AMERICAN AXLE & MANUFACTURING HOLDINGS INC
Form 10-K
February 23, 2015

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

FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

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

Title of Each Class	Name of Each Exchange on Which Registered
COMMON STOCK, PAR VALUE $0.01 PER SHARE	NEW YORK STOCK EXCHANGE
PREFERRED SHARE PURCHASE RIGHTS, PAR VALUE $0.01 PER SHARE	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No x

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
		(Do not check if small reporting company)	

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

The closing price of the Common Stock on June 30, 2014 as reported on the New York Stock Exchange was $18.89 per share and the aggregate market value of the registrant's Common Stock held by non-affiliates was approximately $1,426.1 million.

As of February 19, 2015, the number of shares of the registrant's Common Stock, $0.01 par value, outstanding was 75,761,739 shares.

Documents Incorporated by Reference

Portions of the registrant's Annual Report to Stockholders for the year ended December 31, 2014 and Proxy Statement for use in connection with its Annual Meeting of Stockholders to be held on April 30, 2015, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after December 31, 2014, are incorporated by reference in Part I (Items 1, 1A, 1B, 2, 3 and 4), Part II (Items 5, 6, 7, 7A, 8, 9, 9A and 9B), Part III (Items 10, 11, 12, 13 and 14) and Part IV (Item 15) of this Report.

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Part I

Item 1. Business

As used in this report, except as otherwise indicated in information incorporated by reference, references to “our Company,” "we," "our," "us" or “AAM” mean American Axle & Manufacturing Holdings, Inc. (Holdings) and its subsidiaries and predecessors, collectively.

(a) General Development of Business

Holdings, a Delaware corporation, is a successor to American Axle & Manufacturing of Michigan, Inc., a Michigan corporation, pursuant to a migratory merger between these entities in 1999.

(b) Financial Information About Segments

See Item 8, “Financial Statements and Supplementary Data - Note 11 - Segment and Geographic Information” included in this report.

(c) Narrative Description of Business

Company Overview

We are a Tier I supplier to the automotive industry. We manufacture, engineer, design and validate driveline and drivetrain systems and related components and chassis modules for light trucks, sport utility vehicles (SUVs), passenger cars, crossover vehicles and commercial vehicles. Driveline and drivetrain systems include components that transfer power from the transmission and deliver it to the drive wheels. Our driveline, drivetrain and related products include axles, driveheads, chassis modules, driveshafts, power transfer units, transfer cases, chassis and steering components, transmission parts, electric drive systems and metal-formed products. In addition to locations in the United States (U.S.) (Michigan, Ohio, Indiana and Pennsylvania), we also have offices or facilities in Brazil, China, Germany, India, Japan, Luxembourg, Mexico, Poland, Scotland, South Korea, Sweden and Thailand.

We are the principal supplier of driveline components to General Motors Company (GM) for its full-size rear-wheel drive (RWD) light trucks and SUVs manufactured in North America, supplying substantially all of GM's rear axle and four-wheel drive and all-wheel drive (4WD/AWD) axle requirements for these vehicle platforms. Sales to GM were approximately 68% of our consolidated net sales in 2014, 71% in 2013, and 73% in 2012.

We are the sole-source supplier to GM for certain axles and other driveline products for the life of each GM vehicle program covered by Lifetime Program Contracts and Long Term Program Contracts (collectively, LPCs). Substantially all of our sales to GM are made pursuant to the LPCs. The LPCs have terms equal to the lives of the relevant vehicle programs or their respective derivatives, which typically run 5 to 7 years, and require us to remain competitive with respect to technology, design and quality.

We also supply driveline system products to FCA US LLC, formerly known as Chrysler Group LLC (Chrysler), for heavy-duty Ram full-size pickup trucks and its derivatives, as well as the AWD Jeep Cherokee and the AWD Chrysler 200. Sales to Chrysler were approximately 18% of our consolidated net sales in 2014, 12% in 2013 and 10% in 2012. In addition to GM and Chrysler, we supply driveline systems and other related components to Volkswagen AG (Volkswagen), Audi AG (Audi), Mack Trucks Inc. (Mack Truck), Harley-Davidson Inc., Nissan Motor Co., Ltd. (Nissan), PACCAR Inc., Honda Motor Co., Ltd., Jaguar Land Rover Limited (JLR), Daimler Truck, Deere & Company, Ford Motor Company (Ford) and other original equipment manufacturers (OEMs) and Tier I supplier companies such as Jatco Ltd. and Hino Motors Ltd. Our consolidated net sales to customers other than GM increased

29% to $1,199.9 million in 2014 as compared to $926.7 million in 2013 and $792.6 million in 2012.

We estimate our principal served market to be approximately $36 billion based on information available at the end of 2014. Our principal served market is the driveline market, which consists of driveline, drivetrain and related components and chassis modules for light trucks, SUVs, passenger cars, crossover vehicles and commercial vehicles, in the regions in which we compete.

The following chart sets forth the percentage of total revenues attributable to our products for the periods indicated:

	Year ended December 31,		
	2014	2013	2012
Axles and driveshafts	82 %	82 %	82 %
Drivetrain components, forged products and other	18 %	18 %	18 %
Total	100 %	100 %	100 %

Business Strategy

We are focused on profitable net sales growth and strengthening our balance sheet by capitalizing on our competitive strengths and continuing to diversify our customer, product and geographic sales mix while providing exceptional value to our customers. Over the past several years, we have taken necessary actions that allowed us to make significant, sustainable structural cost reductions which have enabled us to be market cost competitive on a global basis.

We have aligned our business strategy to build value for our key stakeholders. This strategy emphasizes a commitment to deliver industry leading quality, technology leadership and operational excellence. By focusing on this commitment, we can achieve our key critical business objectives of product and customer diversification, globalization and solid financial performance. This strategy includes the following actions:

Maintain our high quality standards which are the foundation of our product durability and reliability.

- AAM has an outstanding daily track record for delivering quality products, having averaged less than 10 discrepant parts per million (PPM) since 2003, as measured by our largest customer.

- Our quality performance has resulted in improved warranty performance for our customers. As a result, the cost per vehicle has improved an average of approximately 10% annually since 2006, as measured by our largest customer.

- During 2014, our Colfor Minerva Facility in Ohio, Dietronik location in Michigan and Changshu Manufacturing Facility in China were recognized with the GM Supplier Quality Excellence Award for outstanding performance.

Achieve technology leadership by delivering innovative driveline products which improve the diversification of our product portfolio while increasing our total global served market.

- AAM's significant investment in research and development (R&D) has resulted in the development of advanced technology products designed to assist our customers in meeting the market demands for improved fuel-efficiency; lower emissions; enhanced power density; advanced, sophisticated electronic controls; improved safety, ride and handling performance; and enhanced reliability and durability for light trucks, SUVs, passenger cars, crossover vehicles and commercial vehicles.

- AAM has established a high efficiency product portfolio that is designed to improve axle efficiency and fuel economy through innovative product design technologies. As our customers look to reduce weight through the use of aluminum and other conventional means, AAM is well positioned to offer innovative, industry leading solutions for lightweighting. Our portfolio includes high efficiency axles, aluminum axles and also AWD applications for plug-in hybrid electrical vehicles to full-electric vehicles.

AAM's EcoTrac® Disconnecting AWD system is a fuel-efficient and environmentally friendly driveline system that provides OEMs the option of an all-wheel-drive system that disconnects when not needed to improve fuel efficiency and reduce CO_2 emissions compared to conventional AWD systems. AAM's EcoTrac® Disconnecting AWD system is featured on the AWD Jeep Cherokee, which was named by Motor Week as its 2014 Best Small Utility Vehicle, and the AWD Chrysler 200. We are currently designing the next generation of our EcoTrac® Disconnecting AWD system which is smaller, lighter in weight and aims to recover up to 90% of fuel penalty, compared to 80% currently.

- e-AAM Driveline Systems AB (e-AAM) was created to design and commercialize electric and hybrid driveline systems designed to improve fuel efficiency, reduce CO_2 emissions and provide AWD capability. We will continue engineering, developing and commercializing electric and hybrid driveline systems for passenger cars and crossover vehicles. In 2013, we secured a new driveline systems contract featuring patented e-AAM™ hybrid & electric driveline systems technology with Qoros Auto Co., Ltd. in China.

- AAM continues to invest in R&D in emerging technology such as torque biasing capability. AAM has developed capabilities in the areas of control systems and mechatronics to further integrate electronic components such as motors, actuators, and sensors into AAM's mechanical technology to enhance vehicle performance and provide superior torque management.

- To accelerate AAM's technological advancements, we announced in 2014 our plan to construct an Advanced Technology Development Center (ATDC) at our Detroit Campus. With a $15 to $20 million investment and the estimated creation of 75 to 100 jobs, we plan to open the state-of-the-art center for technology benchmarking, prototype development, advanced technology development, supplier collaboration, customer showcasing and associate training on our future products, processes, and systems by mid-2015.

Sustain our operational excellence and focus on cost management to deliver exceptional value to our customers.

- Our top priority for 2014 has been to flawlessly launch 16 critical programs for our customers. These launches included GM's next generation Heavy Duty pickups and SUVs (K2XX Program).

- Our focus on cost management has led to sustainable structural reductions in AAM's fixed cost structure. We continue to focus on cost management through the implementation of the AAM Manufacturing System to improve quality, eliminate waste, and reduce lead time and total costs globally.

- Our stand alone United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) agreement, that covers hourly associates at our Three Rivers Manufacturing Facility, ensures market competitiveness at AAM's largest U.S. facility into 2017. The collective bargaining agreements that cover our hourly associates at our MSP Industries Corporation and Colfor Manufacturing Inc. subsidiaries expire in 2017 and 2018, respectively.

- With the closure of our Detroit Manufacturing Complex (DMC) and Cheektowaga Manufacturing Facility (CKMF) in 2012, we have achieved market competitive labor cost structures at each of our global locations.

Diversify our business through the growth of new and existing customer relationships and expansion of our product portfolio.

- In addition to maintaining and building upon our longstanding relationships with GM and Chrysler, we have focused on generating profitable growth with new and existing global OEM customers. New business launches in 2014 and 2015 include business with key international customers such as Ford, Honda, Jaguar Land Rover, Nissan, Mercedes-Benz and others.

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- We have accelerated the development and launch of products for passenger cars and crossover vehicles and the global light truck and commercial vehicle markets. We have approximately $825 million of new and incremental business backlog launching from 2015 to 2017, of which approximately 80% relates to AWD and RWD applications for passenger cars, crossover vehicles and driveline applications for the commercial vehicle market.

- Approximately 70% of our new and incremental business backlog launching from 2015 to 2017 is for customers other than GM. In addition, we have over $1 billion in quoted and emerging new business opportunities. These opportunities would allow us to continue the diversification and expansion of our customer base, product portfolio and global footprint. Substantially all of these opportunities are for customers other than GM.

- We also continue to evaluate and consider strategic growth investments to accelerate the profitable growth and diversification of our business.

Achieve globalization by increasing our presence in global markets to support our customers' platforms.

- As our customers continue to design their products for global markets, they will continue to require global support from their suppliers. For this reason, it is critical that we maintain a global presence in these markets in order to remain competitive for new contracts. Over the past few years, we have significantly increased our installed capacity in cost competitive global markets to support current programs and future opportunities. Specific actions included expanding capacity in Brazil, China, Mexico, Poland, Thailand and the U.S. and new facilities in Mexico and the U.S.

- Our joint venture (JV) with Hefei Automobile Axle Co., Ltd. (HAAC), a subsidiary of the JAC Group (Anhui Jianghuai Automotive Group Co., Ltd.), which includes 100% of HAAC's light commercial axle business, continues to be a strong advantage for building relationships with leading Chinese light truck manufacturers. We supply front and rear beam axles to several leading Chinese light truck manufacturers, including JAC and BAIC Foton, making AAM the second largest axle supplier in China's light commercial truck segment.

- Approximately 60% of our $825 million of new and incremental business backlog launching from 2015 to 2017 is for end use markets outside the U.S. and approximately 85% has been sourced to our manufacturing facilities outside the U.S.

Achieve solid financial performance to build value for our key stakeholders.

- Over the past five years, AAM's compound annual growth rate (CAGR) for sales has exceeded the growth rate of the industry. We expect AAM's new and incremental business backlog will continue to drive our sales to grow at a rate that is higher than the industry through 2017, based on current industry estimates.

- We have established a cost competitive, operationally flexible global manufacturing, engineering and sourcing footprint to increase our presence in global growth markets, support global product development initiatives and establish regional cost competitiveness. This includes having manufacturing and engineering facilities in Brazil, China, Germany, India, Mexico, Poland, Sweden, Thailand and the U.S.

- In 2013, we successfully closed on over $1.25 billion in new and amended financing agreements. As a result, we reduced our weighted average interest cost, extended our debt maturities and improved debt covenant terms and conditions. By taking advantage of favorable market conditions, we improved our flexibility to manage and grow our business and to support AAM's long-term strategic objectives. As of December 31, 2014, we had over $800 million in available liquidity and no significant debt maturities until 2018.

Competition and Strengths

We compete with a variety of independent suppliers and distributors, as well as with the in-house operations of certain OEMs. Our principal competitors include Dana Holding Corporation, GKN plc, Magna International Inc., ZF Friedrichshafen AG, Linamar Corporation, Meritor Inc. and the in-house operations of various global OEMs. The sector is also attracting new competitors, some of whom are entering our product segment through the acquisition of non-core OEM operations.

With a focus on engineering and manufacturing, we support our business strategy and differentiate ourselves through outstanding long-term daily track records on quality, warranty, reliability, delivery and launch performance. We reduced our discrepant PPM performance, as measured by our largest customer, from 13,441 PPM in 1994 to an average of less than 10 PPM for each of the last 10 years.

As global OEM’s race to meet tighter fuel efficiency emissions standards, the automotive industry is entering a new, more advanced phase of innovation and design. This encompasses independent drive vehicles, hybrid and electric vehicles, advanced powertrain applications and other equally sophisticated technologies. AAM is meeting these challenges with an aggressive plan to increase our investment in advanced product, process and systems technology.

All of our global facilities utilize the AAM Manufacturing System, a business philosophy focused on lean manufacturing designed to facilitate cost reductions, improve quality, reduce inventory and improve our operating flexibility. This philosophy is demonstrated through the following:

- In the past, our largest two facilities, Guanajuato Manufacturing Complex and Three Rivers Manufacturing Facility, were recognized for outstanding performance as a "Shingo Prize" recipient and by being named by IndustryWeek Magazine as one of the 10 best plants in North America, respectively.

Industry Trends

See Item 7, “Management's Discussion and Analysis - Industry Trends.”

Productive Materials

We believe that we have adequate sources of supply of productive materials and components for our manufacturing needs. Most raw materials (such as steel) and semi-processed or finished items (such as castings) are available within the geographical regions of our operating facilities from qualified sources in quantities sufficient for our needs. We currently have contracts with our steel suppliers that ensure continuity of supply to our principal operating facilities in North America. We also have validation and testing capabilities that enable us to strategically qualify steel sources on a global basis. As we continue to expand our global manufacturing footprint, we will rely on suppliers in local markets that have not yet proven their ability to meet our requirements.

Research and Development (R&D)

We continue to invest in the development of new products, processes and systems to improve efficiency and flexibility in our operations and continue to deliver innovative new products, chassis modules and integrated driveline systems to our customers.

In 2014, R&D spending, net of customer engineering, design and development recoveries, was $103.9 million as compared to $103.4 million in 2013 and $123.4 million in 2012. The focus of this investment continues to be

developing innovative driveline and drivetrain systems and related components for light trucks, passenger cars, SUVs, crossover vehicles and commercial vehicles in the global marketplace. Product development in this area includes power transfer units, transfer cases, driveline and transmission differentials, multi-piece driveshafts, constant velocity joints, torque transfer devices, chassis modules and front and rear drive axles. We continue to focus on electronic integration in our existing and future products to advance their performance. We also continue to support the development of hybrid and electric vehicle systems. Special emphasis is also placed on the development of products and systems that provide our customers with advancements in fuel efficiency and emissions reduction and improved performance metrics such as noise vibration harshness (NVH) and power

density. Our efforts in these areas have resulted in the development of prototypes and various configurations of these driveline systems for several OEMs throughout the world.

We have also developed and commercialized a disconnecting AWD system, which strengthens AAM's position as a leader in global driveline systems technology. AAM's EcoTrac® Disconnecting AWD system is an industry-first technology that seamlessly engages AWD functionality while improving fuel efficiency and reducing CO_2 emissions. This system is now featured on the award-winning Jeep Cherokee and the Chrysler 200.

AAM also develops and manufactures high-efficiency axle systems through the use of proprietary technologies to optimize product design and lubrication management, while also significantly reducing friction and improving fuel economy. In 2012, AAM launched a high efficiency axle on the Cadillac ATS compact luxury sport sedan and in 2014 we launched our high efficiency rear-drive modules on the Cadillac CTS, Motor Trend's 2014 Car of the Year.

Our e-AAM subsidiary engineers and develops electric and hybrid driveline systems to be commercialized for passenger cars and crossover vehicles. These systems are designed to improve fuel efficiency by up to 30%, reduce CO_2 emissions and provide AWD capability with the additional benefit of improved vehicle stability when compared to traditional mechanical AWD systems.

Through the development of our EcoTrac® Disconnecting AWD system, our high efficiency axles and our e-AAM hybrid and electric driveline systems, we have significantly advanced our efforts to improve fuel efficiency and ride and handling performance while reducing emissions.

As our customers move toward ways to reduce vehicle weight through the use of aluminum or other conventional means, AAM is well positioned to offer innovative, industry leading solutions, through proprietary technologies such as PowerLite® axles, PowerDense® gears and PowerFilm® lubricant for passenger car, light truck and AWD applications.

Backlog

We typically enter into agreements with our customers to provide axles or other driveline or drivetrain products for the life of our customers' vehicle programs. Our new and incremental business includes awarded programs and incremental content and volume including customer requested engineering changes. Our backlog may be impacted by various assumptions, many of which are provided by our customers based on their long range production plans. These assumptions include future production volume estimates, changes in program launch timing and fluctuation in foreign currency exchange rates.

Our new and incremental business backlog is approximately $825 million for programs launching from 2015 to 2017. Approximately 80% of our new and incremental business backlog relates to RWD and AWD applications for passenger cars, crossover vehicles and driveline applications for the commercial vehicle markets. Approximately 60% of our new and incremental business backlog will be for end use markets outside the U.S. and approximately 85% has been sourced to our non-U.S. manufacturing facilities. Approximately 70% of our new and incremental business backlog is for customers other than GM.

Patents and Trademarks

We maintain and have pending various U.S. and foreign patents, trademarks and other rights to intellectual property relating to our business, which we believe are appropriate to protect our interest in existing products, new inventions, manufacturing processes and product developments. We do not believe that any single patent or trademark is material to our business nor would expiration or invalidity of any patent or trademark have a material adverse effect on our business or our ability to compete.

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. Our business is also moderately seasonal as our major OEM customers historically have an extended shutdown of operations (typically 1 to 2 weeks) in conjunction with their model year changeover and an approximate one-week shutdown in December. Accordingly, our quarterly results may reflect these trends.

Environmental Matters

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 closely monitor our environmental conditions to ensure that we are in compliance with applicable laws, regulations and ordinances. We have made, and will continue to make, capital and other expenditures to comply with environmental requirements, including recurring administrative costs. Such expenditures were not significant in 2014, 2013 and 2012.

Associates

We employ approximately 12,820 associates on a global basis, including our joint venture affiliates, of which approximately 3,810 are employed in the U.S. Approximately 2,300 associates are represented by the UAW. Approximately 1,570 of our hourly associates at our Three Rivers Manufacturing Facility in Michigan are subject to a stand alone UAW agreement that expires September 13, 2017. An additional 730 associates at our MSP Industries Corporation and Colfor Manufacturing, Inc. subsidiaries are represented by the UAW under collective bargaining agreements that expire April 18, 2017 and June 8, 2018, respectively. In addition, approximately 110 associates at our Albion Automotive subsidiary in Scotland, approximately 3,475 associates at our Guanajuato Manufacturing Complex in Mexico and approximately 570 associates at our Araucaria Manufacturing Facility in Brazil are represented by labor unions that are subject to collective bargaining agreements. The current collective bargaining agreement at Albion will expire on March 31, 2017. The collective bargaining agreements in Mexico and Brazil expire annually.

Executive Officers of the Registrant

Name	Age	Position
David C. Dauch	50	Chairman of the Board, President & Chief Executive Officer
Michael K. Simonte	51	Executive Vice President & Chief Financial Officer
Alberto L. Satine	58	Senior Vice President - Global Driveline Operations
Terry J. Woychowski.....	59	Senior Vice President - Advanced Engineering & Quality
Mark S. Barrett	54	Group Vice President - Program Management, Material Cost Optimization, Procurement and Driveshaft Business Unit
Steven J. Proctor	58	Group Vice President - Strategic & Business Development
Michael J. Bly	47	President - AAM Europe, Vice President - AAM Corporate
David A. Culton	49	Vice President - Material Cost Optimization
Nigel J. Francis	54	Vice President - Corporate Planning
Philip R. Guys	52	Vice President - Product Engineering & Development
Donald L. Joseph.....	59	President - AAM Asia, Vice President - AAM Corporate
Terri M. Kemp	49	Vice President - Human Resources
Michael J. Lynch	51	Vice President - Finance & Controller

Allan R. Monich	61	Vice President - Quality, Warranty & Customer Satisfaction
Jon R. Morrison	56	President - AAM North America, Vice President - AAM Corporate
John S. Sofia	55	Vice President - Global Program Management
Thomas J. Szymanski	53	Vice President - Driveline Manufacturing Services
Norman Willemse	58	Vice President - Metal Formed Products Business Unit

David C. Dauch, age 50, has been Chairman of the Board, President and Chief Executive Officer since September 2013 and has served on AAM's Board of Directors since April 2009. Prior to that, he served as President and Chief Executive Officer (since September 2012), President & Chief Operating Officer (since June 2008), Executive Vice President & Chief Operating Officer (since December 2007); Executive Vice President - Commercial & Strategic Development (since January 2005); Senior Vice President, Commercial (since May 2004); Senior Vice President, Sales, Marketing & Driveline Division (since September 2003); Vice President, Manufacturing - Driveline Division (since January 2001); Vice President, Sales and Marketing (since 1998) and Director of Sales, GM Full-Size Truck Programs (since May 1996). Mr. Dauch joined our Company in July 1995 as Manager, Sales Administration. Prior to joining our Company, Mr. Dauch held various positions and served on the Board of Directors at Collins & Aikman Products Company. Presently, he serves on the Boards of Directors of Business Leaders for Michigan, the Detroit Regional Chamber, the Great Lakes Council Boy Scouts of America, the Boys & Girls Clubs of Southeastern Michigan, the Original Equipment Suppliers Association and Amerisure Mutual Holdings, Inc. Mr. Dauch also serves on the Miami University Business Advisory Council.

Michael K. Simonte, age 51, has been Executive Vice President & Chief Financial Officer since December 2011. Simonte previously served as Executive Vice President - Finance & Chief Financial Officer (since February 2009), Group Vice President - Finance & Chief Financial Officer (since December 2007); Vice President - Finance & Chief Financial Officer (since January 2006); Vice President & Treasurer (since May 2004); and Treasurer (since September 2002). Simonte joined AAM in December 1998 as Director, Corporate Finance. Prior to joining our Company, Simonte served as Senior Manager at the Detroit office of Ernst & Young LLP. Simonte is a certified public accountant.

Alberto L. Satine, age 58, has been Senior Vice President - Global Driveline Operations since January 2014. Prior to that, he served as Group Vice President - Global Sales & Business Development (since December 2011), Vice President - Strategic & Business Development (since November 2005), Vice President - Procurement (since January 2005); Executive Director, Global Procurement Direct Materials (since January 2004); General Manager, Latin American Driveline Sales and Operations (since August 2003) and General Manager of International Operations (since joining our Company in May 2001). Prior to joining our Company, Mr. Satine held several management positions at Dana Corporation, including the position of President of Dana's Andean Operations in South America from 1997 to 2000 and General Manager of the Spicer Transmission Division in Toledo, Ohio from 1994 to 1997.

Terry J. Woychowski, age 59 , has been Senior Vice President - Advanced Engineering & Quality since February 2013. Prior to joining AAM, Mr. Woychowski spent more than 30 years with General Motors, where he held numerous senior management positions including Vice President, Global Quality & Vehicle Launches, Vice President, Global Vehicle Program Management and Global Chief Engineer Full-size Trucks & Executive Director.

Mark S. Barrett, age 54, has been Group Vice President - Program Management, Material Cost Optimization, Procurement and Driveshaft Business Unit since November 2014. Prior to that, he served as Group Vice President - Procurement, Program Management and Driveshaft Business Unit (since August 2013), Group Vice President - Procurement and Program Management (since February 2013), Group Vice President - Engineering & Procurement (since November 2012), Group Vice President - Engineering, Product Development & Procurement (since December 2011), Vice President - Engineering & Product Development (since October 2008), Executive Director, Engineering & Product Development (since January 2008); Executive Director, Axle & Drivetrain (since November 2006); Executive Director, Powertrain, Driveshaft and Halfshaft Engineering (since January 2006); Executive Director, Released and Domestic Programs (since January 2004); Director, Mid Size Axle Programs (since December 1998) and Staff Project Engineer (since joining our Company in March 1994). Prior to joining our Company, Mr. Barrett served at General Motors for nine years in a variety of manufacturing and engineering positions.

Steven J. Proctor, age 58, has been Group Vice President - Strategic & Business Development since December 2014. Prior to that, he served as Group Vice President - Global Sales and Business Development (since January 2014); President - AAM Europe, Vice President - AAM Corporate (since June 2012), President - AAM Asia, Vice President - AAM Corporate (since October 2008); Vice President - Sales & Marketing (since June 2004); Executive Director, Driveline Sales & Marketing (since September 2003); President and Chief Operating Officer of AAM do Brasil (since September 1999); Director, GMT-360, I-10/GMT-355 (since December 1998); Director, Worldwide Programs (since February 1998); Director, Strategic Planning (since July 1996) and Director, General Motors Programs (since joining our Company in March 1994). Prior to joining our Company, Mr. Proctor worked for

General Motors for 20 years in the areas of product and industrial engineering, production, material management and sales.

Michael J. Bly, age 47, has been President - AAM Europe, Vice President - AAM Corporate since joining our Company in January 2014. Prior to joining AAM, he spent more than 27 years with General Motors in a variety of management roles in the areas of powertrain, engineering and electrification. Mr. Bly's position prior to leaving General Motors was Vice President of European Powertrain Engineering.

David A. Culton, age 49, has been Vice President - Material Cost Optimization since January 2014. Prior to that, he served as President - AAM Americas, Vice President - AAM Corporate (since June 2012), President - AAM Europe, Vice President - AAM Corporate (since November 2010), Vice President - Commercial (since September 2009); Vice President - Unibody Vehicle Business Unit (since October 2008); Controller (since April 2007); Executive Director, Sales (since July 2006); Director, Commercial Analysis (since August 2004); Director, Finance - Operations (Since June 2003); Finance Manager (since August 1999); and Assistant Finance Manager (since joining our Company in September 1998). Prior to joining our Company, Mr. Culton served at Chrysler Corporation for 10 years in a variety of management, finance, engineering and manufacturing positions.

Nigel J. Francis, age 54, has been Vice President - Corporate Planning since joining our Company in November 2014. Prior to joining AAM, Mr. Francis has nearly 30 years of experience in the global automotive sector having held executive level positions at OEM and Tier I companies in North America and Europe including, Senior Vice President Automotive Office State of Michigan and Senior Adviser to the Governor of Michigan, Chief Engineering and Program Management - Tata Technologies, Chief Operating Officer and Chief Technology Officer - Trexa LLC, Executive Vice President - Bright Automotive; and Vice President of Vehicle Engineering - Mercedes-Benz Technology. Mr. Francis has spent the majority of his career in advanced design and engineering product development and in recent years has been closely involved with clean technology through hybrid and electric vehicle development and strategic planning in the global automotive sector.

Philip R. Guys, age 52, has been Vice President - Product Engineering & Development since November 2012. Prior to that, he served as Vice President - Product Engineering since joining AAM in December 2011. Prior to joining our Company, Mr. Guys served for four years at Linamar Corporation in various senior management positions, including Vice President - Engineering, and over 20 years in various engineering positions of increasing responsibility at Ford Motor Company and General Motors.

Donald L. Joseph, age 59, has been President - AAM Asia, Vice President - AAM Corporate since January 2015. Mr. Joseph joined AAM in 1994 as a Manufacturing Manager at AAM's Three Rivers Manufacturing Facility. Since then, he has served in various manufacturing and management positions with increasing responsibility throughout AAM's global operations, including his most recent position of Managing Director - AAM Asia. Mr. Joseph's professional career began with General Motors in 1977. While at General Motors, Mr. Joseph served in a variety of positions with increasing responsibility at the Hydra-matic and Saginaw Divisions. He also spent time at the NUMMI facility studying lean manufacturing.

Terri M. Kemp, age 49, has been Vice President - Human Resources since September 2012. Prior to that, she served as Executive Director - Human Resources & Labor Relations (since November 2010); Executive Director - Human Resources (since September 2009); Director - Human Resources Operations (since October 2008); Director - Program Management (since March 2008); Director - Program Management, Mexico (since August 2006); Launch Manager (since May 2006); Manager - Manufacturing (since August 2005); Manager - Manufacturing, Front Axles and Gears (since June 2005); Area Manager - Plant 1 (since October 2004); Director - Personnel, Detroit Gear & Axle (since January 2003); Area Manager - Plant 6 (since March 2002); Manager - Program Management (since February 2001); Area Manager - Manufacturing Plant 8 (since June 1999); Supervisor - I.E. Plants 1, 6 and 8 (since August 1998); Production Coordinator (since September 1997); and Manager - Productivity since joining the Company in July 1996.

Prior to joining our Company, Mrs. Kemp served for nine years at Corning Incorporated, where she progressed through a series of manufacturing positions with increasing responsibility, including Industrial Engineer, Department Head and Operations Manager.

Michael J. Lynch, age 51, has been Vice President - Finance & Controller since September 2012. Prior to that, he served as Executive Director & Controller (since October 2008); Director - Commercial Analysis (since July 2006); Director - Finance, Driveline Americas (since March 2006); Director - Investment & Commercial Analysis (since November 2005); Director - Finance, Driveline (since October 2005); Director - Finance Operations, U.S. (since April 2005); Manager - Finance (since June 2003); Manager - Finance, Forge Division (since September 2001); Finance Manager - Albion Automotive (since October 1998); Supervisor - Cost Estimating (since February 1998) and Financial Analyst at the Detroit Manufacturing Facility since joining AAM in September 1996. Prior to joining our Company, Mr. Lynch served at Stellar Engineering for nine years in various capacities.

Allan R. Monich, age 61, has been Vice President - Quality, Warranty & Customer Satisfaction since November 2010. Prior to that, he served as Executive Director - Warranty (since January 2010); Vice President - Quality Assurance & Customer Satisfaction (since July 2006); Vice President - Program Management & Capital Planning (since October 2005); Vice President - Program Management & Launch (since May 2004); Vice President, Manufacturing Forging Division (since October 2001); Vice President, Human Resources (since 1998); Vice President, Personnel (since November 1997) and Plant Manager for the Buffalo Gear & Axle Plant in Buffalo, NY since the formation of our Company in March 1994. Prior to joining our Company in March 1994, Mr. Monich worked for General Motors for 22 years in the areas of manufacturing, quality assurance, sales and engineering, including four years as a Plant Manager.

Jon R. Morrison, age 56 , has been President - AAM North America, Vice President - AAM Corporate since joining our Company in November 2014. Prior to joining AAM, Mr. Morrison has held executive level positions in the automotive industry including Vice President Vehicle Dynamics and Controls - WABCO Holdings Inc., President and General Manager - Meritor WABCO Vehicle Control Systems; General Manager, Plant Manager, Global Director of Sales and Engineering - Dana Corp., President - PBR Knoxville LLC (a joint venture between PBR International and Delphi Corp) and Vice President of Sales and Product Planning North America - PBR International. Morrison’s 30-year automotive and heavy vehicle career includes responsibilities in Finance, Manufacturing, Sales and Marketing, Engineering as well as managing global customer relationships.

John S. Sofia, age 55, has been Vice President - Global Program Management since November 2012. Prior to that, he served as Vice President - Commercial Vehicle Business (since March 2008); Vice President - Product Engineering, Commercial Vehicle Operations & Chief Technology Officer (since December 2007); Vice President - Engineering & Product Development (since July 2006); Vice President - Quality Assurance & Customer Satisfaction (since October 2004); Director, Advanced Quality Planning (since August 2002); Plant Manager, Detroit Forge (since April 2001); Director, Product Engineering (since June 2000); Manager of the Current Production & Process Engineering Group (since September 1997) and Engineering Manager (since joining our Company in May 1994). Prior to joining our Company, Mr. Sofia served at Chrysler Corporation for 10 years in a variety of manufacturing and engineering positions.

Thomas J. Szymanski, age 53, has been Vice President - Driveline Manufacturing Services since November 2014. Prior to that, he served as President - AAM North America, Vice President - AAM Corporate (since January 2014), Vice President - Operations - AAM Americas (since November 2012), Vice President - Global Manufacturing Services (since November 2010); Executive Director - Manufacturing Planning (since October 2008); Executive Director - Corporate Manufacturing Services Unibody Vehicles (since January 2008); Director - Cost Estimating & Advanced Manufacturing Engineering (since August 2006); President & Chief Operating Officer - Colfor Manufacturing, Inc. (since August 2004); Director - Corporate Manufacturing Engineering (since January 2003); Plant Manager - Three Rivers Gear & Axle (since March 2000); Plant Manager - Tonawanda Forge (since December 1998); Manufacturing Manager - Tonawanda Forge (since March 1994); and Area Manager, Axle Assembly - Buffalo Gear & Axle (since the formation of our Company in March 1994). Prior to joining our Company in March 1994, Mr. Szymanski worked for General Motors for 11 years in a variety of manufacturing and plant management positions.

Norman Willemse, age 58, has been Vice President - Metal Formed Product Business Unit since December 2011. Prior to that, he served as Vice President - Global Metal Formed Product Business Unit (since October 2008), Vice President - Global Metal Formed Product Operations (since December 2007); General Manager - Metal Formed Products Division (since July 2006) and Managing Director - Albion Automotive (since joining our Company in August 2001). Prior to joining our Company, Mr. Willemse served at ATSAS for seven years as Executive Director Engineering & Commercial and John Deere for over 17 years in various engineering positions of increasing responsibility. Mr. Willemse is a professional certified mechanical engineer.

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(a) or 15(d) of the Securities Exchange Act of 1934 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. The information contained in the Company's website is not included, or incorporated by reference, in this Annual Report on Form 10-K.

(d) Financial Information About Geographic Areas

International operations are subject to certain additional risks inherent in conducting business outside the U.S., such as changes in currency exchange rates, price and currency exchange controls, import restrictions, nationalization, expropriation and other governmental action. Financial information relating to our operations by geographic area is presented in the following table. Net sales are attributed to countries based upon location of customer. Long-lived assets exclude deferred income taxes.

	December 31, 2014	2013	2012
	(in millions)		
Net sales			
United States	$2,073.6	$1,682.0	$1,576.6
Canada	64.6	74.4	75.0
Mexico	1,055.5	865.6	755.1
South America	156.5	201.1	216.4
Asia	238.6	255.2	214.5
Europe and other	107.2	129.0	93.3
Total net sales	$3,696.0	$3,207.3	$2,930.9
Long-lived assets			
United States	$885.9	$850.0	$865.3
Mexico	513.2	469.3	417.7
South America	80.5	100.2	113.3
Asia	177.3	176.7	159.0
Europe	94.0	93.2	72.5
Total long-lived assets	$1,750.9	$1,689.4	$1,627.8

Item 1A. Risk Factors

The following risk factors and other information included in this Annual Report on Form 10-K should be considered. If any of the following risks occur, our business, financial condition, operating results and cash flows could be materially adversely affected.

Our business is significantly dependent on sales to GM and Chrysler.

We are the principal supplier of driveline components to GM for its full-size RWD light trucks and SUVs manufactured in North America, supplying substantially all of GM's rear axle and 4WD/AWD axle requirements for these vehicle platforms. Sales to GM were approximately 68% of our consolidated net sales in 2014, 71% in 2013, and 73% in 2012. A reduction in our sales to GM or a reduction by GM of its production of RWD light trucks or SUVs, as a result of market share losses of GM or otherwise, could have a material adverse effect on our results of operations and financial condition.

We also supply driveline system products for Chrysler's heavy-duty Ram full-size pickup trucks and its derivatives, as well as the AWD Jeep Cherokee and the AWD Chrysler 200. Sales to Chrysler accounted for approximately 18% of our consolidated net sales in 2014, 12% in 2013 and 10% in 2012. A reduction in our sales to Chrysler or a reduction by Chrysler of its production of the Ram program, as a result of market share losses of Chrysler or otherwise, could have a material adverse effect on our results of operations and financial condition.

Our business may also be adversely affected by reduced demand for the product programs we currently support, or if we do not obtain sales orders for successor programs that replace our current product programs.

Our business is dependent on the rear-wheel drive light truck and SUV market segments in North America.

A substantial portion of our revenue is derived from products supporting RWD light truck and SUV platforms in North America. Sales and production levels of light trucks and SUVs are being affected by many factors, including changes in consumer demand; product mix shifts favoring other types of light vehicles, such as front-wheel drive based crossover vehicles and passenger cars; fuel prices; and government regulation, such as the corporate average fuel economy (CAFE) regulations and related emissions standards promulgated by federal and state regulators. In 2012, the Obama Administration announced new CAFE standards for cars and light-duty trucks, raising the standard to the equivalent of 54.5 miles per gallon by 2025. Our customers are currently planning for these regulations and the potential impact on consumer preferences and demand for vehicles. A reduction in the market segment we currently supply could have a material adverse impact on our results of operations and financial condition.

We are under continuing pressure from our customers to reduce our prices.

Annual price reductions are a common practice in the automotive industry. The majority of our products are sold under long-term contracts with prices scheduled at the time the contracts are established. Many of our contracts require us to reduce our prices in subsequent years and most of our contracts allow us to adjust prices for engineering changes. If we must accommodate a customer's demand for higher annual price reductions and are unable to offset the impact of any such price reductions through continued technology improvements, cost reductions or other productivity initiatives, our results of operations and financial condition could be adversely affected.

Our business faces substantial competition.

The automotive industry is highly competitive. Our competitors include the driveline component manufacturing facilities controlled by OEMs, as well as many other domestic and foreign companies possessing the capability to produce some or all of the products we supply. Some of our competitors are affiliated with OEMs and others have economic advantages as compared to our business, such as patents, existing underutilized capacity and lower wage and benefit costs. Technology, design, quality, delivery and cost are the primary elements of competition in our industry segment. As a result of these competitive pressures and other industry trends, OEMs and suppliers are developing strategies to reduce costs. These strategies include supply base consolidation and global sourcing. Our business may be adversely affected by increased competition from suppliers benefiting from OEM affiliate relationships or financial and other resources that we do not possess. Our business may also be adversely affected if we do not sustain our ability to meet customer requirements relative to technology, design, quality, delivery and cost.

Our business could be adversely affected by disruptions in our supply chain and our customers' supply chain.

We depend on a limited number of suppliers for certain key components and materials needed for our products. We rely upon, and expect to continue to rely upon, certain suppliers for critical components and materials that are not readily available in sufficient volume from other sources. As we continue to expand our global manufacturing footprint, we need to rely on suppliers in local markets that have not yet proven their ability to meet our requirements. These supply chain characteristics make us susceptible to supply shortages and price increases. In addition, over the past several years, many of our direct material suppliers have filed for bankruptcy protection and restructured their operations to significantly reduce their installed capacity. If production volumes increase rapidly, there can be no assurance that the suppliers of critical components and materials will be able or willing to meet our future needs on a timely basis. A significant disruption in the supply of these materials could have a material adverse effect on our results of operations and financial condition.

Natural disasters, such as the earthquake in Japan and floods in Thailand, affected the automotive industry's supply chain in 2011. Although our direct supply chain did not suffer material adverse effects from these natural disasters, future natural disasters could cause a disruption in the supply of critical components to us and our customers and have a material adverse effect on our results of operations and financial condition.

A failure of our information technology (IT) networks and systems, or the inability to successfully implement upgrades to our enterprise resource planning systems, could adversely impact our business and operations.

We rely upon information technology networks and systems to process, transmit and store electronic information, and to manage or support a variety of business processes or activities. Additionally, we and certain of our third-party vendors collect and store personal information in connection with human resources operations and other aspects of our business. The secure operation of these information technology networks and systems and the proper processing and maintenance of this information are critical to our business operations. Despite the implementation of security measures, our IT systems are at risk to damages from computer viruses, unauthorized access, cyber attack and other similar disruptions. The occurrence of any of these events could compromise our networks, and the information stored there could be accessed, publicly disclosed or lost. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, the disruption of our operations or damage to our reputation. We may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.
Further, we are continually expanding and updating our networks and systems in response to the changing needs of our business. We are currently in the process of developing and testing global enterprise resource planning (ERP) systems to upgrade many of our existing operating and financial systems. We began implementing these ERP systems in the first quarter of 2015. Such an implementation is a major undertaking, both financially and from a management

and personnel perspective. Should the systems not be implemented successfully, or if the systems do not perform in a satisfactory manner once implementation is complete, our business and operations could be disrupted and our results of operations could be adversely affected, including our ability to report accurate and timely financial results.

General global economic conditions may have an adverse impact on our operating performance and results of operations.

The automotive industry has continued to improve over the past five years after suffering the effects of the global financial crisis experienced in 2008 and 2009. The U.S. Seasonally Adjusted Annual Rate of sales (SAAR) has returned to a more normalized rate of 16.4 million units in 2014 from 15.5 million in 2013 and 14.4 million in 2012, as the automotive industry has recovered from the effects of the unprecedented decline in consumer demand and production volumes. Deteriorating conditions in the U.S. or global economy that result in another reduction or depressed levels of automotive production and sales by our largest customers may adversely affect our business, financial condition and results of operations. Additionally, in a flat or declining economic environment, we may experience the negative effects of increased competitive pricing pressure and customer turnover.

Our company's global operations are subject to risks and uncertainties.

We have business and technical offices and manufacturing facilities in many foreign countries, including Brazil, China, India, Mexico, Poland, Scotland, Sweden and Thailand. Approximately 9,010 of our 12,820 associates are located outside of the U.S. International operations are subject to certain risks inherent in conducting business outside the U.S., such as changes in currency exchange rates, tax laws, price and currency exchange controls, import restrictions, nationalization, expropriation and other governmental action. Our global operations may also be adversely affected by political events and domestic or international terrorist events and hostilities. These uncertainties could have a material adverse effect on the continuity of our business and our results of operations and financial condition. As we continue to expand our business globally, our success will depend, in part, on our ability to anticipate and effectively manage these and other risks.

We may incur material losses and costs as a result of product recall or field action, product liability and warranty claims, litigation and other disputes and claims.

We are exposed to warranty, product recall or field action and product liability claims in the event that our products fail to perform as expected, and we may be required to participate in a recall of such products. Historically, we have experienced negligible warranty charges from our customers due to the quality, reliability and durability performance of our products. We are not responsible for certain warranty claims that may be incurred by our customers. This includes returned components for which no trouble was found upon inspection, discretionary acts of dealer goodwill, defects related to certain directed buy components, or build to print design issues. We review warranty claim activity in detail, and