

# Year over Year Earnings Growth Restored, Massive Cash Flow for Linamar Sparks Doubling of Dividend in Q3 2020

November 10, 2020, Guelph, Ontario, Canada (TSX: LNR)

- During the third quarter of 2020 (“Q3 2020”), the Company experienced strong sales and operating earnings in both segments;
- Free cash flow<sup>1</sup> was \$445.1 million for Q3 2020 and when combined with previous quarters is now \$762.7 million for 2020;
- Strong continued free cash flow spurs restoration of dividend to full CAD \$0.12 per share;
- Capex has been cut by 53% to \$73.9 million from \$158.5 million in the third quarter of 2019 (“Q3 2019”);
- Liquidity, measured as cash and cash equivalents and available credit at September 30, 2020, is at \$1.3 billion an increase from \$1.1 billion at December 31, 2019;
- Today, the Board of Directors has authorized the entering into of a note purchase agreement with certain institutional investors for a private placement of €320 million aggregate principal amount of its 1.37% Senior Unsecured Notes, due January 31, 2031 (see below);
- Cost reduction and cash conservation efforts continue to be at the highest levels given continued uncertainties;
- New business wins maintain strong launch book of more than \$4.1 billion;
- Strong Transportation market share gains with Content per Vehicle growth in North America and Asia Pacific partially offsetting adverse conditions associated with the global COVID-19 pandemic; and
- Increased agricultural earnings offsetting access equipment declines attributable to adverse conditions associated with the pandemic.

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
(in millions of dollars, except per share figures)	\$	\$	\$	\$
<b>Sales</b>	<b>1,637.4</b>	<b>1,740.0</b>	<b>4,110.7</b>	<b>5,800.6</b>
Operating Earnings (Loss)				
Industrial	41.2	36.9	108.6	209.7
Transportation	134.9	105.4	160.2	335.5
Operating Earnings (Loss) <sup>1</sup>	176.1	142.3	268.8	545.2
Net Earnings (Loss)	125.5	98.2	166.1	380.7
Net Earnings (Loss) per Share – Diluted	1.92	1.50	2.54	5.80
Earnings before interest, taxes and amortization (“EBITDA”) <sup>1</sup>	300.6	245.7	609.6	848.9
<b>Operating Earnings (Loss) – Normalized<sup>1</sup></b>				
<b>Industrial</b>	<b>48.7</b>	<b>39.2</b>	<b>116.6</b>	<b>224.6</b>
<b>Transportation</b>	<b>148.7</b>	<b>100.0</b>	<b>165.0</b>	<b>337.6</b>
<b>Operating Earnings (Loss) – Normalized</b>	<b>197.4</b>	<b>139.2</b>	<b>281.6</b>	<b>562.2</b>
<b>Net Earnings (Loss) – Normalized<sup>1</sup></b>	<b>140.5</b>	<b>96.2</b>	<b>185.6</b>	<b>393.9</b>
<b>Net Earnings (Loss) per Share – Diluted – Normalized<sup>1</sup></b>	<b>2.15</b>	<b>1.47</b>	<b>2.84</b>	<b>6.00</b>
<b>EBITDA – Normalized<sup>1</sup></b>	<b>309.3</b>	<b>243.1</b>	<b>615.4</b>	<b>866.1</b>

## Operating Highlights

Sales for Q3 2020 were \$1,637.4 million, down \$102.6 million from \$1,740.0 million in Q3 2019.

The Industrial segment (“Industrial”) product sales decreased 21.6%, or \$82.2 million, to \$298.4 million in Q3 2020 from Q3 2019. The sales decrease was due to:

- access equipment sales declines attributed to adverse conditions associated with the global COVID-19 pandemic; partially offset by
- increased agricultural revenues from stronger in-season equipment and parts sales.

Sales for the Transportation segment (“Transportation”) decreased by \$20.4 million, or 1.5% in Q3 2020 compared with Q3 2019. The sales in Q3 2020 were impacted by:

- sales declines primarily attributed to adverse conditions associated with the global COVID-19 pandemic; partially offset by
- a favourable impact on sales from the changes in foreign exchange rates from Q3 2019.

The Company’s normalized operating earnings for Q3 2020 was \$197.4 million. This compares to normalized operating earnings of \$139.2 million in Q3 2019, an increase of \$58.2 million.

Industrial segment normalized operating earnings in Q3 2020 increased \$9.5 million, or 24.2% from Q3 2019. The Industrial normalized operating earnings results were predominantly driven by:

- the utilization of support programs related to the global COVID-19 pandemic; and
- increased agricultural sales from stronger in-season equipment and parts sales; partially offset by

<sup>1</sup> For more information refer to the section entitled “Non-GAAP and Additional GAAP Measures” in the Company’s separately released Management’s Discussion and Analysis (“MD&A”).

- access equipment sales declines attributed to adverse conditions associated with the global COVID-19 pandemic.

Q3 2020 normalized operating earnings for Transportation were higher by \$48.7 million, or 48.7% compared to Q3 2019. The Transportation segment's earnings were impacted by the following:

- the utilization of support programs related to the global COVID-19 pandemic;
- the margin improvement from launching programs that continue to build in volume;
- targeted cost reductions to match lower demand; and
- a favourable impact on sales and expenses from the changes in foreign exchange rates from Q3 2019; partially offset by
- sales declines primarily attributed to adverse conditions associated with the global COVID-19 pandemic.

"It feels great to be profitable again, with earnings actually up from last year, and to see such an outstanding quarter for free cash flow despite the challenges we are facing." said Linamar CEO Linda Hasenfratz, "We continue to be vigilant around costs and cash, risk mitigation and driving market share growth as our recovery continues."

#### **Private Placement of Senior Unsecured Notes**

Today, the Board of Directors has authorized the entering into of a note purchase agreement with certain institutional investors for a private placement of €320 million aggregate principal amount of its 1.37% Senior Unsecured Notes, due January 31, 2031. Linamar will apply the proceeds of the sale of the Notes toward repayment of a term loan maturing on January 21, 2021 under its bank credit facilities. The remaining balance of that term loan will be repaid with a drawdown on the Company's revolving credit facility. The execution of the note purchase agreement is expected to occur within a week and the funding is expected to occur in January 2021. Closing and funding of the issuance of the Notes is subject to customary closing conditions including there being no material adverse change in the Company's business.

#### **Dividends**

The Board of Directors today declared an eligible dividend in respect to the quarter ended September 30, 2020 of CDN\$0.12 per share on the common shares of the company, payable on or after December 4, 2020 to shareholders of record on November 20, 2020.

#### **Forward Looking Information, Risk and Uncertainties**

Certain information provided by Linamar in this press release, MD&A, the consolidated financial statements and other documents published throughout the year which are not recitation of historical facts may constitute forward-looking statements. The words "may", "would", "could", "will", "likely", "estimate", "believe", "expect", "plan", "forecast" and similar expressions are intended to identify forward-looking statements. Readers are cautioned that such statements are only predictions and the actual events or results may differ materially. In evaluating such forward-looking statements, readers should specifically consider the various factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements.

Such forward-looking information may involve important risks and uncertainties that could materially alter results in the future from those expressed or implied in any forward-looking statements made by, or on behalf of, Linamar. Some of the factors and risks and uncertainties that cause results to differ from current expectations include, but are not limited to, changes in the competitive environment in which Linamar operates, OEM outsourcing and insourcing; sources and availability of raw materials; labour markets and dependence on key personnel; dependence on certain customers and product programs; technological change in the sectors in which the Company operates and by Linamar's competitors; delays in or operational issues with product launches; foreign currency risk; long-term contracts that are not guaranteed; acquisition and expansion risk; foreign business risk; public health threats; cyclicity and seasonality; legal proceedings and insurance coverage; credit risk; weather; emission standards; capital and liquidity risk; tax laws; securities laws compliance and corporate governance standards; fluctuations in interest rates; environmental emissions and safety regulations; trade and labour disruptions; world political events; pricing concessions to customers; and governmental, environmental and regulatory policies.

The foregoing is not an exhaustive list of the factors that may affect Linamar's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on Linamar's forward-looking statements. Linamar assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward-looking statements.

## Conference Call Information

### Q3 2020 Release Information

Linamar will hold a webcast call on November 10, 2020, at 5:00 p.m. ET to discuss its third-quarter results. The event will be simulcast and can be accessed at the following URL <https://www.linamar.com/news-event/q3-2020-earnings-call> and can also be navigated to on the company's website. For those who wish to listen to an audio only call-in option, the numbers for this call are (877) 668-0168 (North America) or (825) 312-2386 (International) Conference ID 6475831, with a call-in required 15 minutes prior to the start of the webcast. The conference call will be chaired by Linda Hasenfratz, Linamar's Chief Executive Officer. A copy of the Company's quarterly financial statements, including the Management's Discussion & Analysis, will be available on the Company's website after 4:00 p.m. ET on November 10, 2020, and at [www.sedar.com](http://www.sedar.com) by the start of business on November 11, 2020. The webcast replay will be available at <https://www.linamar.com/news-event/q3-2020-earnings-call> after the call. A taped replay of the conference call will also be made available starting at 8:00 p.m. ET on November 10, 2020, for seven days. The number for the replay is (800) 585-8367, Passcode: 6475831. In addition, a recording of the call will be posted at <https://www.linamar.com/news-event/q3-2020-earnings-call>.

### Q4 2020 Release Information

Linamar will hold a webcast call on March 10, 2021, at 5:00 p.m. ET to discuss its fourth-quarter results. The event will be simulcast and can be accessed at the following URL <https://www.linamar.com/news-event/q4-2021-earnings-call> and can also be navigated to on the company's website. For those who wish to listen to an audio only call-in option, the numbers for this call are (877) 668-0168 (North America) or (825) 312-2386 (International) Conference ID 8860535, with a call-in required 15 minutes prior to the start of the webcast. The conference call will be chaired by Linda Hasenfratz, Linamar's Chief Executive Officer. A copy of the Company's quarterly financial statements, including the Management's Discussion & Analysis, will be available on the Company's website after 4:00 p.m. ET on March 10, 2021, and at [www.sedar.com](http://www.sedar.com) by the start of business on March 11, 2021. The webcast replay will be available at <https://www.linamar.com/news-event/q4-2021-earnings-call> after the call. A taped replay of the conference call will also be made available starting at 8:00 p.m. ET on March 10, 2021, for seven days. The number for the replay is (800) 585-8367, Passcode: 8860535. In addition, a recording of the call will be posted at <https://www.linamar.com/news-event/q4-2021-earnings-call>.

Linamar Corporation (TSX:LNR) is an advanced manufacturing company where the intersection of leading edge technology and deep manufacturing expertise is creating solutions that power vehicles, motion, work and lives for the future. The Company is made up of two operating segments – the Industrial segment and the Transportation segment, both global leaders in manufacturing solutions and world-class developers of highly engineered products. The Industrial segment is comprised of Skyjack and MacDon. Skyjack manufactures scissor, boom and telehandler lifts for the aerial work platform industry. MacDon manufactures combine draper headers and self-propelled windrowers for the agricultural harvesting industry. The Transportation segment is subdivided into three regional groups; North America, Europe and Asia Pacific. Within the Transportation segment, the regional groups are vertically integrated operations combining expertise in light metal casting, forging, machining and assembly for both the global electrified and traditionally powered vehicle markets. The Transportation segment products are focused on both components and systems for new energy powertrains, body and chassis, driveline, engine and transmission systems of these vehicles. McLaren Engineering provides design, development, and testing services for the Transportation segment. Linamar has 26,000 employees in 61 manufacturing locations, 12 R&D centres and 25 sales offices in 17 countries in North and South America, Europe and Asia which generated sales of \$7.4 billion in 2019. For more information about Linamar Corporation and its industry leading products and services, visit [www.linamar.com](http://www.linamar.com) or follow us on Twitter at @LinamarCorp.

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For further information regarding this release please contact Linda Hasenfratz at (519) 836-7550.

Guelph, Ontario  
November 10, 2020