities of $87.7 million in the first three months of 2020. The following factors impacted cash from financing activities in the first three months of 2021, as compared to the first three months of 2020:

***Senior Secured Credit Facilities*** Our Senior Secured Credit Facilities, which are comprised of our Revolving Credit Facility, our Term Loan A Facility due 2024, and our Term Loan B Facility due 2024, provide back-up liquidity for our foreign credit facilities. We intend to use the availability of long-term financing under the Senior Secured Credit Facilities to refinance any current maturities related to such debt agreements that are not otherwise refinanced on a long-term basis in their local markets, except where otherwise reclassified to Current portion of long-term debt on our Condensed Consolidated Balance Sheet.

In February 2021, we made a voluntary prepayment of $100 million on our Term Loan B Facility due 2024 and $4.3 million on our Term Loan A Facility due 2024. As a result, we expensed approximately $1.1 million for the write-off of a portion of the unamortized debt issuance costs that we had been amortizing over the life of these borrowings.

At March 31, 2021, we had $894.1 million available under the Revolving Credit Facility. This availability reflects a reduction of $30.9 million for standby letters of credit issued against the facility. The borrowings under the Revolving Credit Facility are used for general corporate purposes. See Note 5 - Long-Term Debt for additional information regarding our Senior Secured Credit Facilities.

***Subsequent Event*** In April 2021, we made a voluntary prepayment of $88.8 million on our Term Loan B Facility due 2024. As a result, we expect to expense approximately $0.9 million for a portion of the write-off of the unamortized debt issuance costs that we had been amortizing over the expected life of the borrowing.

***Redemption of 6.625% Notes due 2022*** In the first quarter of 2020, we voluntarily redeemed a portion of our 6.625% Notes due 2022. This resulted in a principal payment of $100.0 million and $2.0 million in accrued interest. We expensed approximately $0.4 million for the write-off of a portion of the unamortized debt issuance costs that we had been amortizing over the expected life of the borrowing, and approximately $1.1 million for the payment of an early redemption premium.

***Foreign credit facilities*** We utilize local currency credit facilities to finance the operations of certain foreign subsidiaries. At March 31, 2021, $109.0 million was outstanding under our foreign credit facilities, as compared to $88.8 million at December 31, 2020. At March 31, 2021, an additional $58.6 million was available under our foreign credit facilities.

***Treasury stock*** Treasury stock increased by $4.0 million in the first three months of 2021 to $216.0 million as compared to $212.0 million at year-end 2020, due to the withholding and repurchase of shares of AAM stock to satisfy employee tax withholding obligations due upon the vesting of performance shares and restricted stock units.

***Subsidiary Guarantees of Registered Debt Securities*** Our 6.875% Notes, 6.50% Notes, 6.25% Notes (due 2026), and 6.25% Notes (due 2025) (collectively, the Notes) are senior unsecured obligations of AAM, Inc. (Issuer); all of which are fully and unconditionally guaranteed, on a joint and several basis, by Holdings and substantially all domestic subsidiaries of AAM, Inc. and MPG Inc (Subsidiary Guarantors). Holdings has no significant assets other than its 100% ownership in AAM, Inc. and MPG Inc., and no direct subsidiaries other than AAM, Inc. and MPG Inc.

Each guarantee by Holdings and/or any of the Subsidiary Guarantors is:

- a senior obligation of the relevant Subsidiary Guarantors;
- the unsecured and unsubordinated obligation of the relevant Subsidiary Guarantors; and
- of equal rank with all other existing and future unsubordinated and unsecured indebtedness of the relevant Subsidiary Guarantors.

Each guarantee by a Subsidiary Guarantor provides by its terms that it will be automatically, fully and unconditionally released and discharged upon:

- Any sale, exchange or transfer (by merger or otherwise) of the capital stock of such Subsidiary Guarantor, or the sale or disposition of all the assets of such Subsidiary Guarantor, which sale, exchange, transfer or disposition is made in compliance with the applicable provisions of the indentures;
- the exercise by the issuer of its legal defeasance option or covenant defeasance option or the discharge of the issuer's obligations under the indentures in accordance with the terms of the indentures; or
- the election of the issuer to affect such a release following the date that such guaranteed Notes have an investment grade rating from both Standard & Poor's Ratings Group, Inc, and Moody's Investors Service, Inc.

The following represents summarized financial information of AAM Holdings, AAM Inc. and the Subsidiary Guarantors (collectively, the Combined Entities). The information has been prepared on a combined basis and excludes any investments of AAM Holdings, AAM Inc., or the Subsidiary Guarantors in non-guarantor subsidiaries. Intercompany transactions and amounts between Combined Entities have been eliminated.

| **Statement of Operations Information** | *(in millions)* | |
|---|---|---|
| | **Three Months Ended March 31, 2021** | **Year Ended December 31, 2020** |
| Net sales | **$ 1,099.3** | $ 3,649.8 |
| Gross profit | **114.6** | 301.2 |
| Loss from operations | **(0.3)** | (458.3) |
| Net loss | **(30.9)** | (521.3) |

| **Balance Sheet Information** | *(in millions)* | |
|---|---|---|
| | **March 31, 2021** | **December 31, 2020** |
| Current assets | **$ 1,063.0** | $ 1,155.1 |
| Noncurrent assets | **2,682.6** | 2,765.2 |
| | | |
| Current liabilities | **1,047.6** | 1,075.9 |
| Noncurrent liabilities | **4,110.2** | 4,233.6 |
| | | |
| Redeemable preferred stock | **—** | — |
| Noncontrolling interest | **—** | — |

At March 31, 2021 and December 31, 2020, amounts owed by the Combined Entities to non-guarantor entities totaled approximately $725 million and $660 million, respectively, and amounts owed to the Combined Entities from non-guarantor entities totaled approximately $700 million and $750 million, respectively.

## CYCLICALITY AND SEASONALITY

Our operations are cyclical because they are directly related to worldwide automotive production, which is itself cyclical and dependent on general economic conditions and other factors. Typically, our business is also moderately seasonal as our major OEM customers historically have an extended shutdown of operations (normally 1-2 weeks) in conjunction with their model year changeover and an approximate one-week shutdown in December. Our major OEM customers also occasionally have longer shutdowns of operations (up to six weeks) for program changeovers. Accordingly, our quarterly results may reflect these trends.

## LITIGATION AND ENVIRONMENTAL MATTERS

We are involved in, or potentially subject to, various legal proceedings or claims incidental to our business. These include, but are not limited to, matters arising out of product warranties, tax or contractual matters, and environmental obligations. Although the outcome of these matters cannot be predicted with certainty, at this time we do not believe that any of these matters, individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flows.

We are subject to various federal, state, local and foreign environmental and occupational safety and health laws, regulations and ordinances, including those regulating air emissions, water discharge, waste management and environmental cleanup. We will continue to closely monitor our environmental conditions to ensure that we are in compliance with all laws, regulations and ordinances. We have made, and anticipate continuing to make, capital and other expenditures (including recurring administrative costs) to comply with environmental requirements at our current and former facilities. Such expenditures were not significant in the first quarter of 2021.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

## MARKET RISK

Our business and financial results are affected by fluctuations in global financial markets, including currency exchange rates and interest rates. Our hedging policy has been developed to manage these risks to an acceptable level based on management's judgment of the appropriate trade-off between risk, opportunity and cost. We do not hold financial instruments for trading or speculative purposes.

**Currency Exchange Risk** From time to time, we use foreign currency forward contracts to reduce the effects of fluctuations in exchange rates relating to certain foreign currencies. At March 31, 2021 and December 31, 2020, we had currency forward contracts with a notional amount of $171.3 million and 178.2 million outstanding, respectively. The potential decrease in fair value of foreign exchange contracts, assuming a 10% adverse change in the foreign currency exchange rates, would be approximately $15.6 million at March 31, 2021 and was approximately $16.2 million at December 31, 2020.

In 2019, we entered into a fixed-to-fixed cross-currency swap to reduce the variability of functional currency equivalent cash flows associated with changes in exchange rates on certain Euro-based intercompany loans. In the first quarter of 2020, we discontinued this cross-currency swap, which was in an asset position of $9.8 million on the date that it was discontinued. Also in the first quarter of 2020, we entered into a new fixed-to-fixed cross-currency swap to reduce the variability of functional currency equivalent cash flows associated with changes in exchange rates on certain Euro-based intercompany loans. At March 31, 2021 and December 31, 2020, the notional amount of the fixed-to-fixed cross-currency swap was $234.6 million and $244.2 million, respectively. The potential decrease in fair value of the fixed-to-fixed cross-currency swap, assuming a 10% adverse change in the foreign currency exchange rates, would be approximately $23.5 million at March 31, 2021 and was approximately $24.4 million at December 31, 2020.

Future business operations and opportunities, including the expansion of our business outside North America, may further increase the risk that cash flows resulting from these global operations may be adversely affected by changes in currency exchange rates. If and when appropriate, we intend to manage these risks by creating natural hedges in the structure of our global operations, utilizing local currency funding of these expansions and various types of foreign exchange contracts.

**Interest Rate Risk** We are exposed to variable interest rates on certain credit facilities. From time to time, we have used interest rate hedging to reduce the effects of fluctuations in market interest rates. In 2019, we entered into a variable-to-fixed interest rate swap to reduce the variability of cash flows associated with interest payments on our variable rate debt. At March 31, 2021, we have the following notional amounts hedged in relation to our variable-to-fixed interest rate swap: $900.0 million through May 2021, $750.0 million through May 2022, $600.0 million through May 2023 and $500.0 million through May 2024.

The pre-tax earnings and cash flow impact of a one-percentage-point increase in interest rates (approximately 17% of our weighted-average interest rate at March 31, 2021) on our long-term debt outstanding, would be approximately $5.1 million at March 31, 2021 and was approximately $6.0 million at December 31, 2020, on an annualized basis.

**Item 4. Controls and Procedures**

***Disclosure Controls and Procedures***

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated our disclosure controls and procedures and internal control over financial reporting and concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) were effective as of March 31, 2021.

***Changes in Internal Control over Financial Reporting***

On January 1, 2019, we began the implementation of our global enterprise resource planning (ERP) systems at certain of the locations that were acquired as part of the MPG acquisition. As part of these implementations, we have modified the design and documentation of our internal control processes and procedures, where appropriate. We will continue to implement these ERP systems at certain locations throughout 2021.

As a result of temporarily closing certain of our global facilities due to the impact of COVID-19, a significant number of our associates have continued to work remotely during the first quarter of 2021. This has not had a material effect on our internal control over financial reporting as we have maintained our existing controls and procedures over financial reporting during this period.

Except as described above with regard to implementation of ERP systems at certain legacy MPG locations, there were no changes in our internal control over financial reporting during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in our December 31, 2020 Form 10-K.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about our equity security purchases during the quarter ended March 31, 2021:

**ISSUER PURCHASES OF EQUITY SECURITIES**

| Period | Total Number of Shares (or Units) Purchased | Average Price Paid per Share (or Unit) | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| | | | | *(in millions)* |
| January 1 - January 31, 2021 | 7,427 | $ 8.98 | — | $ — |
| February 1 - February 28, 2021 | — | — | — | — |
| March 1 - March 31, 2021 | 370,840 | 10.48 | — | — |
| Total | 378,267 | $ 10.45 | — | $ — |

**Item 6. Exhibits**

| Number | Description of Exhibit |
|---|---|
| *10.1 | Form of Performance Share Award (Free Cash Flow) for Executive Officers |
| *10.2 | Form of Performance Unit Award (Free Cash Flow) for Executive Officers |
| *22 | Subsidiary Guarantors and Issuers of Guaranteed Securities |
| *31.1 | Certification of David C. Dauch, Chairman of the Board & Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act |
| *31.2 | Certification of Christopher J. May, Vice President & Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act |
| *32 | Certifications of David C. Dauch, Chairman of the Board & Chief Executive Officer and Christopher J. May, Vice President & Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| **101.SCH | XBRL Taxonomy Extension Schema Document |
| **101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| **101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| **101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| **101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |

* Filed herewith

** Submitted electronically with this Report.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.**
(Registrant)

/s/ James G. Zaliwski
James G. Zaliwski
Chief Accounting Officer
May 7, 2021

**AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.**
**2018 Omnibus Incentive Plan**

**<u>Form of Performance Share Award Agreement: Free Cash Flow</u>**

You have been selected to receive a grant of Performance Shares under the American Axle & Manufacturing Holdings, Inc. 2018 Omnibus Incentive Plan as stated below:

Participant: [●]
Grant Date: March 1, 2021
Number of Performance Shares (Target Award Opportunity): [●]
Performance Period: January 1, 2021 – December 31, 2023
Final Acceptance Date: March 31, 2021

THIS AWARD AGREEMENT (the "Agreement"), is made effective as of the Grant Date (shown above) between American Axle & Manufacturing Holdings, Inc., a Delaware corporation (the "Company"), and the Participant.

**<u>RECITALS</u>:**

A. The Company has adopted the American Axle & Manufacturing Holdings, Inc. 2018 Omnibus Incentive Plan (the "Plan"). The Plan is incorporated in and made a part of this Agreement. Capitalized terms not defined in this Agreement have the same meanings as in the Plan;

B. The Compensation Committee of the Board of Directors (the "Committee") determined that it is in the best interests of the Company and its shareholders to grant an Award to the Participant under the terms of this Agreement and the Plan; and

C. The Participant shall have no rights related to this Award unless he or she accepts this Award before the close of business on the Final Acceptance Date (shown above). A Participant who receives this Agreement in paper format shall indicate acceptance by signing and delivering a copy of this Agreement to the Company. A Participant who receives this Agreement electronically through the Merrill website shall indicate acceptance as instructed at www.benefits.ml.com. The Final Acceptance Date may be modified, in the sole discretion of the Company, upon written request of the Participant. The parties agree as follows:

**1. <u>Grant of the Award and Performance Period</u>.** The Company grants to the Participant, on the terms and conditions of this Agreement, a Performance Share award (the "Award") with a target opportunity as specified above (the "Target Award Opportunity"), with each Performance Share corresponding to one Share (subject to adjustment pursuant to the Plan) for the Performance Period specified above.

**2. <u>Performance Measure and Performance Goals</u>.** The performance measure for this Award shall be the Company's Free Cash Flow ("FCF"). FCF is defined as net cash provided by operating activities less capital expenditures net of proceeds from the sale of property, plant and equipment, subject to adjustment by the Committee. FCF performance shall be based on the 2021, 2022 and 2023 calendar years and the three-year cumulative FCF over the Performance Period.

**3. <u>Payout Matrix</u>**. The Participant shall earn the percentage of the Target Award Opportunity that corresponds to the achieved performance goal for the Performance Period as set forth below:

(a) 20% of the Participant's Target Award Opportunity shall be determined based on annual FCF performance for each of the 2021, 2022 and 2023 calendar years (for a total of 60% of the Participant's Target Award Opportunity), as set forth in the chart below:

| | | **Annual Free Cash Flow** | |
|---|---|---|---|
| **Calendar Year** | **Threshold** | **Target** | **Maximum** |
| 2021 | $200 million | $250 million | $300 million |
| 2022 | $200 million | $250 million | $300 million |
| 2023 | $200 million | $300 million | $400 million |
| **% Earned** | 50% | 100% | 200% (capped) |

(b) 40% of the Participant's Target Award Opportunity shall be determined based on the three-year cumulative FCF performance as set forth in the chart below:

| | | **3-Year Cumulative Free Cash Flow** | |
|---|---|---|---|
| | **Threshold** | **Target** | **Maximum** |
| | $600 million | $800 million | $1,000 million or higher |
| **% Earned** | 50% | 100% | 200% (capped) |

Linear interpolation shall be used to determine the percent of the Target Award Opportunity earned above the Threshold or below the Maximum, in the event that the Company's FCF for any annual period or the three-year cumulative period falls between the percentages listed in the charts above.

**4. <u>Determination of the Award</u>**.

(a) Subject to the Plan and this Agreement, the number of Performance Shares earned by the Participant for the Performance Period shall equal the "FCF Earned Amount" as modified by Section 4(b) below. FCF Earned Amount is defined as the sum of the following: (i) the product of 20% of the Participant's Target Award Opportunity and the percent earned for the 2021 calendar year; *plus* (ii) the product of 20% of the Participant's Target Award Opportunity and the percent earned for the 2022 calendar year; *plus* (iii) the product of 20% of the Participant's Target Award Opportunity and the percent earned for the 2023 calendar year; *plus* (iv) the product of 40% of the Participant's Target Award Opportunity and the percent earned for the three-year cumulative period, in each case as determined in Section 3 above. Performance below Threshold for an annual period or the three-year cumulative period shall result in no payout to the Participant for such period. Performance above Maximum for an annual period or the three-year cumulative period shall result in a payout for such period capped at the Maximum. This cap shall apply solely to the FCF Earned Amount. The Committee shall have the sole authority to calculate the Participant's earned Award.

(b) The FCF Earned Amount shall be modified, as set forth below, based on the three-year total shareholder return ("TSR") of the Company and each company ("Competitor Company") that is identified as a member of the Company's TSR competitor peer group in the Company's annual report to shareholders for the fiscal year of the Grant Date shown above, or as elsewhere disclosed by the Company pursuant to Regulation S-K of the Securities Exchange Act of 1934 (the "Competitor Peer Group"). The modification of the FCF Earned Amount shall be based on the percentile rank of the Company's three-year TSR relative to the distribution of the Competitor Companies' three-year TSRs (the "Percentile Rank") without linear interpolation as set forth below:

| **3-Year Relative TSR Percentile Rank** | **Modification of FCF Earned Amount** |
|---|---|
| Below 25th percentile | FCF Earned Amount multiplied by 85% |
| Between and including 25th percentile and 74th percentile | No modification to FCF Earned Amount |
| 75th percentile and above | FCF Earned Amount multiplied by 115% |

**5. Determination of TSR.**

(a) TSR for each Competitor Company and the Company shall be determined in accordance with the following formula. TSR shall be equal to the quotient of (i) divided by (ii), where:

(i) is equal to the sum of (x) and (y) where (x) is the difference between the "Beginning Stock Price" and the "Ending Stock Price" and (y) is the sum of all dividends paid on one (1) Share during the Performance Period, provided that dividends shall be treated as reinvested at the end of each calendar quarter; and

(ii) is equal to the "Beginning Stock Price."

(b) Definitions for purposes of determining TSR under paragraph 3(a) above include:

(i) "Beginning Stock Price" shall mean the average closing price on the applicable stock exchange of one (1) Share for the thirty (30) trading days immediately prior to the first day of the Performance Period; and

(ii) "Ending Stock Price" shall mean the average closing price on the applicable stock exchange of one (1) Share for the thirty (30) trading days immediately prior to the last day of the Performance Period.

**6. Determination of Percentile Rank.** The Company's Percentile Rank shall be determined in accordance with the following rules:

(a) The Competitor Companies and the Company shall be ranked in descending order based on their respective TSRs.

(b) For purposes of developing the ordering provided in paragraph (a) above, (i) any Competitor Company that filed for bankruptcy protection under the United States Bankruptcy Code during the Performance Period shall be assigned the lowest order, (ii) any Competitor Company that is acquired during the Performance Period shall be removed from the Competitor Peer Group and shall not be included in the ordering of Competitor Companies, and (iii) any Competitor Company that, during the Performance Period, has entered into and publicly disclosed the entrance into a definitive agreement for the acquisition of such Competitor Company shall not be included in the ordering of Competitor Companies even if the acquisition has not yet closed as of the time the ordering is compiled for performance assessment.

(c) The Company's Percentile Rank shall be calculated as follows:

$$\text{Percentile Rank} = \frac{\text{Company Rank}}{\text{Total Number of Competitor Companies including the Company}}$$

**7. <u>Form and Timing of Award</u>.** Subject to the approval of the Committee, payment of the Participant's earned Award, if any, shall be made in the following manner:

(a) **Timing:** Each Performance Share earned by the Participant pursuant to Section 4 shall be settled by payment of one Share. The Participant shall receive payment of his or her earned Performance Shares no later than the fifteenth ($15^{th}$) day of the third month following the end of the Performance Period (the "Payment Date"), provided that the Participant has been continuously employed by the Company through the end of the Performance Period, until and including the Payment Date.

(b) **Impact of Employment Termination:** If the Participant's employment is terminated during the Performance Period due to death, Disability, or Retirement, or by the Company other than for Cause, then the Participant shall be entitled to be paid a pro rata Award, as determined under this subparagraph (b). The pro rata Award shall equal the product of (x) and (y) where (x) is the Target Award Opportunity and (y) is a fraction, the numerator of which is the number of calendar months that the Participant was employed by the Company during the Performance Period (with any partial month counting as a full month for this purpose) and the denominator of which is the number of months in the Performance Period. Any modification of the FCF Earned Amount made pursuant to Section 4(b) shall not apply to the pro rata Award amount as determined in this paragraph. Any payments shall be made as soon as is practical following such payment determination but no later than the fifteenth ($15^{th}$) day of the third month following the end of the quarterly reporting period that includes the date of termination of the Participant's employment.

(c) **Impact of a Change in Control:** Subject to Section 23.1 of the Plan, if a Participant (x) has in effect an employment, retention, Change in Control, severance or similar agreement with the Company or any Subsidiary or (y) is subject to a policy or plan of the Company or any Subsidiary that, in the case of either (x) or (y), discusses the effect of a Change in Control on a Participant's Awards, then such agreement, plan or policy shall control. In all other cases, unless provided otherwise by the Committee prior to the date of the Change in Control, in the event of a Change in Control:

(i) If the Change in Control occurs prior to the end of the Performance Period, the Performance Shares shall be deemed earned as if the Target performance goal was achieved. If the Change in Control occurs after the end of the Performance Period but prior to payment of the Award, the Performance Shares will be earned based on actual performance during the Performance Period.

(ii) If a Successor so agrees, some or all outstanding Awards shall be assumed, or replaced with the same type of award with similar terms and conditions, by a Successor in the Change in Control transaction. If applicable, each Award that is assumed by a Successor shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities that would have been issuable to a Participant upon the consummation of such Change in Control had the Award been earned immediately prior to such Change in Control, and other appropriate adjustments in the terms and conditions of the Award shall be made. Upon the termination of a Participant's employment with a Successor in connection with or within twenty-four (24) months following the Change in Control for any reason other than an involuntary termination by a Successor for cause or a voluntary termination by the Participant without good reason (as cause and good reason (or analogous terms) are defined by an applicable employment agreement or a change in control plan or policy (including, without limitation, the AAM Change in Control Plan) or, if not applicable, the policies generally applicable to employees of a Successor), all of the Participant's Awards that are in effect as of the date of such termination shall vest in full as provided in Section 7(c)(i) effective on the date of termination.

(iii) To the extent a Successor in the Change in Control transaction does not assume the Awards or issue replacement awards as provided in Section 7(c)(ii), then, unless provided otherwise by the Committee, immediately prior to the date of the Change in Control all Awards that are then held by Participants shall be cancelled in exchange for the right to receive a cash payment equal to:

(A) the product of (x) and (y) where (x) is the number of Performance Shares earned as provided in Section 7(c)(i) and (y) is a fraction, the numerator of which is the number of calendar months that the Participant was employed by the Company during the Performance Period (with any partial month counting as a full month for this purpose) and the denominator of which is the number of months in the Performance Period *multiplied by* the per share Change in Control price.

Any modification of the FCF Earned Amount made pursuant to Section 4(b) shall not apply to the determination of the Award in the event of a Change in Control. The Committee shall determine the per share Change in Control price paid or deemed paid in the Change in Control transaction. Any payments shall be made as soon as is practical following such payment determination but no later than the fifteenth ($15^{th}$) day of the third month following the end of the quarterly reporting period that includes the date of the occurrence of a Change in Control.

(d) **Forfeiture.** Except as otherwise expressly stated in Sections 7(b) and 7(c), if the Participant's employment with the Company terminates for any reason prior to the end of the Performance Period, then the Participant shall not be entitled to the payment of any Award hereunder.

(e) **Definitions**

(i) **"Change in Control:"** For purposes of this Agreement, "Change in Control" means any one of the following:

(A) Any person or entity, including a "group" as defined in Section 13(d)(3) of the Exchange Act other than the Company or a wholly owned Subsidiary thereof or any employee benefit plan of the Company or any of its Subsidiaries, becomes the beneficial owner of the Company's securities having 30% or more of the combined voting power of the then outstanding securities of the Company that may be cast for the election of Directors of the Company (other than as a result of an issuance of securities initiated by the Company in the ordinary course of business); or

(B) As the result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, less than a majority of the combined voting power of the then outstanding securities of the Company or any successor corporation or entity entitled to vote generally in the election of the Directors of the Company or such other corporation or entity after such transaction are held in the aggregate by the holders of the Company's securities entitled to vote generally in the election of Directors of the Company immediately prior to such transaction; or

(C) During any period of two consecutive years, individuals who at the beginning of any such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's stockholders, of each Director of the Company first elected during such period was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning of any such period; or

(D) The stockholders of the Company approve a plan of complete liquidation of the Company or the sale or disposition by the Company of all or substantially all of the Company's assets, other than a liquidation of the Company into a wholly owned subsidiary.

Notwithstanding the foregoing, to the extent that any Award constitutes a deferral of compensation subject to Section 409A (as defined in Section 20 below), and if that Award provides for a change in the time or form of payment upon a Change in Control, then no Change in Control shall be deemed to have occurred upon an event described in subsections (A), (B), (C) and (D) above, unless such event shall constitute a "change in ownership" or "change in effective control" of, or a change in the ownership of a substantial portion of the assets of the Company under Section 409A.

(ii) **"Disability:"** For purposes of this Agreement, "Disability" means either of the following: (a) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (b) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering Employees.

(iii) **"Cause:"** For purposes of this Agreement, "Cause" means (a) neglect of or willful and continuing refusal of the Participant to perform his or her duties with the Company (other than due to Disability), (b) a breach of any non-competition or "no raid" covenants to which the Participant is subject, (c) engaging in conduct which is demonstrably injurious to the Company, the Company's subsidiaries or affiliates (including, without limitation, a breach of any confidentiality covenant to which the Participant is subject), or (d) a conviction or plea of guilty or *nolo contendere* to a felony or a misdemeanor involving moral turpitude, dishonesty or theft, in each case as determined in the sole discretion of the Company. If an employment agreement between the Company and the Participant is in effect or a change in control plan or policy is in effect in which the Participant participates or to which such Participant is subject (including, without limitation, the AAM Change in Control Plan), "Cause" has the meaning, if any, defined therein.

(iv) **"Retirement:"** For purposes of this Agreement, "Retirement" means the Participant's voluntary resignation at any time (i) after attaining age 65, (ii) after attaining age 55 but prior to age 65 with ten or more years of continuous service with the Company or a Subsidiary or (iii) after attaining age 60 but prior to age 65 with five or more years of continuous service with the Company or a Subsidiary.

**8. <u>Share Delivery</u>.** Delivery of any Shares in settlement of the Award shall be by book-entry credit to an account in the Participant's name established by the Company with its transfer agent.

**9. <u>Recapitalization</u>.** In the event of any change in the capitalization of the Company such as a stock split or a corporate transaction such as any merger, consolidation, separation, or otherwise, the number of Performance Shares subject to this Agreement shall be equitably adjusted by the Committee, in its sole discretion, to prevent dilution or enlargement of rights.

**10. <u>Beneficiary Designation</u>.** The Participant may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Agreement is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the Participant, shall be in a form prescribed by the Company, and will be effective only when delivered by the Participant in writing to the Corporate Human Resources Department of the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

**11. <u>Shareholder Rights</u>.** Prior to the Payment Date, the Participant shall not have any rights as a shareholder of the Company in connection with this Award, unless and until the Shares are distributed to Participant. Following delivery of the Shares upon the Payment Date, the Participant shall have all rights as a shareholder with respect to such Shares.

**12. <u>Dividend Equivalents</u>.** The Participant shall not be entitled to any Dividend Equivalents with respect to the Performance Shares to reflect any dividends payable on Common Stock.

**13. <u>No Right to Continued Employment or Further Awards</u>.**

(a) Neither the Plan nor this Agreement shall be construed as (i) giving the Participant any right to continue in the employ of the Company and its Subsidiaries or (iii) giving the Participant any right to be reemployed by the Company and its Subsidiaries following any termination of employment. The termination of employment provisions in this Agreement only apply to the treatment of the Award as specified herein and shall not otherwise affect the Participant’s employment relationship. Nothing contained in this Agreement shall be deemed to constitute or create a contract of employment.

(b) The Company has granted the Award to the Participant in its sole discretion. The Award does not form part of the Participant’s employment contract, if any. Neither this Agreement nor the Plan confers on the Participant any right or entitlement to receive another Award, or any other similar award at any time in the future or in respect of any future period. The Award does not confer on the Participant any right or entitlement to receive compensation in any specific amount for any future fiscal year, and does not diminish in any way the Company's discretion to determine the amount, if any, of the Participant's compensation.

**14. Transferability.**

(a) The Award shall not be transferable other than by will, the laws of descent and distribution, pursuant to a domestic relations order entered by a court of competent jurisdiction or to a Permitted Transferee for no consideration pursuant to the Plan. Any Award transferred to a Permitted Transferee shall be further transferable only by will, the laws of descent and distribution, pursuant to a domestic relations order entered by a court of competent jurisdiction, or, for no consideration, to another Permitted Transferee of the Participant. The Shares delivered to the Participant on the Payment Date shall not be subject to transfer restrictions and shall be fully paid, non-assessable and registered in the Participant’s name.

(b) Except as set forth in the Plan, a Participant’s rights under the Plan shall be exercisable during the Participant’s lifetime only by the Participant, or in the event of the Participant’s legal incapacity, the Participant’s legal guardian or representative.

**15. Withholding.**

(a) Except as provided in the following sentence, the Company or subsidiary (as applicable) shall have the power and right to deduct, withhold or collect such amounts from the Participant to satisfy any tax, social security contribution, payroll tax or other amount required by law or regulation to be withheld with respect to any taxable event arising in relation to the Performance Shares including by deducting from amounts due to the Participant at any time or by deducting a portion of the Shares having a Fair Market Value (measured as of the Payment Date) sufficient to cover the amount of any applicable federal, state, local and foreign tax withholding obligation from the total Shares earned from the Award. The Participant may elect to satisfy such withholding obligation with respect to the Performance Shares by remitting in advance of the Payment Date an amount sufficient to satisfy such tax withholding obligations. The amount to be withheld may relate to amounts due in more than one jurisdiction and in all cases shall be as determined by the Company or subsidiary in its discretion.

(b) Regardless of any action by the Company with respect to any or all tax withholding (including social insurance contribution obligations, if any), the Participant acknowledges responsibility for payment of all such taxes and for filing any relevant documentation (including, without limitation, tax returns or reporting statements) that may be required in relation to the Award (including, without limitation, any such documentation related to the holding of shares or any bank or brokerage account, the subsequent sale of shares or the receipt of any dividends). The Company makes no representations regarding the treatment of any tax withholding in connection with the Award. The Company makes no commitment to structure the terms of the Award to reduce or eliminate the Participant’s liability for such tax.

**16.** **Securities Laws.** This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required, or the Committee determines are advisable. The Participant agrees to take all steps the Company determines are necessary to comply with all applicable provisions of federal and state securities law in exercising Participant's rights under this Agreement. The Committee may impose such restrictions on any Shares acquired by a Participant pursuant to the Award as it may deem necessary or advisable, under applicable federal securities laws, the requirements of any stock exchange or market upon which such Shares are then listed or traded or any blue sky or state securities laws applicable to such Shares. In addition, the Shares shall be subject to any trading restrictions, stock holding requirements or other policies in effect from time to time as determined by the Committee. Notwithstanding anything to the contrary in this Agreement, the Company shall not be obligated to issue or transfer any Shares pursuant to this Award if to do so violates or is not in compliance with any laws, rules or regulations of the United States or any other state or country having applicable jurisdiction.

**17.** **Notices.** Notice under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive offices of the Company and to the Participant at the address appearing in the records of the Company for the Participant, or to either party at another address that the party designates in writing to the other. Notice shall be effective upon receipt.

**18.** **Governing Law.** The interpretation, performance and enforcement of the Award and this Agreement shall be governed by the laws of the State of Delaware without regard to principles of conflicts of law. To the extent any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall remain in full force and effect.

**19.** **Award Subject to Plan.**

(a) The Award is granted subject to the Plan and to such rules and regulations the Committee may adopt for administration of the Plan. The Committee is authorized to administer, construe, and make all determinations necessary or appropriate to administer the Plan and this Agreement, all of which shall be binding upon the Participant.

(b) To the extent of any inconsistencies between the Plan and this Agreement, the Plan shall govern. This Agreement and the Plan constitute the entire agreement between the parties regarding the subject matter hereof. They supersede all other agreements, representations or understandings (whether oral or written, express or implied) that relate to the subject matter hereof.

(c) The Committee may terminate, amend, or modify or suspend the Plan and amend or modify this Agreement; provided, however, that no termination, amendment, modification or suspension shall materially and adversely affect the Participant's rights under this Agreement, without the Participant's written consent.

**20.** **Section 409A.**

(a) The Award is not intended to provide for a "deferral of compensation" within the meaning of Section 409A of the U.S. Internal Revenue Code and the final rules promulgated thereunder ("Section 409A") and shall be interpreted and construed in a manner consistent with that intent. If any provision of this Agreement or the Plan causes the Award to be subject to the requirements of Section 409A, or could otherwise cause the Participant to recognize income or be subject to the interest and penalties under Section 409A, then the provision shall have no effect or, to the extent practicable, the

Committee may, in its sole discretion and without the Participant's consent, modify the provision to (i) comply with, or avoid being subject to Section 409A, or to avoid the incurrence of any taxes, interest and penalties under Section 409A, and/or (ii) maintain, to the maximum extent practicable, the original intent and economic benefit to the Participant of the applicable provision without materially increasing the cost to the Company or contravening the provisions of Section 409A. This Section 20 does not create an obligation of the Company to modify the Plan or this Agreement and does not guarantee that the Award will not be subject to taxes, interest and penalties under Section 409A.

(b) If a Participant is a "specified employee" as defined under Section 409A and the Participant's Award is to be settled on account of the Participant's separation from service (for reasons other than death) and such Award constitutes "deferred compensation" as defined under Section 409A, then any portion of the Participant's Award that would otherwise be settled during the six-month period commencing on the Participant's separation from service shall be settled as soon as practicable following the conclusion of the six-month period (or following the Participant's death if it occurs during such six-month period).

**21.** **Recoupment**. The Participant's earned Award shall be subject to any clawback, recoupment or similar policy as permitted or mandated by applicable law, rules, regulations or any Company policy as enacted, adopted or modified from time to time.

**22.** **Electronic Delivery**. The Company may, in its sole discretion, deliver any documents related to current or future participation in the Plan by electronic means. By accepting this Award, the Participant consents to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company, including Merrill.

**23.** **Personal Data Privacy.** The Participant explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data by and among, as applicable, the Company and its subsidiaries for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Company may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title and number of Performance Shares for the purpose of implementing, administering and managing the Participant's Award (the "Data"). The Participant understands that the Data may be transferred to the Company or to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere, and that any recipient's country may have different data privacy laws and protections than the Participant's country. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Participant's participation in the Plan. Furthermore, the Participant acknowledges and understands that the transfer of the Data to the Company or to any third parties is necessary for the Participant's participation in the Plan. The Participant may view the Data, request information about the storage and processing of Data, request any corrections to Data, or withdraw the consents herein (in any case, without cost to the Participant) by contacting Corporate Human Resources in writing. The withdrawal of any consent by the Participant may affect the Participant's participation in the Plan. The Participant may contact Corporate Human Resources for further information about the consequences of any withdrawal of consents herein.

**24.** **Headings**. The headings of sections and subsections are included solely for convenience of reference and shall not affect the meaning of the provisions of this Agreement.

**25.** **Successor**. All obligations of the Company under the Plan and this Agreement, with respect to the Award, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

**26.** **Signature in Counterparts.** If delivered in paper format, this Agreement may be signed in counterparts. Each counterpart shall be an original, with the same effect as if the signatures were on the same instrument.

**27.** **Enforceability.** To the extent any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

**28.** **Language.** If the Participant has been provided with a copy of this Agreement, the Plan or any other document relating to this Award in a language other than English, the English language shall govern in the event of any inconsistency.

**29.** **Waiver.** No failure or delay by the Company to enforce any provision of this Agreement or exercise any right or remedy provided by law shall constitute a waiver of that or any other provision, right or remedy, nor shall it prevent or restrict the further exercise of that or any other provision, right or remedy. No single or partial exercise of such provision, right or remedy shall prevent or restrict the further exercise of that or any other provision, right or remedy.

**30.** **Foreign Exchange Restrictions.** The Participant understands and agrees that neither the Company or its subsidiaries are responsible or liable for (i) any foreign exchange fluctuations between the Participant's local currency (if applicable) and the United States Dollar (or the selection by the Company or a subsidiary of any applicable foreign exchange rate it may determine in its discretion to be appropriate) that may affect the value of this Award or the calculated income, taxes or other amounts thereunder or any related taxes or other amounts or (ii) any decrease in the value of Shares.

AMERICAN AXLE & MANUFACTURING
HOLDINGS, INC.

By: ___________________________________

Authorized Signatory

Agreed and acknowledged as of the date of grant:

___________________________________

*(Participant's signature)*

**AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.**
**2018 Omnibus Incentive Plan**

**Form of Performance Unit Award Agreement: Free Cash Flow**

You have been selected to receive a grant of Performance Units under the American Axle & Manufacturing Holdings, Inc. 2018 Omnibus Incentive Plan as stated below:

Participant: [●]
Grant Date: March 1, 2021
Number of Performance Units (Target Award Opportunity): [●]
Performance Period: January 1, 2021 – December 31, 2023
Final Acceptance Date: March [●], 2021

THIS AWARD AGREEMENT (the "Agreement"), is made effective as of the Grant Date (shown above) between American Axle & Manufacturing Holdings, Inc., a Delaware corporation (the "Company"), and the Participant.

**RECITALS:**

A. The Company has adopted the American Axle & Manufacturing Holdings, Inc. 2018 Omnibus Incentive Plan (the "Plan"). The Plan is incorporated in and made a part of this Agreement. Capitalized terms not defined in this Agreement have the same meanings as in the Plan;

B. The Compensation Committee of the Board of Directors (the "Committee") determined that it is in the best interests of the Company and its shareholders to grant an Award to the Participant, under the terms of this Agreement and the Plan; and

C. The Participant shall have no rights related to this Award unless he or she accepts this Award before the close of business on the Final Acceptance Date (shown above). A Participant who receives this Agreement in paper format shall indicate acceptance by signing and delivering a copy of this Agreement to the Company. A Participant who receives this Agreement electronically through the Merrill website shall indicate acceptance as instructed at www.benefits.ml.com. The Final Acceptance Date may be modified, in the sole discretion of the Company, upon written request of the Participant.

The parties agree as follows:

**1. Grant of the Award and Performance Period.** The Company grants to the Participant, on the terms and conditions of this Agreement, a Performance Unit award (the "Award") with a target opportunity as specified above (the "Target Award Opportunity"), with each Performance Unit being equivalent to a fixed amount of $1.00, for the Performance Period specified above.

**2. Performance Measure and Performance Goals.** The performance measure for this Award shall be the Company's Free Cash Flow ("FCF"). FCF is defined as net cash provided by operating activities less capital expenditures net of proceeds from the sale of property, plant and equipment, subject to adjustment by the Committee. FCF performance shall be based on the 2021, 2022 and 2023 calendar years and the three-year cumulative FCF over the Performance Period.

**3. Payout Matrix.**

The Participant shall earn the percentage of the Target Award Opportunity that corresponds to the achieved performance goal for the Performance Period as set forth below.

(a) 20% of the Participant's Target Award Opportunity shall be determined based on annual FCF performance for each of the 2021, 2022 and 2023 calendar years (for a total of 60% of the Participant's Target Award Opportunity), as set forth in the chart below:

| | | **Annual Free Cash Flow** | |
|---|---|---|---|
| **Calendar Year** | **Threshold** | **Target** | **Maximum** |
| 2021 | $200 million | $250 million | $300 million |
| 2022 | $200 million | $250 million | $300 million |
| 2023 | $200 million | $300 million | $400 million |
| **% Earned** | 50% | 100% | 200% (capped) |

(b) 40% of the Participant's Target Award Opportunity shall be determined based on the three-year cumulative FCF performance as set forth in the chart below:

| | | **3-Year Cumulative Free Cash Flow** | |
|---|---|---|---|
| | **Threshold** | **Target** | **Maximum** |
| | $600 million | $800 million | $1,000 million or higher |
| **% Earned** | 50% | 100% | 200% (capped) |

Linear interpolation shall be used to determine the percent of the Target Award Opportunity earned above the Threshold or below the Maximum, in the event that the Company's FCF for any annual period or the three-year cumulative period falls between the percentages listed in the charts above.

**4. Determination of the Award.**

(a) Subject to the Plan and this Agreement, the number of Performance Units earned by the Participant for the Performance Period shall equal the "FCF Earned Amount" as modified by Section 4(b) below. FCF Earned Amount is defined as the sum of the following: (i) the product of 20% of the Participant's Target Award Opportunity and the percent earned for the 2021 calendar year; *plus* (ii) the product of 20% of the Participant's Target Award Opportunity and the percent earned for the 2022 calendar year; *plus* (iii) the product of 20% of the Participant's Target Award Opportunity and the percent earned for the 2023 calendar year; *plus* (iv) the product of 40% of the Participant's Target Award Opportunity and the percent earned for the three-year cumulative period, in each case as determined in Section 3 above. Performance below Threshold for an annual period or the three-year cumulative period shall result in no payout to the Participant for such period. Performance above Maximum for an annual period or the three-year cumulative period shall result in a payout for such period capped at the Maximum. This cap shall apply solely to the FCF Earned Amount. The Committee shall have the sole authority to calculate the Participant's earned Award.

(b) The FCF Earned Amount shall be modified, as set forth below, based on the three-year total shareholder return ("TSR") of the Company and each company ("Competitor Company") that is identified as a member of the Company's TSR competitor peer group in the

Company's annual report to shareholders for the fiscal year of the Grant Date shown above, or as elsewhere disclosed by the Company pursuant to Regulation S-K of the Securities Exchange Act of 1934 (the "Competitor Peer Group"). The modification of the FCF Earned Amount shall be based on the percentile rank of the Company's three-year TSR relative to the distribution of the Competitor Companies' three-year TSRs (the "Percentile Rank") without linear interpolation as set forth below:

| **3-Year Relative TSR Percentile Rank** | **Modification of FCF Earned Amount** |
|---|---|
| Below $25^{th}$ percentile | FCF Earned Amount multiplied by 85% |
| Between and including $25^{th}$ percentile and $74^{th}$ percentile | No modification to FCF Earned Amount |
| $75^{th}$ percentile and above | FCF Earned Amount multiplied 115% |

**5. <u>Determination of TSR</u>.**

(a) TSR for each Competitor Company and the Company shall be determined in accordance with the following formula. TSR shall be equal to the quotient of (i) divided by (ii), where:

(i) is equal to the sum of (x) and (y) where (x) is the difference between the "Beginning Stock Price" and the "Ending Stock Price" and (y) is the sum of all dividends paid on one (1) Share during the Performance Period, provided that dividends shall be treated as reinvested at the end of each calendar quarter; and

(ii) is equal to the "Beginning Stock Price".

(b) Definitions for purposes of determining TSR under paragraph 3(a) above include:

(i) "Beginning Stock Price" shall mean the average closing price on the applicable stock exchange of one (1) Share for the thirty (30) trading days immediately prior to the first day of the Performance Period; and

(ii) "Ending Stock Price" shall mean the average closing price on the applicable stock exchange of one (1) Share for the thirty (30) trading days immediately prior to the last day of the Performance Period.

**6. <u>Determination of Percentile Rank</u>.** The Company's Percentile Rank shall be determined in accordance with the following rules:

(a) The Competitor Companies and the Company shall be ranked in descending order based on their respective TSRs.

(b) For purposes of developing the ordering provided in paragraph (a) above, (i) any Competitor Company that filed for bankruptcy protection under the United States Bankruptcy Code during the Performance Period shall be assigned the lowest order, (ii) any Competitor Company that is acquired during the Performance Period shall be removed from the Competitor Peer Group and shall not be included in the ordering of Competitor Companies, and (iii) any Competitor Company that, during the Performance Period, has entered into and publicly disclosed the entrance into a definitive agreement for the acquisition of such Competitor Company shall not be included in the ordering of Competitor Companies even if the acquisition has not yet closed as of the time the ordering is compiled for performance assessment.

(c) The Company's Percentile Rank shall be calculated as follows:

$$\text{Percentile Rank} = \frac{\text{Company Rank}}{\text{Total Number of Competitor Companies including the Company}}$$

**7. <u>Form and Timing of Award</u>.** Subject to the approval of the Committee, payment of the Participant's earned Award, if any, shall be made in cash, in a single lump sum, in the following manner:

(a) **Timing**: Each Performance Unit earned by the Participant pursuant to Section 4 shall be settled by payment of $1.00. The Participant shall receive payment of his or her earned Performance Units no later than the fifteenth (15th) day of the third month following the end of the Performance Period (the "Payment Date"), provided that the Participant has been continuously employed by the Company through the end of the Performance Period, until and including the Payment Date.

(b) **Impact of Employment Termination**: If the Participant's employment is terminated during the Performance Period due to death, Disability, or Retirement, or by the Company other than for Cause, then the Participant shall be entitled to be paid a pro rata Award, as determined under this subparagraph (b). The pro rata Award shall equal the product of (x) and (y) where (x) is the Target Award Opportunity and (y) is a fraction, the numerator of which is the number of calendar months that the Participant was employed by the Company during the Performance Period (with any partial month counting as a full month for this purpose) and the denominator of which is the number of months in the Performance Period. Any modification of the FCF Earned Amount made pursuant to Section 4(b) shall not apply to the pro rata Award amount as determined in this paragraph. Any payments shall be made as soon as is practical following such payment determination but no later than the fifteenth (15th) day of the third month following the end of the quarterly reporting period that includes the date of termination of the Participant's employment.

(c) **Impact of a Change in Control**: Subject to Section 23.1 of the Plan, if a Participant (x) has in effect an employment, retention, Change in Control, severance or similar agreement with the Company or any Subsidiary or (y) is subject to a policy or plan of the Company or any Subsidiary that, in the case of either (x) or (y), discusses the effect of a Change in Control on a Participant's Awards, then such agreement, plan or policy shall control. In all other cases, unless provided otherwise by the Committee prior to the date of the Change in Control, in the event of a Change in Control:

(i) If the Change in Control occurs prior to the end of the Performance Period, the Performance Units shall be deemed earned as if the Target performance goal was achieved. If the Change in Control occurs after the end of the Performance Period but prior to payment of the Award, the Performance Units will be earned based on actual performance during the Performance Period.

(ii) If a Successor so agrees, some or all outstanding Awards shall be assumed, or replaced with the same type of award with similar terms and conditions, by a Successor in the Change in Control transaction. If applicable, each Award that is assumed by a Successor shall be appropriately adjusted, immediately after such Change in Control, to apply to the Award that would have been issuable to a Participant upon the consummation of such Change in Control had the Award been earned immediately prior to such Change in Control, and other appropriate adjustments in the terms and conditions of the Award shall be made. Upon the termination of a Participant's employment with a Successor in connection with or within twenty-four (24) months following the Change in Control for any reason other than an involuntary termination by a Successor for cause or a voluntary termination by the Participant without good reason (as cause and good reason (or analogous terms) are defined by an applicable employment agreement or a change in control plan or policy (including, without limitation, the AAM Change in Control Plan) or, if not applicable, the policies generally applicable to employees of a Successor), all of the Participant's Awards that are in effect as of the date of such termination shall vest in full as provided in Section 7(c)(i) effective on the date of termination.

(iii) To the extent a Successor in the Change in Control transaction does not assume the Awards or issue replacement awards as provided in Section 7(c)(ii), then, unless provided otherwise by the Committee, immediately prior to the date of the Change in Control all Awards that are then held by Participants shall be cancelled in exchange for the right to receive a cash payment equal to the product of (x) and (y) where (x) is the number of Performance Units earned as provided in Section 7(c)(i) and (y) is a fraction, the numerator of which is the number of calendar months that the Participant was employed by the Company during the Performance Period (with any partial month counting as a full month for this purpose) and the denominator of which is the number of months in the Performance Period *multiplied by* $1.00.

Any modification of the FCF Earned Amount made pursuant to Section 4(b) shall not apply to the determination of the Award in the event of a Change in Control. Any payments shall be made as soon as is practical following such payment determination but no later than the fifteenth ($15^{th}$) day of the third month following the end of the quarterly reporting period that includes the date of the occurrence of a Change in Control.

(d) **Forfeiture**. Except as otherwise expressly stated in Sections 7(b) and 7(c), if the Participant's employment with the Company terminates for any reason prior to the end of the Performance Period, then the Participant shall not be entitled to the payment of any Award hereunder.

(e) **Definitions**

(i) **"Change in Control:"** For purposes of this Agreement, "Change in Control" means any one of the following:

(A) Any person or entity, including a “group” as defined in Section 13(d)(3) of the Exchange Act other than the Company or a wholly owned Subsidiary thereof or any employee benefit plan of the Company or any of its Subsidiaries, becomes the beneficial owner of the Company’s securities having 30% or more of the combined voting power of the then outstanding securities of the Company that may be cast for the election of Directors of the Company (other than as a result of an issuance of securities initiated by the Company in the ordinary course of business); or

(B) As the result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, less than a majority of the combined voting power of the then outstanding securities of the Company or any successor corporation or entity entitled to vote generally in the election of the Directors of the Company or such other corporation or entity after such transaction are held in the aggregate by the holders of the Company’s securities entitled to vote generally in the election of Directors of the Company immediately prior to such transaction; or

(C) During any period of two consecutive years, individuals who at the beginning of any such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Company’s stockholders, of each Director of the Company first elected during such period was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning of any such period; or

(D) The stockholders of the Company approve a plan of complete liquidation of the Company or the sale or disposition by the Company of all or substantially all of the Company’s assets, other than a liquidation of the Company into a wholly owned subsidiary.

Notwithstanding the foregoing, to the extent that any Award constitutes a deferral of compensation subject to Section 409A (as defined in Section 15 below), and if that Award provides for a change in the time or form of payment upon a Change in Control, then no Change in Control shall be deemed to have occurred upon an event described in subsections (A), (B), (C) and (D) above, unless such event shall constitute a “change in ownership” or “change in effective control” of, or a change in the ownership of a substantial portion of the assets of the Company under Section 409A.

(ii) **“Disability:”** For purposes of this Agreement, “Disability” means either of the following: (a) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (b) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering Employees.

(iii) **“Cause:”** For purposes of this Agreement, "Cause" means (i) neglect of or willful and continuing refusal of the Participant to perform his or her duties with the Company (other than due to Disability), (ii) a breach of any non-competition or "no raid" covenants to which the Participant is subject, (iii) engaging in conduct which is demonstrably injurious to the Company, the Company's subsidiaries or affiliates (including, without limitation, a breach of any confidentiality covenant to which the Participant is subject), or (iv) a conviction or plea of guilty or nolo contendere to a felony or a misdemeanor involving moral turpitude, dishonesty or theft, in each case as determined in the sole discretion of the Company. If an employment agreement between the Company and the Participant is in effect or a change in control plan or policy is in effect in which the Participant participates or to which such Participant is subject (including, without limitation, the AAM Change in Control Plan), "Cause" has the meaning, if any, defined therein.

(iv) **“Retirement:”** For purposes of this Agreement, “Retirement” means the Participant’s voluntary resignation at any time (i) after attaining age 65, (ii) after attaining age 55 but prior to age 65 with ten or more years of continuous service with the Company or a Subsidiary or (iii) after attaining age 60 but prior to age 65 with five or more years of continuous service with the Company or a Subsidiary.

**8. Beneficiary Designation.** The Participant may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Agreement is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the Participant, shall be in a form prescribed by the Company, and will be effective only when delivered by the Participant in writing to the Corporate Human Resources Department of the Company during the Participant’s lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant’s death shall be paid to the Participant’s estate.

**9. No Right to Continued Employment or Further Awards.**

(a) Neither the Plan nor this Agreement shall be construed as (i) giving the Participant any right to continue in the employ of the Company and its Subsidiaries or (iii) giving the Participant any right to be reemployed by the Company and its Subsidiaries following any termination of employment. The termination of employment provisions in this Agreement only apply to the treatment of the Award as specified herein and shall not otherwise affect the Participant’s employment relationship. Nothing contained in this Agreement shall be deemed to constitute or create a contract of employment.

(b) The Company has granted the Award to the Participant in its sole discretion. The Award does not form part of the Participant’s employment contract, if any. Neither this Agreement nor the Plan confers on the Participant any right or entitlement to receive another Award, or any other similar award at any time in the future or in respect of any future period. The Award does not confer on the Participant any right or entitlement to receive compensation in any specific amount for any future fiscal year, and does not diminish in any way the Company's discretion to determine the amount, if any, of the Participant's compensation.

**10. Transferability.**

(a) The Award shall not be transferable other than by will, the laws of descent and distribution, pursuant to a domestic relations order entered by a court of competent jurisdiction or to a Permitted Transferee for no consideration pursuant to the Plan. Any Award transferred to a Permitted Transferee shall be further transferable only by will, the laws of descent and distribution, pursuant to a domestic relations order entered by a court of competent jurisdiction, or, for no consideration, to another Permitted Transferee of the Participant.

(b) Except as set forth in the Plan, a Participant's rights under the Plan shall be exercisable during the Participant's lifetime only by the Participant, or in the event of the Participant's legal incapacity, the Participant's legal guardian or representative.

**11. Withholding.** Subject to the Plan, the Company may require any individual entitled to receive a payment of an Award to remit to the Company prior to payment, an amount sufficient to satisfy any applicable federal, state, local and foreign tax withholding requirements. The Company shall also have the right to deduct from all cash payments made to a Participant (whether or not such payment is made in connection with an Award) any applicable taxes required to be withheld with respect to such Award.

**12. Notices.** Notice under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive offices of the Company and to the Participant at the address appearing in the records of the Company for the Participant, or to either party at another address that the party designates in writing to the other. Notice shall be effective upon receipt.

**13. Governing Law.** The interpretation, performance and enforcement of the Award and this Agreement shall be governed by the laws of the State of Delaware without regard to principles of conflicts of law. To the extent any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall remain in full force and effect.

**14. Award Subject to Plan.**

(a) The Award is granted subject to the Plan and to such rules and regulations the Committee may adopt for administration of the Plan. The Committee is authorized to administer, construe, and make all determinations necessary or appropriate to administer the Plan and this Agreement, all of which shall be binding upon the Participant.

(b) To the extent of any inconsistencies between the Plan and this Agreement, the Plan shall govern. This Agreement and the Plan constitute the entire agreement between the parties regarding the subject matter hereof. They supersede all other agreements, representations or understandings (whether oral or written, express or implied) that relate to the subject matter hereof.

(c) The Committee may terminate, amend, or modify or suspend the Plan and amend or modify this Agreement; *provided, however*, that no termination, amendment, modification or suspension shall materially and adversely affect the Participant's rights under this Agreement, without the Participant's written consent.

**15. Section 409A.**

(a) The Award is not intended to provide for a "deferral of compensation" within the meaning of Section 409A of the U.S. Internal Revenue Code and the final rules promulgated thereunder

("Section 409A") and shall be interpreted and construed in a manner consistent with that intent. If any provision of this Agreement or the Plan causes the Award to be subject to the requirements of Section 409A, or could otherwise cause the Participant to recognize income or be subject to the interest and penalties under Section 409A, then the provision shall have no effect or, to the extent practicable, the Committee may, in its sole discretion and without the Participant's consent, modify the provision to (i) comply with, or avoid being subject to Section 409A, or to avoid the incurrence of any taxes, interest and penalties under Section 409A, and/or (ii) maintain, to the maximum extent practicable, the original intent and economic benefit to the Participant of the applicable provision without materially increasing the cost to the Company or contravening the provisions of Section 409A. This Section 15 does not create an obligation of the Company to modify the Plan or this Agreement and does not guarantee that the Award will not be subject to taxes, interest and penalties under Section 409A.

(b) If a Participant is a "specified employee" as defined under Section 409A and the Participant's Award is to be settled on account of the Participant's separation from service (for reasons other than death) and such Award constitutes "deferred compensation" as defined under Section 409A, then any portion of the Participant's Award that would otherwise be settled during the six-month period commencing on the Participant's separation from service shall be settled as soon as practicable following the conclusion of the six-month period (or following the Participant's death if it occurs during such six-month period).

**16. Recoupment.** The Participant's earned Award shall be subject to any clawback, recoupment or similar policy as permitted or mandated by applicable law, rules, regulations or any Company policy as enacted, adopted or modified from time to time.

**17. Electronic Delivery.** The Company may, in its sole discretion, deliver any documents related to current or future participation in the Plan by electronic means. By accepting this Award, the Participant consents to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company, including Merrill.

**18. Personal Data Privacy.** The Participant explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data by and among, as applicable, the Company and its subsidiaries for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Company may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title and number of Performance Units for the purpose of implementing, administering and managing the Participant's Award (the "Data"). The Participant understands that the Data may be transferred to the Company or to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere, and that any recipient's country may have different data privacy laws and protections than the Participant's country. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Participant's participation in the Plan. Furthermore, the Participant acknowledges and understands that the transfer of the Data to the Company or to any third parties is necessary for the Participant's participation in the Plan. The Participant may view the Data, request information about the storage and processing of Data, request any corrections to Data, or withdraw the consents herein (in any case, without cost to the Participant) by contacting Corporate Human Resources in writing. The withdrawal of any consent by the Participant may affect the Participant's participation in the Plan. The Participant may contact Corporate Human Resources for further information about the consequences of any withdrawal of consents herein.

**19.** **<u>Headings</u>.** The headings of sections and subsections are included solely for convenience of reference and shall not affect the meaning of the provisions of this Agreement.

**20.** **<u>Successor</u>.** All obligations of the Company under the Plan and this Agreement, with respect to the Award, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

**21.** **<u>Signature in Counterparts</u>.** If delivered in paper format, this Agreement may be signed in counterparts. Each counterpart shall be an original, with the same effect as if the signatures were on the same instrument.

**22.** **<u>Enforceability</u>.** To the extent any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

**23.** **<u>Language</u>.** If the Participant has been provided with a copy of this Agreement, the Plan or any other document relating to this Award in a language other than English, the English language shall govern in the event of any inconsistency.

**24.** **<u>Waiver</u>.** No failure or delay by the Company to enforce any provision of this Agreement or exercise any right or remedy provided by law shall constitute a waiver of that or any other provision, right or remedy, nor shall it prevent or restrict the further exercise of that or any other provision, right or remedy. No single or partial exercise of such provision, right or remedy shall prevent or restrict the further exercise of that or any other provision, right or remedy.

**25.** **<u>Foreign Exchange Restrictions</u>.** The Participant understands and agrees that neither the Company or its subsidiaries are responsible or liable for any foreign exchange fluctuations between the Participant's local currency (if applicable) and the United States Dollar (or the selection by the Company or a subsidiary of any applicable foreign exchange rate it may determine in its discretion to be appropriate) that may affect the value of this Award or the calculated income, taxes or other amounts thereunder or any related taxes or other amounts.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

By: ___________________________
Authorized Signatory

Agreed and acknowledged as of the date of grant:

___________________________________
*(Participant's signature)*

# EXHIBIT 22 - SUBSIDIARY GUARANTORS AND ISSUERS OF GUARANTEED SECURITIES
# AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.

Our 6.875% Notes, 6.50% Notes, 6.25% Notes (due 2026) and 6.25% Notes (due 2025) are senior unsecured obligations of American Axle & Manufacturing, Inc., all of which are fully and unconditionally guaranteed, on a joint and several basis, by American Axle & Manufacturing Holdings, Inc. and substantially all domestic subsidiaries of American Axle & Manufacturing, Inc. and Metaldyne Performance Group, Inc. The table below defines these entities.

| Entity | Organized Under Laws of |
|---|---|
| **Parent Entity** | |
| American Axle & Manufacturing Holdings, Inc. | Delaware |
| | |
| **Issuing Entity** | |
| American Axle & Manufacturing, Inc. | Delaware |
| | |
| **Guarantor Entities** | |
| AAM International Holdings, Inc. | Delaware |
| Auburn Hills Manufacturing, Inc. | Delaware |
| Oxford Forge, Inc. | Delaware |
| MSP Industries Corporation | Michigan |
| Colfor Manufacturing, Inc. | Delaware |
| Accugear, Inc. | Delaware |
| Rochester Manufacturing, LLC | Indiana |
| Metaldyne Performance Group, Inc. | Delaware |
| MPG Holdco I Inc. | Delaware |
| Metaldyne BSM, LLC | Delaware |
| Metaldyne M&A Bluffton, LLC | Delaware |
| Metaldyne Powertrain Components, Inc. | Delaware |
| Metaldyne Sintered Ridgway, LLC | Delaware |
| Metaldyne SinterForged Products, LLC | Delaware |
| Punchcraft Machining and Tooling, LLC | Delaware |
| HHI FormTech, LLC | Delaware |
| Jernberg Industries, LLC | Delaware |
| Impact Forge Group, LLC | Delaware |
| ASP HHI Holdings, Inc. | Delaware |
| ASP HHI Acquisition Co., Inc. | Delaware |
| ASP MD Holdings, Inc. | Delaware |
| MD Investors Corporation | Delaware |
| Metaldyne, LLC | Delaware |
| Gear Design and Manufacturing, LLC | Delaware |
| AAM Powder Metal Components, Inc. | Ohio |
| ASP Grede Intermediate Holdings LLC | Delaware |
| HHI Holdings, LLC | Delaware |
| AAM Casting Corp. | Delaware |

**EXHIBIT 31.1 - CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT**

I, David C. Dauch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Axle & Manufacturing Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2021

/s/ David C. Dauch
David C. Dauch
Chairman of the Board & Chief Executive Officer
(Principal Executive Officer)

**EXHIBIT 31.2 - CERTIFICATION PURSUANT TO RULE 13a-14(a)
OF THE SECURITIES EXCHANGE ACT**

I, Christopher J. May, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Axle & Manufacturing Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2021

/s/ Christopher J. May
Christopher J. May
Vice President & Chief Financial Officer
(Principal Financial Officer)

**EXHIBIT 32 - CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of American Axle & Manufacturing Holdings, Inc. (Issuer) on Form 10-Q for the period ending March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (Report), I, David C. Dauch, Chairman of the Board & Chief Executive Officer of the Issuer, and I, Christopher J. May, Vice President & Chief Financial Officer of the Issuer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

| | |
|---|---|
| /s/ David C. Dauch | /s/ Christopher J. May |
| David C. Dauch | Christopher J. May |
| Chairman of the Board & | Vice President & |
| Chief Executive Officer | Chief Financial Officer |
| May 7, 2021 | May 7, 2021 |