

# Q4 2018 Results

CONFERENCE CALL

February 22, 2019

# 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 include, but are not limited to, statements related to:

- Magna's ability to capitalize on light-weighting, electrification, autonomous driving and smart mobility opportunities;
- The expected benefits of our acquisition of Viza Seating;
- Growth with our traditional customers and new entrants;
- 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;
- Consolidated EBIT margin for 2019;
- Adjusted EBIT Margin by segment for 2019;
- Consolidated equity income;
- Net interest expense;
- Effective income tax rate;
- net income;
- Fixed asset expenditures; and
- Future returns of capital to our shareholders, including through dividends or 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 volume declines;
- intense competition;
- potential restrictions on free trade;
- escalation of international trade disputes, including new, continued or higher tariffs on commodities and/or automobiles;

## 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;
- potential loss of any material purchase orders;
- deterioration in the financial condition of our supply base;

## 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/Security breaches;

## Pricing Risks

- pricing risks between time of quote and start of production;
- price concessions above contractual long-term agreement percentages;
- commodity cost increases;
- declines in scrap steel prices;

## Warranty / Recall Risks

- costs to repair or replace defective products;
- warranty costs that exceed warranty provisions;
- costs related to significant recalls;

## Acquisition Risks

- an increase in our risk profile as a result of completed acquisitions;
- acquisition integration risks;

## Other Business Risks

- risks related to conducting business through joint ventures;
- our ability to consistently develop innovative products or processes;
- changing risk profile as a result of investment in strategic product areas such as powertrain and electronics;
- 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;
- the unpredictability of, and fluctuation in, the trading price of our Common Shares;

## Legal, Regulatory and Other Risks

- antitrust and compliance risks;
- legal claims and/or regulatory actions against us; and
- changes in laws.

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.

- All amounts are in U.S. Dollars (unless otherwise noted)
- Today's discussion excludes the impact of other expense, net
- Results for 2017 have been restated to reflect our adoption of a new revenue accounting standard related to tooling and pre-production engineering

# Q4 2018 Highlights



- Fourth quarter records for sales, Adjusted Diluted EPS
- Returned \$585 million to shareholders
- Continued organic growth over market
- Growth and innovation in liftgates
- Seating's acquisition of Viza
- Upcoming launch of the Toyota GR Supra

# Sales Performance vs Market

Q4 2018 vs Q4 2017



|                             | Reported  | Organic <sup>1</sup> | Unweighted Outperformance | Weighted Outperformance |
|-----------------------------|-----------|----------------------|---------------------------|-------------------------|
| Body Exteriors & Structures | (4%)      | (1%)                 | 3%                        | 0%                      |
| Power & Vision              | 1%        | 3%                   | 7%                        | 4%                      |
| Seating                     | 10%       | 15%                  | 19%                       | 16%                     |
| Complete Vehicles           | 39%       | 43%                  | 47%                       | 44%                     |
| <b>TOTAL SALES</b>          | <b>5%</b> | <b>7%</b>            | <b>11%</b>                | <b>8%</b>               |

**Unweighted Production Growth** (4%)

**Weighted Production Growth<sup>2</sup>** (1%)

<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

# Thermoplastic Liftgate Proves To Be Winning Solution



*Magna innovations on the 2019 Jeep Cherokee earned multiple industry awards*

- One of the fastest growing products in our suite of lightweighting technologies
- Our liftgate for 2019 Jeep Cherokee recognized with multiple industry innovation awards
- Achieved a 28 percent mass reduction over steel version

# Viza Seating Acquisition



- Expands our global footprint and vertical integration in seat structures
- Customers include VW, PSA, and Renault Nissan
- Brings seat-structure technology and expertise along with a portfolio of products including patented floor-latch systems and foldable seats
- Will help further develop reconfigurable seating solutions for the smart mobility landscape

# Magna to Build the Toyota GR Supra



*Magna to build the all-new Toyota Supra sports car at its Graz, Austria facility (photo courtesy of Toyota)*

- Magna adds new customer and additional sports car to complete vehicle assembly line-up
- Production to begin in March
- Further demonstrates our unique position in the industry
- Well above average CPV including seats, body stampings, door latches, and the liftgate



# Impairment Charge on Investment in Getrag-Ford Joint Venture

- 50/50 joint-venture in Europe with Ford
- Impairment charge reflects declining demand for manual transmissions
- Manual transmissions account for ~90% of JV's volumes

Continued Strong Demand for Dual Clutch Transmissions (DCT)  
Including Getrag's Hybrid DCT for Both 48V and HV Applications

# Q4 2018 Financial Highlights

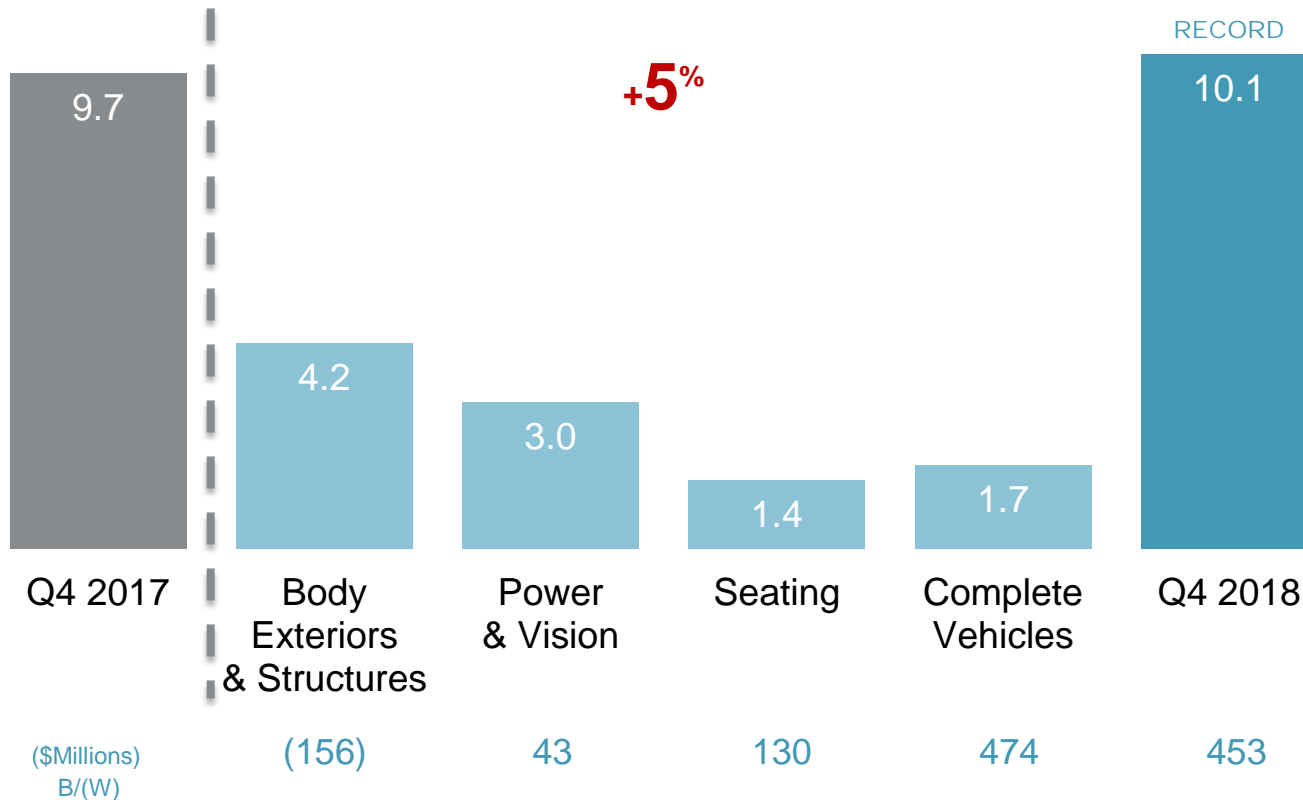


- Details:
  - Q4 record Consolidated Sales – up 5%
  - Consolidated Adjusted EBIT – down 10%
  - Q4 Adjusted Net Income Attributable to Magna – down 5%
  - Q4 record Adjusted Diluted EPS – up 3%
- Generated \$871M in free cash flow
- Returned \$585M to shareholders
- Quarterly dividend increased by 11%

# Q4 2018 Consolidated Sales Performance



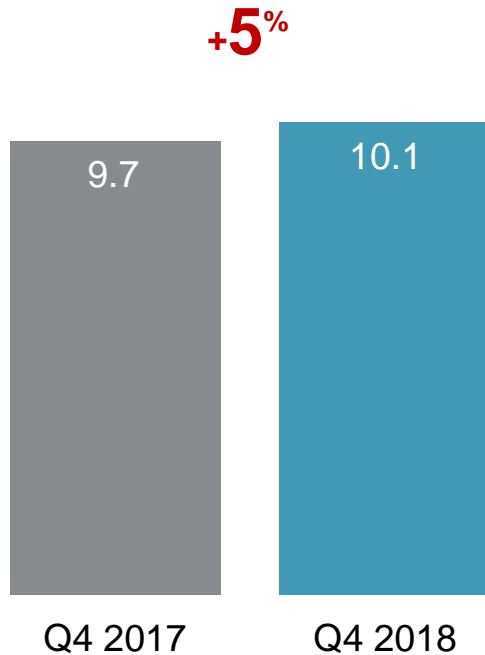
\$ BILLIONS



# Q4 2018 Consolidated Sales Performance



\$ BILLIONS



## Key Factors:

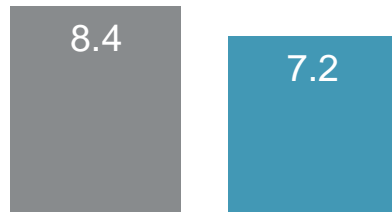
- Launch of new programs (+)
- Foreign exchange translation (-)
- Change in production volumes on other programs (-)

# Q4 2018 Adjusted EBIT and Equity Income



## ADJUSTED EBIT MARGIN %

**-120<sup>BP</sup>**



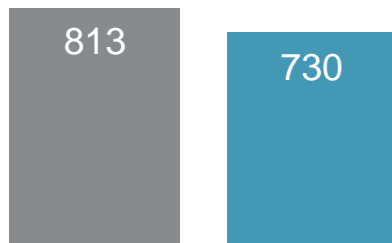
## KEY FACTORS

- Power & Vision (-)
- Complete Vehicles (-)
- Corporate and other (-)
- Seating (-)
- Body Exteriors & Structures (+)

## ADJUSTED EBIT

(\$ Millions)

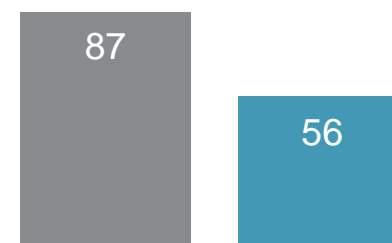
**-10%**



## EQUITY INCOME

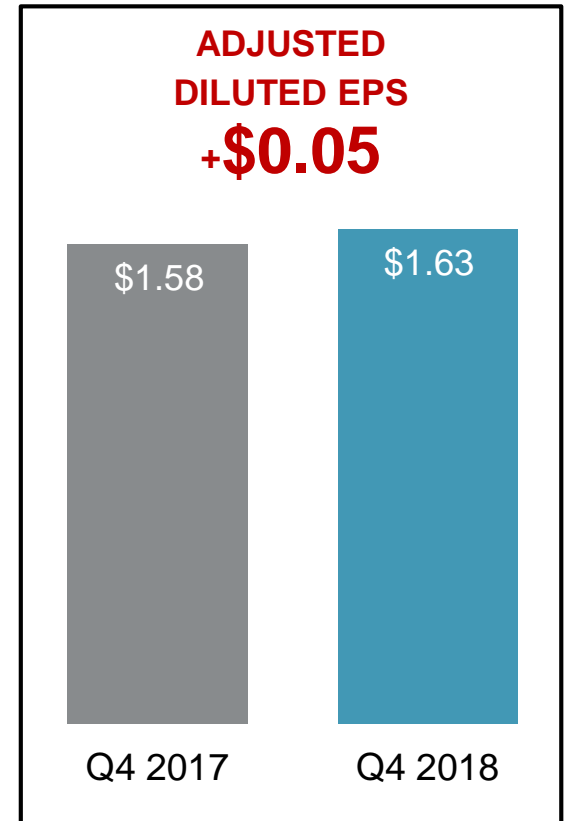
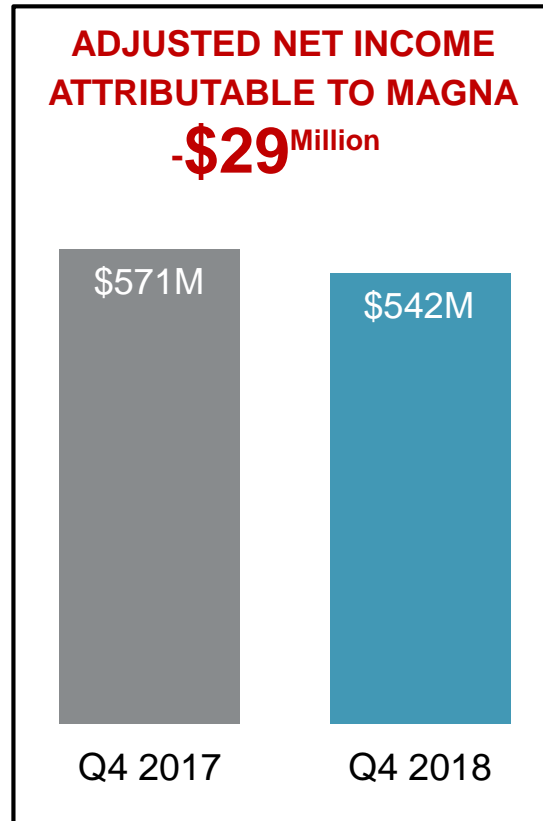
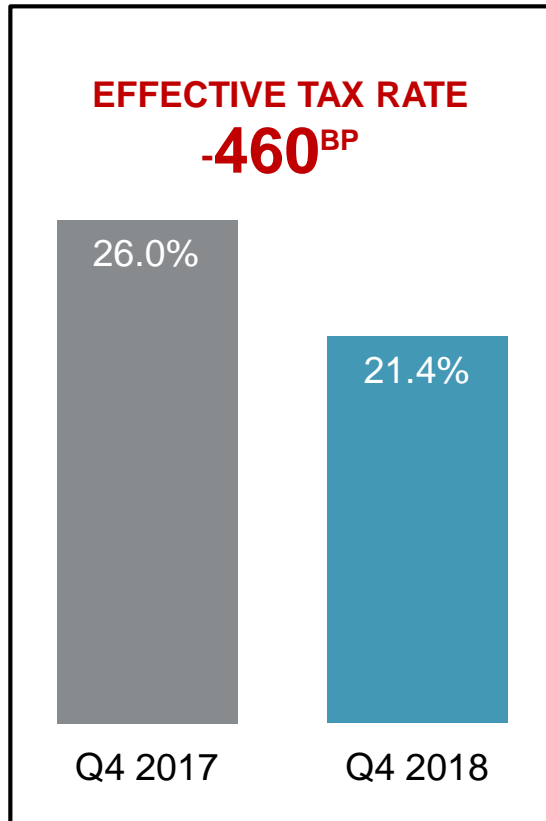
(\$ Millions)

**-36%**



■ Q4 2017 ■ Q4 2018

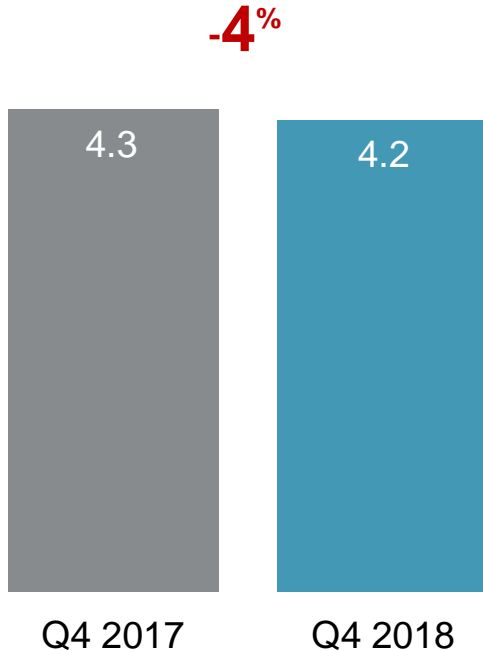
# Q4 2018 Financial Highlights



# Q4 2018 Segment Sales

BODY EXTERIORS & STRUCTURES

\$ BILLIONS



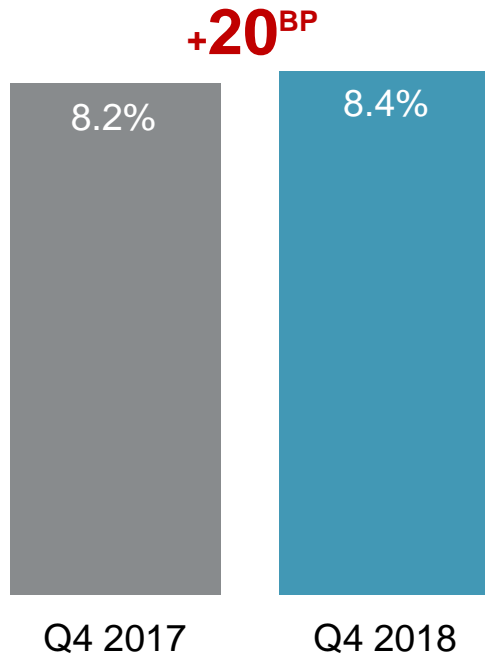
- Change in production volumes on other programs (-)
- Foreign currency translation (-)
- Net customer price concessions (-)
- New program launches (+)

## Significant New Launches:

- Ram 1500 Pickup
- GMC Sierra and Chevrolet Silverado
- BMW X3
- Mercedes-Benz G-Class

# Q4 2018 Segment Adjusted EBIT Margin %

BODY EXTERIORS & STRUCTURES



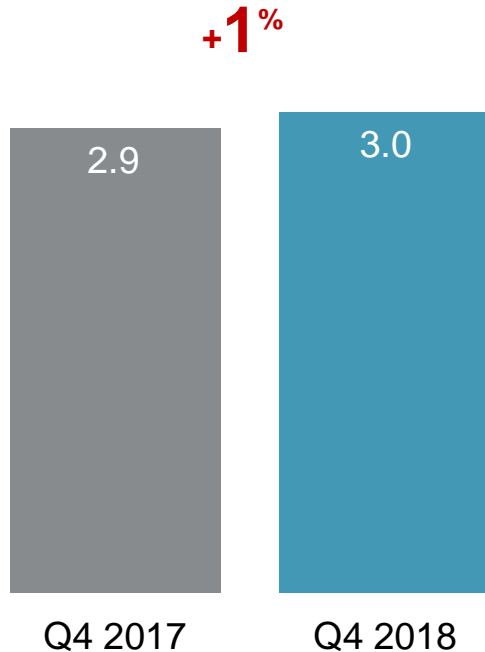
- Productivity and efficiency improvements (+)
- Lower new facility costs (+)
- Inefficiencies at a plant we are closing (-)
- Higher launch costs (-)



# Q4 2018 Segment Sales

POWER & VISION

\$ BILLIONS



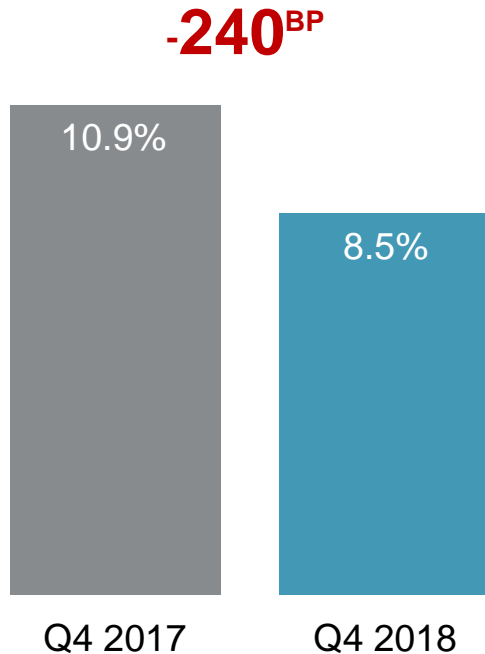
- New program launches (+)
- Acquisitions, net of divestitures (+)
- Foreign currency translation (-)
- Change in production volumes on other programs (-)
- Net customer price concessions (-)

## Significant New Launches:

- GMC Sierra and Chevrolet Silverado
- Porsche Cayenne
- BMW X3
- Volvo XC60

# Q4 2018 Segment Adjusted EBIT Margin %

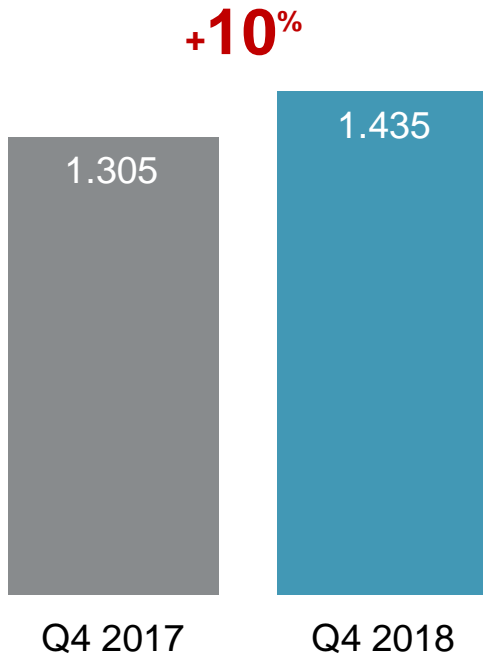
POWER & VISION



- Spending associated with electrification and autonomy (-)
- Higher launch costs (-)
- Lower equity income (-)
- Higher warranty costs (-)
- Contribution on higher sales (+)

# Q4 2018 Segment Sales

SEATING  
\$ BILLIONS



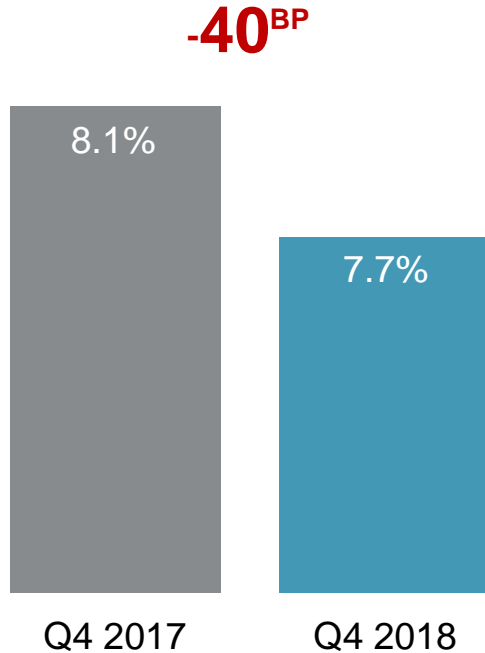
- New program launches (+)
- Change in production volumes on other programs (+)
- Foreign currency translation (-)
- Net customer price concessions (-)

## Significant New Launches:

- BMW X5
- Lynk & Co 01 and 02
- Skoda Kodiaq

# Q4 2018 Segment Adjusted EBIT Margin %

SEATING



- Higher new facility costs (-)
- Favourable customer pricing resolution (+)
- Lower launch costs (+)
- Brazilian tax recovery (+)

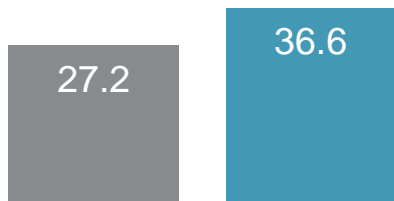
# Q4 2018 Complete Vehicles



## ASSEMBLY VOLUMES

(Thousands of units)

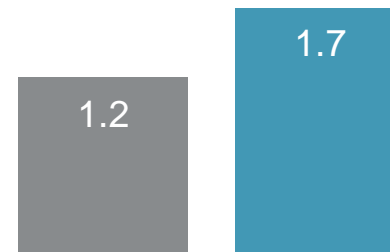
**+35%**



## SALES

(\$ Billions)

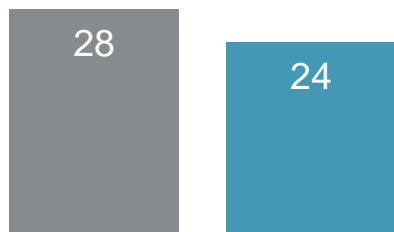
**+39%**



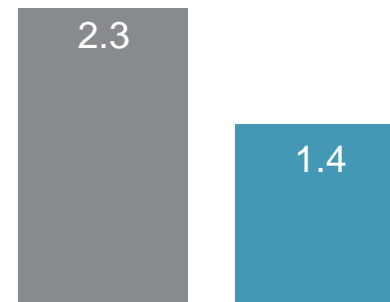
## ADJUSTED EBIT

(\$ Millions)

**-4**



## ADJUSTED EBIT MARGIN %



■ Q4 2017 ■ Q4 2018

# Q4 2018 Cash Flow

\$ MILLIONS



## Cash from Operations

|  |          |
|--|----------|
| Net Income + Non-Cash Items                        | \$ 1,001 |
| Changes in Non-Cash Operating Assets & Liabilities | \$ 597   |
|  | <hr/>    |
|  | \$ 1,598 |

## Investment Activities

|   |               |
|---|---------------|
| Fixed Assets                            | \$ (647)      |
| Investments, Other Assets & Intangibles | \$ (150)      |
| Acquisition of Olsa                     | \$ (152)      |
|   | <hr/>         |
|   | \$ (949)      |
| <br>                                    |               |
| Proceeds from Disposition and Other     | \$ 70         |
| Add Back: Acquisition of Olsa           | \$ 152        |
|   | <hr/>         |
| <b>Free Cash Flow</b>                   | <b>\$ 871</b> |
|   | <hr/> <hr/>   |

# Return of Capital to Shareholders



Common Shares Repurchased in Q4 9.9M

\$ to Repurchase Shares in Q4 \$ 479M

Dividends Paid \$ 106M

Total Q4 Return to Shareholders \$ 585M

Common Shares Repurchased to date in Q1<sup>1</sup> 2.0M

\$ to Repurchase Shares in Q1<sup>1</sup> \$ 100M

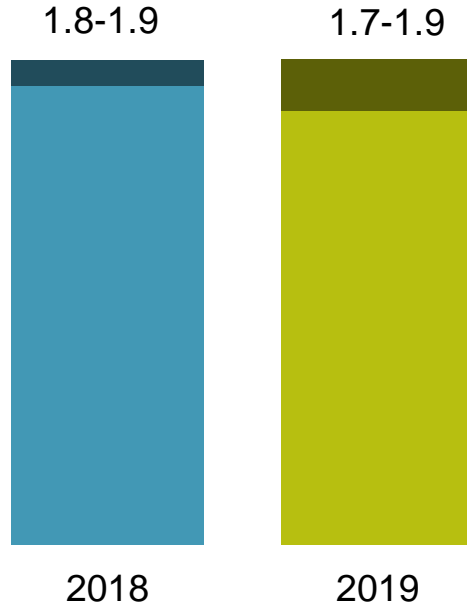
<sup>1</sup> As of February 15, 2019

# Free Cash Flow Outlook

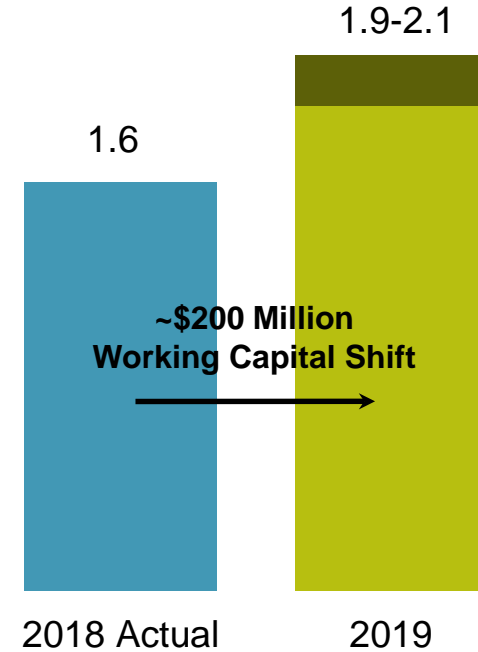
\$ BILLIONS



## PREVIOUS



## CURRENT





# Summary

- Posted Q4 records for sales and diluted EPS
- Operating segments largely performed in-line with our expectations
- 2019 Outlook is unchanged from January other than the shift in working capital from 2018 to 2019
- Expect to generate strong sales, earnings and free cash flow in 2019



# Q4 2018 Conference Call

APPENDIX

February 22, 2019

# Q4 2018 Reconciliation of Reported Results



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

|   | Reported               | Other<br>Exp./Inc. | Excl. Other<br>Exp./Inc. |
|---|------------------------|--------------------|--------------------------|
| Income Before Income Taxes<br>% of Sales            | \$ 607<br><b>6.0%</b>  | \$ 97              | \$ 704<br><b>6.9%</b>    |
| Income Taxes<br>% of Pretax                         | \$ 140<br><b>23.1%</b> | \$ (11)            | \$ 151<br><b>21.4%</b>   |
| Income Attributable to<br>Non-Controlling Interests | \$ (11)                | \$ -               | \$ (11)                  |
| Net Income Attributable to Magna                    | \$ 456                 | \$ 86              | \$ 542                   |
| Earnings Per Share                                  | \$ 1.37                | \$ 0.26            | \$ 1.63                  |

# Q4 2017 Reconciliation of Reported Results



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

|   | Reported               | Other<br>Exp./Inc. | Excl. Other<br>Exp./Inc. |
|---|------------------------|--------------------|--------------------------|
| Income Before Income Taxes<br>% of Sales            | \$ 765<br><b>7.9%</b>  | \$ 28              | \$ 793<br><b>8.2%</b>    |
| Income Taxes<br>% of Pretax                         | \$ 190<br><b>24.8%</b> | \$ (16)            | \$ 206<br><b>26.0%</b>   |
| Income Attributable to<br>Non-Controlling Interests | \$ (16)                | \$ -               | \$ (16)                  |
| Net Income Attributable to Magna                    | \$ 559                 | \$ 12              | \$ 571                   |
| Earnings Per Share                                  | \$ 1.54                | \$ 0.04            | \$ 1.58                  |

|  | February | January |
|--|----------|---------|
| Vehicle Production:                            |          |         |
| – North America                                | 17.0M    | 17.0M   |
| – Europe                                       | 22.3M    | 22.3M   |
| – China – Magna’s Top 30 Programs <sup>1</sup> | 4.7M     | 4.7M    |
| Foreign Exchange Rates:                        |          |         |
| – U.S. – Cdn                                   | 0.760    | 0.760   |
| – U.S. – Euro                                  | 1.130    | 1.130   |
| – U.S. – RMB                                   | 0.145    | 0.145   |

<sup>1</sup> Represents ~70% of Magna’s 2018 consolidated sales in China

# 2019 Outlook<sup>1</sup>

\$ BILLIONS UNLESS OTHERWISE NOTED



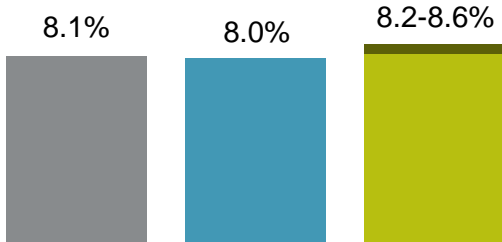
| U.S. GAAP                        | February        | January         |
|----------------------------------|-----------------|-----------------|
| Sales:                           |                 |                 |
| • Body Exteriors & Structures    | \$16.8 - \$17.6 | \$16.8 - \$17.6 |
| • Power & Vision                 | \$11.2 - \$11.8 | \$11.2 - \$11.8 |
| • Seating Systems                | \$5.8 - \$6.2   | \$5.8 - \$6.2   |
| • Complete Vehicles              | \$6.9 - \$7.3   | \$6.9 - \$7.3   |
| Total Sales                      | \$40.2 - \$42.4 | \$40.2 - \$42.4 |
| EBIT Margin %                    | 7.3% - 7.6%     | 7.3% - 7.6%     |
| Equity Income                    | \$195M - \$240M | \$195M - \$240M |
| Interest Expense                 | ~\$100M         | ~\$100M         |
| Tax Rate                         | ~24%            | ~24%            |
| Net Income Attributable to Magna | \$2.1 - \$2.3   | \$2.1 - \$2.3   |
| Capital Spending                 | ~\$1.7          | ~\$1.7          |

<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 is expected to occur at the end of the first quarter of 2019. However the outlook above does not include any estimated gain or loss on the sale.

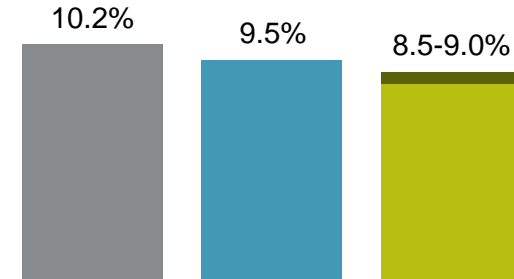
# 2019 Segment Adjusted EBIT Margin %



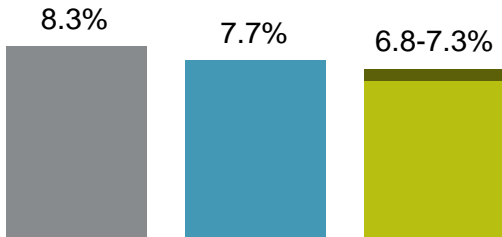
## BODY EXTERIORS & STRUCTURES



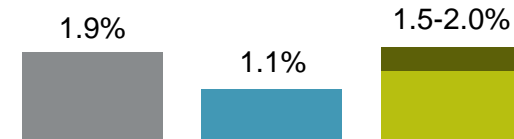
## POWER & VISION



## SEATING SYSTEMS



## COMPLETE VEHICLES



■ 2017   ■ 2018   ■ Current 2019 Outlook

# Segment Impact on Adjusted EBIT % of Sales



Q4 2018 vs Q4 2017

\$ MILLIONS

|                                 | Sales     | Adjusted EBIT | Adjusted EBIT as a Percentage of Sales |
|---------------------------------|-----------|---------------|--|
| Fourth Quarter of 2017          | \$ 9,684  | \$ 813        | 8.4%                                   |
| Increase (Decrease) related to: |           |               |  |
| Body Exteriors & Structures     | \$ (156)  | \$ (3)        | 0.1%                                   |
| Power & Vision                  | \$ 43     | \$ (69)       | (0.7%)                                 |
| Seating Systems                 | \$ 130    | \$ 4          | (0.1%)                                 |
| Complete Vehicles               | \$ 474    | \$ (4)        | (0.4%)                                 |
| Corporate and Other             | \$ (38)   | \$ (11)       | (0.1%)                                 |
| Fourth Quarter of 2018          | \$ 10,137 | \$ 730        | 7.2%                                   |



# Geographic Sales

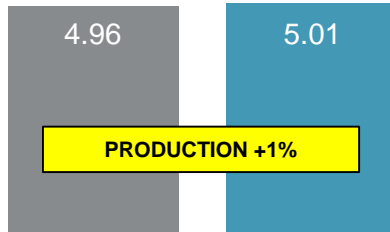
Q4 2018 vs Q4 2017



## NORTH AMERICA

(\$Billions)

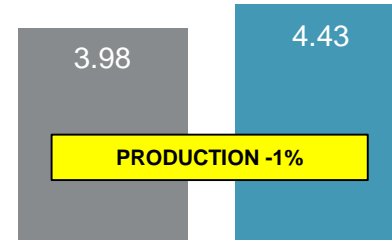
**+1%**



## EUROPE

(\$Billions)

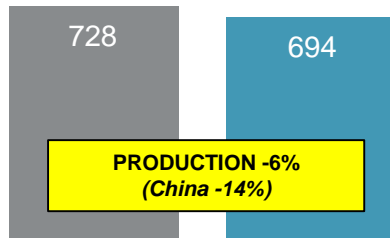
**+11%**



## ASIA

(\$Millions)

**-5%**



## REST OF WORLD

(\$Millions)

**-18%**



■ Q4 2017

■ Q4 2018

# Adjusted Debt to Adjusted EBITDA Calculation

\$ MILLIONS



|  | Q4 2018         |
|--|-----------------|
| Unadjusted LTM EBITDA                  | \$ 4,385        |
| Other Income (Expense) LTM             | \$ (43)         |
| Other                                  | \$ 421          |
| <b>Adjusted EBITDA</b>                 | <b>\$ 4,763</b> |
| Debt per Balance Sheet                 | \$ 4,383        |
| Operating Lease Adjustment             | \$ 1,732        |
| Other                                  | \$ 245          |
| <b>Adjusted Debt</b>                   | <b>\$ 6,360</b> |
| <b>Adjusted Debt / Adjusted EBITDA</b> | <b>1.34x</b>    |