

# Conference Call Presentation

## Q4 2017 Conference Call Information

Local: (647) 427-3383

Toll Free: (888) 424-9894 (North America)

Conference ID 7089827

Linda Hasenfratz

March 7, 2018



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.

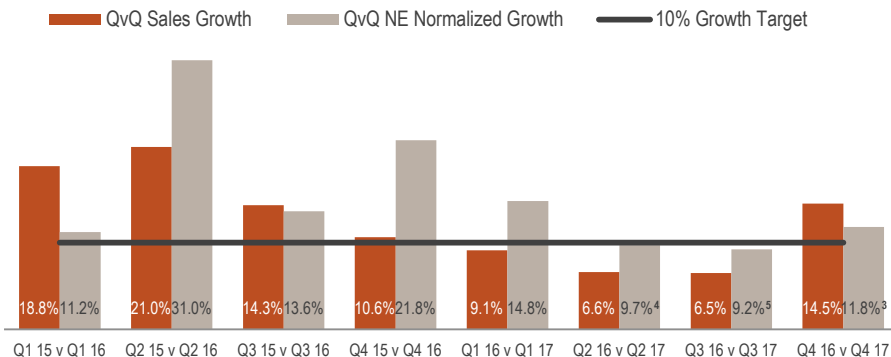
# Sales, Earnings and CPV



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

	Q4 2017	Q4 2016	Growth
Sales	1,574.5	1,374.8	14.5%
Operating Earnings ("OE")	158.2	147.0	
Operating Earnings Margin	10.0%	10.7%	
Net Earnings ("NE") – ATS <sup>1</sup>	135.1	116.1	16.4%
Less: Foreign Exchange <sup>2</sup>	2.0	(7.0)	
Less: Unusual Items	(15.1)	-	
Net Earnings Normalized <sup>3</sup>	122.0	109.1	11.8%
Net Earnings Normalized <sup>3</sup> Margin	7.7%	7.9%	

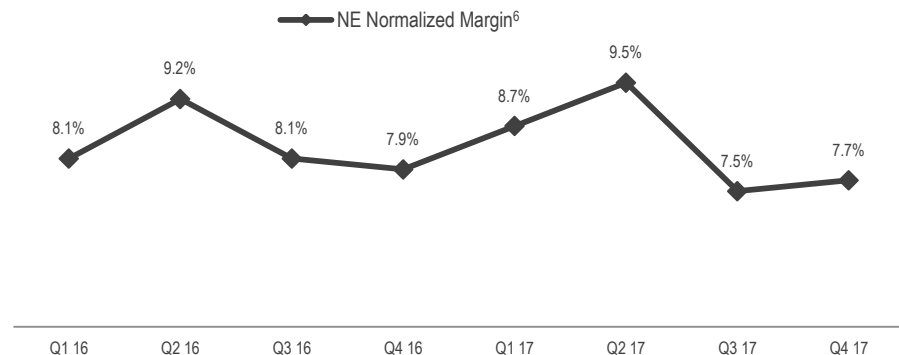
- Vehicle markets globally flat, NA LV down 4.1% in Q4
- Access market double digit growth
- 2017 Sales ↑ 9%, new record
- 2017 Normalized NE ↑ 9.4%, new record
- 2017 Normalized NE Margin 8.4%
- 2018 and 2019 NE Margin 8-8.5%



1 – ATS indicates that the figures are attributable to the shareholders of the corporation.

2 – Foreign Exchange impact from revaluation of operating balances and financing costs tax affected.

3 – Net Earnings before unusual items and foreign exchange impacts, tax affected.



4 – Net Earnings before the foreign exchange impacts, tax affected.

5 – Net Earnings before non-recurring items and foreign exchange impacts, tax affected.

6 – Net Earnings Margin before unusual items and foreign exchange impacts, tax affected.

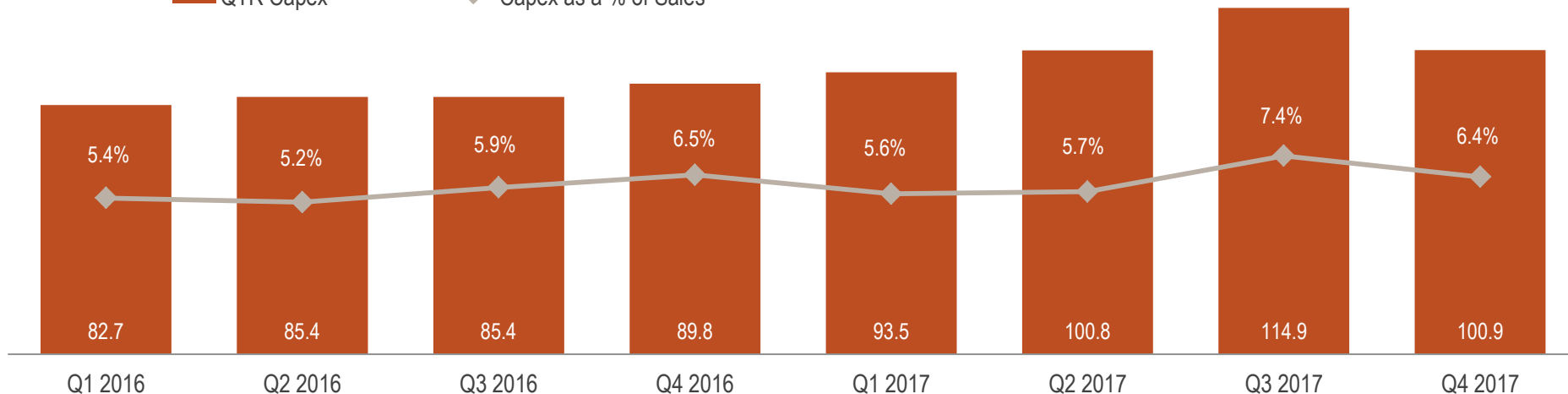
# Capital Expenditures (in millions CAD)

	Q4 2017	Q4 2016
Capital Expenditures (Capex)	100.9	89.8
Capex as a % of Sales	6.4%	6.5%

- 2017 full year 6.3% of sales vs 5.7% 2016
- 2018 low end historical 8-10% normal range
- Reset normal range go forward to 6-8%
  - more reflective of recent years
  - still drives double digit growth

■ QTR Capex

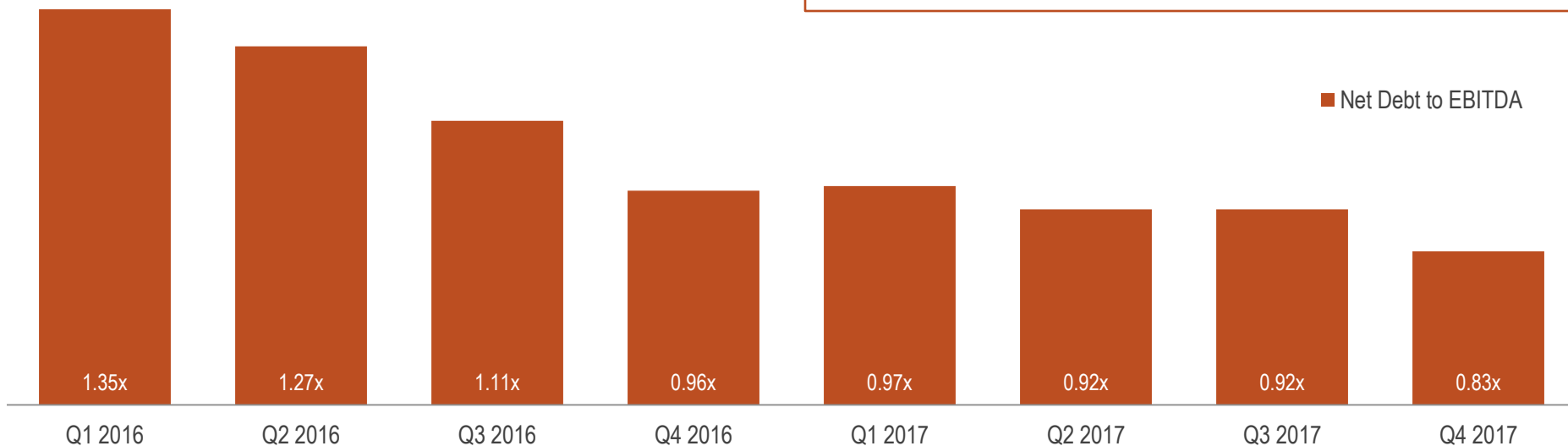
—◆— Capex as a % of Sales



# Leverage (in millions CAD)

	Q4 2017	Q4 2016
Net Debt	865.0	1,028.2
Net Debt to EBITDA	0.83x	0.96x

- Net debt down another \$83 million
- Cumulative debt reduction of \$528 million since acquisition of Montupet 2 years ago

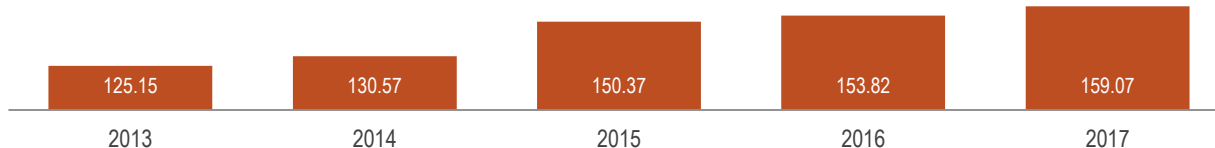


# Content Per Vehicle (CPV)

	Q4 2017	Q4 2016	Δ in %	Production Change vs 2016	Q4 2017 Sales (CAD Millions)	Δ in %
North America	157.58	143.26	10.0%	(4.7%)	\$675.2	4.9%
Europe	69.93	62.42	12.0%	8.8%	\$405.4	21.8%
Asia Pacific	9.48	8.56	10.7%	1.8%	\$131.2	12.9%

■ YTD<sup>1</sup> CPV

North America



■ YTD CPV

Europe



■ YTD CPV

Asia Pacific



- Double digit growth in every global region
- Increasing market share key to growth in soft markets

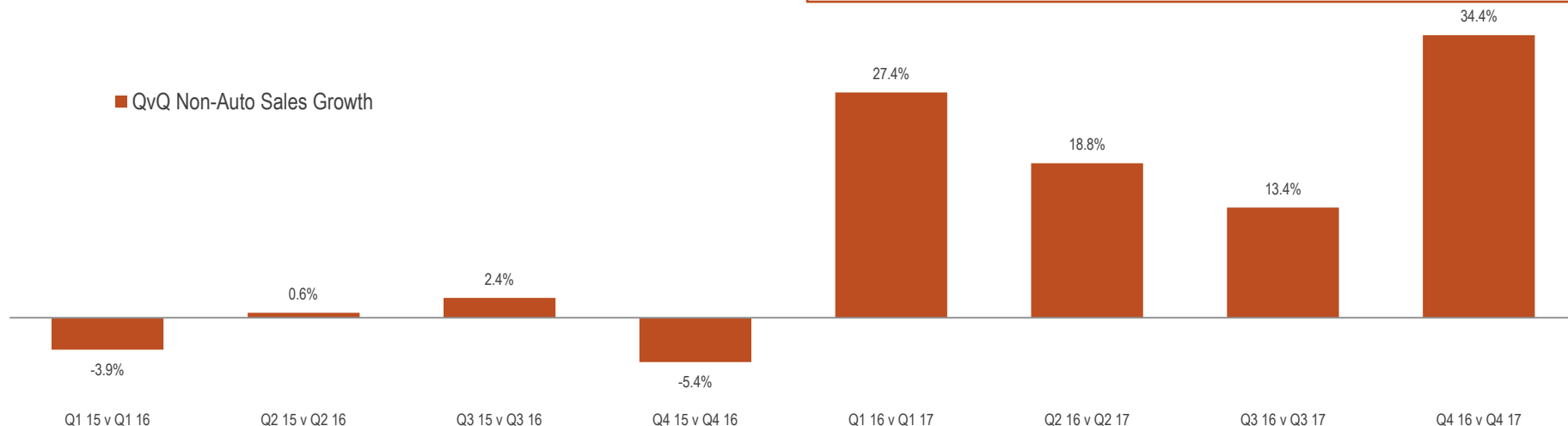
1 – YTD indicates that the figures are year-to-date (1/1/2017 – 12/31/2017).



# Other and Non-Automotive Sales (in millions CAD)

	Q4 2017	Q4 2016	Δ in %
Other Automotive Sales	59.1	55.9	5.7%
Non-Automotive Sales	303.7	226.0	34.4%

- Growth thanks to mainly to Skyjack
  - Double digit market growth in units
  - Skyjack up double market in units, triple in sales
- Off highway market recovery driving growth as well



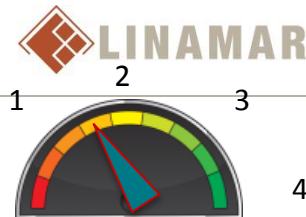


# Market Outlook



# Market Snapshot 2018 & 2019

As of February 2018

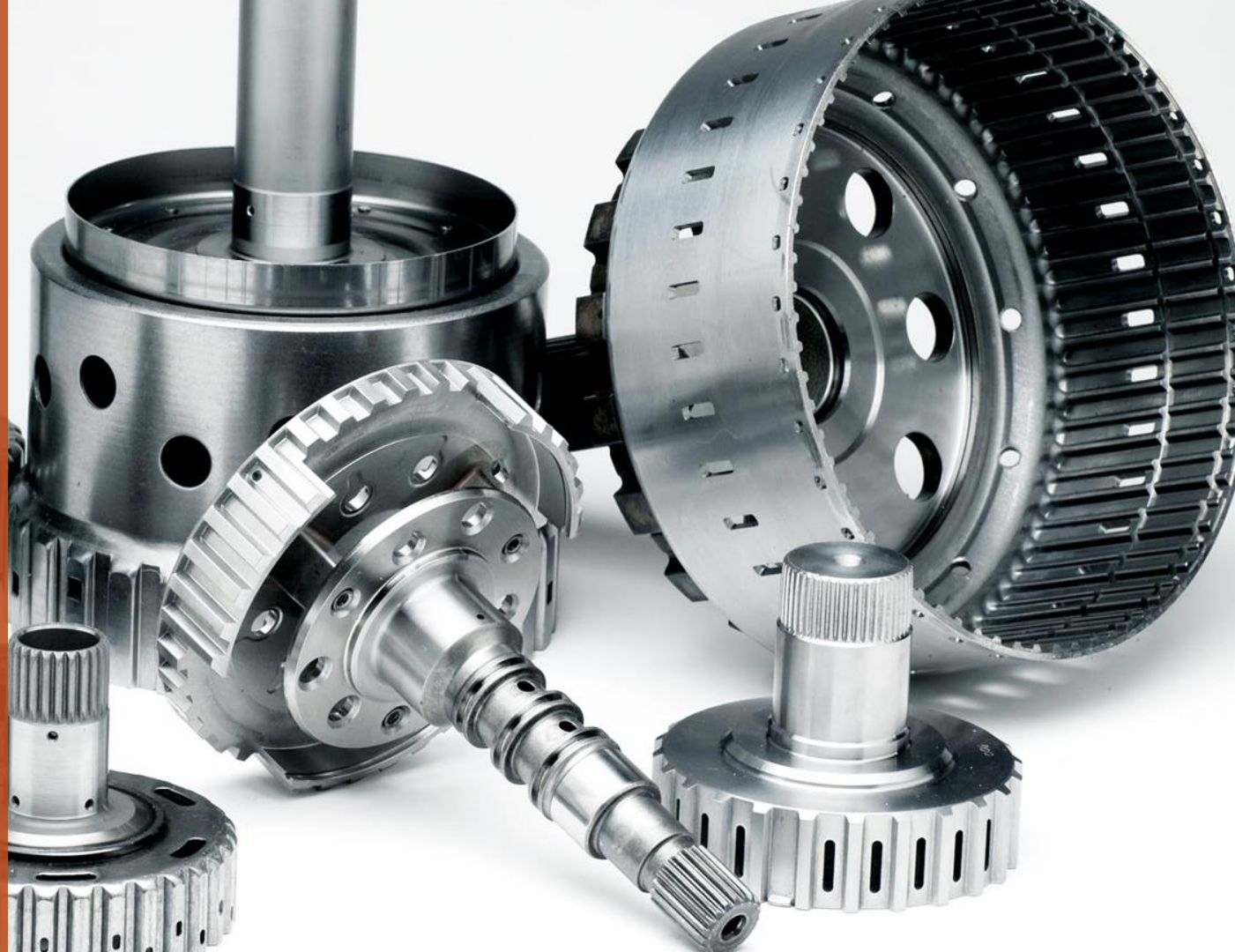


2018	Powertrain/Driveline		Agriculture	Skyjack
	Automotive (LV)	Commercial Truck		
North America	Flat	Growth	Growth	Flat
Europe	Flat	Moderate Growth	Moderate Growth	Moderate Growth
Asia	Flat	Decline	Flat	Moderate Growth

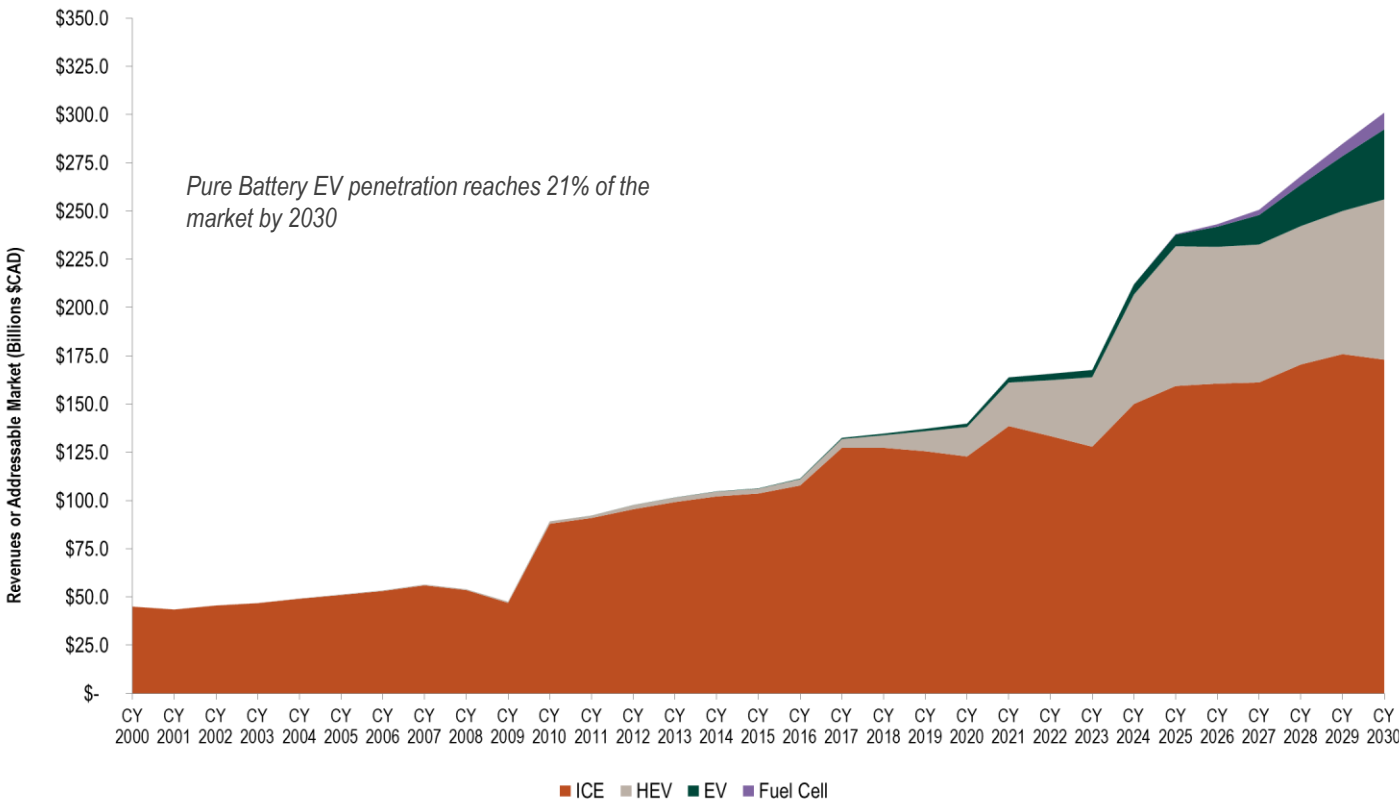
2019	Powertrain/Driveline		Agriculture	Skyjack
	Automotive (LV)	Commercial Truck		
North America	Flat	Moderate Growth	Moderate Growth	Flat
Europe	Flat	Moderate Growth	Moderate Growth	Flat
Asia	Moderate Growth	Decline	Flat	Flat

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%

# New Business

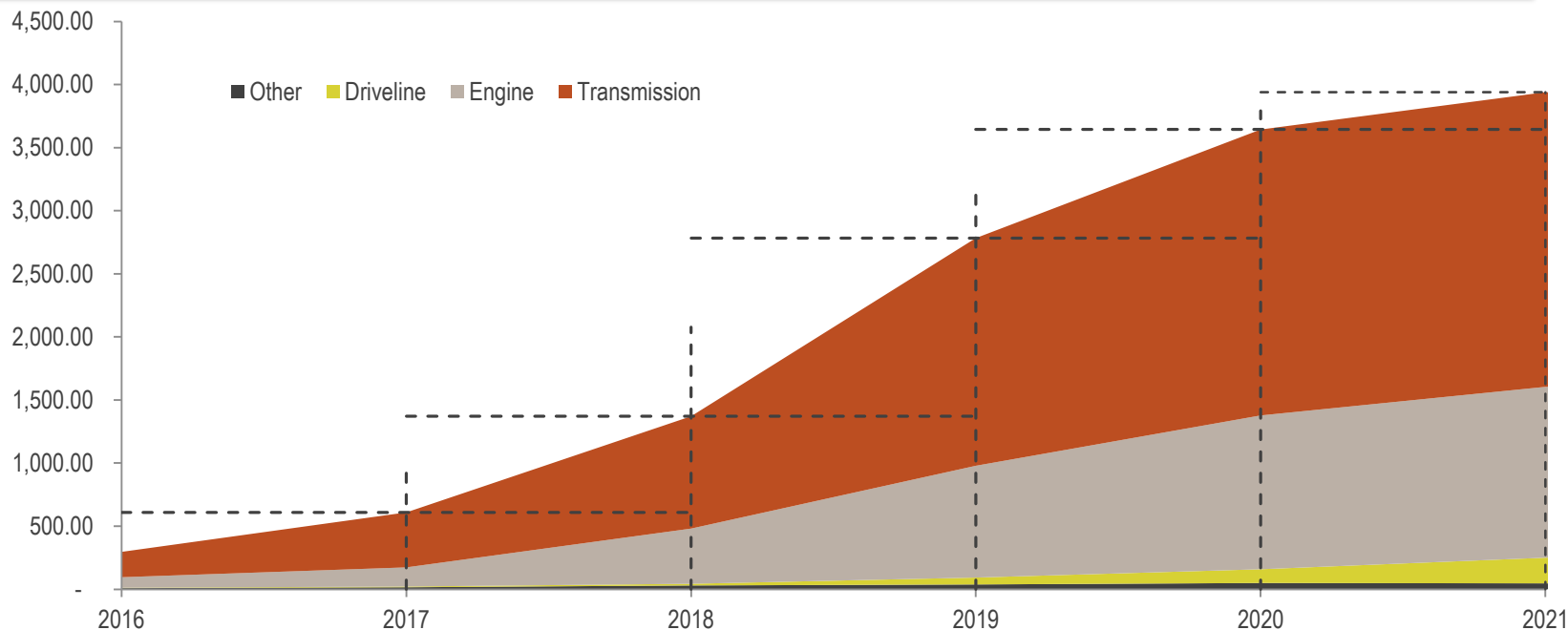


## Global Overall Addressable Powertrain Market



Massive Market Opportunity Vehicle Propulsion

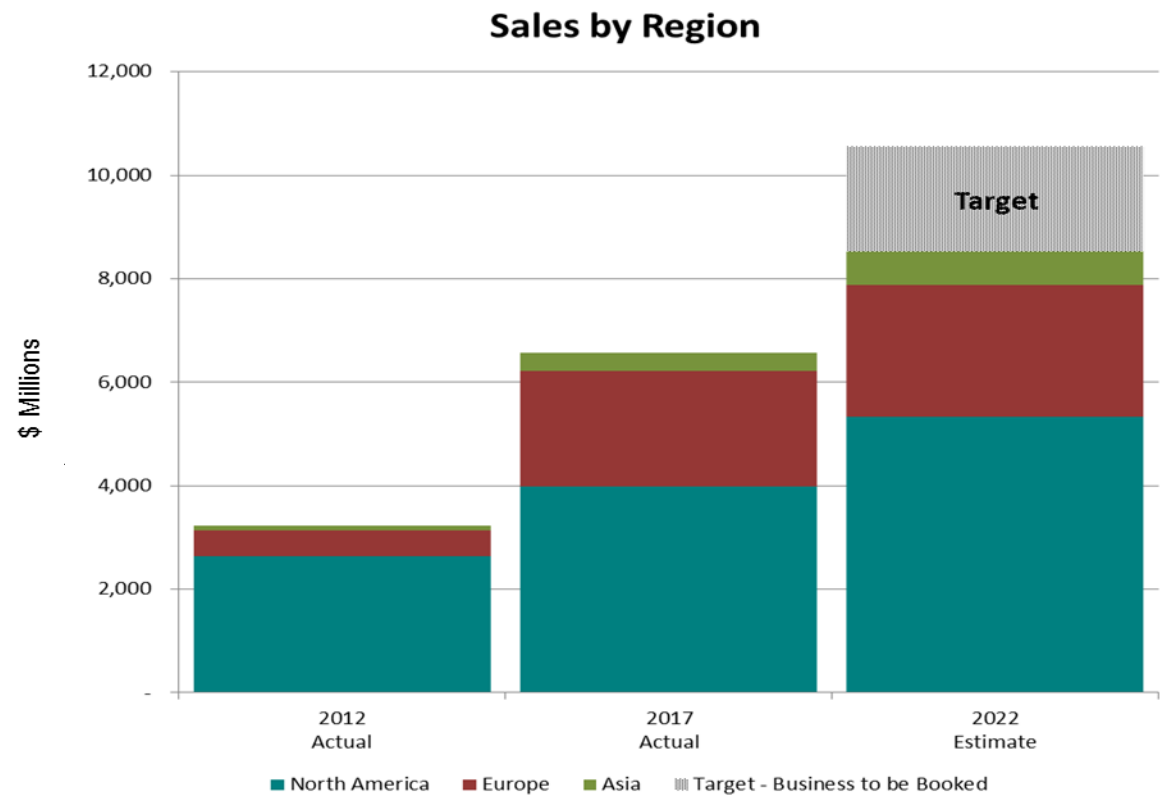
Launching nearly \$4.3 billion of new work today



Sales from Launch add:

\$700 to \$800 Million in 2018  
\$1.3 to \$1.4 Billion in 2019

- Market growth predictions coupled with CPV
- Launches
  - \$700 to \$800 Million in 2018
  - \$1.3 to \$1.4 Billion in 2019
- Skyjack Growth
  - Mid to high single digit both years
- MacDon Growth
  - Low double digit both years off LTM \$600 million
- Business Leaving
  - 5-10% normally
    - Mid to high end of range 2018
    - High end range 2019
- Productivity Givebacks





# Single Motor eAxle Gearbox

## Volume

- 558,000 peak volume

## SOP Year

- 2019

## Peak Volume Year

- 2025

## eAxle System



## Features

- Low Cost eAxle
- High Efficiency (>97%)
- Fully Integrated System
- Compact Design



Takes global EV  
powertrain  
market share to  
20-25% by mid  
next decade.

## Volume

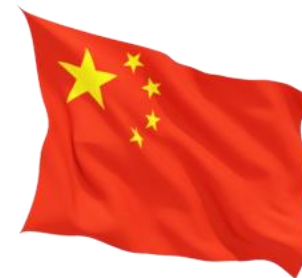
- 115,000

## SOP Year

- 2019

## Peak Volume Year

- 2021



## Differential Case Assembly



# Major Driveline Axle Shaft Program

## Volume

- 1.2 million axles per year

## SOP Year

- April 2020

## Peak Volume Year

- 2021



## Axle Shaft Assembly



# Transmission Component Work

## Volume

- 78,500 average, 99,000 peak

## SOP Year

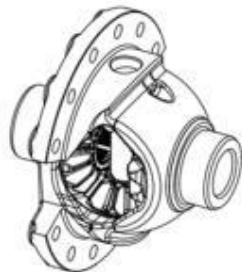
- 2019

## Peak Volume Year

- 2020



## Differential Case Assembly



## Transmission Housing



## Clutch Housing



# Commercial Vehicle Engine Work

## Volume

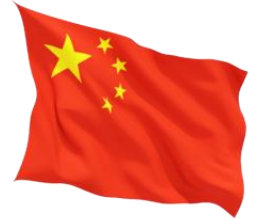
- 32,000 Cylinder Heads, 10,000 Cylinder Blocks

## SOP Year

- 2018

## Peak Volume Year

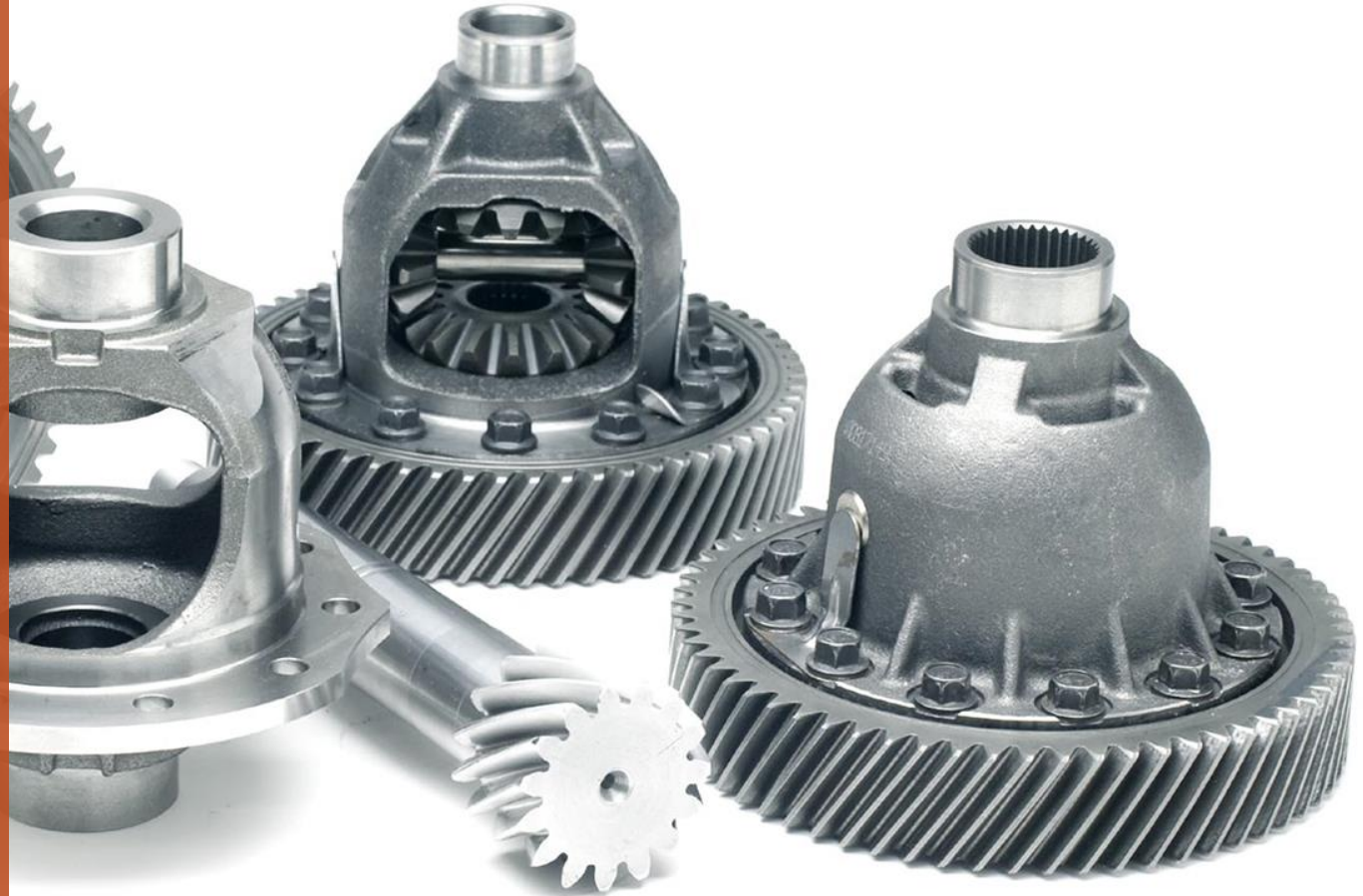
- 2019



## Cylinder Heads & Block



# Strategic Update









# Key Market Strategies

- 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 (Skyjack)
  - Globalize and expand product lineup in all 3 regions
- Power, Water, Age – research markets, develop strategy
- Food
  - Build on MacDon acquisition as the foundation from which to expand global ag business overall
- 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
    - Further develop current product technologies
    - Identify tangential innovation opportunities
    - Manufacturing partnerships with Technology companies globally



# MacDon Acquisition Well Aligned with Linamar's Strategy



## Enhances Position as a Global Diversified Manufacturer

- Agriculture/Food is a key long term growth market globally given the growing & developing global population
- Linamar has a long history in the agriculture market
- Further diversifies Linamar beyond traditional automotive powertrain / driveline manufacturing

Diversification



## MacDon is an Innovative Market Leader

- **Industry Leading Businesses and Market Share** -- #1 market share in its key products
- **Track Record of Technology and Innovation Leadership**
- Significant opportunity to leverage these strengths with Linamar's global manufacturing expertise in LEAN principles through employee engagement

Innovation



## Significant Growth Potential and Upside Opportunities

- **Agricultural Market in Early Stages of Cyclical Recovery**
- Large untapped addressable global market opportunity
- Synergies with global distribution networks

Growth



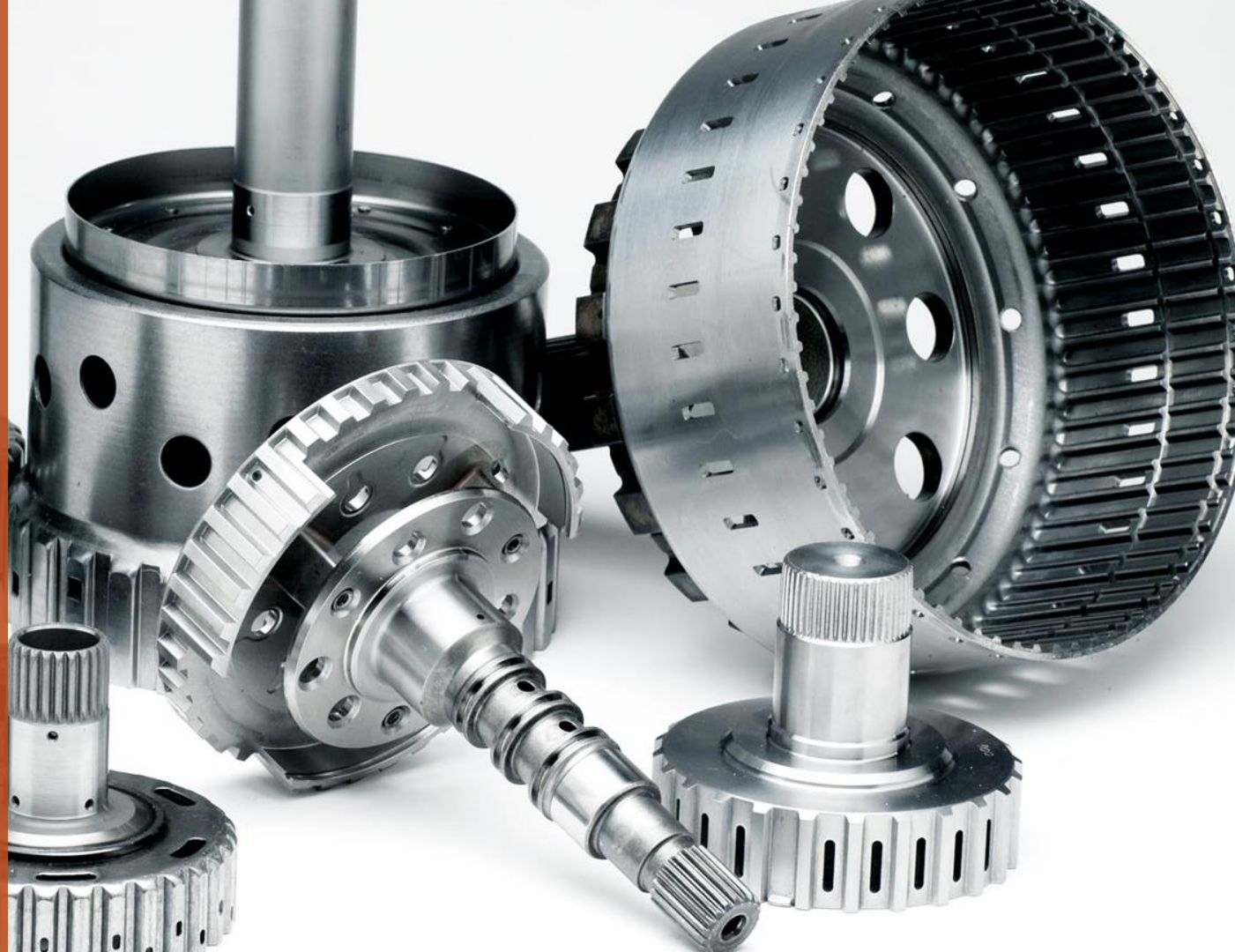
## Financially Attractive Deal

- Strong, well-managed company with excellent financial performance and outlook
- Fair price
- Immediately accretive to earnings and cash flow even before synergies
- Maintaining strong balance sheet with rapid deleveraging post-transaction

Attractive Deal

Attractive, well aligned strategic acquisition

# Innovation Update



*Developing the most energy-efficient and shock-absorbing wheel system in the world.*

*Improving mobility for all urban transportation*

What is it:

- Patented wheel design with built-in suspension
- Applications:
  - Wheelchairs
  - City Bicycles / Bicycles / E-Bikes
  - Automotive
- Currently sold for wheelchair & piloted with city bike share programs in Europe & N.A.

Benefits:

- Significantly improved ride comfort & road safety from bumps & pot holes
- Improved efficiency compared to frame suspensions
- Enabler to reduce significant maintenance costs
  - Enables use of solid polymer tires in lieu of pneumatic tires
  - Eliminates flats tires and reduces rim damage (reduces +70% of maintenance)
- Designed to fit with no modifications required to bikes & wheelchairs



**SOFTWHEEL**



**59** Plants

**1,129**  
LMMS Data  
Collection  
Connections

**1,559**  
Robots

**615**  
Traceability  
Marking  
Stations

**1,284**  
Connected  
Machines

**985**  
RFID Stations

**1,007**  
Traceability Read  
Stations

**563**  
Vision Systems

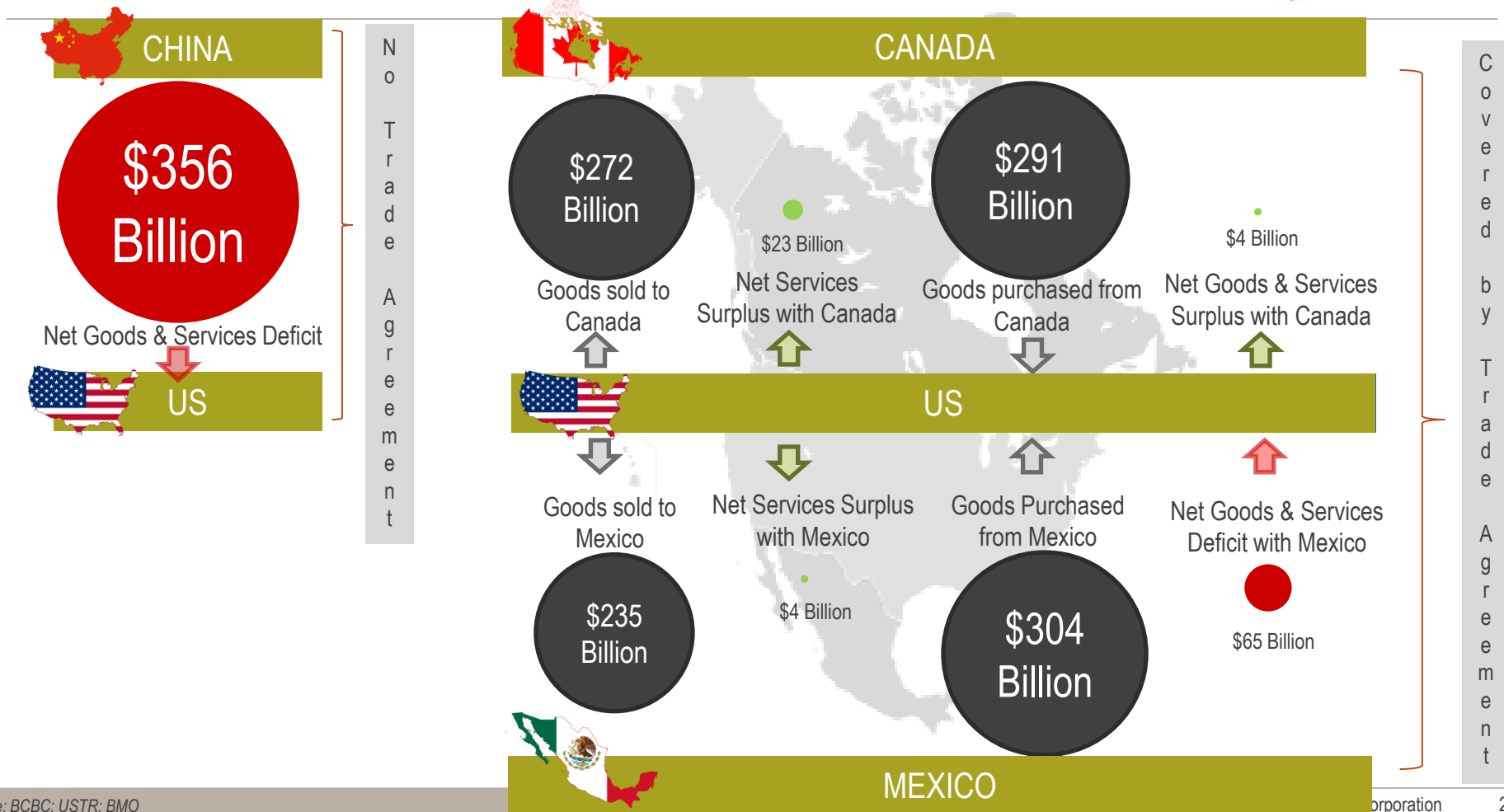
**2**  
AGV



# NAFTA



# NAFTA – The Facts





# Financial Review

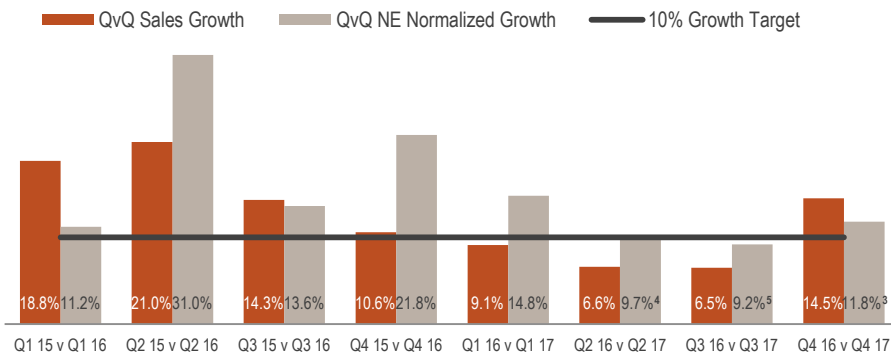
Dale Schneider  
March 7, 2018



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

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Sales	1,574.5	1,374.8	14.5%
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Operating Earnings Margin	10.0%	10.7%	
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Less: Foreign Exchange <sup>2</sup>	2.0	(7.0)	
Less: Unusual Items	(15.1)	-	
Net Earnings Normalized <sup>3</sup>	122.0	109.1	11.8%
Net Earnings Normalized <sup>3</sup> Margin	7.7%	7.9%	

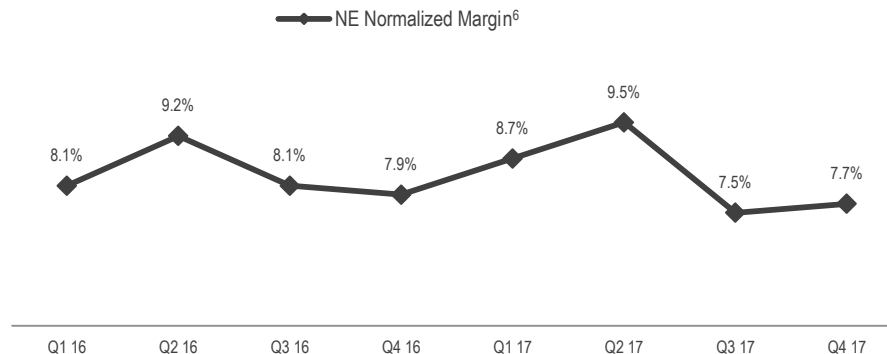
- Double digit Sales growth 14.5%
- Double digit operating margins
- Net earnings normalized for FX and Unusual items grew by \$12.9 or 11.8%
- \$15.1 benefit from substantively enacted tax rate reductions mainly in the US and France



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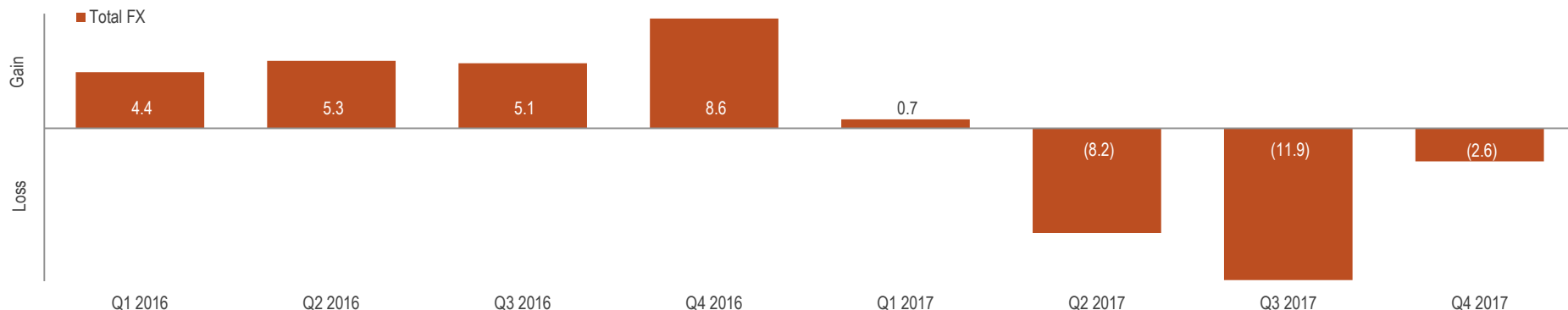
# Foreign Exchange Gain/Loss (in millions CAD)

	Q4 2017	Q4 2016	Δ in \$	Δ in %
FX (Gain)/Loss – Operating	2.6	(8.8)	11.4	130.0%
FX (Gain)/Loss – Financing	-	0.2	(0.2)	-100.0%
Total FX (Gain)/Loss	2.6	(8.6)	11.2	130.2%

Operating Margin	10.0%	10.7%
Operating Margin Normalized for FX	10.2%	10.1%

FX (Gain)/Loss – Impact on EPS FD <sup>1</sup>	0.04	(0.11)
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- \$2.6 FX loss in the quarter from the revaluation of operating balances
- Double digit operating earnings margin both reported and normalized for FX.
- FX impacted EPS by 4 cents



<sup>1</sup> – The impact on Earnings Per Share Fully Diluted from FX is a non-GAAP financial measure that divides the foreign exchange impact by the Company's diluted number of shares.

# Powertrain/Driveline Sales, Earnings, and Margins (in millions CAD)



	Q4 2017	Q4 2016
Sales	1,366.3	1,230.1
Operating Earnings	129.4	122.4
Less: Foreign Exchange <sup>1</sup>	3.3	(5.4)
Operating Earnings – Normalized <sup>2</sup>	132.7	117.0
Operating Earnings Margin	9.5%	10.0%
Operating Earnings Margin – Normalized <sup>2</sup>	9.7%	9.5%

- Sales up \$136.2 or 11.1% on strong volumes for both launching and mature programs
- OE up \$7 or 5.7% on the volume increases being partially offset by the FX impacts on balance sheet revaluation and on the underlying transactions within OE.
- OE normalized for FX grew by 13.4%

1 – Foreign Exchange as a result of the revaluation of operating balances due to changes in foreign exchange rates.

2 – Operating Earnings normalized for foreign exchange impact from the revaluation of operating balances due to changes in foreign exchange rates.

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



	Q4 2017	Q4 2016
Sales	208.2	144.7
Operating Earnings	28.8	24.6
Less: Foreign Exchange <sup>1</sup>	(0.7)	(3.4)
Operating Earnings – Normalized <sup>2</sup>	28.1	21.2
Operating Earnings Margin	13.8%	17.0%
Operating Earnings Margin – Normalized <sup>2</sup>	13.5%	14.7%

- Sales up \$63.5 or 43.9% on strong market share gains and increased volumes.
- OE up \$4.2 or 17.1% on the volume increases being partially offset mainly by customer/product mix and the FX impacts on balance sheet revaluation and on the underlying transactions with in OE.
- OE normalized for FX grew by 32.5%

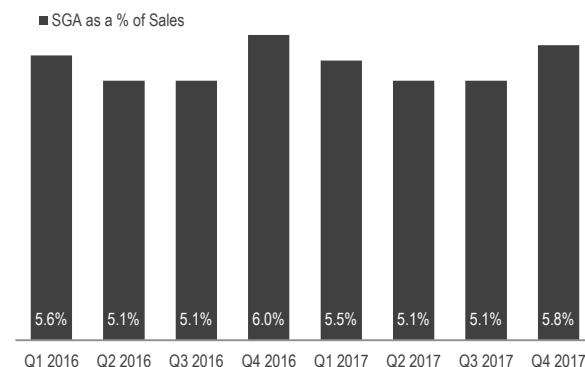
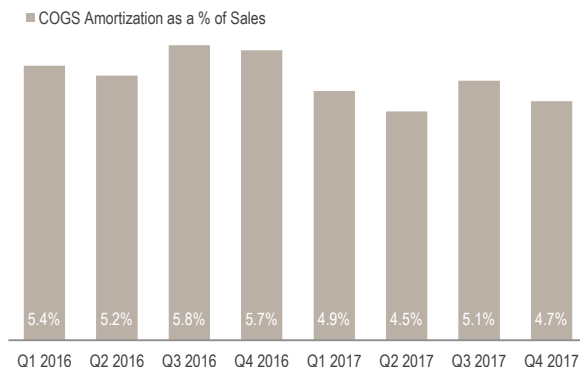
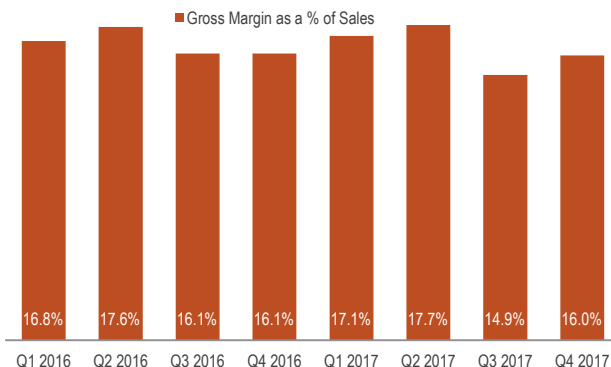
1 – Foreign Exchange as a result of the revaluation of operating balances due to changes in foreign exchange rates.

2 – Operating Earnings normalized for foreign exchange impact from the revaluation of operating balances due to changes in foreign exchange rates.

# Operating Expenses (in millions CAD)

	Q4 2017	Q4 2016	Δ in \$	Δ in %
Sales	1,574.5	1,374.8	199.7	14.5%
Cost of Goods Sold	1,322.8	1,153.8	169.0	14.6%
Gross Margin	251.7	221.0	30.7	13.9%
Gross Margin as a % of Sales	16.0%	16.1%		
Cost of Goods Sold Amortization	73.9	78.8	(4.9)	-6.2%
COGS Amortization as a % of Sales	4.7%	5.7%		
Selling, General, and Administrative	91.6	82.8	8.8	10.6%
SGA as a % of Sales	5.8%	6.0%		

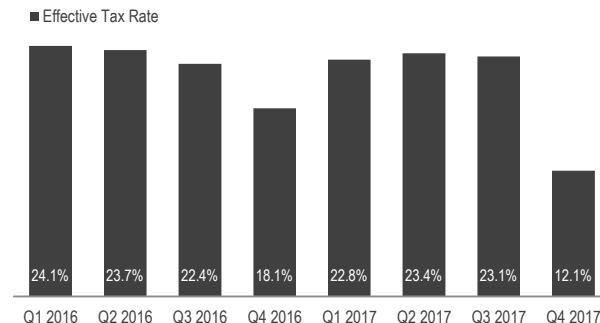
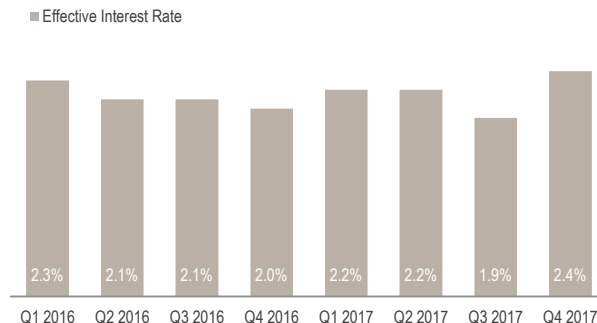
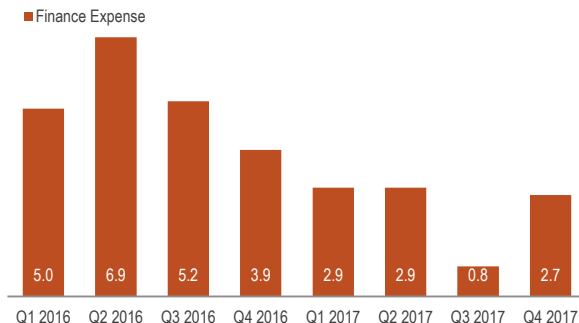
- Gross Margin is up 13.9% on the strong sales volumes less the FX impacts and the mix issues in Industrial
- Amortization as a % of sales improved to 4.7%
- SGA as a % of sales improved to 5.8% in spite of MacDon acquisition related expenses.



# Finance Expenses & Income Tax (in millions CAD)

	Q4 2017	Q4 2016	Δ in \$	Δ in %
Finance Expense	2.7	3.9	(1.2)	-30.8%
Effective Interest Rate	2.4%	2.0%	0.4%	20.0%
Effective Tax Rate	12.1%	18.1%	-6.0%	-33.1%

- Finance Expense improve \$1.2 mainly due to higher interest earned and lower debt levels
- Effective interest rate (which excludes Interest Earned) increased to 2.4% mainly due the Bank of Canada Rate hikes in Q3 2017
- Tax rate is unusually low primarily due to the statutory rate reductions in the US and France

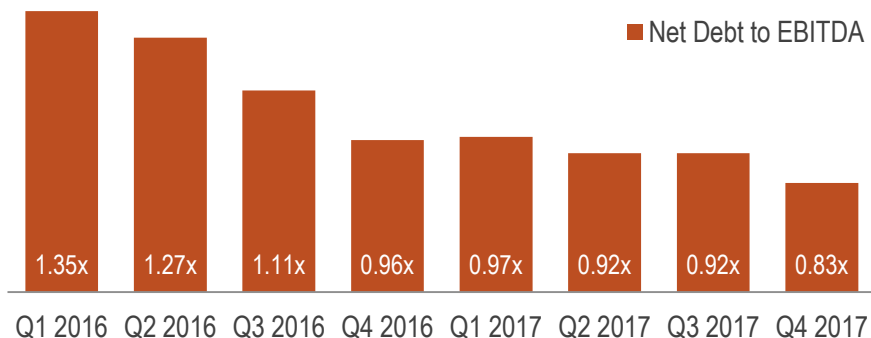




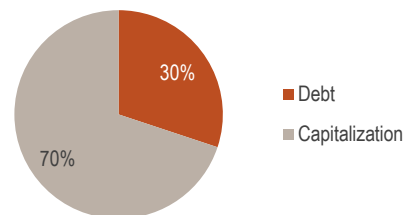
# Leverage (in millions CAD)

	Q4 2017	Q4 2016
Cash Position	439.1	405.0
Cash Generated from (used in) – Operating Activities	205.3	275.3
Free Cash Flow – 12 Month Rolling	357.8	536.6
Available Cash on Credit Facilities	643.8	733.8
Net Debt to EBITDA	0.83x	0.96x
Debt to Capitalization	30.1%	36.4%

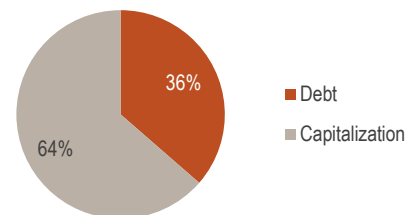
- Cash position is \$439.1
- Strong cash generation with operating activities generating \$205 in the quarter and with Free Cash Flow of \$358 being generated in 2017
- Net Debt to EBITDA improves to 0.83x
- Debt to Capitalization improves to 30.1% well under 35% target
- Significant levels of available credit



Q4 2017 Debt to Capitalization



Q4 2016 Debt to Capitalization



- Solid quarter of double digit growth for both sales and net earnings
- Sales up 14.5%
- Net Earnings up 16.4%
- Net Earnings Normalized up 11.8%

## Q4 2017 Conference Call Information

Local: (647) 427-3383

Toll Free: (888) 424-9894 (North America)

Conference ID 7089827



- 1) Double digit normalized net earnings growth of 12% in the quarter despite soft markets
  - i. Another record year in both sales and earnings.
- 2) Market share growth
  - i. Double digit CPV growth in every market globally
  - ii. Market share growth in every product globally for Skyjack
- 3) Continued Growth Secured
  - i. Another record year in NBW's logged for 2017
  - ii. Second major e-axle win
  - iii. Growth in new markets with our MacDon acquisition completed as well.

# Thank You

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