THE INVESTMENT CASE

EQUITY RESEARCH

Nemak, S.A.B. de C.V.

Industrial · Aluminium Auto Parts

BMV: NEMAKA

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nemak.com

NEMAKA

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02 Company Overview

The Independent Caster at Scale

Three things carry the franchise, and two of them are the company's own statements rather than filed disclosure. Nemak says it is sole supplier in more than 90% of all contracts, and describes itself as the only independent supplier with capacity installed in the US, both in its corporate presentation of May 2026, p.14. The third is contractual: aluminium passes through to customers, which keeps the metal price out of unit margin. All three survive the powertrain transition, and none of them fixes the balance sheet.

Nemak is one of the largest independent manufacturers of complex aluminium and magnesium auto castings, in its own words a leading provider of lightweighting solutions: cylinder heads, blocks and transmission components on the combustion side, structural and chassis parts on the electric side. FY2025 revenue was USD 4,931mm and Adjusted EBITDA USD 591mm at a 12.0% margin, and the year closed in a net loss of USD (116)mm on impairment and euro FX. The latest quarter is larger and thinner: 2Q26 revenue up 18.5% on EBITDA down 6.0%.

The moat rests on that sole-supplier position, and on complex castings made with OEM-qualified tooling under programmes that run a platform's life, which makes re-sourcing slow and expensive even where a cheaper quote exists.

COMPANY SNAPSHOT

>90%

SOLE-SUPPLIER CONTRACTS

Corporate presentation, May 2026, p.14.

USD 1,504mm

2Q26 REVENUE

Up 18.5% y/y. EBITDA USD 171mm, down 6.0%, 11% margin.

53

PRODUCTION PLANTS

15 countries post-acquisition: 24 North America, 20 Europe, 6 Asia, 3 South America.

13%

EV/SC SHARE OF 2Q26 REVENUE

Against 9% in FY2025. EV/SC revenue USD 197mm, up 64.2% y/y.

From ALFA Subsidiary to Independent Caster

Nemak became a fully independent, widely-held caster only in 2021, and the February 2026 purchase of GF Casting Solutions is the event that has reshaped its mix, its technology set and its customer list. Founded in Monterrey in 1979, Nemak listed on the Bolsa Mexicana de Valores in July 2015 and completed its separation from ALFA in September 2021, when Controladora Nemak was merged into Nemak SAB to leave a single independent listed entity. The former parent has since been renamed Sigma Foods, and the legacy ALFA 75% and Ford 5% ownership description still quoted in places is obsolete. Álvaro Fernández Garza chairs the board. The company reports in USD and the equity trades in MXN, following the IAS 21 presentation-currency change effective FY2023.

Footprint | Pre- and Post-Acquisition

Nemak ran 44 production facilities on a standalone FY2025 basis. Including the acquired sites it operates 53, in 15 countries, serving more than 70 OEM customers.

Footprint KPI	Standalone FY2025	Including acquired sites
Production facilities	44	53
Product-development centres	10	12
Countries	14	15
Employees (approx.)	~23,400	25,111
OEM customers	~60	>70

Source: Company filings (IA-2025 p.3, About Nemak; letter to shareholders). Headcount at 30-Jun-2026 is the 2Q26 filing's own tally (85 officers, 3,913 salaried, 21,113 hourly), not the sum of the two columns. A third reading of the same quantity exists and we print the filed one: the May-2026 corporate presentation gives approximately 27,400 employees post-acquisition, against the 25,111 the interim filing counts at 30 June 2026, and no source reconciles the two. The centre count does not reconcile and the gap is the company's rather than ours: IA-2025 gives 10 centres standalone and 12 after the acquisition while describing the transaction as adding one, in Switzerland, so ten plus one is eleven. Plants do foot, at 44 plus 9. We carry the 12 as the company's own post-acquisition figure and record the unexplained second centre rather than reconciling it silently. The standalone country count of 14 is derived, 15 post-acquisition less Romania, the one country the acquisition adds; IA-2025 publishes no standalone count.

Region	Plants	Footprint detail
North America	24	US: AL, GA, KY, TN, WI. Mexico: Monterrey, Saltillo.
Europe	20	Germany, Austria, Poland, Slovakia, Czechia, Hungary, Romania, Spain, Turkey.

Region	Plants	Footprint detail
Asia	6	China x5, India (Chennai).
South America	3	Betim (Brazil), San Agustin (Argentina).

Source: Company filings (IA-2025 p.3, Nemak at a Glance, with acquired sites marked); corporate presentation May-2026.

Capital is concentrated the same way as the plants. Net property, plant and equipment at FY2025 was USD 1,614mm in North America, USD 981mm in Europe and USD 200mm in the rest of the world, weights of 57.7%, 35.1% and 7.2%.

GF Casting Solutions | The First Full Quarter

The acquired business has now reported a clean quarter, and the read is negative in a way that matters: revenue is running below the business's last disclosed full year and integration is on plan rather than ahead of it, the synergy target has been cut, and the mix step the previous edition underwrote has not arrived. Nemak bought GF Casting Solutions for an enterprise value of USD 336mm on a cash-free, debt-free basis, closing on 12 February 2026, acquiring nine plants across Austria, China, Germany, Romania and the United States, plus a research and development centre in Switzerland, with roughly 2,500 employees. The business contributed USD 157mm of revenue in 2Q26, which annualises near USD 628mm against the USD 707mm of 2024 revenue Nemak's own May 2026 corporate presentation discloses for it, so the run rate is 11.2% below the last full year on the record and the purchase is 0.48x that year rather than the 0.5x the annualisation implies. Stripping the acquired business out, the legacy operation added about USD 80mm of revenue year on year.

How the USD 336mm was paid is recorded two different ways and we do not reconcile them. The regulatory filing says USD 216mm in cash at closing, a figure that itself includes USD 113mm of cash held inside the acquired business plus working-capital and other closing adjustments, with the remainder payable over five years, one portion as seller financing and another portion payable subject to the **non-assumption** of certain operating and financial obligations. The May 2026 corporate presentation says USD 235mm was disbursed at closing, described as payment plus assumed debt, with USD 101mm held back in five instalments contingent on certain risk factors. Both readings sum to 336. The deferred slice is a real cash claim on the future either way, and our valuation carries it at present value rather than ignoring it.

Integration is past its hundredth day with full business continuity, and management describes it as progressing according to plan and as expected, which is the company's own wording and is not a claim to be ahead of one. Management now sizes the annual synergies at USD 20mm to 40mm with full capture by 2027. That is a cut: the previous edition carried USD 30mm to 40mm, so the bottom has come down by a third. European restructuring is one of the named routes to those synergies, including consolidation of production and fixed-cost reduction, and it is unquantified in every source we hold, with the Herzogenburg closure in Austria inside that same unquantified block.

The Augusta, Georgia mega-casting facility is the near-term asset. Construction is substantially complete, first production shots have been achieved, operations begin in the second half of 2026, and mid-term revenue is now quantified at USD 170mm to 200mm a year, roughly 3% of group revenue. It is also the named driver of 2Q26 capital expenditure of USD 110mm against USD 73mm a year earlier, and it ramps through 2027 and 2028, so it is a start-up cost before it is a contributor.

Against that, two things cannot be audited from the filings. E-mobility, structure and chassis printed 13% of 2Q26 revenue, against the path toward roughly 18% of revenue by the end of 2026 that the previous edition underwrote. And there is no IFRS 3 business-combination note anywhere in the 83-page 2Q26 regulatory filing: the note block is the FY2025 annual set carried forward and signed on 31 January 2026, before the deal closed, the disclosure of changes in the composition of the entity reads that there are no relevant movements, and goodwill fell from USD 302.3mm to USD 297.1mm across a half-year in which a nine-plant business consolidated. The chief financial officer declined to give a standalone margin for the acquired operations beyond saying it does not deviate much from the consolidated average.

GF Casting Solutions | The Deal in Numbers

Item	Figure	Basis
Enterprise value	USD 336mm	Cash-free, debt-free; closed 12 February 2026
Cash at closing	USD 216mm	Regulatory filing; the presentation says 235 including assumed debt
Deferred consideration	USD 101mm	Five instalments, contingent; carried at present value
Plants and R&D centres	9 and 1	Plants in Austria, China, Germany, Romania and the US; the centre is Swiss
Employees added	~2,500	Included in the 25,111 group tally at 30-Jun-2026
Revenue, 2Q26	USD 157mm	First full quarter; annualises near USD 628mm
Revenue, FY2024 as disclosed	USD 707mm	The business's last full year under Georg Fischer; the 628 run rate is 11.2% below it
Implied EV / revenue	0.48x	336 over the disclosed 707; 0.53x on the annualised 628
Annual synergy target	USD 20-40mm	Full capture by 2027; the previous edition carried 30-40mm
EV/SC share of 2Q26 revenue	13%	Against the roughly 18% the previous edition underwrote
Goodwill, 30-Jun-2026	USD 297.1mm	Down from 302.3mm; no IFRS 3 note in the 2Q26 filing

Source: The 2Q26 regulatory filing p.78; the 2Q26 earnings-call transcript pp.3, 6, 10, 12 and 13; the May-2026 corporate presentation slide 17; The Investment Case analysis. The first three rows are not a bridge and do not foot, for the reason given above: the two disclosures of how the price was paid are made on different bases.

06 Catalysts

The catalyst chapter of the full report opens with a table of nine dated items, each with a trigger level that confirms or dis-confirms it, and then works through the four that matter most. One of them is reproduced here in full.

USMCA Is No Longer a Catalyst

The previous edition carried the USMCA joint review as the biggest scheduled event of 2026 and scripted two outcomes, a benign confirmation and an adverse US-content floor. The Industry chapter sets out what actually happened on 1 July 2026; neither leg occurred. What matters on a catalyst page is the consequence. A dated binary became a standing overhang, and an overhang with an annual clock does not resolve into a re-pricing on a date we can write down.

Two dated things remain worth watching inside the process, and neither is a catalyst in the sense of a scheduled decision. A fourth US-Mexico bilateral round is scheduled for September 2026 in Washington, with dates unpublished; the third ran from 21 to 23 July. And the 25% Section 232 parts tariff still does not apply to USMCA-qualifying auto parts only because Commerce has not established the equivalent non-US-content process for them; it did establish one for medium- and heavy-duty vehicles with effect from 2 February 2026, so publication of the parts process would end the exemption without any treaty change at all.

The one dated action outside the process is the Section 338 duties in force from 19 August 2026. It retires the claim that the Commerce parts process is the only way a duty reaches North American goods over USMCA origin; the Industry chapter sets out the mechanism and its limits.

The full report develops the rest of the chapter with the same discipline:

1. The Dated Catalyst Table: nine items, each with the level that confirms it and the level that kills it
2. The Order Book Has Partly Fired, and the Financials Deteriorated Anyway

Each section is built from the primary filings, the 2Q26 earnings call and the July 2026 placement documents, with every figure traced to its source.

This is a preview of our full Nemak deep dive.

The complete 110-page report includes:

Executive Summary: Investment tear sheet, what we revised since the June edition and why, bull and bear case, key risks, financial snapshot and three dated catalysts

Company Overview: The independent caster at scale, the separation from ALFA, the footprint before and after GF Casting Solutions, the CEO transition, customer concentration and capital structure

Industry and Competitive Landscape: The light-vehicle cycle and the powertrain transition, content per vehicle, aluminium pass-through and USMCA, competition and the peer set

Financial Analysis: Revenue, profitability versus peers, balance sheet and deleveraging, cash flow and capital allocation, and the key metrics from FY2021 through FY2028E

Valuation: Discounted cash flow on a USD cost of capital, beta measured and applied, the sensitivity grid and the cardinal beta test, consensus versus our view, relative valuation, scenarios and a full reconciliation to the June number

Catalysts: Nine dated items with trigger levels, the order-book turn, the peso refinancing and the ratings by scale (you have read one section; four remain)

Risk Analysis: Probability and severity matrix, the equity as a residual, covenant headroom as a range, the 2028 refinancing, cash conversion, contingencies, liquidity and FX

Conclusion and Appendix: The revision stated plainly, where we differ from consensus, what would change our view, full financials, the debt schedule, the WACC workbook, glossary and sources