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# EDITED TRANSCRIPT

MG.TO - Magna International Inc 2020 Investor Day

EVENT DATE/TIME: FEBRUARY 27, 2020 / 1:30PM GMT



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## PRESENTATION

**Louis Tonelli** - *Magna International Inc. - VP of IR*

Good morning, everyone, and welcome to our Investor Day, including those that are joining from the webcast. We've got a really great show for you today. You'll hear from our senior management about what gives Magna unique competitive position in the auto industry, including our culture, our strategies going forward and some of the new innovations that are driving our growth. You'll also hear about our strong financial outlook.

Our management will be around for most of the day to answer your questions. We have a busy schedule of presentations today. So I'll keep things moving along and make sure we're staying on track. Our agenda today is on the screen. Don Walker and Swamy Kotagiri will lead things off with



a strategy overview. Vince will cover our segment and consolidated outlooks as well as our capital allocation strategy. We'll see the questions for the 3 of them until later today. We'll follow with presentations from each of our 4 reporting segments, broken down by operating units. And after each segment presents, we'll leave time for questions on the segment. First up would be Power & Vision and then Body Exteriors & Structures. Then we'll have a short break. When we return from the break, we'll have presentation from Seating and Complete Vehicles. We'll then have a panel discussion on Magna's unique culture and then Don will wrap up. At the end of presentations, we'll take additional questions from the entire group, and we hope to finish in here around 12:30. Lunch will be served around the corner at 12:30. And between 12:30 and 2:30, you'll have an opportunity to review our technology displays outside this room with our technical staff. Please feel free to ask them any questions of the innovations.

Just a reminder, today's discussion is all in U.S. dollars unless otherwise noted. A couple of housekeeping items.

During the Q&A, please raise your hand, we'll come by and give you a mic so that your questions can be heard. If time permits, we'll take questions coming in from the webcast. However, the priority will be given to those that are here in the audience. Lastly, we ask you that please turn off or switch off your smartphone to silent or vibrate.

Before we get started, please note that the management presentations would follow and the question-and-answer session today may contain forward-looking statements within the meaning of applicable securities legislation. Both the screen and the handouts provide excruciating details of our safe harbor disclaimer. Okay. Thanks, everyone. Enjoy the day, and I ask Don to come up, please.

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**Donald James Walker** - Magna International Inc. - CEO & Director

Well, thanks, Louis, and welcome, everybody, who is watching online. And for those of you who braved the travel restrictions and the snow and the blockade of the GO train, and I appreciate your making the effort to be here. The last Investor Day, it was 2 years ago, and the purpose of today is to give you an update on the industry and specifically how Magna sees it and how we fit in and how we're going to be growing through that. And also to give you more detailed information about the groups that make up Magna because you don't usually get the opportunity to see that much transparency, and to hear from the managers that are running the company. And I think by the end of the day, hopefully, you'll have a better understanding of the company, but also see the depth of management, and we'll be answering any questions as we go along as well.

So I think the other thing I hope that you walk away from, maybe more through discussions with people is we do have a very -- I believe, a very unique, strong entrepreneurial culture. And I think we're well positioned for the future. So I'm going to keep my remarks to about 10 minutes in total. And I was thinking about what I want to talk about. I probably could have put a slide up saying auto industry revolution because there's unprecedented change going on in our industry today, driven a lot by new mobility concepts as well as the concern about sustainability in the world. However, nothing in the automotive industry moves that fast. And the reason is it's a highest tech industry in the world, extremely complex. It's global. If you look, it's a safety product, it's highly regulated. So with everything going on, there's lots of changes, but everything has to be done so precisely that everything takes a while. So I would say it's an ongoing evolution. One thing that has not changed, although you see a lot of regulation, a lot of things are going to be impacting the industry, most industrialized countries in the world are still really, really interested in attracting the auto industry.

It creates a lot of investment, a lot of jobs, a lot of tax revenue, but the spin-off benefits to education, R&D, the tooling industry and material industry, logistics, it's huge. So I'm going to make a couple of comments, but we -- I think there's a lot of pressure in various countries around the world on the industry, but there's a lot of places that are just dying for investment.

So I covered this slide, and I've showed it to the Board, and we use it. I'm not going to go through it in too much detail, because I've covered it 2 years ago. But if you look at what is changing the world in the future that nobody can stop. If you look down on the left-hand side, things like the advancements in artificial intelligence and in augmented reality to driverless cars, advanced robotics, materials, manufacturing, these things are happening. We want to make sure we understand them. We understand the timing. We have people working on it. So we can take advantage. And these things are moving primarily with the advantage of software. So at the rate of Moore's Law, which is very quickly. And then if you look at the right-hand side, lots of things are happening that are going to have a big impact on future mobility and where we should be doing business, what customers we should be doing business with, things like urbanization, people are aging, the impact of global warming and how fast we're going to have clean energy sources. That will really drive the implementation of EVs and other forms of non-polluting transmission of the vehicles. And



also, the wealth distribution, I'd say, of people because that affects society, but from country to country. So that really drives where we think we should be located and what customers we think will be healthy in the future.

So if I look at current issues, I'd almost bucket the ones on the left under protectionism. We'll answer any questions on the USMCA. I think, it is going to get passed by Canada here pretty quickly. Hopefully, it does. But I think that was all about, in the automotive space, anyway, modernizing by slowing down the movement of assembly plants to Mexico. So I think that's going to probably have the desired impact the U.S. administration wanted to. Hopefully, Canada and the U.S. have a more equal playing field to attract those assembly plants. But I see that has all been about making sure NAFTA is functional, competitive as a region to compete against other regions in the world.

So after having that done, I think, that's setting up a framework to further negotiations with the U.S., specifically, you can see what's happened with China and other areas, what's going to happen to Brexit, what's going to happen between free trade in Europe. So we watch this very closely. I think the overall result of USMCA will be the carmakers that want to sell here, to the extent they think they can hit the regional value content, they -- that means you should be more sourcing in North America, in the NAFTA region. Magna is the biggest supplier here by quite a bit from a sales perspective, so it should be a big beneficiary. But we'll see. And then if you look at what's happening with climate change, the regulations on the vehicles, but also the pressure on industry, in general, and sustainability, I'm going to talk a bit about that. But that's having a big impact. And then the drive towards future mobility, there's going to be different solutions, but ADAS, new entrances. So if you look at everything that's going on, I personally believe the auto industry needs to change. And I've been saying this for a few years, and we're starting to see it.

There's too much money being spent by too many people on electrification of powertrain, different solutions. Everybody's got different volumes and low volumes and so segregated. Everybody is spending tens of billions of dollars on autonomous driving, meeting new regulations. So I believe we're going to continue to see more acquisitions, joint ventures, cooperation agreements between the OEMs. So they don't have to spend as much money. Everybody has not to do everything. You get higher volumes, you get better quotes in the supply base. And I think that same thing, consolidation, joint ventures and cooperation is going to happen at the Tier 1. So I think this is -- if we don't, I think, we continue to have low multiples in the industry from the investment community. I think that's going to be driving the changes.

So we have 3 priorities. I might touch on all 3 of these very briefly. I'll start with world class manufacturing. For us, world class manufacturing, probably boring to people outside the industry, it is our #1 priority, and our customers would expect this. It's everything when you're going to design a product. How you design it? What are the critical features? How do you design your process, your capital, the tooling, the launch, your make-buy decisions, the costing? But if we're good at this, we can quote competitively because we're the most competitive. The least amount of waste. We grow our sales, we grow our profitability, and ultimately, it's our reputation. We have -- we're involved in 250 vehicle launches a year, but we're launching, on average, about \$8 billion to \$10 billion a year in new product, very critical product. Almost everything we're doing now is very highly technical.

So we need to be launching it well and then allow us to continue to come up with ideas to reduce the cost, either it's product or process. So continuous improvement to offset the LTAs that our customers are expecting of us. And ultimately, we want to have perfect delivery, quality, sustainable, both in our products and our company, and that's what drives our profit. So this continues. You're going to hear a lot about this, but you'll hear some about this today, and we got -- any questions you have, well, we'll be happy to answer them. But it's a huge focus. If you look at sustainability, it's a very important topic. It should be a very important topic. We take it very seriously. We have been. But all of our customers now, if you look at the metrics they're reporting on, they're asking the supply base to make sure we know what we're doing, we have targets, we're hitting the targets, we're reporting on them. We've been focused very heavily on emissions control, water and energy conservation, energy being electricity and gas, primarily and waste management. So we have -- we've come up with new Magna environmental principles. We have something called MAFACT in all of our divisions, and we're tracking all this. So it's something that, I think, customers, investors, and quite frankly, our employees expect us to be good at this. And so we're taking a very focused approach in this whole area, and it's something I'm personally involved in.

Innovation, I'm not going to cover it because it'll be covered by all the other presenters. But if you look -- when we talk about innovation, we're talking about product innovation. So I hope you take -- paying particular attention to what we're coming up with, with new products. We've always been known as being good in the process innovations and new material, and I think, we are more and more not only being seen as a really good manufacturing company from our customers, but we have a reputation of being a very innovative product -- innovative supplier in products as



well. And ultimately, if we're good at manufacturing and we're good at this, we'd become the supplier of choice. An example is we have over 2,100 patents in the last 3 years.

We also recognize that even though we have a lot of talent in the company that we need to be looking outside. So we've got over 20 investments in early-stage ideas from VCs. We're looking at entrepreneurs, looking at inventors. We're working with universities to try and become what we would call auto-qualifying. So somebody has good idea, most of the time, a car company is not going to look at it because they're not going to trust somebody who doesn't have credibility because they can't risk a launch. However, Magna's been very successful in looking at something, seeing if it will get into the market and helping the people who have the idea, get it to market profitably. So I think this is working very well. We've also got engagements with 19 universities, places like MIT and Waterloo, and there's an advanced electric motor development we're working on with the Illinois Institute of Technology in University of Wisconsin-Madison. But a lot of new ideas are coming from a lot of different areas. We have a very good Board. We've got -- we've set up a Committee of the Board, a Tech Committee a while ago. But separate from that, we -- Swamy heads this up, a number of years ago, we created a small group, we call it Tech Council. You can see here, we've got people from proven entrepreneurs of Silicon Valley, people have done startups, with Mark Fields, who used to run Ford globally; Thomas Weber, who was a CTO at Daimler, as well as a very connected and very knowledgeable person from China. So we get together after everything is said and done and look at where we see mobility going just so we have an outside view, which I find is particularly interesting because we have people who haven't seen anything inside saying, well, have you thought about it, if you have thought about this or that. So I think this is a very valuable group to get feedback on.

Third area is people. We want to maintain our culture. It's not easy. We have, in our plants -- we have employee charter that talks about safe and healthy workplace, competitive wages and benefits. We have employee surveys, open door policy, we have advocates. There can only be -- only lose your job if they're voted out by the majority of the people. So getting this to be understood and managed globally is a challenge, but I think, we're doing a good job. We also have profit sharing for managers and all the employees as well. So they all feel like they're part of the company. And to make us an attractive company to bring in the best and brightest, especially people in the technical areas, and software, is a big focus of ours.

So we're -- in our leadership development, we're looking at how do you attract, keep, develop the best leaders? How do we -- we have got a project here refocusing our efforts on diversity and inclusion. It's -- sustainability is one of my big projects this year. This is the second one. I think we're doing a lot, just to make sure that -- I think, we have a good company for this. Just to make sure that we can attract the best and brightest. And if you look at the females, as an example, we have 4 female Board members. They're very interested in this area. But we're underrepresented in the technical areas, and the whole industry is. So we're -- we've got a lot of projects underway to try and make sure we can attract and keep those people and ultimately keep our culture going globally. So this is an updated org chart. You'll see the boxes, our people who are -- who have new positions in the last 12 months. You're going to be hearing from Swamy and Vince in a second. Tom and Guenther will be on a panel later on. And then if you look at the presidents, Tom will be talking about powertrain. (inaudible) is not able to be with us today. Sharath Reddy will be stepping in, and Sharath, thank you for the last minute stepping in here. Sharath is relatively new with the company, but a great experience in the whole software area. And then -- so Swamy, if you need to step in and answer a few questions with Sharath, and feel free. You've heard from John, in the mechatronics; John Farrell, in our Body and Chassis; Grahame Burrow, from Exteriors before. Mike Bisson, after a very long and great career at Magna, is retiring too early. But -- so Mike is going to be replaced by John Wyskiel. So the 2 of them will be getting up and doing the Seating presentation. And then Frank Klein has got a very interesting past. Maybe, Frank, you can introduce yourself when you get up, he'll be talking about our vehicle group. So with that, I'll turn it over to Swamy.

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**Seetarama Swamy Kotagiri** - Magna International Inc. - President

Good morning, everyone, and thank you, Don. In the next few minutes, I'll kind of try to provide the context and overview of the Magna strategy at large, a little bit in contrast to my role as the Chief Technology Officer. So I'll try my best to keep the engineer in check for the few slides and let's see how long it lasts. But when I finish, I hope you can connect the dots and see Magna as I see it. I see a huge potential in the portfolio that we have and how we are able to bring the systems together. And when we are all done with all the presentations, I hope you leave with the same feeling. So we start with the trends and drivers impacting the automotive. Don touched upon the macro topics, but a little bit more on what really means to the automotive. And we look at it in 3 segments. One, the trends that impact society, the health and well-being, the individualism or the consumer buying habits, the digital transformation and the demographic change.

Overall, we club it together and call it the trends that impact society. We look at other trends, which impact economy, such as the globalization, the natural resources and energy and some other aspects like urbanization, which are bringing in new models, such as mobility as a service. We also start looking at the consumer pool in terms of comfort and convenience features in a car or how they want transportation from point A to point B as a whole. There's no question that there is disruption in the industry. Don talked about a revolution rather than evolution here. And broadly, the industry is preparing for the car of the future by talking about electrification, autonomy or ADAS and smart mobility. Taking that as the context, we at Magna have a mission for our process and products to be safer, cleaner, smarter and lighter but none of this would really matter if the products are not affordable to our customers and for ourselves. If you look at the complete vehicle architecture, there is various subsystems in there. The portfolio of Magna is diverse, but what I want to mention that it is a real part of a very cohesive strategy. What you will see throughout the day is the deep expertise in product, process and materials for each of the business line. And they are not done in isolation. You will see products being designed and developed keeping in mind that the market is changing. So you have to remain flexible. You have to design your products such that they're scalable and modular.

These road maps that you will see in various presentations of each of the group are the result of a deliberate strategy, derived from an overall system approach. The system in this car, as I keep mentioning, is the car or the vehicle. So this is where the engineer comes out. We try to take the product strategy and try to break it into 4 simple steps. The first one is to define the problem, take the overall vehicle system, break it down into simpler subsystems. The second part would be to model this conflicting targets. What I mean by that is, if you are looking at a battery, if you want the long range, the size of the battery is bigger. Now you have energy density, you have power density. How do I get all of this together? I still want the vehicle to be lighter. In terms of features and functionality, we ask for more and more. But at the same time, we have a constraint on the weight. And encompassing all of this is the ability or the desire for the customer or the consumer to pay more, which is not flexible. So this is what we mean by conflicting variables. We put this in a model and try to balance it to the best of the ability. When this optimization is done, what you get is, at a system level, the definition of broad categories, body structure and architecture, powertrain, electrical architecture, seats and so on and so forth. We take that a step forward and how do we have the real economics, so that you don't reinvent everything, is to create building blocks. What do I mean by building blocks, reusable subsystems that can be only changed based on the requirements of the OEM or the region and the applications. For example, you talk about hydraulics, gear sets and control algorithms in a driveline. They would be the same in general, but it will change based on application of an OEM or a region and so on.

Another good example would be tracks, trim, foam, mechanisms and so on for the seat. So every product line has a defined building block system, which, when put together, helps us optimize our capital as well as engineering resources. And the right combination of all of this is the end result, which is the optimized products that you will see talking through -- as we talk through. I want to do a case study. Let's take the influence of electrification. One of the secular trends that we started off in the beginning of the presentation. And usually, when we talk of electrification, what mostly comes to mind is electrified powertrains, control systems, battery packs and so on. But I thought, let me take a little bit of a non-obvious example today, such as seats and underbody. If you look at in the picture there, the battery packaging is essential in the underbody. The biggest conflict there is, how small or how thin is the battery pack. And depending on the battery pack that you have, the underbody rises because you still have to keep the ground clearance for the vehicle. The roof of the vehicle does not change, that means you have a constraint on the seat. The seat height has to be optimized. While we are optimizing that, you cannot give up the functionality of the seat or the comfort in the seat. The H-point doesn't change. So the design variables have to be different when you're taking into account the impact and so on and so forth.

So as a result of that, you also have to look at the underbody, which is now, does not have the tunnel, so it's flat. So there comes in Cosma and the body structures, our seating group, all put together, we can come up with a system that is optimized for vibration, for handling, and we also look at the most optimized processes to bring all of this together, not even talking about material set. The obvious example is the e-drive, which addresses electrification, as we talked about. Taking this forward a little bit, just in terms of influence of electrification and lightweighting. When we had the ice, we had the necessity of lightweighting in the front. So we talked about aluminum shock towers, front hoods that are lighter, front closures that are lighter, front rails and so on and so forth. The engine was at a certain height, so we had to bring the center of gravity of the vehicle lower. So we used to look at roofs to be lightweighting.

As we move towards BEVs now, the lightweight strategy shifts to the mid and the rear of the vehicle. The battery is under the underbody, the center of gravity is already low. So the entire weight distribution shifts. So we are able to look at all of this together and talk about our products. For example, the rear lightweighting. We are addressing with the composite liftgates that Grahame will talk about. With all the process and material technology we have and have been addressing the front of the car, we'll start now addressing the rear of the car. Not only that, we add to our





existing Cosma portfolio by starting to do -- doing battery trace, which are a pretty complex technical subsystem for managing thermal systems, ceilings and so on and so forth.

Cost optimization for emission reduction. One of the most complex variable is to reduce CO2. Every gram of CO2 reduction is a big task. And there is no one answer. You have to look at the legislation in different regions, you have to look at the OEM fleet mix, different vehicle segments, the volumes, what is the technology in terms of invested capital. And we try to see, in each region, there is a different variable that has importance. In some cases, you have to improve the efficiency of the engine and the transmission. In some cases, the best answer is provided by weight reduction or aero. And in some cases, it is the electrification of the powertrain. No matter what the technology package is, no matter what the OEM is or what the region is, we're able to provide the optimal technology package. As an example, if it's the efficiency in terms of transmissions, we are addressing that with our dual-class transmission or the hybrid transmission, roughly about 3 grams of CO2 reduction. In active aero, Grahame will again talk about products there, liftgates and weight reduction and e-drive, which is generally addressing the electrification of the powertrain.

We take the same philosophy and apply to ADAS and autonomy. It's not just about individual sensors, but it's sometimes integrated sensors. ADAS is an architecture, drives safety regulations, and it's also driving comfort and convenience. Even here, there is a lot of vehicle systems that are influenced, although they're not seemingly obvious. They're really unrelated. You can take the example here for ClearView mirror, which is leveraging the synergies between cameras and mirrors, software and control expertise, brings applications such as adaptive headlights and even material science in some cases. We are talking of a digital radar to mitigate interference in transmission, and it requires a special material in our bumper/fascia systems, and we can bring all of this together to bring the best system possible to the consumer.

Influence of electrical architecture and product lines. There is a big debate in terms of distributed architecture versus clustered architecture. The main objective is to reduce as many ECUs as possible and bring to some domains. Why is it important for us? A proper understanding of this will help us understand the interface between different systems and provide the most optimized design. As an example, will the ECU be integrated in the e-latch or in the mirror or will it be in a domain somewhere else? Will seats have dedicated ECUs? Or will they be managed from a domain somewhere else? Without having this proper understanding and the synergies between different groups, I don't think we can get an optimal solution here. If you take this forward into the future, and we are talking about a mobility ecosystem, where we have the input variables of the weather, like today. We know how long do I have to get from point A to point B. Am I in a rush? Or do I have a little bit of time? All of these variables put together, we can have a predicting model because it is more about the experience inside, not about driving as much at that point of time. So can we have the disconnect systems? Can we have the torque vectoring? Can we have the route mapping? Can I use power from the battery? Or do I use it from a hybrid source? All of this can help optimize in some studies that have shown predictors could help extend the range by about 6%. So these are all possibilities. We are addressing that with some of the parts. If you're talking about the in-cabin experience, reconfigurable seats, if car is not owned as an asset, smart access and security would become important. And as we talk about this, as a vehicle, sensor integration and all of these subsystems are extremely important. But one unique feature of Magna compared to anybody else out there is now Magna have the capability to engineer the complete vehicle and manufacture it.

That's a great segue into the manufacturing part of it. For the last few minutes, I've touched upon how the interface of the products and what it means to the products. Let me touch a little bit on the manufacturing expertise that will stand out quite a bit in the presentations today. Whether it is stamping, molding, machining, welding, soldering, optical alignment of lenses or any of the other 50-plus processes that we have in various plants, metals, composites, solvents, resins, polymers, totaling over 80 materials, Magna, as a company, can deliver functionality at acceptable cost regardless of the process or materials.

Not only do we stop there, we continue to build on this foundation and fill the innovation pipeline, and there are too many examples to go through, and you will see some being addressed directly in the group presentations. But broadly, some of the new processes are like fenceless robotics, automation and manufacturing within the plant, vision-guided pick-and-place robots, human-like dexterity. And as we go forward in materials, carbon and nanotube and metal alloys for improved thermal performance and strength. Surface treatment compounds, adhesives, composite joining, graphene-based lubricants, enabling lightweighting and so on and so forth. One other emerging area is the data in manufacturing. Predictive quality analytics for manufacturing and assembly lines, a digital passport traceability of the supply chain, both incoming and in-process materials, will all add to the world-class manufacturing initiative that Don talked about.



In summary, we -- I strongly believe, and we all do that Magna brings a very unique approach. Not only does it have the breadth of portfolio, but also the depth in capabilities. Each of the product line road map is not done in isolation, it is the result of a very cohesive strategy. As one Magna, we are leading the way, driven by a single methodical product strategy, and you will see that in every presentation that's going to be coming in today.

With that, I'd like to ask Vince to come on to the stage. Thank you.

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**Vincent Joseph Galifi** - *Magna International Inc. - Executive VP & CFO*

Thanks, Swamy. That was really interesting. I hope you all learned something about our company and how diverse we are. And I think I've been saying this for a very long time, I think, that gives a real advantage over our peer group. I appreciate everyone coming here to Toronto, especially those that traveled from far away and struggled through the weather. It's great to be back in Toronto. I think the next event will be in 2 years. And we'll be back in New York. I am going to try to put the group presentations into context. So I'll cover a little bit of the outlook on a consolidated basis as well as the segments. The groups are not going to get into sales -- future sales anyway for their particular product area. I think they've got some historical data. They have some information on selective products. So we've been trying to tell them leave the financials to me, and their focus is going to be on their business product areas in their future. Obviously, if you want to ask about some of their operations, feel free to do so. I'm going to be pretty brief in my comments. We've covered our outlook in January. There hasn't been a change. We had our Q4 call just last week. And as a reminder, as I go through my presentation, we're excluding the impact of COVID-19, if any, and I expect there will be some impact on our numbers for 2020.

Just to remind everyone, in China, we're running sales right now probably \$400 million to \$500 million a quarter. That's what's in our forecast for 2020, and about 20% of our equity income is derived from China. So my numbers are going to exclude any impact from COVID-19. In terms of key assumptions, when we look at our key markets, North America, out to 2022, we're seeing kind of level production in North America. Europe declining a little bit in 2020, I think, reflecting some of the potential risks related to CO2 regulations in Europe. But we do see some recovery out to 2022. We had assumed that our significant programs in China, we're pretty well level through the planning period. Again, I think, that's going to be impacted by COVID-19 and exchange rates were about what they were at the end of '19. But that means that in 2020 versus 2019, we've got an assumed higher U.S. dollar exchange rate, which is negatively impacting consolidated sales for 2020.

Let me start with our BES Group. So what you can see on the slide here that we've got sales growing at a CAGR of 2% to 4%. Keep in mind that when we look at the weighted global light vehicle production, we're seeing growth of about 0.5%. So we're growing faster than the market. Growth is in all areas that we operate, but particularly strong in Asia and North America. What's contributing to that growth, as Swamy talked about lightweighting is an important part here. We're seeing some growth in hot stamping, high-pressure casting and composite liftgates.

On our margin profile, we're expecting to see margins improve over the 3-year period. It's coming from operational improvements, reduced launch costs and reduced new facility costs and the contribution from higher sales. 2020, in particular, is negatively impacted by lower scrap recovery, and maybe that's a question for John Farrell or Cosma Group at some point.

Now looking at Power & Vision. Again, good growth in sales, growing at 2% to 4% on average. And we've excluded from 2019 the sale of our FP&C division, which happened at the beginning of '19. Again, some strong growth in Asia and Europe. Certainly, what we're doing on the powertrain electrification is helping growth with the launch of hybrid DCTs starting in 2021. Margin improvement as expected. That's -- part of it is lower engineering costs related to some advanced ADAS programs. We stopped funding our lift partnership at the end of '19. So we'll see some benefit in '20 and future years. Some operational improvements, and we're expecting overall, some lower commodity costs in 2020 compared to '19. As you move out to the forecast period, certainly, the contribution on higher sales should help overall margins.

Seating, fast-growing group. Sales have been growing for quite some time, significantly faster than overall industry. And throughout the next 3 years, we're seeing growth of 4% to 7%, on average. Again, strong growth in Asia and Europe, in particular. We also see some growth in unconsolidated joint ventures, particularly in Asia. Improvements in margins in 2020 are going to come from operational improvements and lower launch costs. And out to 2022, we'll see continued improvements on the operational side, higher equity income from the unconsolidated sales and contribution from higher sales.



Now lastly, our Complete Vehicles segment group, in 2019, launched all its vehicles that it's had in its backlog. And going forward, as these vehicles start to mature, we start to see lower volumes. So that's going to impact overall sales going forward and also a reduced exchange rate, euro to U.S. dollars, has a negative impact in 2020. However, when you look at margins, the significant improvement in '19 versus '18, we're expecting continued improvement in 2020. And that just relates to -- now we're at full launch, we're focusing on continuously improving operating efficiencies that should help drive overall margins. As we get out into 2022, we're going to see some contribution on the equity income line from our joint venture in China with BJEV. And I think, Frank Klein is going to cover that a little later in his presentation.

So when you put it all together, we can see sales exceeding \$43 billion by 2022. That's a CAGR of 1% to 4%. Remember, on a weighted global basis, production has only grown by about 0.5%. So we continue to outgrow overall industry volumes, higher growth rates in Europe and Asia. And I think that's going to result in a more balanced geographic sales diversification and profit diversification. And keep in mind, between '20 and '19, we have headwinds in 2020 of about \$700 million just due to currency translation. So even though volumes are relatively flat, on an organic basis, ex-foreign exchange, we're seeing some growth in sales.

Margins. I talked to you about the segments to kind of add it all together, that translates into higher margins in '20 and continuing to grow into 2022. And that's going to help us grow return on invested capital, which is a big focus amongst everyone in the organization.

Now let's take a look at capital allocations, and no one is going to be surprised. I've been talking about this. We've been talking about this for a number of years. Our capital allocation principles are unchanged. We want to maintain a strong balance sheet. We want to have a good credit rating. So we've got flexibility to take advantage of opportunities with standard downturn, if need be, invest for growth. We'll put money into capital into other assets. We'll look at acquisitions that fit our overall product strategy. We want to return capital to shareholders by way of dividends and dividends that can grow, and to the extent, we have excess cash, buy back stock.

From a capital spending standpoint, 2020, we're expecting about \$1.7 billion. I'd say, we're probably at that level for the next several years. So as a percentage of sales, we're seeing capital decrease. We've been generating a lot of free cash flow, lots of focus in the organization. We talk about that every quarter when we have quarterly meetings, record level of \$2.3 billion in 2019. And through 2020 to '22, we should be generating about \$5.5 billion of free cash flow. That's about 30% of our market cap today, which indicates to me we're significantly undervalued. This is a little lower than our previous expectations. And it primarily relates to overall reduced volumes compared to where we were just about a year ago.

I'll just comment a little bit on kind of 2020 versus 2019. Big difference. Just a couple of things that are impacting 2019 and 2020. There was about \$200 million of working capital we received in 2019 that we were expecting in Q1. So that was a pull forward. And as we look at 2020, we're seeing capital spending up about \$300 million, and we've assumed lower proceeds from dispositions. So ignoring that, cash flow from operations is quite substantial in 2020.

It's a pretty interesting pie chart. This looks at our use of operating cash flow in the 2020 to '22 time frame. I showed this back in 2018 at Investor Day, the numbers have moved a little bit, but pretty consistent. So what this shows is the cash we're generating from our business, we're taking a bit half of that or just over half of that and reinvesting that back in the business through capital spending and other asset investments. We're paying a dividend of 10% to 15%. And that leaves 35% to 40% of the cash we generate unallocated and that could be used for additional internal investments, M&A or share repurchases.

Keep in mind that EBITDA is growing over this period, so not only is cash flow growing, but the ability for us to take on some more debt because our EBITDA is growing and still maintain our credit ratings is available. So we have lots of dry powder to do a whole bunch of things with our organization. So really exciting.

Dividend has been growing over time as the priority. Since 2010, CAGR growth rate of about 14%. Just last week, our Board approved an increase of 10% to \$0.40 per share. Again, showing just the confidence in our overall outlook. And we have been not only returning capital by way of dividends to shareholders, but also by buying back stock. What's not on the chart here is between '11 and '19, we returned over \$12 billion to shareholders, \$3.1 billion was by dividends, but \$9 billion in share repurchases. That's about 42% of the shares are outstanding at the end of 2010. And we continue to grow the company in that time frame as well. Just in the last 3 years, we bought back about \$4.4 billion of stock. That's about half of the purchases that we've made since 2011. And at the same time, we've been maintaining a pretty strong balance sheet.

So in summary, I think, you should look at Magna being well positioned. We expect to grow our production in '20 -- from '20 to 2022. Our margins are set to expand. We're generating a significant amount of cash flow. We expect to continue to grow dividends.

We have a lot of available cash for whether it's for M&A, share repurchase, a combination of both. Bottom line, I think we're really well positioned to grow the business and create value for our shareholders. Thank you.

And now I'm going to turn it over to Tom Rucker, who is our President of Magna Powertrain Group and the Power & Vision Segment. Tom?

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### Tom Rucker

Thank you, Vince. Good morning, everyone. My name is Tom Rucker, and my goal today is to show you how Magna Powertrain is extremely well positioned to benefit from the transformation in the auto industry, resulting both in top and bottom line growth. While this is my first time presenting to this audience here, I've been with Magna Powertrain for 20 years in various operational and executive roles covering all global product groups and regions that we have in the company. This is our agenda, but we have a lot to cover, so let's jump right to it.

As you can see on the slide, we are a global leader when it comes to bringing power to the wheels. And this is very important, regardless of the powertrain architecture.

From the key figures you can see on the slide, the takeaway that is important is that we are the #1 independent supplier for our core products. And we have climbed to this position through our global presence and economies of scale.

Number one, I said, independent supplier in our traditional products. That includes: on the one hand, transmissions, both manuals and especially the cities to clutch transmissions; and it also includes our all-wheel drive and 4-wheel drive systems. From this basis, we will develop or are developing and getting to market electrified products.

So in the transmission segment, we will launch the hybrid dual-clutch transmission for BMW. And this is fulfilling part of our vision that we set out when we purchased GETRAG back in 2016. We will also launch an all-new electric drive system in China for a major OEM. This project builds up the design and manufacturing and experience that we gained for the past 8 years or so because we were already the supplier for the Ford Focus BEV and for the Volvo V60 at that time.

Now let's take a look at how our product families are represented with our multiple customers and in the different regions. As you can see here, we have a very well-balanced mix between our global OEMs and all the 3 major automotive regions in the world. One thing to note is that no single customer represents more than 60% of our sales.

Here, we see a nice summary of some of our accomplishments in our traditional products. We are the company that brings power to the wheels in the 4-wheel drive and all-wheel drive sector. And in fact, our global customers, OEMs, market this feature with branded names such as xDrive, 4MATIC and others. We are also the exclusive supplier of transfer cases for brands like BMW, Daimler, General Motors and others. In addition, we produce and sell our highly-efficient DCTs to OEMs in Europe and China, including a very special transmission for the new SF90 Stradale Ferrari that you see on the bottom left.

Talking about DCTs, I would like to cover a little bit the largest business award that Magna Powertrain has received in its history. With the award of the 4-wheel drive transmission technologies for BMW, we have leveraged our scalable dual-clutch transmission platform to enable our customers to offer either a standard 7-speed DCT or a hybrid version within the same physical envelope. This enables our customer to build either variant with very minimal changes or impact to their assembly plants. And it's a great asset because it also adds flexibility depending on the market volumes and mix.

Now let's take a brief look at how market position is in the powertrain space. What we see here on the left side, our market share projections of the different levels of electrification in the 3 main regions, and this is based on Magna's own fleet analysis. Obviously, these projections are driven by



legislation around CO2 tail pipe emissions and clean air requirements, so zero-emission vehicles. And these -- this legislation is the primary driver. And you can see there are significant differences in the 3 regions.

On the right side, you can see how our mix of traditional and future product addresses all segments and all variants. A couple of key points that are really important to mention. Although battery electric vehicles grow strongly within the next 5 years, up to 90% of the vehicles in 2025 will still have an internal combustion engine. This is obviously great news for our traditional products. At the same time though, tailpipe emission requirements will increase the need for hybrid and fully electric vehicles and products, and this creates a great opportunity for new hybrid DCTs, our DHTs, which I will explain a little bit later in our eDrive systems.

Now nobody knows exactly what's going to happen in 5 or 10 years. But the good news is that our product lineup is ready to satisfy all possible scenarios, regardless of the primary power source in the car. Doesn't matter if it's a gasoline or diesel-driven internal combustion engine, or if it's an electric motor driven by batteries or fuel cells.

Let me show you on the next slide, how products support these various Powertrain architectures. For the next 5 years, we see solid overall growth in the markets for most of our products. The only exception here being our manual transmissions. The manual transmission market, and this is not a surprise, is declining globally due to customer preferences for comfort and driver assistance systems. Our 4-wheel drive market or segment is growing in the period, significantly through 2025. And as we are the market leader today, we look to leverage our installed base to support product and participate in this anticipated growth.

On the All-wheel Drive segment, we also see growth. However, we see that e-all-wheel systems are starting to replace our traditional products, but this is great news because we have products in both the 48-volt and the high-voltage segments to satisfy this increasing demand. Our DCTs and dual-clutch transmissions, being more efficient than other products, will also grow. And you can see there significant portion of that is going to be on hybrid DCTs. Last but not least, as we saw in the previous pie chart on the previous slide, growth in zero-emission vehicles require new eDrive systems and dedicated hybrid transmissions, products that we are already developing and will bring to market in 2021.

So in summary, our markets are growing, and we are well positioned with our product portfolio. Of course, OEM decisions regarding in-sourcing will determine how large our relevant market is going to be in the future.

Let me finish now the overview of our Powertrain business with our strategy going forward. Our strategy for the future has 4 very simple elements, and I'd like to go in a little bit more of detail on each one of these in the next couple of minutes.

Our strategy number one is simply to maintain our #1 position in our key products. We have already secured long-term contracts for our foundational products. One example is North America, where we have the largest transfer case contract in the world, but also we include high-volume and 4-wheel drive and all-wheel drive contracts and the DCT contract with BMW I talked about earlier. Our OEM customers recognize that we have a proven track record of delivering quality products at competitive prices. And we have the ability to support the volume and the mix in their own regions. And that is evidenced by the 33 customer awards we received in 2019 alone. So this is the foundation from which we are able to fund our future and the future is represented in the next couple of slides.

So we are leveraging our system integration know-how and our scalability approach Swamy talked about earlier to transition from our traditional products to electrified products to enable best-in-class efficiency, safety and driving dynamics. Here, I think we clearly differentiate ourselves from our competitors because within Magna, we have the full range from single components up to full vehicle design and manufacturing. What I want to show you here is that we're not reinventing the wheel. Every single traditional product we make today can be built out of the 11 building blocks you see here in blue on the left side. So this will be our manual DCT transmissions, 4-wheel drive, all-wheel drive systems.

Now we're following the same recipe to win new business and new mobility by continuing to use the same traditional building blocks by adding the red building blocks and, therefore, creating new electrified products, which could be in the 48-volt or high-voltage segments. How do we know that this strategy is working and that we are on track? Because of our recent awards in the electrified powertrain space.



So I'm happy to present today that we have received the awards for high-volume, high-voltage eDrive from a leading brand in China as well as an additional Western OEM. Also, as I mentioned before, we have the high-volume award for the hybrid transmissions with BMW from an additional Western OEM in that segment. So with these large awards in hand but also with very high probability opportunities we're working on, we expect our sales in the electrified segments to be around \$2 billion by 2025.

Moving on to our strategy #3. We will continue to increase our competitiveness through strategic vertical integration, where and if it makes sense. A couple of examples we've already materialized in the past: our clutch modules that we integrated for a metal forming solutions group, our ECUs for our dual-clutch transmissions with Magna Electronics. In the future, we will also be manufacturing inverters together with Magna Electronics, leveraging their experience in high-volume circuit board manufacturing and handling and procurement of electronic components. With respect to e-motors, we will leverage our joint ventures like partners like HASCO or our supply partners, but we will also vertically integrate when the market has developed sufficiently and the volumes can justify the capital investment. Having these building blocks gives us significant advantage as far as competitive design options, cost and quality.

Lastly, something I'm really excited to talk about to you today. Our strategy is very simple. We need to continue to have a strong and constantly properly filled innovation pipeline. Our next-generation of products will 100% be focused on power e-powertrains, and one example here that you see is our dedicated hybrid transmission. So as you probably know, a well-balanced hybrid powertrain has a smaller internal combustion engine and a larger e-motor working together. This results, for example, in fewer mechanical gears. This transmission will not have a [first or reverse] gear because you can use those in purely electrical driving, resulting in lower weight and lower cost. This product would also be highly integrated and will be a high-efficiency product, enabling zero-emission driving without the fear or anxiety in terms of range.

On the right side, you can see our next-generation eDrive systems. The eDrive systems we sell today are considered Gen2, but we are developing technologies around the [varying] motor for Gen3 generation. Our first-to-market example of this will be coming to market very soon and will be in the mid-power range, around 160 kilowatts. But of course, we can leverage all the technologies we're using here to put them in the lower or higher power densities. As you can see, we focus significant market opportunities for both of these products.

In summary, Magna Powertrain is extremely well positioned for the future. We are building on our leadership position and our well-positioned product portfolio in combination with a global footprint and very strong customer relationships. We have a clear and simple strategy we are following to drive additional growth and to transition our portfolio from traditional to electrified products. And with several key awards in hand, we expect to achieve our goal to have a significant portion of our sales coming from electrified products in 2025.

Thank you for your attention today, and I'd like to hand it over to Sharath.

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### Sharath Reddy

Thank you, Tom. So good morning. My name is Sharath Reddy. I've been part of automotive electronics industry for the last 30 years. I worked in ZF TRW for the past 25 years. I just joined last year as a Senior Vice President, mostly because of the leadership team, the culture and the strong potential available at Magna. I'm truly excited here to be representing Magna Electronics today and present our strategy going forward.

Today, I'll cover a summary of our business, review the market that's affecting it and then highlight our strategy going forward. If you look -- take a look at Magna Electronics at a glance, we have 2 business lines: driver assist systems; and other electronics. The other electronics segment is basically our electrification-related products. The total sales last year was \$750 million. We have global presence in both manufacturing and engineering in North America, Europe and China. And we have significantly increased our engineering capacity in the last 2 years. And now we have more than 1,200 engineers and most of them are in software and feature development.

If you now look at our product portfolio, we are showing here for both ADAS and electrification products, our key product categories. In ADAS, you can see that -- you know that we are a leader in front-facing, rear and surround camera systems. And we have taken important steps to expand our ADAS portfolio by making core investments in radar, LiDAR, domain controllers and feature development. Our electrification business is primarily to provide software and electronic components to the needs of other Magna groups and their products. Now Swamy talked about electrification earlier. This is how we plan to support the vertical integration for the other Magna groups.



Now let me update you on some of the key product and technology awards since the last Investor Day. We were awarded the industry-first, high-volume EyeQ5 advanced sensing camera with a European OEM, and we're developing it right now. And we're also in development with an industry-first, first serial production solid-state LiDAR program with another European OEM, and we also received multiple technology awards as a recognition of our innovations.

Let me walk you through now our engineering and manufacturing footprint and plant award updates. We established Magna Rohinni Automotive joint venture, focusing on mini LED flexible light source technology that can greatly increase our technology, technological competitiveness for lighting products for all Magna groups. We also opened a new engineering design center in Pune, India to improve our global footprint and improve our cost competitiveness in engineering. We opened a new state-of-art manufacturing facility in Holly, Michigan to enable our incremental growth, primarily in ADAS products.

Now as we grow our business in Europe and to improve our execution going forward, we have taken several steps to enhance our product launch capabilities. We strengthened our leadership team. We increased our engineering talent. We expanded our data centers and the net result of that, we are now well positioned to be a strong player for driver assist systems, including advanced sensing cameras and solid-state LiDAR.

Now let's look at key trends impacting our business. Our product portfolio is very well aligned to the mega trends of mobility and electrification. On the ADAS side, consumer demand, NCAP and NHTSA regulations are driving increased content. And given the portfolio expansion beyond cameras, Magna is now better positioned and better aligned with the market trend to be a ADAS system supplier. Our electrification products we talked about earlier how we support all other products from vertical integration. We have increased opportunities because of that. As the other Magna groups grow, so do Magna Electronics.

Now to my favorite slide. We expect significant market growth in ADAS area in the market sense from an increased feature content and higher levels of autonomy. In particular, if you look at the pie charts here, the driver assist area, level 1, level 2 and level 2+ have a dramatically increasing high take rates. In the near term, Magna, we have decided to focus on driver assist systems, while we continue to monitor higher levels of autonomy. Magna, as a ADAS system supplier, is positioned well to realize growth because of what's happening in the market.

Now let me talk about our strategy going forward. ADAS as a industry is transforming in a major way. What used to be a single-sensor camera or radar has now become a multi-sensor system with advanced features. And that's our primary strategy, along with the industry transformation, we also want to transform Magna Electronics into a full ADAS supplier. Building on our leading position in cameras, we have been investing in key products such as radar, LiDAR and domain controllers as well as a software and feature development to support this transformation and to be aligned with the industry trend.

If you look at our growth outlook in the near term, we expect modest growth from 2019 to 2022. However, if you look at long-term from 2019 to 2023, we expect strong growth of 13 to

(technical difficulty)

and the change in growth rate is primarily due to program launch timing of some of the current investments we have made on some of the new projects we have in Europe. Based on program awards and our expectations for future business, we expect to grow our sales in 2025 within \$1.2 billion to \$1.4 billion. Now as we grow, (inaudible) Magna Electronics and as the industry transform, you can see how Magna Electronics sales are diversifying here. On the left is 2019, on the right is 2025. It's a very diverse sales portfolio in 2025 with a broad customer mix.

Now if you look at our electrification growth strategy, you can see here we support 5 Magna groups with vertical integration. Tom talked about Powertrain, and how we support them on inverters. We also support, as an example, Magna Mirrors with a rearview camera for their ClearView system. So as other Magna groups grow, so do Magna Electronics with this strategy.

In summary, within Magna Electronics, we are very well positioned for an exciting future. Expansion of our portfolio beyond cameras will transform us into a strong ADAS system supplier, and this will enable a strong top and bottom line, commercially viable growth. In parallel, we are strengthening our engineering capabilities and launch capabilities to further improve our competitive position. In the near term, like I said earlier, we will focus

on driver assist systems. And we'll assess the higher levels of autonomy and assess timing of any future investments in the area. Our electrification business is expected to grow along the other Magna groups as we integrate more vertically.

Thank you for your attention, and I will turn -- pass it on to John O'Hara, President of Magna Mirrors.

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### John O'Hara

Good morning. My name is John O'Hara. I'm the President of Magna Mirrors, Mechatronics and Lighting. I've been with Magna over 26 years, and I've never been more excited today to show you where our business is going. I'm going to spend the next few minutes talking about how our business evolved in a highly technical and electronics-focused business.

Our business overview. We have \$4.8 billion in sales, and we have 3 distinct groups: lighting; mirrors; and mechatronics. We have 19 countries we cover and over 63 factoring facilities. We're positioned for trends in future mobility with electronic content driving our growth. We have strong profitability, cash flow conversion and return on investment.

If you look at our customer base, we're well diversified. We have over 50 customers worldwide. Our regional footprint is well balanced in all 3 major regions.

Performance highlights from the last meeting were here. We've globalized our lighting business. We now have 12 plants across all key regions. We have 3 core engineering centers and 15 customers. We completed an acquisition of a company called OLSA in Europe, which provided us a footprint in Europe, China, Brazil and Central Mexico. This solidifies Magna as a technology leader in rear lighting. Just before Christmas, we also completed an acquisition with an engineering center in the Czech Republic. This brings over 40 engineers and 400 years of lighting experience. And these engineers were focused on forward lighting growth globally. We continue to increase our investment in advanced technologies with over 250 engineers in lighting.

Performance highlights for our Mirrors group. We've enhanced our global footprint to improve our overall competitiveness. We just launched a new facility in Slovakia with a new paint line and building and a new plant in Thailand to support China and offset for some of the tariffs. In this year 2020, we're launching a new plant in Morocco to support Spain and our inside mirror business. And Macedonia in 2021 to support our German and our Austrian operations. I'm proud to say, we've been awarded with our first ClearView inside mirror contract with 2 North American OEMs. And this was only done because a really strong technology in inside mirrors, and we've ventured with our Magna Electronics group for rear vision. So thank you very much. Our first to market trailer tow mirror has our patented 4-link autoadjust glass, and we've secured multiple customers with our trailer tow mirror, and I'll talk a bit about that a little bit later. We're investing in new technologies, where we're leveraging our inside mirror to our advanced overhead consoles. We have \$100 million of overhead console business, and we see it as great real estate for electronic integration, driver distraction software and other features. We have a display here, so I really encourage everybody to see our driver distraction display.

Mechatronics. We've strengthened our position in SmartAccess portfolio with an acquisition of motion control software. This software allows for customizable door feel and a number of other advanced features. We've secured a joint venture in China with BHAP, which gives us 2 programs and 1 customer. We're pretty excited about the growth in China with BHAP. We opened a new engineering center in Suzhou, China for our mechatronic systems, and we now have 150 engineers in China.

Our SmartLatch continues with momentum. We have 13 awarded model across 7 brands. And this year, we'll surpass 1 million eLatches. And as I mentioned in the last meeting, we now have 60 million side door latches in the industry. So this is a real building block for our latch business.

Moving on to our market positioning. We have strong technology positions in key product areas, building off our rear lighting with the OLSA acquisition, our outside mirror business and our latching business. And again, we continue to maintain our global #1 ranking for outside mirrors and latching. We have a unique opportunity, the future of rear vision. We commissioned an independent research, and this is our second one, for the future of outside mirrors. This potential camera monitoring system's penetrating 5% of the market by 2030. Magna has a competitive advantage. We're a leader in outside mirrors, we have Magna Electronics expertise in ADAS and camera solutions, we're engaged with multiple customers in





this space and Magna's positioned to be a leader in this technology. Our product real estate is ideal for electronic integration. We have access sensors, power doors, adaptive driving beams and driver monitoring and premium take rates are increasing.

Sensors. We've been spending a lot of time in the last couple of years developing a number of sensors. We have our noncontact detection, and you can see in the video where it operates on a liftgate and a side door application. And this is all noncontact. On our liftgate activation, we have a kick, sense and a step. And this is -- and then we have a unique feature for vehicle access, and this is on the handles on the side door. What's unique about our sensors is we have superior performance in all environments, and this is a problem in the industry today.

For strategy going forward. Our key growth drivers, we have 3 main key growth drivers: expanding our lighting business globally; growth in rear vision content; and vehicle access trends. Expanding our lighting business from \$1 billion to \$5 billion in 2025 organically, and we still have room here. I'm looking at Vince. We could do a big acquisition in this space. This is over a \$30 billion market, and we have a really good position in this area. What's driving growth in safety and design trends, we're globalizing our lighting business and we've got Magna's advantage through cross group. Magna Electronics and Magna Exteriors are working very closely together. Investing in advanced lighting technology with increased safety in our high beam, uniform high beam, object location, reduce glare. This is bookshelf technology, and we're ready to quote right now.

FLECSFORM. We talked a lot about this today. It's also known as Rohinni. This is a micro LED. It's uniform lighting. It's got a very thin package, flexible substrate, which offers unique styling. So this is a game changer. This is [working] very, very close this year, we actually are producing right now at Magna Electronics, and we're hoping to quote this year. It's performance benefits over OLED today. And there's a display out here where there's an Audi TT display, which I encourage everybody to look at. And again, this is another Magna cross-group synergy with Magna Electronics and Magna Exteriors.

Rear vision content continues to be an opportunity. We got our inside mirror content going from \$5 to \$150, and you can just see the amount features that are added to an inside mirror. And then with camera monitoring systems at \$250, and our outside mirrors from \$60 to \$450, and you can see on the right, and I'll play a video here shortly, our trailer tow. And adding cameras to the mirrors gets over \$600 a vehicle. We have premium feature take rates are increasing, we've got a high level of electronic integration and we're engaged with multiple OEMs on the camera monitoring systems. We continue to lead the SUV and truck segments and commercialize in first to market technologies. I just want to run this video. And this is in the market today. This is the new GMC trailer tow power extend. It's got forward lighting, rear lighting and multiple actuators within the mechanism.

Lastly, vehicle access trends are driving growth. Our power system sales are \$150 million going to \$400 million. We're increasing comfort and convenience features, we're a well-positioned portfolio with complete system expertise. Our SmartAccess platforms enables vehicle access experiences, and we're a leader in motion control software and sensing. We've been awarded programs in the software motion control area. And power doors are gaining momentum with multiple new awards, so we see this as a huge opportunity.

In summary, why is this a great business? We're positioned for future mobility, with electronic content driving our growth. We have a strong technology position in sales growth across all product areas, and we can -- we've continued strong profitability, cash flow generation and return on investment.

So I'd like to invite Tom back up and Sharath for some questions. Thank you.

## QUESTIONS AND ANSWERS

**Richard J. Hilgert** - Morningstar Inc., Research Division - Senior Equity Analyst and Securities Analyst

Richard Hilgert from Morningstar. Right here, guys. A couple of questions. On the ADAS front, domain controllers in the 2025 pie chart still look to be a relatively small amount of the overall business. But I would think that having software expertise and expertise over all of the entire system would mean greater opportunities for those areas, the domain controllers versus the rest of the individual sensors. So I was wondering if you could go into a little bit more detail on how that happens and what all that means.



And then as far as the margin expansion goes on the Power & Vision segment going up to near the 10% range versus 6.6%. Is that because of the advanced spending for the additional contracts that will be coming on the ADAS [size], or could you give us a little bit more detail on how you get that much margin expansion for group?

And then just on the last presentation, is the GMC invisible trailer product yours that we see advertised so much lately. And is that an exclusive, and is that something that we'll see being expanded into other OEMs very soon?

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**John O'Hara**

I'll answer the trailer tow because it's quick. So yes, we're first to market in the trailer tow. We do have another contract [as well] today. So you'll see other features like that in the market. We do have other opportunities within the truck market, so we will be a leader in this space for sure, and we are today.

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**Sharath Reddy**

I'll take the first question regarding the domain controllers. That's my choice. We have decided to focus on selective growth in those -- in that area. We're going after only 2 programs right now from our overall picture to understand that we can deliver it safely and well with the talent we have. There is much more potential available out there. We will see how it goes in terms of development. And as we execute those programs very well, we'll continue to grow in that area.

(inaudible) features that reside in the sensors itself. One of the programs that we are talking about today level 2+, we are actually integrating all the features from various sensors centralized and doing it in a fusion at the camera level, right? We also have certain, we call them ECUs. The domain controller is a terminology that's being widely used differently as a full central compute versus distributed systems for features. When we talk about sensors, it's not just only the sensor part, we are actually doing features and the fusion part of it. When we talk about the scalable hardware I talked about is actually having level 2+ and have the ability to scale further into beyond into maybe even the AD part of it, which is what we're calling the domain controller at this point of time. We actually have compute systems and ECUs that fuse different features and sensors together that are in production.

(inaudible) my color is, Richard, just on the margin question. If you think about the overall segment, '19 to '20 there's about 120 basis points improvement, just on a couple of fronts. One is the elimination of the lift spending, which adds about 50 basis and then we have more engineering and other costs on the 3 advanced ADAS programs that we're working on that are going to launch in '21. So as you start to get out into '21 and '22, there's other contributors. The additional spending on those 3 ADAS programs comes down as we ramp up production in '21. So that's a contributor. In our -- continuing with our Electronics group, what you tend to see as sales start to grow, and these programs ramp up, you see the growth that we've got over the next 3 years. Our core technology spending continues, actually starts to get a little bit bigger. But as the sales base grows, that as a percentage of sales comes down. So that has an impact, positive on operating margin. And we get positive contribution from additional sales. But let's not forget the other groups as well because in our Powertrain group, there's quite a bit of transmission business coming online. So we've been investing for that. So we'll see contribution incrementally on margin. And even our lighting business, we've made some -- a couple of small acquisitions as we start to integrate those and the business ramps up, we'll see some margin improvement. Add all that up, and that drives the margin enhancement between 2019 and 2022.

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**Unidentified Participant**

Tom, maybe just a first question for you on powertrain. I mean, when you think about sort of the degradation or the change in -- from ICE to hybrid to EV. You guys seem relatively well positioned over time. Probably have a good view out into the next 5 years, which you're kind of giving us forecast for here. But as you look at your hybrid and your electric products, on a stand-alone basis, are they earning adequate profit and returns as we get 5 to 10 years out on their own? Are they being still supported by ICE profits and returns? And as you're going to market with the automakers, how much of those programs or those different technologies getting played against each other, meaning, are they saying, hey, listen, if you want



to be on this EV program, I need help on the ICE side? And maybe sort of maybe theoretically, 5 to 10 years out, are you still going to be making a whole lot more money on ICE than you are on the electrification side?

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**Tom Rucker**

Yes, very good question. At the end of the day, the margins that we'll have in the new electrified products are going to be similar than our traditional products. Obviously, there's some pressure at the beginning in terms of investment and engineering of the new technology, that's clear. Also the volumes today are not as large as in our traditional segment. But if you can see very clearly, it will be pretty much at the same level, what we're doing from a margin perspective.

In terms of your other part of the question, I don't do -- I mean, there's always interesting pressures from the customer, but we don't see that as a huge risk that we're going to be leveraged traditional versus new. I think there's a new set of opportunities as well as OEMs are investing a lot of money in new -- in electrification. They tend to outsource a bit more business out on the traditional side.

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**Unidentified Participant**

And then maybe just a second question for Sharath, just because you're standing up here. We'll give you a hard time about the 2 programs on the ADAS side. What are the lessons that were learned there? And as you think about the sort of this future potential content growth that you're showing or the growth of the business, I mean how much of that is coming from parts? Which are sensors? And how much of it is coming from software and algos? As you think about really the real content potential for level 2+ to level 4 and 5, is there more opportunity on the software and algo side as opposed to just -- I mean, I don't mean to be disparaging but just the part -- the parts that will be seem to be sort of similar to other parts of the vehicle? And how do you think about that?

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**Sharath Reddy**

I'll take the second one. It's easier question actually. So there's tremendous growth in software content going on. Swamy just mentioned about our advanced sensing cameras with the 2 European customers. We are doing several advanced features in that camera right now. So what I see is a tremendous evolution of functionality going forward. If you look back, 5 years back, if you look at a simple rearview camera, used to be an analog camera, just displaying what's happening in the back. We're now looking forward to a rearview camera, which can do functional processing in the camera itself. And apply A, B signal. If you look at our surround camera system, for example, we were just doing [bird side], meaning what's around the car. What you're going to see right now and the future is going to be pedestrian and object detection around the vehicle. That is the future. Same thing happening on radar and front-facing camera also.

So and we are right now engaged with one of the North American customers in terms of sharing development cost. Don talked about how, in this space, the amount of investment we need to make for ADAS is increasing tremendously. And this is where we want to find collaboration with an OEM and tier 1s, where we can share some of the expertise and work towards having that functionality available ahead of time.

In terms of the lessons learned for the 3 European projects. We went after those projects because of the high-volume potential and a chance to distinguish Magna as a leader in LiDAR technology. When you take on new technology like that, especially LiDAR, the market is demanding for new products like that. In terms of -- even before the product is mature, like a solid-state LiDAR, we are already working on projects with customers. That causes concurrent development of core and application projects at the same time, right? And at the same time, we also had an engineering footprint gap in Europe when we took on these projects. We have since have closed that gap, and now we're in much, much better shape going forward. We had a small data center in the past in North America and Europe. We now have expanded the data center not only in Europe, but also in China. So with that investments we have made and with what we have learned on those 3 projects, I see we are very well-positioned for the future not only in Europe, but globally.



John, if I can add a little bit. I think there were 3 topics. One, I think the war for talent in terms of finding the software and algorithms and so on. And Vince mentioned, a significant part of it was the co-development as we are going through that lesson learned. It's the building blocks that can be used later as we go forward.

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**Seetarama Swamy Kotagiri** - *Magna International Inc. - President*

The other one, just from a overall industry perspective, there is a lot of discussion and debate about the architecture and how it needs to be done, which continues to change, and it's significantly different sometimes from one OEM to the other. So understanding the specification and their technical requirements sometimes, which range in the thousands, could be significant if you then don't get every piece of it. And there is -- it's kind of fluid in how it is changing and how much is being asked to change. So that discipline, I think, is one thing we are going to reinforce quite a bit within our organization.

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**Unidentified Analyst**

(inaudible) ask you one quick question around mirrors. I mean, some of the content numbers like \$450 for an outside mirror are numbers that we kind of thought would go the other way, right, as there's more ADAS functionality coming into a vehicle and content is pulled from mirrors to other sensing systems. I mean, are these other sensing systems really what's driving that potential content in mirrors, it's not the mirrors themselves? I mean, do you foresee a time where these sensing systems just totally displace mirrors 10 to 20 -- or 20 years out? Is there any potential for that?

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**John O'Hara**

Well, the content increase is primarily in lighting. In mirrors, we're seeing a significant amount of lighting, spotter lighting, backlighting, forward lighting. So I don't see -- especially for the SUV and truck market. Again, we've done 2 studies on whether mirrors are going to go away or not. There's no indication that they're going to go away 100%. I mean, we are cautious. We're viewing those as an opportunity.

The actual cost of the camera system with the wing -- and I think there's a display out here, too. You should see it because it has power fold on it. It has a number of different features in it. And they're ranging over \$600, so that content could go up. This is what we're really working well together on because we have that camera technology. We have the ADAS. It's great real estate. If you look at where mirrors are on the vehicle, it's great real estate. So we view it as an opportunity to just increase that content.

And again, I really encourage you. There's 2 or 3 displays on the camera monitoring system. And right now, the feature sell for over \$1,500. There's 2 in the market today, one with Lexus and one with the Audi e-tron, and they are over \$1,500 right now.

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**Itay Michaeli** - *Citigroup Inc, Research Division - Director and VP*

Itay Michaeli from Citi. Just 2 questions. First, just on the 2023 ADAS revenue outlook, just curious, maybe for Vince, just how much of that roughly is already booked versus still in the pipeline?

And the second, on the LiDAR projection for 2025 in the pie chart, a couple of questions on that. Is that still all Innoviz as the partner? Are you seeing a fair amount of RFQs already to support that? And to what extent do you think some of the challenges you're having with the initial program that's launching next year could that actually position you well for other awards, given the lessons that you've learned early days here integrating LiDAR?



**Sharath Reddy**

Okay. In terms of looking at our revenue for 2023, the projects we have in Europe, we talked about the 3 European projects launching late '21 and early '22, and that's why the revenue is coming there. Most of that business is already booked, okay? So we are very -- in a very good position there in terms of delivering that revenue potential.

In terms of solid-state LiDAR, what we have learned working with that European OEM has been really good. Our partner is Innoviz. With them, we are able to collaborate and work in real-time. It's been a very cooperative discussion with the customer with our partner in Israel. Being the only supplier with a solid-state LiDAR serial production program, we are positioning Magna to be in a very, very good position.

We're trying to be very careful how many more projects we can take on in that area. We want to see the potential of the technology, launch it well with a European OEM. But even with that existing OEM, we see a potential for additional business coming up in the '24, '25 time frame.

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**Vincent Joseph Galifi** - Magna International Inc. - Executive VP & CFO

Let me just clarify that question on 2023 business. And so as Sharath said, most of it is -- the bulk of it is already booked, but what's not booked is programs that we're working on right now. There's potential with the customers and probability weighted. So it's more than just kind of here we got to get 100% of these. So we're pretty confident we're going to get there.

And with respect to the work we're doing in Europe, the big investment that we made in 2019 and continue to make in 2020, again, some of the prospects that we're looking at, I think we're going to be able to leverage what we're learning and the capabilities that we now have for other business wars.

I think we're going to take one more question and then we're going to go to our break.

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**Brian Arthur Johnson** - Barclays Bank PLC, Research Division - MD & Senior Equity Analyst

Brian Johnson, Barclays. Having the lighting as well as the ADAS, I just want to kind of get a sense of with Euro NCAP at some point looking at nighttime pedestrian accidents, particularly outside of cities where lighting isn't (inaudible), I've heard some talk about integrating the lighting with the sensing in order to protect pedestrian safety, maybe even thermal imaging fits into there. So how do you -- are you working on integrating in lighting and ADAS right now? And where do you see that going? And how is Magna positioned? Then I have a follow-up question for Swamy just on cultural things.

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**John O'Hara**

I'll answer that. We're definitely seeing those features being added today. We're seeing radar features in the rear -- even in the rear tail lamps and cameras in the forward lighting. So we're working very closely with Magna Electronics on that right now. We have nothing in production, I will say that, but we're close and we see that as a big opportunity.

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**Brian Arthur Johnson** - Barclays Bank PLC, Research Division - MD & Senior Equity Analyst

And just a question in for Swamy. Just how do you feel about, I know it's a consultant buzzword, but digital transformation and just your challenge in transitioning from historic mechanical engineering, waterfall development processes to more agile software-driven development? I know that's broad, but I would like your perspective.

**Seetarama Swamy Kotagiri** - *Magna International Inc. - President*

So I think it's a great question. Even though we look like a mechanical system in some cases, you take the example of driveline or transmission and so on and so forth, we always had the controls and the features. In some cases, we are having software features in a transmission which can provide 2 to 3 newton meters extra only with the software that helps you in overtaking or doing lane change maneuvers and so on and so forth. So that culture has been there because that is a, call it, an agile type of system for release of software and so on and so forth, but I would still say it's a challenge. It's an ongoing process to mesh the mechanical design aspect of it, which is your product. And what tends to be happening going forward is how do you get features and functionality from a software perspective, how do you test and validate that, is -- we have gone through some of those as we talk about the CLEARVIEW mirror. We talked about some of the [issue] transmission type systems and the fusion. And I think it will take a little bit of time as we go through, and the whole industry is going through it.

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**Dan Meir Levy** - *Crédit Suisse AG, Research Division - Director & Senior Equity Research Analyst*

Dan Levy with Credit Suisse. Just a question on vertical integration. You highlighted, on the powertrain side, you're looking to bring motors, power electronics in-house. Could you just give us a sense, a, is this going to be done organically or inorganically? B, what's the rationale? Is this margin improvement? Is this because what your customers are doing?

And last piece is I believe, in China and HASCO, they're serving as a partnership. So what does this say about future partnership with other suppliers, given you're going this route?

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**Tom Rucker**

Yes. I think the answer is both, right? We already have a great capabilities in-house. So for our current electrified eDrives, we do the 100% of the design and the engineering in-house and we also do part of the manufacturing in-house. Part of it, we do it through our JV partners, HASCO and suppliers. So at the same time, we're always looking for opportunities out there. Ultimately, I think it was mentioned before, the overall trends and the difficulty to evolve into the electrified space, I think cooperation is going to be important, right? Also, volumes today are fairly low in that segment, clearly going to grow. So I think we're looking at the right opportunity in time and always looking -- it's going to be a mixture of organic and potentially partnerships.

(Break)

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## PRESENTATION

**John Farrell**

See we get up and talk about mechanical stuff now and people are leaving.

All right. Thanks, guys. Good morning, everyone. I'm John Farrell. I've been with Magna now over -- wow, these are great mechanical systems. I've been with Magna now over 25 years and with Cosma for the last 8 years. It's great to have the opportunity to talk with you this morning about some of the exciting things that are going on within Cosma. I do hope to shift a little bit away from mechanical systems and share with you some digital stuff as well as some electrification stuff. And hopefully, you do leave this discussion excited about the mechanical world.

So let's get right into it. We are the leader in body and chassis systems. We're on the forefront of process technology for both steel and aluminum and we're uniquely capable providing a very broad range of solutions. In light of all the changes that are taking a place around the vehicle, our business is as important today as when we last met 2 years ago and we expect it to remain as important to the vehicle in the years to come as the entire industry undergoes transformations in electrification, mobility and autonomy.





We generated \$10 billion of sales in 2019 and employ over 45 -- 44,000 people in 20 countries. Not only is this a business with scale, it's a stable, profitable business generating strong cash flow and solid returns.

As you can see, our customer base is highly diverse and well-balanced. Our footprint is well-positioned to support our customers around the world.

Turning to our product portfolio. You can see both the broad range and the complexity of our products. What's also relevant but perhaps not as self-evident is the depth of knowledge that we possess in both materials and technologies that's required to successfully join and form these products. Cosma is a high-technology body and chassis business, and there's a lot of very talented and dedicated people who make this happen at a significant scale each and every day.

There's a number of key areas that give Cosma a competitive advantage, enable us to differentiate ourselves. I'm going to touch on 2. Innovation has been and continues to be a top priority for us. We're strong on product innovation with emphasis on commercialization. With the transition to Industry 4.0, we've been increasing the breadth of our process innovation activities, and I'm going to share some of those a little bit later with you.

Lightweighting and joining. Our developments over the years in this area, along with process and materials understanding and in conjunction with global safety standards, position us extremely well for the car of the future. I'll put this in context with a couple of examples for you.

The Acura RDX Double Door Ring reflects Cosmo's innovative edge. It is world's first hot stamped inner and outer door ring system and was recognized by Automotive News as a 2019 PACE Award finalist. The uniqueness of this solution is the evolution from a multipiece door frame construction to 2 single rings framed together, providing the dimensional stability as well as a mass reduction of about 15 kilograms. All of this is done without sacrificing performance. And not only is it a first of its kind, it also reduced the customers' investment and provided them with a global solution.

The frame that we supply to General Motors on the T1 platform highlights our ability to work with our customers to utilize various materials and technologies to drive considerable mass reduction while at the same time improving overall frame performance. For example, frame stiffness, crash performance and towing capacity, all the same or better.

All right. There's a number of global trends that are affecting our industry that are shaping our strategy and prioritizing our innovation efforts. I will briefly touch on those. Mobility and electrification are drawing increased investment focus for our customers. This, in turn, has the OEMs look into the supply base for increased outsourcing on even larger and more complex assemblies, an area that we continue to grow in. Additionally, hybrid and electric vehicles are driving growth in a relatively new product line, battery frames, that by leveraging our lightweighting experience, we plan to benefit from. CO2 emission standards and safety standards continue to increase and do not appear to be subsiding for the foreseeable future, even as new technologies are coming to market, a positive sign for our business base. We believe these trends are a net positive to Cosmo's business overall.

We have strong market positions in North America and in Europe in all our key products, and we continue to grow in China. Also, as I just discussed, we intend on growing with our new product, battery frames.

Going forward, bringing all this together, as we look out over the next few years, our priorities are on innovation, strengthen our core markets and financial performance. As you can see, our innovation in lightweighting has resulted in continued strong growth, driven by increased proliferation in the body structure of hot stamped steel assemblies and cast aluminum parts. At the same time, we take a very strategic and considered approach to investment in additional capacity as we monitor industry trends.

Electrification. Clearly, a topical industry trend, which we view as a net positive to Cosma. It allows us to offer new product to our customers, battery frames, structurally encapsulate the battery cells and then carry them, and they're extremely complicated. They represent another opportunity for Cosma to differentiate ourselves with our leading design expertise, our joining expertise, our manufacturing expertise and our ability to work with both aluminum and steel and also in conjunction with Magna exteriors and various other materials, including fiber-reinforced plastics. We've

already won significant battery frame awards. Today, these are low volume, yet with high dollar content. And we expect that these will be meaningful going forward.

We're also innovating in other areas, areas that I'm also really excited about, and I'll touch on a few. First, the continued development of next-generation steels into our products. We're optimizing for formability, strength, durability and mass, all this continuing down the lightweighting path. Then we're seeing quite a number of advancements in manufacturing technologies in controls, in sensors, in algorithms, the digital world, that we're pursuing process innovations such as Smart MIG, which is an integration of technologies that brings to MIG welding. Advanced robotics, focusing in areas that allow people and robots to work together collaboratively, but at the same time, in the same space where the robot focuses on the more repetitive and predictable work and the person performs the more specialized work. Class A metal finishing is ideal for this technology. And finally, using augmented reality and other optical sensors for enhanced process control on a real-time basis in manufacturing. We can sense features or forms on parts, even within tools now.

Cosma has grown above market for the last 10 years. Our sales, as I said earlier, were \$10 billion in 2019. We expect to continue to outpace the market in the 2% to 4% range through 2022, including double-digit growth in China, largely driven by continued new launches and increased content.

We got a lot of growth in front of us. Part of that growth comes from content addition, over 3 generations on the same program. We've increased our content by about 30% by adding more body and weight, adding hot stamp assemblies and adding cast aluminum parts.

We're coming off a period of heavy investment. We're benefiting from that. We're generating strong cash flow. In the coming years, we'll be able to grow above market on relatively flat capital spending. At the same time, we'll continue the relentless focus on operational improvements as well as continued focus on launch execution and world-class manufacturing. It is truly all about manufacturing excellence. In the end, this drives margin, it drives cash, but it also drives our business growth.

So in summary, these are exciting times for Cosma. The mechanical world is going to live a long time. We're the leader. We're a high-technology body and chassis business, which is going to continue to help shape the car of the future. We're working tirelessly on operational excellence and innovation to differentiate ourselves. We're disciplined. And we expect these efforts to convert into margin growth, strong cash flows and solid returns, ultimately positioning the business to drive future growth.

Thanks. I'm going to turn it over to Graham, and I think we'll take questions after that or maybe just go to a break.

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### **Grahame Burrow**

Thank you, John, and good morning, everyone. I am Grahame Burrow, and I've been in automotive for well over 30 years, proud that the last 21 are with Magna. And 5.5 now as Group President for the Exteriors group.

So I'm excited to be up here again. And to give you some insight into what we think are exciting things for the group, the other half of the BES group. We are a \$6 billion global business that is growing [bigger] in the market. Our manufacturing footprint is expanding in our 3 key regions, and we are very, very strong in North America.

We launch 150 to 200 new programs on a yearly basis. Across our 63 facilities, we operate 450 molding machines, 28 paint operations and have assembly centers in virtually every site that we run.

Looking across our 7 core product categories. You'll notice a common theme. That -- and that is that they are all engineered systems or modules, not just simply plastic parts. This adds value to our business and offers efficiencies to our customers.

We are winning a lot of business and on some very key platforms around the world. We're gaining sales with incremental volume on such products as the new Ford Mach-E in North America and the Nissan Qashqai in Europe. And in many cases, we're seeing higher content per vehicle, like the next-generation Jeep Grand Cherokee, with 45% CPV over the current model.

We're proud to have received 42 customer and industry awards in 2019, many of them related to our aero and liftgate products, including recognition as a pace finalist for our unique composite liftgate structural component we call the spaceframe. It's on display here today. And it is in production on the new Toyota Supra.

As we review our market position and future potential. It's important to understand that the industry is projecting more plastic content per vehicle over time. In fact, by 2030, the next 10 years, the estimate is an average of GBP 40 of additional plastic and resin per vehicle. When you consider round numbers, 100 million vehicles per year globally, this is significant.

With ongoing requirements for design freedom and larger, lighter modules, we expect a good portion of this material trend to appear in the form of exterior products.

We are, without question, the leader in North America in all of our product categories. And in general, we're position 1, 2 or 3 globally, with more growth opportunities on the horizon. Asia, specifically China, continues to be an area of focus for our business teams.

We have a great team in China. And with the recent addition of 2 small operations. We have a good base there for more growth. New products are in the pipeline, and we're showing an annual growth rate of about 30%, all organic. And in our key product areas, aero, liftgate and front end modules.

In the car of today and tomorrow, we see some clear exterior trends. Ongoing demand for vehicles that operate more efficiently, which is accelerating the need for weight reduction and aerodynamic improvement. And the integration of sensors and lighting for functionality, styling and branding.

So how do the trends influence our strategy going forward. I'll explain our future strategy with a focus on 4 key areas. And as I do. I think you'll see clearly, as you've heard many times today, the opportunities to work across several Magna groups. The first element is expansion of our liftgate and access systems portfolio. With a 21% annual growth rate in this product, we're outpacing the adoption rate of plastic for liftgates. This is one of the fastest-growing products in Magna. And we're estimating our business to be about \$700 million by 2025 or 22% of global market, and we're targeting by the end of the decade to be at \$1 billion in this category.

As we look at our current and future situation, graphically, you'll see a well-balanced footprint, and we are well positioned for more growth in this area. The benefits to our clients with thermoplastic liftgates include modularity, lightweight, design freedom, functionality, lower cost and when you think about it, these benefits can also be applied to other access systems around vehicles in the future, such as side doors, and pickup truck tailgates. On an ongoing basis, our teams are reimagining these products to improve the customer experience.

Our second strategy looks at the integration of sensors and lighting, as you've heard before today. The exterior, in particular, the front end is fertile ground for the seamless integration of an array of electronic features. As a result, resins, coatings and adhesives become increasingly important in the roles they play for functionality, signal integrity, structure and appearance. And as a leader in front end modules, facias and trim and with our cross-group opportunities, I'm excited about what we can do in this space.

Which brings me to our third priority. With Active Aero, we're defining new ways to deploy exterior components to efficiently manage the air around them. Front grills, front and side deflectors, rear diffusers and spoilers can all be mechanized to optimize aero counts. Typically, larger and high-riding benefit the most. So trucks and SUVs are presenting great growth opportunities.

Our innovative MAGS or [M-A-G-S] solutions. As you see on the right side of your screen here, offers a scalable, modular concept to reduce costs and development time. With a set of common tools and building blocks, we can scale very easily, small, medium and large-sized vehicles.

And finally, futuring our product -- our core products is being enhanced by ongoing material advancements, especially with adhesives and thermoplastics. This plays a large role in our approach to sustainability. To date, we have benefited the planet with a CO2 reduction to 16,000 metric tons, thanks to our liftgate and aero products on the road. And that number, of course, increases on a daily basis. And 99% of our scrap resin is internally repurposed, reused, recycled with the future target to be 100%.



So in summary, the Exteriors group is led by a highly experienced and collaborative management team, that delivers solid EBIT, return on invested capital and better-than-average free cash flow. Our growth rate is balanced across our product portfolio through the business plan period and meets or exceeds the market. The large portion of this growth related to higher content per vehicle.

And now I'd like to invite John Farrell to rejoin me on the stage to field any questions.

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## QUESTIONS AND ANSWERS

**Richard J. Hilgert** - Morningstar Inc., Research Division - Senior Equity Analyst and Securities Analyst

Richard Hilgert from Morningstar. On the structure side, I've been covering this industry for nearly 30 years now and we always heard about the next-generation of steel coming. It's great that they're able to continue this innovation. But how long do you see this kind of thing going on. And does steel still remain a major piece of the material build for structure development?

And then on your joining processes. We've seen a lot of development of -- for example, tailored blanks, laser welding. Are there a lot of those applications? The primary application was mostly in the doors. Are we seeing more development of that for lighter weight structures for electric vehicles since those vehicles are going to require lightweighting to make the battery more efficient?

And then the last question was on the structure side with the aerodynamics with electrification, also you're looking for additional opportunities, but you're also looking for power conservation, is that something that you see as being a business for the electrification side and would it be a growing business there, given those constraints on that side of the business?

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**John Farrell**

Okay, Richard. So first, on steel. I think if you look at the body structure today, it's still 90%, 92% steel content. Gen 3, Gen 4, it's the Holy Grail that's always out there. Everybody is looking for steels that can be more easily formed. You have great elongation properties, have all the high strength. Those materials are coming to market. There are challenges with those materials, and they will continue to -- those materials will continue to be developed. And I think it's going to be ever-continuing and I don't foresee that steel is going to go from a 90% to a 30% utilization rate in any short period of time. It may be in the 80s, be more plastics that get introduced. Aluminum is going to grow a little bit quicker than it has in the -- will continue to grow at a strong pace over the next few years, but steel's going to be there. And the market's going to continue to bring new steels forward but we got to continue to work through the challenges of those new steels.

So that's one. Two, on the tailor-welded blanks. There is more and more of that in many different areas of the vehicle. Certain door rings that we have, have 4 blanks that get welded of different -- together before the hot forming that have different gauges used in them. We've seen it in chassis applications as well now, we're frame parts, frame rails or varying thicknesses. So it will continue to evolve. And it's a cost trade-off as well.

Regarding your question on aero, the answer is absolutely, yes, certainly, to promote better battery range or to allow smaller batteries. There's a lot of interest on a lot of platforms as we see larger vehicles, such as trucks, SUVs, with some electric platforms coming. There's absolutely interest. We're quoting a lot of business in that space right now. So yes, the same benefits apply, aero counts improve, battery range improves, efficiency improves.

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**Peter Sklar** - BMO Capital Markets Equity Research - Analyst

John, over here. Peter Sklar from BMO Capital Markets. I have a question about your frame business. There's been no mention of the hydroforming processing technology, when you went through that business? And I remember when Magna was awarded the first GM frame, I can't remember, I think it was the [CK] replacement. And that's when you utilized hydroforming technology. So can you talk a little bit about where you're at with

that? Has that grown beyond GM? Is there a usage of the process? Like is that on the new GM truck, where are you at with that? Or I just don't hear about it anymore.

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**John Farrell**

So yes, hydroforming, Peter, still exists. Its application has actually expanded beyond truck frames. It's now used on A-pillar structures. So it is used, but there's also so many more process technologies out there today that it does get balanced off against the geometrical shape with hot stamp steels or tailor a welded clamshell product on a frame. We still have it. We still have it on frames. We've expanded it beyond frames into other areas of the vehicle as well.

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**Peter Sklar** - *BMO Capital Markets Equity Research - Analyst*

And what has the penetration been on the new GM truck of that process?

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**John Farrell**

It's less than the original I'm going to say there's at least one structural piece that's hydroform, but I would actually like to get the definitive answer from -- [Don], how many parts are on the frame, hydroformed? One? One.

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**Peter Sklar** - *BMO Capital Markets Equity Research - Analyst*

Okay. And Grahame, if I may, just one question for you. With the increased usage of plastics on vehicles. I mean, how does that fit into sustainability and ability to recycle? Like the plastics are largely colored, so I don't think you can melt and use the plastic again on vehicles. So how does all that fit into -- this growing use of plastics, fit into sustainability?

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**Grahame Burrow**

That's a great question. So in fact, there are processes now that allow us to remove the coatings and the paint from plastic. We use it in our processes today and so that's not an inhibitor anymore. So virtually any resin, any plastic, on a vehicle on a component can be recycled.

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**Ryan J. Brinkman** - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

Ryan Brinker from JPMorgan, over here. Maybe a little less applicable to Cosma because I think what you do on metal forming is maybe especially just-in-time and especially build where you sell. But just curious, as one of the world's largest auto part suppliers, clearly, you have a great insight into automaker supply chains. I wonder if you think there's the potential for disruptions to assembly of vehicles in North America and Europe as a result of inability to source -- to outsource components from China as a result of coronavirus?

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**Unidentified Company Representative**

Yes. I figured we are going to get at least one question, maybe more, on coronavirus. Pretty complex. We've been in touch with our customers to see what they're doing. And I think everybody has a pretty good idea of what their supply chain Tier 4, Tier 3, Tier 2. A lot of this came about when we had the Tsunami in Japan a while ago and the industries were shut down because of 1 or 2 parts. I don't think we -- the carmakers know exactly what the supply chain impact is going to be. All of our suppliers, I hope, know what's going on, and they're telling us. We're tracking that. We're telling all of our customers where we think we might have a potential shortage.

I think the impact to the vehicle production in China is unknown. Most of our plants are back up and running, and I think we've got 3 in Wuhan, which are just coming back up. We're still trying to get all the people to the plants. So we don't have a definitive answer. To the extent that people aren't buying cars, and they're not going out in China. Hopefully, that will pick up again, but is it going to have an impact of 0.5 million cars, we don't know, over in China.

I think the bigger question is what you just asked, will there be shortages in the shipments coming into Europe and North America and other areas that will impact production? If they're short term, probably just suggests inventory levels if you're on critical product where there's no ability to make up that capacity, then obviously, that would impact the car companies.

So I think it's too early to tell. I think everybody has got a big focus on it, and who knows what will happen next week, but it looks like in China, things are getting relatively back on track. That's what we're seeing from our customers' orders and that's what we're seeing from our plants. We'll just have to see if it has an impact in the other areas that in Italy and other areas.

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**Dan Meir Levy** - *Crédit Suisse AG, Research Division - Director & Senior Equity Research Analyst*

Dan Levy, Crédit Suisse. Just to think about the segment as a whole in the context of Magna's free cash flow. I think in the prior Investor Day, there was a slide that said something like the BES segment as a whole would contribute something like more than half of Magnus free cash flow over the planning period. Wondering if that's still the case going forward?

and second, you've pointed to a number of different growth drivers over the next few years but you're also saying at the same time that the free cash flow can remain strong because you'll have 100% cash conversion, the CapEx would remain low. Why is it that the CapEx remains low, even though you still have these growth drivers ahead?

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**Unidentified Company Representative**

So a 2-part question. Maybe Vince wants to take the first question because I tried to respond to it last night, wasn't well received, but go ahead, Vince.

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**Vincent Joseph Galifi** - *Magna International Inc. - Executive VP & CFO*

Well, the BES group is a significant contributor to our cash flow generation. There's still [about] half of the company. But if I go back a couple of years, and where I see this group going, it's going to contribute a smaller percentage. And it's not because they're not growing, it's because the other parts of our organization are starting to contribute more free cash flow to our overall consolidated numbers. Significant part, but shrinking as a percentage of overall Magna, John. So you got some work to do.

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**John Farrell**

No problem. We'll take the challenge. And the second part question. We've come off a period of strong growth, heavy investment, and some of that was underlying heavy assets that we expect to benefit from and then go into second-generation type programs. So we're not going to have to make that magnitude of heavy investment spending for a period of time. I do think in a few years beyond current planning period, that there's more opportunity as programs cycle around, that there can be more growth in a kind of a second phase for us. But we're going to leverage that base that's been stalled.

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**Unidentified Company Representative**

We'll take one more question.





**John Farrell**

I got to hear from John Murphy because...

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**John Joseph Murphy** - BofA Merrill Lynch, Research Division - MD and Lead United States Auto Analyst

Maybe one just very simple question. I mean, as you look at all the products that you're making and what are in the future for you, how much is still insourced at the automakers versus outsourced? And I think we kind of have this view that in powertrain side there might be more that gets insourced over time as you go to more electrification, which might mean that the automakers need to outsource more to guys like you. So I mean, what percent is insourced right now, what percent is outsourced? And what are the opportunities?

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**John Farrell**

From -- I'm going to say, from the body and chassis side, most of the work is outsourced. Class A is a little different. Most of that is insourced. But with the investment that the OEMs have to make in electrification, most of the discussions I'm entering into are surrounding, we need to take larger chunks of the assemblies that you provide us. We put those together now, we need you to take on more in that space.

So I don't -- from a Cosmo perspective, see a significant insourcing threat. I think it does come up when we get into difficult discussions around pricing, make versus buy, but I think the opportunity is decent on a continued outsourcing of larger assemblies.

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**Unidentified Company Representative**

Just a comment on the exterior side, you see the trend, the growth in the liftgates and the plastic liftgates, that's a trend shifting away from predominantly stainless steel. Most of what we're winning today is in the -- is captive with our customers. It's insourced today, and it's being outsourced to convert to the different architecture. So that's a big opportunity for us.

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**Unidentified Company Representative**

Okay, I think break?

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**Unidentified Company Representative**

Okay, yes, we -- we will actually have a break now. And we'll be back around 11:05, please, so we can get started again.

(Break)

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## PRESENTATION

**Unidentified Company Representative**

Good morning, everyone. I've been with Magna for -- Magna Seating for 31 years. And yes, I am the guy retiring. So we will introduce a new guy here shortly. But first, I'd like to give you a little snapshot of what Seating has looked like in 2019.

We are a growing company with above-average cash flow version. We now have 66 manufacturing facilities worldwide in 17 countries.

Our core portfolio represents our building blocks. It's essential to our business and key to our vertical integration. We now globally manufacture all the key components that go into a seat system. We focus on foam, trim and key metal products. We know that continued growth of our product portfolio is essential so we're looking at more ways to add components, both organically and through acquisition.

Our strong reputation is built around these core components, like our META Tracks and our family of iDISC recliners. We also consider ourselves to be the pioneers in second and third row seating solutions. A prime example of that is we are now in our fourth generation of Chrysler minivan Stow 'n Go seating systems. We are leveraging in this expertise, and we want to be pioneers in the next generation of reconfigurable seating.

If you look at our customer base, our nucleus is still strong with the D3 and VW, primarily in Europe, but we've added key customers in China with Geely and BMW. And our geographic footprint also accentuates that. We're still strong in North America where we hold about 65% of our sales there. But we see impressive growth in China where now our managed sales is up to 8%.

So let's talk about BMW for a little bit. It's been busy times with them. We've grown this business over \$800 million in sales over the last 2 years with 7 key launches. Definitely a challenge in North America with the Spartanburg facility on the X5 series SUVs, all new plant, new employees, new systems, new everything, coupled with a lot of last-minute engineering changes late in the game and added seat variance that caused us some grief. I am happy to say that we have strengthened the Leadership team there our road map to continuous improvement is well on its way, and we expect improved operating results in 2020.

Our dedication to our customers are paying off. We were the first seat supplier in 2019 to win FCA's Interior Supplier of the Year award, an honor that we are very proud of.

So with that, I'd like to introduce the new guy, John Wyskiel. John has been with Magna for many years. I have worked personally with John for probably about 10, and I firmly believe he is the right individual to bring Seating into the next decade. So with that, John?

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### John Wyskiel

Good morning, everybody. I'm John Wyskiel. So I've been in the automotive industry for over 30 years, 16 of those years have been with Magna International. And in Magna, half of my career has been in Seating, working in mechanisms, foam and JIT, and half of my career has been with Cosma. And in Cosma, I manage the largest region for that group for the last several years.

Before I get started, though, I do want to thank Mike. Mike has been our President for 9 years. And it was really Mike that put the company on the map internationally. He's grown it significantly and Mike, we appreciate all you've done.

So I'm going to talk a little bit about market positioning. And we're particularly strong in the CUV/SUV sector. And in that area, we have all the building blocks in seating. We have front seat. We have rear seat, JIT, foam, trim, mechanisms. But really, what differentiates us is our best-in-class engineering, and that's allowed us to focus on the more complicated second and third row mechanisms. And if you compare a rear seat to a front seat, the rear is definitely much more complicated.

And it started with Stow 'n Go 15 years ago. Our customers, rather, simply trust us for the most difficult applications. And focusing on the second and third row has given us a rich mix. The market is sitting at around 52% percent SUV and CUV. In seating, we're sitting around 66% market share. And in fact, in North America, if you add minivan to that mix, we're sitting around 90% SUV, CUV and minivan. And all of that drives content per vehicle. We're running at around \$1,039 CPV. That's around 50% higher than the market.

Talk a little bit about our strategy. And really, it's 3 main elements of capitalizing on growth markets, continuing with vertical integration and ensuring we're well positioned for future mobility.

So let's turn to the first element, capitalizing on growth markets. We're going to continue to outpace the market in terms of growth the next 3 years. In the Americas, we're going to have over a 5% compounded annual growth rate the next 3 years. But the real story is in China and in Europe, and let me tell you why.

In Europe, we spent a lot of time in terms of putting structure in the last couple of years, and we're going to have double-digit compounded annual growth rate in Europe the next 3 years with launches with Ford, BMW and Audi. And then in China, we're really going to work on strengthening our strategic partners as well as leveraging the Magna name on OEM relationships. We're really going to try to replicate what we did in China -- or rather in Europe the last couple of years.

Next area is vertical integration. And what you see here on this chart is all the critical components in seating, the foam, the trim, the recliners, the tracks, the structures. And we've done a good job in this area to strengthen our vertical integration footprint. We've really filled it in the last couple of years, in particular, with HM, a joint venture that we have, and with an acquisition of a company called, Viza in the last 2 years. And it's filled, in particular, our Europe and South America footprint. And all that translates into being a one-stop shop and enhancing our margins.

Finally, there's just -- it's ensuring that we're prepared for future mobility. It's not a new space for us. We have experience in EV and hybrid and supply multiple platforms. And our customers really like us for 2 main reasons. The first is lightweighting. And arguably, we have the deepest metal experience of any of the seating suppliers out there. After all, it's our heritage. And for us, we offer some of the thinnest, lightest gauges on the mechanism side. The other reason why our customer likes us is configurability. With our experience in engineering, we can do things other companies simply cannot.

We're going to show a video here that talks about our strength in configurability. And if you look at a vehicle, I think one of the keys looking down the road is adaptability. If you could picture a vehicle, a van perhaps, where you could take the seats, put them in a stadium type configuration and push them all the way to the front to the IP and set it up for a cargo hauling-type application. Then you can reconfigure that interior, again, into conventional seating. And then reconfigure it again into conference setting or a campfire setting. Let's take a look.

(presentation)

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### John Wyskiel

(inaudible) full development with an OEM to develop something we called Long Rail. And really, that's the concept behind the tower demonstration that you saw in the video. In our demonstration area, you'll be able to see an iteration of that as well.

Probably the area I'm mostly excited about and the last innovation I want to talk to is FREEFORM And when you look at a concept vehicle, you see very futuristic styling in the vehicle. You'll see very deep concavity in the seats, you'll see very crisp styling lines and sculpted lines, but it just isn't manufacturable, and that's going to change with something we call FREEFORM Free-form is a technique on bonding the foam to the trim of the seat and it allows stylists to finally bring their designs to market. We can go from radiuses of 12 millimeters down to 3 millimeters, which can be very crisp from a styling end. And I do think it's going to be a game changer for the OEM brands. I do think styling matters and styling sells. FREEFORM also brings a couple of other benefits. It's removable for cleaning. And FREEFORM is also a completely breathable product. You'll be seeing this product, at least 1 iteration of this coming in the fall in 2020.

So what does it all mean? Look, I think that seating is an exciting growth market for Magna International. We've consistently outgrown the market, and we're going to continue to do that in the future. We've worked very hard on our vertical integration and aligning our global footprint. And our best-in-class engineering and innovation is really preparing us for future mobility. And all of that translates into strong free cash flow and good returns. Thank you.

So Mike is going to come up. And I think, if there's any questions, by all means. There's one right there. Right over here.



## QUESTIONS AND ANSWERS

**Richard J. Hilgert** - Morningstar Inc., Research Division - Senior Equity Analyst and Securities Analyst

It's Richard Hilgert from Morningstar. A couple of things on Seating. You mentioned 90% market share in crossover/SUV in North America. I was wondering, is that -- can you give us a little bit more details on that. Is that second and third row? Or is that all seating? Or how do you get to that number? I'm sure Lear and Adient would probably beg to differ.

But then another question, you've got a very strong customer in North America. You've got a competitor based out of Europe that has a very strong customer over in Europe. Those 2 customers are emerging. Is there any discussion about those seat operations in Europe and your seat operations in North America getting together?

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**John Wyskiel**

Thank you very much. Yes, I'll take the first part of the question and then Mike can probably talk to the second part. So the first one is our numbers based on North America. When we look at SUV and we look at CUV and minivan being rolled into that, we're running into just under a 90% mix in the U.S. So our market is very rich. And admittedly, there isn't as many past cars anymore in the U.S. as well or North America. And I'll let Mike talk to the second part.

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**Mike Bisson** - Magna Seating Inc. - President

I think Vincent's going to handle it.

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**Vincent Joseph Galifi** - Magna International Inc. - Executive VP & CFO

What we said -- we don't have 90% market share of the CUV market in North America. When you look at our sales in North America, 90% of our sales are to the CUV and SUV market and minivan.

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**Mike Bisson** - Magna Seating Inc. - President

Richard, the second question, you're referring to the PSA situation? Yes. There have been some very high level discussions. From what we've gathered, everything is still very fluid. It's going to evolve, to be honest with you.

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**Richard J. Hilgert** - Morningstar Inc., Research Division - Senior Equity Analyst and Securities Analyst

There's a considerable seating capacity over in Europe. And their strength in Europe North and your strength in North America, (inaudible) you've got still (inaudible)

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**Mike Bisson** - Magna Seating Inc. - President

Yes. All right, to be honest with you, in my opinion, yes, absolutely. But exactly as you said, in Europe, they're strong, a lot stronger than us. They've got a good solid portfolio of mechanisms, and we're much stronger in North America. Would it make sense? I think so. But there would be a lot of work to do before that would happen.



**Ryan J. Brinkman** - JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst

Ryan Brinkman from JPMorgan. Thanks for taking my question, which is really on the competitive environment in Seating currently and your go-to-market strategy in light of that. I'm curious if given the high-profile execution issues at one of your competitors, which might be fading into the rearview mirror, but still they're looking to reprice and renegotiate contracts, if that opens an opportunity? Maybe you can comment on the degree to which you've already benefited from this dynamic. Or the degree to which you're positioning to capitalize upon it going forward.

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**Mike Bisson** - Magna Seating Inc. - President

Yes, we get asked that question a lot. I think there's -- there has been some very (inaudible) opportunities, particularly on the metal side. The way I look at it, it's opened up a lot more doors for us. We're talking to new customers we've never had before. Mind you, nothing concrete. Your statement about in the rearview mirror, I think, that's pretty accurate to be honest with you.

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**John Wyskiel**

As a new guy coming in, I'm grateful.

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**John Joseph Murphy** - BofA Merrill Lynch, Research Division - MD and Lead United States Auto Analyst

Just a question on vertical integration. Where are you on vertical integration at this point? It sounds like you have the capability to go just (inaudible) in the seat? And where do you think you can get? How does that shift the margin and return profile?

And then also, I mean, as we think, follow-up on sort of Ryan's question, I mean, structures and mechanisms are where the real problem is at Adient. And that seems like right in your wheelhouse, right? I mean just given what Magna does. I mean how much opportunity is there to really vertically integrate that and then also maybe take a lot of market share over time?

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**Mike Bisson** - Magna Seating Inc. - President

Yes, that's a great question, John. We've done a lot of work with vertical integration on a global basis. We now have the capability in all of our regions to make the core products, trim, foam and mechanisms. We're getting pretty big in mechanisms as well. Our iDISC family and recliner family are popular with the customer base. So our vertical -- you know the formula, the vertical integration is key to us, and we made great progress. Now we're looking at what else in the seat can we manufacture. We're working with (inaudible), we're looking at different aspects, perhaps in the safety arena or comfort area, so that is an ongoing quest for us, and it's a big part of our strategy.

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**John Wyskiel**

I was going to just add a little bit, too. I mean, the mechanism side is something that we're really strong. And I mean, and I said, that's our heritage. When you look at metals, that's the heritage of the company. But one of the things for sure about mechanisms is it's a little more capital intensive than some of the other areas to vertically integrate. We're going to have to evaluate that going forward to make sure that whatever we decide to vertically integrate in, whether it's electronics or whether it's further mechanisms, it's got to have the best return.

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**Mike Bisson** - Magna Seating Inc. - President

We take a very conservative approach on the metal side, too, because of the issues that have existed out there. But we think what differentiates us is a very strong engineering team and very strong program management team. And when you get in that commodity, it's all about execution.

**Dan Meir Levy** - *Crédit Suisse AG, Research Division - Director & Senior Equity Research Analyst*

Hi, Dan Levy, Crédit Suisse. If you could just help us put some numbers to the growth that you have, 4 to 7 points of growth over the 3-year planning period. That's, I believe, the highest outgrowth of all the Magna segments. What percent of your business today is seat structures and mechanisms? And what do you anticipate that going to? How much is seat structures and mechanisms in terms of this market outgrowth? Is it the majority of the growth? Or is it still dominated by JIT seating?

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**Mike Bisson** - *Magna Seating Inc. - President*

In terms of absolute revenue, yes, it is our largest growth area. I don't know the exact numbers, but we're probably in the next 2 or 3 years, we're going to be well over \$1 billion in mechanisms. But our strength in products that generate good returns for us are both trim and form, and that's really where we've been focused. Okay. Thank you.

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**John Wyskiel**

Thank you very much. I think Frank Klein is coming up for he's next. Thank you.

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## PRESENTATION

**Frank Klein**

So good morning, everyone. My name is Frank Klein, and it is a great honor to be here today. After 27 years with Daimler, I joined Magna at the beginning of 2019. So this is the first time for me to give this presentation, and I'm very excited to be here. So there are 2 things I want to cover today: first, I want to show you that our Complete Vehicle business has delivered what we promised 2 years ago; and then I want to present the strategy going forward.

(presentation)

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**Frank Klein**

So these impressive numbers you see here are the foundation for our future success and an enabler for the business to come. Let's take a look at where we are standing today. With annual sales of \$6.7 billion in 2019, we're the world's #1 multi-OEM vehicle contract manufacturer and the 6th largest complete vehicle engineering service provider. We have roughly 12,000 employees at 3 different vehicle manufacturing locations and 18 engineering locations. And approximately 1/3 of our engineering projects and about 15% of our production project are already related to the growing EV market. As you can see on this slide, we have a very wide customer base. We work with almost every traditional OEM plus an increasing number of new entrants and technology companies to help them shape the future of mobility.

What makes this business so special? After having worked for Daimler for such a long time, let me answer from an OEM perspective. The capability, flexibility and quality record of this business is truly outstanding. Magna is not just a supplier, Magna is a partner to the OEMs. I've started working with Magna over 20 years ago when I was responsible for the E class production in the Sindelfingen plant of Mercedes Benz. The Graz plant at this point was our partner plant. And already at that time, we were very impressed with Magna's capability in producing premium products. And this is also one of the reasons why Magna Steyr now has produced the Mercedes-Benz G class for Daimler for over 40 years in Graz and where Daimler also relies on us for the development of this very special vehicle.

Another example of our exceptional capabilities, and I'm pretty sure that you were also very surprised when we made that announcement, is the Vision-S that was presented in January at the CES in Las Vegas. A prototype vehicle engineered in very close cooperation with Sony, and we're very proud that we were able to build this car as well. Now you might wonder why did Sony actually pick Magna as a partner to do this very special



project? The answer is actually very simple. Sony became aware that we're the only company that is capable of designing, engineering and building such a product in such a short period of time in such an excellent quality. It's no secret that Complete Vehicles is also an enabler for Magna's component business. The figures on this slide are a proof of this. Magna content on vehicles on which we are the sole source manufacturer is much higher than the average content in other vehicles in the European market.

As I already mentioned, we promised a lot 2 years ago. And I want to show you that we have delivered. In Graz, we have launched 6 premium models for 4 different OEMs in the last 24 months. Furthermore, we now run a state-of-the-art paint shop in Slovenia, with the potential to upscale it into a full complete vehicle manufacturing plant. We have established our first complete vehicle manufacturing footprint with our partner, BJEV, in China, and the first prototype vehicles in this new production side has already been built and the SOP is planned for later this year.

In engineering, we've also expanded our global footprint. We extended our engineering center in India, and we have launched a new engineering center in Morocco. And for the engineering group, this is a very important element to implement our low-cost strategy. In addition, we further strengthened our position in China by opening a new technology joint venture location with BJEV for the development of electric vehicles.

What is now our position in this very competitive environment we're facing? Magna is the only automotive supplier that offers a global Complete Vehicle one-stop shop. We're also the first supplier to produce vehicles with different powertrains. Just think about the Jaguar E-PACE and the Jaguar I-PACE. On the one hand the combustion engine and an electric powertrain on the other hand built on a single assembly line, that is very unique. And we produce vehicle with -- for different OEMs on the same production line, for example, BMW and Toyota. Last but not least, we enable new entrants to enter into the automotive market. A very good example is VinFast based in Vietnam. Here, we successfully developed a brand-new vehicle family, an SUV and a Sedan in less than 23 months.

Looking ahead, it's important to understand what drives the market. And we believe that there are 3 market trends that have a significant impact on business. First, electrification. Increasingly strict regulations and environment targets are forcing the industry to invest more and more into electric powertrains. So electrification will continue to grow. Just take a look at China. China is already the largest EV market and is now expected to grow significantly over time. Second, cooperation. Due to the increasing cost pressure OEMs are facing, cooperation is becoming a more and more important success factor for them. And finally, an increasing number of new entrants and technology companies want to enter into the automotive industry.

And based on these 3 trends, we have developed a strategy going forward. I will go through every single element of the strategy, and let me with China. As mentioned, the tech JV with BJEV is already running, and the manufacturing JV will start production this year. BJEV is already the #1 battery electric vehicle automaker in China. And with their new Arcfox brand, we're adding another premium electric vehicle to our production portfolio. And that's very important. We have the flexibility to use the new production capacity for other OEMs as well, and we can also offer the jointly developed BEV platform for other third-party customers.

The second pillar of our strategy is electrification. We have the capability to do electric powertrain engineering, including integration, validation and testing. We have demonstrated this ability and flexibility to manufacture different propulsion systems in 1 facility, like the hybrid BMW 5 series and the Jaguar E-PACE and I-PACE that I already mentioned. But electrification for us is more than just hybrids and battery electric vehicles. We also focus on fuel cell electric vehicles powered by hydrogen. To implement this plan, we are developing a hydrogen technology strategy, and I'm already looking forward to presenting that next time. We already see an increasing demand from our customers that will enable us to grow further in this field.

The third pillar is enabling competitive cooperation solutions. Platform-sharing scenarios may require an independent industrialization partner to assist, and we will benefit from this trend. We have shown with wind VinFast, with BMW and Toyota that we are an enabler for cooperation. And many more opportunities of this kind can be found in the market.

Finally, the fourth pillar of our strategy is to grow with new entrants and technology companies. One example, and we're very proud of that is Waymo, where we have set up a manufacturing operation in the U.S. to integrate Waymo's self-driving system into vehicles. We want to increase our share of engineering projects with new entrants from currently around 1/3 to close to 50% because we believe that this would provide a very



healthy balance for our business. And it's not a secret that almost every non-OEM interested in realizing its own complete vehicles is contacting us.

So let me summarize my presentation. We're the only brand-independent multi-OEM manufacturer with the capability to develop and manufacture vehicles worldwide. We have the expertise in various alternative propulsion systems. By developing and producing complete vehicles, Magna has the highest -- a higher content on those programs. And with the 4 strategic pillars that I've outlined, China, electrification, cooperation and new entrants, we have formulated a clear strategy going forward. Therefore, we're very confident that we're able to continue delivering what we promise.

So thank you very much for your attention. And now I'm very happy to take your questions.

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## QUESTIONS AND ANSWERS

**Itay Michaeli** - Citigroup Inc, Research Division - Director and VP

Itay Michaeli from Citi. Just 2 questions. First, hoping you can maybe talk a little bit about where you see the Waymo and Sony relationships progressing over the next few years to the extent you can.

And second, when we think about the opportunity within the autonomous kind of robo-taxi space, when you look at a vehicle like the cruise origin, if that form factor becomes broader in the industry, what are the implications, if any, for your business?

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**Frank Klein**

Yes. To the first question, I cannot share the strategy of Waymo, so please understand that.

The second question, yes, we will see more and more companies going into offering vehicles in that segment. I think we're very well prepared, not just as Magna Steyr, but as an entire industry, to really be the partner to work with the OEMs and with the new entrants to offer fantastic solutions on the engineering side. And then hopefully and potentially, also build these vehicles for these companies.

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**Michael W. Glen** - Raymond James Ltd., Research Division - Equity Research Analyst

Michael Glen from Raymond James. Can you -- 2 questions. First, on -- is there a prospect here for M&A within your business? And what might that look like?

And then the second part of that is, could we see this business eventually expand into North America?

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**Frank Klein**

Yes. It's pretty normal that we constantly evaluate M&A on the engineering side on one hand and also on the contract manufacturing side. I cannot disclose you the discussions that are going on in that field right now.

And of course, it is a clear strategy to expand our operation here in North America. The activities we have with Waymo is the first and it all depends on the customers. If there are customers out there who are willing to use us as a contract manufacturer and as an engineering partner, we are ready to go.



**Richard J. Hilgert** - Morningstar Inc., Research Division - Senior Equity Analyst and Securities Analyst

Richard Hilgert from Morningstar. Two questions, please. What does the ideal situation look like for complete vehicle assembly? This is a capital-intensive business. Are manufacturers looking for opportunities to outsource because they think that the unit volumes that they'll get are going to be higher than what they can handle with their current capacity and therefore, if global-light vehicle volumes go down, they would bring those units back into their own factory and you would lose yours or what's the ideal situation look like for you guys in terms of your #1 type of opportunities?

And then the other question is BMW, with its electrification strategy, is a little bit different, and there's a couple of automakers out there that are pursuing this strategy, but more so the strategy is to a dedicated platform for battery electric vehicles, whereas BMW is using a platform that is agnostic to the powertrain that could go into the vehicle. So with the crossovers that you're manufacturing, have you been able to garner some of the engineering work that goes into those vehicle structures that are going to be agnostic to the powertrain that goes into them? And is that -- are you going to be manufacturing those vehicles? Or are those vehicles going to be sourced only within B&W?

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**Frank Klein**

Yes. Let me answer the first question. I think we have proven that we have a very high flexibility when it comes to manufacturing vehicles. And this is one of the reasons why OEMs are looking at us to help them in all sorts of different situations. So of course, when you ask what is the ideal situation for us on the contract manufacturing side is to have long-term partners. I have outlined, for example, the G-Class Mercedes-Benz. We have built vehicle now for 40 years. I think this is a very unique situation, and we will continue doing so. But just by having the flexibility, we really position us very well as a contract manufacturer.

When it comes to BMW strategy, again, I don't want to comment their strategy. BMW is a partner for us, has been a partner for us for decades, and we work with them, on the one hand, very close on the engineering side and, of course, also on the manufacturing side for regular combustion engine, hybrid vehicles and also for electric powertrains if they have the demand to work with us on that.

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**Richard J. Hilgert** - Morningstar Inc., Research Division - Senior Equity Analyst and Securities Analyst

So you just mentioned the Gelandewagen as being a core product. How much of your profitability does the Gelandewagen represent maybe sort of roughly? And when will that go electric? Or will it? I mean given your Daimler experience, you probably have a good vision to that.

And then just a second question, how much do you frustrate or annoy or put at risk your core business with your other customers by putting new entrants into business as a contract manufacturer over time?

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**Frank Klein**

I don't see any -- let me answer the second question first. I don't see any advantages on one hand working with traditional OEMs and new entrants. This is just part of us doing engineering for multiple OEMs and new entrants and also on the manufacturing side. I think they also see some benefit that we have the knowledge to be able to work with multiple partners. And I mentioned the topic of cooperation. It becomes more and more important. And because we have the capability to work with multiple OEMS, we are the partner of choice for a lot of companies to go ahead. And I need to understand your first question. Let me...

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**Richard J. Hilgert** - Morningstar Inc., Research Division - Senior Equity Analyst and Securities Analyst

So the Gelandewagen...

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**Unidentified Company Representative**

(inaudible)

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**Donald James Walker** - *Magna International Inc. - CEO & Director*

I know. That's why I was wondering if he's going to maybe rephrase it.

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**Richard J. Hilgert** - *Morningstar Inc., Research Division - Senior Equity Analyst and Securities Analyst*

So I imagine -- so if maybe -- the issue with the Gelandewagen is that it's the anti-Christ of the industry right now in some people's view of sort of greening, right? But it's an amazing vehicle. I love it, right, I desire one. So I mean, it's -- I agree it's an amazing vehicle. But if you think about it in the future, 5 years out, it may be the kind of vehicle that's not allowed to be sold in Europe made actually kind of you -- kind of thing or around the world. So I'm just curious, if we think about Magna Steyr's profitability, if the majority of your profits right now, which it likely it is, that's something that could be at risk if it doesn't get electrified over time. So I'm just curious if you can comment about the real (inaudible) for Steyr?

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**Frank Klein**

Yes. As I outlined, one of the most important pillars in our strategy is electrification. So we're already preparing from an engineering side and from a contract manufacturing the future. We're the first contract manufacturer that was able to build a pure electric vehicle and the quality is outstanding. You are probably aware of the awards that this car has received. So I think we're very well and I don't see any risk by shifting into electric powertrains for our core business.

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**Richard J. Hilgert** - *Morningstar Inc., Research Division - Senior Equity Analyst and Securities Analyst*

So the Gelandewagen could go EV, you think?

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**Frank Klein**

What was that?

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**Richard J. Hilgert** - *Morningstar Inc., Research Division - Senior Equity Analyst and Securities Analyst*

The Gelandewagen could be an EV in the future?

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**Frank Klein**

I mean, yes, EV, absolutely.

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**Armantas Sinkevicius** - *Morgan Stanley, Research Division - Associate*

Armantas Sinkevicius, Morgan Stanley. Just a question, since you do make the I-PACE and the E-PACE on the same platform and have the experience making an internal combustion and an electric vehicle. Can you compare the 2 separate processes. Electric vehicle profitability seems to be constrained due to scale and battery costs. But is it an easier vehicle to make? And just thinking through to eventual profitability for the electric vehicle, what the obstacles are?



**Frank Klein**

Yes. I mean it's a great experience being able to do both. When you look at it, they both have a body that we have to manufacture. So all the activities that goes into putting the body together is very similar. Both vehicles have to be painted, and we use the same assembly line. So the content we, as Magna Steyr, are putting into these vehicles is very comparable. Yes, there are a little less components that we need to assemble on I-PACE compared to the E-PACE. But again, I mean, we are able to do it on the same assembly line very, very efficient. And I think this is the strategy at least for the next years to have the flexibility, not knowing what the share will be in the upcoming years.

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**Armintas Sinkevicius** - *Morgan Stanley, Research Division - Associate*

But in your opinion, is it significantly easier to make an electric vehicle versus an internal combustion? Or are there still some complexities to think through?

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**Frank Klein**

If you look at it, the biggest differentiation is, of course, the powertrain. We, as Magna Steyr, do not assemble the powertrain. So for us, putting the vehicles together is very comparable.

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**Armintas Sinkevicius** - *Morgan Stanley, Research Division - Associate*

And then my other question is, what are your thoughts on Foxconn entering the vehicle manufacturing space?

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**Frank Klein**

I didn't understand the question.

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**Armintas Sinkevicius** - *Morgan Stanley, Research Division - Associate*

What are your thoughts on Foxconn entering the vehicle manufacturing space?

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**Frank Klein**

I think that there are a lot of new entrants and that's what we see. Also new technology companies. I think this is, for us, a great opportunity because they rely on partner that really the automotive industry, partner that knows how to engineer and to produce it. And that's what I mentioned is that they pretty much all contact us and ask us for support. So this is a great opportunity for us.

Okay. So thank you very much. I will now hand over to the panel discussion.

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## PRESENTATION

**Louis Tonelli** - *Magna International Inc. - VP of IR*

Okay, we're all set? So when you start at Magna, one of the things you learned really quickly about is the Magna culture. And it's a -- while everyone here at Magna believes it's a differentiator. It's actually hard to articulate to investors how it is so. And so today, we have a panel that hopefully can try to address some of those -- some of these questions.



So on our panel today, we've got Tom Skudutis, Magna's Chief Operating Officer, more than 30 years at Magna; Guenther Apfalter, who's the President of Magna Europe, he's 19 years at Magna; John OHara you've heard about already, 26 years at Magna; and David Gray, who is the General Manager of our Polycon exteriors plant in Guelph. Many of you have met him and know him. He's been General Manager there for 20 years and at Magna for 23 years. So combined, you've got about a century of Magna here sitting on the podium here.

So I'm going to start with a few questions just to get them warmed up, and then we'll see if there's any questions from the audience.

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## QUESTIONS AND ANSWERS

**Louis Tonelli** - *Magna International Inc. - VP of IR*

And we'll start with you, Tom. You're meeting somebody for the first time, and they ask, what is -- what's the culture like of the company you work for. How do you describe the culture at Magna?

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**Tommy J. Skudutis** - *Magna International Inc. - Executive VP, COO and President of Body Exteriors, Structures & Seating Systems*

So how long do I have to answer this question?

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**Louis Tonelli** - *Magna International Inc. - VP of IR*

We're really tight time line because we're running behind.

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**Tommy J. Skudutis** - *Magna International Inc. - Executive VP, COO and President of Body Exteriors, Structures & Seating Systems*

Okay. So first of all, while I'm not showcasing any group today. But I'd like to think that I'm showcasing our very talented, committed, knowledgeable management team through these presentations this morning. This is what this culture breeds. And I hope it's noticeable to everyone that this culture is really a proven success formula for Magna, is today and has been in the past.

I did chart down some terms because I really didn't miss anything. In many cases, when over the 30-plus years that I've been with Magna, I've hired a lot of people. And while you can look on resumes how much experience 1 has, you don't necessarily know of whether or not the mindset fits our culture. So in many cases, I will reverse interview someone. I will tell them what I'm looking for and see if they're interested in the environment that we have to offer.

Obviously, I think it's well known that we foster a very entrepreneurial environment. You as a General Manager, and I'll let Dave speak to that in a minute, you are really running your own economy on an island with the skills of a larger backing. That we can get economy of scales, but at the same time, you have autonomy as to how you would like to run your plant. It, in simple terms, is as close as you will ever get to running your own company without, in fact, owning it. So very, very important plant.

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**Guenther F. Apfalter** - *Magna International Inc. - President of Magna Europe & Magna Steyr*

Tom, can I say something?

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**Tommy J. Skudutis** - *Magna International Inc. - Executive VP, COO and President of Body Exteriors, Structures & Seating Systems*

Sure.





**Guenther F. Apfalter** - Magna International Inc. - President of Magna Europe & Magna Steyr

I've seen you interview people in the back door, too?

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**Tommy J. Skudutis** - Magna International Inc. - Executive VP, COO and President of Body Exteriors, Structures & Seating Systems

Yes, that can happen. Yes, yes. It can happen. I mean, and that really comes back to we are fostering an environment where people are comfortable on being on that shop floor, you have to be technically astute, so you can't be fooled with, and you have to be comfortable on that shop floor in order to understand where the rubber meets the road. That's where the rubber meets the road. We try to balance 3 things, primarily, our investors, our employees or partners, and of course, lastly, oh, come on guys?

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**Guenther F. Apfalter** - Magna International Inc. - President of Magna Europe & Magna Steyr

Shareholders?

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**Tommy J. Skudutis** - Magna International Inc. - Executive VP, COO and President of Body Exteriors, Structures & Seating Systems

Shareholders. So it's really sometimes very difficult to balance out. But I think our managers have learned how to do so and are doing so extremely well. So we are really looking for the real deal. They are not easy shoes to fill, but for the right person joining this company, is the best thing they can ever do. For the wrong person, it's the worst thing they could do. So really, we try to segregate out who are the right people, who are the right fits and really entrepreneurs are the ones that fit the best.

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**Guenther F. Apfalter** - Magna International Inc. - President of Magna Europe & Magna Steyr

I could add, really certainly, as Tom said, we are on the shop floor. I can remember interviewing somebody to become my AGM, Assistant General Manager, and travel to their plant where they were working. And of course, they want to have the interview and the discussion. I had just gotten off a plane, so I wanted to go for a walk and the interview consisted of, "Hello, let's go to the shop floor." Went and talked to the people, got to see if they actually knew who the person was, what was their engagement, could they call them by name, what were their shoes on the floor, and that was the interview. And by the end of the tour, I hired the person, and that's supporting what Tom said. It's not -- it's how you fit in the culture and been able to do the job and be successful and be involved with your employees.

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**Tommy J. Skudutis** - Magna International Inc. - Executive VP, COO and President of Body Exteriors, Structures & Seating Systems

So again, I think in many cases, when you work for a large company, you, many times, wait for e-mails to come to tell you what to do. This doesn't happen in Magna. You really are expected to do the right thing to run your plant and obviously, you're also incentivized by getting paid accordingly. So to be in the pursuit of manufacturing excellence is key. And for that, you have to understand your business.

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**Louis Tonelli** - Magna International Inc. - VP of IR

Guenther, we operate in 16 countries in Europe. So you have to manage the Magna culture and the cultures of the countries that we're in. How do you manage all that and adapt to have a cohesive strategy?

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**Guenther F. Apfalter** - *Magna International Inc. - President of Magna Europe & Magna Steyr*

This is the interesting part of my job because the European Union consists of 29 countries. We are operating in 16 of these countries. And when I just take Germany, where the 3 big German OEMs, these are different cultures. When you're in the morning, in Munich, going with BMW and in the evening with VW in the North of Germany, the culture is completely different. But the positive part is that our customers like our approach because we have a direct approach. We have a mentality, which is, make it happen, walk the talk, and being fast and quick.

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**Louis Tonelli** - *Magna International Inc. - VP of IR*

John, your group is actually the first one into China, first, through acquisition of Donnelly and then Kunshan. So you've been there for a long time. How is it playing out in China, thinking about the Magna culture? And last year, with the volumes being down so much in China, how did your team adapt? How do they manage through that?

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**John O'Hara**

Yes. I think Kunshan, it's a division of our mechatronics group. And I think it's probably one of the best stories in Magna. In the early 2000s, we went there really to save a bit of money, localizing certain product lines. And we were able to attract a really good General Manager, and he's with us today. In fact, he runs \$1 billion of our business today. But when I look at their approach on executing world-class manufacturing, they -- we had a situation where we had a door latch that was basically going out of production in Canada and North America. And they localized it in the China market and designed it around the China market. And now today, that business is almost \$500 million in 6 plants, and every one of the plants is profitable, they are clean, organized and a very diversified customer base. So even to this day, I get compliments from Daimler, BMW, on latches. And I just can't -- you just can't throw anything at this management team over there. And I think the average management has been there 15 years. And the leadership is close to 20.

In the downturn, which really started in '19, we didn't have to kick start our China operations to reduce cost. In fact, they reduced it quicker than I expected. And they were able to convince people to work reduced hours, convinced supply base. I mean, it was just unbelievable amount of coordination that they did in a short period of time. And I'm very bullish on China. I know we had another product in North America with a power liftgate, we couldn't launch it just because we just couldn't get competitive enough to sell it. And we made a decision to say, let's just turn it over to our management team in China to see what they can do with it. That business today is \$100 million. So it's -- we are really proud of it, what they're doing over there. And they've really embraced the Magna culture when you look at the entrepreneurial spirit and developing people from within.

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**Louis Tonelli** - *Magna International Inc. - VP of IR*

David, I'm interested in how the culture is impacted by your performance in a downturn? How does it manage to a downturn? In '08, '09, we had a very severe downturn. You were at (inaudible) time. What kind of steps did you guys take to manage around that? And even last year as (inaudible) come off, how did you kind of manage that kind of framework in that environment?

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**David Gray**

Yes. I mean, downturns and the impact to employees are very stressful times. All really boils back to that. As Tom mentioned, the customer, employee and shareholders, constant communication with our employees, whether -- every month on our employee meetings, messages that we get from our President, from our CEO, that constant communication, the real desire of our employees. It's their business, right? It's their -- it is -- they own part of the company. They behave that way. The more we can include them, inform and talk about what's going on in the business, the easier it is to adapt. Obviously, we -- the traditional -- we did have some layoffs. We'd offered early retirements in that period of time to save as many jobs as we can. I had many conversations with my friend at the time around what's going on in the business, how do we organize it, but again, I also got support of making sure we were keeping the right talent, involving training, making sure we were ready for the upturn that everybody knew was going to happen. We actually did do some investment during that time, which is kind of unheard of, but it also then fostered with the employees



that we're willing to invest. We're preparing for the future. We're keeping key people. We're fostering hard work, continue to perform. Our key metrics, we continue to share, look for performance, look for CI. And at the end of all that we ended up hiring even more people than we laid off. So it then reemphasizes that hard work, that return, that investment in the company fosters and if that works altogether as a team, the company will continue to grow. The last year, you could see it coming as we talked headwinds, as Tom mentioned, being entrepreneurial, we had to look at some different markets. Canada is a little tougher. We're in Guelph, Ontario. You've seen some migration of business out of Canada, particularly as you look at CAMI and the Oshawa car plant. So we had to look at our competencies, involve with new CI, looking at new processes, new opportunities, take those competencies and look at a different product. We did get some investment to be able to do that. And as we get into the end of this year, we'll actually be in a growth mode, which is kind of a little different in the Canadian market. At least in our side, we're actually growing, and we'll be hiring about 200 people over the next 15 months.

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**Louis Tonelli** - *Magna International Inc. - VP of IR*

Do we have questions from the audience at all? Ross?

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**Unidentified Analyst**

You guys are sort of talking about the software side of the culture, which is very important, but there's also something that drives the employees, and that's profit sharing. So just curious if you could talk about the profit sharing formula as best you can. And if you think about a plant manager down to the shop floor, how -- what's the difference? And how much can a plant manager earn? Because I think I've been in some of your plants, and I think some of these folks make pretty good livings, and if they can drive performance in their plant and the business, they can earn even more. So if you can just talk about how that works and how that's very -- it seems like it's very different than other suppliers?

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**David Gray**

Sure. I can talk about it. It's -- I mean, every employee shares in the profit of the company. We have our employee equity profit participation plan. They actually -- last month is -- that comes out in the next month, where they'll be getting their checks. So they're all excited and looking for the checks. All contributes around years of service and then the profitability and how it is distributed from the corporation back to the employees. So the service factor to the profitability, the number of employees that are -- that share in that profit sharing. And then there's a calculation that the employees get. They can then put it into their pension plan.

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**Guenther F. Apfalter** - *Magna International Inc. - President of Magna Europe & Magna Steyr*

And if I could add to that, I think it really cultures a shop floor to speak up. If they see waste, they have no problem coming forward to management to say, we got to fix this. So I really think that fosters open communication, right? At least, my experience is...

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**David Gray**

So we have our own little plant profit participation, which really drives from the CI. Every employee is on a team. We talk at every meeting. I personally do every orientation of new employees, talk about it's their company be involved, participate, CI, every month, every team, every employee has to participate and give an idea, and that just continues to drive their involvement and engagement in their company.

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**Tommy J. Skudutis** - *Magna International Inc. - Executive VP, COO and President of Body Exteriors, Structures & Seating Systems*

Let me just add a little bit to this. At the risk of maybe having a slightly different opinion that, that soft side is a huge plus for Magna. Our employees aren't just a number in our company, they feel like they are part of something much more significant. Having the profit sharing is a wonderful thing. And so we should benefit, we are partners. But let me tell you, I have run many plants in Magna over the 30 years that I've been with the company.



I have run into, many times, some issues along the way, whether they were difficult launches or otherwise. And I can tell you that our culture is completely different from our competitors. And I'm going to give you a small example. A few years ago, we were struggling with a launch, and Don and myself were invited to participate in it direct. You still remember you have the scars, right? And that's okay because you know what, I enjoy being part of the team that has to make a difference. But let me tell you, the company suffered partially from having a lot of temporary employees. It was a Saturday night, I think around 11, 12:00 midnight. I looked at the door and I saw at least 30 to 40 people lying down. I had no idea what they were doing. They were from a different factory of ours. And I said, what are you guys doing here? They said, well, we heard you were in trouble. And it had to do with people not being Magna people. So we are here to help the company. That was unprovoked, and that is something I will never forget because I don't think you can find that feeling of a belonging to a company in many companies. I'm not going to say in none, but there are very few. So I think it goes beyond a paycheck.

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**Guenther F. Apfalter** - Magna International Inc. - President of Magna Europe & Magna Steyr

That's a good point, Tom. And when there's a big issue at one of the plants. I think most people think, Jesus, I hope I don't get a call. In Magna, you're sitting there saying, why am I not getting the call, right? So it's just a totally different -- everybody wants to help, not trying to hide from it. So -- and I think if we're one Magna, we should be ready to step up and help. And I think we're seeing that.

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**Tommy J. Skudutis** - Magna International Inc. - Executive VP, COO and President of Body Exteriors, Structures & Seating Systems

And people can work many hours a day in order to achieve something as opposed to calculating what the paycheck will be by the end of the week. It makes a big, big difference. It's part of our strength, no doubt about it.

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**David Gray**

Yes. And a really quick story. We were at our summer picnic. So the plants down. We had one of our OEMs that was working. So we just have the shipping department working and we were short parts. So it's noon hour, right in the middle of the barbecue, get a phone call, we need to start the paint line back up. So that's not an easy undertaking to go from cold to hot, start everything back up. So got a few of the managers together said, here is what we got to do. We started talking to a few employees and the managers basically said, no, just step back. And then there's a lot of commotion with the employees that I'm going, we need to get involved and see what's going on. And they were basically said, no, Dave, relax. The whole commotion is around who's going to drive whose wife and kids home because all of these people were going into work. And the issue wasn't about going into work, it was about how to get their family home. So that's...

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**Tommy J. Skudutis** - Magna International Inc. - Executive VP, COO and President of Body Exteriors, Structures & Seating Systems

So we probably over-answered your question, but you can see where it's (inaudible).

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**Unidentified Analyst**

In interest of time, I'm going to ask one more question. Tom, at CarMax, which many of you know is an hour North of Toronto, there's a picture. It's a picture of a former General Manager there, (inaudible). And then all the people that have come out of that facility that are now all over the world. So maybe you can talk a little bit about how our culture encourages that training of new managers that can go and run their own business in another place and other business around the world.

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**Tommy J. Skudutis** - Magna International Inc. - Executive VP, COO and President of Body Exteriors, Structures & Seating Systems

I'll try and make it short for you in the...



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**Unidentified Analyst**

(inaudible) more time.

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**Tommy J. Skudutis** - *Magna International Inc. - Executive VP, COO and President of Body Exteriors, Structures & Seating Systems*

Okay. CarMax is a world-class facility, no doubt, and it is highly regarded by all of our customers and world-class facilities breed world-class management. And we, with our growth that we experience around the globe, of course, take advantage of that. We breed our managers. They see how things are done in a world-class facility, and we cascade that into other either new facilities or existing facilities, whatever lines up with the individual's interest, if it's geographic or otherwise. So we get the most benefit out of it.

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**Louis Tonelli** - *Magna International Inc. - VP of IR*

All right. Well, that said, I think we'll pass it over then to Don to do a wrap up.

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**PRESENTATION**

**Donald James Walker** - *Magna International Inc. - CEO & Director*

Thank you, guys. Yes, I think the one question wasn't answered from the profit sharing. Everybody in the company gets profit sharing. If you look at it from the management standpoint, it's a good thing and it's a bad thing. We have a lot of managers, David, as an example. First time, I've ever seen, David wore a tie, by the way, I didn't know he had one. But quite often, we'll have really, really talented people in the plants, and we'll try and promote them to the vice president. Some people are happy to have that. Grahame Burrow is a classic example that we taught you for 5 years about moving from a general manager to a vice president before you finally said, yes, because general managers can make a lot of money if they run the plant well. They're in charge of who they hire, what they quote on, with the capital, everything. So they kind of are running their own business without risking their own capital, but they also get paid on not only profits, but return on invested capital. So it is a very strong culture that it is not hierarchical. If I go into a plant, and think I got really -- pretty good relations with most people, but I remember when I first joined Magna, general manager wouldn't even let people in the plant. Frank Stronach (technical difficulty) do. So we do a lot better job now of sharing best practices and making sure that we're leveraging and it puts (inaudible) by everything else, but there's still a real ownership of this is my plant. This is I go look after my customers and don't tell me what we need to do, give me suggestions, but let us run it. And one of the reasons I like the system is, if you look at, the people that are presenting today, just go down the list, Grahame, you spent years being General Manager of plant. And John Wyskiel, you have, John O'Hara, you have, John Farrell. Mike, you have, Tom, you've run many plants. Tom, you have as well. So we have -- most of the people who come up in the plants have come up through the ranks, and they really understand the culture and I run plants as well, both in General Motors, and I think, it's important.

So just a couple of closing comments. First of all, this is a huge industry. It's a very challenging industry and there's lots going on. So I think there's a tremendous amount of opportunity for a company like Magna, I hope you've seen that today.

I've just got a couple of slides here, I just want to talk about. And then just a couple of final comments. I'm not going to repeat everything. We're little bit behind schedule, but you've seen a -- there's a lot of product areas within Magna that are really interesting in growing businesses. And our job, quite frankly, at Magna, is to say, what's our product strategy we're going to invest in and you sort of add it all up and you can see some good examples covered here. We also talked a lot, and we sort of came across in many different areas, and this wasn't to provoke people through talking about our own business. We have a lot of very strong individual companies, but their -- what makes them stronger is, if they work together because there's a lot of knowledge inside Magna. And to the extent, we can work together and leverage it, that's something that I think is unique. We also got the Magna Steyr operation as well.

So I think understanding the vehicle, and I think, Swamy -- I'd even seen Swamy's presentation. I think it was -- it's very complicated, but you did a good job explaining some of these very complicated, very simply. There is a lot involved in designing parts, systems and major systems in a vehicle. And that's something that Magna understands, I think, better than any other supplier out there, just because we do so much of it.

So I think that is a real advantage to us. And if you look at -- we talked a lot about our unique culture, I think we're -- we are going to continue to grow. You can see that here. We've got a solid balance sheet, which I think the customers want to see in the supply base, because they want to make sure we have the staying power to invest in new products as well as launch everything. And I think, we will continue to see growth and strong cash flow generation, as Vince has talked about. But if I look at my job, and sort of reflecting on it, as people were talking today, I've been here for 30, I guess, 33 years. I was here through -- in the initial restructuring, and I took over operations in '92, so 28 years ago. But I kind of look at my job as being an orchestra leader almost. And believe me, we get into a lot of very deep technical detailed issues when we need to. But for the most part, the groups run themselves and most of the things we're working on, just an odd problem that comes up, but we're mostly looking at what's going to happen 5 years down the road in new mobility and all sorts of things like that.

I would say that most of my time, and most of the management team's time is looking at what's our product strategy that drives customer and geographic strategy. What's going to happen in new mobility, where should we be focusing our energies. What's our capital strategy and Vince talks a lot about that and so does Louis. And what are we going to -- what position will Magna be playing in the future in new mobility and other emerging markets. We talked about the 3 priorities, world-class manufacturing, innovation and people. And 2 of my big priorities this year, I touched them on. One is sustainability. One is the diversity and inclusion as going across a sort of master strategy across Magna.

We have seen, and we're going to continue to see growth in both sales and profitability. I'm confident of that. I think the -- you just heard an interesting talk there on culture. I think I look at -- when Frank Stronach, we bought him out and Michael said what's going to change, and he was driving the culture. I've been living in the culture for 18 years at that point in time. And I think we've done a very good job of continuing our culture, managing it globally, which I think is the ultimate differentiator.

So how I would judge my success, quite frankly, is do we have the best most motivated, most capable managers in the business? You get to see the Group Presidents today, but we're tracking about 1,000 people at the vice president level. And I -- the talent I see in our company, I don't think there's anybody else out there that even comes close, and that's one of the reasons we see the ongoing growth in the company. So I'm quite proud of the people in this company. I hope you've seen that today, and will have a chance for -- if you want to interact with them going forward. But if you're going to invest in Magna you're really investing in the people. And I appreciate the -- taking the opportunity to come today and listen to them.

So I'd also like to think one other person, we didn't have the no-handshake rule because of him. But Louis is sick today. And I didn't want to get -- that's why he strategically placed one down from -- Vince is a buffer. But we have a tremendous amount of things going on in this company, and we know we had to get prepared for this. And while we just had our Board meeting last week, and we'll -- we're planning the other. So I hadn't seen a lot of the slides. I think the -- trying to take people who are passionate about their business, doing it all in 10 minutes, doing it relatively clearly and explain what we're going to be doing is not an easy thing. So Louis, thanks for all your work, and at the same time, and the team. There's a lot of other people who worked on it, but at the same time, as we're doing this, we're also working on 2 or 3 other pretty intense projects, and we're saying to Louis as late as last night, we've got to get this done, we've got to get this done. So Louis, you can relax for half an hour after this and then carry on. But thanks for all the support staff. And I think, right now, we'll turn it over to any final questions. Maybe Swamy and Vince, if you want to -- why don't you come up and sit here if there are any questions, we would be happy to answer them. How much time we got? 10 minutes or so okay.

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## QUESTIONS AND ANSWERS

**Peter Sklar** - BMO Capital Markets Equity Research - Analyst

Don, Peter Sklar from BMO. Over here. I'm back on culture. I didn't get a chance to log in this question during the culture. But you referred to the Frank Stronach era. And like when I think back to the Frank Stronach era, the plant managers were so fiercely competitive with each other. Sometimes





I felt the plant manager felt like the manager next door was almost as enemy. I'm being a little facetious, but I think I know what you're talking about. But you've had the regime change with Frank leaving the company in 2011. So you have the new Board and new senior management team. And also, the world has changed, like when you listen to the presentations today, there's a lot more collaboration among the groups in terms of various technologies and everything. So I'm just wondering how -- like has the culture changed and how has it adopted? Because I think there always is a concern that Magna is going to lose that special culture that it has.

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**Donald James Walker** - *Magna International Inc. - CEO & Director*

Yes. And we bought out Frank in, I guess, 2010, 2011. But quite frankly, I mean, Frank was very involved in a lot of different things, he was doing a lot of things in Europe. So when people are saying what's going to change? I'm not saying this egotistically, but I've been running the company for 10 years before that. I'd say we had -- we did a lot of heavy lifting in Europe to make sure we had the same structure, the same culture, the same profit sharing after that time. But the culture is not going to change and the reason it's not going to change is not because of me. I think maybe originally, if you bring somebody else and you have a different philosophy, it's the presidents. I can say whatever I want. It's the presidents and the vice presidents that basically drive the culture. And that's why we have people, and Tom mentioned it. You want to hire people that believe -- bringing people in that are entrepreneurial and want to make money and are going to -- and the sky is the limit from a profitability standpoint. If somebody is going to make 1% or 2% of the profits, and they can quadruple the profits, I'm very happy that they get 4x the amount of money. That's the way this -- that's the way things should work, and that's way it's going to work in Magna. So I don't have any worries about the continuation of the culture because it's so embedded and so strong in Magna. And I think, John said it, you even see China and say, China and other areas of the world really embrace it once they understand it.

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**Louis Tonelli** - *Magna International Inc. - VP of IR*

Richard?

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**Richard J. Hilgert** - *Morningstar Inc., Research Division - Senior Equity Analyst and Securities Analyst*

It's Richard Hilgert from Morningstar. Sustainability, Don, is something that you talked a lot about today. And we're hearing a lot about it from investors and we're incorporating it into our analysis, ESG, sustainability, these kinds of things. Within our industry or within the automotive industry, CO2 footprint is becoming a bigger and bigger deal and there's reporting that may be required on CO2 emissions throughout the entire supply chain. How much of the cost is that going to be to Magna if at some point, it's required in the RFQ process that for whatever project you're working on, you have to come up with some type of a CO2 footprint? And given the entrepreneurial nature of the business, are you going to -- how much -- how difficult is that going to be for the company to be able to come up with those kinds of numbers?

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**Donald James Walker** - *Magna International Inc. - CEO & Director*

Yes, a good question. First of all, I am very happy, quite frankly, that everybody is focused on sustainability. We've been looking at this for a number of years. We weren't worried so much initially about the rating agencies and what our rating was. We were focused more on minimizing emissions and energy usage and because it's the right thing to do for the planet. And it's the right thing to do, quite frankly, for our company in the bottom line. So I think the -- we -- our customers are becoming much more interested in it, and they want to know what our rating are. So we've got a whole team of people working on this. I don't think it will be difficult to roll it out through the company because we've been incorporating our MAFACT. It would be a little bit of work, but I don't see that as being a problem. We will see us having more metrics, and it's with the latest interest from the investment community. I think that will -- and the car companies and quite frankly, internal interest, I think it's just -- it will naturally evolve. I expect to see us -- we'll make it much more transparent through this year, what we're doing, and I think we'll also be getting the rating agencies to understand that as well. So I don't see it as being a big cost, quite frankly. We should know it anyway. We're measuring it now. If you don't measure, you can't drive it down, just a matter of buckling it and getting it out in the proper reporting.



**Richard J. Hilgert** - Morningstar Inc., Research Division - Senior Equity Analyst and Securities Analyst

Earlier this morning, Don, you talked about the industry evolution, you mentioned investment, consolidation and partnership. So a couple of questions on that. First, maybe you could talk about the level of investment in R&D over the next few years? And then on consolidation and partnerships, how quickly do you think the industry will move in the next 5 years. And of course, what's Magna's appetite to get involved in that even more so than you have previously?

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**Donald James Walker** - Magna International Inc. - CEO & Director

Well, I think the -- I think it's already happening, and you can see the extreme is a merger. Another one is a joint development or joint ventures, and we're seeing it all over the place. And quite frankly, this is OEM to OEM, saying, look, we're going to pick one solution. We're going to want to get the volume up. They may even partner with the Tier 1. So I think it's going to be just continuous as an evolution. If there's a slowdown in the industry, would that speed up the consolidation of the supply base? Probably, but I think it's going to happen naturally anyway. And I think the ultimate thing is going to drive it is, is profitability of the industry. So if -- for those people that want to do everything on their own, they're -- they have something that they can afford it or their profits go down. So we're already seeing it. I can't project how fast it's going to happen, but it's going to continue, I think, and it's -- you see a couple of new entrants coming in. But for the big players, I think you're going to continue to see the consolidation. And Swamy, if you have anything to add to that?

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**Seetarama Swamy Kotagiri** - Magna International Inc. - President

No, I think the only difference also is a lot of the industry standardization could be important. In the past, a lot of the trends that would come, and there would be regulation or a legislation, so everybody would be trying to meet it. In some of the cases now, you see a consumer poll, so there is an effort to meet all of them. And everybody is doing it their way, and the legislation seem to lack, and the standardization comes later, which is kind of taking away that efficiency, but to Don's point, it will converge sooner or later.

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**Michael W. Glen** - Raymond James Ltd., Research Division - Equity Research Analyst

Don, Michael Glen from Raymond James. A few years ago, there's a lot of questions pertaining to Magna being together as one company, you were facing a lot of questions about breaking up the company and you're somewhat resistant to that at the time. Can you give an update on your thought process there? And is that potentially something we do see in the future?

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**Donald James Walker** - Magna International Inc. - CEO & Director

Yes, we were getting a lot of questions on creating value by breaking things up. And I think Vince was used to answer it the right way. Unless you're going to increase your profitability or your free cash flow, breaking it up and -- isn't really going to create long-term value creation. I think you've seen many people that did it prior, they regret doing it, quite frankly. We do see a lot of synergies, and we're doing leverage buy. We're doing cross-group sharing. We've talked a lot about it today. So it's not something that I see a need to do. If there's some great reason to do something, we're always open to it, the Board will be open to it as well, but we didn't see any reason to do it. Not sure if we broke off a particular area, maybe somebody says, well, I really want to invest in that area. So you might get -- you might attract different investors in some areas, but I don't see a need to do it. Vince, I don't know if you have anything to add on that?

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**Vincent Joseph Galifi** - Magna International Inc. - Executive VP & CFO

Yes, my views haven't changed at all in terms of -- if you can split something up and you actually generate more cash flow, and I think that's a good reason to look at it. But to split something up and someone is trading at a higher value is just an arbitrage, that comes and goes and some of the spin-offs that have happened in the industry, prove that. I think today, all the groups and Swamy's presentation and Don's presentation, have

highlighted the advantage we have of being together. And I think that actually improves our cash flow generation ability versus being separate companies.

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**Brian Arthur Johnson** - *Barclays Bank PLC, Research Division - MD & Senior Equity Analyst*

Brian Johnson, Barclays. Not to beat the spin-off horse, but probably one company that doesn't regret its spin-off is Aptiv, which is now seen by investors as powertrain-neutral leveraged EVs. You still have \$5.7 billion of revenue in powertrain, yes, you have your offsets with the hybrid business and the e-all-wheel drive. But I do find it's a sticking point with investors. So if you're wrong about the pace of electrification and it happens faster and it goes more to BEVs than to plug-in hybrids, what you do with those assets? Can they be -- what's the fixed cost base, the union cost base? And can you gracefully kind of move away from that? Yes. I'm not saying you're wrong about your prediction but just sort of channeling what I often hear from investors.

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**Seetarama Swamy Kotagiri** - *Magna International Inc. - President*

No, I think it's a great point. It's very difficult to predict exactly what the transition is going to be. But if you look at the secular trends that we're talking about and the automotive cycles, like what you see or you're going to see in 2023 or 2024 is already there today. You might have a difference in take rates, but at a platform, powertrain level, it's there. To Tom Rucker's point, as he talked about, if you look at the key product lines, which is driveline, which is getting power to the wheels, no matter what the power source is, you might have a little bit of evolution in how you get the all-wheel, 4-wheel drive with software and other augmented systems, but it's, there for, at least, I would venture to guess, for the next 10, 15 years. If you look at the building blocks, we are cautiously looking at how do you look at capacities in gear and shaft manufacturing and so on and so forth. And we augment that with the vertical integration and disconnect systems with the possibility of inverters that we are making today, how to take it to the next level and integrating the E-machines in the overall system. So I think if you look at the road map that we have, there is ample time for the smooth transition that you're talking about, irrespective of when the take rates are going to change or will have an inflection point.

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**Donald James Walker** - *Magna International Inc. - CEO & Director*

I mean, a slightly different way to look at it is that we don't feel the need to own everything. And quite frankly, we sold off our interiors business a number of years ago, we thought it needed to be consolidated. We did not want to be a consolidator. The return on invested capital was historically low. We didn't see it changing for various reasons. So we divested that business. We also sold off our fluid pressure and control business, about \$1 billion. Actually, it wasn't a bad business, but it wasn't an area we wanted to grow, and we had other priorities. And we thought actually better for the business and our employees, quite frankly, to sell it to a strategic buyer that was really interested. So we're always looking at our product portfolio, but the business units you saw today, we believe they're all good, growing, profitable businesses, creating value for Magna. So we'll make the right decisions from an ownership and value-creation standpoint, but I don't see any reason right now to say we're going to spin anything off.

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**Dan Meir Levy** - *Crédit Suisse AG, Research Division - Director & Senior Equity Research Analyst*

Dan Levy, Credit Suisse. I'd like to ask a couple of questions on the concept of how you're managing growth from the top. One, inorganically, you've done some smaller deals. But the largest deal we could think of recently, GETRAG, has come with some upside, but it's also come with a couple of impairments. There are probably areas that it hasn't exactly gone as you would have hoped, and it's probably brought you some headaches in certain areas. So what does GETRAG inform you -- the GETRAG deal inform you about the type of size of deals that you'd like to approach or the types of deals that you'd be looking for? Does it mean we should more so look for like much smaller, \$100 million, \$200 million-type deals? And then on an organic basis, I think it's interesting that actually, yes, there is some growth from ADAS, but we see a lot more growth also from BES just from a pure-dollar basis, that's growing also just as much from an outgrowth perspective as Power & Vision, and from an outgrowth perspective, Seating, not as sexy an area, has more outgrowth than Power & Vision. So is the message on organic growth that you'd rather not push growth in these hyper areas that may not come with the right types of returns or may have more validation expense and more miss on margin? And you'd rather have sort of steadier margins that come along with that growth rather than just pushing as aggressively for growth.



**Donald James Walker** - *Magna International Inc. - CEO & Director*

Yes, let me ask -- answer the first one about acquisitions. We did an analysis for the Board after the write-down of GETRAG and write-down was primarily because we put certain values in different geographic areas in China to slow down. But our view is the value what we paid for it, if you look at the some of the parts in the future cash flow streams, we're still about the same, so we would have made the same decision. I'm not happy we had to have a write-down, obviously. But the technology we got from that, we think, is very good for the future, not only their products, but other areas of the powertrain. So we're not -- we wouldn't be shy about making large acquisitions and that you learn from every acquisition. But there was nothing there that would say we shouldn't be doing large acquisitions. After having said that, we've found some pretty good opportunities and looking at buying technology or small companies. We are doing bolt-on in a number of different areas. And as far as organic growth, we don't really decide at the corporate office to say, we've got x amount of money, you can't have it because it's better over here. We actually are generating good cash flow. So we're able to fund all areas as long as they are hitting the hurdle rates, and we think it's good strategic growth. And for the most part, the group self-administer that because they're trying to hit their own targets. Do you want to add?

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**Vincent Joseph Galifi** - *Magna International Inc. - Executive VP & CFO*

Yes, just to -- just add to that. If you think about our capital allocation strategy, which we've been talking about for years, is #1 priority is invest in the business for the right opportunities, whether it's M&A or organic. To the extent that there's -- we do all that, and we still have liquidity, we think about what we do, whether we do buybacks. So we're not really holding back on any of the groups in terms of growing organically. If the right opportunity comes along with the right return profile, the right risk profile, we're at the top ready to support the groups in their growth aspirations.

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**Donald James Walker** - *Magna International Inc. - CEO & Director*

And the last comment, and it was kind of answered before is in the emerging areas of autonomous driving and also electrification and powertrain, we want to participate. We want to have the right technology. We also want to get the timing right. Because nobody thanks us if we grow too fast. You get too aggressive on pricing, take-on programs, you don't make money. So it is always a fine balance about how fast you want to grow in these areas. But we do think the long term, if we have the right technology, we can grow quickly and get good returns. So we want to have a balance on that.

Okay. Okay, we're over time, we're going to answer a couple more really quickly.

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**Unidentified Analyst**

Don, I think in your opening, you talked about the money that is duplicatively being spent by the industry across EV and AV and other new technology, it's probably being wasted. But if the industry -- what's the catalyst that drives the industry to make a more rational decision to sort of consolidate efforts and really drive some of this -- some of this capital together in one place, so you have focused efforts? I mean, do you see anything that's going to break or change in the industry that will shift the mindset of the automakers? Because it'll be pretty important for your business that you actually might be a real big net beneficiary if that mindset ultimately would shift.

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**Donald James Walker** - *Magna International Inc. - CEO & Director*

I think it's already shifting, and I think, for all the public companies as their share price goes down and they all understand how much they're spending and how much that's hitting the bottom line. I think that's all the motivation they need. So they just got to figure out how they're going to do it. But it's -- I don't think you need to convince anybody, just to question how they're going to do it.

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### Unidentified Analyst

Okay. And then just a second quick one for you, Swamy. I mean, as you think about identifying growth technology at the early stages versus maybe the later stages and then scaling it, how do you -- I mean, how do you kind of identify whether you should be spending money right now or maybe being a fast follower and scaling up over time? Because there's a lot of stuff right now. And we can all agree, level 4 and 5, there have been a lot of money wasted, maybe not over time, and it might make more sense to your point on, on timing to be a fast follower or have good technology that you scale up over time. I mean, how much is the technology versus the scaling up -- how you balance that and your mindset is how you're spending capital and which is more important, right? I mean, is being able to drive scale and kind of pound your competition by that, more important or is actually identifying a technology like the first day more important?

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### Seetarama Swamy Kotagiri - Magna International Inc. - President

I would say it's a balance. But most importantly, the way we do look for technology or tech mining, as we call it, is identifying first at a system level what's missing. You talked about ADAS. Our belief there was we need to have the full sensor suite. It's not as much about L4, L5 or being first in the market. We saw the road map to saying that features are going to be important and for features to be reliable, to your point, commercially scalable in large volume, you need to have the redundancy. So we needed to have the suite of technologies. So that kind of tells us what we should be looking. It's the same thing that would apply for whether it's lightweighting and what materials we should look and so on and so forth. It starts with the system, where we think it's going. And if you believe it's strategic, we will start investing there, but the key would be a road map towards scale.

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### Donald James Walker - Magna International Inc. - CEO & Director

Okay. So I guess, Louis, anything else, we just wrap it up?

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### Louis Tonelli - Magna International Inc. - VP of IR

(inaudible)

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### Donald James Walker - Magna International Inc. - CEO & Director

For those of you who haven't seen, it's down the hall, please take a look at the products we have here. So thanks, everybody, for your time and attention, and we'll be sticking around, you can ask as many questions.

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