



# 2020 OUTLOOK

January 16, 2020

# Forward Looking Statements



We disclose "forward-looking information" or "forward-looking statements" (collectively, "forward-looking statements") to provide information about management's current expectations and plans. Such forward-looking statements may not be appropriate for other purposes.

Forward-looking statements may include financial and other projections, as well as statements regarding our future plans, objectives or economic performance, or the assumptions underlying any of the foregoing, and other statements that are not recitations of historical fact. We use words such as "may", "would", "could", "should", "will", "likely", "expect", "anticipate", "believe", "intend", "plan", "aim", "forecast", "outlook", "project", "estimate", "target" and similar expressions suggesting future outcomes or events to identify forward-looking statements.

Forward-looking statements in this presentation include, but are not limited to, 2020-2022 outlook period statements related to:

- Magna's ability to capitalize on growth in light-weighting, vehicle electrification, smart mobility solutions and safety and autonomous driving
- cumulative free cash flow expectations
- Underlying assumptions regarding relative foreign currency rate
- forecast sales by region
- Return on Invested Capital
- the timing and success of program launches
- successful award of programs for which we have quoted
- Magna's forecasts of light vehicle production in North America and Europe
- expected consolidated sales, based on such light vehicle production, including expected split by segment, and by region within each segment
- Anticipated growth drivers of our business
- Adjusted EBIT margin, including expected split between segments
- equity income
- interest expense, net
- income tax rate
- net income attributable to Magna
- capital spending and
- future returns of capital to shareholders, including through dividends and share repurchases.

Our forward-looking statements are based on information currently available to us, and are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances.

While we believe we have a reasonable basis for making such forward-looking statements, they are not a guarantee of future performance or outcomes. Whether actual results and developments conform to our expectations and predictions is subject to a number of risks, assumptions and uncertainties, many of which are beyond our control, and the effects of which can be difficult to predict, including, without limitation:

## Risks Related to the Automotive Industry

- economic cyclicalities
- regional production volume declines
- intense competition
- trade disputes / tariffs

## Customer and Supplier Related Risks

- concentration of sales with six customers
- shifts in market shares among vehicles or vehicle segments
- shifts in "take rates" for products we sell
- quarterly sales fluctuations
- potential loss of any material purchase orders
- a deterioration in the financial condition of our supply base
- OEM consolidation

## Manufacturing Operational Risks

- product and new facility launch risks
- operational underperformance
- restructuring costs
- impairment charges
- labour disruptions
- supply disruptions
- climate change risks
- attraction / retention of skilled labour

## IT Security Risk

- IT/Cybersecurity breach

## Pricing Risks

- pricing risks between time of quote and start of production
- price concessions
- commodity costs
- declines in scrap steel prices

## Warranty / Recall Risks

- costs related to repair or replacement of defective products, including due to a recall
- warranty or recall costs that exceed warranty provision or insurance coverage limits

## Acquisition Risks

- Inherent merger and acquisition risks
- acquisition integration risks

## Other Business Risks

- risks related to conducting business through joint ventures
- our ability to consistently develop and commercialize innovative products or processes
- our changing business risk profile as a result of increased investment in electrification and autonomous driving, including: higher R&D and engineering costs, and challenges in quoting for profitable returns on products for which we may not have significant quoting experience
- risks of conducting business in foreign markets
- fluctuations in relative currency values
- tax risks
- reduced financial flexibility as a result of an economic shock
- changes in credit ratings assigned to us

## Legal, Regulatory and Other Risks

- antitrust risk
- legal claims and/or regulatory actions against us and
- changes in laws and regulations, including those related to vehicle emissions.

In evaluating forward-looking statements or forward-looking information, we caution readers and listeners not to place undue reliance on any forward-looking statement, and readers and listeners should specifically consider the various factors which could cause actual events or results to differ materially from those indicated by such forward-looking statements, including the risks, assumptions and uncertainties above which are discussed in greater detail in this document under the section titled "Industry Trends and Risks" and set out in our Annual Information Form filed with securities commissions in Canada and our annual report on Form 40-F filed with the United States Securities and Exchange Commission, and subsequent filings.

# Agenda



- Positioning for the Future
- Reporting Segment and Consolidated Outlooks
- Financial Strategy

# POSITIONING FOR THE FUTURE



Electrification



Lightweighting



Autonomy

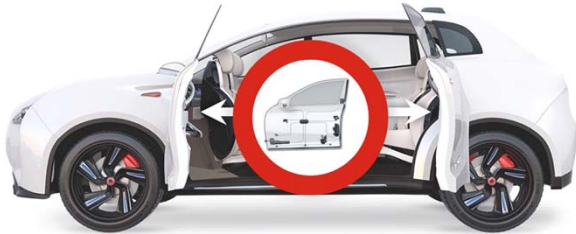


Smart Mobility

# Select Technologies Supporting Trends



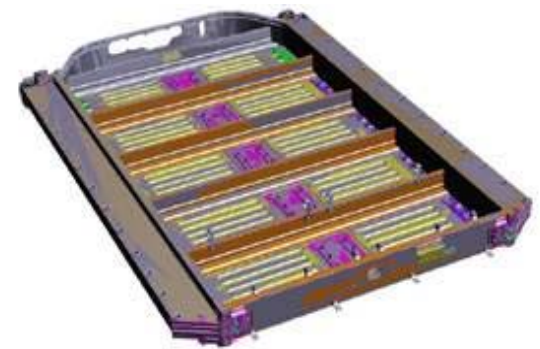
## Smart Access



## Reconfigurable Seating

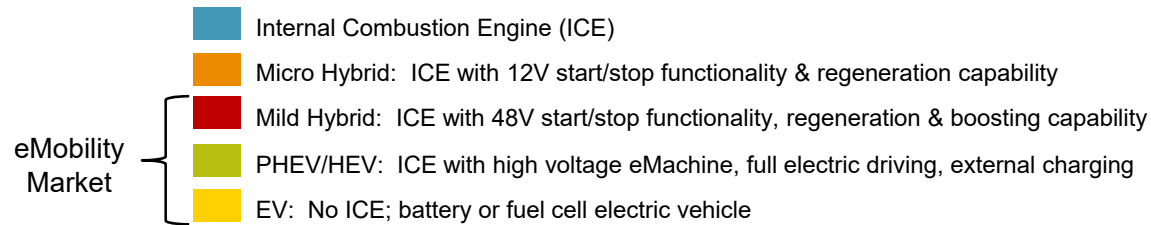
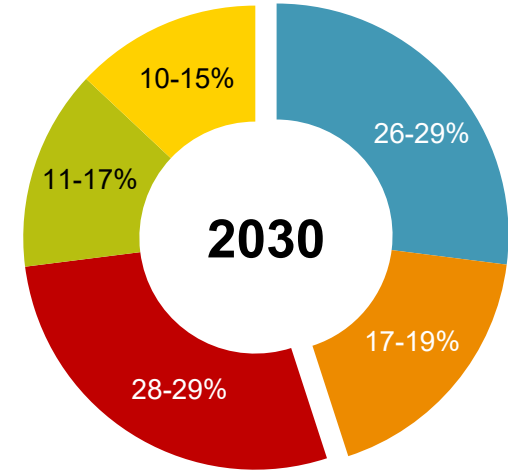
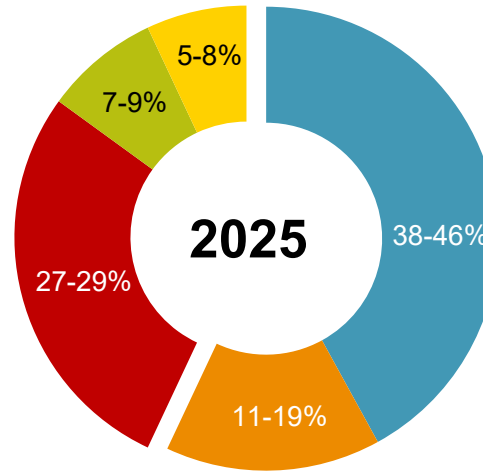
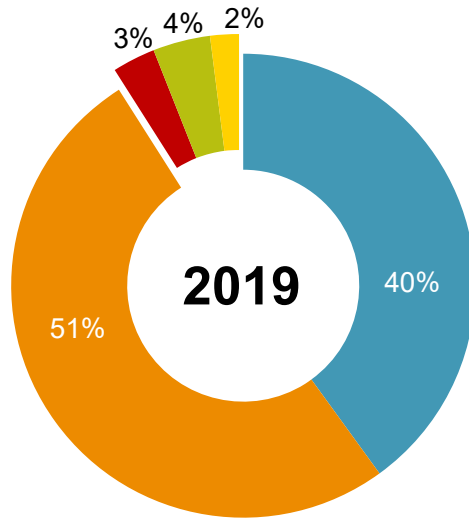


## Battery Frames



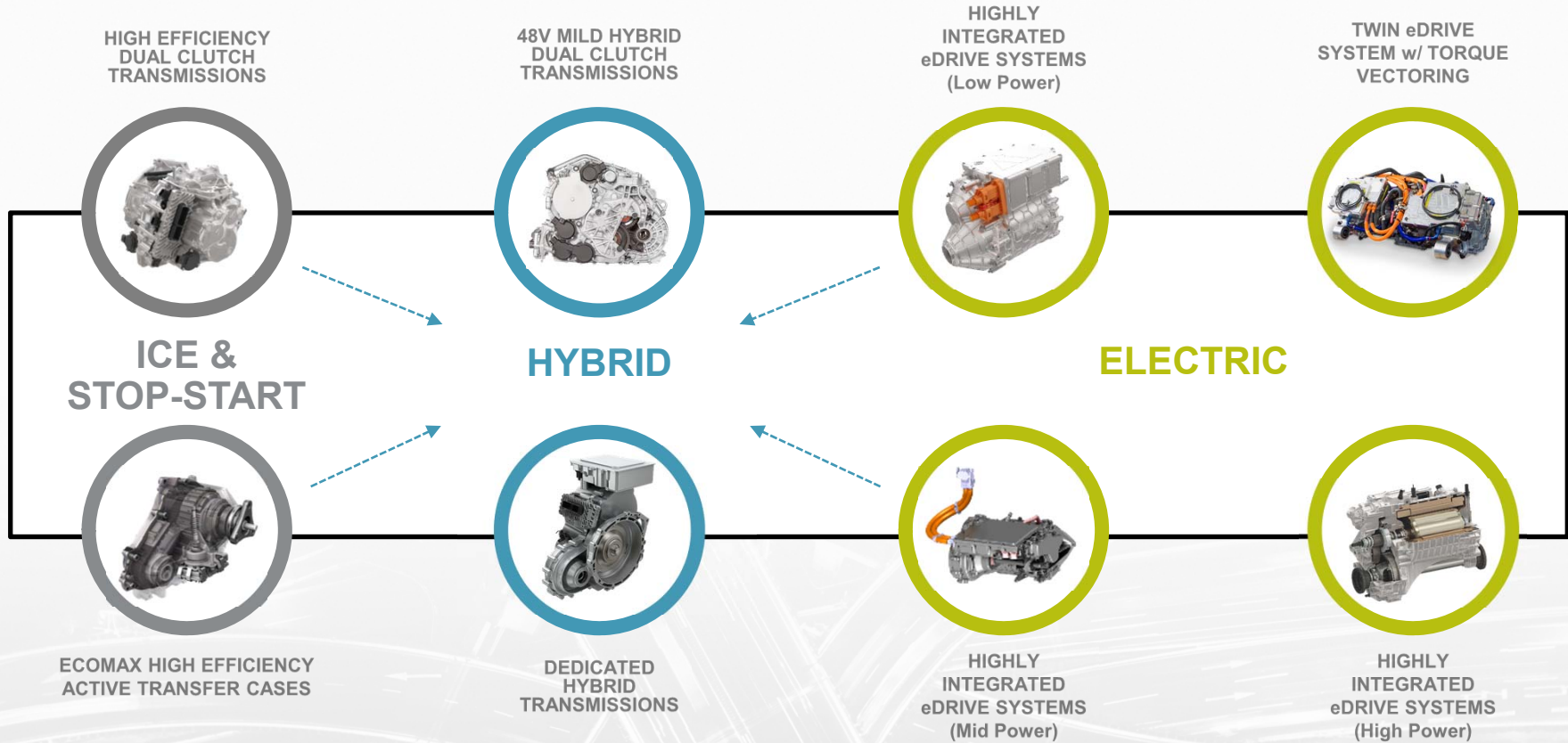


# Powertrain Electrification is Growing...





# Positioned for Powertrain Electrification



Significant Booked eMobility Contracts

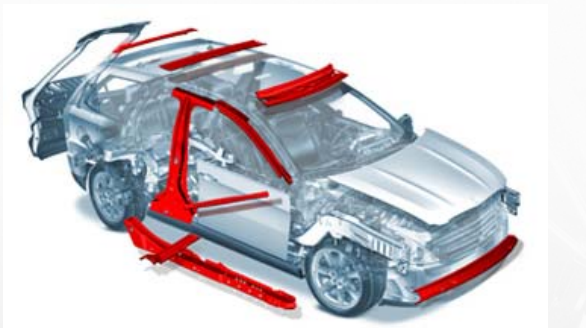




# Positioned to Help Reduce Vehicle Weight



## Hot Stamping



## Casting

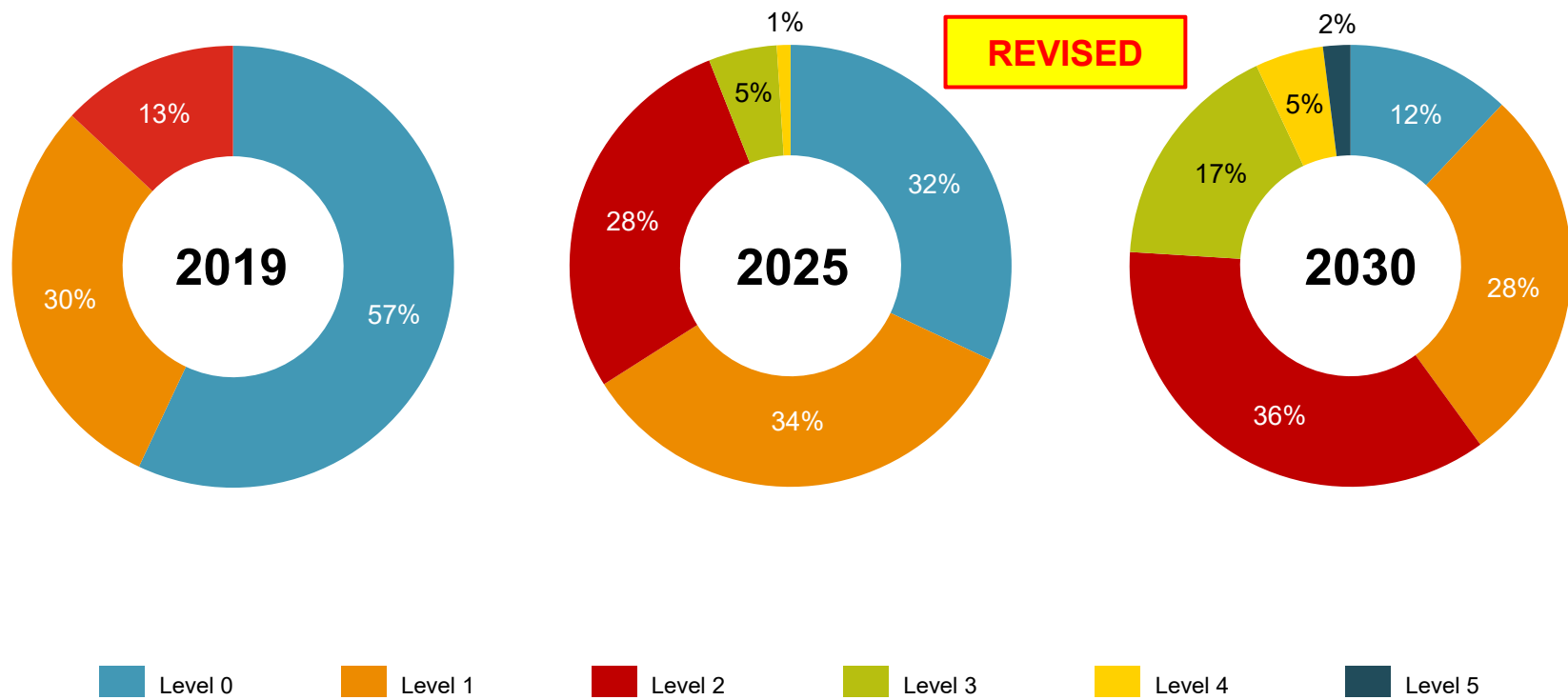


## Composite Liftgates





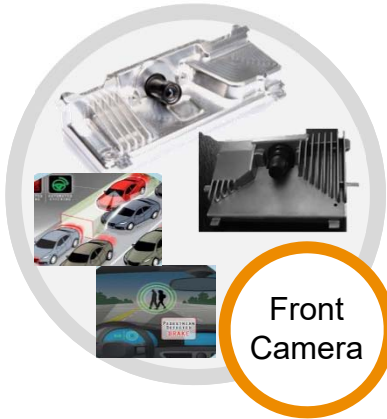
# Autonomy Will Continue to Proliferate



Source: Magna Internal ADAS market forecast December 2019

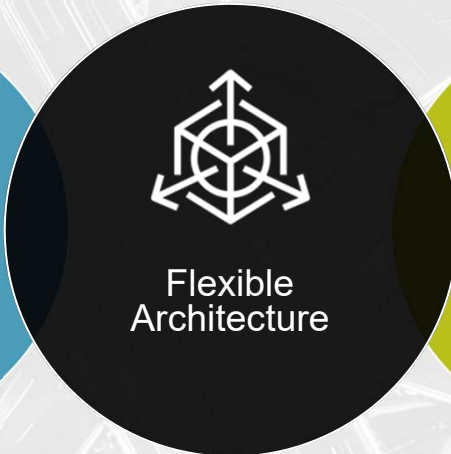


# Magna's ADAS Hardware Building Blocks





# Positioned for Smart Mobility



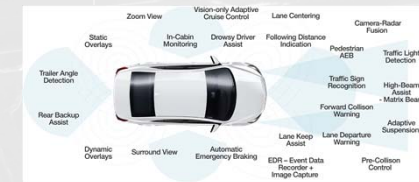
**Body & Structure**



**Powertrain**



**Seating**



**ADAS/ADAS/  
Mechatronics**

Complete Vehicle Design, Engineering and Assembly

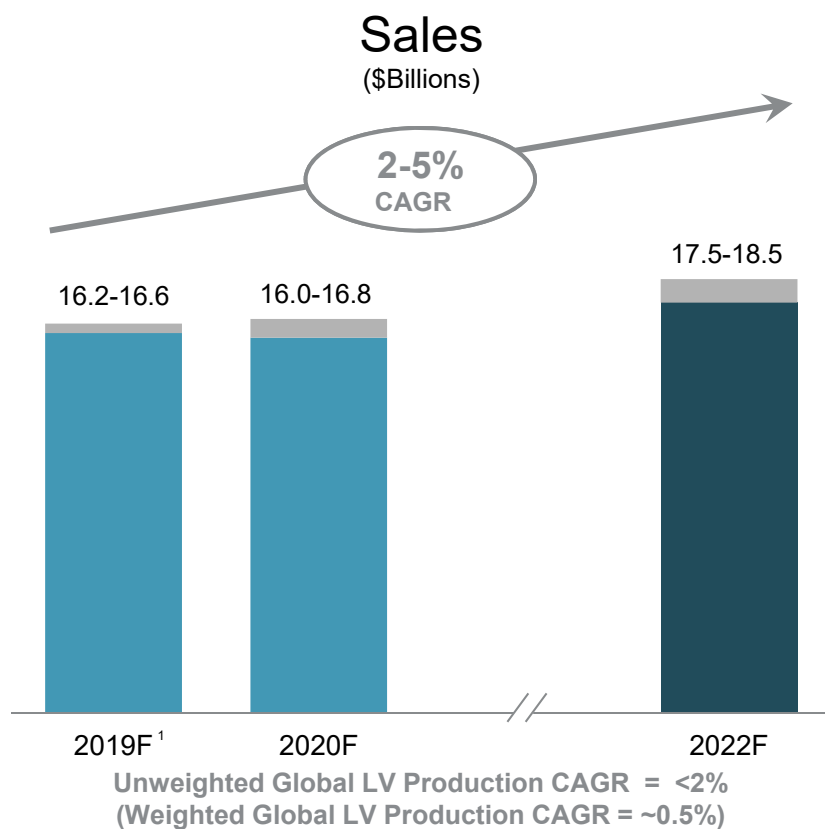
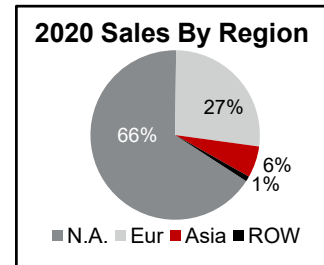
# REPORTING SEGMENT OUTLOOK

# Financial Outlook – Key Assumptions



	2019 November Outlook	2020	2022
<b>Automotive Light Vehicle Production (millions of units)</b>			
• North America	16.3	16.3	16.3
• Europe	21.4	20.8	21.6
<b>U.S. Foreign Exchange Rates</b>			
• Cdn	0.754	0.750	0.750
• Euro	1.120	1.100	1.100
• RMB	0.145	0.142	0.142
<b>Acquisitions/Divestitures</b>			
• No material unannounced acquisitions / divestitures			

# Continued Solid Growth



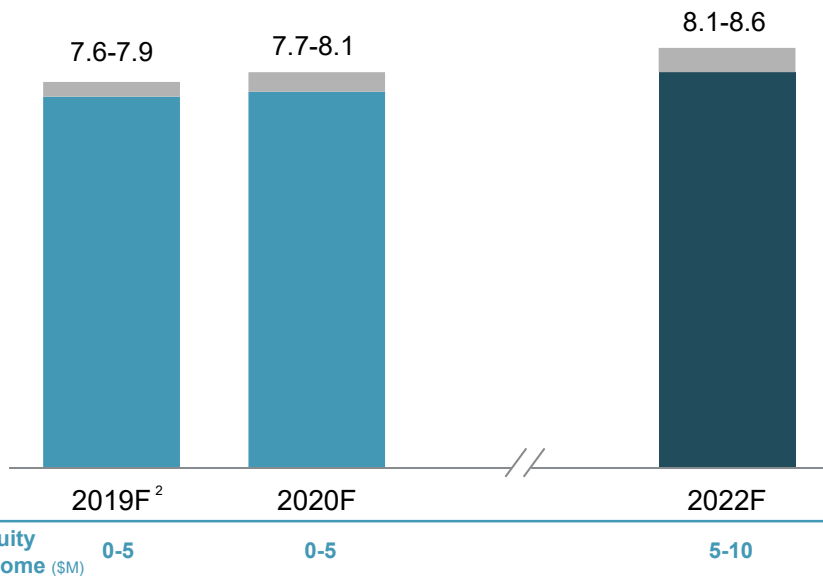
- Growth in all key regions – strongest in Asia and North America
- Lightweight technologies outgrowing market
- Stronger U.S. dollar negatively impacts us
- Emerging opportunities:
  - Battery frames for EVs
  - Active aerodynamics
  - ADAS sensor integration
  - Increased demand for thermoplastics

<sup>1</sup> November 2019 Outlook

BODY EXTERIORS & STRUCTURES  
**Solid Margins Expected to Improve**



Adjusted EBIT Margin<sup>1</sup>  
 (%)



**2019 to 2020**

- Operational improvements (+)
- Lower launch and new facility costs (+)
- Lower scrap revenue (-)

**2020 to 2022**

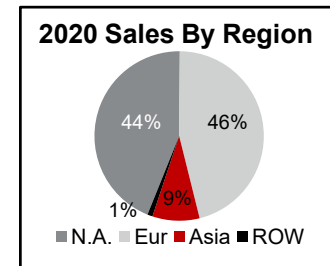
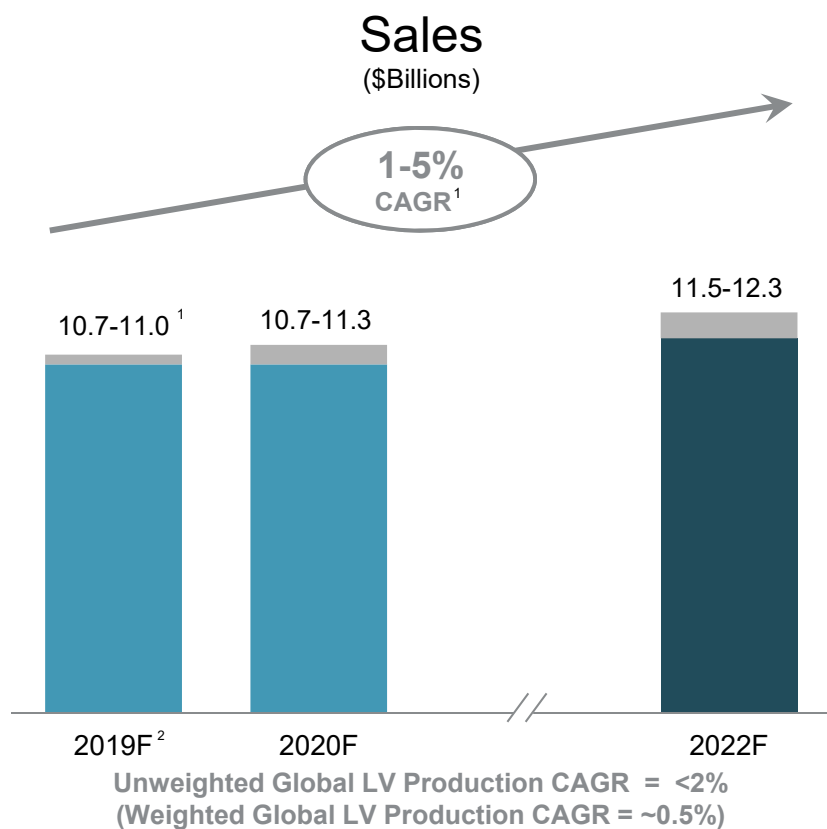
- Contribution on higher sales (+)
- Operational improvements (+)

<sup>1</sup> Excluding other expense (income), net  
<sup>2</sup> November 2019 Outlook



# POWER AND VISION

## Expect Further Growth



- Strong growth in Asia and Europe
- Growth driven by DCTs, mechatronics, electronics/ADAS and mirrors
- Powertrain electrification a new growth driver
  - Hybrid DCTs
- Stronger U.S. dollar negatively impacts us
- Emerging opportunities:
  - E-latches
  - E-drives
  - Vehicle access
  - Dedicated hybrid transmissions

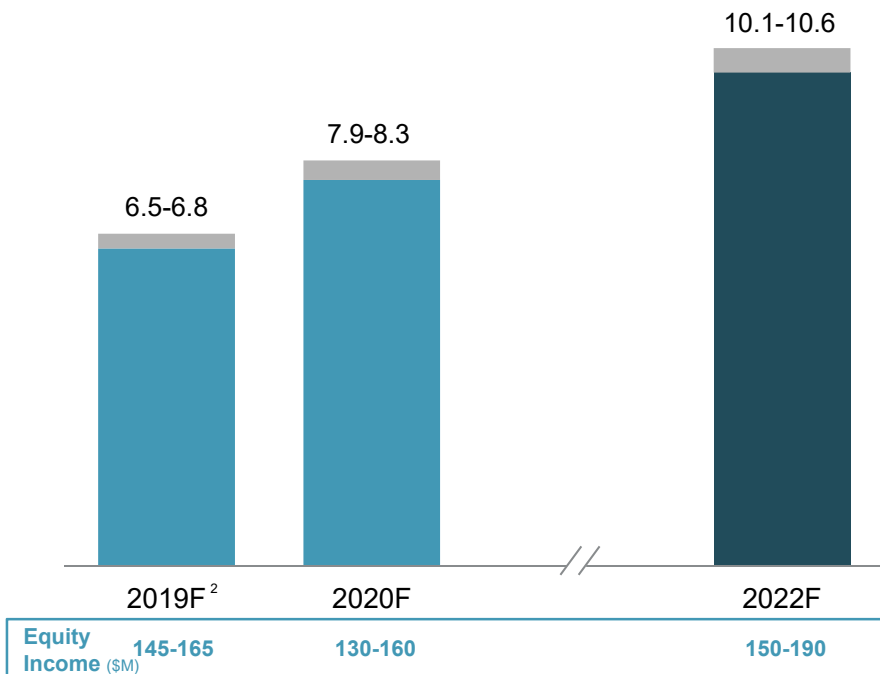
<sup>1</sup> Excluding \$0.4B in sales of Fluid Pressure & Controls (FP&C) business unit sold at end of Q1, 2019

<sup>2</sup> November 2019 Outlook

# Margin Improvement Anticipated Through Outlook Period



Adjusted EBIT Margin<sup>1</sup>  
(%)



## 2019 to 2020

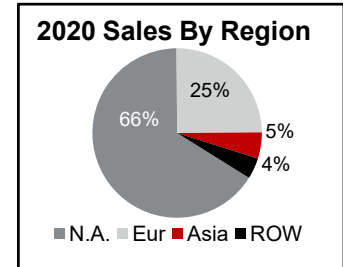
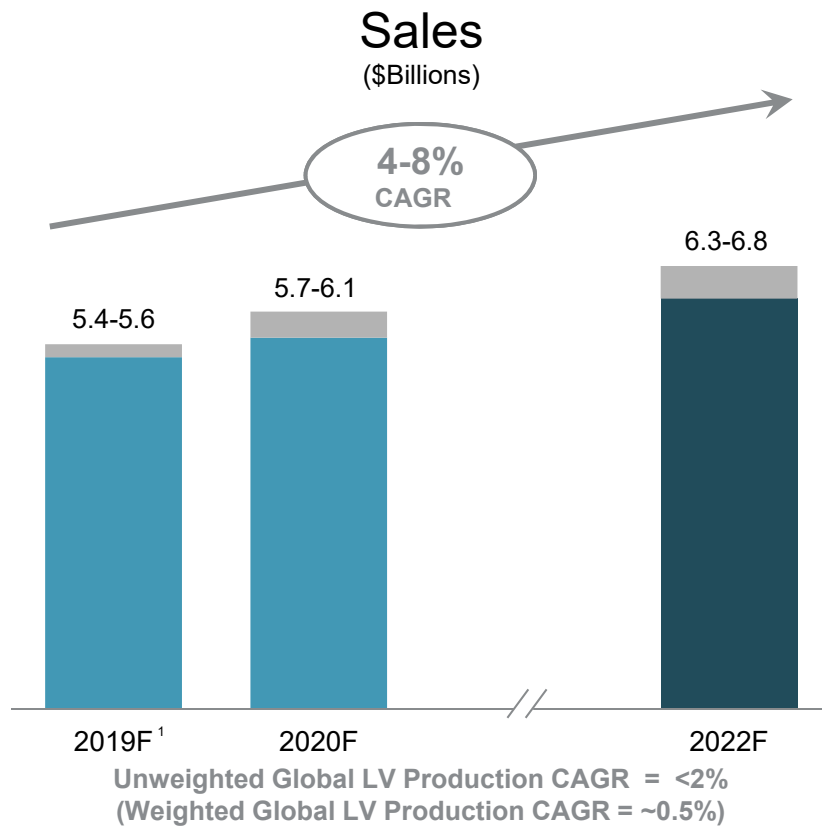
- Lower engineering & other costs related to advanced ADAS programs (+)
- No Lyft spending (+)
- Operational improvements (+)
- Lower commodity costs (+)

## 2020 to 2022

- Contribution on higher sales (+)
- Operational improvements (+)
- Lower engineering costs related to advanced ADAS programs (+)

<sup>1</sup> Excluding other expense (income), net  
<sup>2</sup> November 2019 Outlook

# Further Growth Above Market



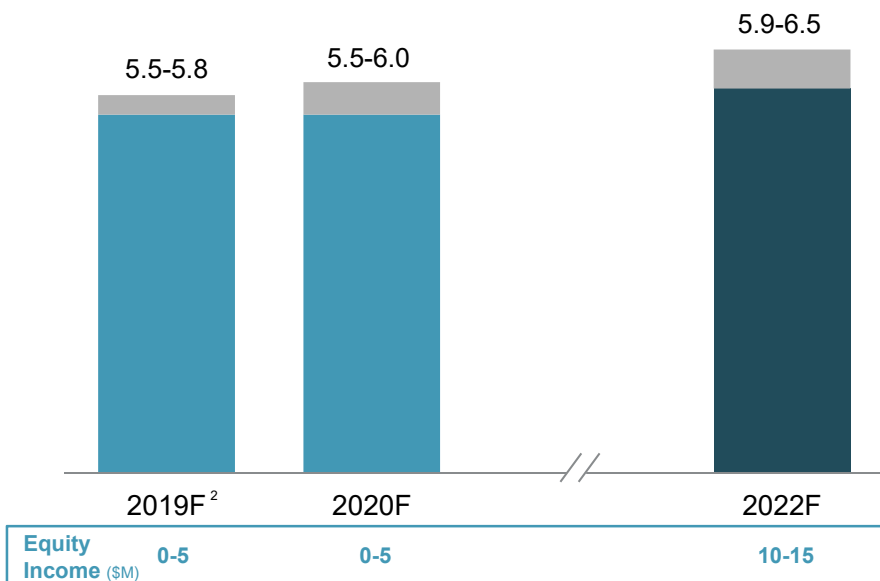
- Sales growth in all regions – strongest in Asia and Europe
- High exposure to SUV/CUVs remains a positive
- BMW 1 & 2 Series launching in Europe
- Acquisition of Viza
- Unconsolidated sales growing in Asia
- Stronger U.S. dollar negatively impacts us
- Emerging opportunities:
  - Increased vertical integration
  - Reconfigurable seating for smart mobility applications

<sup>1</sup> November 2019 Outlook

# Margin Expansion Post-2020



## Adjusted EBIT Margin<sup>1</sup> (%)



### 2019 to 2020

- Lower launch costs and operational improvements (+)
- New customer programs (-)
- VIZA acquisition (-)
- 2019 commercial settlements (-)

### 2020 to 2022

- Contribution on higher sales (+)
- Operational improvements (+)
- More equity income (+)
- Higher new facility costs (-)

<sup>1</sup> Excluding other expense (income), net

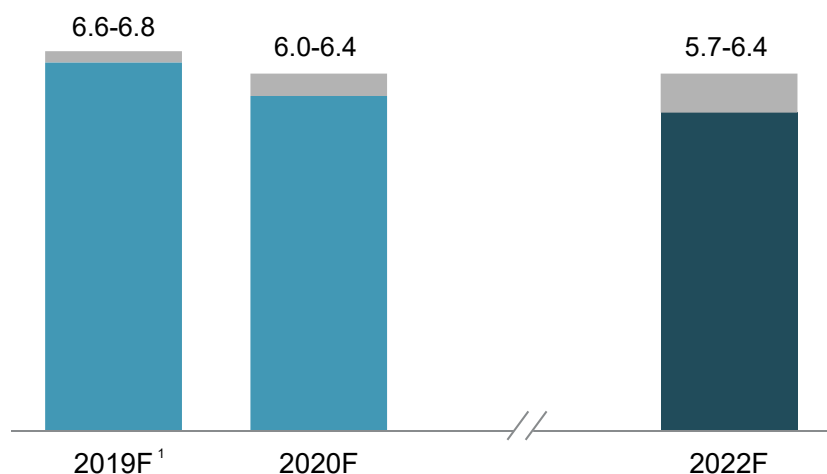
<sup>2</sup> November 2019 Outlook

COMPLETE VEHICLES

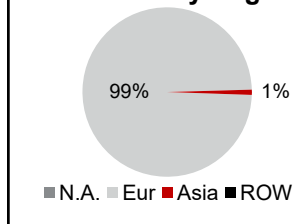
# Successful Program Launches Completed



Sales  
(\$Billions)



2020 Sales By Region



- Largest contract manufacturer of vehicles and leader in turnkey engineering services
- Enabler for Magna's auto parts and systems business
- All announced programs now launched in Europe
- Stronger U.S. dollar negatively impacts us
- Emerging opportunities:
  - China EV market with BJEV
  - New vehicle concepts

<sup>1</sup> November 2019 Outlook

# Anticipate Margin Improvement



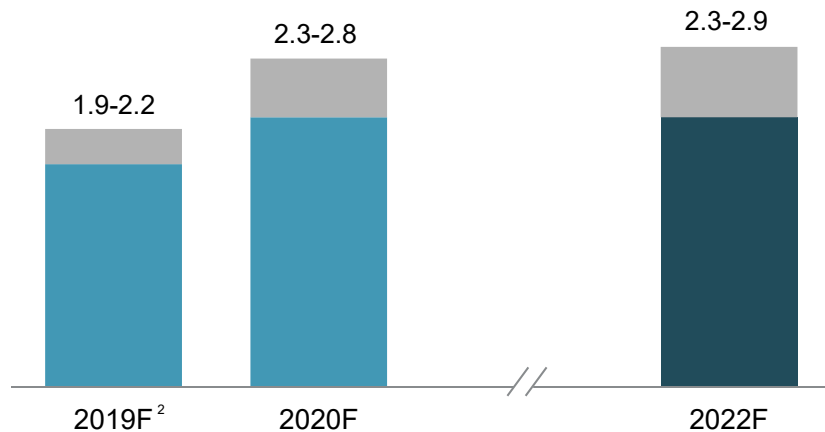
Adjusted EBIT Margin<sup>1</sup>  
(%)

## 2019 to 2020

- Operational efficiencies (+)

## 2020 to 2022

- Equity income from Chinese JV (+)



Equity Income (\$M)	10-20
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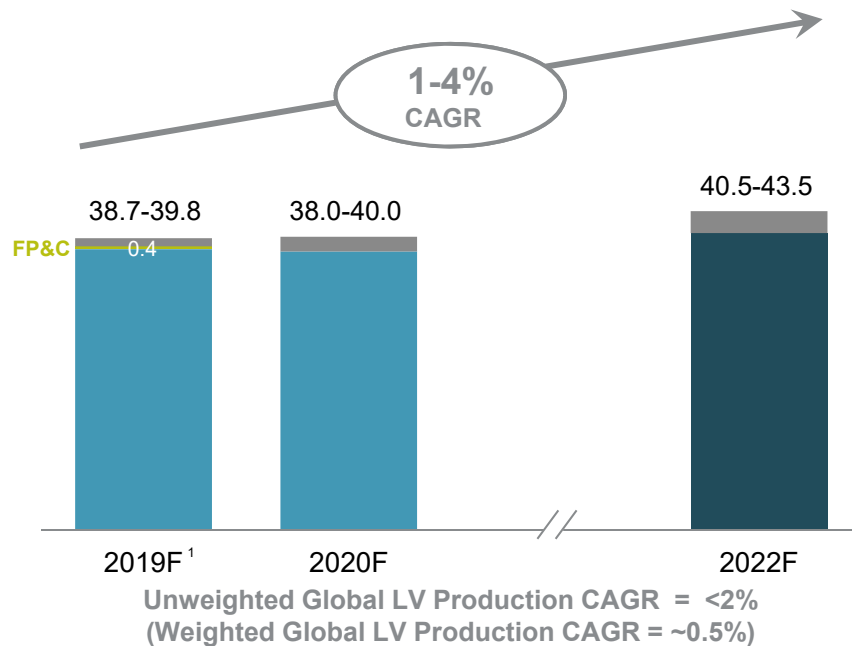
<sup>1</sup> Excluding other expense (income), net  
<sup>2</sup> November 2019 Outlook

# CONSOLIDATED OUTLOOK

# Magna's Consolidated Sales Continue to Grow



Magna Consolidated Sales  
(\$Billions)



- Higher growth in Europe and Asia creating more balanced geographic diversification
- Stronger U.S. dollar, FP&C sale net of other M&A negatively impacts us

<sup>1</sup> November 2019 Outlook

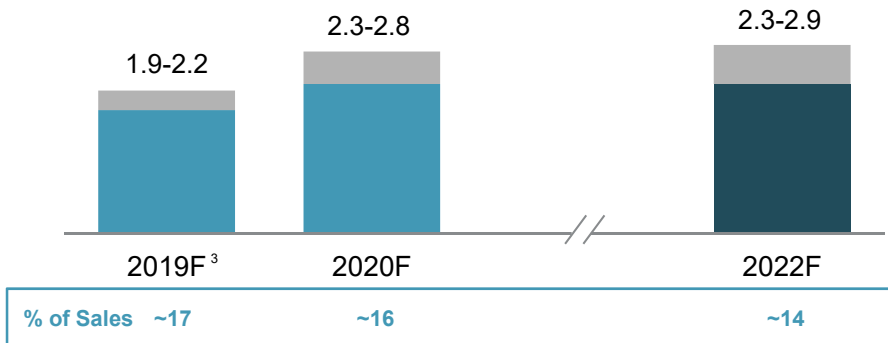
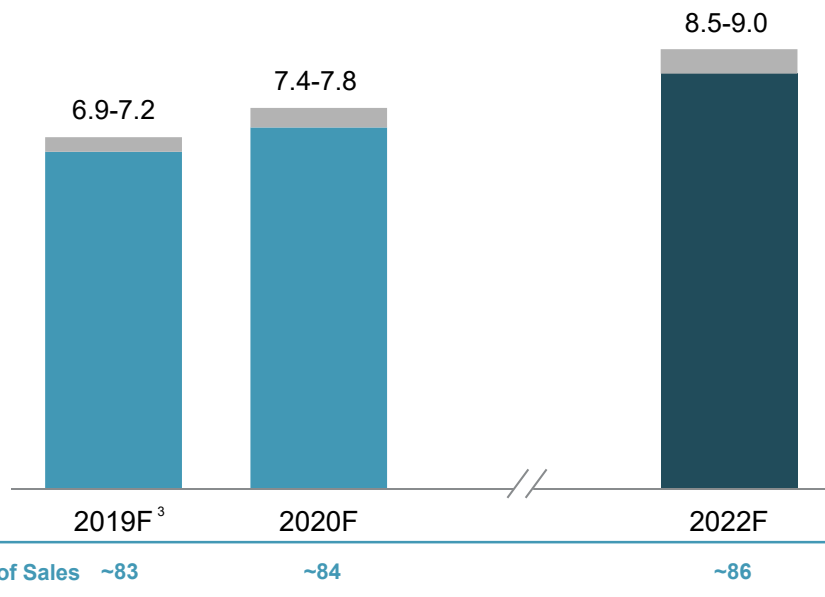


# EBIT Margin %<sup>1</sup>



## Auto Parts and Systems<sup>2</sup> (%)

## Complete Vehicles (%)

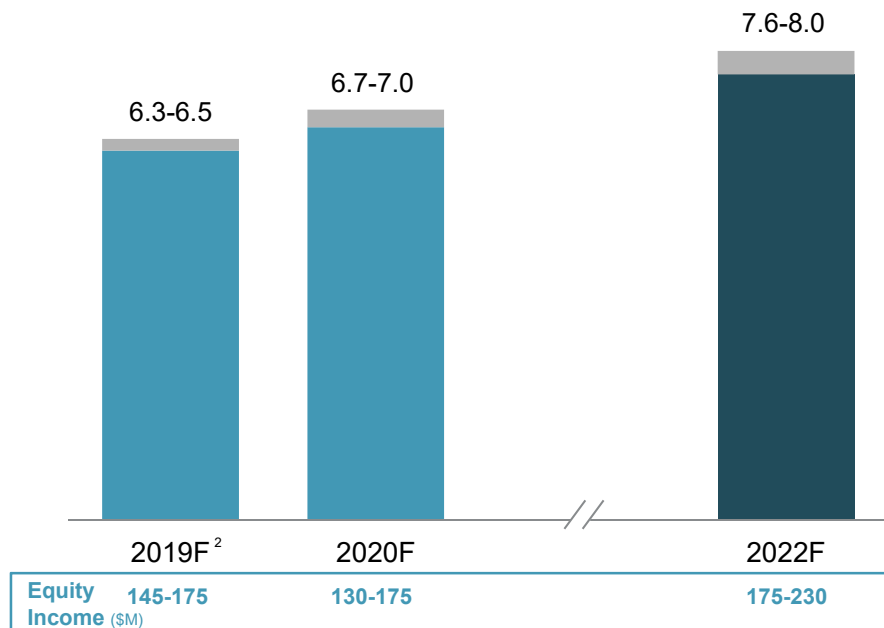


<sup>1</sup> Excluding other expense (income), net

<sup>2</sup> Represents combined Body Exteriors & Structures, Power & Vision and Seating Systems

<sup>3</sup> November 2019 Outlook

# Consolidated EBIT Margin %<sup>1</sup>



## 2019-2020

- Lower engineering and other costs related to advanced ADAS programs (+)
- No Lyft spending (+)
- Operational improvements (+)
- Lower launch costs (+)
- Lower scrap revenue (-)

## 2020-2022

- Net contribution on higher sales (+)
- Lower engineering costs related to advanced ADAS programs (+)
- Operational improvements (+)

<sup>1</sup> Excluding other expense (income), net  
<sup>2</sup> November 2019 Outlook

# FINANCIAL STRATEGY

# Our Ongoing Financial Focus



- Unchanged capital allocation strategy
  - Maintain strong balance sheet, invest for growth and return capital to shareholders
  - Adjusted Debt to Adjusted EBITDA ratio of between 1.0 and 1.5x
- Disciplined capital spending
- Strong free cash flow generation
- Continued dividend growth over time
- Share repurchases with excess cash
- Delivering solid ROIC



# Capital Allocation Principles Unchanged



## 1 Maintain Strong Balance Sheet

- Preserve liquidity and high investment grade credit ratings
- Maintain flexibility to invest for growth

## 2 Invest for Growth

- Organic opportunities
- Innovation
- Acquisitions that fit product strategy

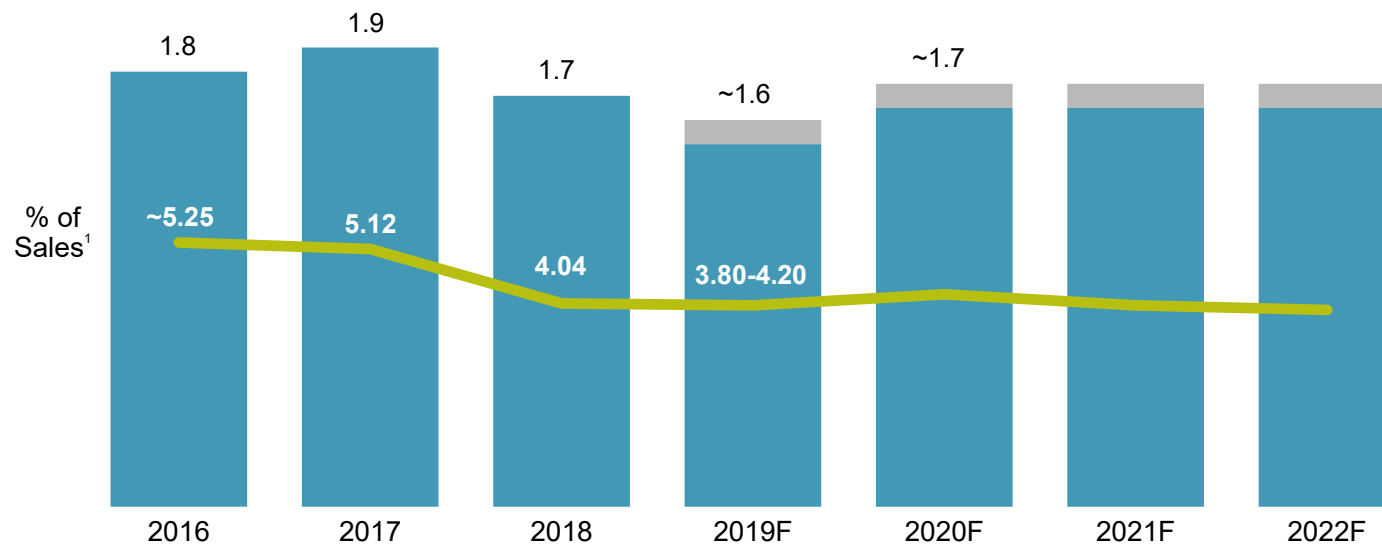
## 3 Return Capital to Shareholders

- Continued dividend growth over time
- Repurchase shares with excess cash

# Relatively Level Capital Spending Through Outlook



Capital Spending  
(\$Billions)



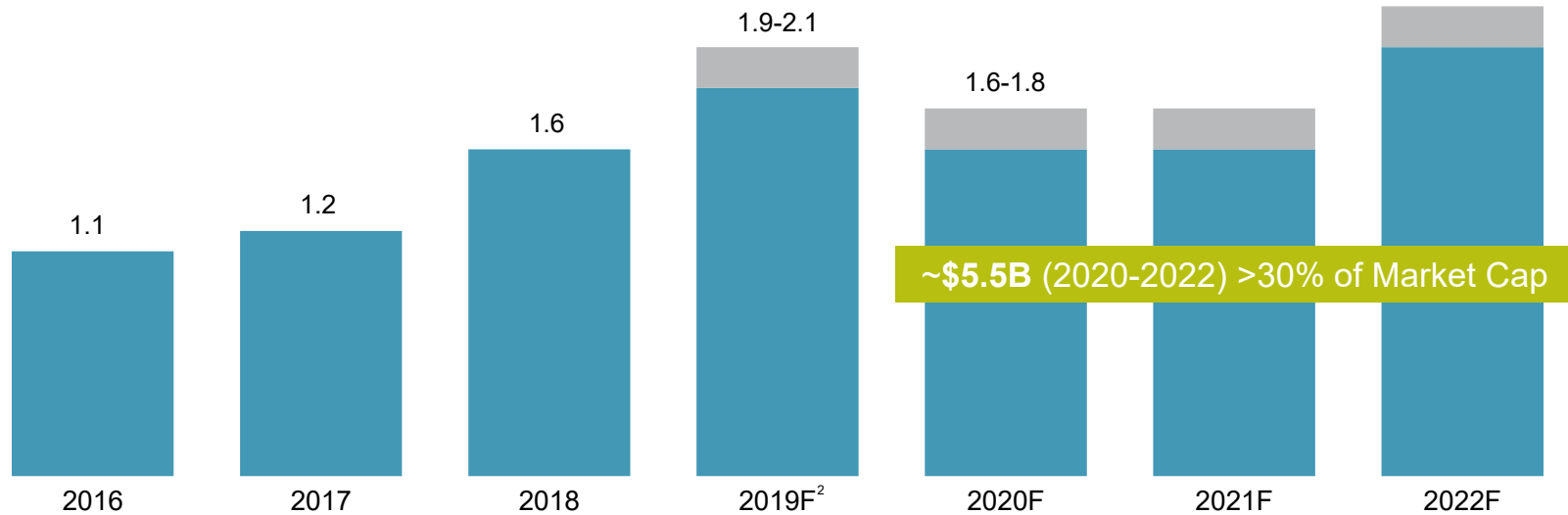
Consistent with Previous Expectations

<sup>1</sup> 2019 to 2022 are based on the level of business reflected in our sales outlook

# Continued Strong Free Cash Flow Generation



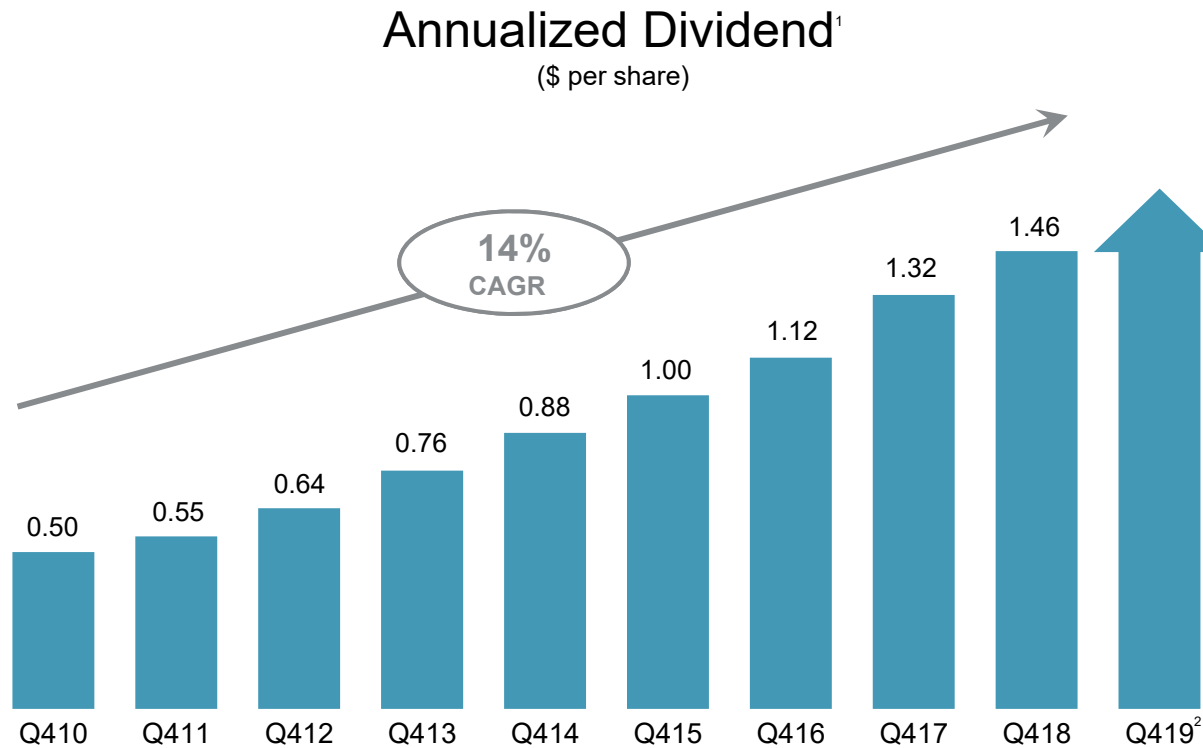
Free Cash Flow<sup>1</sup>  
(\$Billions)



<sup>1</sup> Free Cash Flow is Cash from Operating Activities plus proceeds from normal course dispositions of fixed and other assets minus capital spending minus investment in other assets

<sup>2</sup> November 2019 Outlook

# Dividend Growth Remains a Priority



Increasing Dividends As Earnings Grow

<sup>1</sup> Based on Q4 run rate

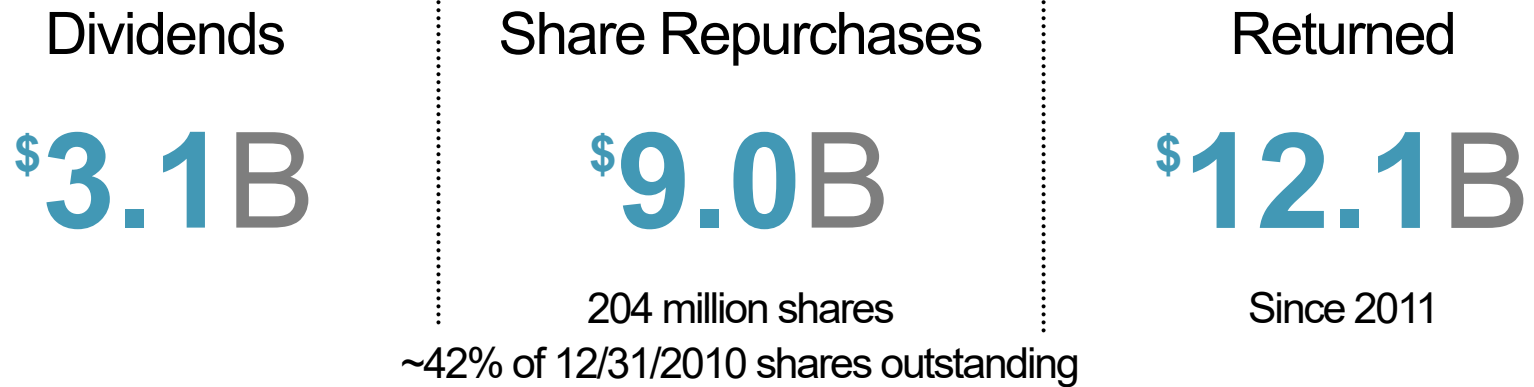
<sup>2</sup> Subject to Board approval



# Proven Track Record of Returning Capital to Shareholders



2011-2019



Returned ~\$1.7B in 2019

## In Summary



- Continuing to drive sales growth
- Improving margins throughout Outlook period
- Expect ~\$5.5 billion free cash flow generation (2020-2022)
- Attractive valuation
- Well positioned for future mobility





DRIVING **EXCELLENCE.**  
INSPIRING **INNOVATION.**

# APPENDIX

# Financial Outlook



(U.S. GAAP) (\$Billions, unless otherwise noted)	2020	2022
Sales:		
• Body Exteriors & Structures	16.0 – 16.8	17.5 – 18.5
• Power & Vision	10.7 – 11.3	11.5 – 12.3
• Seating Systems	5.7 – 6.1	6.3 – 6.8
• Complete Vehicles	6.0 – 6.4	5.7 – 6.4
Total Sales	38.0 – 40.0	40.5 – 43.5
EBIT Margin %	6.7% – 7.0%	7.6% – 8.0%
Equity Income	130M – 175M	175M – 230M
Interest Expense	~85M	
Tax Rate	~24.5%	
Net Income Attributable to Magna	1.8 – 2.0	
Capital Spending	~1.7	

# NORTH AMERICA New Launches Ramping Up



Ford Escape



Mercedes-Benz GLE Coupe



Ford Maverick



Cadillac Escalade



Ford Mustang Mach E



Jeep Grand Cherokee 3-Row

● Body ● Power & Vision ● Seating

# EUROPE New Launches Ramping Up



Volkswagen Caddy



BMW 2-Series



Porsche Taycan Cross Turismo



Nissan Qashqai



Mercedes-Benz GLA



Volkswagen ID.4

● Body ● Power & Vision ● Seating

ASIA

# New Launches Ramping Up



Mercedes-Benz GLB



Ford Explorer



BMW X2



Cadillac CT4



Geely 05



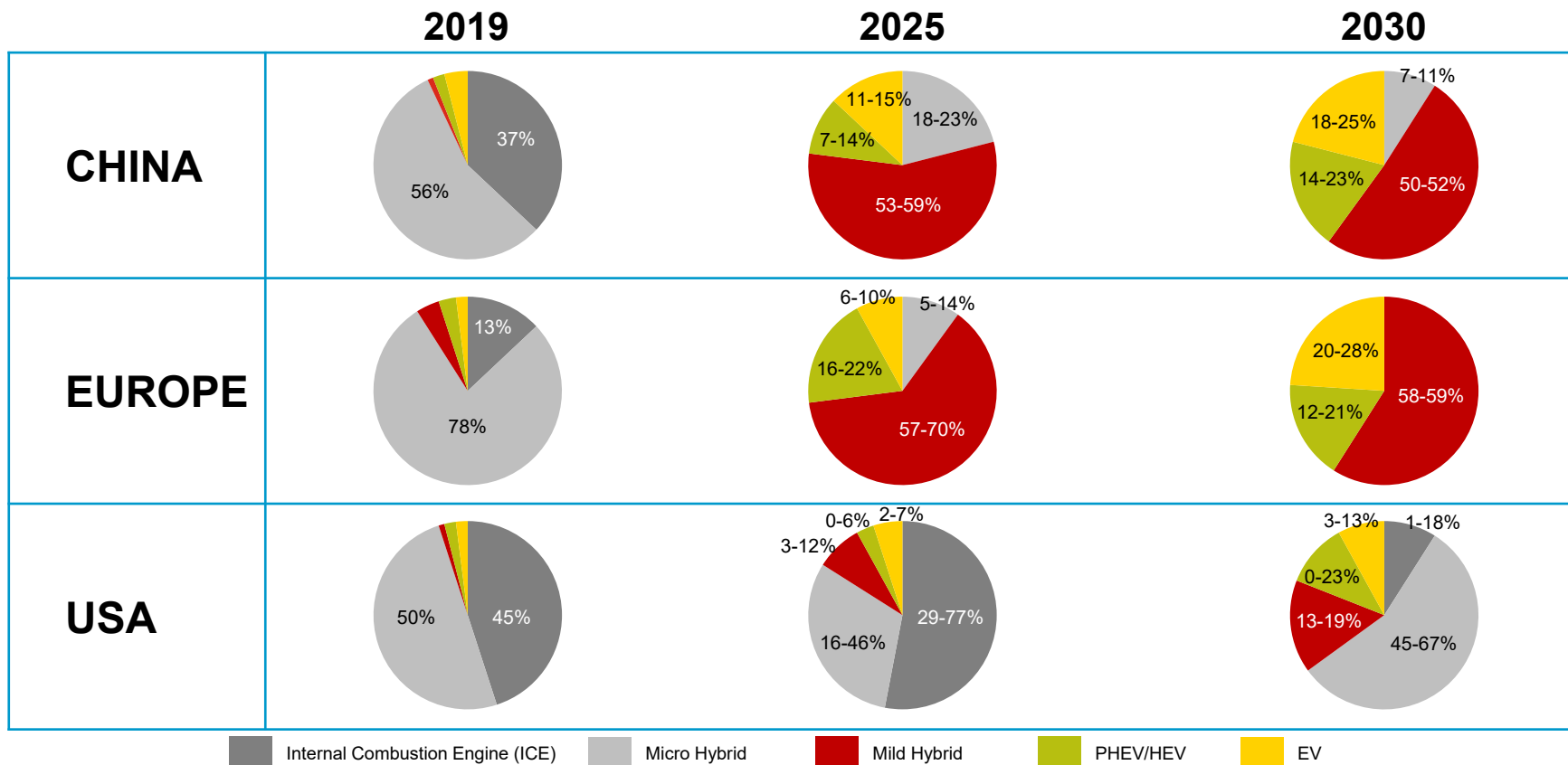
Chevy Blazer

● Body ● Power & Vision ● Seating





# Powertrain Electrification by Region



Source: Magna OEM Fleet Analysis December 2019



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