

**Update on Q3 and 2019 Market Conditions**

October 2<sup>nd</sup>, 2019

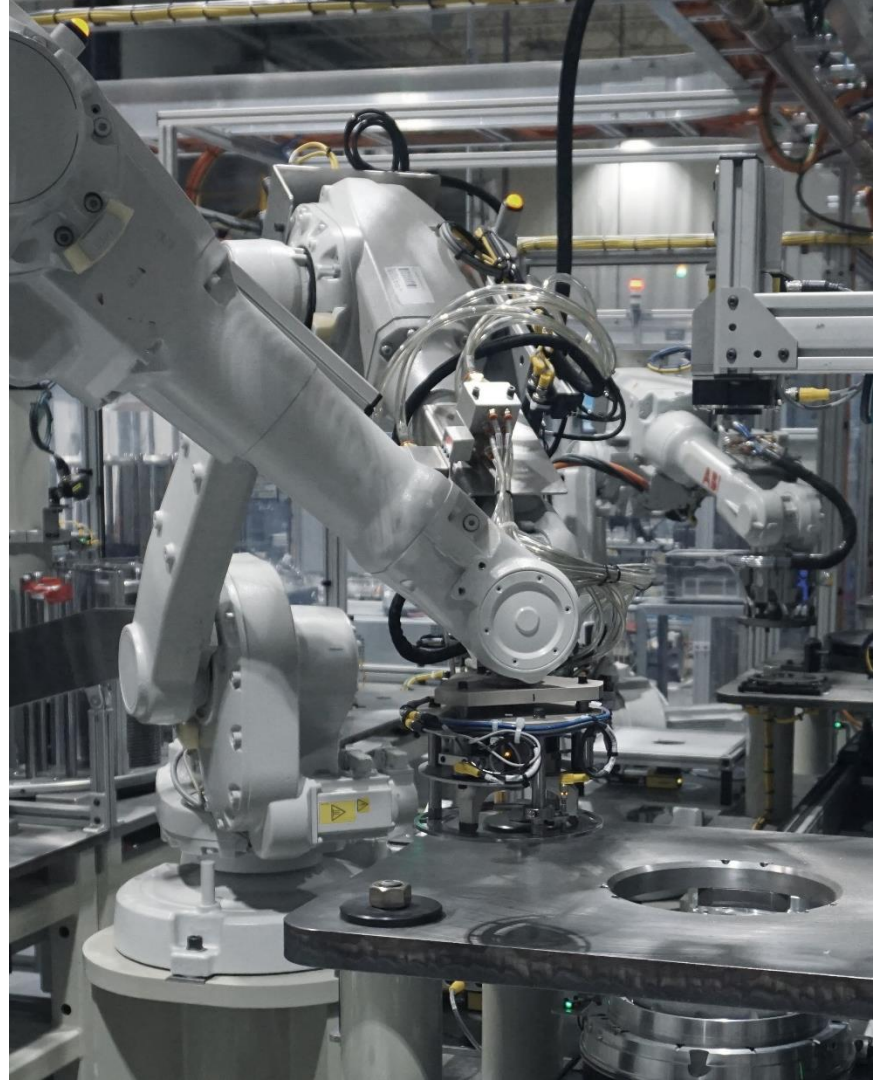
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# Q3 Market Conditions Key Summary

Conditions in the Access Equipment, Agriculture and Automotive markets have continued to soften since the expectations cited on the Linamar Q2 Earnings call that was held on August 8, 2019. The following pages are intended to provide a brief overview of industry conditions

- Access Market
  - Top construction equipment rental operators in Access Market reducing capital expenditure plans from previously stated expectations
- Agriculture Market
  - Global trade uncertainty continues to weigh negatively on Agriculture sector in North America as dealers and farmers delay equipment buying decisions
- Automotive Market
  - UAW strike which began on September 16<sup>th</sup> at GM in North America is negatively impacting Q3 Light Vehicle Production.
    - **The resultant decline in GM orders are currently estimated to impact Linamar earnings at a rate of up to \$1 M CAD/day of strike.**
  - Overall Global LV Production expected to be down from previous June forecast in Q3 and 2019E full year
  - On the plus side we are seeing more in the way of conquest or takeover business due to failing suppliers that will positively impact future sales, a key advantage for Linamar thanks to our rapid response capabilities and flexible equipment philosophy





## Access Market

- The Access Market in North America and Europe for core scissor and boom products has continued to weaken based on estimates for July and August vs same period in 2018<sup>1</sup>
  - Industry volumes now expected to be down in the range of 15-25% in Q3 for these products and markets, a significant deterioration over expectations at Q2 release and actuals in H1 2019
  - This will likely result in YTD market declines for these products and markets in double digits unless we see a significant recovery in Q4, which is unlikely
- Rental Company Capital Expenditure:
  - Key construction equipment rental customers continue to reduce their planned 2019 capital expenditure plan spend
  - Some companies choosing to age fleet more than anticipated in effort to maximize rental utilization

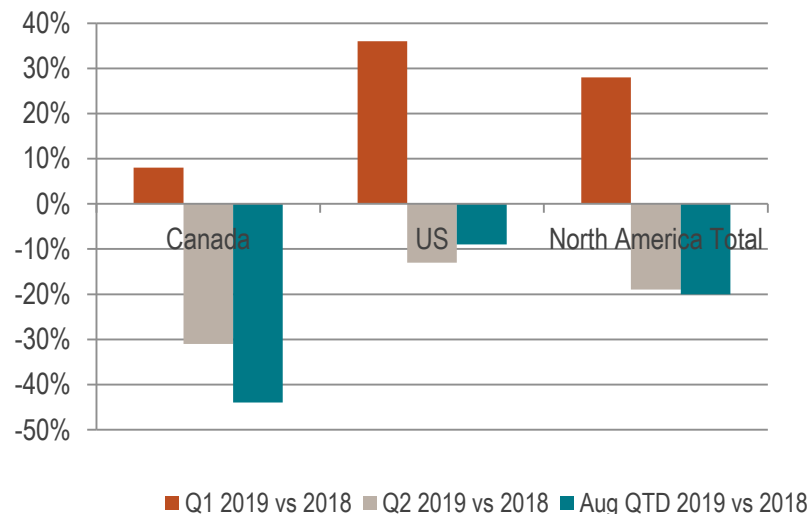


Note 1: Industry estimates based on Internal Calculations for North America and Europe regions. Comparison of cumulative 2 months end July and August vs same period 2018. July & August is only industry comparison available at the time of this update report publication.

# Agriculture Market

- In MacDon's primary North American market, global trade wars continue to weigh on the industry
- North American Combine Industry Retail Sales are down 20% for two months ended July and August vs same period in 2018<sup>2</sup>, a deterioration over Q2 vs prior year and a significant deterioration over H1 vs prior year
  - Combine sales are a key industry indicator for MacDon's product demand
- Crop conditions, stagnant commodity prices and the ongoing trade war between the US and China are all negative factors influencing investment decisions of farmers when considering equipment replacement

**North America Industry Combine Retail Unit Sales vs Prior Year**

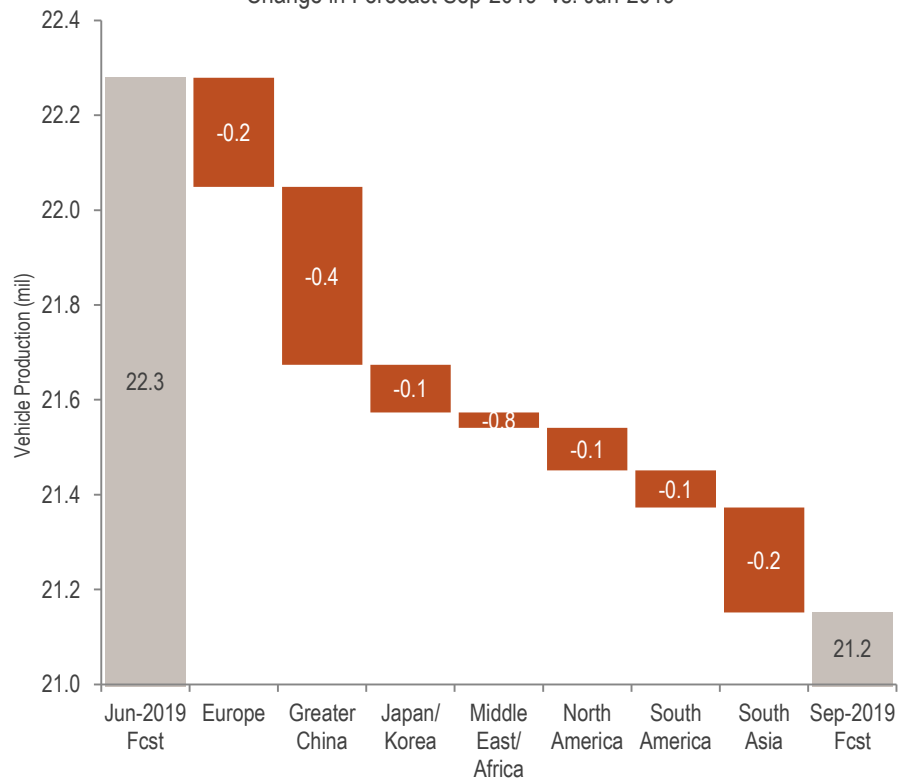


*Note 2: Industry estimates based on Industry Reports for Combine Retail Sales Report for Canada and U.S. Markets. Comparison of cumulative 2 months end July + August vs same period 2018. July & August is only industry data available at the time of this update report publication.*

# Automotive Market: Q3 2019 Down 1.1 Million Units vs Prior Forecast

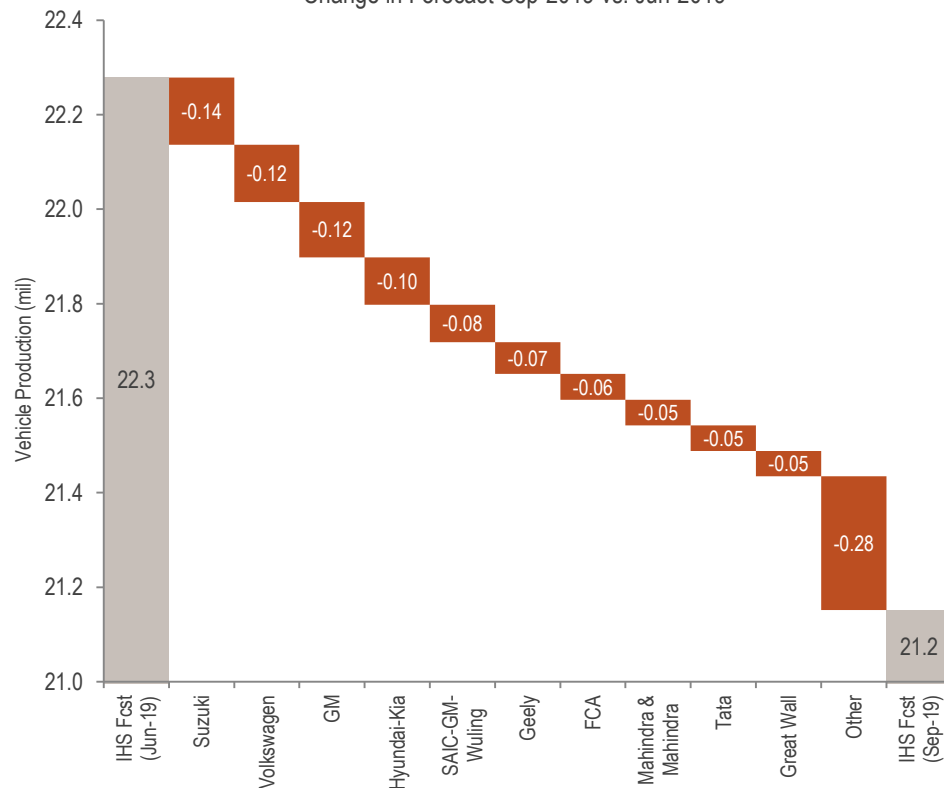
## Q3-2019 Global Vehicle Production Forecast By Region

Change in Forecast Sep-2019 vs. Jun-2019



## Q3-2019 Global Vehicle Production Forecast By OEM

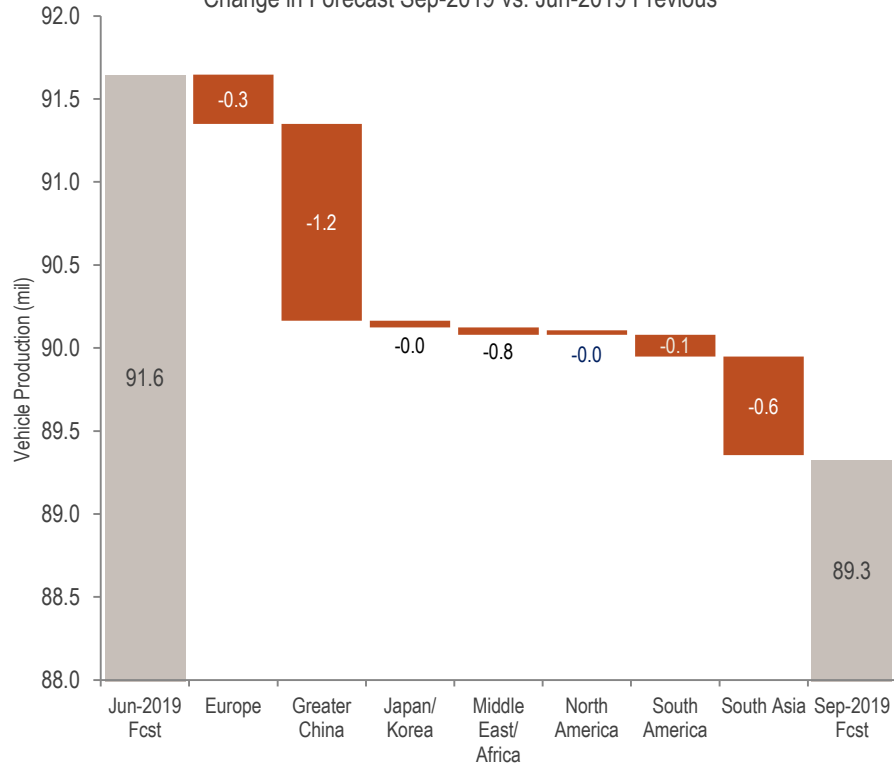
Change in Forecast Sep-2019 vs. Jun-2019



# Automotive Market: 2019 FY Down 2.3 Million Units vs Prior Forecast

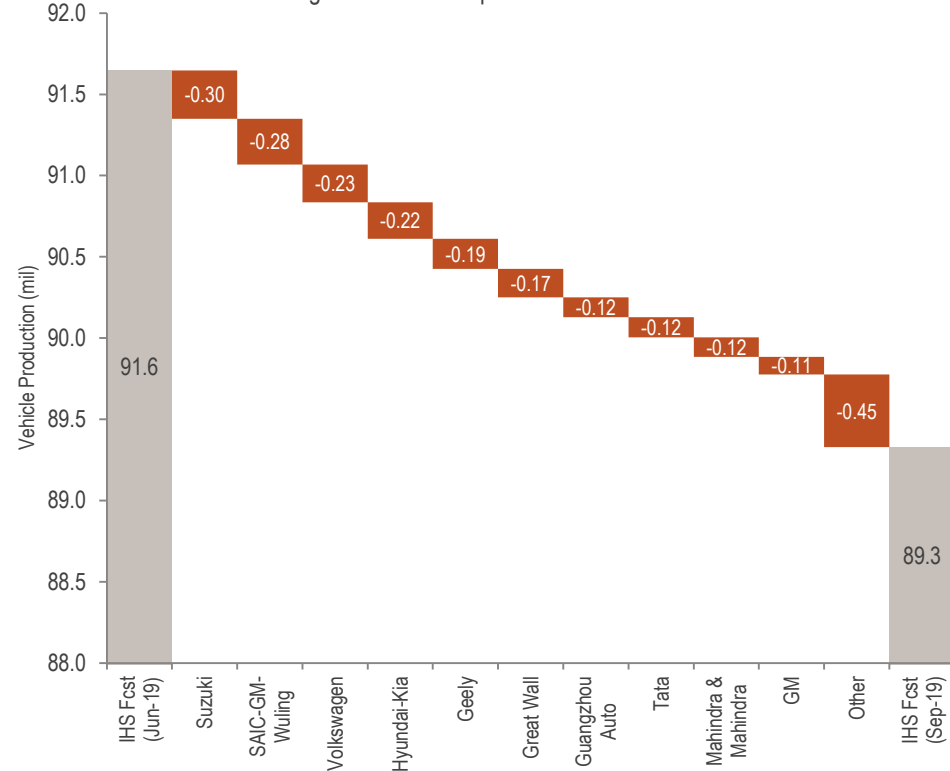
## 2019 Global Vehicle Production Forecast By Region

Change in Forecast Sep-2019 vs. Jun-2019 Previous



## 2019 Global Vehicle Production Forecast By OEM

Change in Forecast Sep-2019 vs. Jun-2019 Previous





# Thank You

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