

# Q4 2016 Investor Presentation

Linamar Corporation

March 2017



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# Company Overview





# Linamar – A Global Powerhouse in Diversified Manufacturing



2015 SALES: \$5,162.4M ↑ 23.8%  
NE: \$436.7M (8.5%) ↑ 36.2%

2016 SALES: \$6,005.6M ↑ 16.3%  
NE - ATS: \$522.1M (8.7%) ↑ 19.6%

Diversified Manufactured Products that Power Vehicles, Motion, Work and Lives



24,500 EMPLOYEES

57 MANUFACTURING FACILITIES

17 COUNTRIES

## MACHINING & ASSEMBLY



- CNC Expertise
- Complex Assemblies
- Advanced Automation & Robotics
- Hydroforming
- Heat Treatment

## FORGING



- Hatebur High Speed Hot Horizontal Forging
- Conventional Vertical Forging
- Cold Forming
- Ring Rolling

## LIGHT METAL CASTING

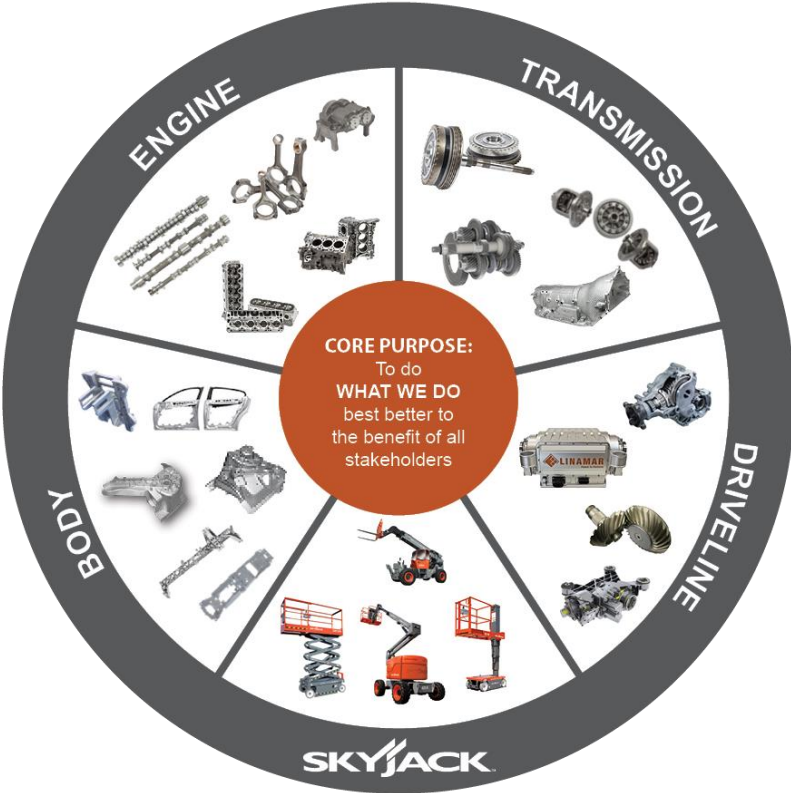


- Gravity & Low Pressure Aluminum Die Casting
- High Pressure Aluminum & Magnesium Die Casting

## METAL FORMING



- Metal Forming
- Stamping
- Painting
- Robotic Welding



# Scope of Operations & Market Concentration

## Q4 2016 YTD

SECTOR	PRODUCTS	MARKETS	TOTAL
<b>PRECISION PRODUCTS</b>			<b>85.0%</b>

Precision Metallic Components, Modules & Systems



**AUTOMOTIVE**

Engine  
Transmission  
Hybrid Electric Systems  
Driveline



**ENERGY**

Axle  
Transfer Case  
PTU

76.2% Automotive  
2.7% Off Road Vehicles  
3.9% Commercial Truck  
0.7% Recreational

1.5% Energy, Heavy Machining & Military



**COMMERCIAL VEHICLE**



**OFF-HIGHWAY**



**MARINE & RECREATION**

SECTOR	PRODUCTS	MARKETS	TOTAL
<b>MOBILE PRODUCTS</b>			<b>15.0%</b>

Fabricated Assemblies and Vehicles

Mobile Industrial Equipment

13.8% Access



**AERIAL WORK PLATFORMS**

Fabrications

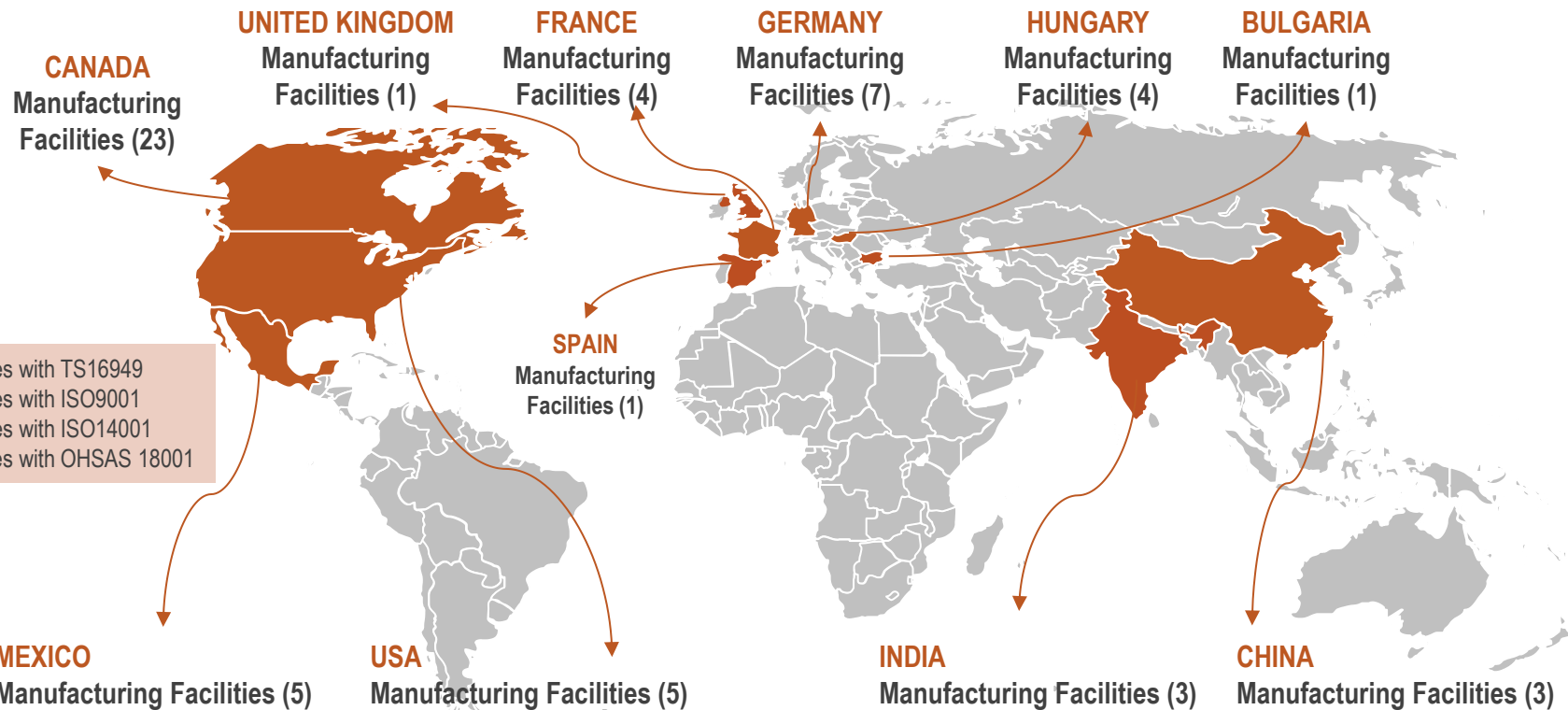
1.2% Agricultural, Industrial



**INDUSTRIAL**



**AGRICULTURAL**



Manufacturing (57)

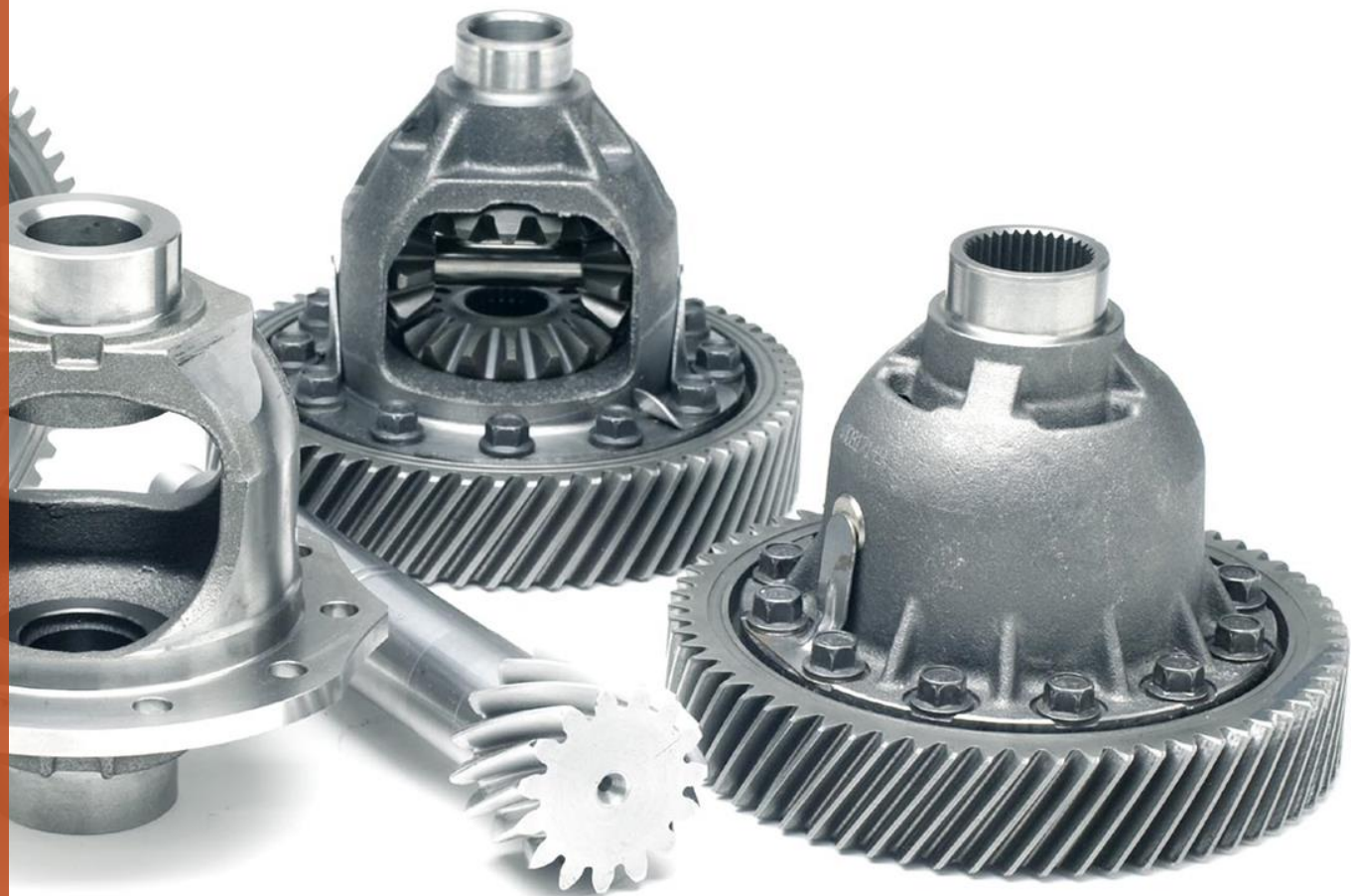
Sales Representation (15)

Development Centres (6)

Support Facilities (4)



# Key Investment Themes



# Key Investment Themes



## Consistent Performance

- Sales & earnings growth consistent & well above market
- Q4 2016 our 22<sup>nd</sup> consecutive quarter of double digit operating earnings growth

## Market Share Growth Key Growth Driver

- We will continue to grow through “Peak Auto”

## Double Digit Growth in Sight Through 2020

- \$7.5 - \$8 billion sales secured for 2020

## Massive Opportunity in Outsourcing in all Propulsion Types

- Significant content potential in both EV and ICE
- Only 30% of powertrain outsourced – huge opportunity for extended time frame of growth

## Massive Opportunity for Growth in our Access Business – Skyjack

- \$10 Billion market, few players

**Consistent  
Performance**



# Performance Highlights

## Q4 2016

### ■ Competitiveness

- NBW and quote level continues to build
  - Launch book at nearly \$4.8 Billion
  - 2016 NBW 26% higher than 2015 – great market momentum
  - Hit rate trending up
  - Significant wins this quarter in 9 and 10 speed transmission components (\$250 million), transmission case HPDC casting for GF JV
- CPV growth in all of NA, Europe and Asia for 2016 – key driver of growth
- Continued market share growth in telehandlers and scissors at Skyjack for 2016

### ■ Global Bench

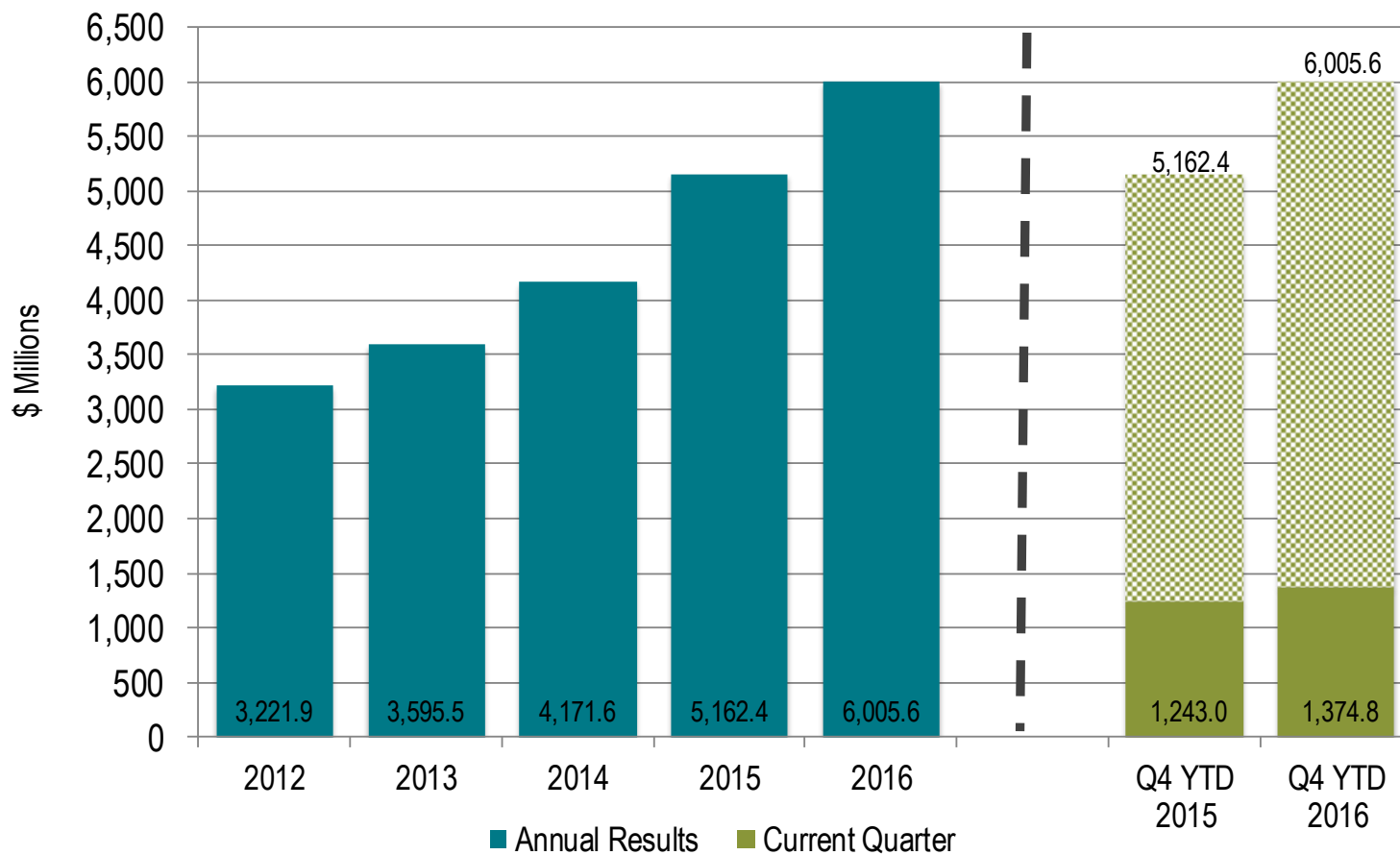
- Great employee feedback to 50<sup>th</sup> celebrations over past year
- LEAP scouting – solid process, 3 great new candidates
- Montupet team integration a success
- Great momentum on global mobility
- >600 apprentices globally

### ■ Simplify

- Another quarter of double digit sales and earnings growth
- 22<sup>nd</sup> consecutive quarter of double digit operating earnings growth
- 2016 Return on Equity > 20% goal
- Outlook strong for record year again in 2017
- Balance sheet strong, great de-levering from peak after Montupet acquisition to <1x EBITDA
- Dividend increased 20%

# Yearly Sales Growth

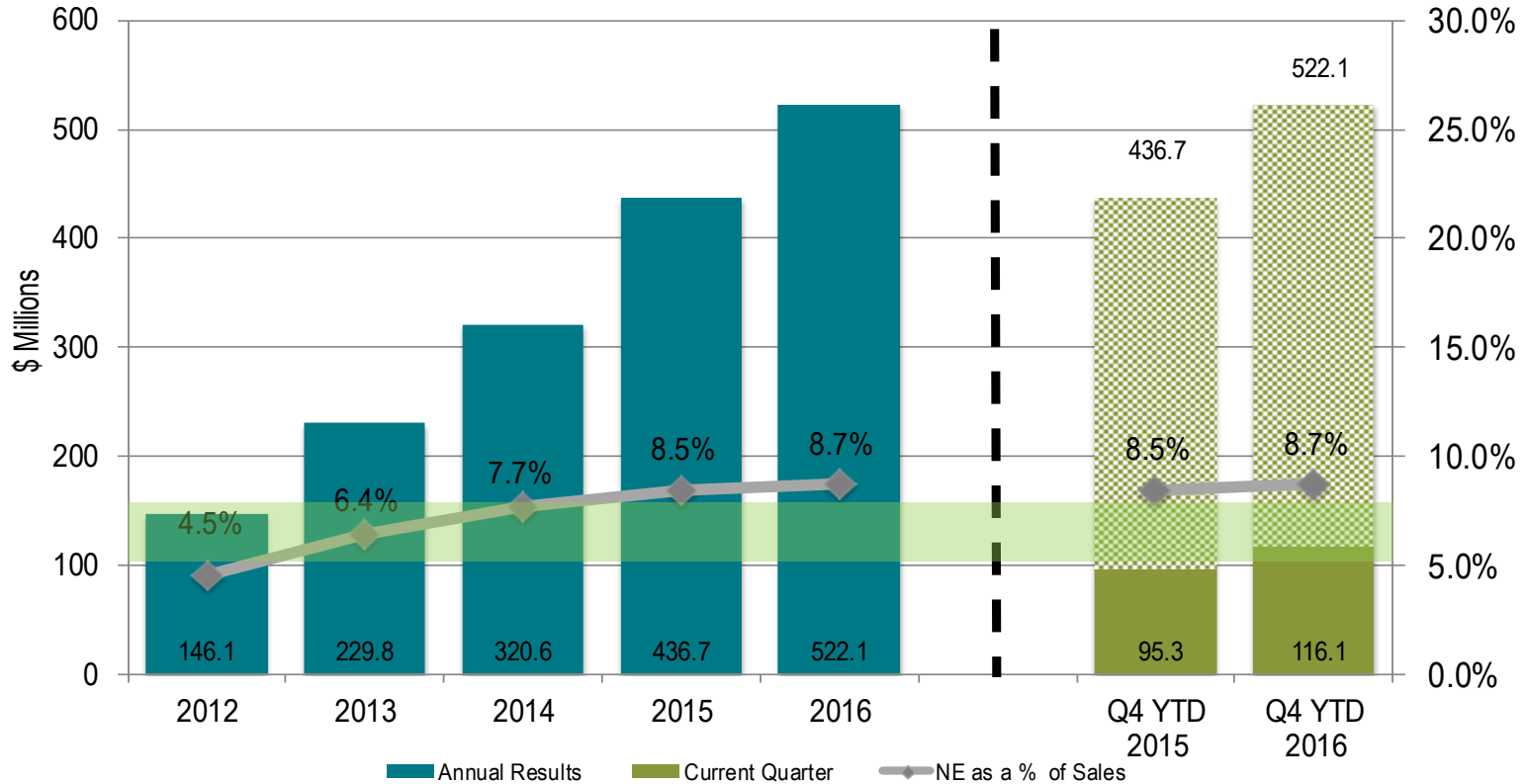
2012 - 2016





# Net Earnings Attributable to Shareholders

2012 - 2016



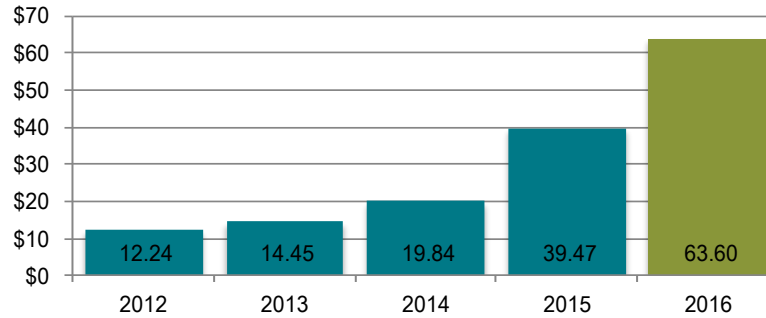
Net Earnings as % of Sales – Normal Range 5-7%

Net Margin Expectations 2016: 8.0% - 8.5%

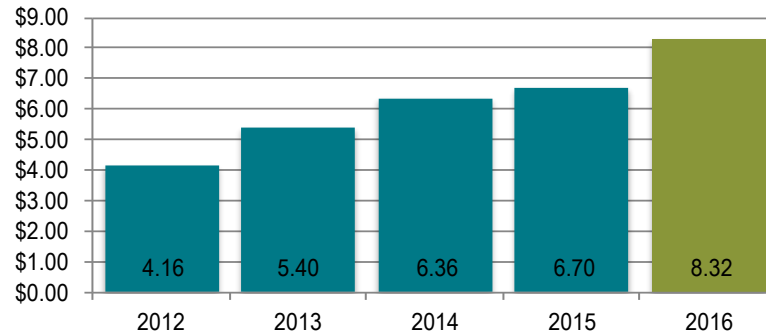
# Market Share Growth



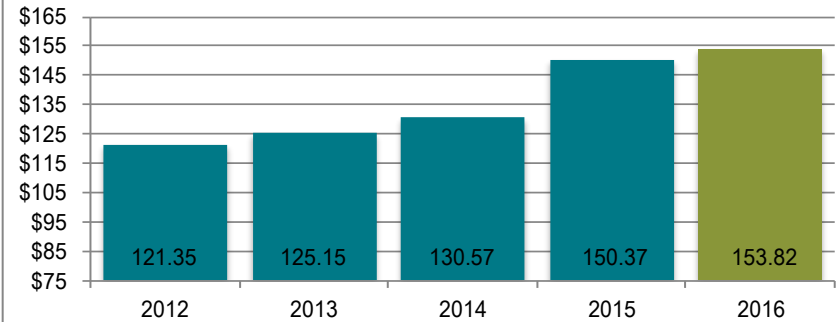
**Europe**



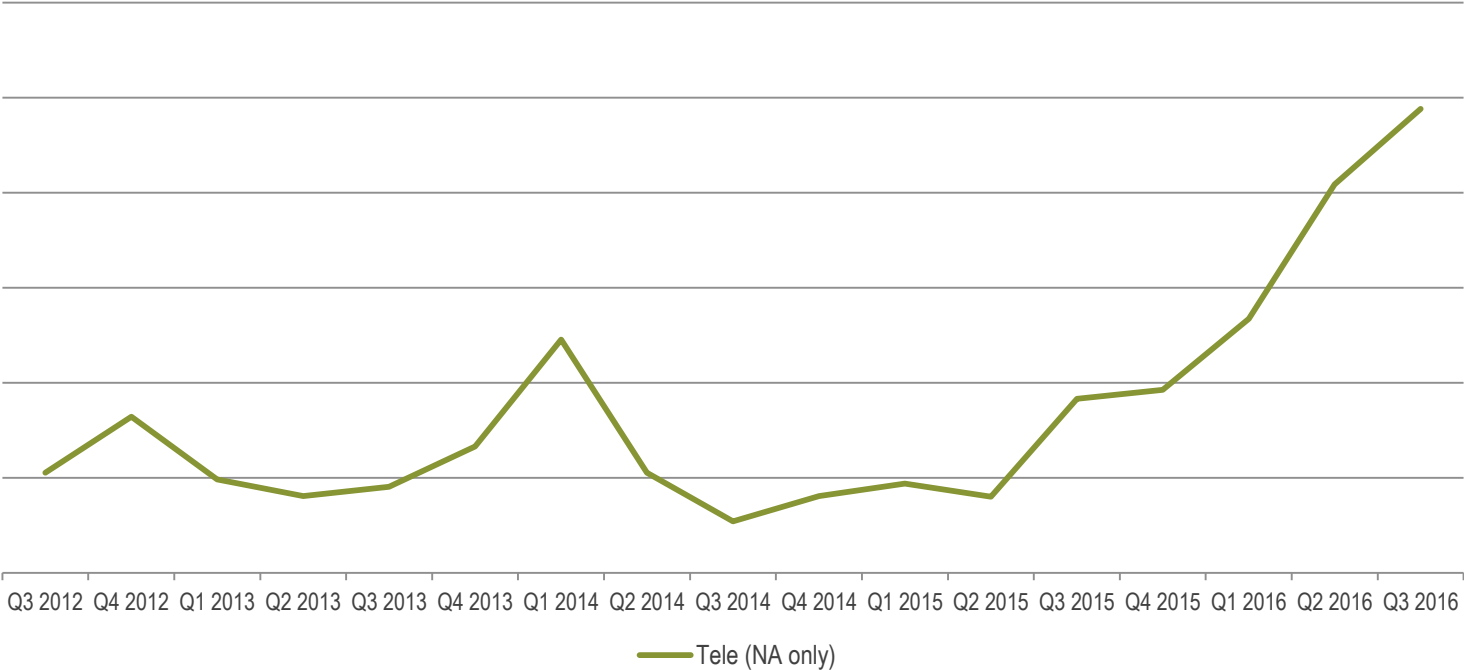
**Asia**



**North America**



Telehandler NA Market Share

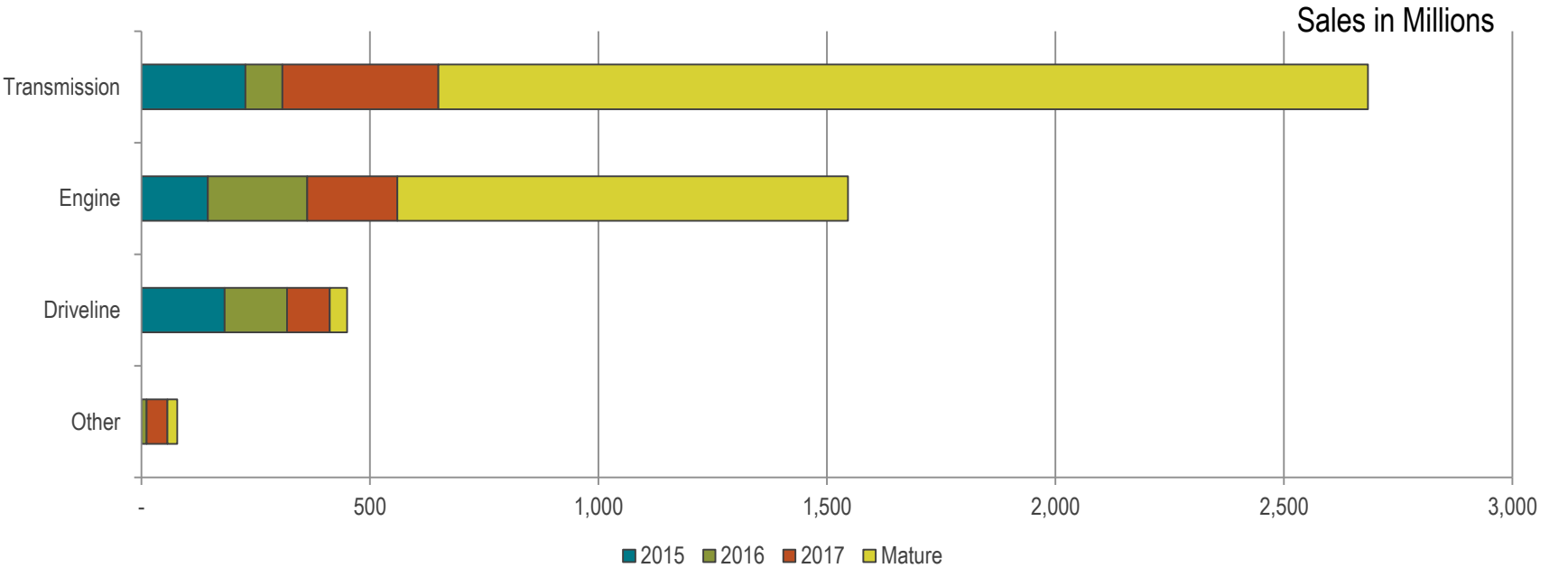


Significant  
Business  
Launching  
Securing  
Continued  
Growth

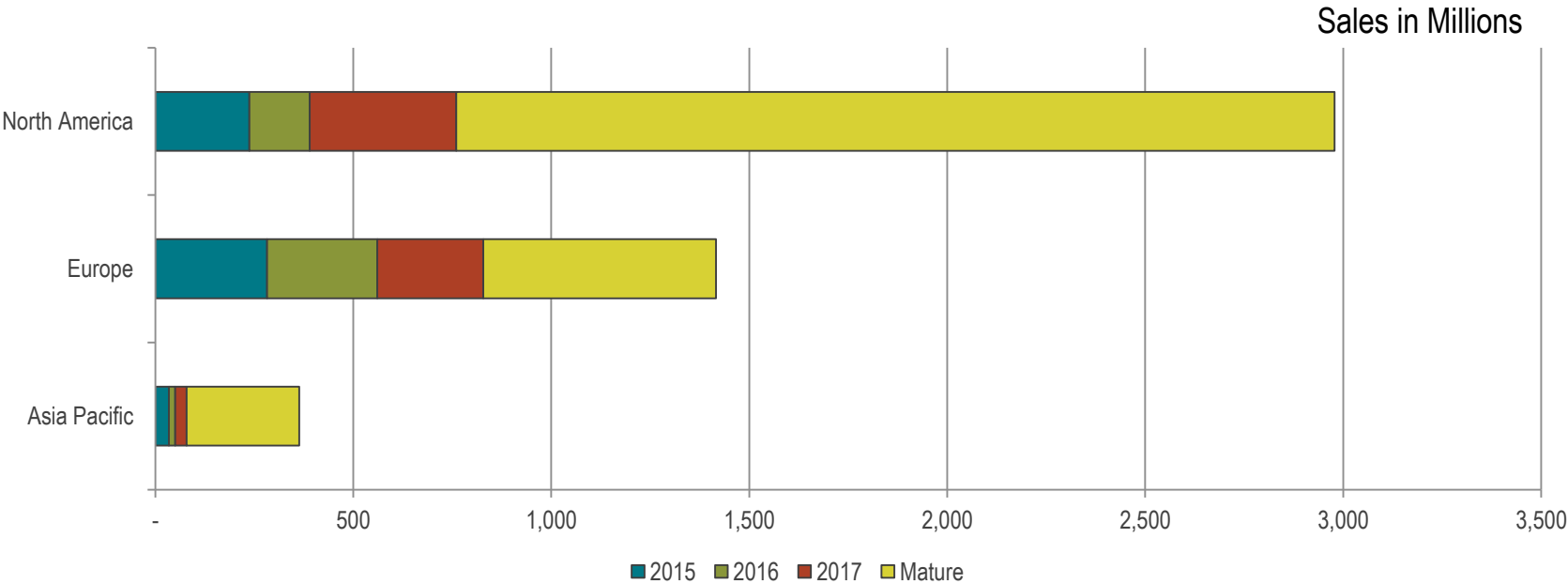


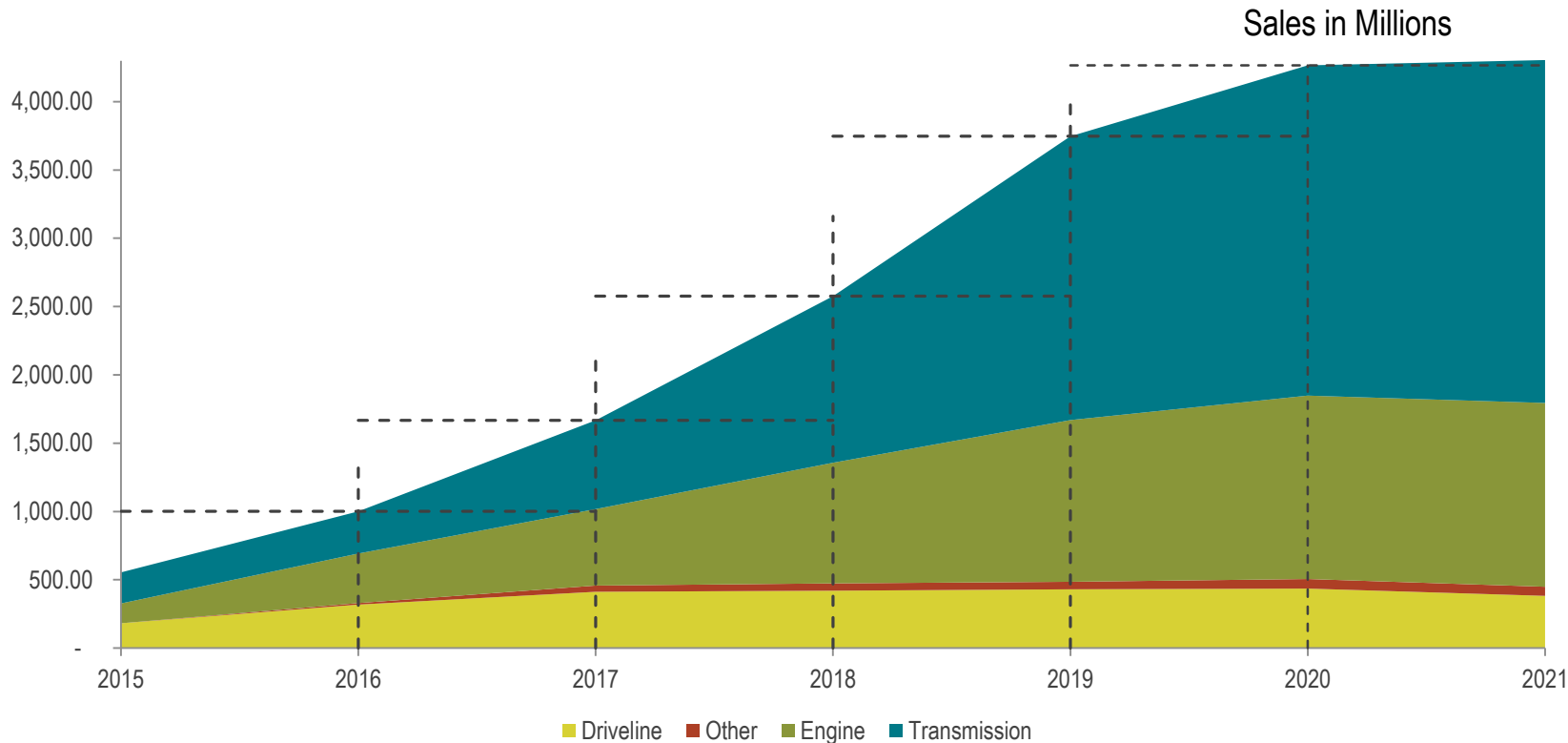


Launching nearly \$4.8 billion of new work today



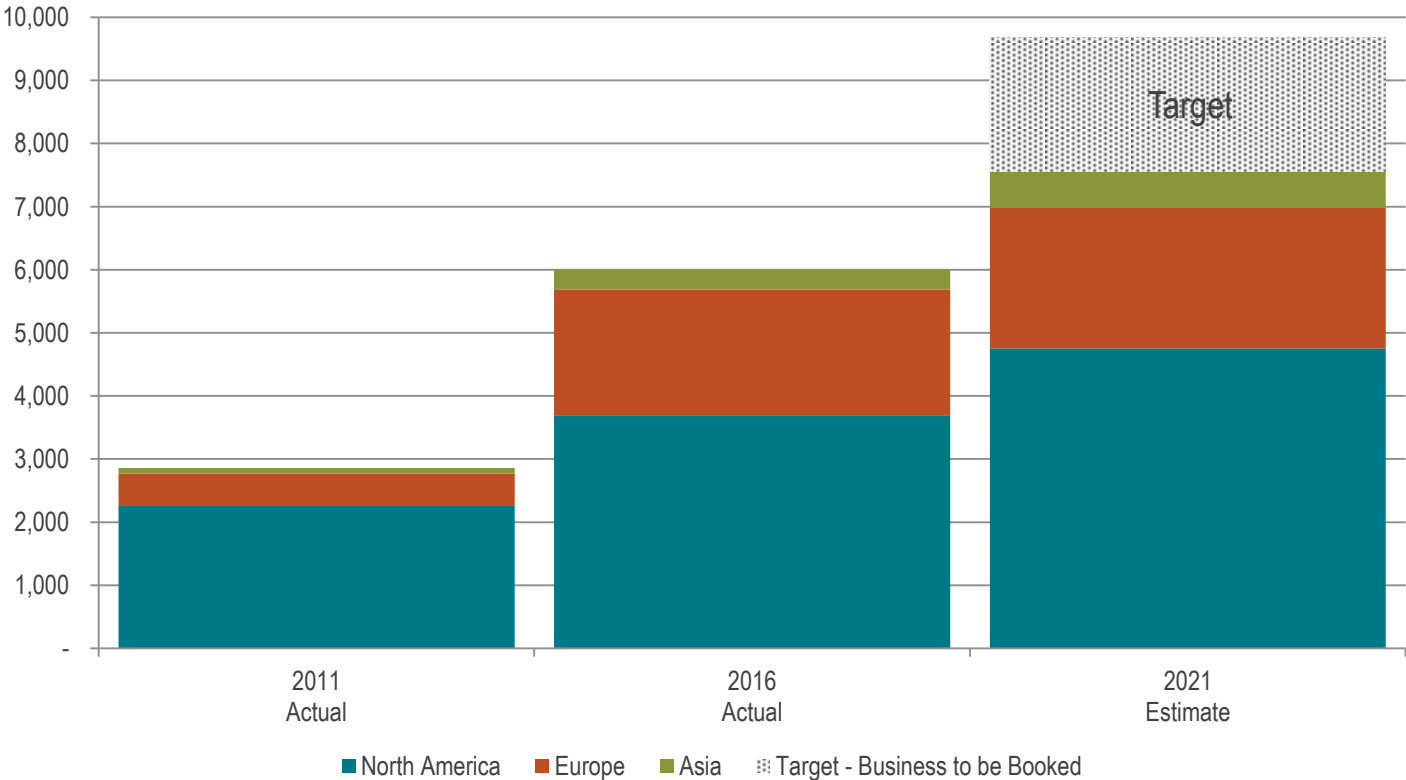
Launching nearly \$4.8 billion of new work today





Launches will add \$600 to \$700 Million in 2017

Sales by Region



**Massive  
Opportunity in  
Outsourcing in all  
Propulsion Types**





- Significant content potential in both EV and ICE
- 70% of content of powertrain captive but slowly being outsourced
- \$500 Billion global market, addressable portion growing each year
- Linamar technology leader in light weighting, noise reduction, design optimization
- Linamar is a leader in vehicle electrification initiatives on driveline side

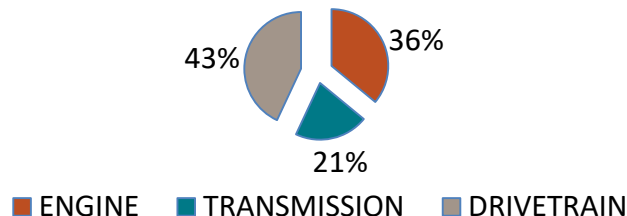
## TOTAL GLOBAL POWERTRAIN & DRIVETRAIN MARKET

MARKET	2013	2016	2019
AUTOMOTIVE	\$319B	\$373B	\$407B
ICE	\$142B	\$170B	\$201B
<b>TOTAL GLOBAL MARKET</b>	<b>\$461B</b>	<b>\$543B</b>	<b>\$608B</b>

### Assumptions:

- Includes total system value for engines, transmissions and drivetrain
- Includes all material, VA component machining and assembly
- Includes all light vehicle system production
- ICE market size includes value for systems >50 HP

### Segmentation by System



### Competition:

- Key competitors OEM's themselves
- Handful of competitors with technical expertise in these products, fewer still with financial capacity

### Drivers of Outsourcing:

- Increases variability of cost base for OEM
- Machining and assembly highly capital intensive – saves OEM capital
- Outsourcing to an expert in that process/product should result in better technology, quality and price

# Outsourcing Evolution – A Case Study

4 Speed



- Linamar produced single, build-to-print, transmission shafts which the OEM assembled into a module prior to transmission assembly

\$12 - \$15 ea

6 Speed



- Initial outsourcing to Linamar of Full Clutch Module Assembly by an OEM
- Increased Transmission Content
- Required design input & testing/validation capabilities

\$45 - \$60 ea

9 & 10 Speed



- Complex Rear Drive Clutch Module Assembly
- Outsourced by multiple OEMs to Linamar
- Significantly increased Transmission Content
- Requires design input & testing/validation capabilities

\$150 - \$200 ea

## INDUSTRY IMPERATIVE

Reduce Emissions  
Improve Fuel Economy

### Short Term



Improve ICE

30x less emissions in ICE today vs. 30 years ago

Lots of runway for continued improvement

### Medium Term



Hybrid

Good utilization of balance of power on board means best overall environmental impact today

Solves technical issues of BEV on range, charge, time etc.

### Long Term



Battery Electric Vehicle (BEV)

Challenge today re energy infrastructure means little environmental impact

Technical challenge re range, charge time, battery degradation, will take time to fix

## LINAMAR Strategy

Light Weighting | Noise Reduction | Design Enhancement

Product/Process Design Enhancement

Vertical Integration

e-Axle



Drive Line Systems

Multi Speed Gear Box

Structural Components

## CPV Potential

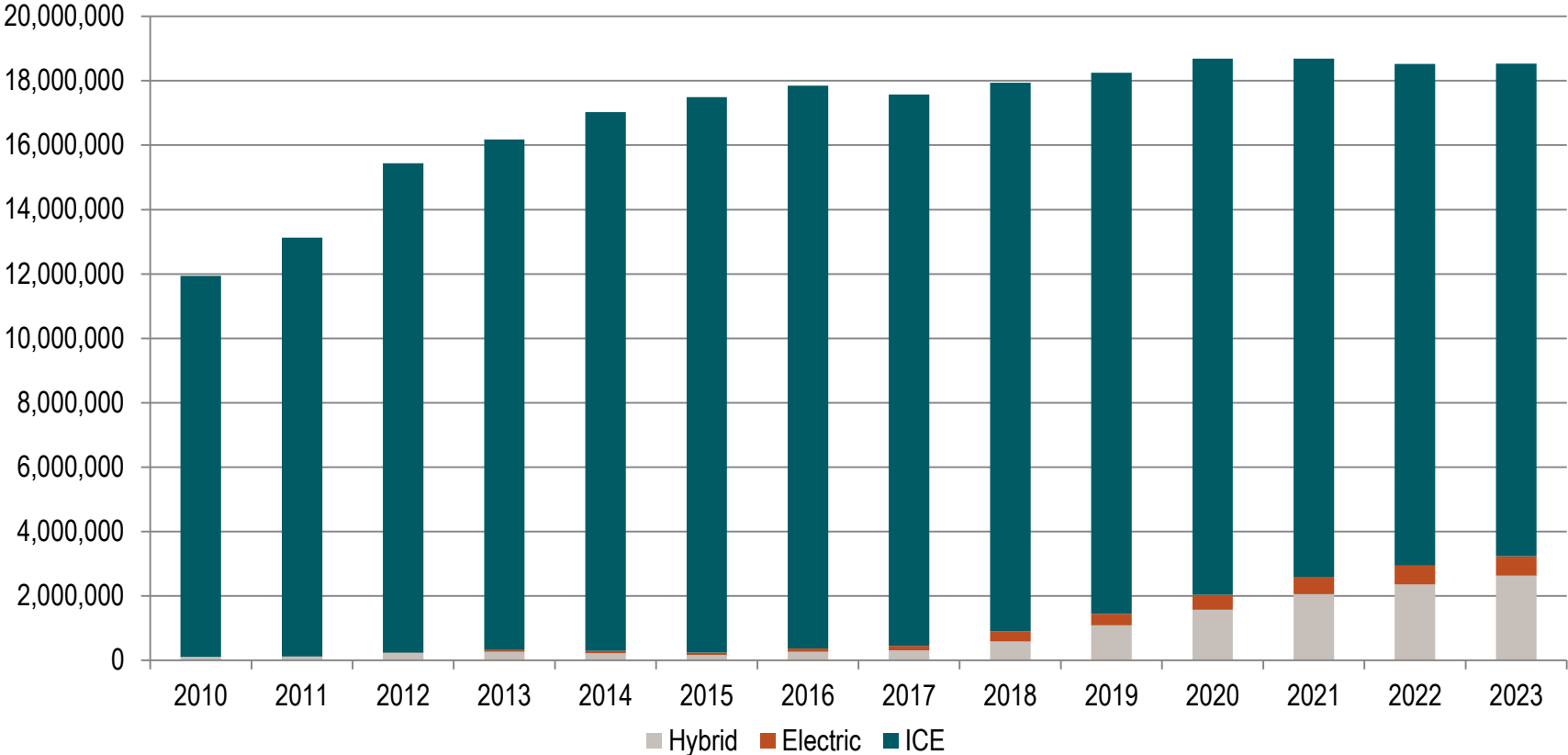
\$3,500 - \$4,000

\$3,500 - \$4,000

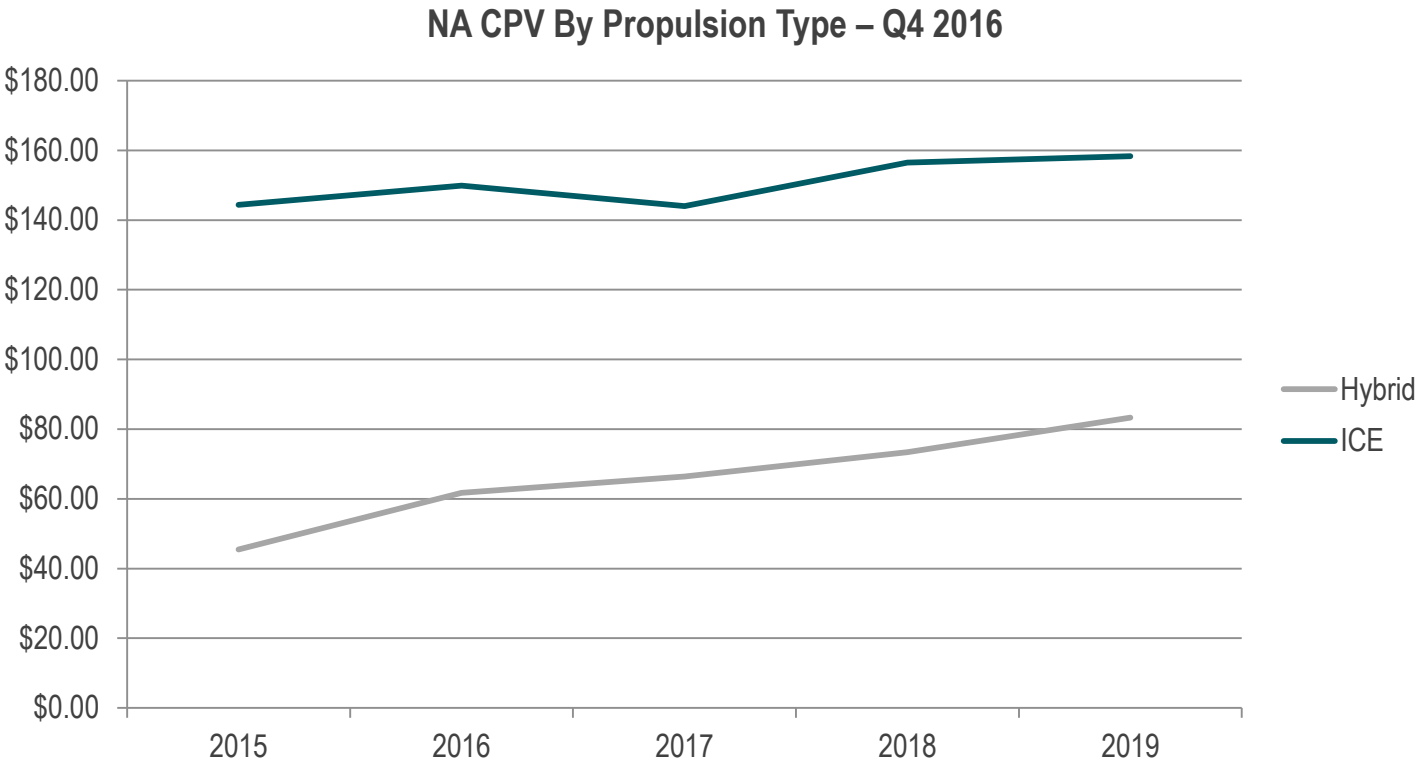
~ \$2,000

# NA Vehicle Propulsion Through 2023

## Primarily ICE, Growing Hybrid





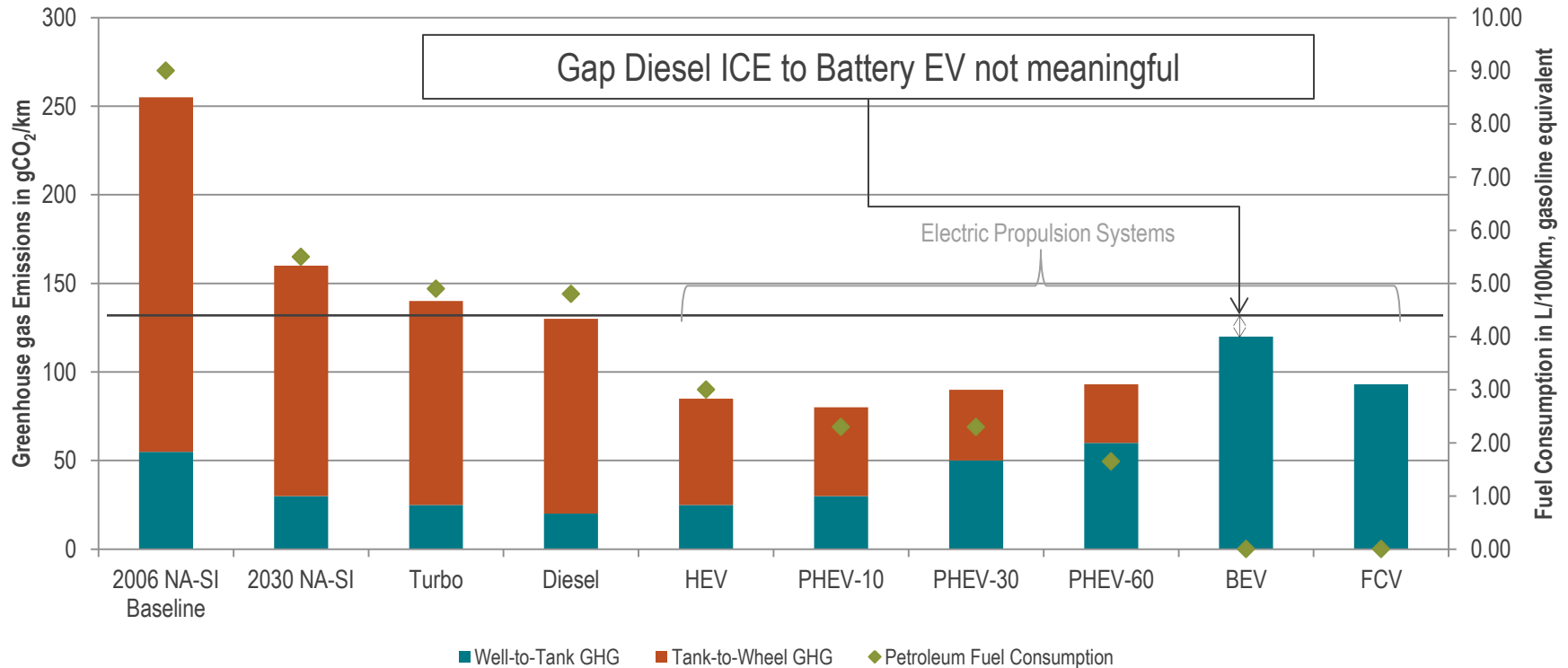


# BEV – Why Not Faster?

## Technical & Infrastructure Challenges

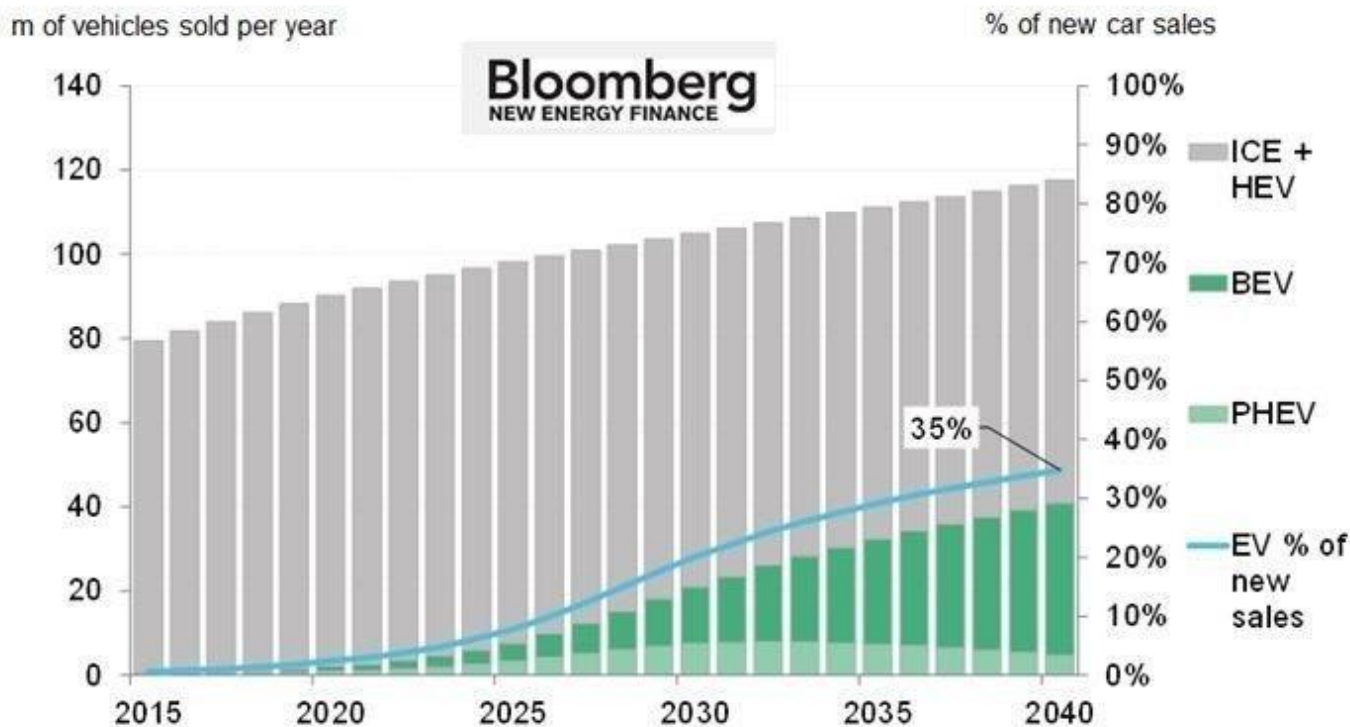
### Energy Infrastructure Must Change for EV to Make Meaningful Environmental Improvement

Projected 2030 Vehicle WtW GHG Emissions and Petroleum Fuel Consumption Over Combined, Adjusted HWFET/FTP Drive Cycle

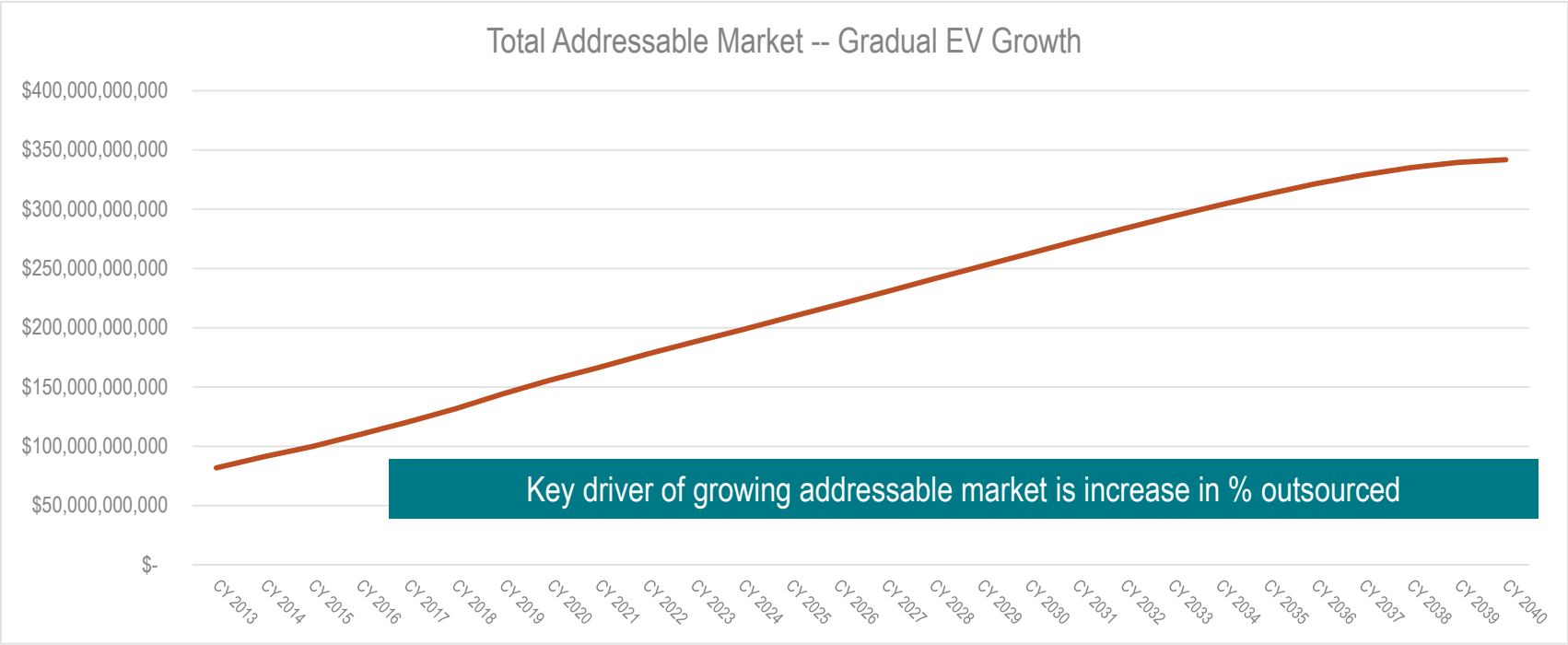


# Vehicle Propulsion 2050

## Still Primarily ICE, BEV Becoming More Prevalent

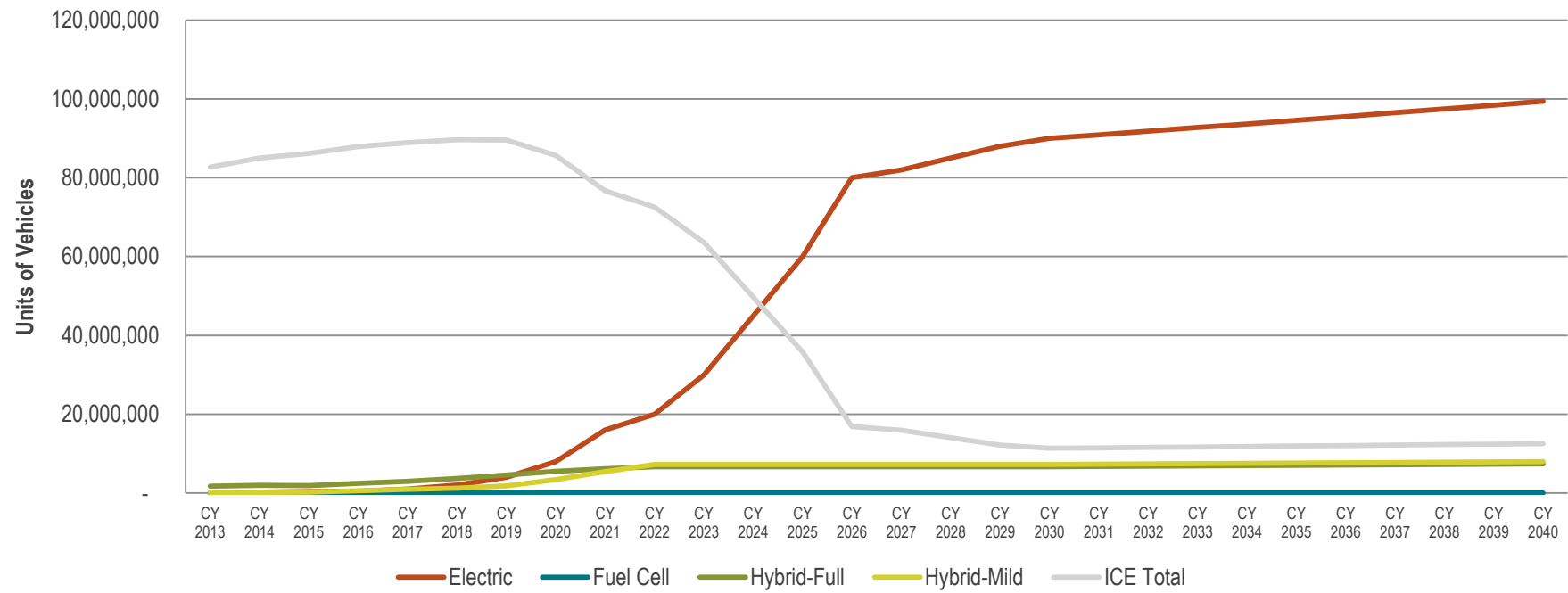


# Addressable Market -- Gradual EV Growth

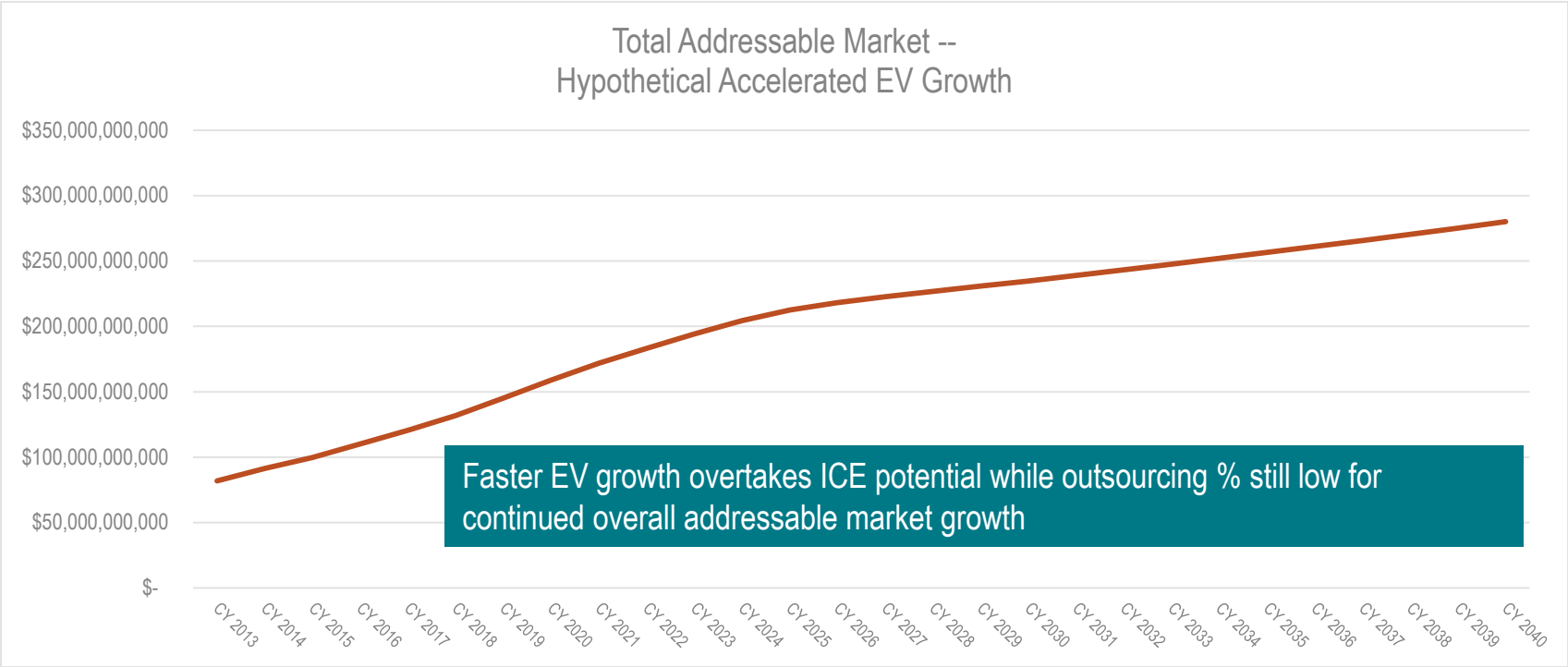


\* Based on Bloomberg report speculating 35% EV by 2040, estimated outsourcing by 2040 is 80% (vs 30% in 2016) on ICE/Hybrid, 100% addressable on EV by 2020

## Propulsion Type



- Though not the prevailing expectation among industry experts, the above hypothetical model can help understand what the impact would be of an accelerated EV market growth scenario to Linamar’s addressable market.
- That impact of this hypothetical volumes conversion of ICE over to EV is illustrated on the following slide.



\* Estimated outsourcing by 2040 is 80% (vs 30% in 2016) on ICE/Hybrid, 100% addressable on EV by 2020



Technical Leadership & Vertically Integrated



Global Footprint

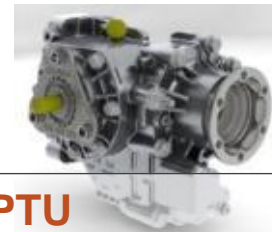


Scale & Financial Capacity to Invest





- Product Innovation
  - Leader in AWD systems
  - Leader in Vehicle Electrification with E-Axle product
  - Motorless PTU Disconnect System
  - V2V AWD Communication
- Process Innovation
  - Hydroformed camshafts, reduce weight 60%
- Material Development
  - Cast aluminum structural parts replacing stamped steel assemblies in vehicle, reduce weight 45%



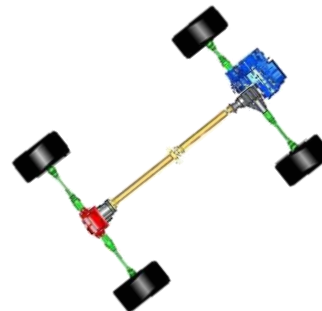
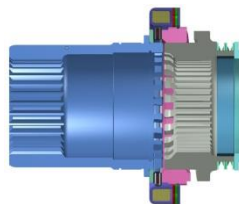
PTU



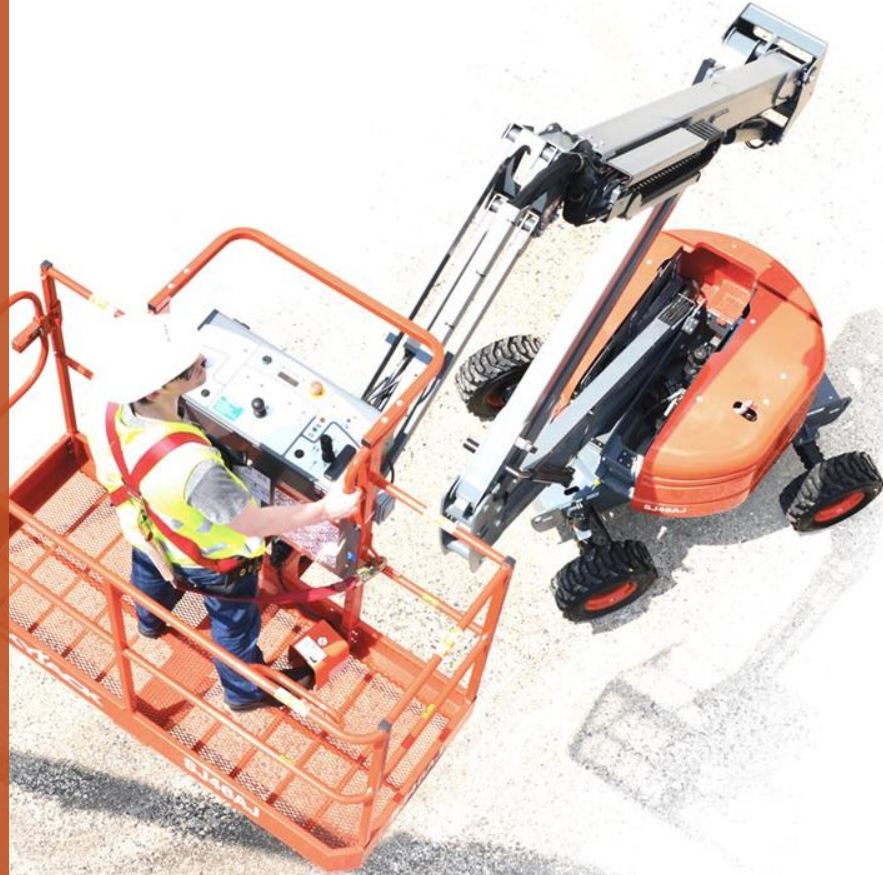
RDU



E-Axle



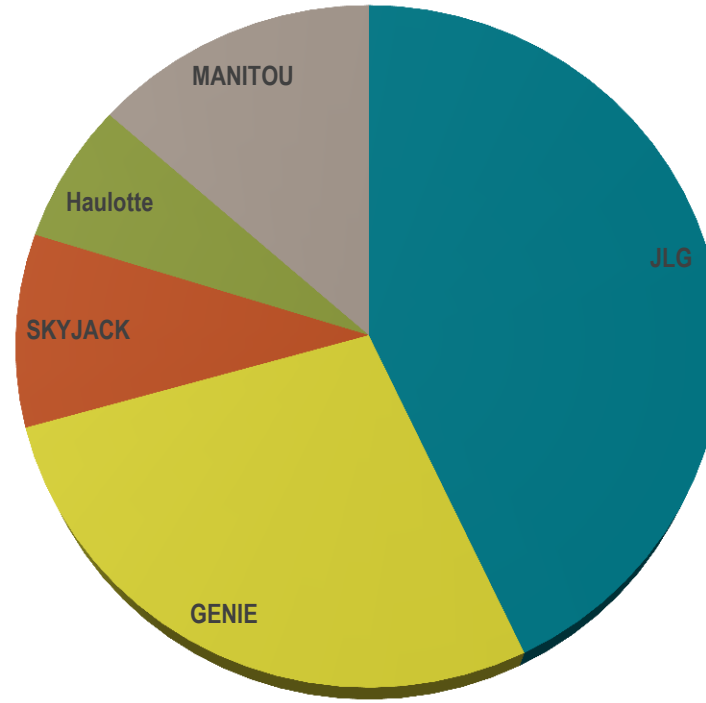
# Massive Growth Outsourcing at Skyjack



# Access – Target Markets Large with Limited Competition

## Skyjack Target US \$1Billion by 2020

2016 Global Market Est \$7.5 Billion



## Overview

- Maintain and Defend Scissor Share....
  - **98% coverage by product type by 2020**
- Grow Boom Products...
  - **95% coverage by product type by 2020**
- Competitive Telehandler Offering...
  - **94% coverage in NA by 2020**



Safe

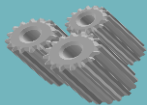
Simple

Reliable

# Key Themes for Long Term Growth

## Diversified Manufactured Products that Power Vehicles, Motion, Work and Lives

### Manufacturing and Materials (Supporting Theme for all Trends)



Advanced  
Manufacturing

Material  
Development

#### Power



Global Addressable Markets:  
Electrical products, systems and services  
Energy Market

Oil & Gas  
Solar  
Wind

Fusion  
Generation  
Energy Storage

#### Age



Global Addressable Market:  
Medical Devices  
Healthcare & Mobility  
Home Care Technology  
Wearable Technology

Medical Devices Assistance  
i.e. "Home Skyjack"

#### Transportation



Global Addressable Markets:  
Auto Parts & Accessories  
Auto. Engine & Parts Manufacturing

Automobiles  
Rail/Subway  
On Highway Trucks

Marine  
Personal  
Transportation

#### Water



Global Addressable Markets:  
Irrigation Market  
Water infrastructure

Developing Sources  
Cleaning

Access

#### Food



Global Addressable Market:  
Ag. Equipment

Harvesting

Increasing Yield

#### Infrastructure



Global Addressable Markets:  
Scissors, Booms, Telehandlers  
Hydraulics

Off Highway  
Work Assistance  
(Skyjack)

Mining



## A Global Manufacturing Powerhouse:

- Forging, casting, machining, fabrication & assembly expertise
- Strong R&D capabilities
- Diversified markets with global footprint
- Solid markets with limited competition

## Sound Strategy:

- Leverage existing expertise for new markets and diversify vertically in targeted areas
- Expansion into global growth regions
- Develop future focused technologies
- Focus on developing the people we need to execute on growth

## Solid Financials:

- Strong historical performance
- Solid outlook for continued earnings growth and improved returns driving from solid launch book in short term, large and growing markets in longer term

## Strong Culture:

- LEAN & focused on operational excellence
- Foundation of common core values & leadership behaviors
- Balanced approach to the business for all stakeholders



# Thank You

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