

# DEUTSCHE BANK GLOBAL AUTO INDUSTRY CONFERENCE

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June 10, 2020





# LEGAL DISCLAIMER

- This presentation contains forward-looking statements within the meaning of applicable securities laws (“forward-looking statements”), including, but not limited to, statements relating to future expectations of financial performance, including expected net debt to adjusted EBITDA, investments in its business; strategy (including near term and longer-term priorities), market opportunity and vision; views on and statements related to the outlook of and growth of the automotive industry, the economy, industry trends, government stimulus programs and valuation for automotive stocks; ability to capitalize on opportunities and be a leader in the automotive industry; expected production of ventilators; statements related to Covid 19, including expectations of volumes; expectations relating to the acquisition from Metalsa and returning capital to shareholders over time, as well as other forward-looking statements. The words “continue”, “expect”, “anticipate”, “estimate”, “may”, “will”, “intend”, “believe”, “plan” and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by Martinrea in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that Martinrea believes are appropriate in the circumstances, such as expected sales and industry production estimates, current foreign exchange rates (FX), timing of product launches and operational improvements during the period and current Board approved budgets. Certain forward-looking financial assumptions are presented as non-IFRS information, and we do not provide reconciliation to IFRS for such assumptions. These forward-looking statements are subject to risks, uncertainties and assumptions that may cause actual results, performance or achievements to differ materially from those expected or implied by the forward-looking statements. Factors that may cause such differences include, but are not limited to, the impact of the COVID-19 pandemic, or future pandemics or epidemics on the automotive industry, the Company, its customers and/or suppliers or the global economy, the North American and global economic and political conditions, including any impact as a result of government policy or actions; the highly cyclical nature of the automotive industry and the industry’s dependence on consumer spending and general economic conditions; Martinrea’s dependence on a limited number of significant customers; Martinrea’s reliance on critical suppliers for components and the risk that suppliers will not be able to supply components on a timely basis or in sufficient quantities; competition; the factors discussed under the headings “Industry Highlights” and “Trends and Risks and Uncertainties” in Martinrea’s most recent Management Discussion and Analysis and Annual Information Form filed with applicable securities commissions, as well as other risk factors identified therein, available at [www.sedar.com](http://www.sedar.com), and the documents incorporated by reference into such documents. These factors should be considered carefully, and readers should not place undue reliance on Martinrea’s forward-looking statements. If any of such risks actually occur, they could materially adversely affect our business, financial condition or results of operations. In that case, the trading price of our common shares could decline, perhaps materially. We provide forward-looking statements solely for the purpose of providing information about management's current expectations and plans relating to the future. You are cautioned that such information may not be appropriate for other purposes. Except as required by law, we do not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations or any change in events, conditions, assumptions or circumstances on which any such statement is based.



# MARTINREA OVERVIEW

**Leading Tier One automotive supplier** in lightweight structures and propulsion systems

**One of the fastest growing automotive parts suppliers** since 2001

**Operating in 57 locations (including sales and engineering centers) in 10 countries:** Canada, United States, Mexico, Brazil, Germany, Spain, Slovakia, China, South Africa, and Japan



**TSX: MRE**



# OUR JOURNEY





# MARTINREA CULTURE, VISION, MISSION AND PRINCIPLES

## VISION

Making lives better by being the best supplier we can be in the products we make and the services we provide.

## MISSION TO DELIVER

We make people's lives better by:

- Delivering outstanding quality products and services to our customers
- Providing meaningful opportunity, job satisfaction, and job security for our people
- Providing superior long-term investment returns to our stakeholders
- Being positive contributors to our communities

## 10 PRINCIPLES

Our success will be based on the execution of our guiding principles, applied with integrity, in all that we do:

- We make great, high quality products
- Every location must be a centre of excellence
- Discipline is key
- We attract, train and work with excellent people, and we motivate our people to perform well
- We are a team
- Challenges make us better
- Think differently
- Work hard, play hard
- The Golden Rule - Treat everyone with dignity and respect
- Our leadership has to drive these messages consistently

# MARTINREA VISION – MAKING LIVES BETTER



# STATUS OF OPERATIONS



North America

- Majority of plants **temporarily idled** following OEM customer shutdown announcements in mid-March
- Most **OEMs slowly restarted** operations during the second half of **May**
- Continued slow production ramp-up expected in June



Europe

- Majority of plants **temporarily idled** following OEM customer shutdown announcements in mid-March
- Most **OEMs restarted** operations during the first half of **May**
- Production ramp-up was slow in May and is expected to continue into June



Asia

- Operations in **China resumed** **at all four Martinrea plants in March** and are now operating based on OEM production schedules.

# SAFETY PROTOCOL HIGHLIGHTS

- Use of additional personal protection equipment
- Reduced the number of workers present on premises to perform critical functions and improvement activities
- Limiting visitors to facilities
- Reworking processes to provide social distancing/enhanced PPE
- Additional cleaning and disinfecting protocols
- Adopting policies to prevent workers from entering the premises if they display symptoms or are suspected to have COVID-19
- COVID-19 Health Assessment Tools and fact sheets have been provided to all employees
- Educating employees on the best preventative steps for communicable diseases, including COVID-19



# PANDEMIC RESPONSE - DECISIVE ACTION IN UNCERTAIN TIMES

- Swiftly implemented cost reduction actions
- Secured balance sheet and liquidity position
- Withdrew financial guidance given lack of clarity on impact of COVID-19 pandemic
- Established a framework for returning to work including enhanced safety protocols
- Partnered with OEMs and other suppliers in community outreach initiatives, production of components for ventilators and other personal protection equipment



# COMMUNITY OUTREACH EXAMPLES

## GM / Ventec Ventilator Project

- Martinrea key supplier
- Will produce more than 33,000 ventilator stands by Aug. 1

## Martinrea Spain

- Produced face shields and aerosol boxes for hospitals and local law enforcement

## Martinrea Vaughan

- Producing face masks for all employees globally



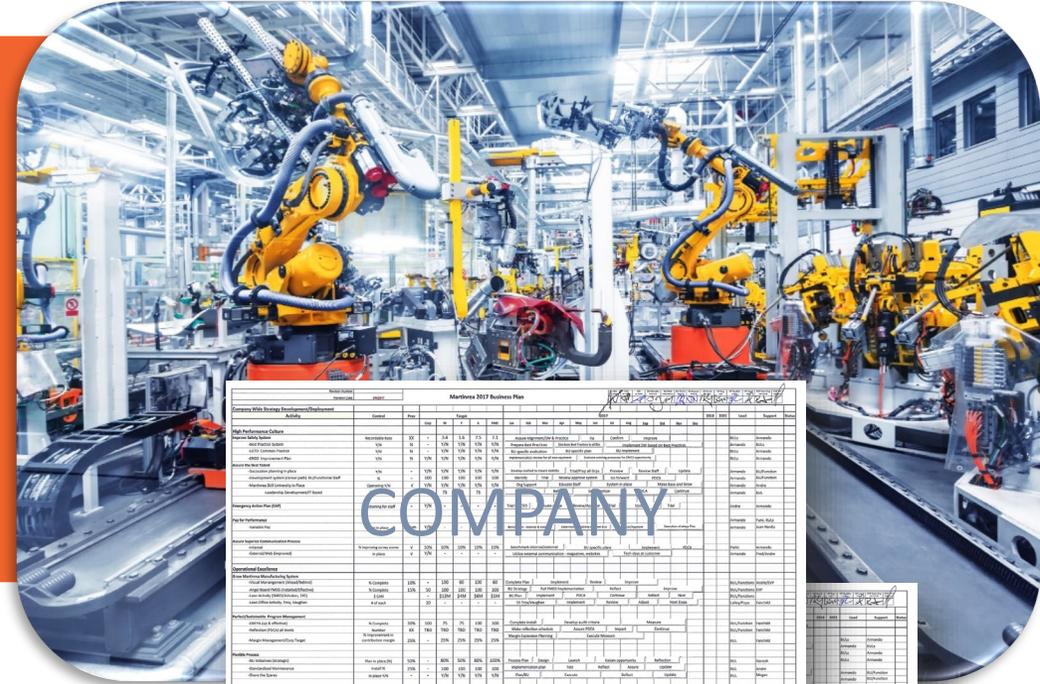
# MOVING FORWARD

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Martinrea 2.0 is the framework to be a great company... diverse people and groups working together toward a single vision.

- Fostering principles-based leadership
- Promoting positive behaviours
- Creating a strong lean culture
- Implementing best practices



**HIGH  
PERFORMANCE  
CULTURE**



**OPERATIONAL  
EXCELLENCE**



**FINANCIAL  
MANAGEMENT**



**CUSTOMER  
IS KING!**



**DEPLOYMENT PLANS**

**BUSINESS UNIT**

**PLANT**

Category	Item	Unit	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Operational Excellence	Operational Excellence Index	Index	100	100	100	100	100	100	100	100	100	100	100	100	100	100
	Operational Excellence Score	Score	100	100	100	100	100	100	100	100	100	100	100	100	100	100
	Operational Excellence Rating	Rating	100	100	100	100	100	100	100	100	100	100	100	100	100	100
	Operational Excellence Target	Target	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Financial Management	Financial Management Index	Index	100	100	100	100	100	100	100	100	100	100	100	100	100	100
	Financial Management Score	Score	100	100	100	100	100	100	100	100	100	100	100	100	100	100
	Financial Management Rating	Rating	100	100	100	100	100	100	100	100	100	100	100	100	100	100
	Financial Management Target	Target	100	100	100	100	100	100	100	100	100	100	100	100	100	100

# LEAN OPERATIONS - MARTINREA'S MANUFACTURING SYSTEM

## RULES OF ENGAGEMENT

- **The way we think**
  - Learn to unlearn – attack waste
- **Pride kills continuous improvement**
  - Pride for your people not for your practice
  - Be humble, there is always a better way
- **Engaging our people at all levels**
  - Developing and respecting our people
  - Learning by doing
  - Use the tools



- **Operational Improvements**

- Cost reductions
- Layout improvements (HFD)
- Speed / efficiency
- Reduction in resources
- Eliminate redundancies
- Integration with Metalsa





- **Martinrea 2.0 framework has proven to be effective**
- **Results from 2014 to 2019 speak for themselves:**
  - 72% improvement in safety
  - 34% improvement in quality
  - Doubling of adjusted operating income margin\* from ~4% to north of 8% (excluding the impact of the UAW GM strike and higher tooling sales in 2019)
  - Reduction in Net Debt to Adjusted EBITDA\* ratio from ~2.6x to ~1.5x targeted range (despite buying back 8% of MRE stock)
  - Annual adjusted EPS\* improved from \$0.98 in 2014 to \$2.27 in 2019
  - Strong launch execution
  - \$127 million of Free Cash Flow\* in 2019

\* Note: As defined and described in our most recent MD&A available on [www.sedar.com](http://www.sedar.com)

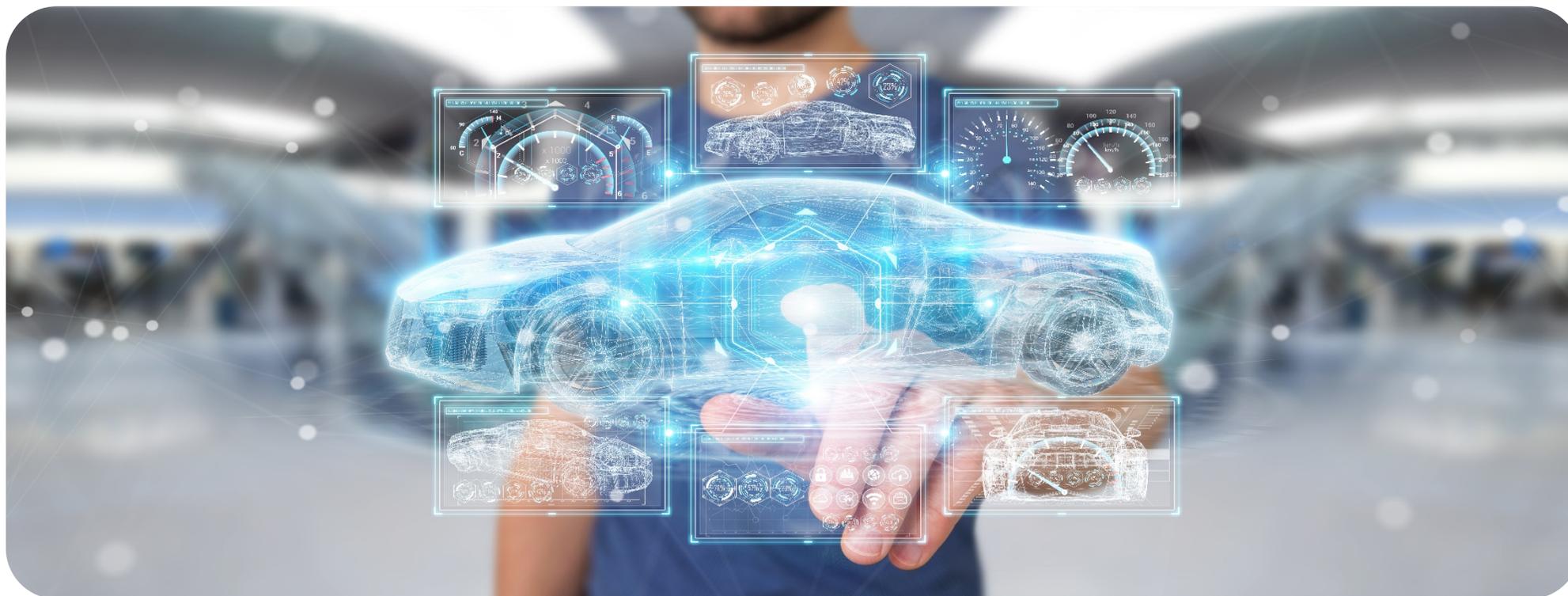
# RECENT AWARDS

- 2020 Jaguar Land Rover Performance Excellence Award
- 2019 Ford Gold Supplier Performance Award
- 2019 General Motors Excellence and Gold Award
- 2019 General Motors Focused Recognition Award
- 2019 General Motors Quality Supplier Excellence Award
- 2019 General Supplier Quality Excellence Award
- 2019 Nissan Supplier Excellence Award in Diversity
- 2018 Nissan Outstanding Supplier Service Award
- 2018 Ford 20<sup>th</sup> World Excellence Award

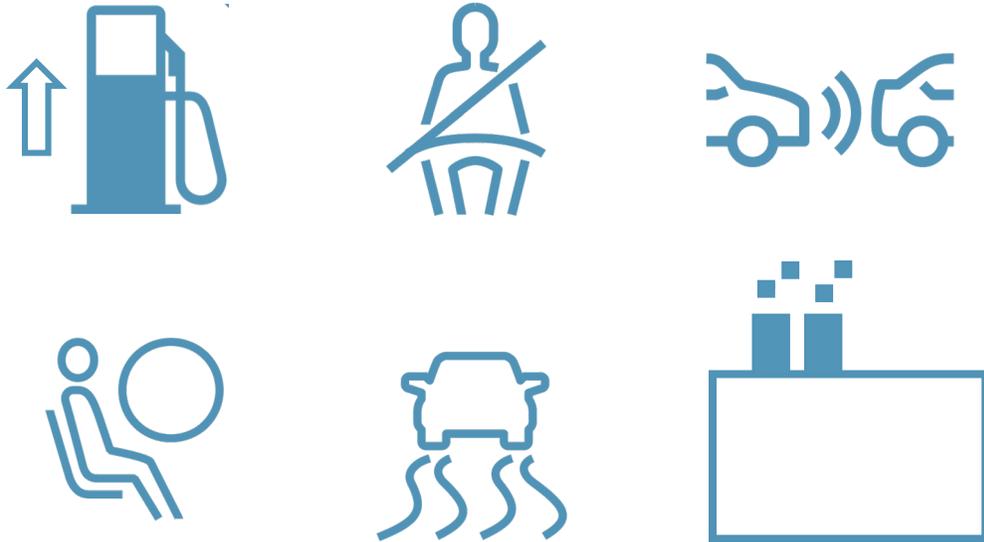


# **WE ARE A LIGHTWEIGHTING COMPANY**

*Continuously developing and evolving core products in Lightweight Structures and Propulsion Systems (high-strength steel, aluminum, assemblies, etc.) to reduce vehicle weight and CO<sub>2</sub> emissions, improving overall vehicle efficiency (MPG)*



# GLOBAL REGULATIONS DRIVE THE DEMAND FOR LIGHTWEIGHTING

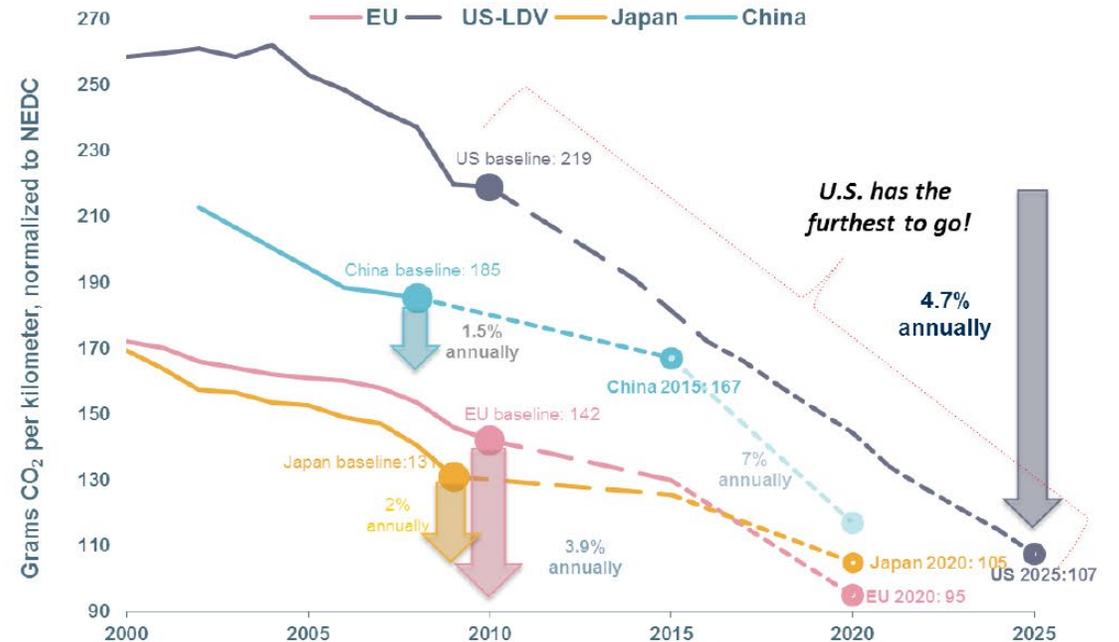


EPA locks in 2025 fuel efficiency rules

David Shepardson

4 MIN READ

The fleet-wide average will be  
**54.5** MPG ?

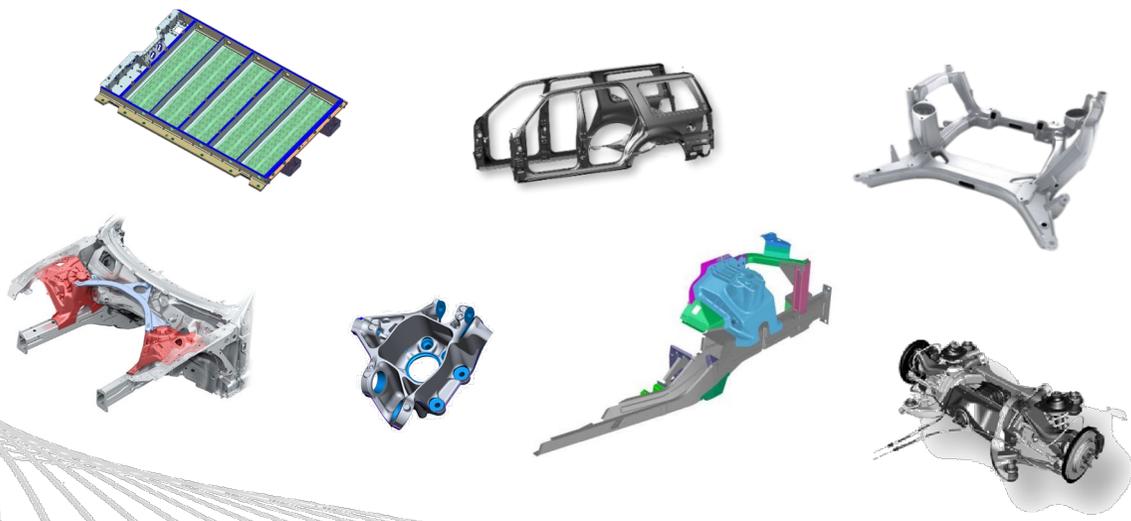


[1] China's target reflects gasoline fleet scenario. If including other fuel types, the target will be lower.  
 [2] US and Canada light-duty vehicles include light-commercial vehicles.  
 [3] Annual rate is calculated using baseline actual performance and target values.

# MARTINREA'S PRODUCT PORTFOLIO / INNOVATION

- Grow revenue and margins by providing engineered systems solutions
- Expand product offerings
- Enhance focused technology solutions
- Create long-term deep partnerships with our customers

## Lightweight Structures



## Propulsion Systems



# LIGHTWEIGHT STRUCTURES

## Steel



Mild Steel, HSS, AHSS,  
GEN 3 Steel, Hot Stamping

## Aluminum



Stamped, Aluminum Casted  
and Extruded

## Multi-Material



Mild Steel, HSS, UHSS,  
GEN 3 Steel, Aluminum



STEEL  
41.2 lbs



ALUMINUM –  
SOLID  
34.0 lbs

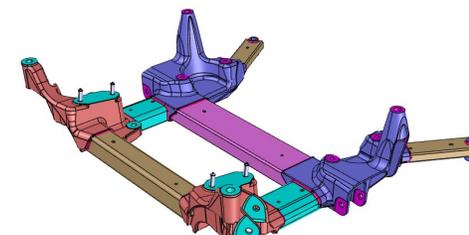


ASSEMBLED  
ALUMINUM  
SUBFRAME



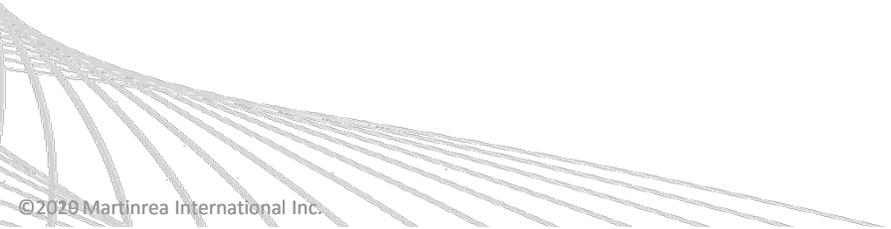
ALUMINUM – HOLLOW  
27.3 lbs

ALUMINUM  
EXTRUSION +  
HOLLOW CAST  
33.2 lbs



MULTI-MATERIAL  
LAUNCH 2020

# PROPULSION SYSTEMS/EXPANSION OF PORTFOLIO





# ACQUISITION OF STRUCTURAL COMPONENTS FOR PASSENGER CARS BUSINESS OF METALSA S.A. DE C.V. (THE “METALSA ACQUISITION”)

## Overview

- Leading manufacturer of lightweight body and chassis structures
- State-of-the-art production facilities located in Germany, Mexico, United States, China (2) and South Africa
- Key customers include Daimler, BMW and Volkswagen
- Purchase price – US\$19.5 million cash, subject to certain post-closing adjustments *(inclusive of working capital and on a debt-free basis)*
- Transaction closed on March 2, 2020



# THE METALSA ACQUISITION (CONTINUED)

## Strategic Rationale

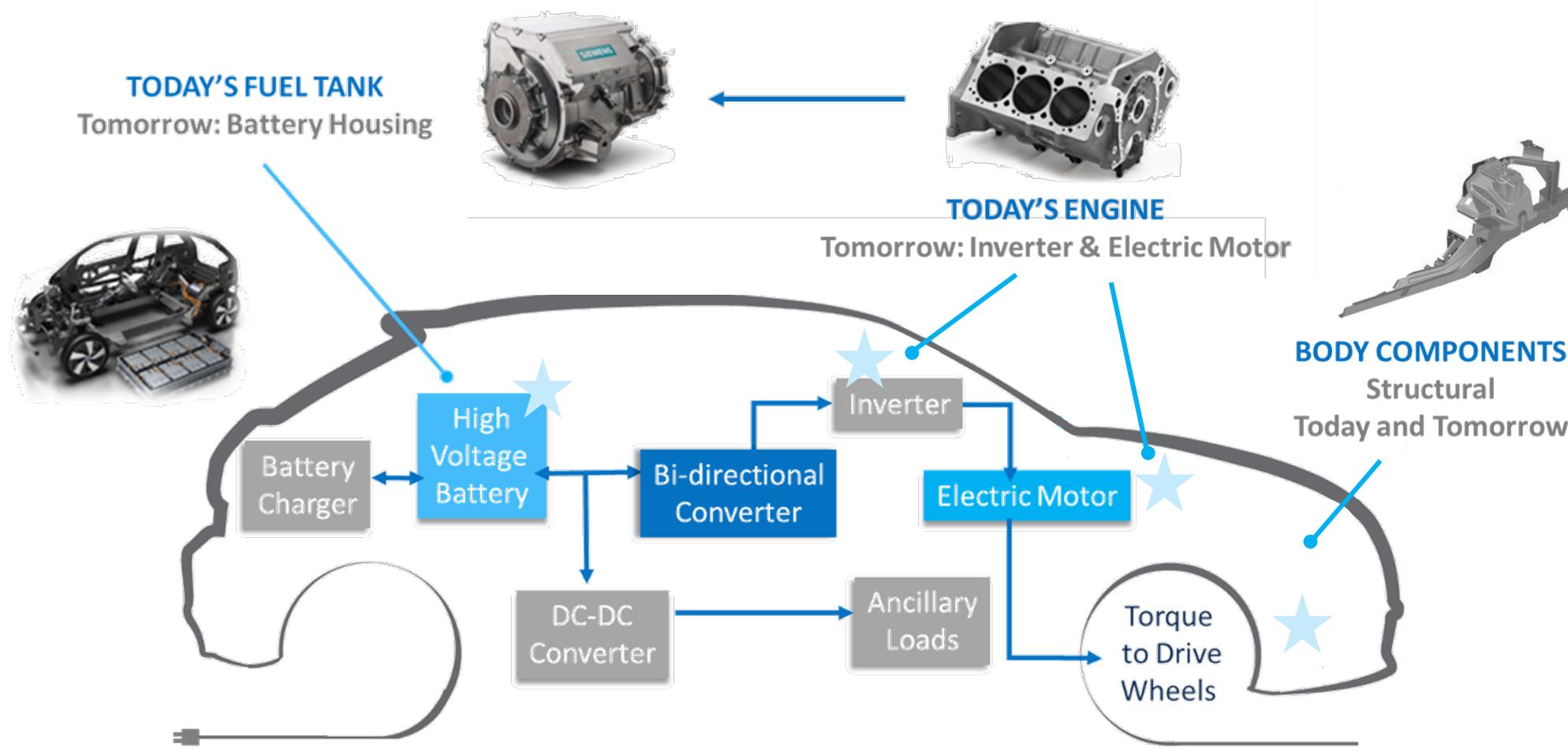
- Diversifies customer base adding significant revenues with two key customers
- Transforms steel metal forming group from a North American player to a global player
- Adds strong, reputable engineering capabilities in the heart of Germany to support both European and North American customers
- Enhances lightweight, multi-material joining technologies
- Establishes capacity in needed areas

## Potential Synergies

- Restructuring underway
- Opportunity for additional cost savings given plant proximity

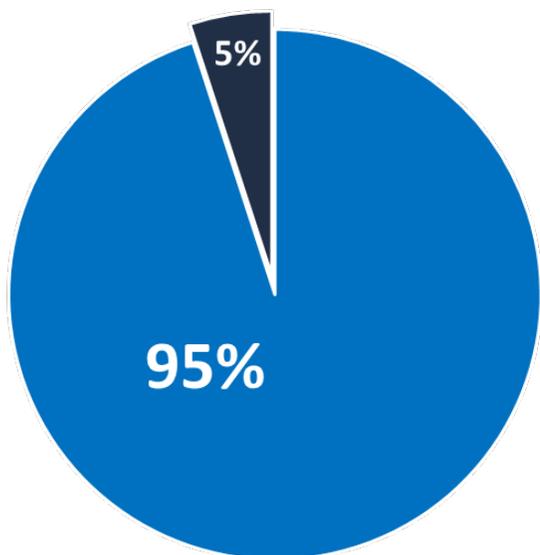


# ELECTRIC VEHICLE OPPORTUNITIES



# MARTINREA BOOK OF BUSINESS EVOLVING WITH MARKET

## CURRENT



■ ICE Platforms ■ BEV/Hybrid Platforms

## (NEW EV PROGRAMS)

### Daimler - EVA2



*Underbody  
Roof Assembly  
Rear Floor  
Other BIW assemblies*  
Full Electric  
SOP: 2022

### Ford - Mach E



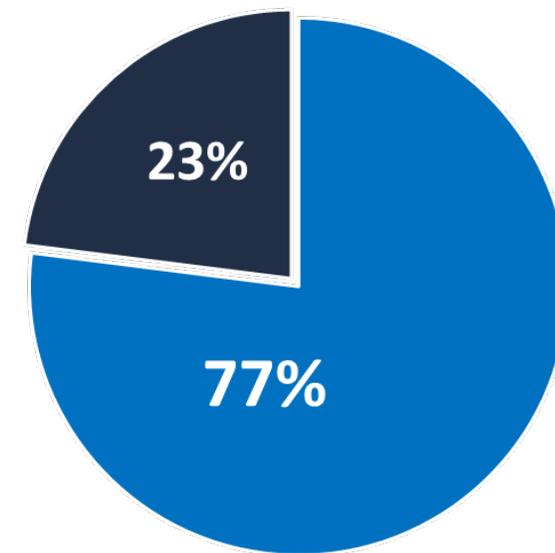
*Front and Rear Subframes*  
Full Electric  
SOP: 2020

### Geely - PMA 1



*Rear Subframe*  
Full Electric  
SOP: 2020

## PROJECTED IN FIVE YEARS



■ ICE Platforms ■ BEV/Hybrid Platforms

# ESG



**ENVIRONMENTAL**



**SOCIAL**



**GOVERNANCE**



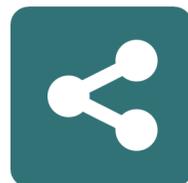
# WHATEVER THE FUTURE HOLDS, MARTINREA WILL BE A LEADER



**ELECTRIFIED**



**CONNECTED**



**SHARED**



**AUTONOMOUS**



# OVERVIEW OF F2019 RESULTS

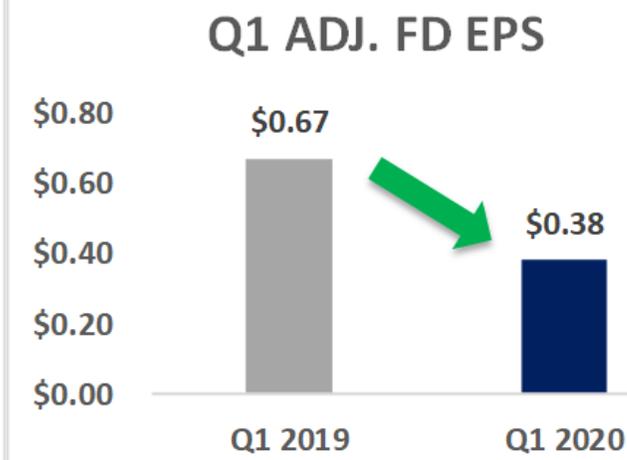
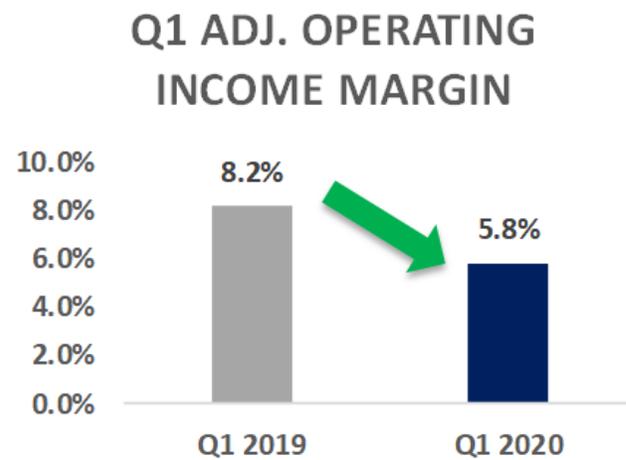
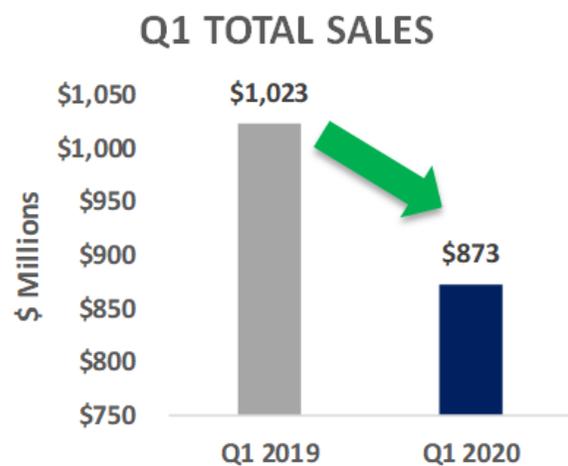
2019 Another Great Year Despite Negative Impact of UAW-GM Strike

<i>In Canadian Dollars</i>			
	F2019	F2018	
<b>Total Sales</b>	<b>\$3,864M</b>	<b>\$3,663M</b>	+6% year-over-year
Operating Income*	\$288M	\$284M	
<b>OI Margin %</b>	<b>7.5%</b>	<b>7.8%</b>	Would have exceeded 8% in 2019 excluding impact of UAW-GM strike and higher tooling sales
EBITDA*	\$505M	\$461M	
EBITDA Margin %	13.1%	12.6%	
<b>FD EPS*</b>	<b>\$2.27</b>	<b>\$2.22</b>	Record adjusted EPS
<b>Free Cash Flow</b>	<b>\$127M</b>	<b>(\$19M)</b>	2019 was a great year from a free cash flow perspective
<b>Net Debt / EBITDA*</b>	<b>1.41x</b>	<b>1.45X</b>	Ended the year below target of 1.5x

\* Adjusted for unusual and other items as noted in our Management Discussion and Analysis

# Q1 2020 FINANCIAL HIGHLIGHTS

First quarter results were negatively impacted by the COVID-19 related shutdown in the middle of March





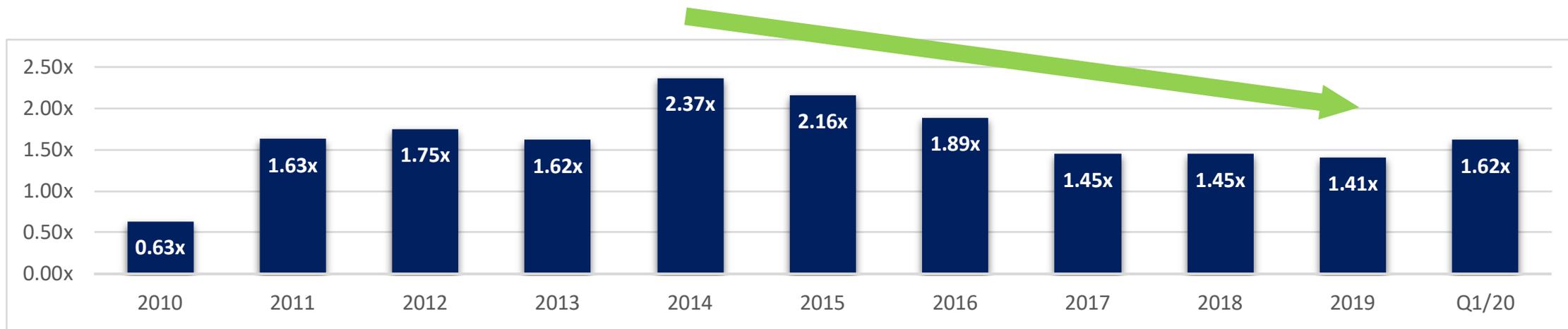
# RESPONSE TO COVID-19

- Cash Conservation Measures
  - Employee layoffs
  - Temporary reduction of salaried employee base wages of 20% (50% for senior executives)
  - Elimination of non-essential spending
  - Delay of capital and tooling spending where and when appropriate (targeting a 20% reduction in capital spending for 2020)
  - Suspended share buybacks under NCIB
- Liquidity
  - As at March 31, 2020, the Company had ~\$300M of total liquidity including cash and cash equivalents and availability under revolving credit lines
  - April 17, 2020 – Enhanced liquidity position by exercising accordion feature, which increased revolving credit lines available to the Company by an additional ~\$280M
  - Credit facility also includes an allowance for asset-based financing, of which \$236M was available at the end of the first quarter



# BALANCE SHEET

## NET DEBT TO LTM ADJUSTED EBITDA\*



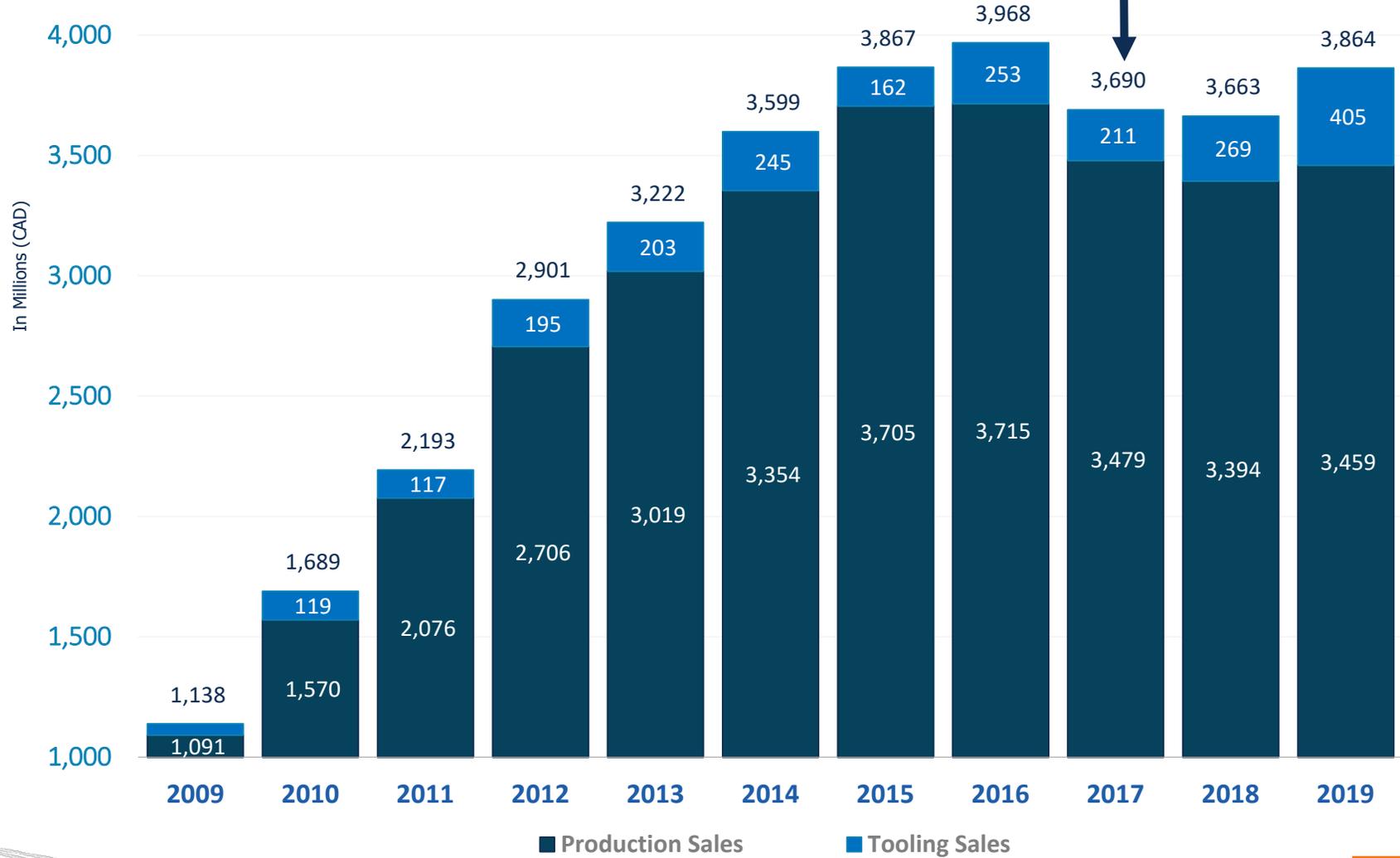
\*Note: As defined and described in our most recent MD&A available on [www.sedar.com](http://www.sedar.com)

Net debt/EBITDA target is in the 1.5x range. Given the impact of COVID-19, we are likely to exceed this target in the near term.

# SALES



Assembly business changed to a purchased component consignment model resulting in decrease in 2017 despite same level of production



# 2019 NORTH AMERICAN PLATFORM PORTFOLIO



1. GM Pickups/SUVs



6. GM Malibu



2. GM Equinox/Terrain



7. Ford Pickups



3. Ford Escape



8. Chrysler 300/Challenger/Charger



4. Ford Edge/Fusion



9. GM Acadia/Traverse/Blazer

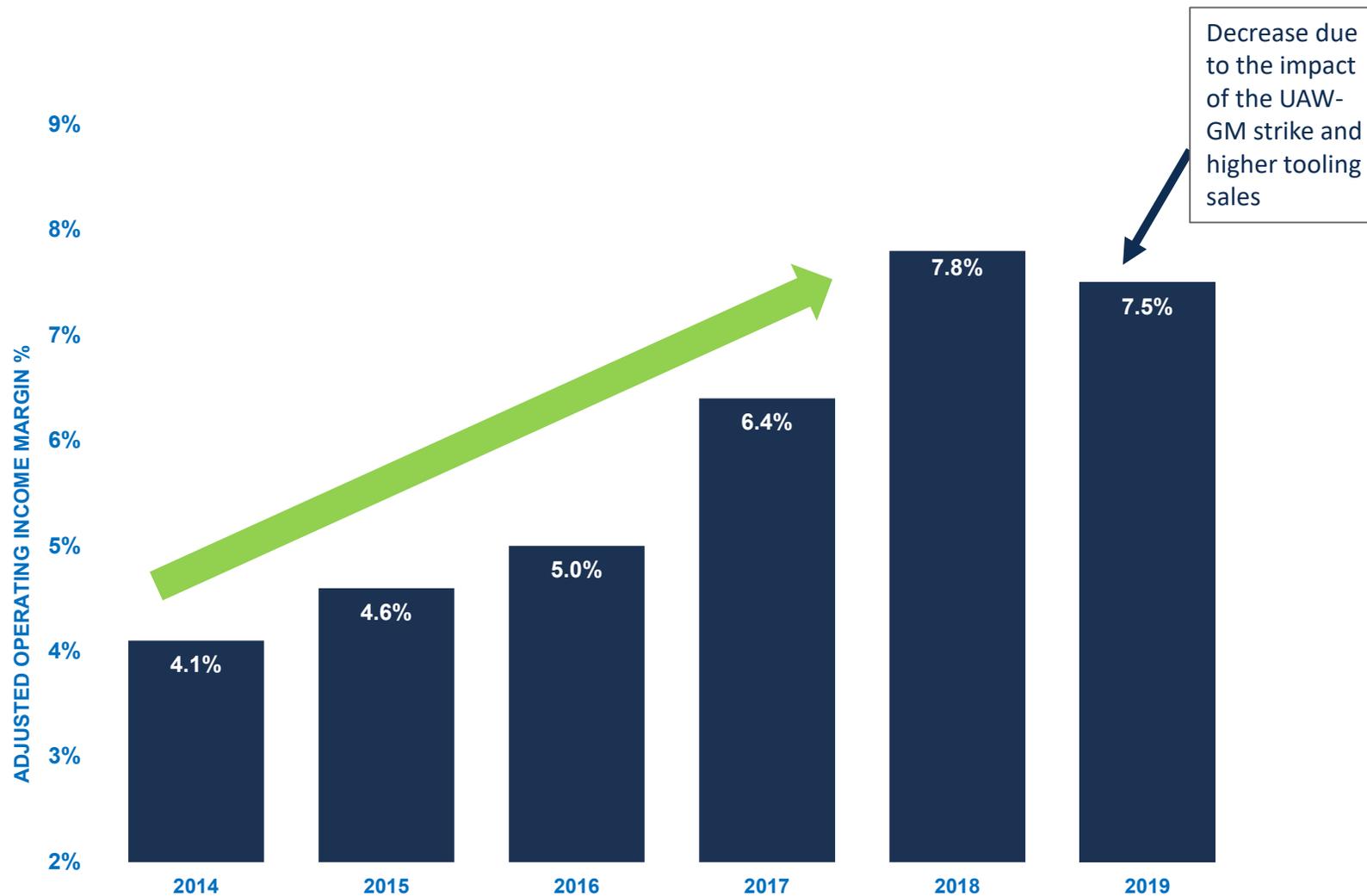


5. RAM Pickups



10. Ford Transit

# ADJUSTED OPERATING INCOME MARGIN



*\*Note: Operating income margins presented have been adjusted for unusual and other items highlighted in our most recent MD&A available on [www.sedar.com](http://www.sedar.com)*

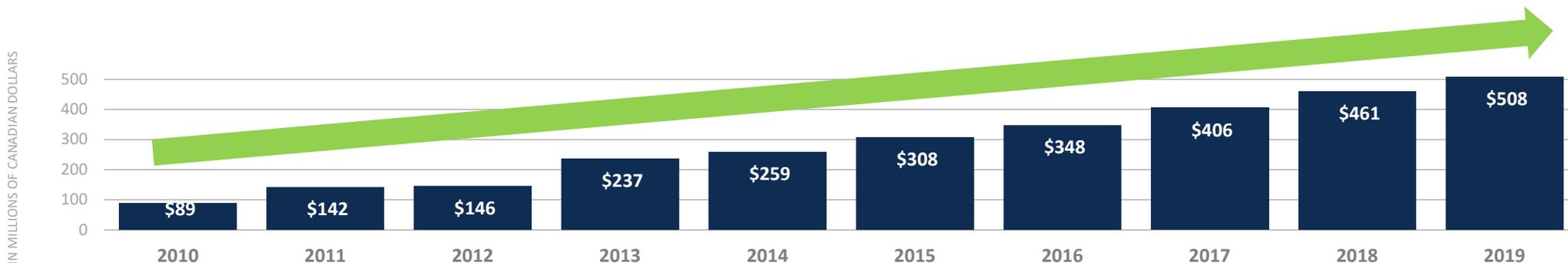
# INDUSTRY-LEADING MARGINS

	2019 Adj. Op. Inc./EBIT Margin
Martinrea	7.5%
Magna	7.4%
Linamar*	7.3%
Nemak	6.4%
Gestamp	5.6%
CooperStandard	5.0%

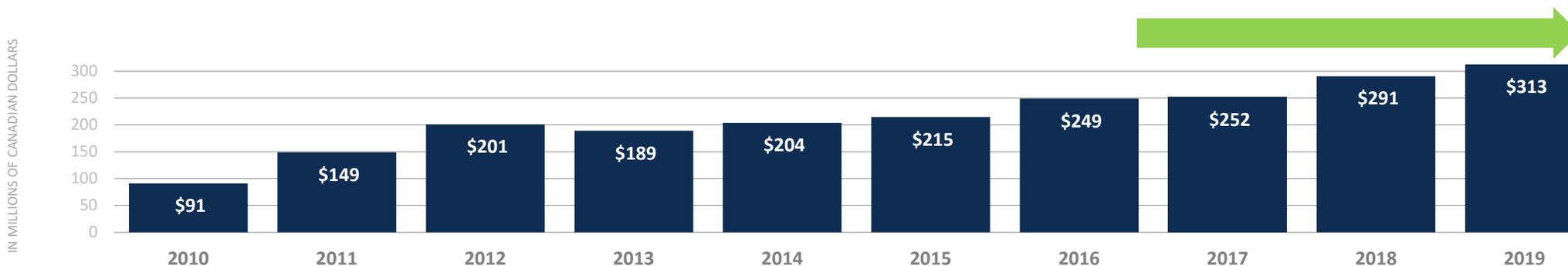
\*Note: Transportation Segment

# CASH FLOW

## OPERATING CASH FLOW *(Before changes in working capital)*



## CAPEX



The Company generated \$127M in Free Cash Flow\* in 2019

\*Note: As defined and described in our most recent MD&A available on [www.sedar.com](http://www.sedar.com)

# CAPITAL ALLOCATION FRAMEWORK

## NEAR-TERM PRIORITIES

### Protect Balance Sheet to Weather COVID-19 Related Downturn

- Reduce operating costs and capital spending where possible
- Suspended share buybacks under NCIB
- Enhanced liquidity position by exercising accordion feature of banking facility

## LONGER-TERM PRIORITIES

### Invest for Growth

- Organic opportunities
- Invest in R&D and product offering
- Acquisitions that fit product strategy
- Priorities dictated by strict ROIC/IRR focus

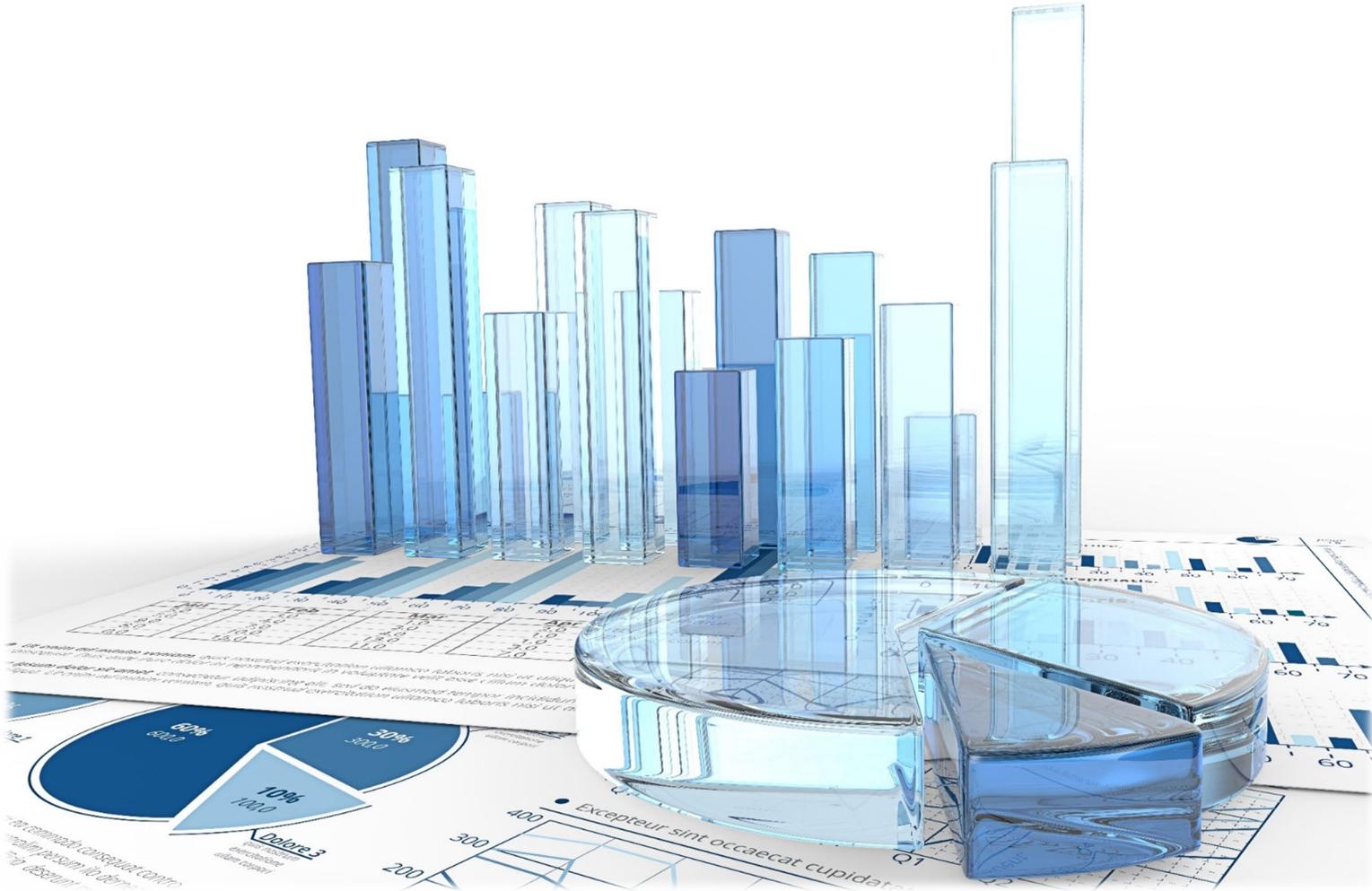
### Maintain Strong Balance Sheet

- Targeted Net Debt/EBITDA ratio of ~1.5x
- Maintain flexibility to invest for growth

### Return Capital to Shareholders

- Repurchase shares with excess cash (at the appropriate times)
- Dividend growth over time

# THE MACRO PICTURE



## REASONS FOR OPTIMISM

- We have likely seen the bottom with a recovery already underway
- The global economy is already starting to expand
- The USMCA is in place, and a good deal for North America and us
- People are still driving vehicles
- The vehicle is a safer mode of transportation
- The trend towards remote work may have positive implications for the auto sector
- The cost of buying a new vehicle is low
- Government stimulus programs for the automotive industry are likely forthcoming
- The average vehicle age remains high at approximately 12 years
- Valuations for automotive stocks are likely to go higher



*DRIVING BOLD LIGHTWEIGHT SOLUTIONS*



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