



# Q3 2019

**RESULTS CONFERENCE CALL**

November 8, 2019

# Forward Looking Statements



Certain statements in this presentation constitute "forward-looking information" or "forward-looking statements" (collectively, "forward-looking statements") and are intended 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, strategic 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, statements relating to:

- Expected growth in our Getrag operations;
- Magna's forecast of light vehicle production in North America and Europe;
- Expected total sales, based on such light vehicle production, including expected split by reporting segment;
- Adjusted EBIT margin;
- Free cash flow expectations;
- Equity income;
- Interest expense, net;
- Income tax rate;
- Net income attributable to Magna;
- Capital spending; and
- Future returns of capital to our 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 cyclicality;
- regional production volume declines;
- intense competition;
- potential restrictions on free trade;
- 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 consumer "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 risk;

## 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 not to place undue reliance on any forward-looking statement, and readers 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.

# Reminders



- All amounts are in U.S. Dollars (unless otherwise noted)
- Today's discussion excludes the impact of other expense (income), net (Unusual Items)
- “Organic”, in the context of sales movements, means “excluding the impact of foreign exchange, acquisitions and divestitures”
- Prior period comparatives have been restated to reflect the transfer of certain assets out of Corporate & Other to the Company's operating segments to better reflect the utilization of these assets

# Q3 2019 Highlights



- Continued growth in excess of global vehicle production
- Non-cash impairment charges related to Getrag's equity accounted investments
- New dual clutch transmission business with BMW

# Sales Performance vs Market

Q3 2019 vs Q3 2018



	Reported	Organic <sup>1</sup>	Unweighted Performance	Weighted Performance
Body Exteriors & Structures	(5%)	<b>(3%)</b>	-	<b>(1%)</b>
Power & Vision	(9%)	<b>4%</b>	<b>7%</b>	<b>6%</b>
Seating	4%	<b>3%</b>	<b>6%</b>	<b>5%</b>
Complete Vehicles	9%	<b>14%</b>	<b>17%</b>	<b>16%</b>
<b>TOTAL SALES</b>	<b>(3%)</b>	<b>2%</b>	<b>5%</b>	<b>4%</b>

**Unweighted Production Growth (3%)**

**Weighted Production Growth<sup>2</sup> (2%)**

<sup>1</sup> Excluding acquisitions net of divestitures and FX movements

<sup>2</sup> Calculated by applying Magna geographic sales weighting, excluding Complete Vehicle sales, to regional production

# GETRAG Update



- Getrag joint-ventures have had challenges
  - Declining take-rates for manual transmissions
  - Lower volumes in China – particularly for certain key customers/programs
  - DCT insourcing in China
  - Lower DCT take-rates on certain programs in China
- Business planning activity has led to lower volume and free cash flow projections for Getrag's joint-ventures
  - Result: \$537 million impairment charge after taxes and minority interest

# GETRAG Update (cont.)



- Getrag's wholly-owned operations in Europe have exceeded initial expectations
  - Expanding long-term customer base
  - Volumes in-excess of our acquisition plan

# Magna Wins Transmission Technologies Contract



- Magna to build dual-clutch transmissions including hybrid variants for strategic partner BMW Group
- Technologies for front-wheel drive vehicle platforms – over 170 different vehicle applications
- Largest transmission order in our history

# Q3 2019 Financial Highlights

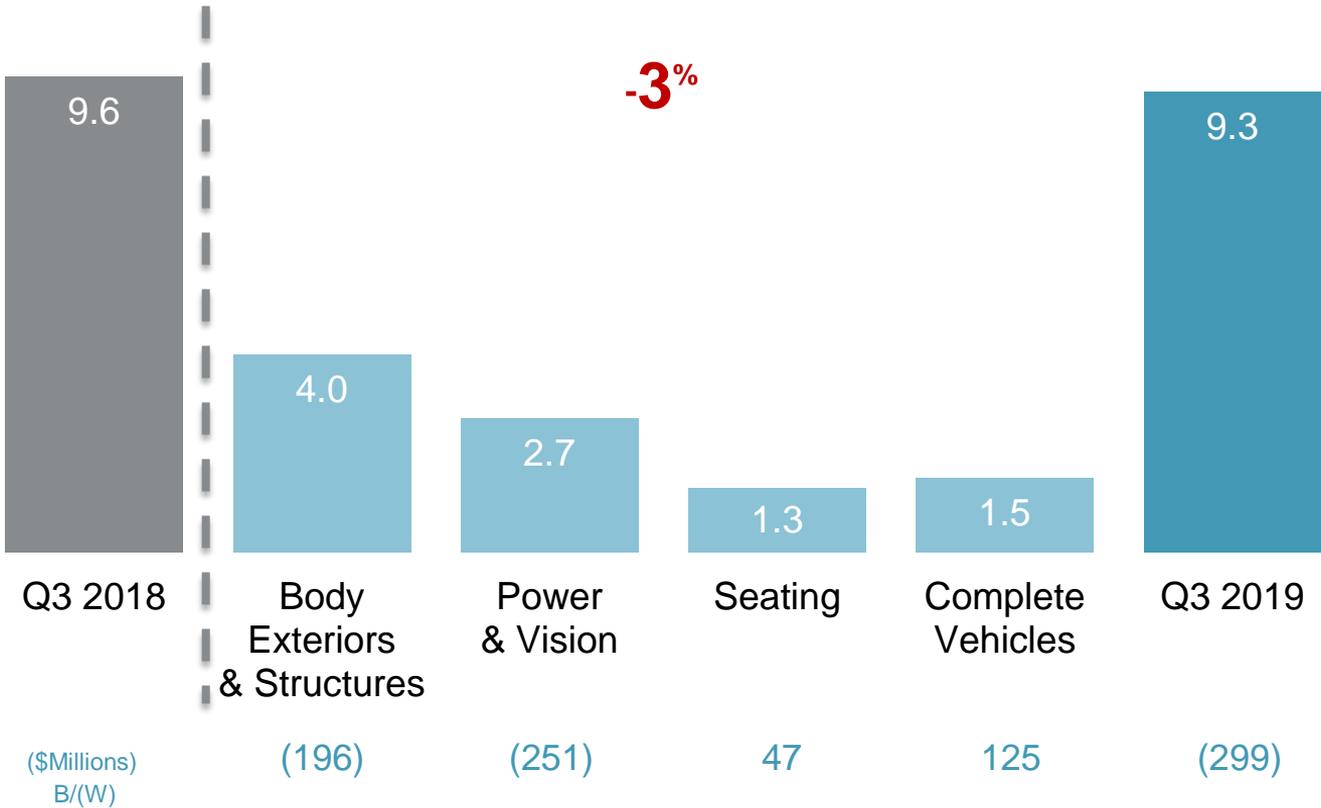


- Excluding GM strike, sales and Adjusted EBIT in-line with our expectations
  - Higher than expected launch and warranty costs largely offset by commercial settlements
- Organic sales increased 2% vs 3% decline in global production
- Returned \$451 million to shareholders
- 2019 Free Cash Flow expectations remain in \$1.9-\$2.1 billion range

# Q3 2019 Consolidated Sales Performance



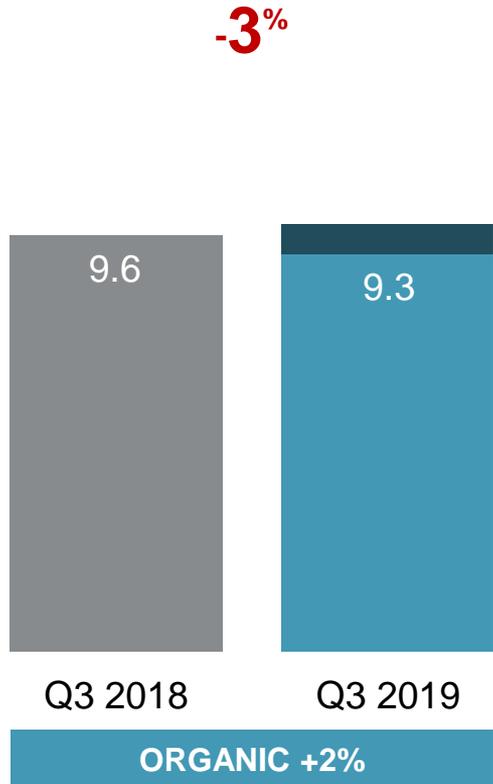
\$ BILLIONS



# Q3 2019 Consolidated Sales Performance



\$ BILLIONS



## Key Factors:

- Divestitures, net of acquisitions (-)
- Foreign exchange translation (-)
- BMW 5-Series assembly volumes (-)
- Global light vehicle production (-)
- Labour strike at GM (-)
- End of production of certain programs (-)
- Net customer price concessions (-)
- Launch of new programs (+)

# Q3 2019 Adjusted EBIT and Equity Income



## ADJUSTED EBIT MARGIN %

**-130<sup>BP</sup>**



## KEY FACTORS

- Power & Vision (-)
- Seating (-)
- Corporate and Other (-)
- Body Exteriors & Structures (-)

## ADJUSTED EBIT

(\$ Millions)

**-20%**



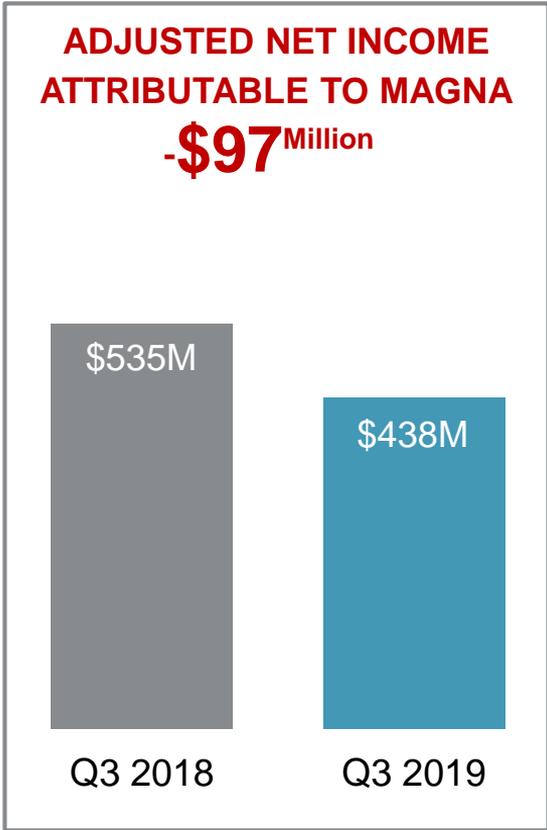
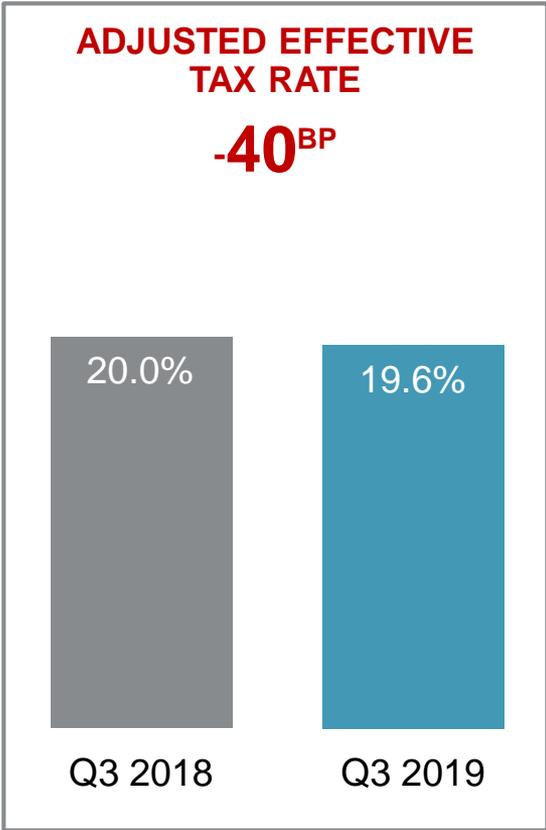
## EQUITY INCOME

(\$ Millions)



■ Q3 2018 ■ Q3 2019

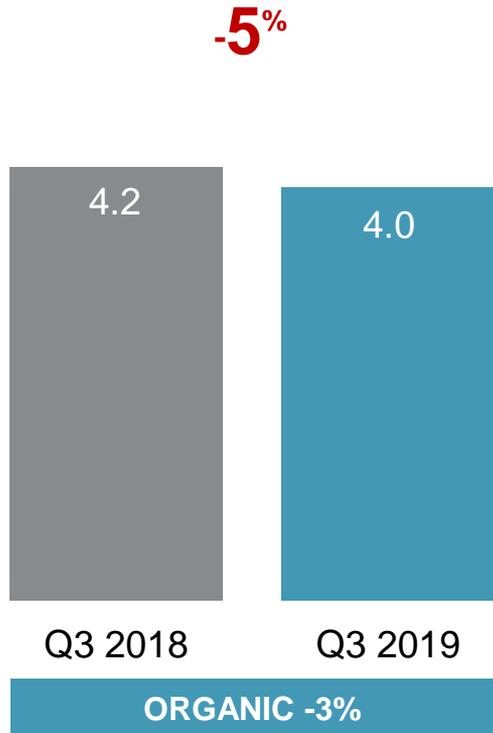
# Q3 2019 Financial Highlights



# Q3 2019 Segment Sales

BODY EXTERIORS & STRUCTURES

\$ BILLIONS



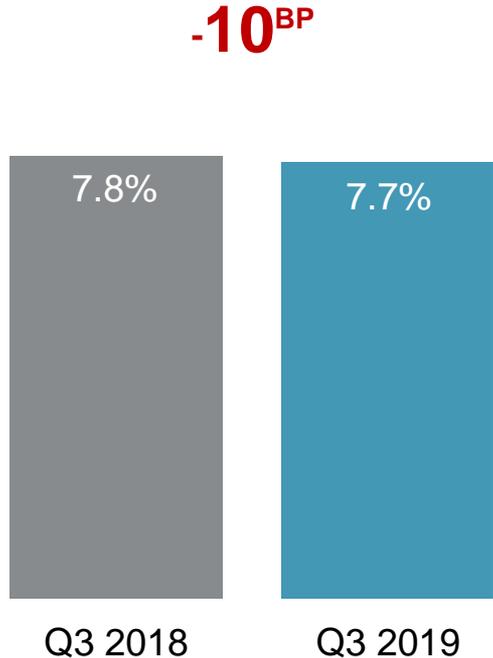
- Global light vehicle production (-)
- Labour strike at GM (-)
- End of production of certain programs, including the Chevrolet Cruze (-)
- Foreign currency translation (-)
- Net customer price concessions (-)
- New program launches (+)

## Significant New Launches:

- GMC Sierra and Chevrolet Silverado
- Jeep Gladiator
- Chevrolet Blazer and Cadillac XT6
- Ford Ranger

# Q3 2019 Segment Adjusted EBIT Margin %

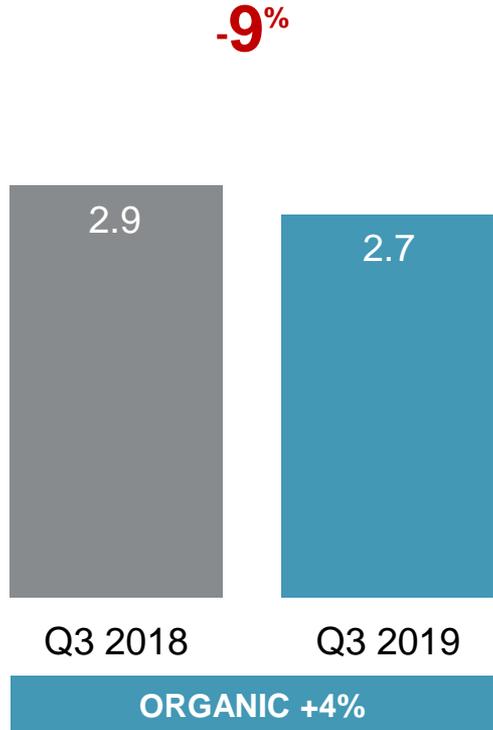
BODY EXTERIORS & STRUCTURES



- Favourable customer pricing resolution Q3'18 (-)
- Labour strike at GM (-)
- Lower scrap steel recoveries and higher commodity costs (-)
- Higher warranty costs (-)
- Higher launch costs (-)
- Earnings on higher sales at a number of facilities (+)
- Inefficiencies at plants in Q3'18 that have since closed (+)
- Productivity and efficiency improvements (+)
- Foreign exchange gains (+)

# Q3 2019 Segment Sales

POWER & VISION  
\$ BILLIONS



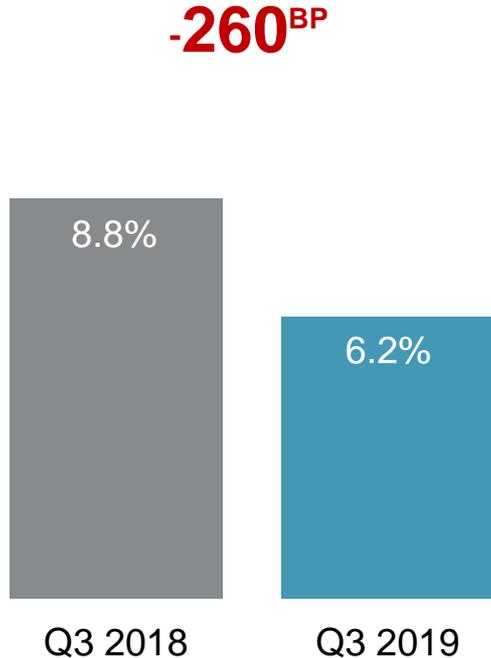
- Divestitures, net of acquisitions (-)
- Foreign currency translation (-)
- Global light vehicle production (-)
- Labour strike at GM (-)
- Net customer price concessions (-)
- New program launches (+)

## Significant New Launches:

- BMW X5
- GMC Sierra and Chevrolet Silverado
- Chevrolet Blazer and Cadillac XT6

# Q3 2019 Segment Adjusted EBIT Margin %

POWER & VISION

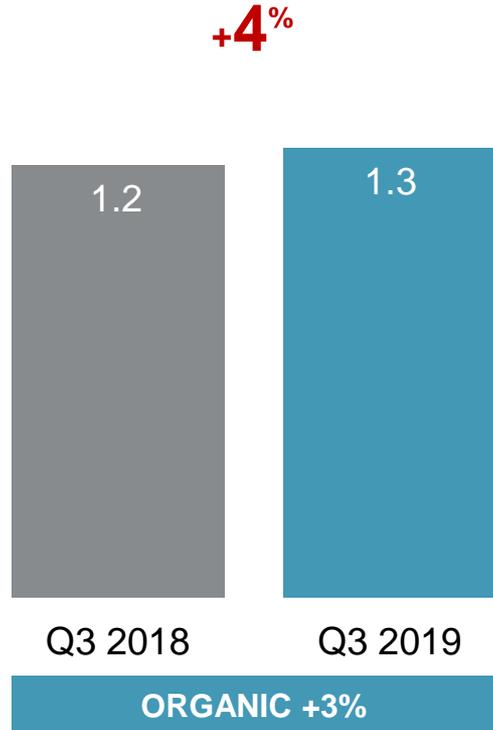


- Higher engineering costs in our ADAS business (-)
- Lower equity income (-)
- Higher spending on electrification, autonomy and R&D (-)
- Labour strike at GM (-)
- Higher launch costs (-)
- Acquisitions (-)
- Divestiture of FP&C (+)
- FX gains (+)

# Q3 2019 Segment Sales



SEATING  
\$ BILLIONS



- New program launches (+)
- Acquisition of Viza (+)
- Global light vehicle production (-)
- End of production of certain programs, including the Chevrolet Cruze (-)
- Labour strike at GM (-)
- Foreign currency translation (-)
- Net customer price concessions (-)

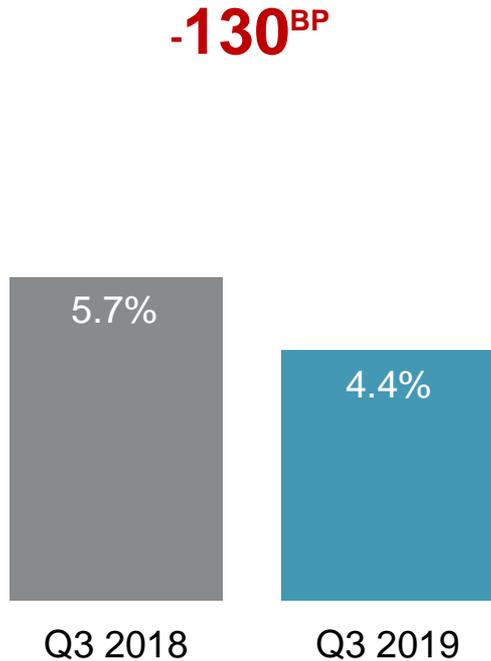
## Significant New Launches:

- BMW X5
- BMW X7
- Lynk & Co.03

# Q3 2019 Segment Adjusted EBIT Margin %



SEATING



- Earnings on lower sales (-)
- Launch costs and operational inefficiencies at a new facility (-)
- Higher commodity costs (-)
- Labour strike at GM (-)
- Acquisitions (-)
- Favourable commercial settlements (+)

# Q3 2019 Complete Vehicles



## ASSEMBLY VOLUMES (Thousands of units)

**+6%**



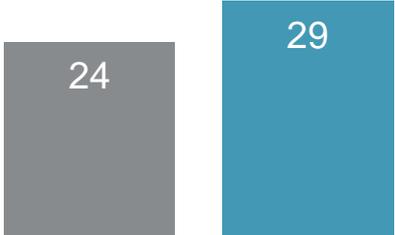
## SALES (\$ Billions)

**+9%**



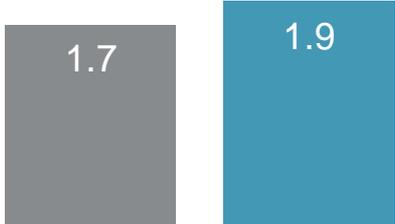
## ADJUSTED EBIT (\$ Millions)

**+5**



## ADJUSTED EBIT MARGIN %

**+20<sup>BP</sup>**



■ Q3 2018   ■ Q3 2019

# Impact of Getrag Impairments on Magna Results

\$ MILLIONS

Investments In:	Getrag Jiangling Transmissions (GJT)	Getrag Ford Transmissions (GFT)	Dong Feng Getrag Transmissions (DGT)	Total
Other Expense	511	150	39	700
Adjusted EBIT	(511)	(150)	(39)	(700)
Income Taxes	(31)	(2)	(3)	(36)
Net Loss	(480)	(148)	(36)	(664)
Loss Attributable to Non-Controlling Interests	(127)	-	-	(127)
Net Loss Attributable to Magna	(353)	(148)	(36)	(537)
Diluted Earnings Per Share	(1.14)	(0.48)	(0.12)	(1.73)
<i>Products:</i>	<i>Manual and Dual Clutch Transmissions</i>	<i>Manual Transmissions</i>	<i>Dual Clutch Transmissions</i>	

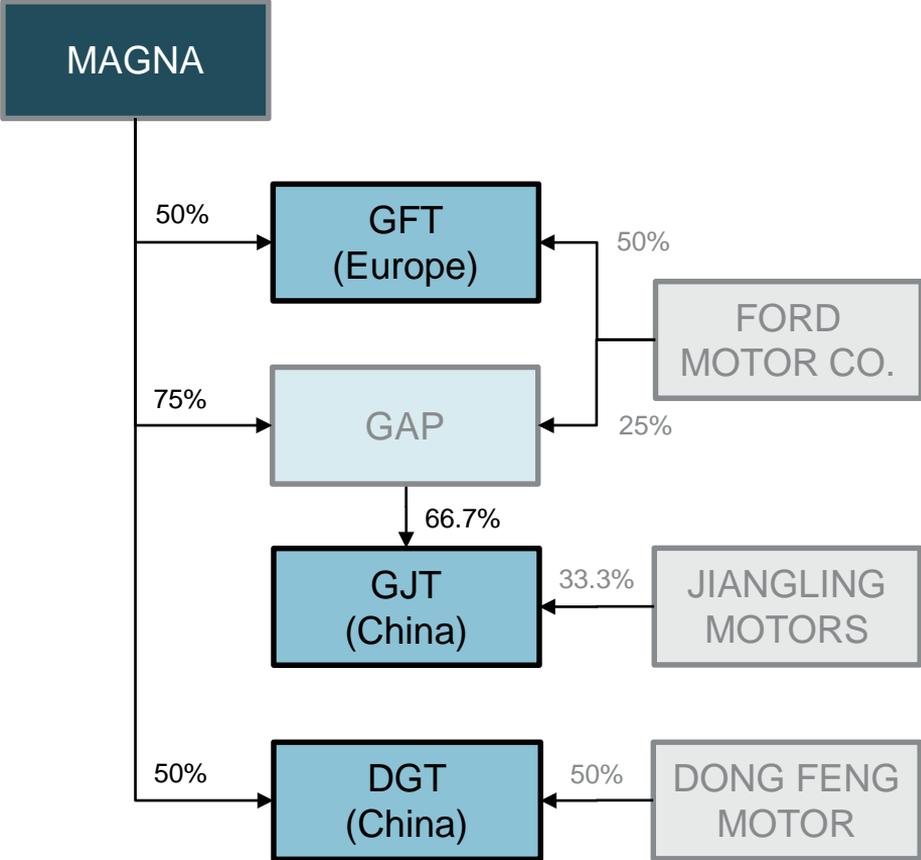
# Economic Ownership – Transmission JV's



**ACCOUNTING TREATMENT**

- GFT: No control – equity account for 50% interest
  
- GAP: Control – consolidate entity (i.e. investment in GJT) and record minority interest (i.e. Ford's interest in GFT)
  
- GJT: No control – equity account for 66.7%  
 As a result of the GAP/GJT structure, Magna records economic interest in GJT as follows:
 

EBIT (equity income)	66.7%
Minority Interest	(16.7%)
Net Income	50.0%
  
- DGT: No control – equity account for 50% interest



# Q3 2019 Cash Flow

\$ MILLIONS



## Cash from Operations

Net Income + Non-Cash Items	\$	846
Changes in Non-Cash Operating Assets & Liabilities	\$	(96)
	\$	<u>750</u>

## Investment Activities

Fixed Assets	\$	(349)
Investments, Other Assets & Intangibles	\$	(83)
	\$	<u>(432)</u>

Proceeds from Disposition and Other	\$	<u>67</u>
<b>Free Cash Flow</b>	\$	<u><u>385</u></u>

# Return of Capital to Shareholders



<b>Common Shares Repurchased in Q3</b>	<b>6.8M</b>
\$ to Repurchase Shares in Q3	\$ 342M
Dividends Paid	\$ 109M
Total Q3 Return to Shareholders	<hr/> \$ 451M

<b>Common Shares Repurchased to date in Q4<sup>1</sup></b>	<b>1.9M</b>
\$ to Repurchase Shares in Q4 <sup>1</sup>	\$ 100M

<sup>1</sup> As of November 7, 2019

# 2019 Outlook



	November	August
Vehicle Production:		
– North America	16.3M	16.6M
– Europe	21.4M	21.4M
– China – Magna’s Top 30 Vehicles <sup>1</sup>	2.6M	2.6M
Foreign Exchange Rates:		
– U.S. – Cdn	0.754	0.745
– U.S. – Euro	1.120	1.125
– U.S. – RMB	0.145	0.146

<sup>1</sup> Represents ~2/3 of Magna’s 2018 consolidated sales in China.

# 2019 Outlook<sup>1</sup>

\$ BILLIONS UNLESS OTHERWISE NOTED



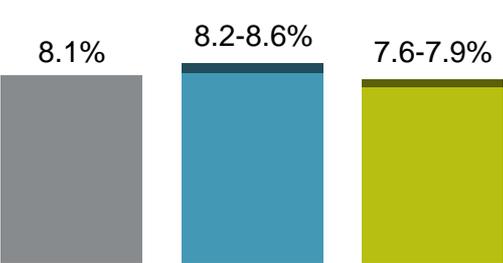
U.S. GAAP	November	August
Sales:		
• Body Exteriors & Structures	\$16.2 - \$16.6	\$16.3 - \$17.1
• Power & Vision	\$11.1 - \$11.4	\$11.0 - \$11.6
• Seating Systems	\$5.4 - \$5.6	\$5.4 - \$5.8
• Complete Vehicles	\$6.6 - \$6.8	\$6.8 - \$7.2
Total Sales	\$38.7 - \$39.8	\$38.9 - \$41.1
EBIT Margin %	6.3% - 6.5%	6.6% - 6.9%
Equity Income	\$145M - \$175M	\$150M - \$195M
Interest Expense	~\$85M	~\$90M
Tax Rate	~23%	~24%
Net Income Attributable to Magna	\$1.8 - \$1.9	\$1.9 - \$2.1
Capital Spending	~\$1.6	~\$1.6

<sup>1</sup> In this outlook we have assumed no material unannounced acquisitions or divestitures or other significant transactions. The outlook reflects the divestiture of our Fluid Pressure & Controls business, which occurred at the end of the first quarter of 2019. However the outlook above does not include the gain on the sale.

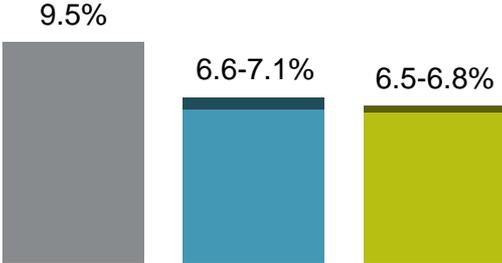
# 2019 Segment Adjusted EBIT Margin %



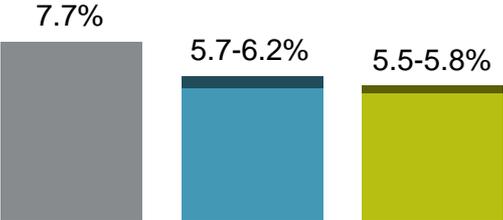
## BODY EXTERIORS & STRUCTURES



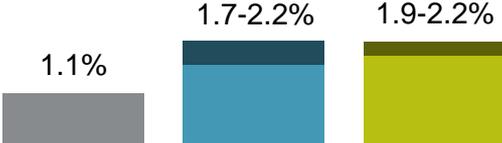
## POWER & VISION



## SEATING SYSTEMS



## COMPLETE VEHICLES



■ 2018   ■ Prior 2019 Outlook   ■ Current 2019 Outlook



# Q3 2019

**APPENDIX**

November 8, 2019

# Geographic Sales

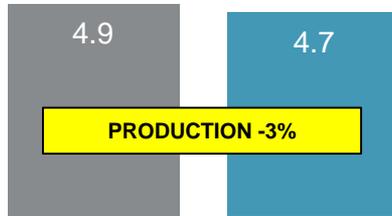
Q3 2019 vs Q3 2018



## NORTH AMERICA

(\$Billions)

**-5%**



## EUROPE

(\$Billions)

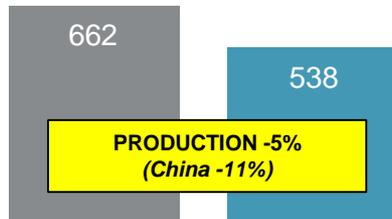
**+2%**



## ASIA

(\$Millions)

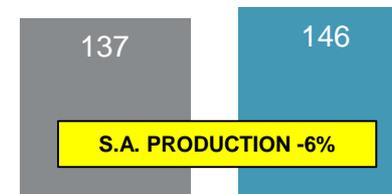
**-19%**



## REST OF WORLD

(\$Millions)

**+7%**



■ Q3 2018

■ Q3 2019

# Segment Impact on Adjusted EBIT % of Sales

Q3 2019 vs Q3 2018

\$ MILLIONS

	Sales	Adjusted EBIT	Adjusted EBIT as a Percentage of Sales
Third Quarter of 2018	\$ 9,618	\$ 699	7.3%
Increase (Decrease) related to:			
Body Exteriors & Structures	\$ (196)	\$ (20)	(0.1%)
Power & Vision	\$ (251)	\$ (92)	(0.8%)
Seating Systems	\$ 47	\$ (13)	(0.2%)
Complete Vehicles	\$ 125	\$ 5	--%
Corporate and Other	\$ (24)	\$ (21)	(0.2%)
Third Quarter of 2019	\$ 9,319	\$ 558	6.0%

# Adjusted Debt to Adjusted EBITDA Calculation

\$ MILLIONS

	Q3 2019
LTM EBITDA	\$ 3,993
Lease Adjustment	\$ 361
Other	\$ 17
<b>Adjusted EBITDA</b>	<b>\$ 4,371</b>
Debt per Balance Sheet	\$ 3,561
Lease Liability per Balance Sheet	\$ 1,745
Other	\$ 218
<b>Adjusted Debt</b>	<b>\$ 5,524</b>
<b>Adjusted Debt / Adjusted EBITDA</b>	<b>1.26x</b>

# Q3 2019 Reconciliation of Reported Results

EXCLUDING OTHER EXPENSE (INCOME), NET  
\$ MILLIONS – EXCEPT PER SHARE FIGURES

	Reported	Other Expense	Excl. Other Expense
(Loss) Income Before Income Taxes	\$ (319)	\$ 859	\$ 540
% of Sales	<b>(3.4%)</b>		<b>5.8%</b>
Income Taxes	\$ 45	\$ 61	\$ 106
% of Pretax	<b>(14.1%)</b>		<b>19.6%</b>
Income Attributable to Non-Controlling Interests	\$ 131	\$ (127)	\$ 4
(Loss) Net Income Attributable to Magna	\$ (233)	\$ 671	\$ 438
(Loss) Earnings Per Share	\$ (0.75)	\$ 2.16	\$ 1.41

# Q3 2018 Reconciliation of Reported Results

EXCLUDING OTHER EXPENSE (INCOME), NET  
\$ MILLIONS – EXCEPT PER SHARE FIGURES

	Reported	Other Income	Excl. Other Income
Income Before Income Taxes	\$ 674	\$ 2	\$ 676
% of Sales	<b>7.0%</b>		<b>7.0%</b>
Income Taxes	\$ 114	\$ 21	\$ 135
% of Pretax	<b>16.9%</b>		<b>20.0%</b>
Income Attributable to Non-Controlling Interests	\$ (6)	\$ -	\$ (6)
Net Income Attributable to Magna	\$ 554	\$ (19)	\$ 535
Earnings Per Share	\$ 1.62	\$ (0.06)	\$ 1.56



 **MAGNA**

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