

Linamar Corporation

A Global
Powerhouse in
Diversified
Advanced
Manufacturing

April 2019

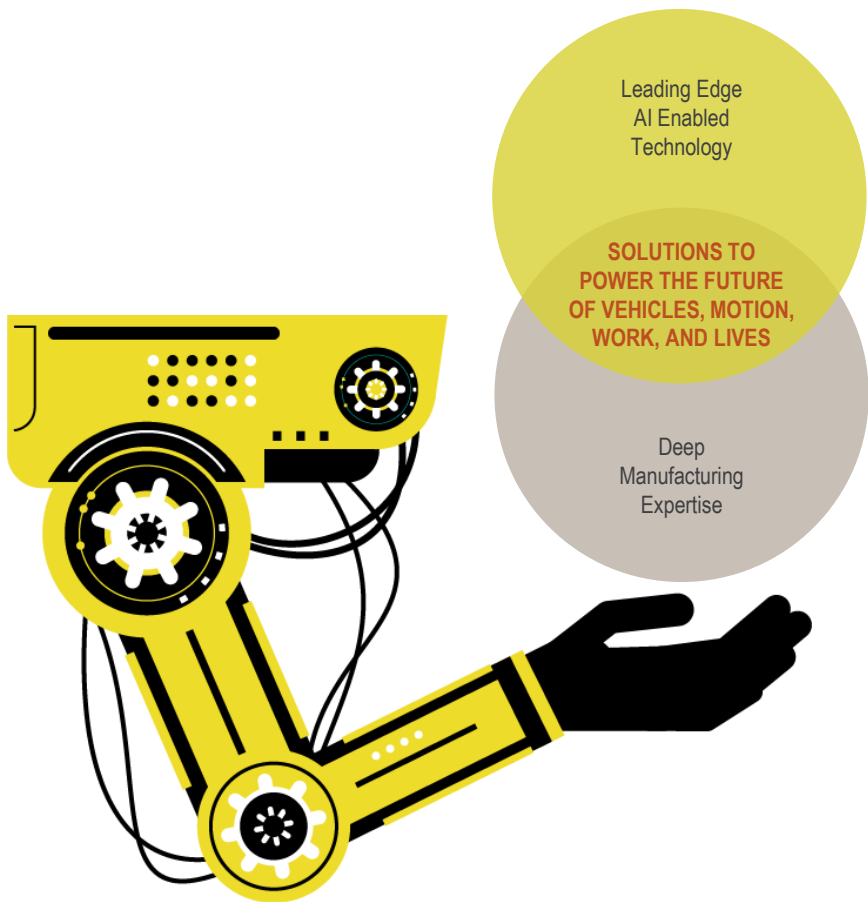


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Company Overview



Linamar is a Leading Global Advanced Manufacturing Company



Transportation

- Carbon Efficient
- Electrified
- Lightweight
- Connected & Autonomous
- New Mobility

Infrastructure

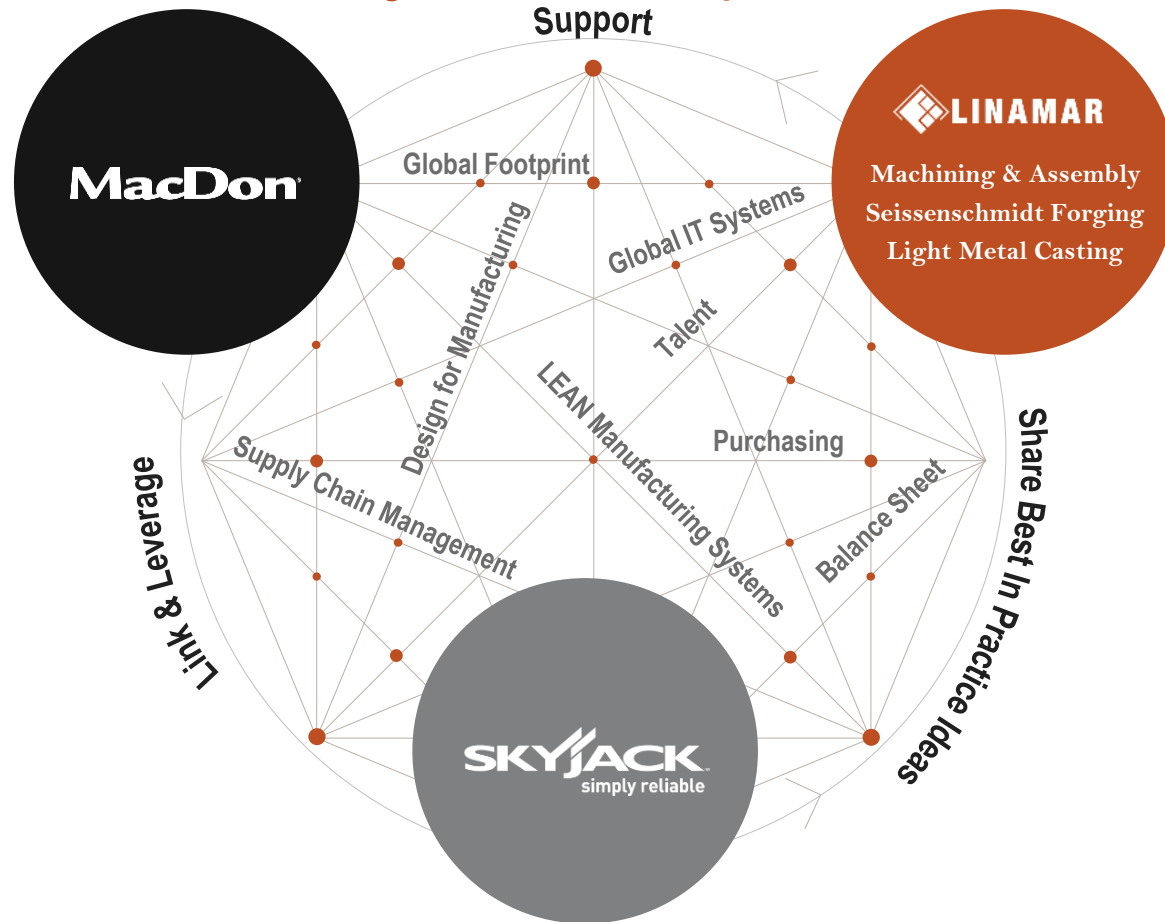
- Safe & Efficient Man & Work to Height

Agriculture

- Optimized Harvest Yield & Availability of Food

Linamar's Unique Value Creation Model

Deeply Interconnected Businesses Driving Value Across Multiple Vectors



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



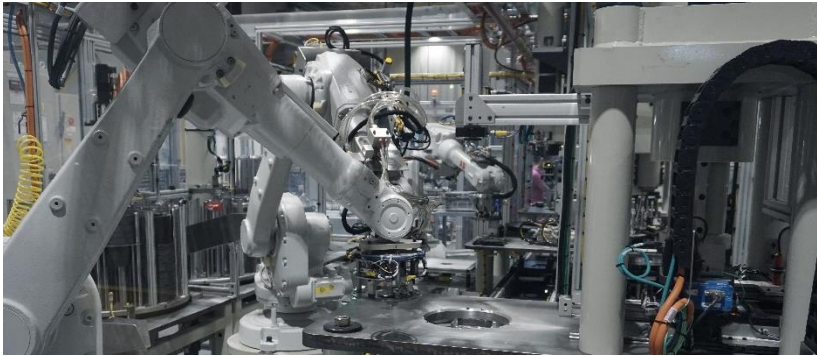
SKYJACK



MacDon

- Infrastructure
- Food
- Transportation

- Power
- Water
- Age



Linamar Machining & Assembly



Linamar Light Metal Casting
Linamar Montupet Light Metal Casting | GF Linamar



Linamar Seissenschmidt Forging

Market Concentration Balanced

Industrial

Mobile Industrial Equipment | Fabricated Assemblies

Sales

25%

OE

42%

ACCESS
16.7%



AGRICULTURAL
8.3%



Transportation

Engine | Transmission | Driveline | Body

Sales

75%

OE

58%



AUTOMOTIVE
68.9%



OFF-HIGHWAY
2.3%



**COMMERCIAL
VEHICLE**
3.8%

Diverse Core Capabilities



Metal Forming

- Robotic Welding
- Laser cutting
- Metal Forming
- Stamping
- Painting
- Assembly



Machining & Assembly

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



Forging

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



Light Metal Casting

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

Diverse Key Products

Industrial

SKYJACK



MacDon



Transportation

Engine



Transmission



Body & Chassis



+GF+ 

Driveline



Key Market Strategies - Flexible & Opportunistic



Transportation

- Increase CPV in BEV, HEV, FCV
- Mine opportunistic ICE market as volumes decline but addressable market increases
- Grow integrated casting and forging business
- Light weighting and noise reduction



Infrastructure

- Globalize and expand product lineup in all 3 regions



Food

- Build on MacDon acquisition as the foundation from which to expand global ag business overall



Power, Water, Age

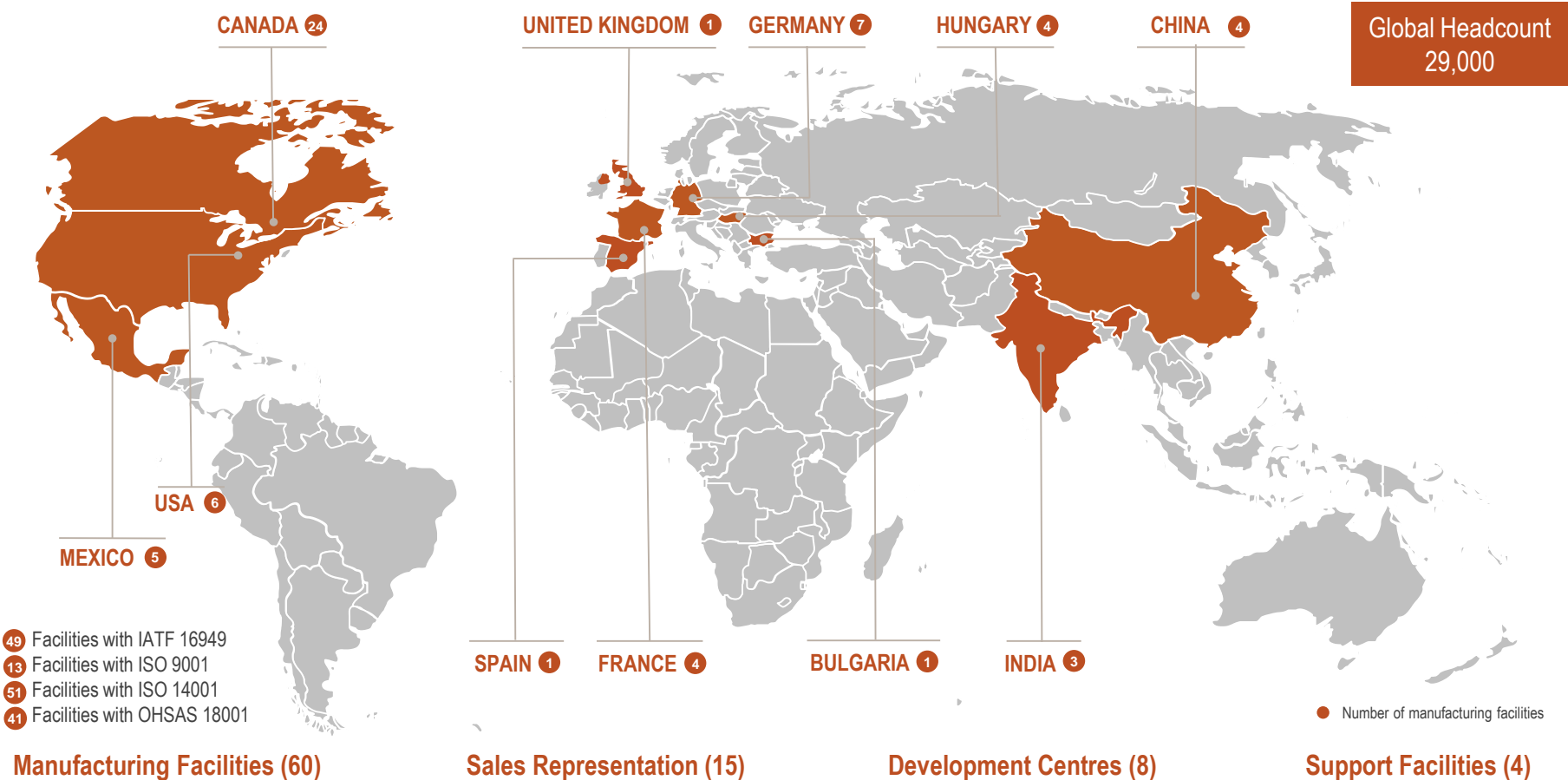
- Invest lightly in the short term
- Focus on Advisory Councils, research markets, develop strategy
- Target 5-7 year intervals for major diversifications



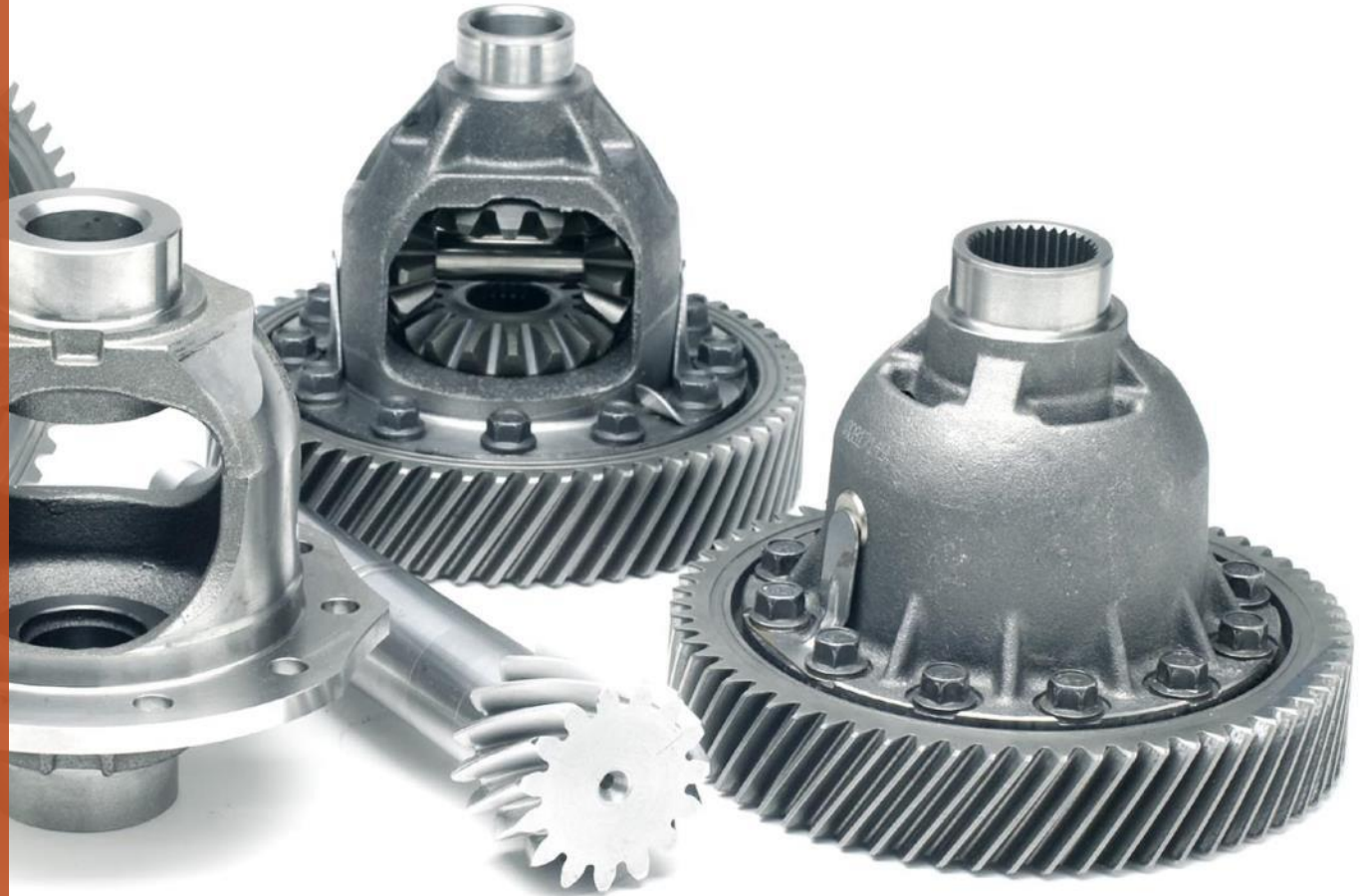
Overall

- Expand Asian footprint
- Focus primarily on Greenfield growth subsequent to MacDon acquisition with some smaller acquisitions to enhance technology offering
- Focus on Innovation to drive growth

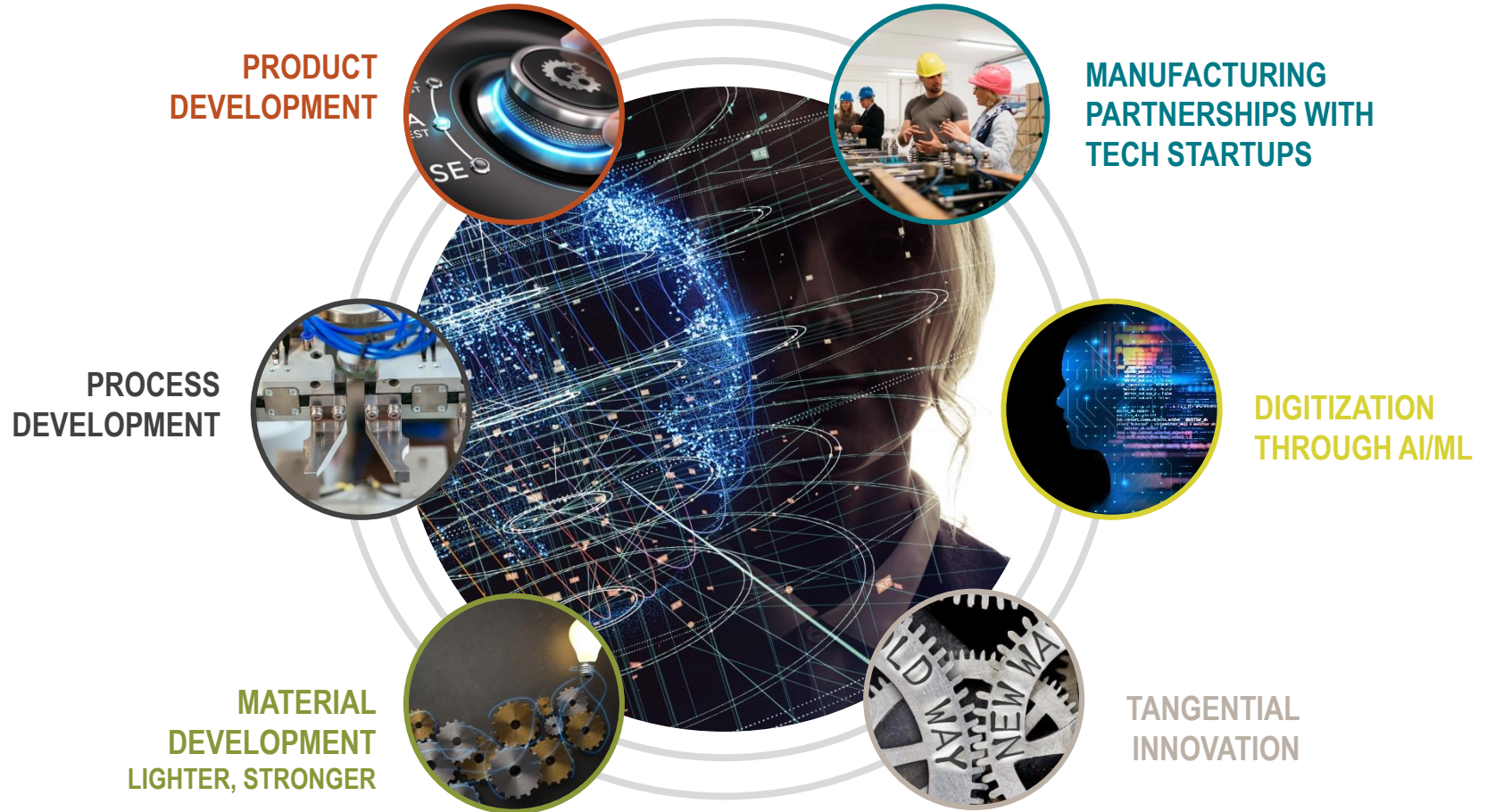
Strong Global Footprint



Innovation – Driving the Advanced Manufacturing Agenda



Broad Innovation Strategy



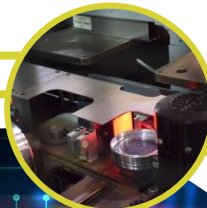
ADVANCED ROBOTICS

Development of advanced collaborative robots to drive more efficient and safer automation



VISION SYSTEMS

Evolving vision systems to more accurately gauge & inspect products for better product integrity



DATA COLLECTION

1. Creation of data collection & analysis systems to identify ways to improve equipment uptime, improve tool life & reduce cycle times
2. Utilizing sensors within products to drive product design improvements or enable product operational improvements through telematics



ADDITIVE MANUFACTURING (3D PRINTING)

Identify applications today (proto, tooling), develop for future production potential



PREDICTION & ANALYSIS

Assessing other processes of analysis & prediction that can be more efficiently & accurately done by machine



60

Plants



2,845

Connected Machines



2,201

LMMS Data
Collection Connections

1,699

RFID Stations



1,825



Traceability Read Stations

2,921

Robots



909



Vision Systems

824

Traceability
Marking
Stations



8

AGVs



Quarter Highlights



■ Evolution Through Bold Innovation

- LMMS implementation world leading in connected machines
 - Production Monitoring: Real-time & Historical insights
 - 2,845 machines connected to date
 - LMMS has already collected millions of rows of data
- New Business Wins and quoting activity at record levels
 - \$ NBW up 13% vs last year to reach new record, launch book at nearly \$4.4 Billion
 - Great growth internationally with > 60% of NBW non NA
- Record CPV achieved in 2018 for each of NA, EU and Asia
- Continued market share growth for Skyjack, notably in Europe
- Strong results for MacDon

■ Accountability & Global Bench

- MacDon integration proceeding very well
- Internal promotions to key positions trending up and turnover trending down
- 2 new LEAP candidates chosen to begin program
- >600 apprentices globally and trend showing positive momentum

■ Systems & Simplify

- Top line growth of 10% fro the quarter, 16.4% for the year
- Normalized OE growth flat for quarter but up 10.8% for the year
- Outlook solid for another record year in 2019 of mid to high single digit growth to top and bottom line respectively

Sales, Earnings, and Margins (in millions CAD)



	Q4 2018	Q4 2017	% Δ	2018	2017	% Δ
Sales	1,732.0	1,574.5	10.0%	7,620.6	6,546.5	16.4%
Operating Earnings ("OE")	171.1	158.2	8.2%	819.9	707.9	15.8%
Operating Margin	9.9%	10.0%		10.8%	10.8%	
OE – Normalized ¹	158.9	160.8	(1.2%)	807.6	728.9	10.8%
OE – Normalized Margin	9.2%	10.2%		10.6%	11.1%	
Net Earnings ("NE")	124.5	135.1	(7.8%)	591.5	549.4	7.7%
Net Margin	7.2%	8.6%		7.8%	8.4%	
NE – Normalized ²	115.4	122.0	(5.4%)	583.8	551.5	5.9%
NE – Normalized Margin	6.7%	7.7%		7.7%	8.4%	
EPS – Normalized ⁵	1.75	1.85		8.82	8.35	

Q4 2018

- Sales up 10%
- OE up 8.2% but flat when normalized
- NE down 7.8% tempering to a decline of 5.4% when normalized
- NE normalized margins 6.7% vs 7.7% a year ago
 - Note after tax interest costs .6% of sales vs .2% a year ago ie half of margin difference

Full Year 2018

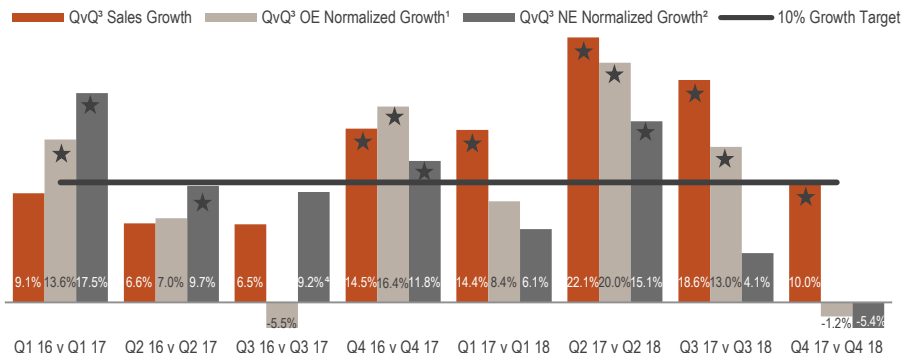
- Sales up 16.4%
- Normalized OE up 10.8%
- Normalized NE up 5.9%
- 9th consecutive year of double digit earnings growth at either NE or OE level

Helped By:

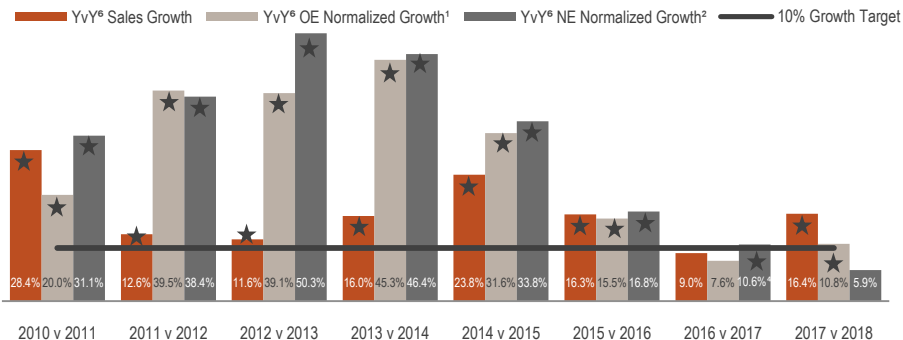
- MacDon performance
- Growth at Skyjack
- Strong launches in Transportation

Hurt By:

- Production cuts at key customers in Europe due to lower diesel engine demand and continued WLTP issues
- Higher commodity costs in industrial segment
 - Being addressed with price increases in place by Jan 1, 2019
- Production cuts in China
- Increase in launch costs due to heavy launch activity globally
 - Will normalize in 1-2 quarters



1 – Operating Earnings before unusual items and foreign exchange impacts from revaluation of the balance sheet.
 2 – Net Earnings before unusual items and foreign exchange impacts from revaluation of the balance sheet, tax effected.
 3 – Quarter versus quarter ("QvQ") indicates year over year comparison of two of the same quarters.



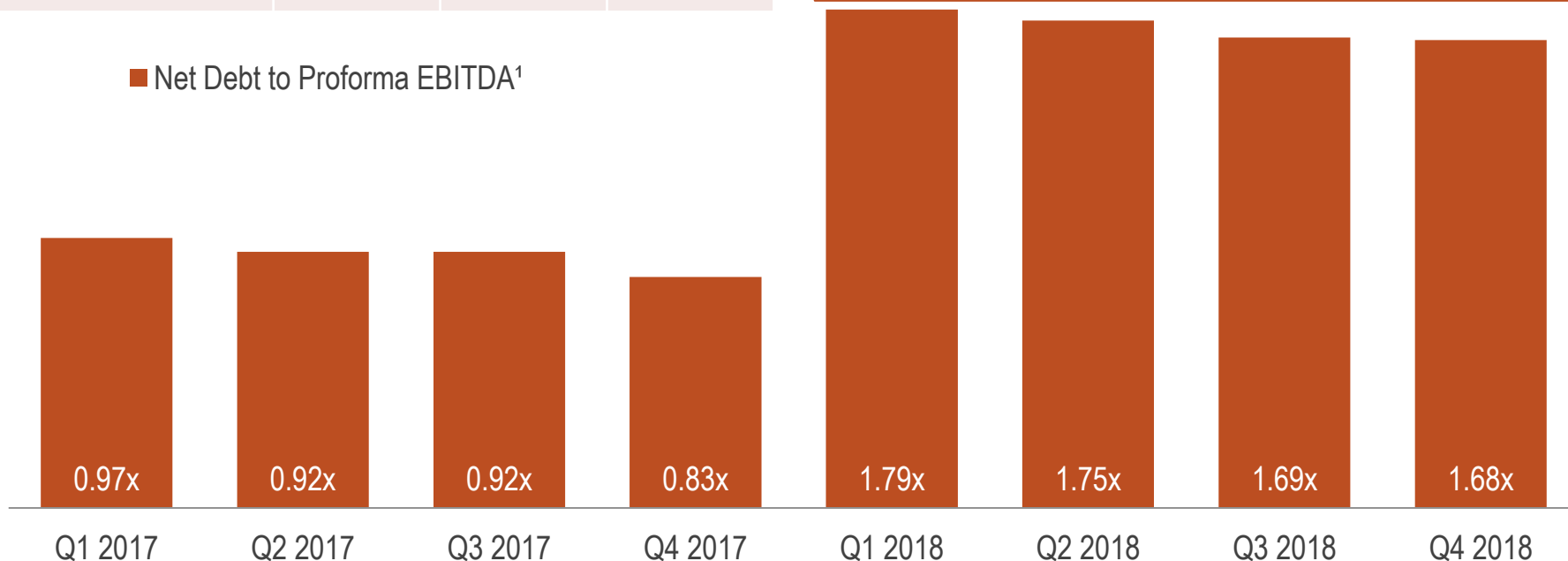
4 – Net earnings before unusual items, non-recurring items and foreign exchange impacts from revaluation of the balance sheet, tax effected.
 5 – Earnings per share (EPS) before unusual items and foreign exchange impacts from revaluation of the balance sheet, tax effected.
 6 – Year versus year ("YvY") indicates year over year comparison.

Leverage (in millions CAD)

	Q4 2018	Q3 2018	Q4 2017
Net Debt	2,016.5	2,067.4	865.0
Net Debt to Proforma EBITDA ¹	1.68x	1.69x	0.83x

- Leverage continues to improve
- Net Debt back under 1x EBITDA by late 2019

■ Net Debt to Proforma EBITDA¹



1- Proforma EBITDA includes rolling last 12 month EBITDA on acquisitions.

2019 Annual Outlook

	Normal Ranges	2018 Actuals	Expectations
Consolidated			2019
Sales Growth			Mid Single Digit
Normalized Operating Earnings Growth			High Single Digit
Normalized Net Margin	7.0% to 9.0%	7.7%	Expansion to 7.75% to 8.25%
Capex (% of Sales)	6.0% - 8.0%	7.1%	Low End Range Down in \$ and % from 2018
Leverage -- Net Debt: EBITDA		1.68	Under 1x

Industrial			2019
Sales Growth			
Skyjack			High Single to Low Double Digit
MacDon			Flat to Slightly Up
Operating Margin	14.0% - 18.0%	17.1%	Moderate Margin Expansion

Transportation			2019
Factors Influencing Sales Growth			
Launch Book \$4.4 Billion Driving Incremental Sales Of:			\$900m to \$1,100m
Business Leaving (% Consolidated Sales)	5.0% - 10.0%		High End Range
Operating Margin	7.0% - 10.0%	8.4%	Margin Expansion

Q1 Expectations

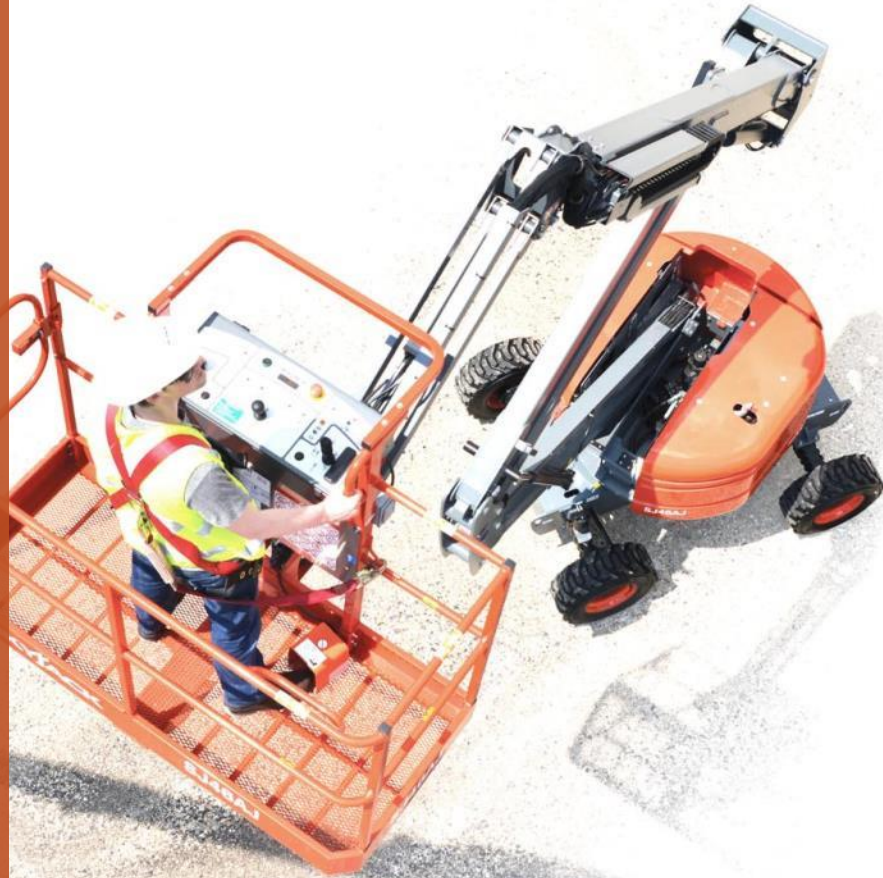
- **Skyjack** has a strong backlog but seeing certain large NA customers shifting orders from Q1 to Q2. No impact to full year results are expected but **expect softer Q1 and stronger Q2 than normal seasonal patterns.**
- **WLTP** situation will continue into Q1 – **expect a softer first half in Europe as a result**
- **China LV market** is expected to be **under continued pressure in first half**
- **Launch Impact:**
 - Continued margin pressure from **launch costs** due to heavy launch activity in the Transportation segment
 - **Continued transition impact** from unabsorbed costs as mature programs ramp down and replacement launching programs ramp up both underutilizing assets and overhead
 - Both impacts will **normalize over the next couple of quarters**

2019	Transportation		Agriculture	Industrial
	Automotive (LV)	Commercial Truck		
North America	Flat	Flat	Moderate Growth	Growth
Europe	Flat	Growth	Flat	Moderate Growth
Asia	Flat	Decline	Flat	Decline

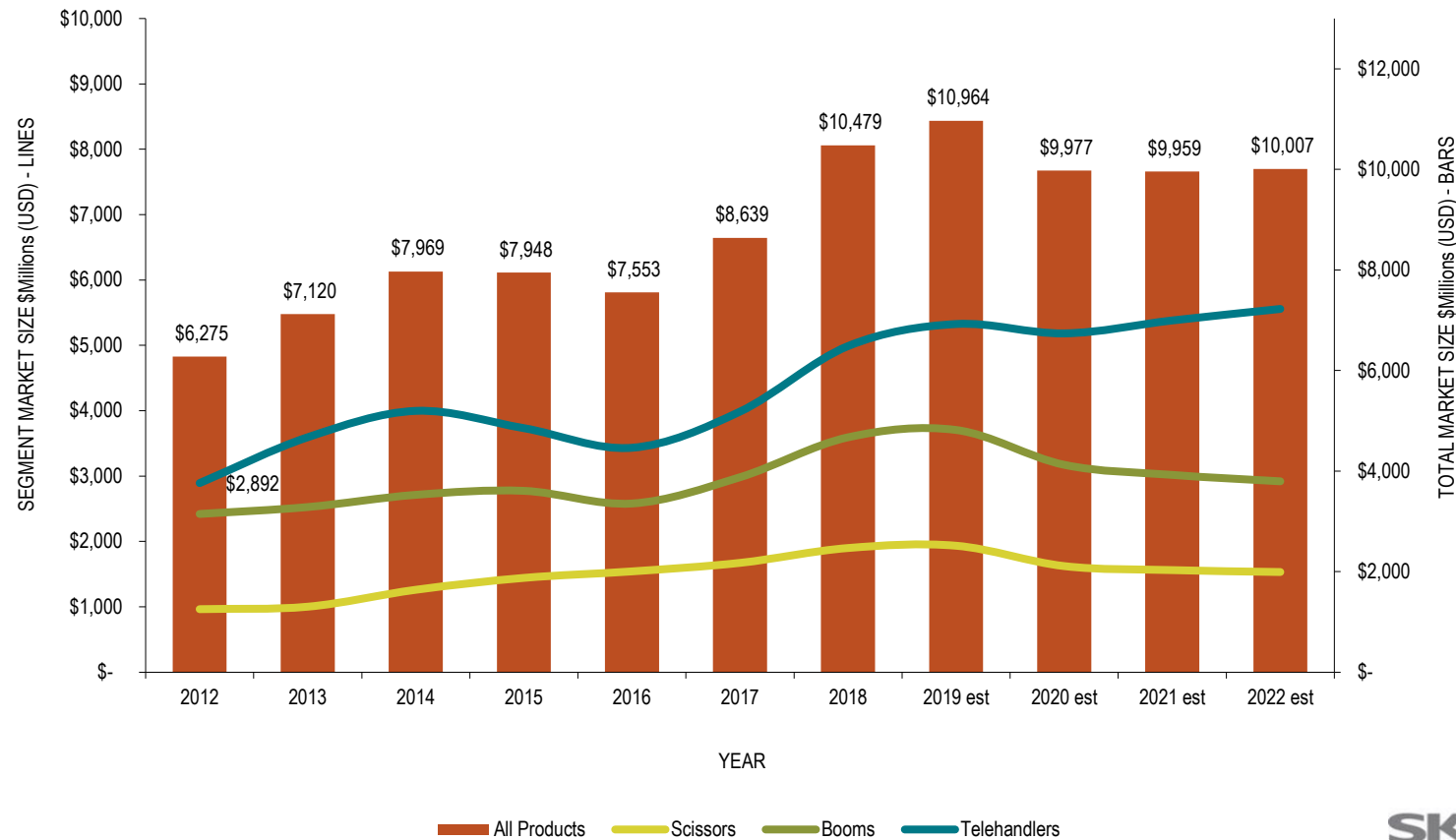
LEGEND	Ranking	Score	Growth Expectation
	Decline	0.00	<-2%
	Flat	1.00	Between -2% and 2%
	Moderate Growth	2.00	>2%, <=5%
	Growth	3.00	>5%, <15%
	Strong Growth	4.00	>=15%

*Note this is a MARKET outlook, NOT a prediction of Linamar's growth in each market. Growth is highly influenced by market share growth expectations as illustrated on the launch and market share slides in this ppt.

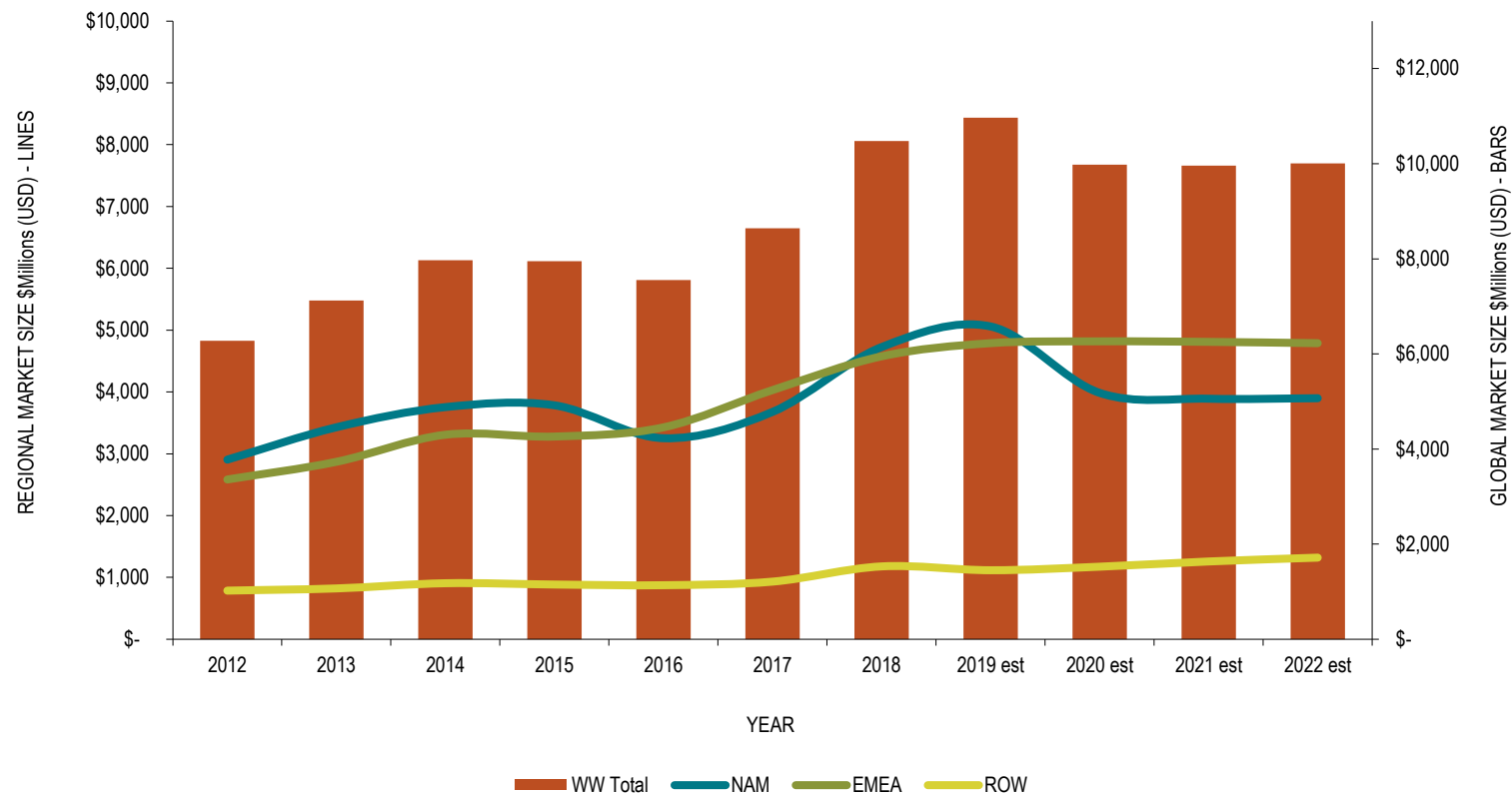
Infrastructure



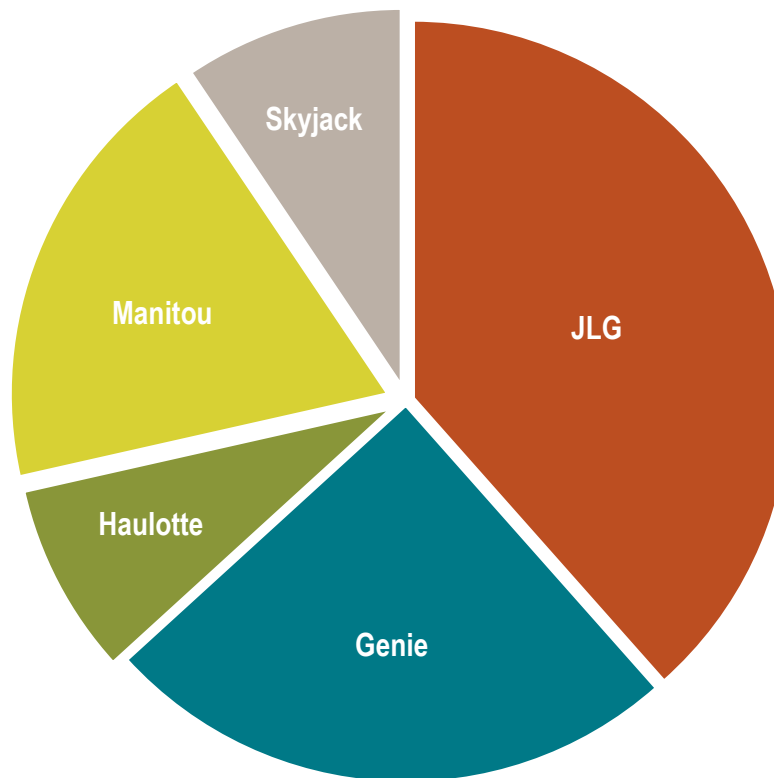
Access & Material Handling Equipment – Product Mix



Access & Material Handling Equipment – Geographic Mix



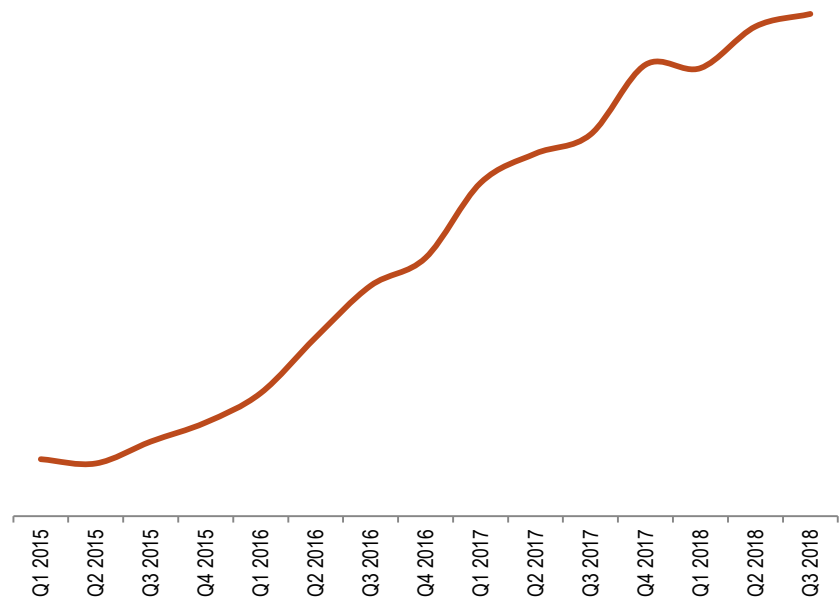
2018 Global Market of \$10.3 Billion



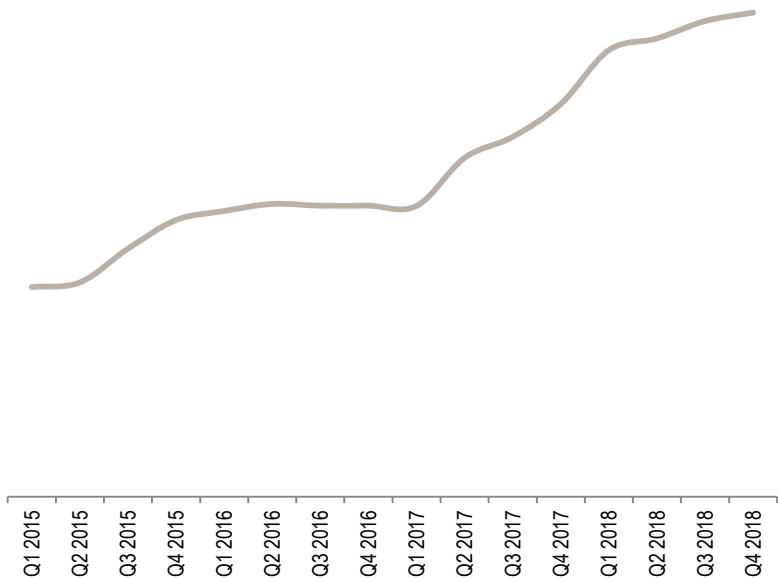
Market Share Penetration - Key Growth Driver

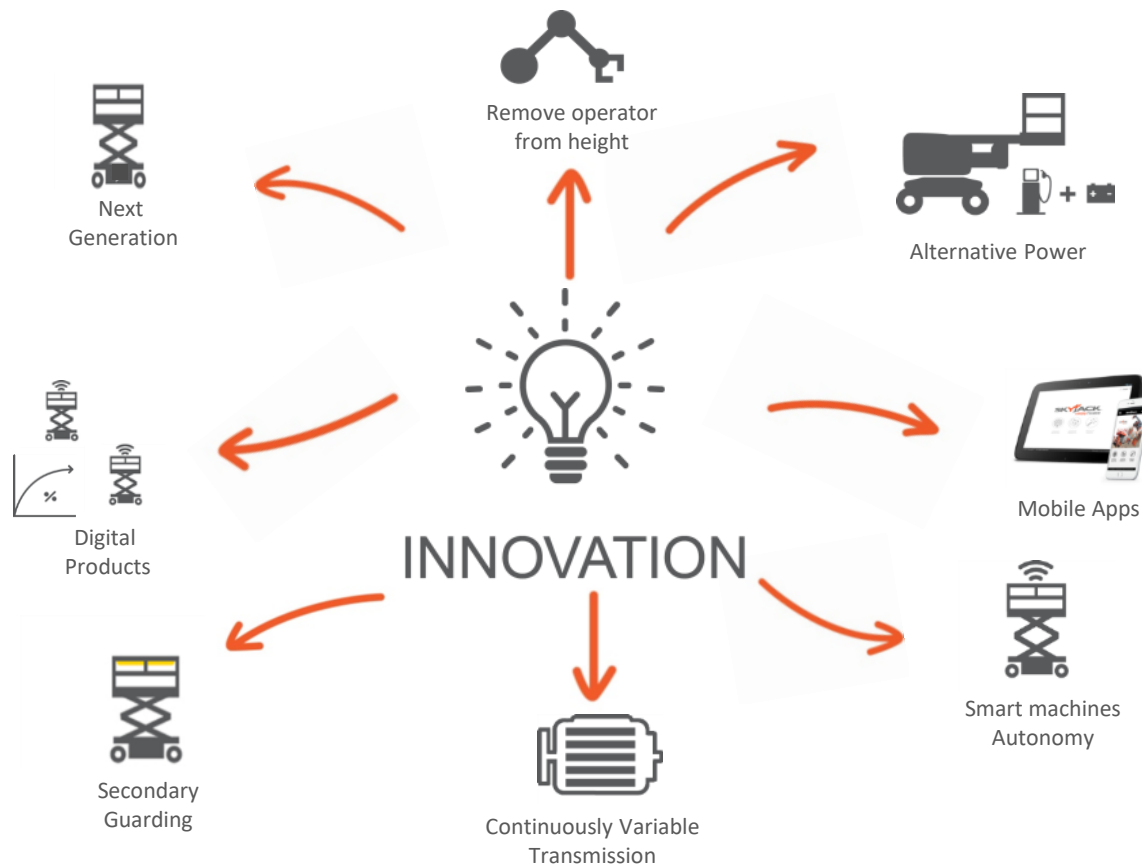


Telehandler Market Share (NA Only)



Boom Market Share (Global)





Food Agriculture



MacDon Industry Leading Business and Market Share



Strong Market Position in Key Product Categories



Combine
FlexDraper®
Headers

Rigid
Draper
Headers

Self-Propelled
Windrowers
(mid-horsepower)

North American
Estimated Market Position

#1

#1

#1

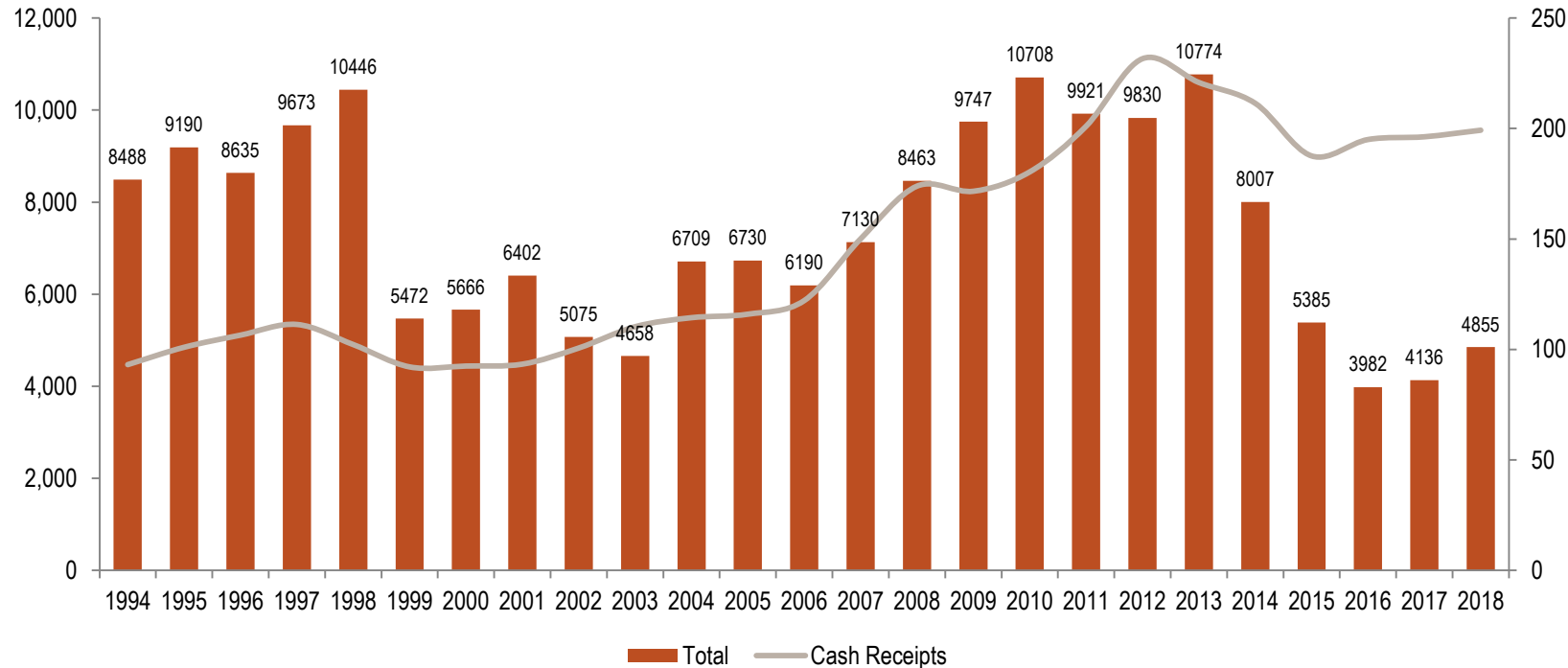
MacDon

Total US Combine Sales Historical Market

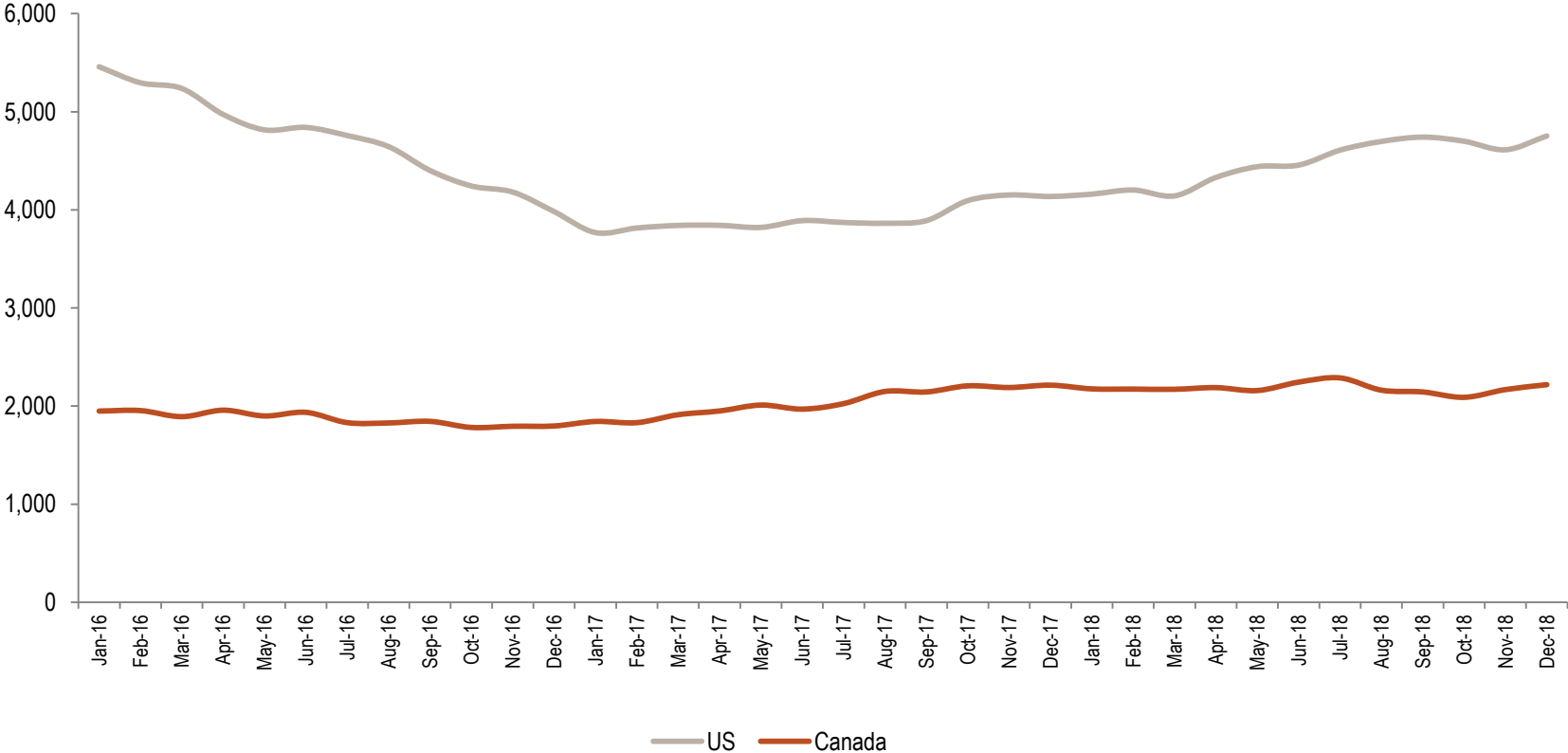


Combine Sales

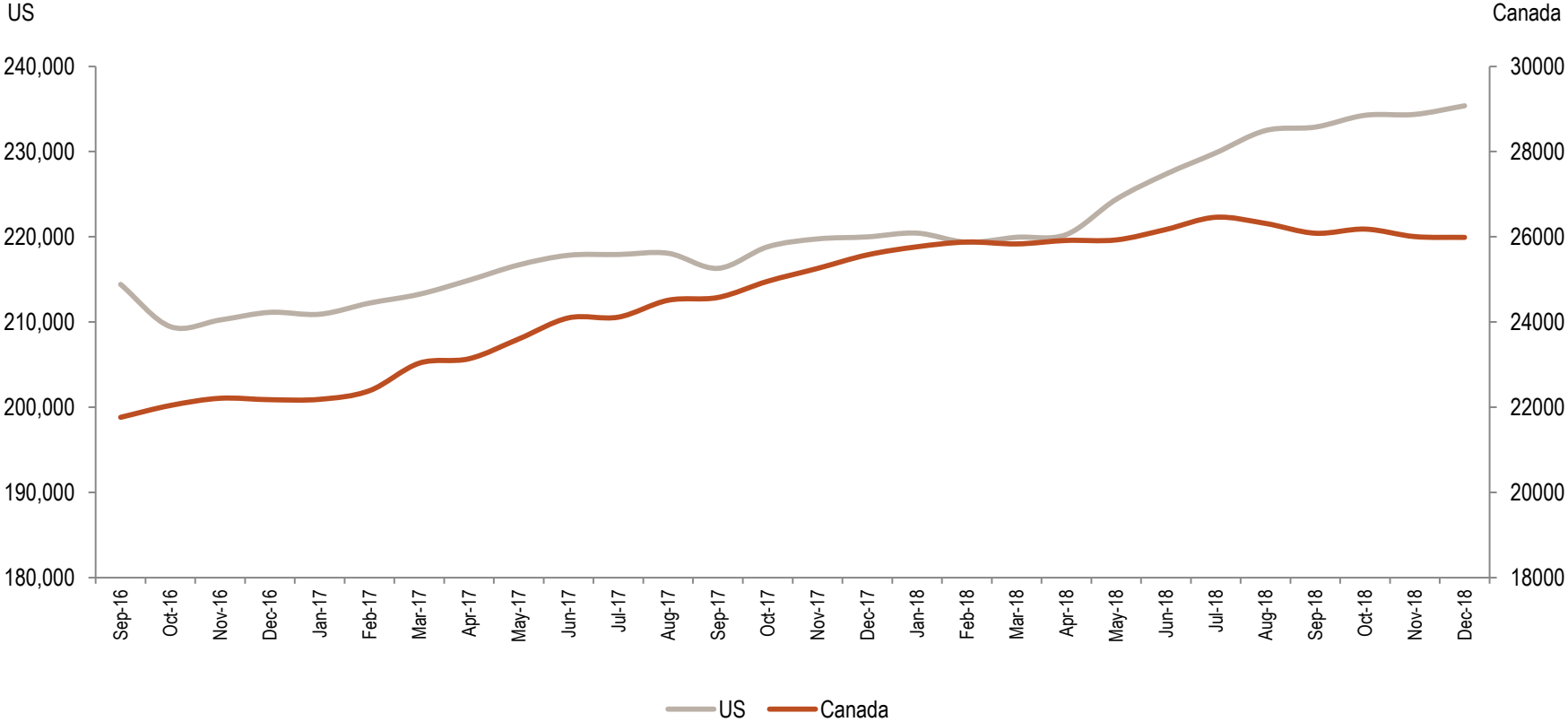
Cash Receipts
(millions)

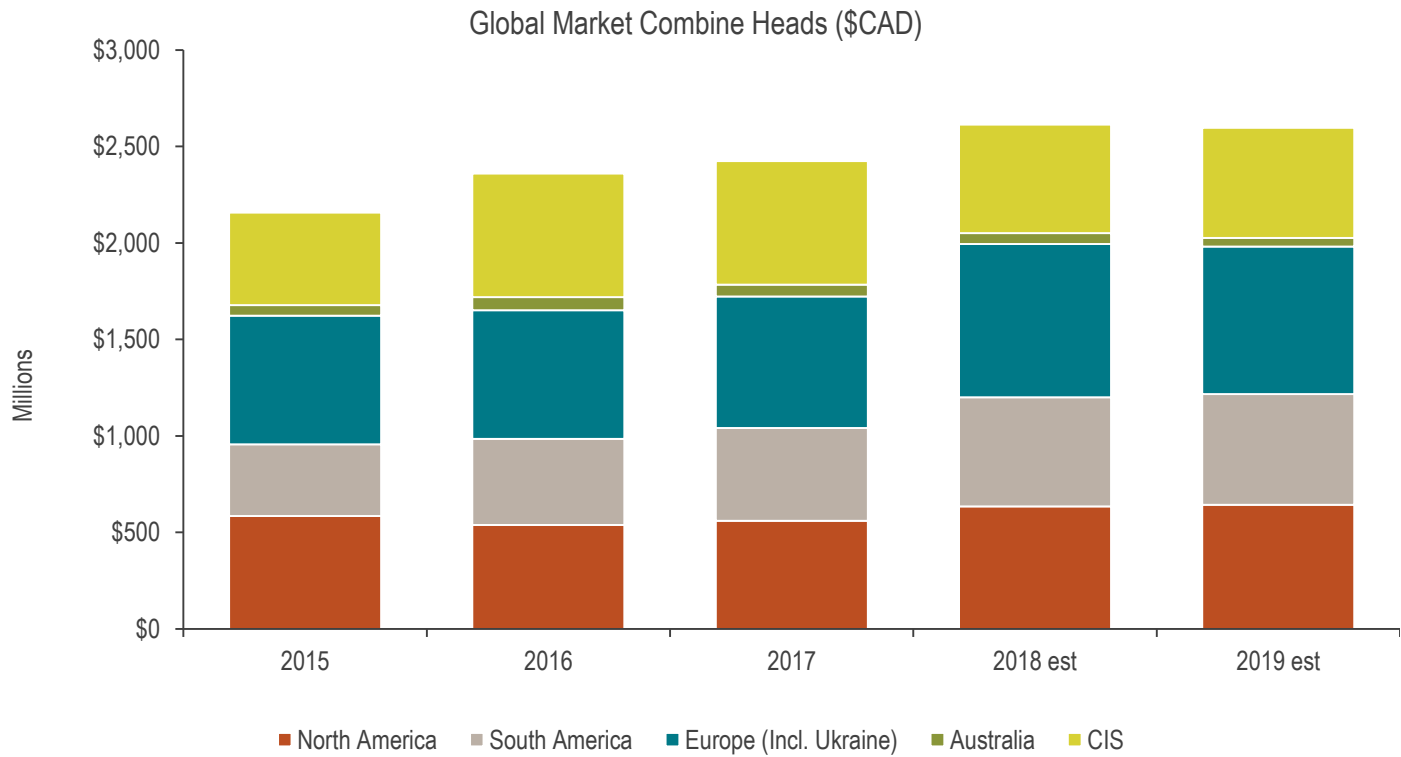


North America Combine Market Recovering



North America Tractor Market Rebounding





Agriculture Strategic Road Map



- Technology supported by over 100 unique patents with an additional 30+ unique patents pending globally, and a permanent technology-focused staff of 110

FlexDrapers® & Rigid Drapers



- Higher cutting speeds
- Structural changes to improve manufacturability, maintainability, durability, and reliability
- Improved cutterbar visibility
- Reduced seed loss
- Higher capacity (improved efficiency)

Self-Propelled Windrowers



- Industry leading road speeds
- Improved crop flow and windrow formation
- Improved lift and float of headers
- Structural changes to improve manufacturability, maintainability, availability, and reliability
- Improved operator comfort and interface

Hay Products



- Market leading transport system
- Broader range of conditioning options
- Structural changes to improve manufacturability, maintainability, durability, and reliability
- Improved crop flow and windrow formation
- Improved performance in challenging conditions

Continuously Setting the Standard in Specialized Harvesting Technology

Transportation

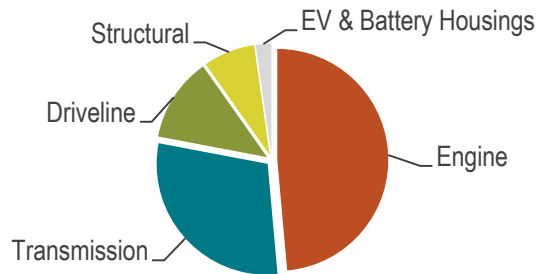


TOTAL GLOBAL POWERTRAIN / DRIVELINE MARKET

Global Market	2018	2021	2030
Light Vehicle	\$374 B	\$389 B	\$431 B
Commercial Truck & Off Highway Vehicle	\$129 B	\$123 B	\$130 B
Total:	\$502 B	\$512 B	\$ 561 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
- Commercial Vehicle (CV) and Off Highway market size includes value for systems >50 HP



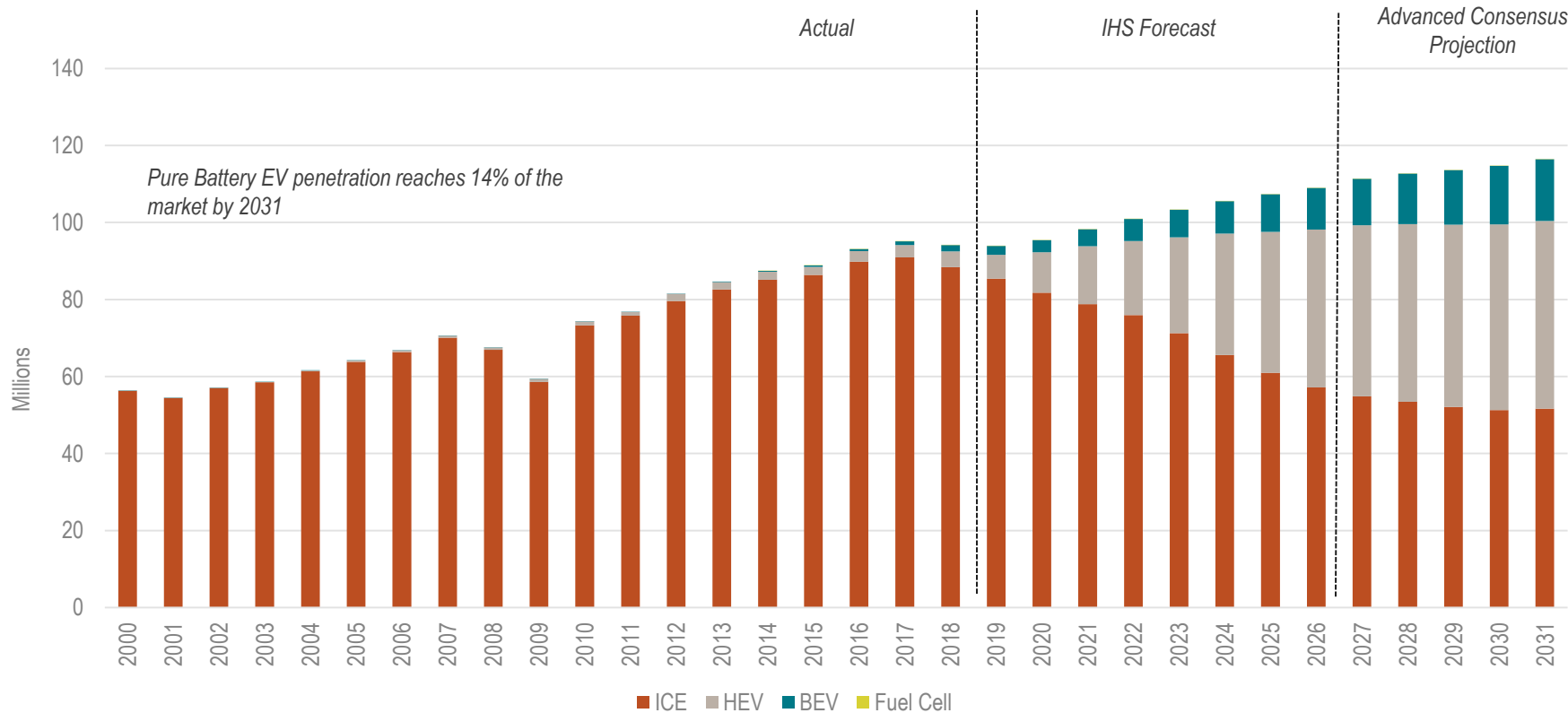
Competition:

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

Drivers of Outsourcing:

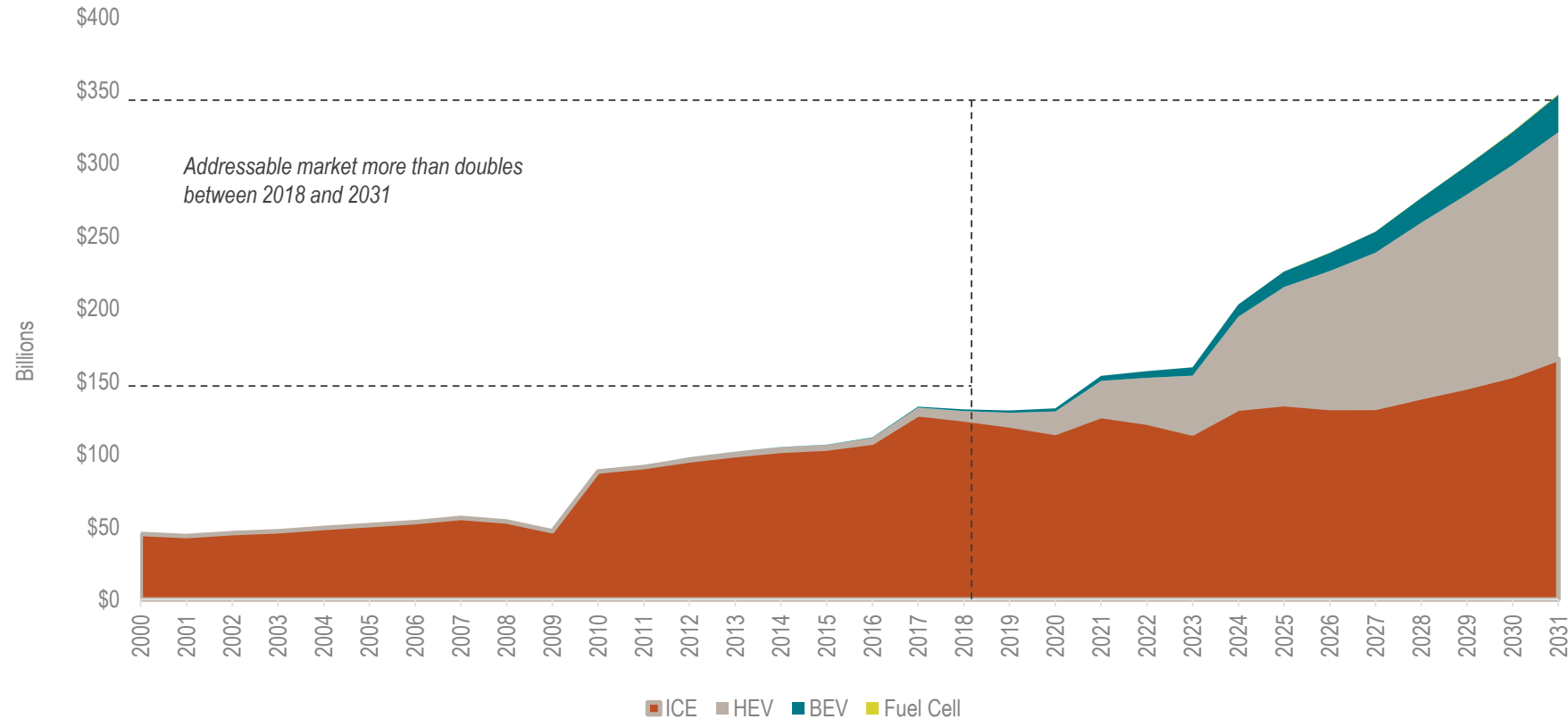
- Increases variability of cost base for OEM
- Machining and assembly highly capital intensive – saves OEM capital
- Outsourcing to an expert in that process/product should result in better technology, quality and price

Global Light Vehicle Production Growing

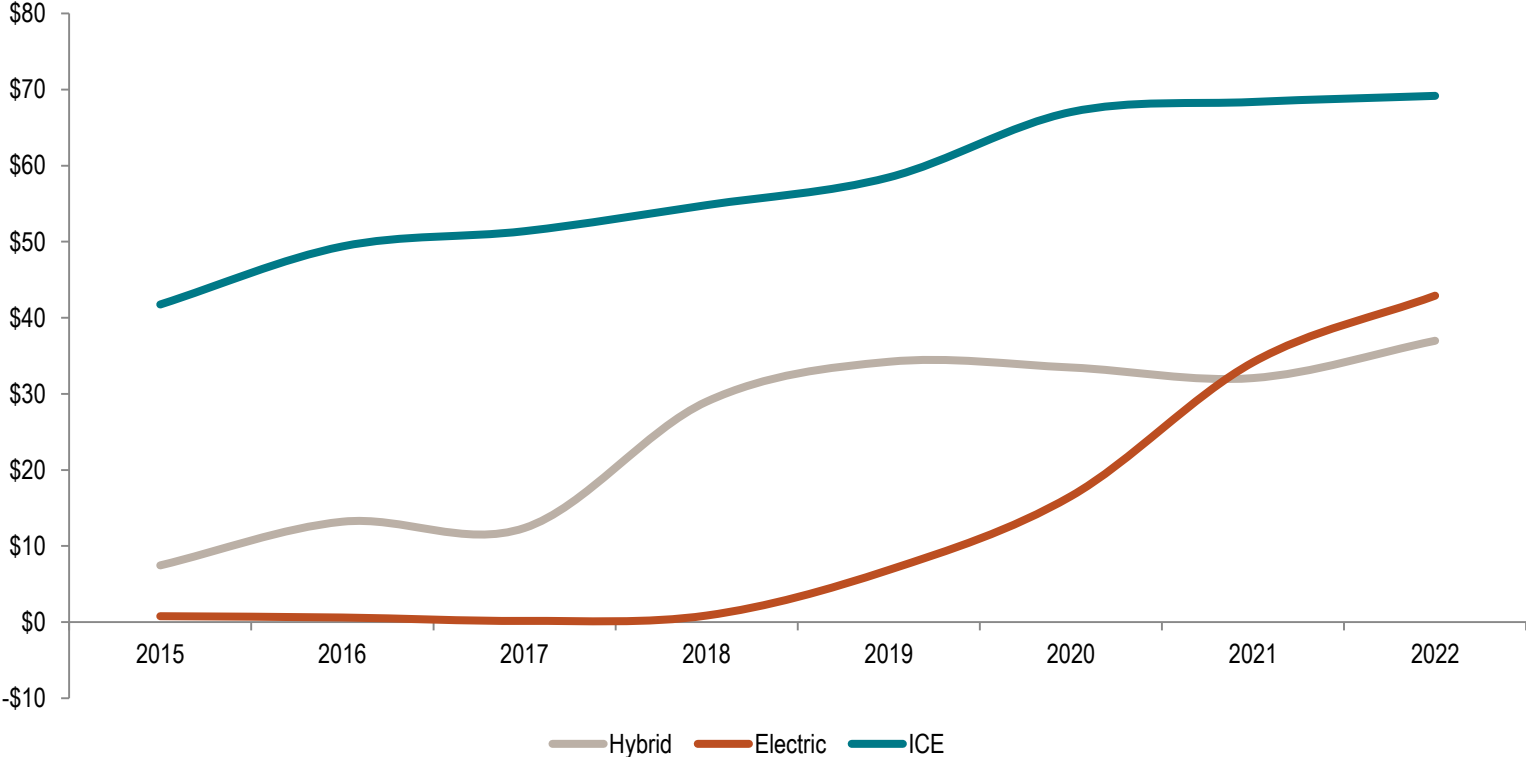


Source
IHS Forecasting 2000-2026 Advanced Consensus Projection 2026-2031
ii) Production Share of Technologies by 2031 of ICE 44%, HEV 42%, EV 14%, Fuel Cell 0.1%. (Based on Consensus Average of External Industry Expert Forecasts for EV adoption, Updated Q1 2019)

Global Total Addressable Market



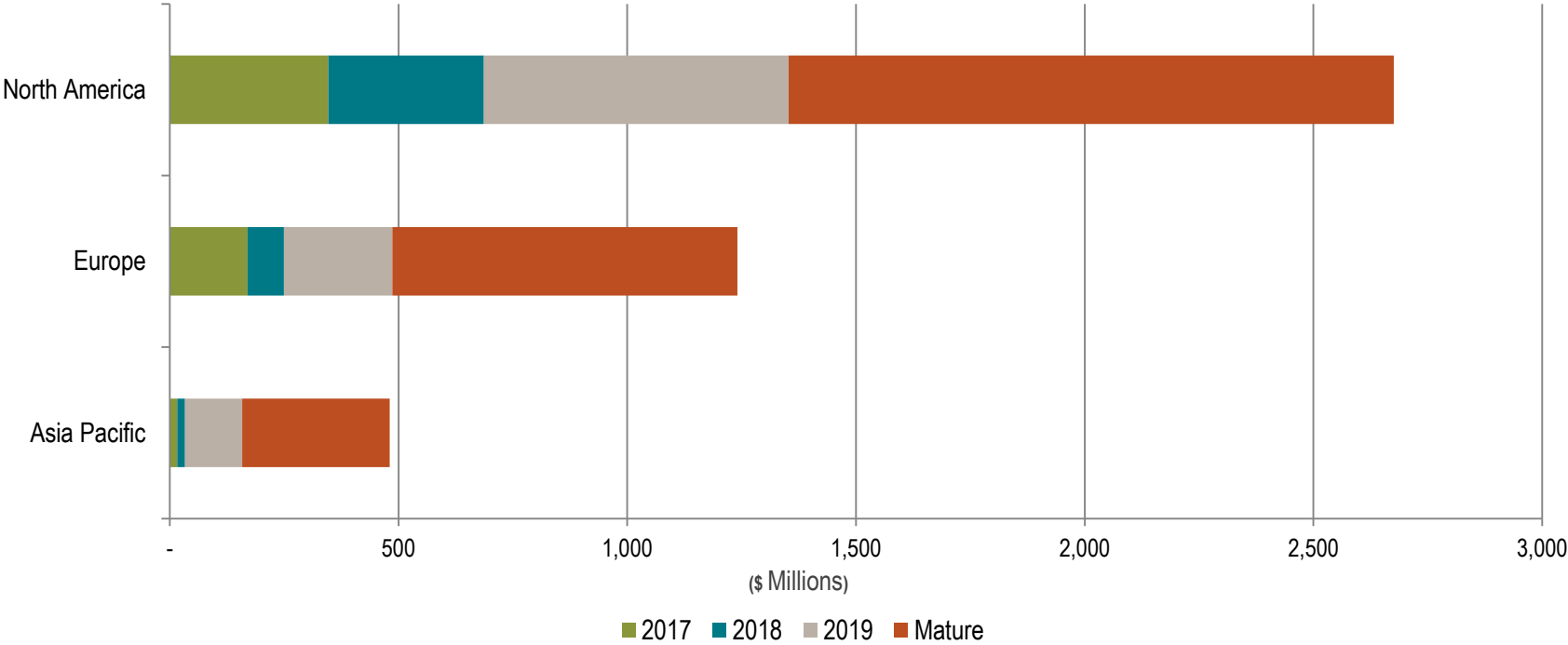
Content Today on Electrified Vehicles Growing Quickly



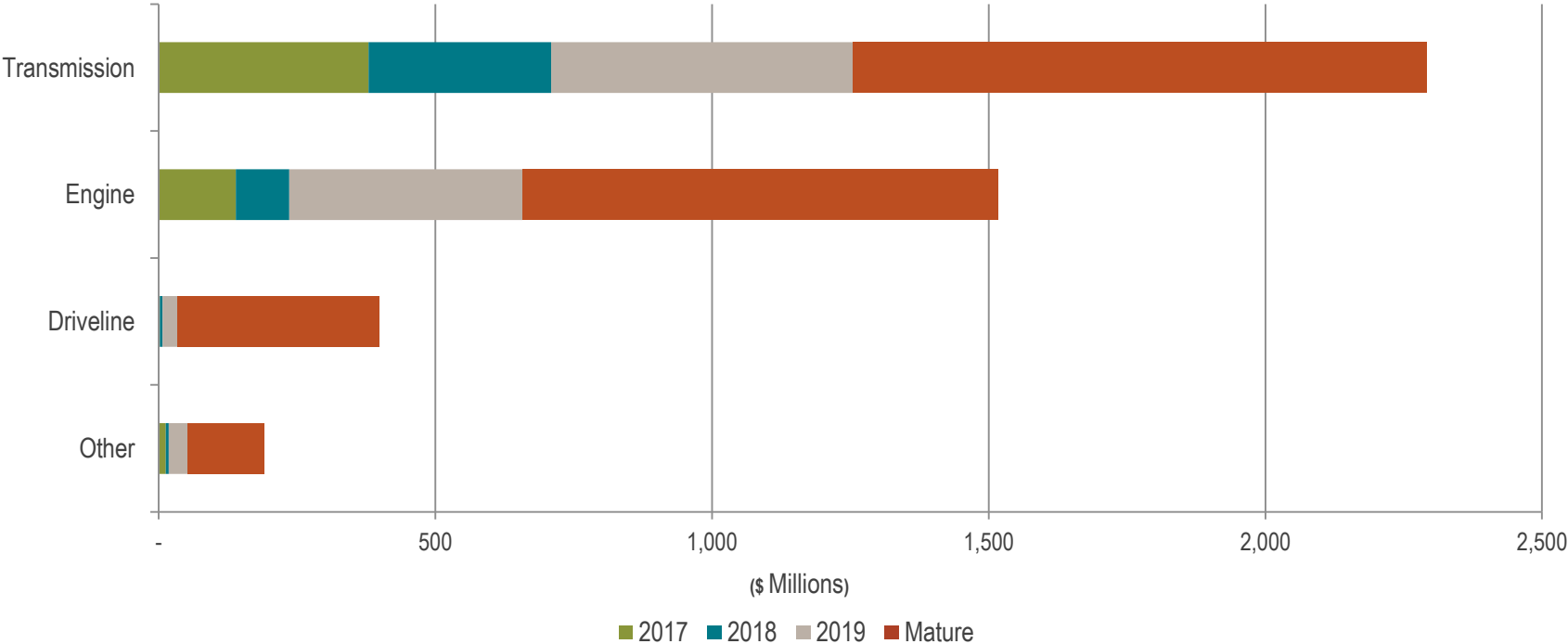
Global Launch Review – Geographic Mix



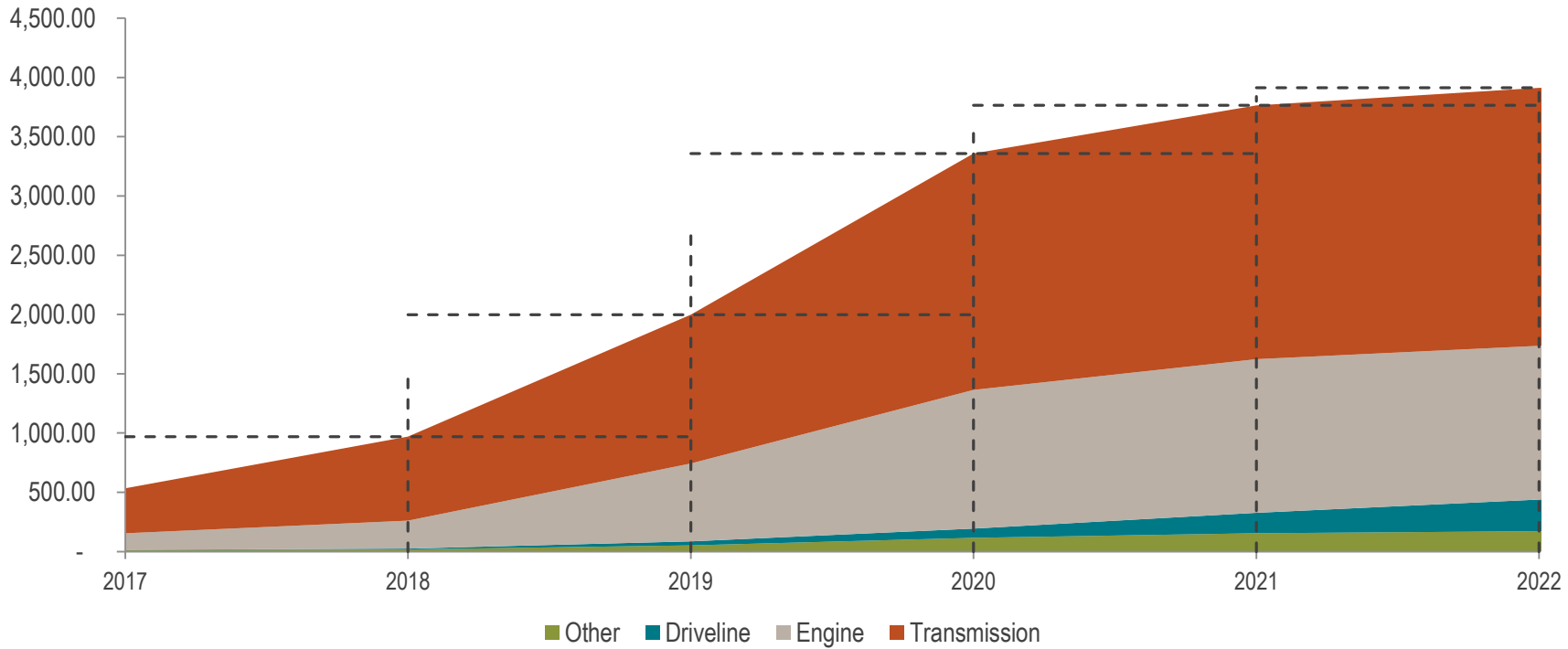
Launching nearly \$4.4 billion of new work today



Launching nearly \$4.4 billion of new work today



Launching nearly \$4.4 billion of new work today



Sales from Launch add:

\$900 Mill to \$1.1 Billion in 2019

3 - Internal Combustion Engine (ICE)



- Focus on Light Weighting, Fuel Efficiency, Emissions Reduction solutions which offer a unique value to customers.
- Leverage global footprint, vertically integrated capabilities and manufacturing reputation to benefit from increased OEM Powertrain Outsourcing.

Hybrid Vehicle (HEV)



- Continue to increase Content Per Vehicle on Hybrid Electrics as it will be an important bridging technology to pure Battery Electric
- Offer solutions focused on increased power density, Noise Vibration Harshness (NVH), light weighting.

1 - Electric Vehicle (BEV) & Fuel Cell EV (FCEV)

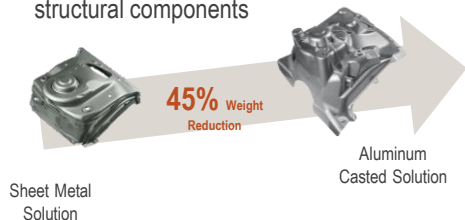


- Strong organizational focus on integrated eAxle technology solutions
- Provide Light Weight Aluminum and Magnesium Body & Structural Castings
- Look to augment eAxle offerings for Fuel Cell Vehicle (FCV) applications, which could play a key future role in market

Linamar objective is to pursue content in all Propulsion categories in order to be well positioned for multiple technology adoption scenarios.

Lightweighting Solutions

- Using unique manufacturing processes, materials, and designs to produce lightweighting solutions that achieve fuel efficiency & CO2 reduction
- Ex. High pressure die-casting for structural components

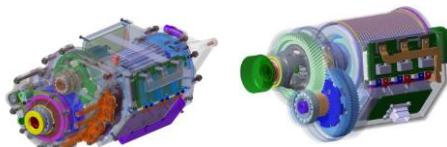


- Ex. Adapting forging gear designs & processes to achieve near net shape



Innovation in Design, Development, and Manufacturing

- Innovative design & engineering solutions to provide cost effective solutions to OEMs
- Ex. Fully integrated eAxle systems for hybrid & electric vehicles



- Ex. Integrated hydroformed assembled camshaft within one-piece cast aluminum carrier housing with unique-to-Linamar manufacturing process



Green & Connected Vehicles

- Utilizing Linamar product and engineering expertise to find solutions in disruptive markets and technologies
- Ex. Vehicle to vehicle communication for smart all wheel drive capabilities delivering information over dedicated short range communication



Asphalt

Ice

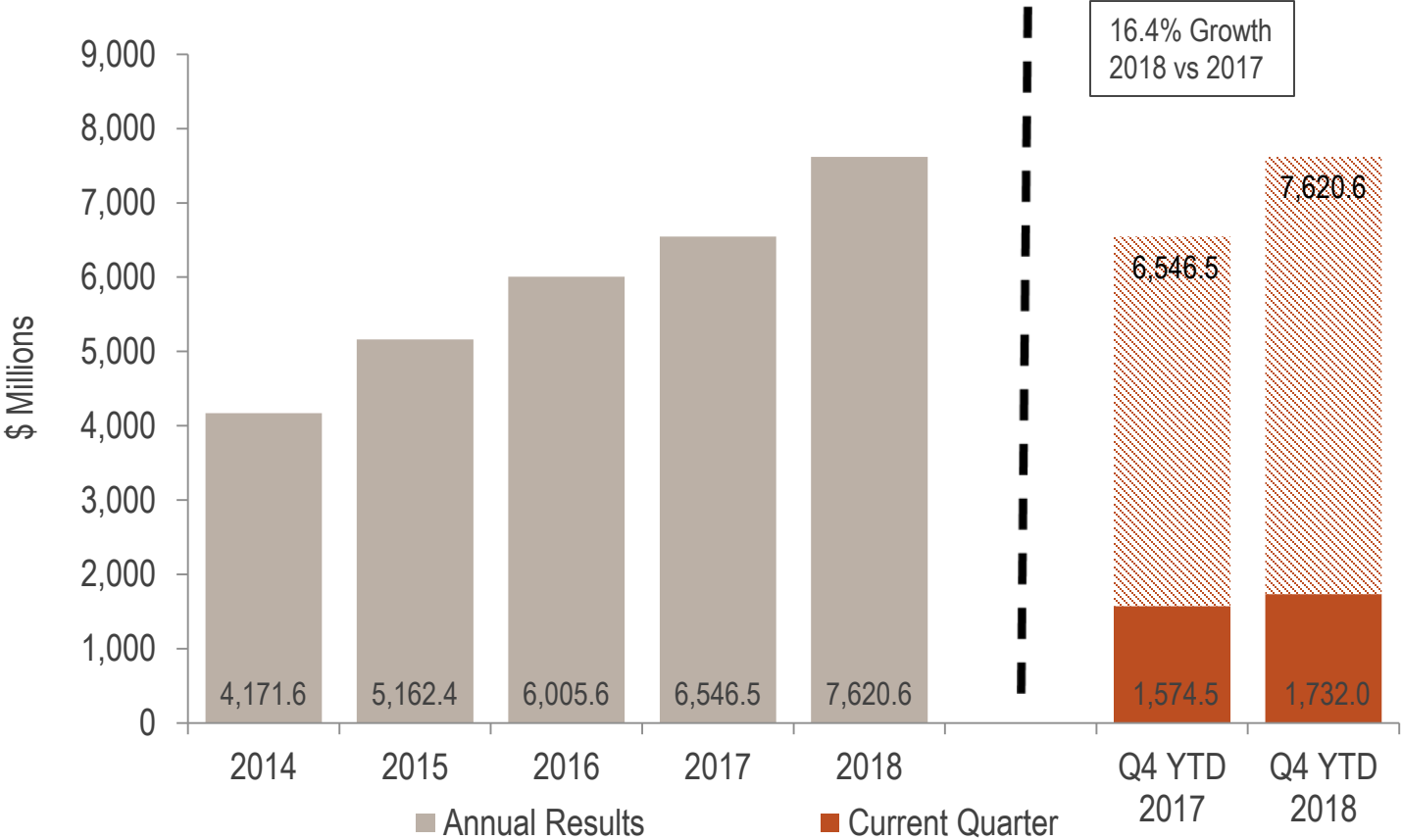
- Ex. Engineering & manufacturing next generation hydrogen storage tank for alternative fuel solutions



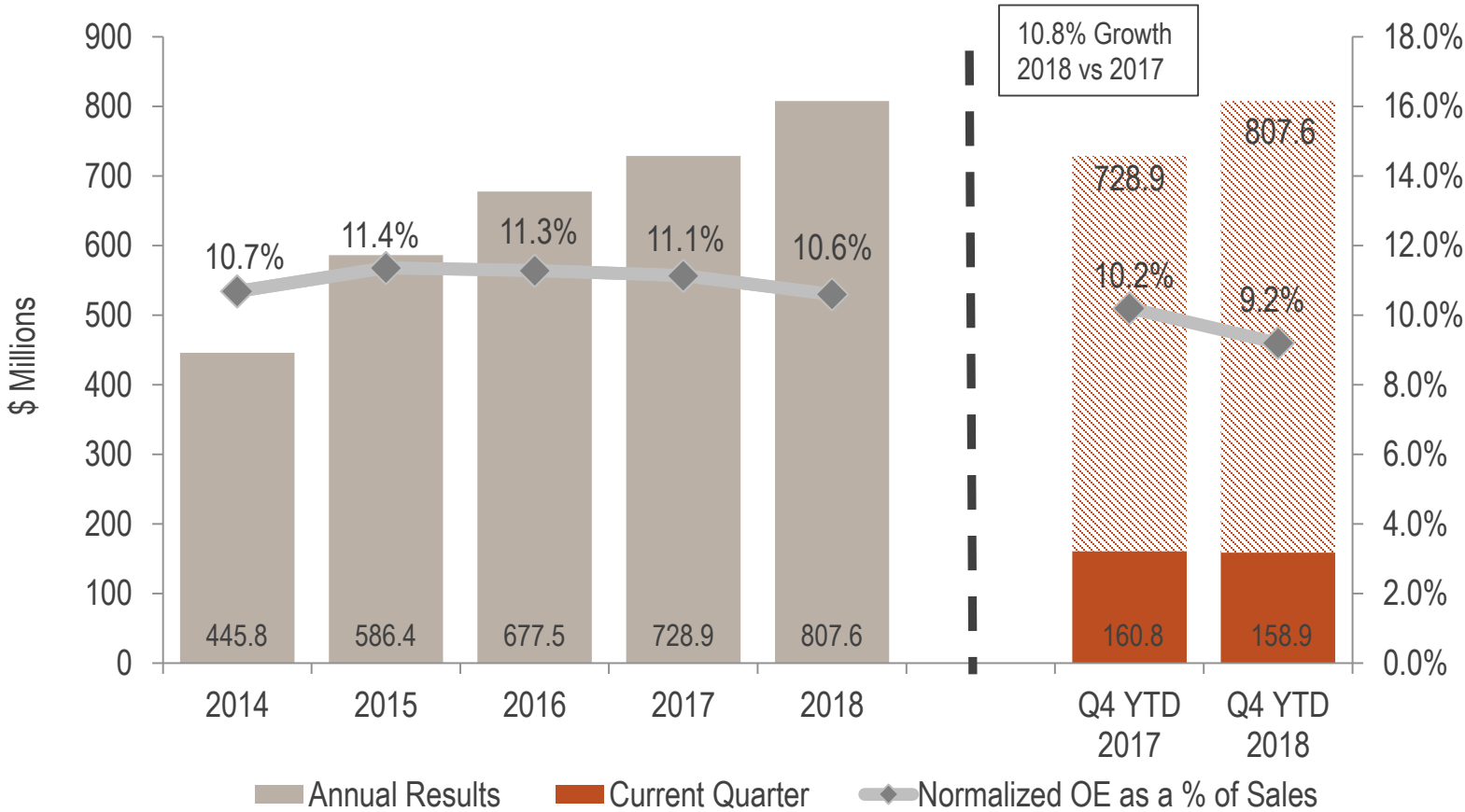
Financial Review



Yearly Sales Growth

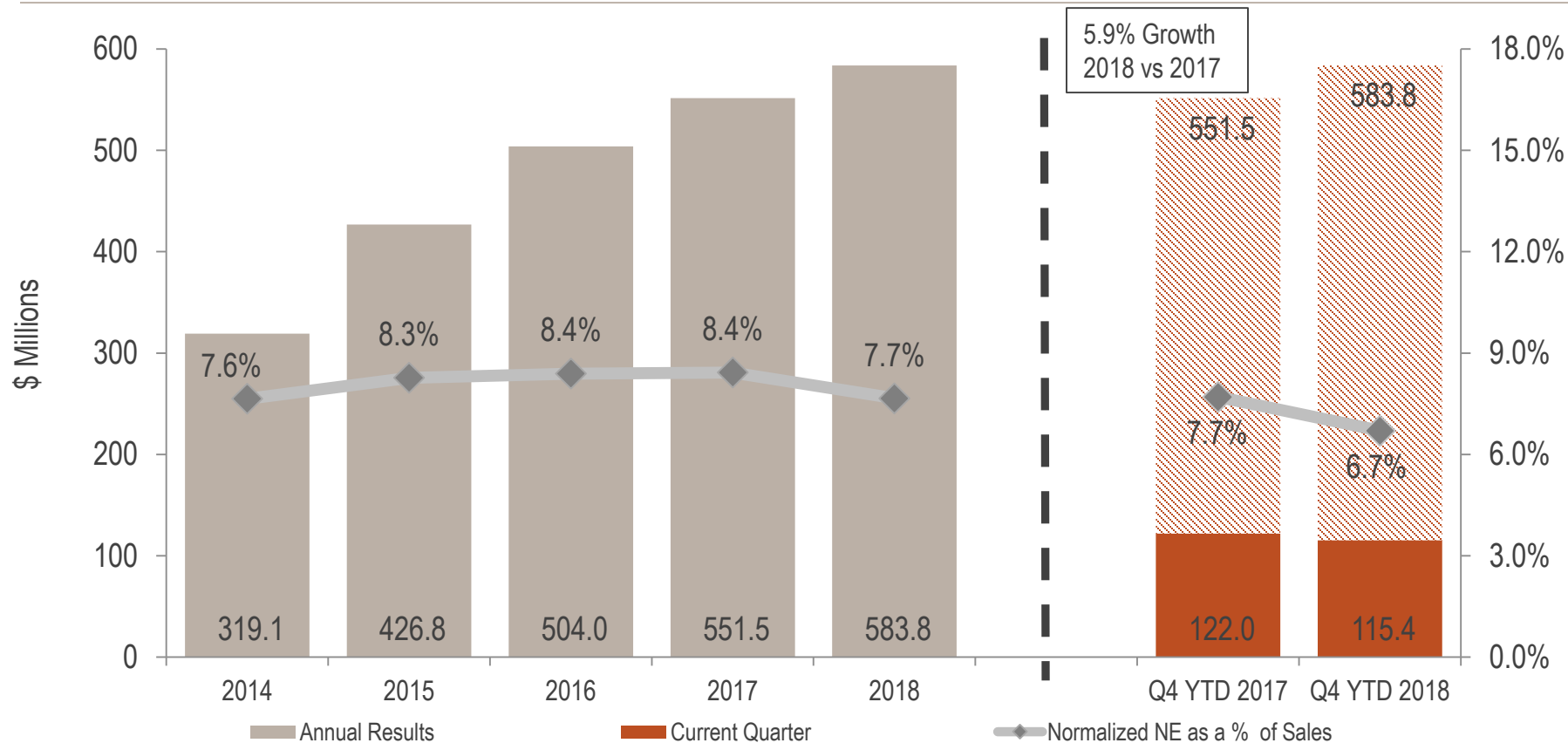


Normalized Operating Earnings¹



¹Operating Earnings Normalized for unusual items and foreign exchange impacts from revaluation of the balance sheet

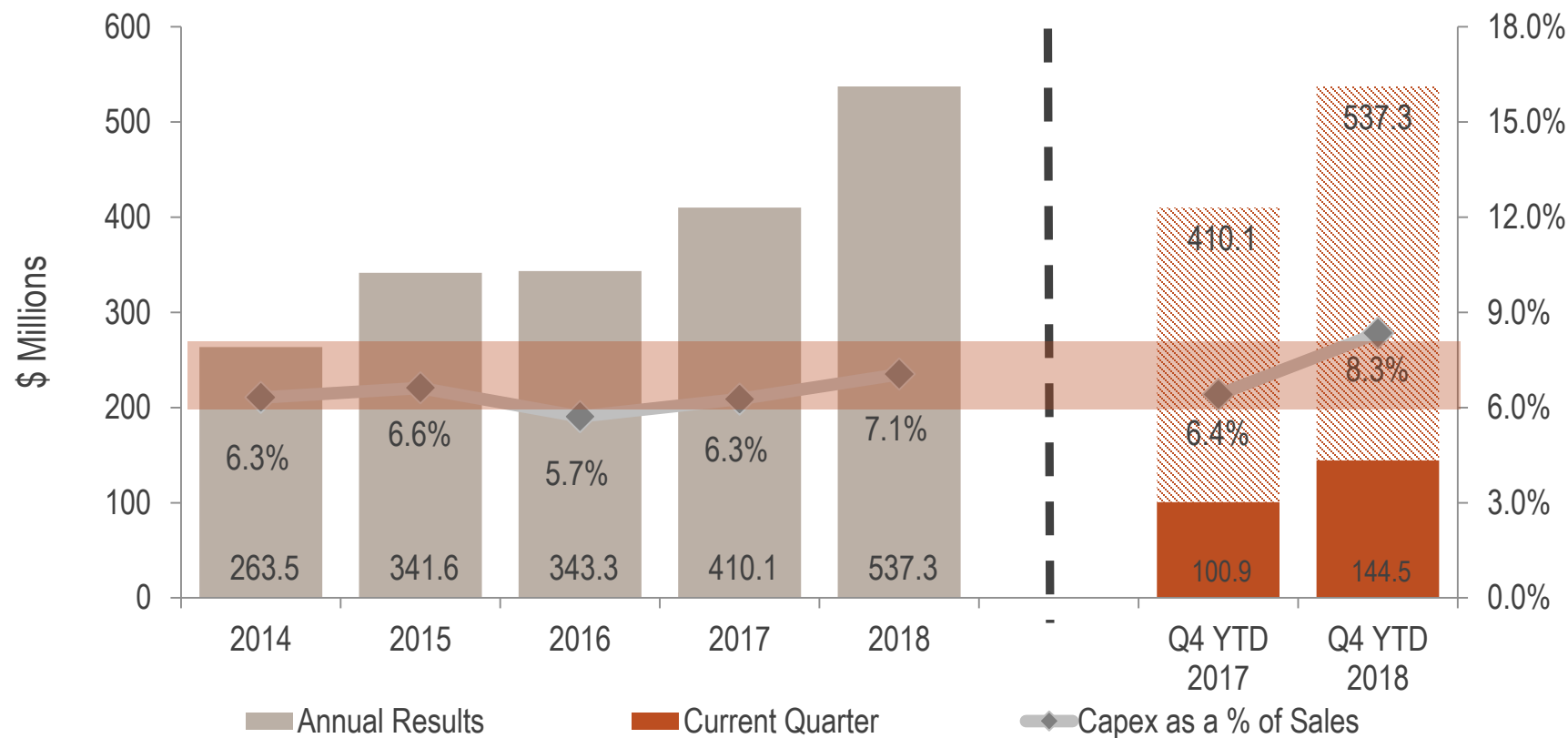
Normalized Net Earnings¹



Net Margin Expectations 2018: 7.5% - 8.0%

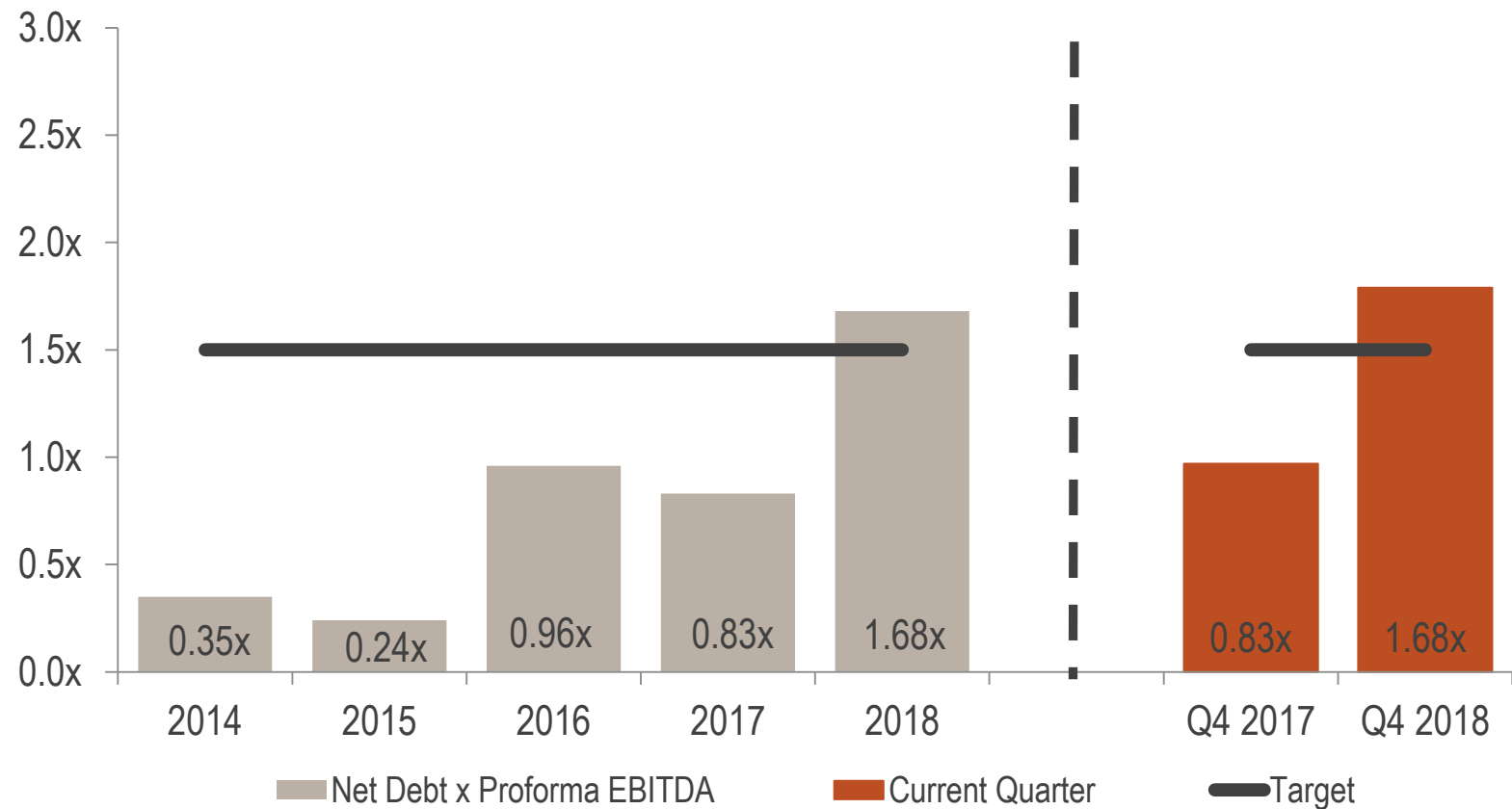
¹Net Earnings (NE) Normalized is NE before unusual items and foreign exchange impacts from revaluation of the balance sheet, tax affected

Operational Capital Expenditures



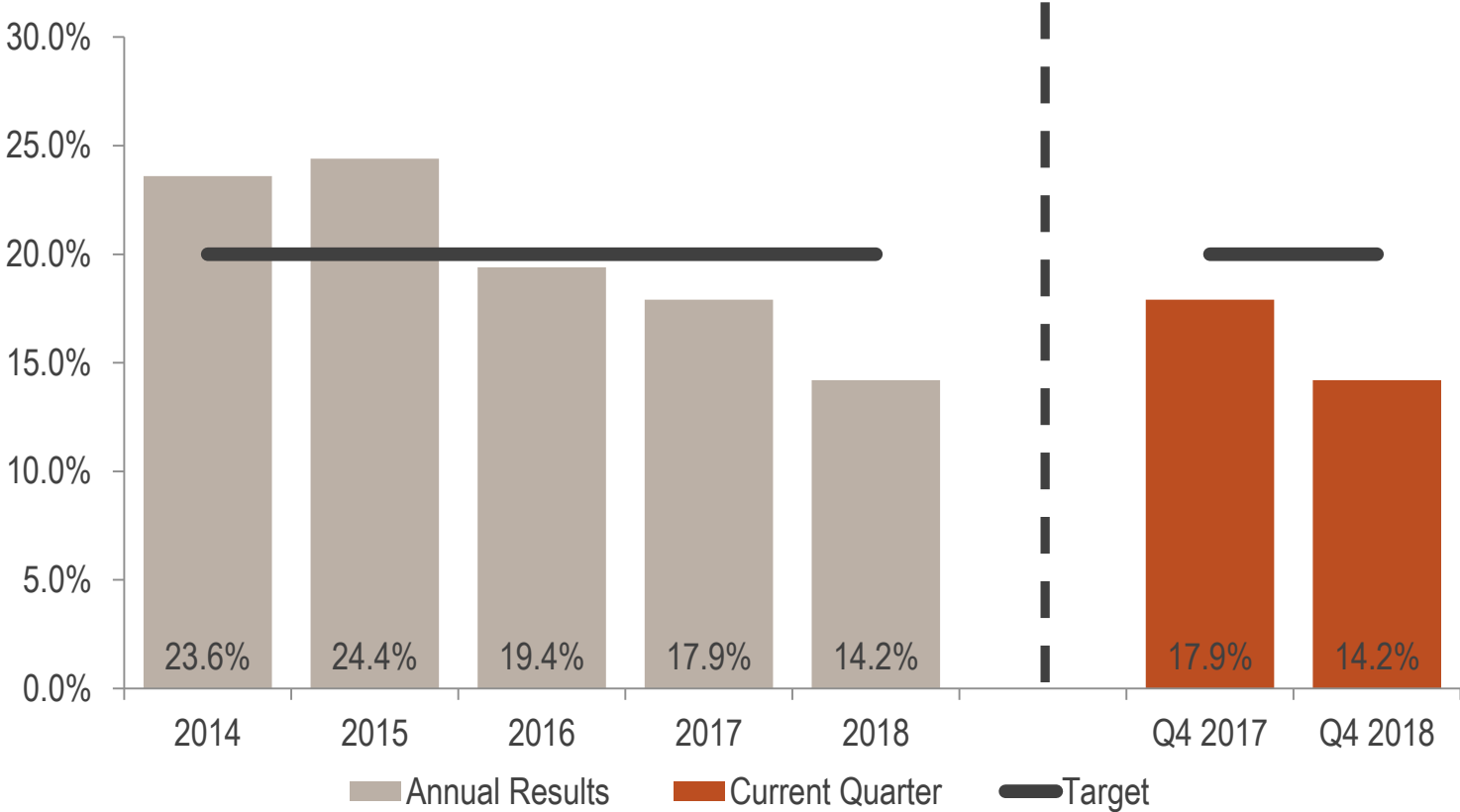
Capex as % of Sales – Normal Zone to Drive Double Digit Growth 6-8% of Sales

Net Debt to Proforma EBITDA Average¹

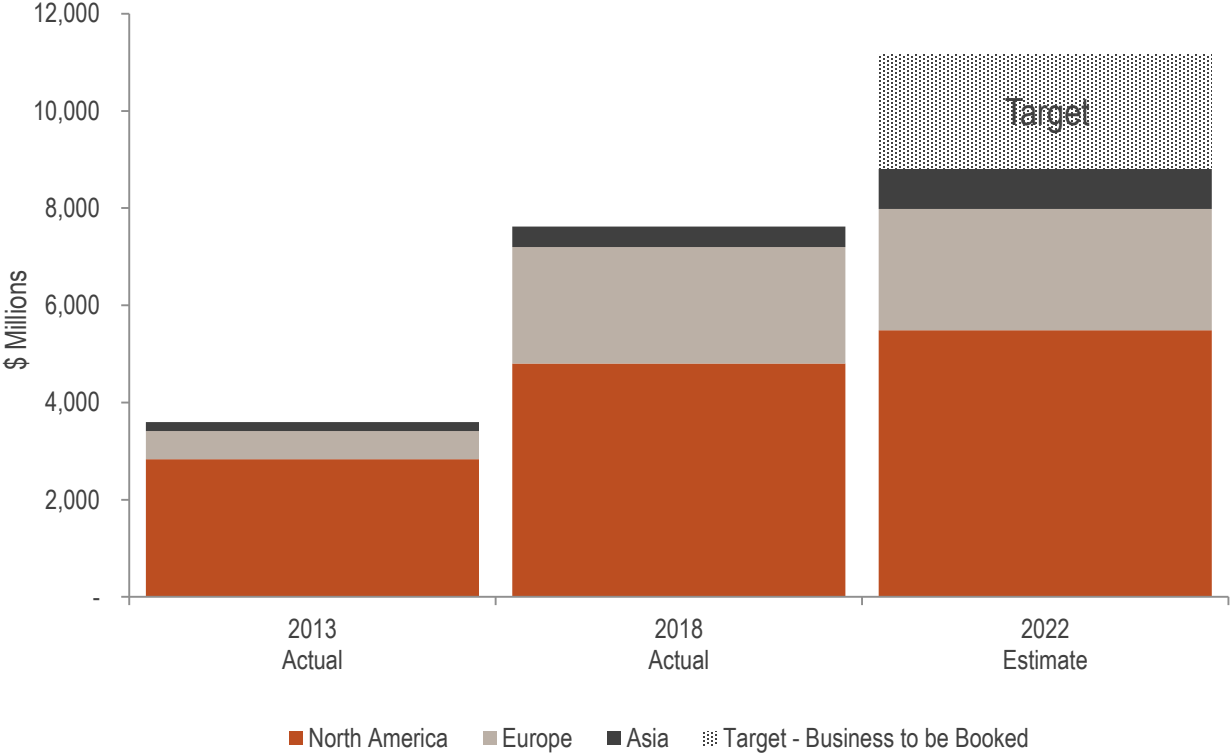


¹ Proforma EBITDA includes last 12 month rolling EBITDA on acquisitions.

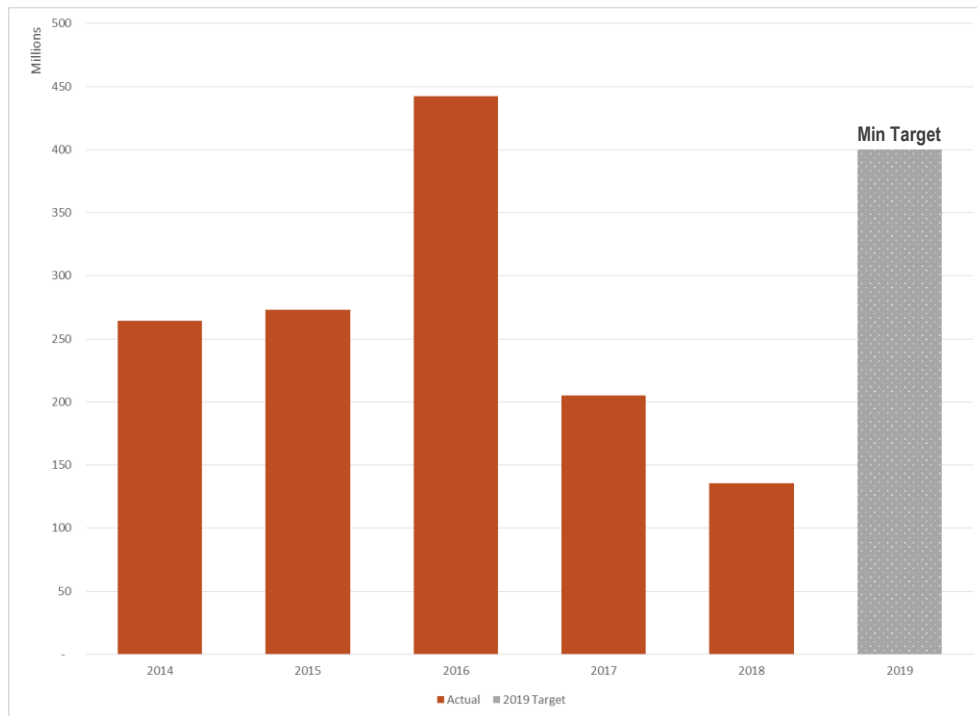
Return on Capital Employed



Sales by Region

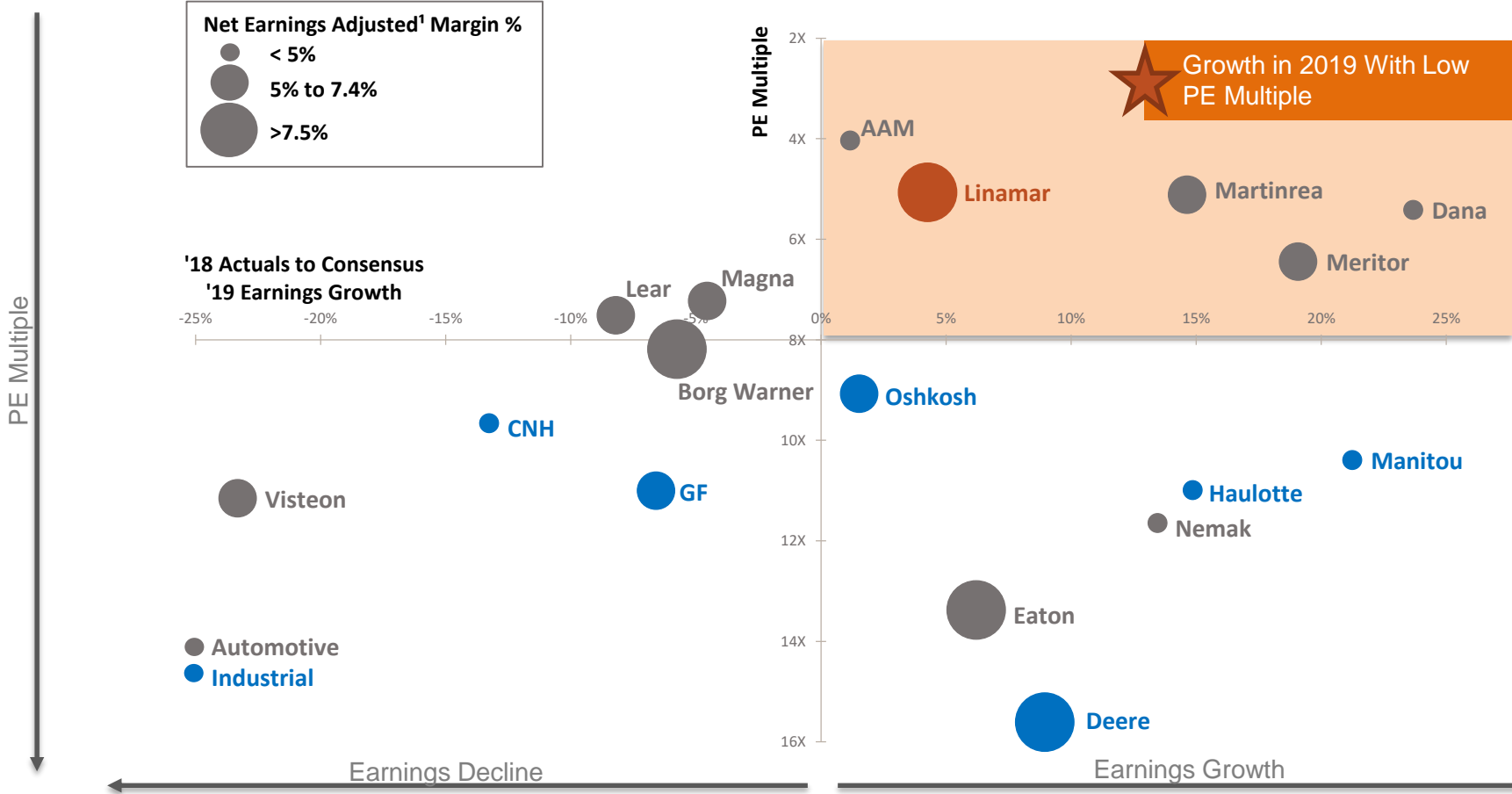


2019 Expected to Drive Solid Free Cash Flow



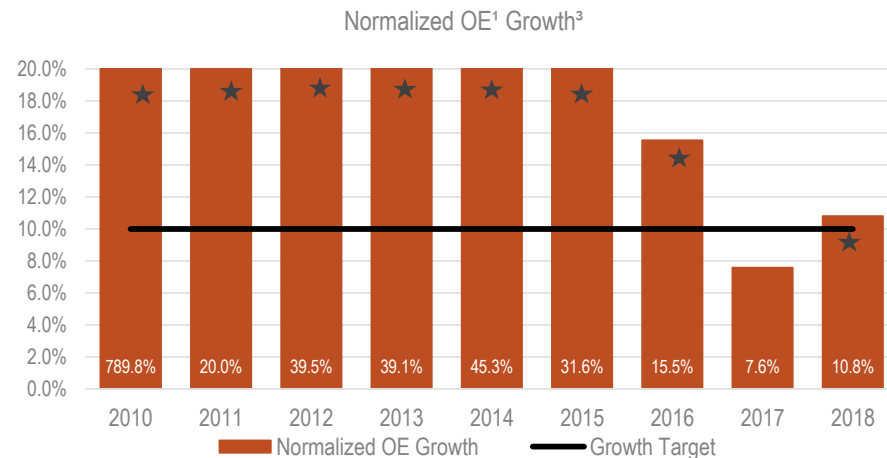
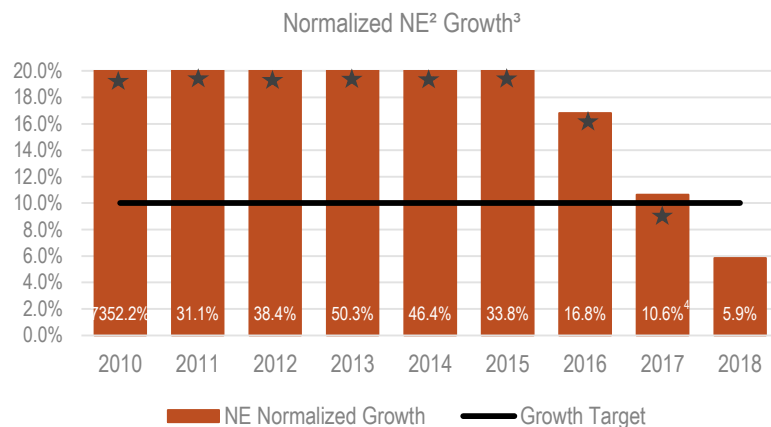
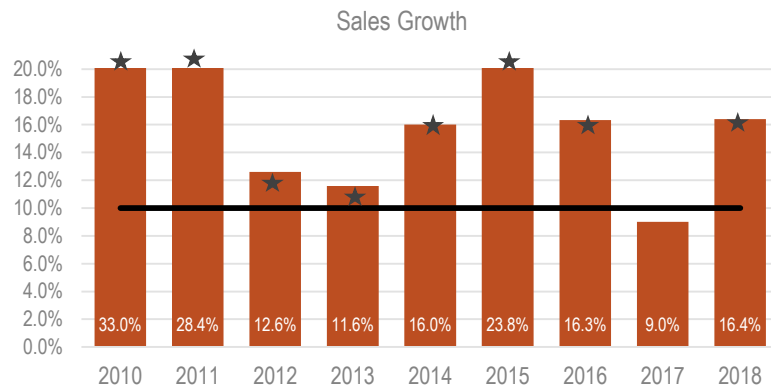
- 2019 expected to generate between \$400 and \$800 million through
 - Higher earnings over 2018;
 - Lower Capex than 2018;
 - Focused NCWC Improvements; and
 - Long Term AR (“LTAR”) Improvements
- NCWC Improvements focused on
 - Inventory reductions
 - Improvements at recently acquired companies (MacDon, Montupet, LSF)
 - MacDon Trade AR financing program
- Long Term AR
 - 2018 Skyjack LTAR financing program initiated and expected to drive Cashflow improvements in 2019

Linamar 2019 Consensus Growth Expectation Coupled with Low Valuation Major Buy Opportunity



¹Net Earnings adjusted for unusual items. Data sourced from published public documents or Bloomberg

Strong, Consistent Track Record



**Double Digit Normalized
Earnings Growth 9 years
Running**

1 – Operating Earnings before unusual items and foreign exchange impacts from revaluation of the balance sheet.

2 – Net Earnings before unusual items and foreign exchange impacts from revaluation of the balance sheet, tax effected.

3 – Growth indicates year over year comparison.

4 – Net Earnings before unusual items, non-recurring items, and foreign exchange impacts from revaluation of the balance sheet, tax effected



Massive Market Opportunity in All Businesses

- MacDon growth potential 4x current footprint
- Skyjack -- access market \$10 billion, few players
- Transportation addressable market growing from \$125 billion to \$325 billion in next 15 years



2019 Earnings Growth Leads Many Peers

- Consensus earnings growth for Linamar 6% normalized vs average of peers 4%



Consistent Performance

- Sales & earnings growth consistent & well above market
- Double digit normalized earnings growth 9 years running
- Booked business for 2022 \$8.5 to \$9 billion



Strong Free Cash Flow Expected in 2019

- Earnings up, capex down, improvements in NCWC should drive significant FCF
- Net Debt to EBITDA under 1 by year end



Focus on our Shareholders

- NCIB returning cash to shareholders this year

Thank You

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