# Conference Call Presentation

**Q3 2018 Conference Call Information**
Local: (647) 427-3383
Toll Free: (888) 424-9894 (North America)
Conference ID 8482418

Linda Hasenfratz

November 7, 2018

# Forward Looking Information, Risk and Uncertainties

Certain information regarding Linamar set forth in this presentation and oral summary, including managements assessment of the Company's future plans and operations may constitute forward-looking statements. This information is based on current expectations that are subject to significant risks and uncertainties that are difficult to predict. Actual results may differ materially from these anticipated in the forward-looking statements due to factors such as customer demand and timing of buying decisions, product mix, competitive products and pricing pressure. In addition, uncertainties and difficulties in domestic and foreign financial markets and economies could adversely affect demand from customers. These factors, as well as general economic and political conditions, may in turn have a material adverse effect on the Company's financial results. The Company 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. Content is protected by copyright and may not be reproduced or repurposed without express written consent by the Company.

# Sales, Earnings and CPV

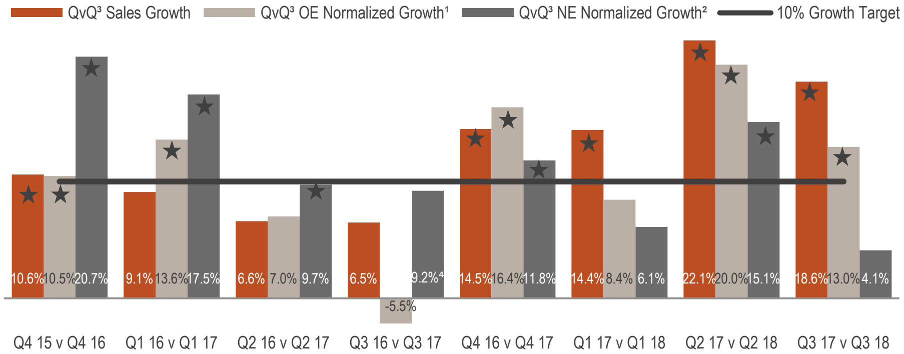
# Sales, Earnings, and Margins (in millions CAD)

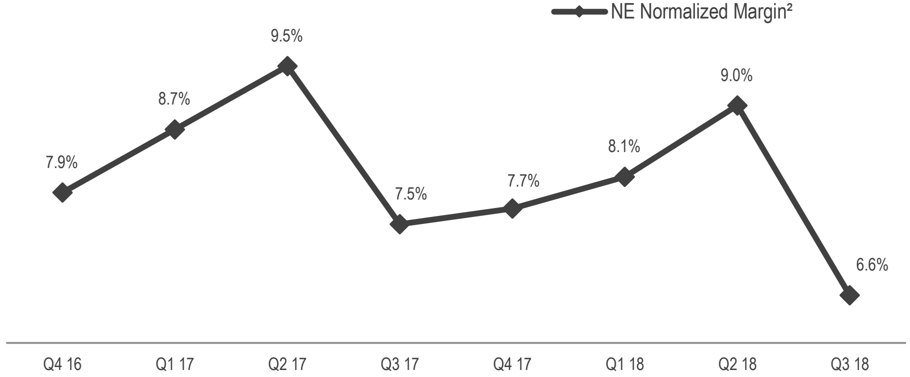
| | Q3 2018 | Q3 2017 | % |
|---|---|---|---|
| Sales | 1,837.3 | 1,549.7 | 18.6% |
| Operating Earnings ("OE") | 161.4 | 141.9 | 13.7% |
| Operating Margin | 8.8% | 9.2% | |
| OE – Normalized[1] | 171.6 | 151.9 | 13.0% |
| OE – Normalized Margin | 9.3% | 9.8% | |
| Net Earnings ("NE") | 113.2 | 107.3 | 5.5% |
| Net Margin | 6.2% | 6.9% | |
| NE – Normalized[2] | 121.1 | 116.3 | 4.1% |
| NE – Normalized Margin | 6.6% | 7.5% | |

- Sales up 18.6%
- OE up 13.7%, 13% normalized
  - Industrial segment 50% of OE
- NE up 5.5%, 4.1% normalized
- NE normalized margins 6.6%
  - 2018 normalized NE margin 7.5-8%
  - 2019 normalized NE margin 8.25-8.75%

Helped By:
- MacDon performing strongly
- Double digit sales growth at Skyjack
- Strong launches in Transportation

Hurt By:
- Production cuts at key customers in Europe due to WLTP
  - VW and Renault down >5%
  - BMW down 10%
- Higher commodity costs in industrial segment
  - Being addressed with price increases already begun and 100% in place by Jan 1, 2019
- Small increase in launch costs due to heavy launch activity globally
  - Will normalize in 1-2 quarters



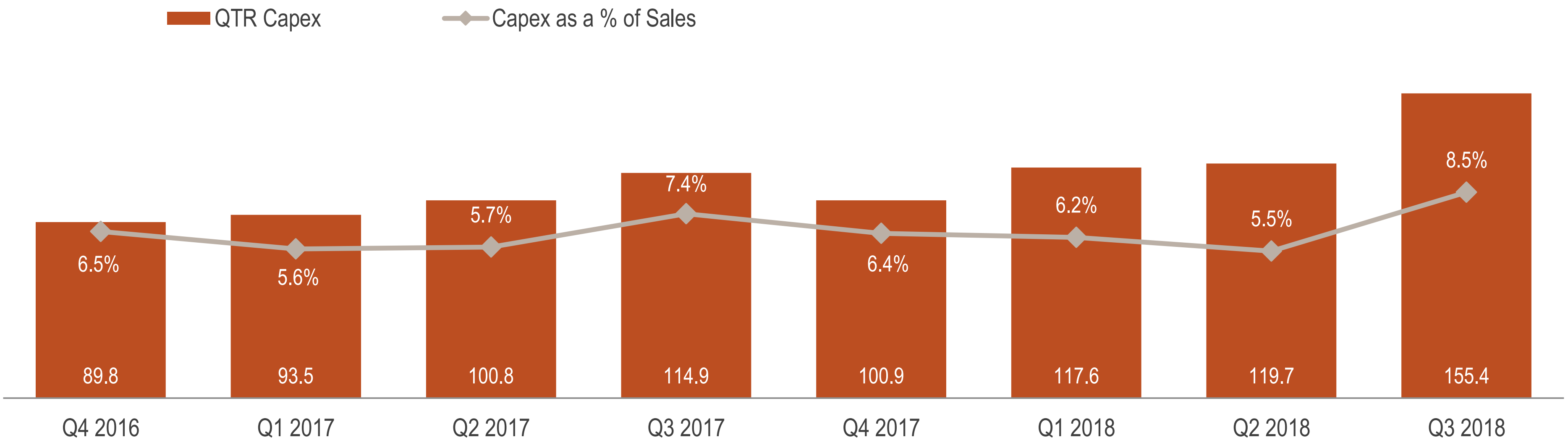

1 – Operating Earnings before unusual items and foreign exchange impacts from revaluation of the balance sheet.
2 – Net Earnings before unusual items and foreign exchange impacts from revaluation of the balance sheet, tax effected.
3 – Quarter versus quarter ("QVQ") indicates year over year comparison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

# Capital Expenditures (in millions CAD)

| | Q3 2018 | Q3 2017 |
|---|---|---|
| Capital Expenditures (Capex) | 155.4 | 114.9 |
| Capex as a % of Sales | 8.5% | 7.4% |

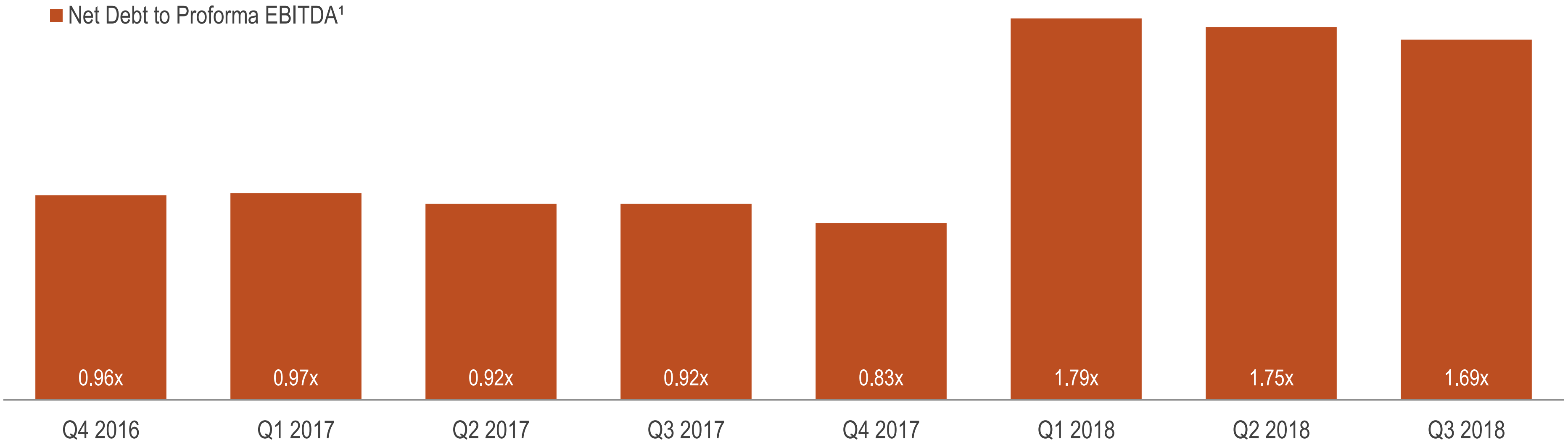
- Normal range (annually) 6-8%
  - 2018 mid range
  - 2019 lower than 2018 in absolute $ and % of sales
- Using disciplined approach to spending given economic uncertainties



# Leverage (in millions CAD)

| | Q3 2018 | Q2 2018 | Q3 2017 |
|---|---|---|---|
| Net Debt | 2,067.4 | 2,156.5 | 947.7 |
| Net Debt to Proforma EBITDA[1] | 1.69x | 1.75x | 0.92x |

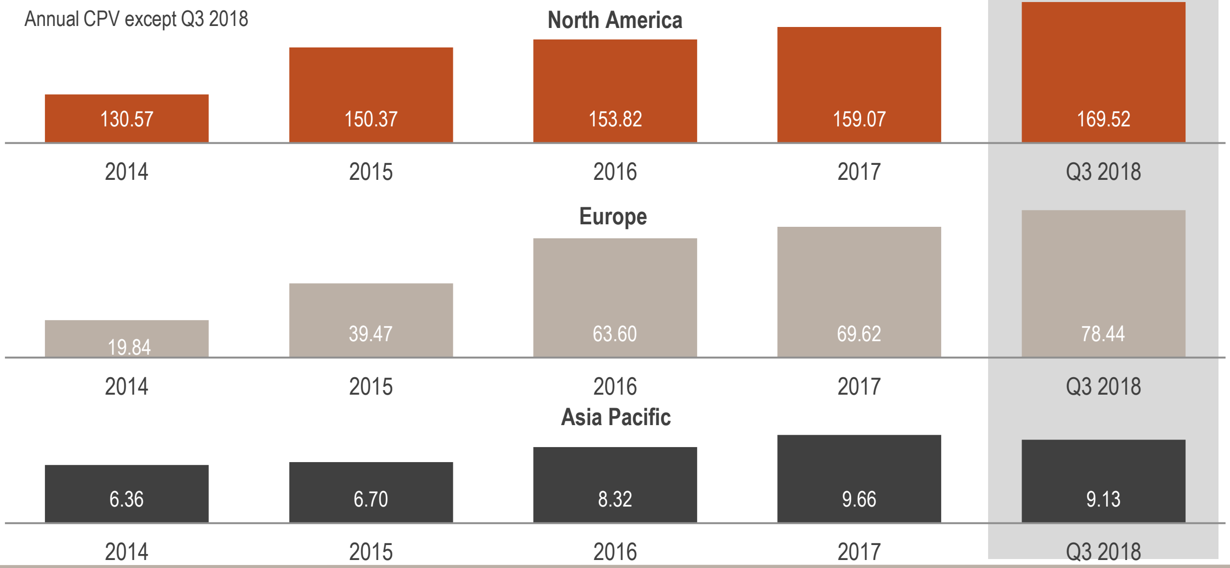
- Leverage continues to improve
- Net Debt back under 1x EBITDA by late 2019




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

# Automotive Sales & Content Per Vehicle (CPV)

| | CPV Q3 2018 | CPV Q3 2017 | CPV % Change | Vehicle Production Units % Change | Automotive Sales Q3 2018 (CAD Millions) | Automotive Sales Q3 2017 (CAD Millions) | Automotive Sales % Change |
|---|---|---|---|---|---|---|---|
| North America | 169.52 | 162.49 | 4.3% | 3.7% | 718.4 | 664.5 | 8.1% |
| Europe | 78.44 | 73.60 | 6.6% | (3.4%) | 376.1 | 365.1 | 3.0% |
| Asia Pacific | 9.13 | 9.44 | (3.3%) | (1.7%) | 108.4 | 114.0 | (4.9%) |
| Other Automotive Sales | - | - | - | - | 60.4 | 60.4 | - |

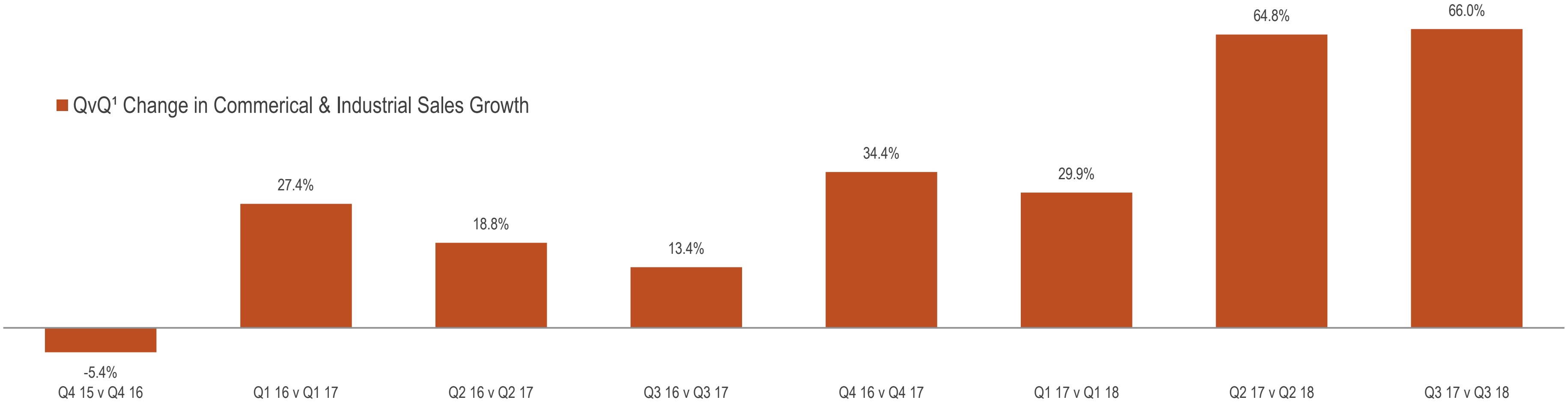



- Solid CPV growth in core NA market
- Continued strong CPV growth in Europe despite key customer production cuts in excess of overall market declines

# Commercial & Industrial Sales (in millions CAD)

| | Q3 2018 | Q3 2017 | % |
|---|---|---|---|
| Sales | 574.1 | 345.8 | 66.0% |

- MacDon acquisition, performing strongly
- Skyjack market share growth in growing markets driving double digit growth performance




1 – Quarter versus quarter ("QVQ") indicates year over year comparison of two of the same quarters.

# Market Outlook

# Market Snapshot 2018 & 2019

*As of November 2018*

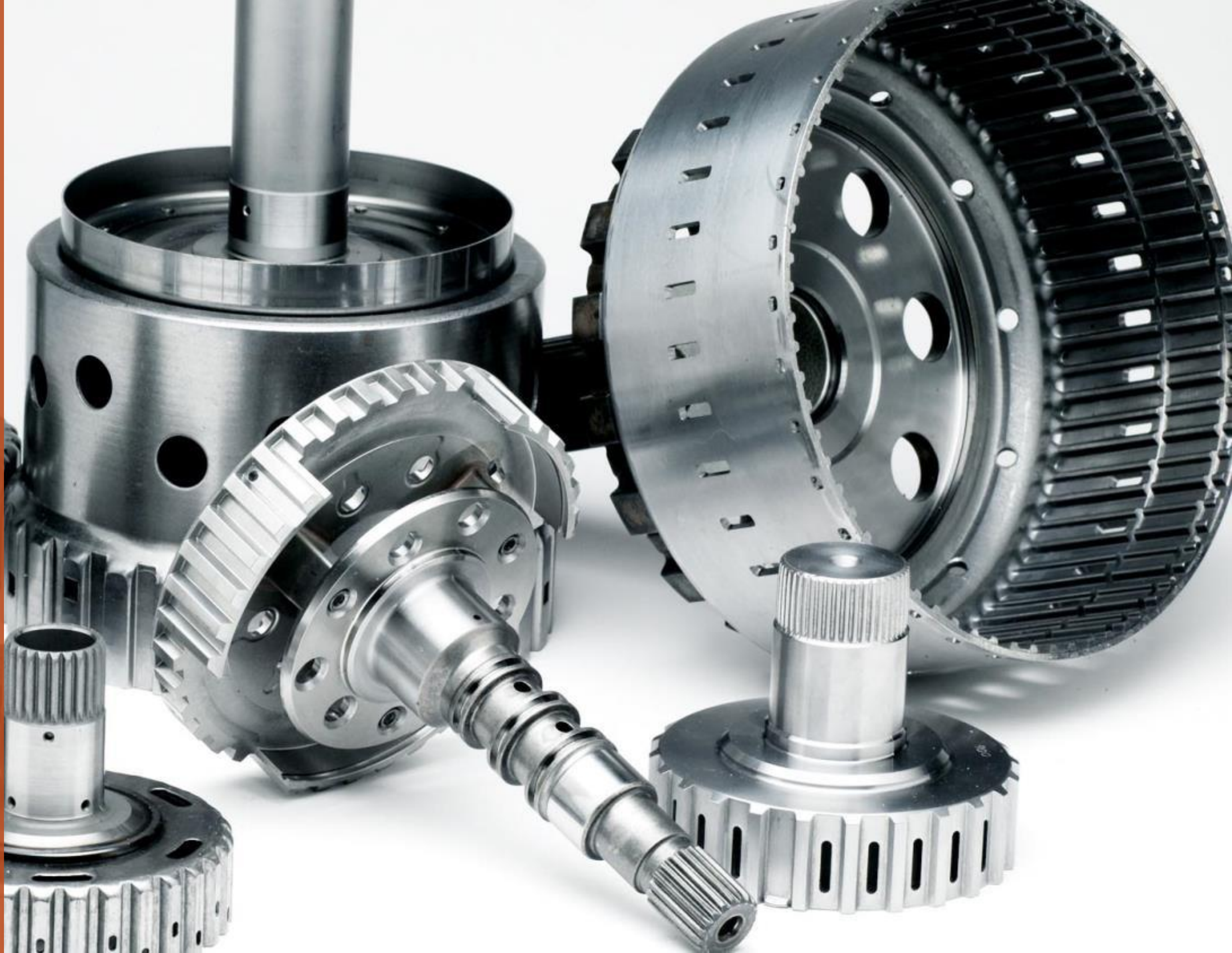
| 2018 | Transportation | | Industrial | |
|---|---|---|---|---|
| | Automotive (LV) | Commercial Truck | Agriculture | Skyjack |
| North America | Flat | Growth | Moderate Growth | Strong Growth |
| Europe | Flat | Moderate Growth | Moderate Growth | Growth |
| Asia | Flat | Decline | Moderate Growth | Strong Growth |

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

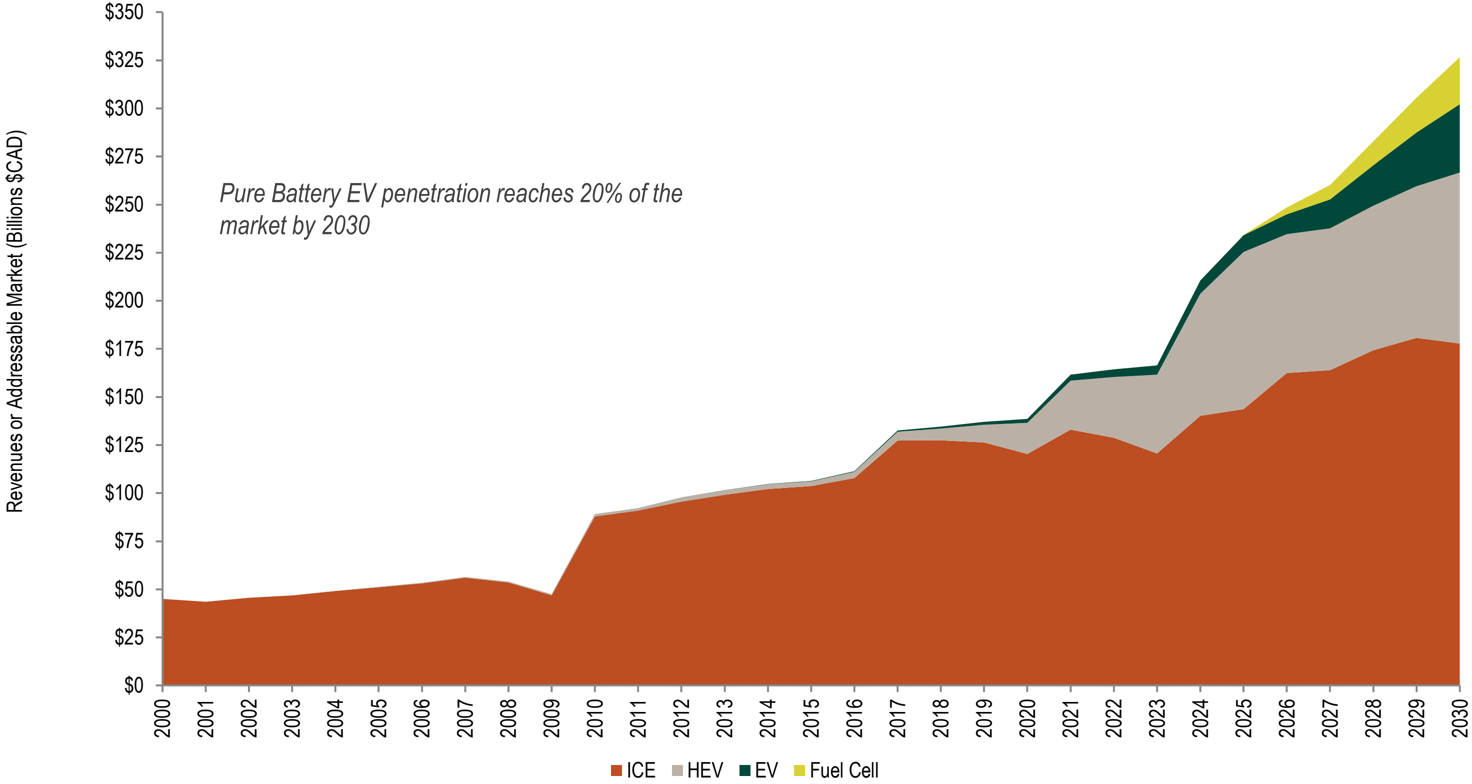
*The above market expectation are based on Industry experts/forecasters and are not a reflection of Linamar's expected performance in these regions/markets.*

| 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% |

# Strategic Update

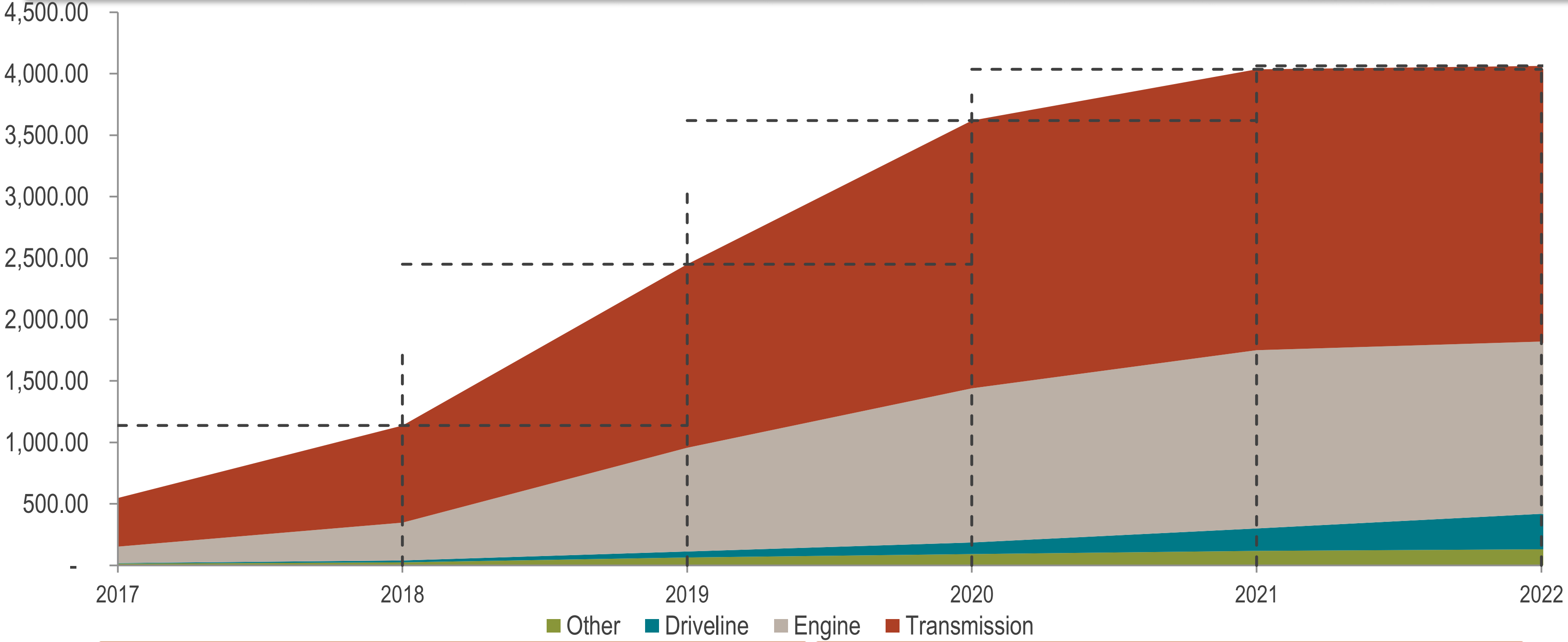


# Global Total Addressable Market



# Launches

Launching over $4.5 billion of new work today




Sales from Launch add:

$700 to $800 Million in 2018
$1.2 to $1.3 Billion in 2019

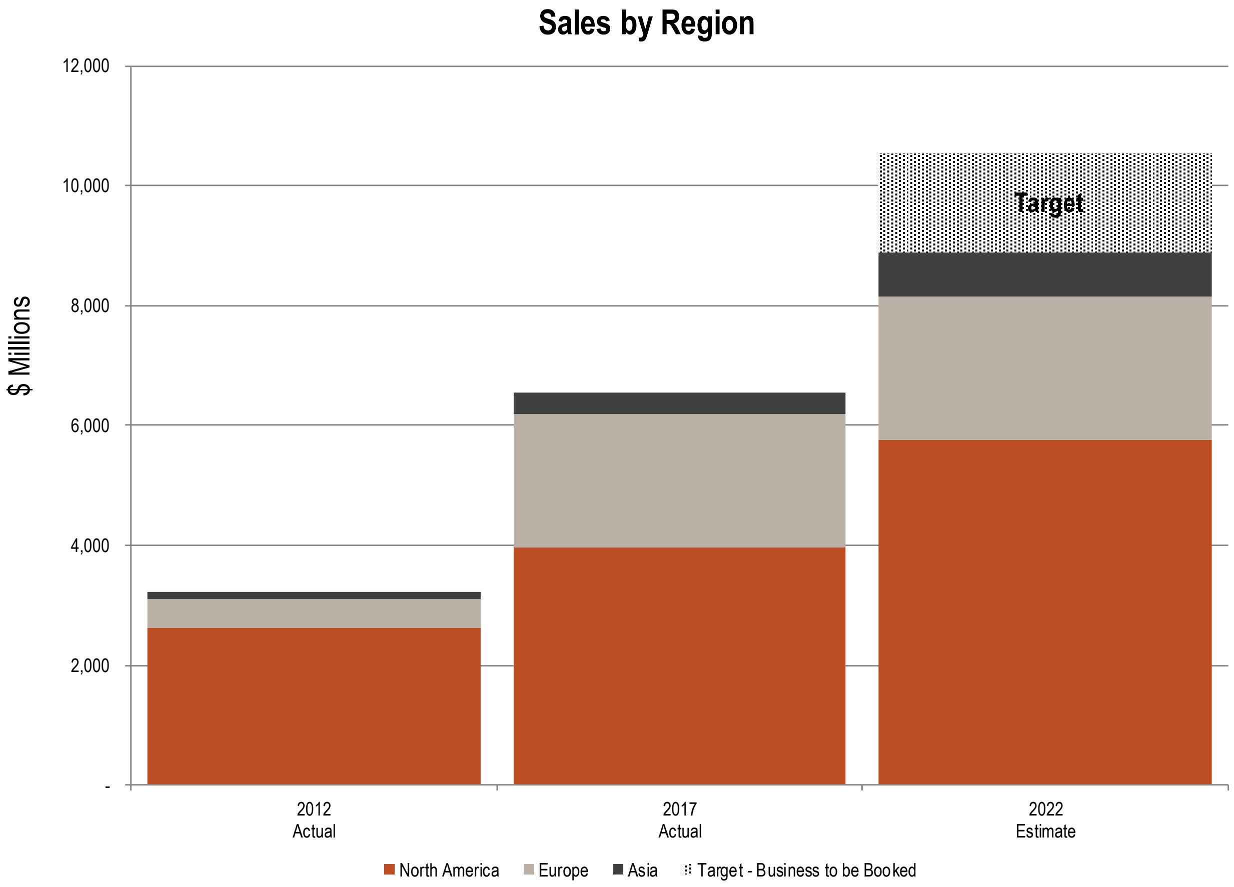
# Key Growth Considerations

- Market growth predictions coupled with CPV
- Launches
  - $700 to $800 Million in 2018
  - $1.2 to $1.3 Billion in 2019
- Skyjack Growth
  - Market predicted to see double digit growth 2018
    - Skyjack should perform in line to slightly better than market
  - Market predicted to see mid to low single digit growth 2019
    - Skyjack should outperform market ie low double digit growth
- MacDon Growth
  - $600 million sales on acquisition
    - Note 2018 only **11** months sales
  - Market mid single digit growth 2018 driving similar performance for MacDon
  - Premature to predict 2019 but some headwinds re China tariffs, tough harvest
  - Corn Head branded MacDon should drive some growth as well
- Business Leaving
  - 5-10% normally
    - Low end of range 2018, High end range 2019
- Productivity Givebacks

| Growth Outlook | 2018 | 2019 |
|---|---|---|
| Sales | Double Digit Growth | High Single Digit to Low Double Digit Growth |
| Normalized Operating Earnings | Double Digit Growth | Strong Double Digit Growth |

# Outlook Strong for the Future

## Q3 2018



# New Business

# New Business Wins: Steering Hangar Beam

## Package Volume

280,000 / year

## SOP Year

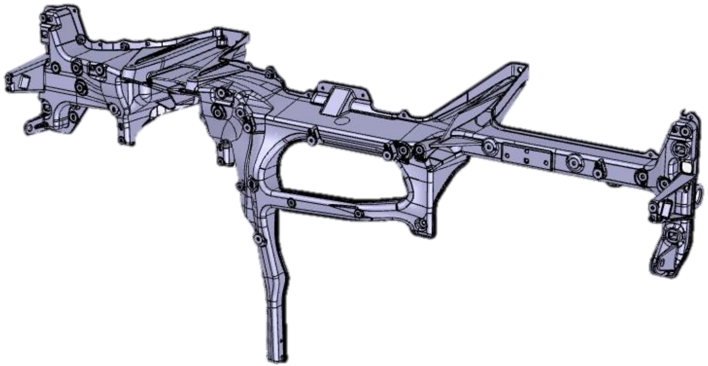
2021

## Peak Volume Year

2026

## Production Location


More than $60 million in wins for structural/body parts YTD



# New Business Wins: Uplift Volume Crankcase Assembly

**Package Volume**

Additional 120,000/year to a total of 1 million / year

**SOP Year**

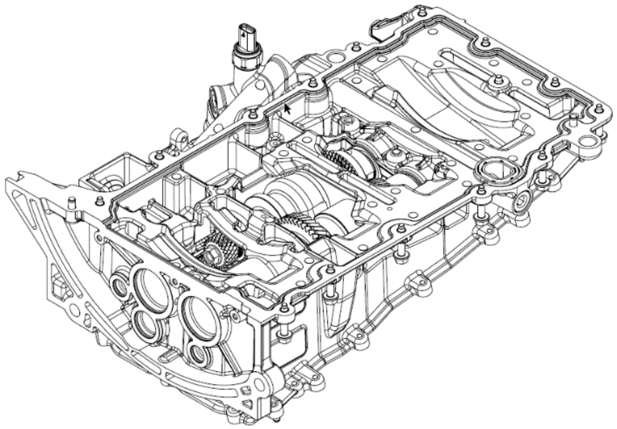
2019

**Peak Volume Year**

2021

**Production Location**


Lower crankcase assembly for next generation fuel-efficient engines



# New Business Wins: Camshafts / Engine Gears

**Package Volume**

375,000 average /year

**SOP Year**

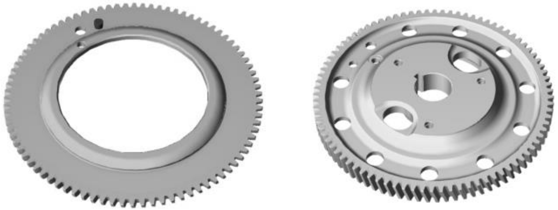
2020

**Peak Volume Year**

2022

**Production Location**


More than $25 million in new business wins for camshafts and engine gears for next generation light/med duty trucks



# New Business Win: Balance Shaft Gears

**Package Volume**

700,000 / year

**SOP Year**

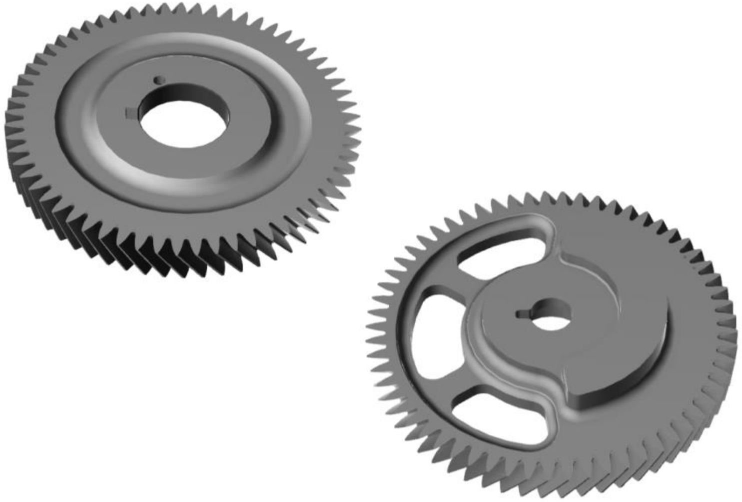
2020

**Peak Volume Year**

2022

**Production Location**


- Engine gears for next generation 3-cylinder engines.
- Another key win outside NA – non NA NBW >60% of YTD wins



# New Business Wins: Driveline Gears

**Package Volume**

1 million / year

**SOP Year**

2021

**Peak Volume Year**

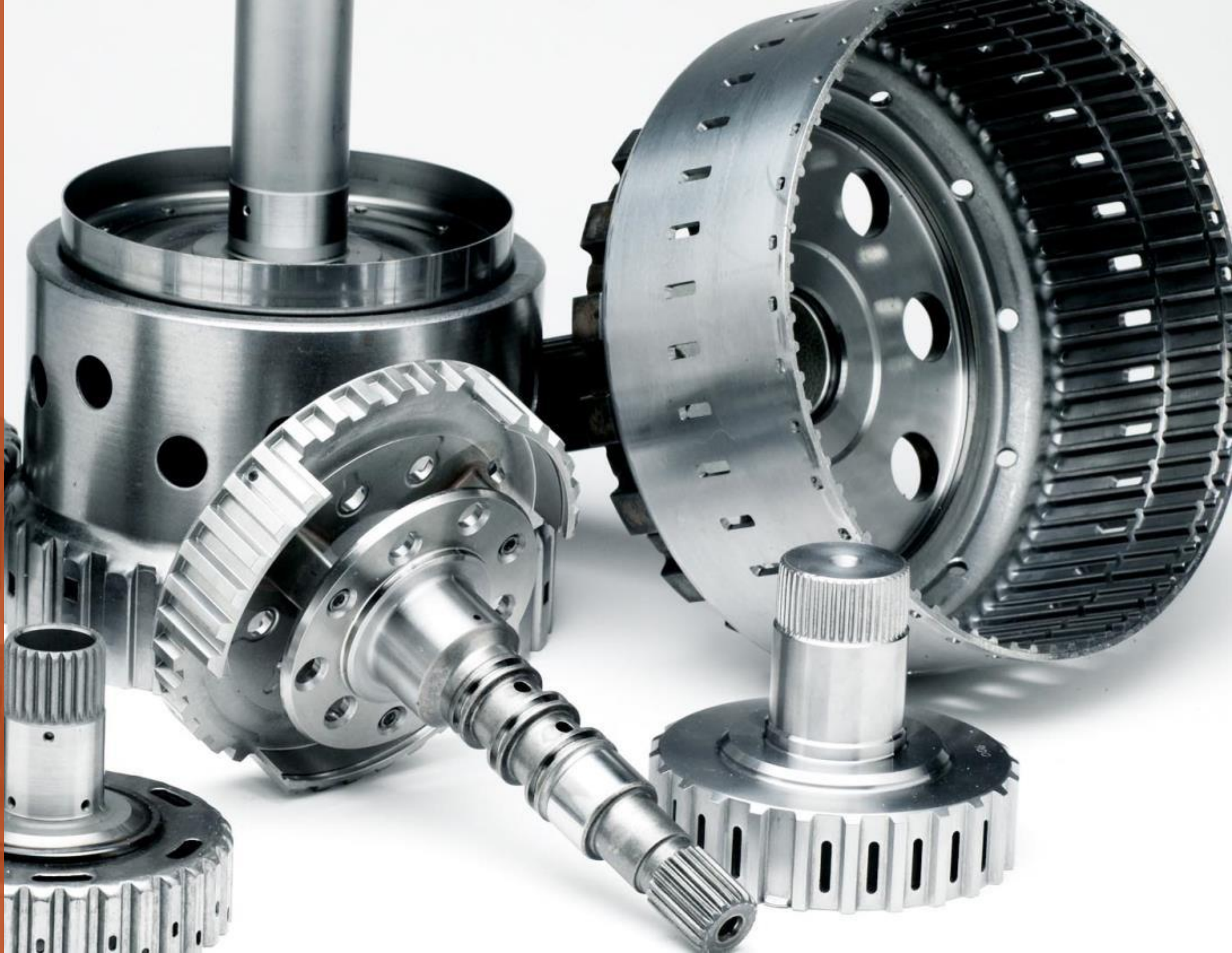
2022

**Production Location**



$17 million win with a Japanese OEM for gear products. Total YTD gear wins at more than $130 million

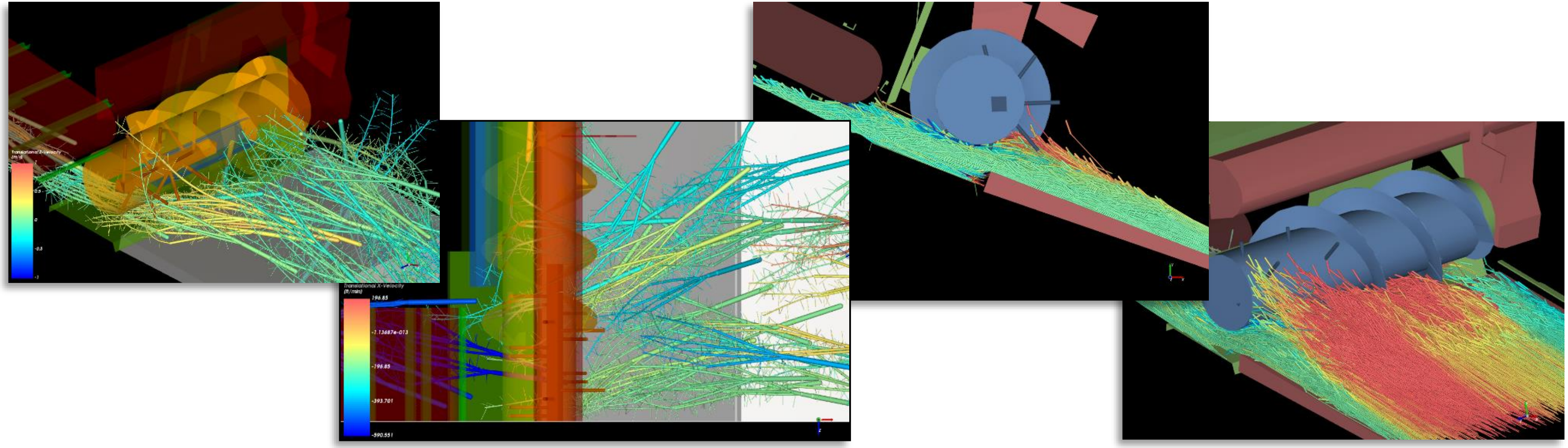
# Innovation Update



# Innovation | 3rd Quarter Highlights

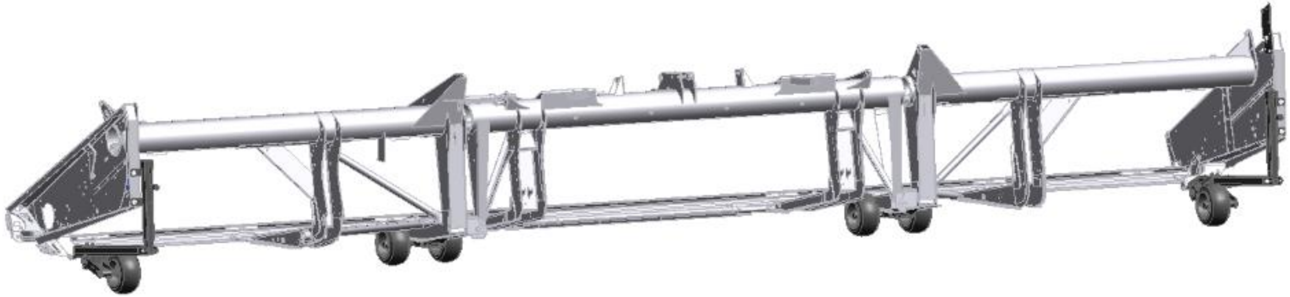
## DEM crop flow simulation

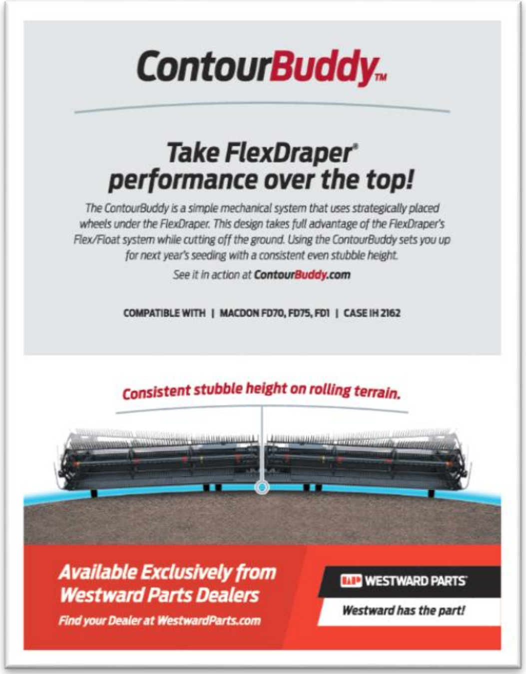
- MacDon has adapted Discrete Element Method (DEM) modeling to simulate crop flow
- Crop properties & the interaction between header & crop were tuned based on material testing
- MacDon Design teams can now use DEM to visualize and optimize crop flow paths through a variety of header systems and concepts
- New designs can be optimized before validating with field testing



# Innovation | 3rd Quarter Highlights

- **ContourBuddy™ completes successful 2018 market trial**
  - A unique attachment enabling MacDon FlexDraper® headers to flex and follow ground contours when cutting *off the ground*
  - MacDon purchased the concept in 2017 from a Saskatchewan FD75 customer who invented it, MacDon design engineers refined & validated the design
  - The kit improves performance on future FlexDrapers®, and promoted as an upgrade for any FlexDraper® produced by MacDon since 2007
  - Full production now approved for 2019 model year





# Innovation | 3rd Quarter Highlights

- **20% more capacity with innovative SP Windrower and Draper technology**
  - Targeting canola growers:
    - Industry-first, 20% deeper 'XL' draper decks for increased cutting capacity (unique and best in market)
    - Patented CrossFlex™ Suspension System for absorbing impact from rough terrain
    - Patented variable fan speed cooling system increases service intervals in dustiest conditions
    - Patented Swath Compressor system forms uniform windrows (new & unique)
    - 2 patents pending on inhouse software development of operator interface and machine control

**PERFORMANCE OPTION:** Swath Compressor

The Perfect Windrow

MacDon's patented Swath Compressor creates a smooth, even slope that gently compresses and forms loose bushy swaths into perfect windrows every time. Compressor adjustment happens from the cab and is displayed on-screen. This control can also be programed into the Windrower's One-Touch-Return functions. Best of all, when you switch the Dual Direction to road mode, the MacDon Swath Compressor lifts up under the frame for quick unobstructed transport.

# Digitization with AI/ML

LINAMAR

**60**
Plants
x10

**2,199**
Connected Machines

**1,552**
LMMS Data
Collection Connections

**1,173**
RFID Stations

**1,794**
Traceability Read Stations

**2,609**
Robots

**810**
Vision Systems

**855**
Traceability
Marking
Stations

**5**
AGVs

# Operations Update

# Montupet China


# Linamar Hungary | New E-Axle Machining and Assembly Facility Groundbreaking

# NAFTA/ USMCA

# USMCA

- Not significantly different to NAFTA which is a positive
- Possible upside to Linamar re higher RVC and HLVC requirements
- No key areas of concern to us at Linamar
- Fantastic to have behind us so everyone can get back to business

# China & Metal Tariffs Small Impact, Not Material

- China Tariffs
  - Impacting mainly our industrial business in cost increases from material suppliers in US buying from China
  - **Not at material levels**
- Metal Tariffs
  - Metal tariffs remain in place despite USMCA
  - Impact building in many American companies
    - Ford $1 Billion Tariff impact
    - Many companies seeing higher costs, hitting Q3 results
    - **Pain is building, imperative tariffs be dropped**
  - Linamar impact minimal
  - **No direct impact to US facilities** re no purchase of foreign metal
  - Small direct impact to Canadian facilities which is **100% reclaimable through duty drawback**
  - Indirect impact -- price increases legitimately imposed from a handful of suppliers based on their cost increases, **not at material levels**
    - We are using a disciplined process to validate any legitimate cost increases to suppliers, involving customers where appropriate and have **considered such in our outlook**

# Financial Review

Dale Schneider

# Sales, Earnings, and Margins (in millions CAD)

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| Net Earnings ("NE") | 113.2 | 107.3 | 5.5% |
| Net Margin | 6.2% | 6.9% | |
| NE – Normalized[2] | 121.1 | 116.3 | 4.1% |
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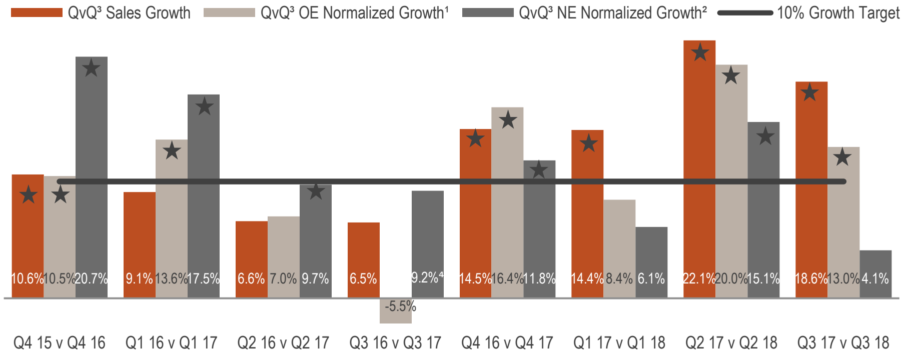
- Double digit growth:
  - Sales up 19%
  - Operating Earnings up 14%
- Strong performance despite WLTP issues in Europe.




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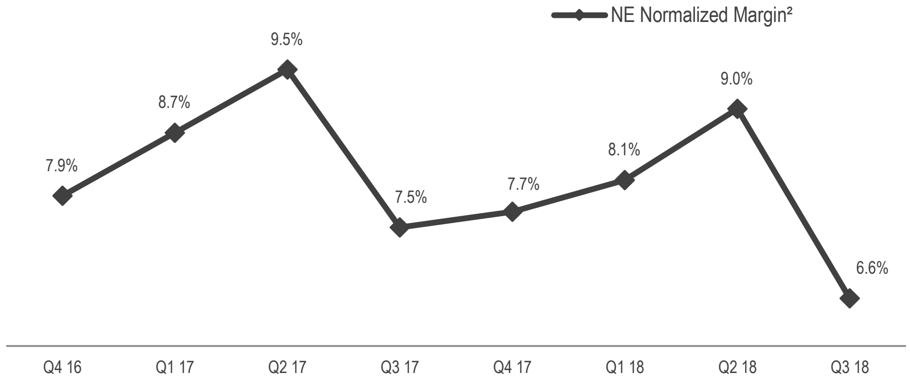
3 – Quarter versus quarter ("QVQ") indicates year over year comparison of two of the same quarters.




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

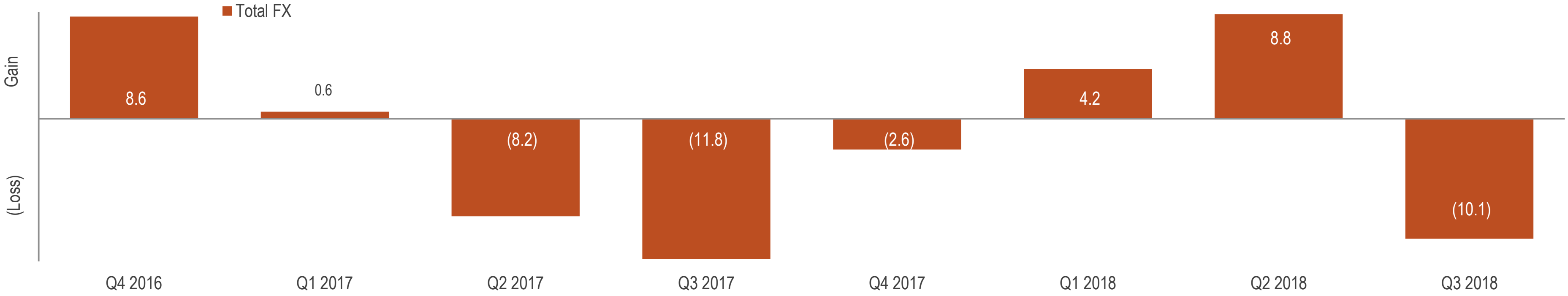
# Foreign Exchange Gain/Loss (in millions CAD)

| | Q3 2018 | Q3 2017 | +/- |
|---|---|---|---|
| FX (Gain)/Loss – Operating[1] | 10.2 | 10.0 | 0.2 |
| FX (Gain)/Loss – Financing | (0.1) | 1.8 | (1.9) |
| Total FX (Gain)/Loss | 10.1 | 11.8 | (1.7) |

| | Q3 2018 | Q3 2017 |
|---|---|---|
| Operating Margin | 8.8% | 9.2% |
| Operating Margin before FX | 9.3% | 9.8% |

| | Q3 2018 | Q3 2017 |
|---|---|---|
| FX (Gain)/Loss – Impact on EPS FD[2] | 0.12 | 0.14 |

- $10.2 FX loss from the revaluation of operating balances
- Solid operating margins at 9%
- Net FX loss impacted EPS by 12 cents




1 – Foreign Exchange as a result of the revaluation of operating balances due to changes in foreign exchange rates.
2 – The impact on Earnings Per Share Fully Diluted from FX is a non-GAAP financial measure that divides the tax effected foreign exchange impact by the Company's diluted number of shares.

# Transportation Sales, Earnings, and Margins (in millions CAD)

| | Q3 2018 | Q3 2017 |
|---|---|---|
| Sales | 1,352.5 | 1,289.4 |
| Operating Earnings | 86.6 | 108.1 |
| Foreign Exchange[1] (Gain)/Loss | 0.3 | 5.9 |
| Operating Earnings – Normalized[2] | 86.9 | 114.0 |
| Operating Earnings Margin | 6.4% | 8.4% |
| Operating Earnings Margin – Normalized | 6.4% | 8.8% |

- Sales increased by $63.1 or 4.9% mainly due to:
  - higher volumes on light vehicles outside or Europe;
  - a favourable change in FX rates since last year; and
  - launching programs in North America.
- Sales growth was hurt by:
  - sales declines in Europe largely due to the WLTP requirements.

1 – Foreign Exchange as a result of the revaluation of operating balances due to changes in foreign exchange rates.
2 – Operating Earnings normalized for unusual items and the foreign exchange impact from the revaluation of operating balances due to changes in foreign exchange rates.

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| Operating Earnings Margin | 6.4% | 8.4% |
| Operating Earnings Margin – Normalized | 6.4% | 8.8% |

- Normalized OE declined by $27.1 or 23.8% mainly due to:
  - the lower volumes on mature, high margin programs in Europe;
  - additional costs related to the heavy global launch activity; and
  - increased management, R&D and sales costs.
- Normalized OE was helped by:
  - higher volumes from launching programs with lower margins than mature programs;
  - higher volumes from light vehicles outside of Europe; and
  - a favourable change in FX rates since last year.

1 – Foreign Exchange as a result of the revaluation of operating balances due to changes in foreign exchange rates.
2 – Operating Earnings normalized for unusual items and the foreign exchange impact from the revaluation of operating balances due to changes in foreign exchange rates.

# Industrial Sales, Earnings, and Margins (in millions CAD)

| | Q3 2018 | Q3 2017 |
|---|---|---|
| Sales | 484.8 | 260.3 |
| Operating Earnings | 74.8 | 33.8 |
| Foreign Exchange[1] (Gain)/Loss | 9.9 | 4.1 |
| Operating Earnings – Normalized[2] | 84.7 | 37.9 |
| Operating Earnings Margin | 15.4% | 13.0% |
| Operating Earnings Margin – Normalized | 17.5% | 14.6% |

- Sales increased $224.5 or 86.2% mainly due to:
  - the addition of MacDon;
  - strong access equipment volumes;
  - market share growth for access equipment in certain regions; and
  - a favourable change in FX rates since last year.

1 – Foreign Exchange as a result of the revaluation of operating balances due to changes in foreign exchange rates.
2 – Operating Earnings normalized for unusual items and the foreign exchange impact from the revaluation of operating balances due to changes in foreign exchange rates.

# Industrial Sales, Earnings, and Margins (in millions CAD)

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| Operating Earnings – Normalized[2] | 84.7 | 37.9 |
| Operating Earnings Margin | 15.4% | 13.0% |
| Operating Earnings Margin – Normalized | 17.5% | 14.6% |

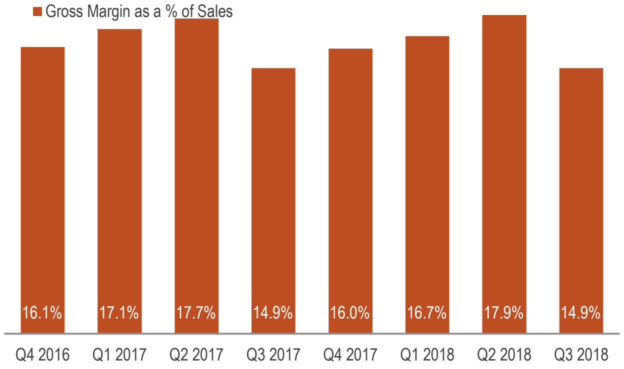
- Normalized OE increased $46.8 or 123.5% mainly due to:
  - the acquisition of MacDon;
  - the strong access equipment volumes; and
  - the favourable changes in FX rates.
- Normalized OE growth was hurt by:
  - increased commodity pricing;
  - an unfavourable customer and product mix; and
  - increased management, R&D, and sales costs which are supporting growth.

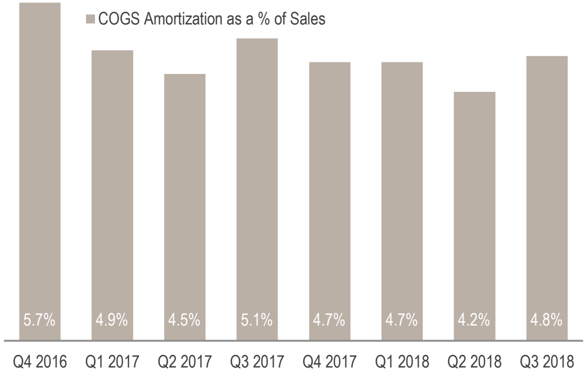
1 – Foreign Exchange as a result of the revaluation of operating balances due to changes in foreign exchange rates.
2 – Operating Earnings normalized for unusual items and the foreign exchange impact from the revaluation of operating balances due to changes in foreign exchange rates.

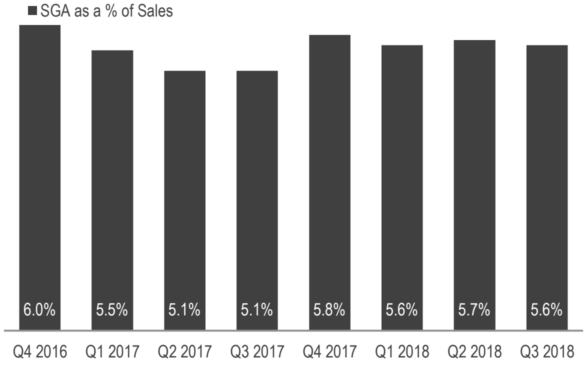
# Operating Expenses (in millions CAD)

| | Q3 2018 | Q3 2017 | +/- | % |
|---|---|---|---|---|
| Sales | 1,837.3 | 1,549.7 | 287.6 | 18.6% |
| Cost of Goods Sold | 1,562.8 | 1,318.9 | 243.9 | 18.5% |
| Gross Margin | 274.5 | 230.8 | 43.7 | 18.9% |
| Gross Margin as a % of Sales | 14.9% | 14.9% | | |
| Cost of Goods Sold Amortization | 88.3 | 79.4 | 8.9 | 11.2% |
| COGS Amortization as a % of Sales | 4.8% | 5.1% | | |
| Selling, General, and Administrative | 103.0 | 79.4 | 23.6 | 29.7% |
| SGA as a % of Sales | 5.6% | 5.1% | | |

- Solid Gross Margin of 14.9%
- Amortization increased $8.9 due to the addition of MacDon and the impact of launching programs.
- SG&A increased by $23.6 mainly due to the acquisition of MacDon, the increased sales, R&D, and management costs.



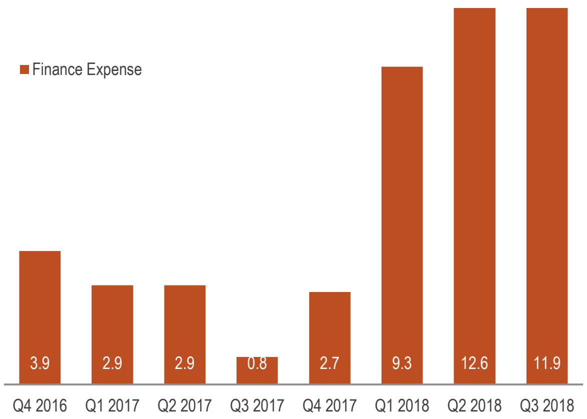



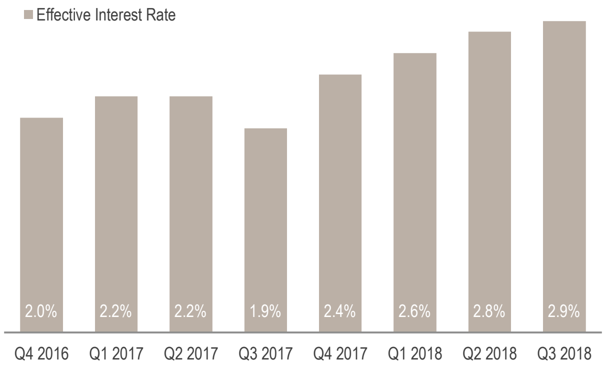



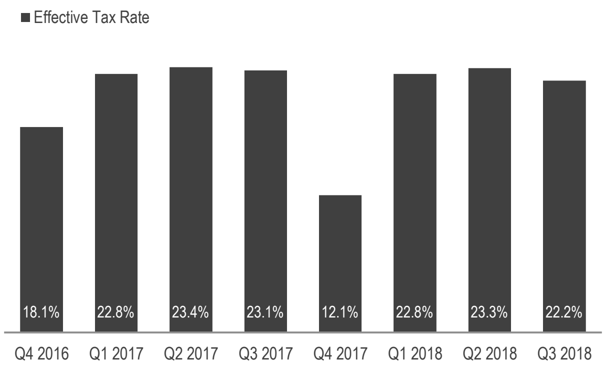
# Finance Expenses & Income Tax (in millions CAD)

| | Q3 2018 | Q3 2017 | +/- |
|---|---|---|---|
| Finance Expense | 11.9 | 0.8 | 11.1 |
| Effective Interest Rate | 2.9% | 1.9% | 1.0% |
| Effective Tax Rate | 22.2% | 23.1% | (0.9%) |

- Finance expenses increased by $11.1 primarily due to:
  - the acquisition debt to purchase MacDon;
  - the related impact on borrowing spreads; and
  - Bank of Canada rate hikes in 2018.



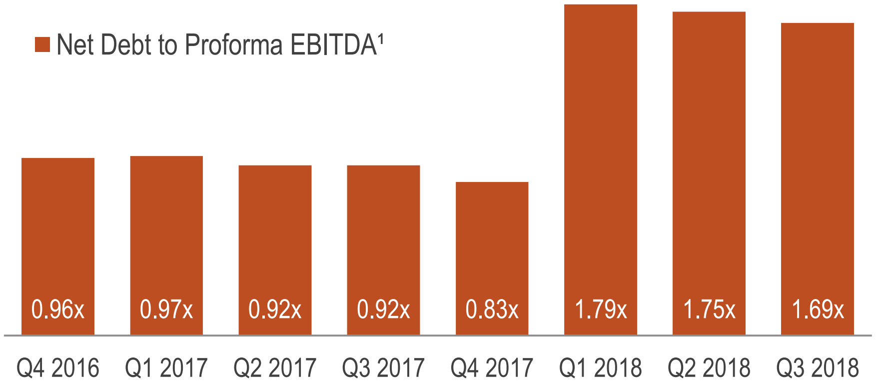



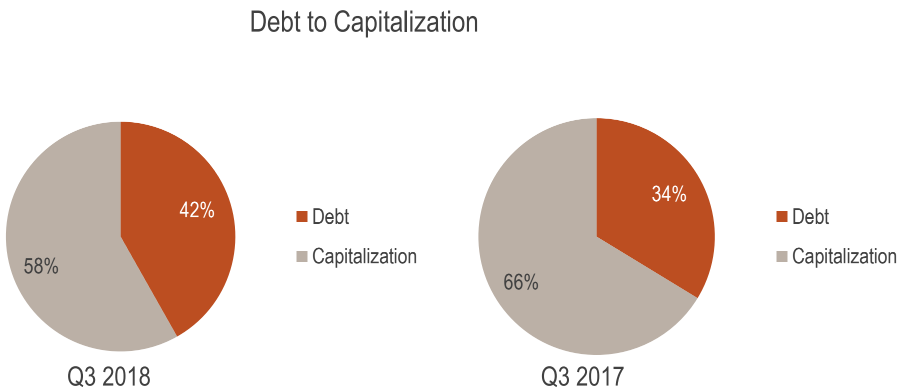



# Leverage (in millions CAD)

| | Q3 2018 | Q3 2017 |
|---|---|---|
| Cash Position | 424.6 | 524.9 |
| Available Cash on Credit Facilities | 679.7 | 518.7 |
| Net Debt to Proforma EBITDA[1] | 1.69X | 0.92x |
| Debt to Capitalization | 41.8% | 33.7% |

- Net Debt to Proforma EBITDA decreased from Q1 18 at 1.79x to 1.69x as expected due to the MacDon acquisition.
- The expectation is to delever under 1.0x in the next 12 to 15 months.




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

# Conclusion

- Double Digit Sales and OE growth;
  - Sales up 19%
  - Operating earnings up 14%
- Finance Expenses increased due to the MacDon acquisition and will delever within the next 12 to 15 months;
- Solid Financial Performance despite the European WLTP impacts to the market.

# Question and Answer

# Key Messages

1. First we are thrilled with another quarter of double digit sales and earnings growth and solid cash generation adding to our fantastic track record of consistent, sustainable growth.
2. We are delighted to see our diversification strategy continuing to pay off for us by driving significant growth in our business.
3. Finally we are excited about continued strong new business wins, well above levels seen in prior years, in the most opportunistic sourcing environment in auto we have ever seen.

# Thank You

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