



# Q3 2022 QUARTERLY RESULTS PRESENTATION

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NOVEMBER 1, 2022

20<sup>th</sup>  
YEARS  
ANNIVERSARY

# **ROB WILDEBOER**

## **EXECUTIVE CHAIRMAN**

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# 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 the growth of or expectations of, improvements in, expansion of and/or guidance or outlook as to future results, including for 2022 and 2023, volumes, adjusted EPS, free cash flow, sales, adjusted operating income (loss) margin; capital expenditures (capex); non-cash working capital; the expected impact and duration of the global semiconductor and other supply chain shortages and constraints; inflation and energy; expected strength in production volumes as supply pressures ease; launch activity, program awards, growth in and investment in and development of products and technology; the Company’s strategy, market opportunity and vision; views on the outlook of and growth of the automotive industry, and production growth; Martinrea’s ability to capitalize on opportunities and be a leader in the automotive industry, 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. 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 (including the semiconductor shortage and other issues), 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, and other filed documents 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. The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”). However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company’s performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as alternatives to financial measures determined in accordance with IFRS. Non-IFRS measures, some of which are referenced in this presentation, include “Adjusted Net Income (Loss)”, “Adjusted Net Earnings (Loss) per Share” (on a basic and diluted basis), “Adjusted Operating Income (Loss)”, “Adjusted Operating Income (Loss) Margin”, “Adjusted EBITDA”, “Adjusted EBITDA Margin”, “Adjusted EPS”, “Adjusted Earnings (Loss) Per Share”, “Free Cash Flow” and “Net Debt”. Please refer to the Company’s previously filed annual and interim management discussion and analyses of operating results and financial position for a full reconciliation of IFRS to non-IFRS measures.

# **ROB WILDEBOER**

## **EXECUTIVE CHAIRMAN**

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# **PAT D'ERAMO**

## **PRESIDENT AND CEO**

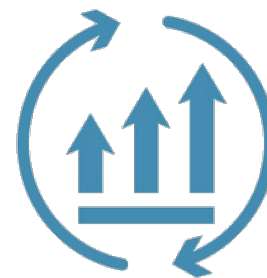
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## Q3 2022 RESULTS UP SOLIDLY VS. LAST QUARTER STRONG 2023 EXPECTED



Q3 2022 results showed a solid improvement over Q2 2022, mainly reflecting higher margins. Adjusted EBITDA of \$140 million was a quarterly record for the Company.



Adjusted operating income margin was up 170bps quarter-over-quarter driven by an improved mix, lower launch costs, and continued improvements from our Martinrea Operating System (MOS).



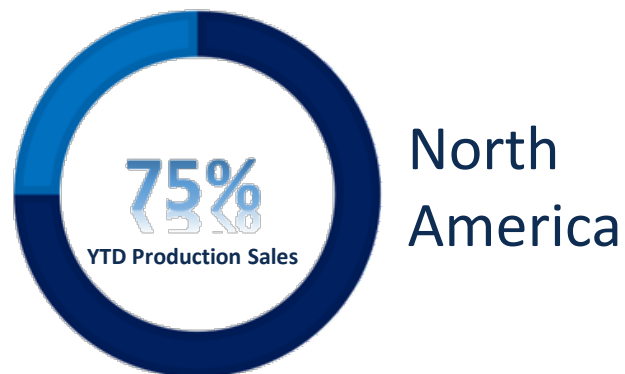
We are making progress on recovering inflationary costs through commercial activity, though inflationary pressures are proving to be more persistent. The production environment has improved, but supply-related disruptions continue.



We continue to anticipate better results and strong Free Cash Flow generation in 2023.



# STATUS OF OPERATIONS



- Adjusted operating income improved quarter-over-quarter on higher production sales
- Improved volume and mix, lower launch costs, and improvements from our Martinrea Operating System (MOS) resulted in better margins
- We are making good progress in recovering inflationary cost increases through commercial activity
- The production environment is improving, but supply-related disruptions continue; the labour market remains tight



- Adjusted operating income slightly lower quarter-over-quarter
- We continue to make progress on operating enhancements through our MOS activity
- Rising energy costs is a significant headwind



- Adjusted operating income improved quarter-over-quarter on improved volume and mix, as strict COVID-19 control measures in China were lifted

## REVISED 2023 OUTLOOK

	2023F	2023F (previous)	2021A
TOTAL SALES	\$4.8-\$5.0B	\$4.6-\$4.8B	\$3.78B
ADJUSTED OPERATING INCOME MARGIN	6%-7%	>8%	1.8%
FREE CASH FLOW	\$150M-\$200M	>\$200M	(\$121.6M)



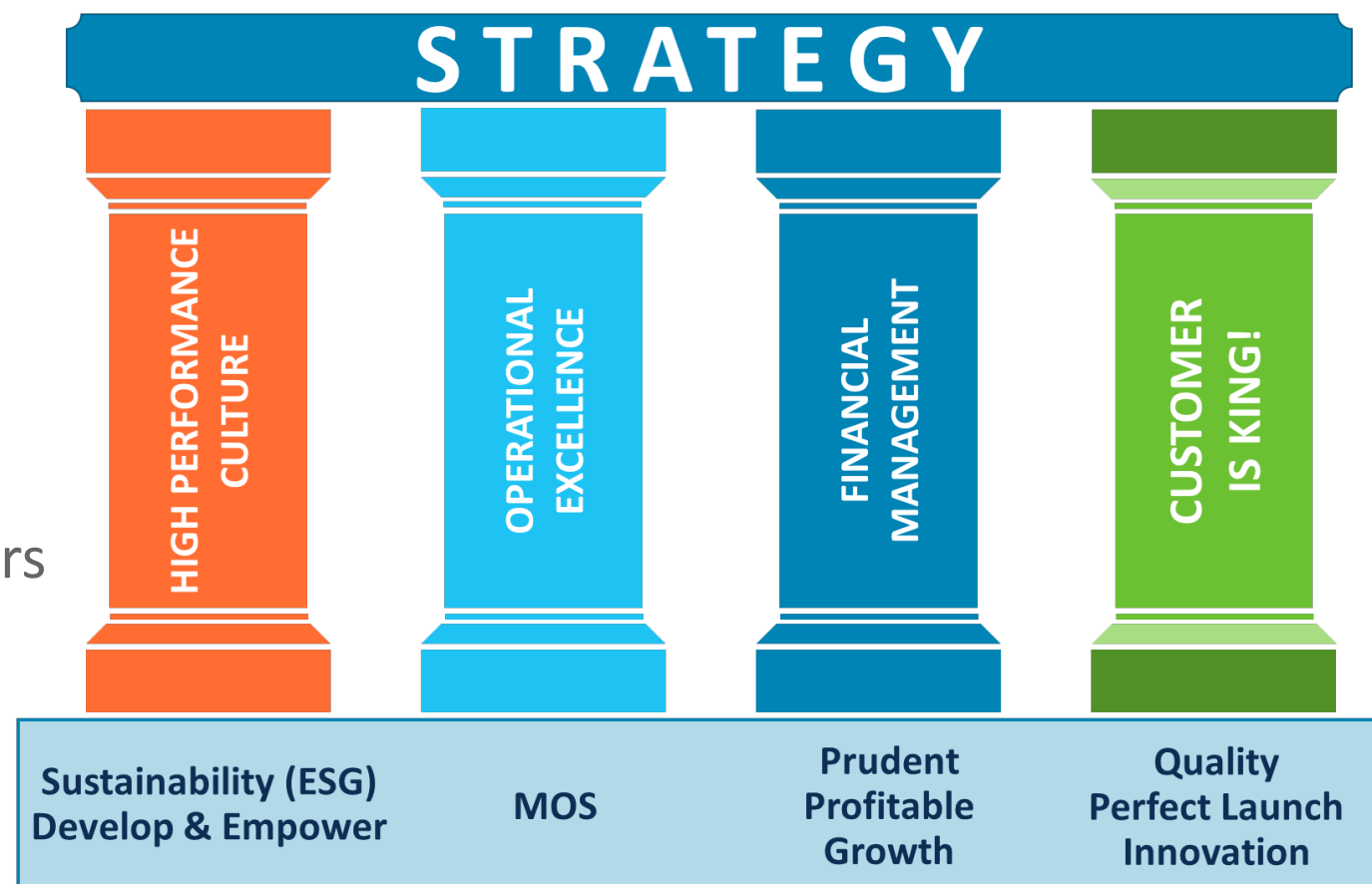
# GLOBAL LEADERSHIP CONFERENCE

- October 11 – 14 in Ontario, Canada
- 150 top leaders in various roles across the organization
- Representation every region in which we have a presence
  - Canada
  - US
  - Mexico
  - Brazil
  - Germany
  - Spain
  - Slovakia
  - China
  - Japan
- Purpose: To discuss the Company's strategic direction and priorities for the future



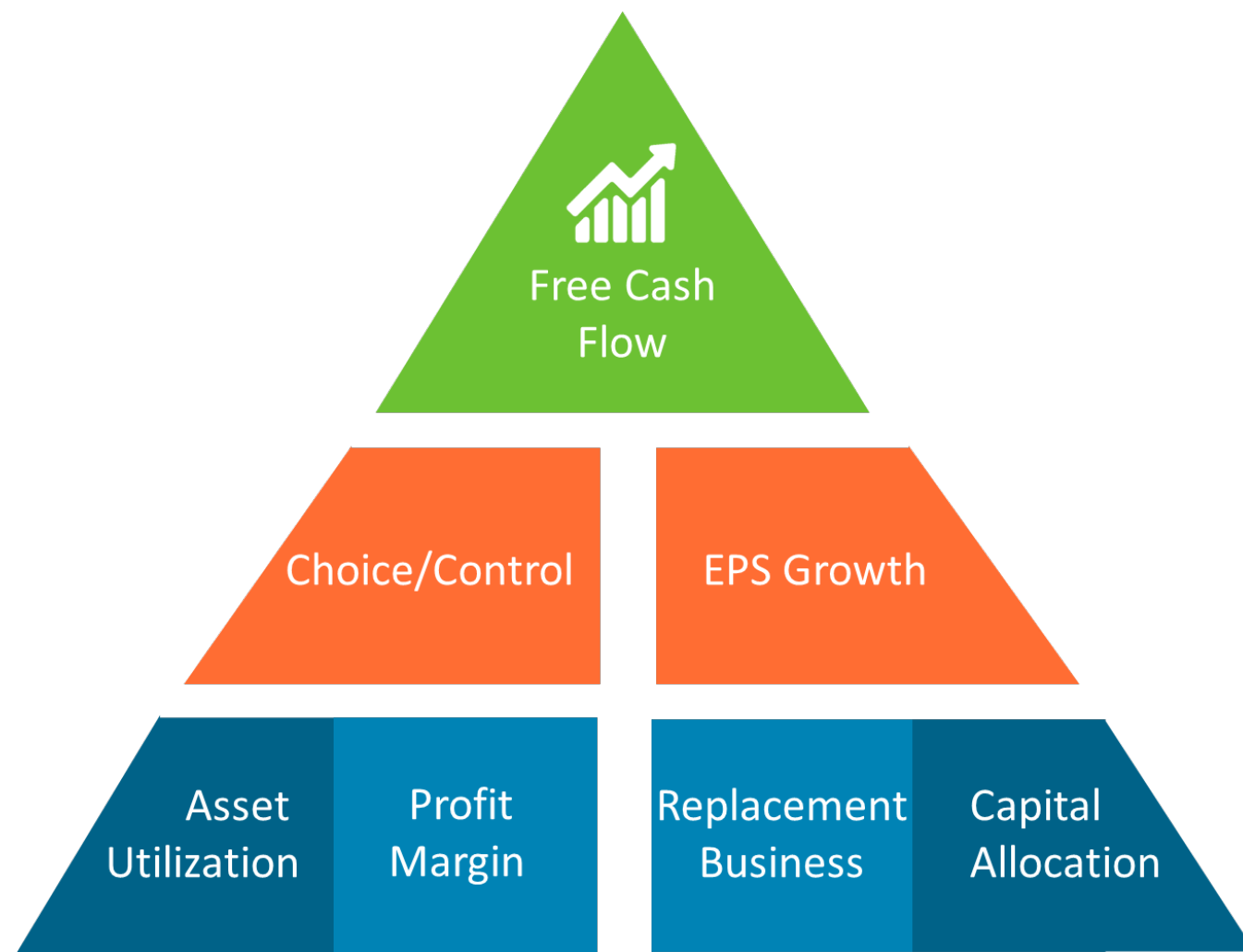
# GLOBAL LEADERSHIP CONFERENCE – KEY TAKEAWAYS

- We are doubling down on our four-pillar strategy
- The strategy has served us well in the past, enabling us to:
  - Expand our business – organically and through acquisition
  - Double our adjusted operating income margin in less than five years (2014-2019)
  - Introduce new and innovative *BreakThrough* products to the market



# GLOBAL LEADERSHIP CONFERENCE – KEY TAKEAWAYS

- Disciplined Financial Management  
*What Does it Mean?*
  - Prudent profitable growth
  - Strict return hurdle rates when quoting new business
  - Free Cash Flow is the top priority
    - Interactive workshop held on Free Cash Flow
    - Strong commitment and buy-in across the organization



# GLOBAL LEADERSHIP CONFERENCE – KEY TAKEAWAYS

- Program Management
  - Presentations and panel discussions exploring most successful launches to ensure we implement and enhance best practices in future launches



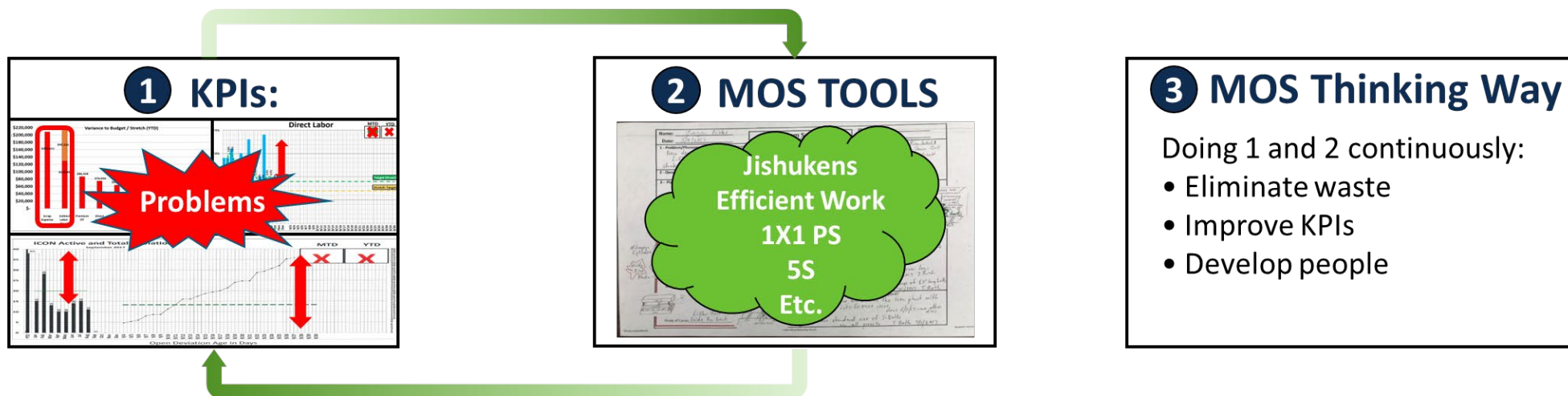
# GLOBAL LEADERSHIP CONFERENCE – KEY TAKEAWAYS

- Martinrea Operating System (MOS)
  - Reviewed process discipline
  - Interactive workshops demonstrating how LEAN can have a big impact not only on efficiency, productivity, and profits but also on employee engagement and morale

What Is the Problem/  
Opportunity?

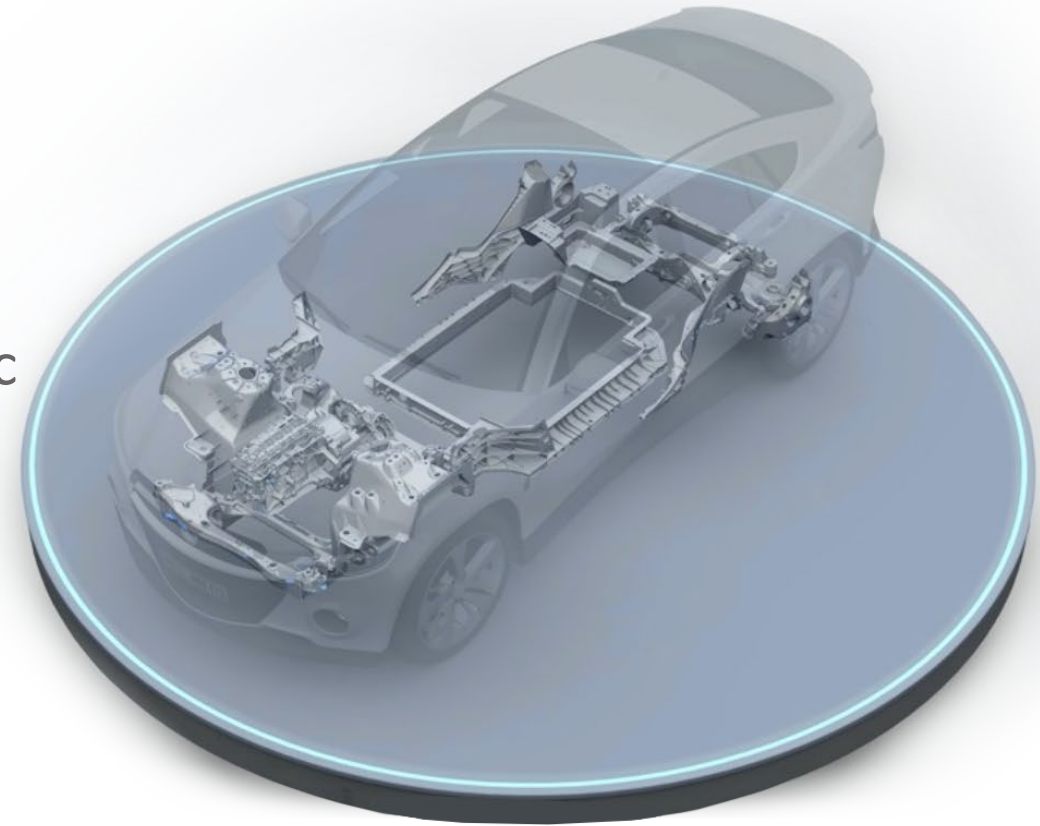
Solve Problems  
Use Opportunities

Our Thinking Way



# GLOBAL LEADERSHIP CONFERENCE – KEY TAKEAWAYS

- We Have a Lot of Opportunities
  - In our core automotive parts business, but not limited to it
- We Are an Innovative Company
  - Our R&D capabilities are strong
  - BreakThrough products will be key to our organic growth
  - MiND is an incubator for new technologies, and central to our innovation focus
- *We have a clear vision of where we are headed as an organization and what leadership's role is to deliver on our plan*



# **FRED DI TOSTO**

## **CHIEF FINANCIAL OFFICER**

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# Q3 2022 RESULTS – SEQUENTIAL COMPARISON TO Q2 2022

Q3 2022 results better than Q2, mainly on higher margins, but also better production sales. Free Cash Flow also improved on higher EBITDA and positive working capital flows

In Canadian Dollars			
	Q3 2022	Q2 2022	
<b>Production Sales</b>	<b>\$1,127.1M</b>	<b>\$1,052.6M</b>	Production sales up 7% reflecting positive volume and mix
Tooling Sales	\$67.0M	\$61.2M	
Total Sales	\$1,194.1M	\$1,113.9M	
Adjusted Operating Income	\$69.7M	\$45.5M	
<b>Adjusted Operating Income %</b>	<b>5.8%</b>	<b>4.1%</b>	Margin higher on volume and mix, lower launch costs, and operating improvements
<b>Adjusted EBITDA</b>	<b>\$140.2M</b>	<b>\$114.3M</b>	Record quarterly EBITDA, up 23%
Adjusted EBITDA %	11.7%	10.3%	
Adjusted EPS (Fully Diluted)	\$0.56	\$0.32	
<b>Free Cash Flow</b>	<b>\$64.1M</b>	<b>\$23.5M</b>	Free Cash Flow increased on higher EBITDA and positive working capital flows

## Q3 2022 RESULTS – YEAR-OVER-YEAR COMPARISON

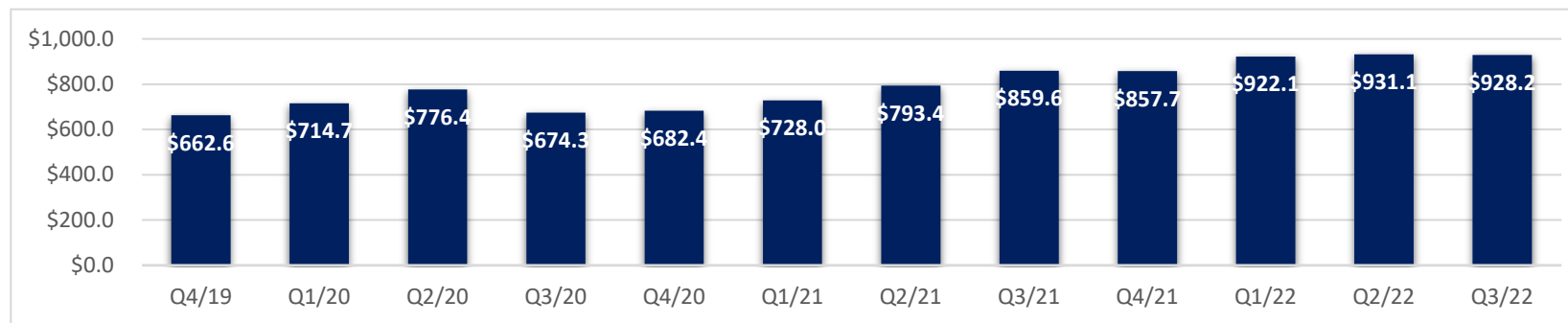
Adjusted Operating Income and Adjusted EBITDA were much-improved over a very challenging year-ago quarter on higher sales and margins. Free Cash Flow also improved sharply on higher EBITDA and positive working capital flows.

<i>In Canadian Dollars</i>		
	Q3 2022	Q3 2021
<b>Production Sales</b>	<b>\$1,127.1M</b>	<b>\$797.2M</b>
Tooling Sales	\$67.0M	\$51.3M
Total Sales	\$1,194.1M	\$848.5M
<b>Adjusted Operating Income (Loss)</b>	<b>\$69.7M</b>	<b>(\$16.2M)</b>
Adjusted Operating Income (Loss) %	5.8%	(1.9%)
<b>Adjusted EBITDA</b>	<b>\$140.2M</b>	<b>\$44.9M</b>
Adjusted EBITDA %	11.7%	5.3%
Adjusted EPS (Fully Diluted)	\$0.56	(\$0.21)
<b>Free Cash Flow</b>	<b>\$64.1M</b>	<b>(\$41.6M)</b>

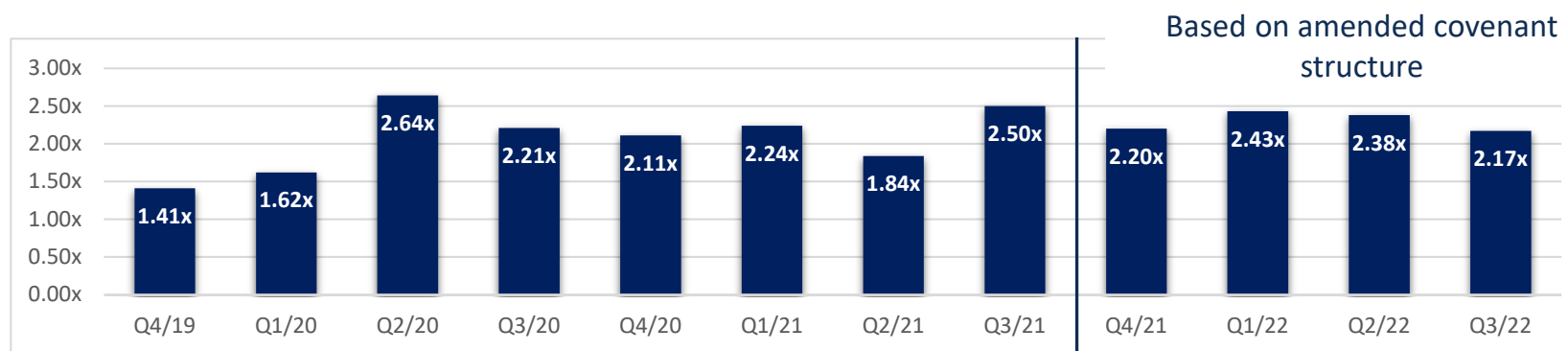
# BALANCE SHEET



## NET DEBT - Excluding IFRS-16 (\$ Millions)



## NET DEBT TO LTM ADJUSTED EBITDA



Q3 2022 net debt was essentially flat compared to Q2 2022.

During the fourth quarter of 2021, and in light of the semiconductor shortage, we proactively amended our lending agreements with our banking syndicate to provide financial covenant flexibility.

Q3 2021 and Q4 2021 EBITDA is ignored for the purpose of calculating our leverage ratio, with the remaining quarters pro-rated. Our maximum net debt to EBITDA covenant is also increased for the Q1 2022 – Q3 2022 periods.

Under the amended structure, net debt to adjusted EBITDA ended the third quarter of 2022 at approximately 2.17x.

# **ROB WILDEBOER**

## **EXECUTIVE CHAIRMAN**

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# THANK YOU



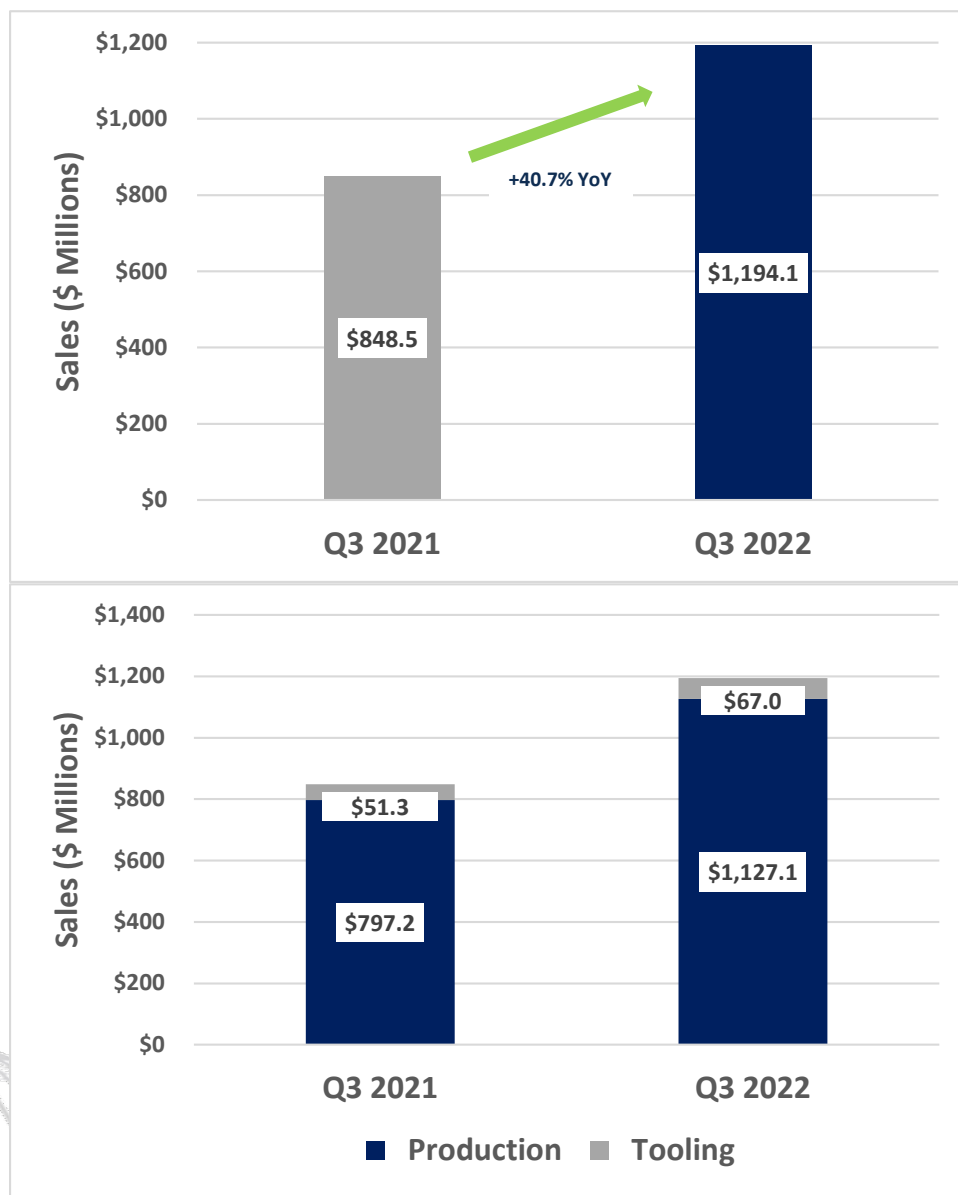
QUESTIONS?

# APPENDIX

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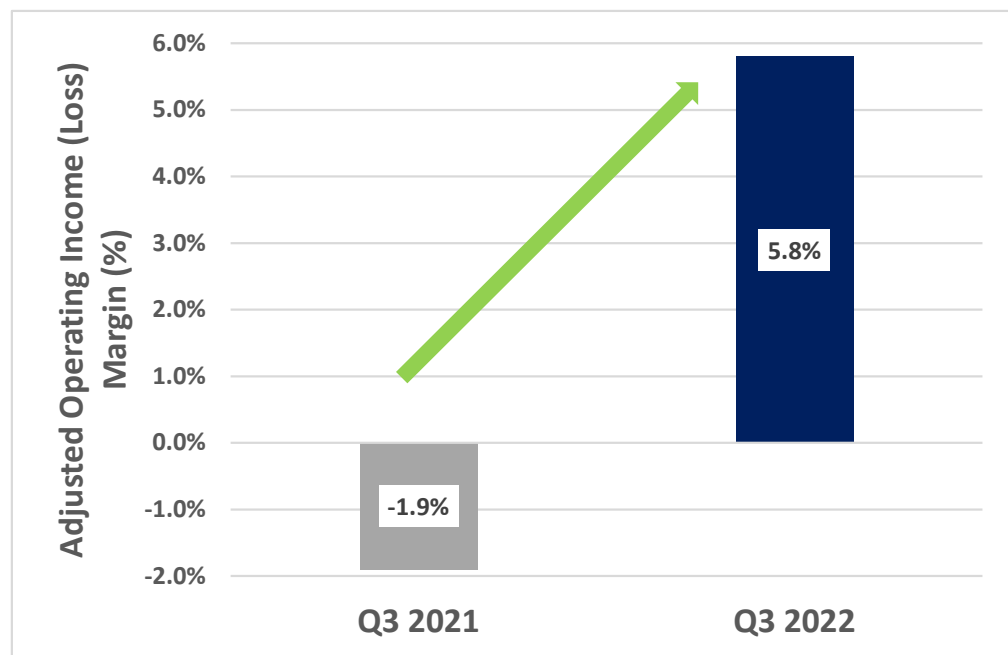
# Q3 2022 RESULTS - SALES



- Sales up 40.7% over Q3 2021, as semiconductor and other supply shortages had a pronounced impact on prior-year volumes
  - Production sales up 41.4%
  - Tooling sales up 30.5%
- Positive impact from
  - Recovery in production of light vehicle programs that were disproportionately impacted by 2021 supply shortages
  - New business launches, including the new Jeep Grand Cherokee and Wagoneer, Nissan Pathfinder, Ford Mustang Mach-E, and other EV platforms with Mercedes-Benz, Lucid and Tesla
  - Impact of material pass-through on customer pricing
- Sales increased in all operating regions

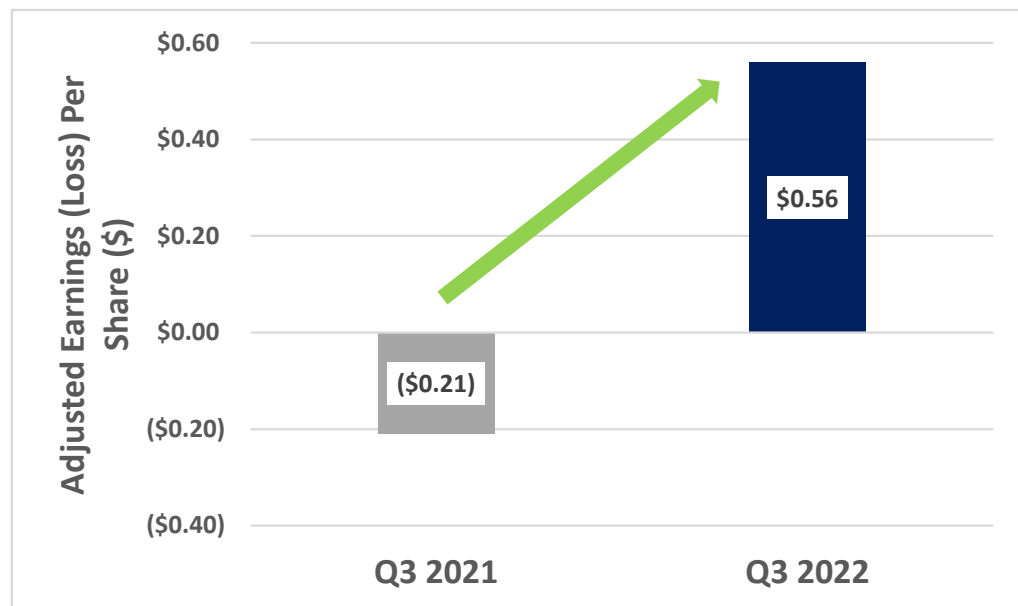


# Q3 2022 RESULTS - ADJUSTED OPERATING INCOME (LOSS) MARGIN



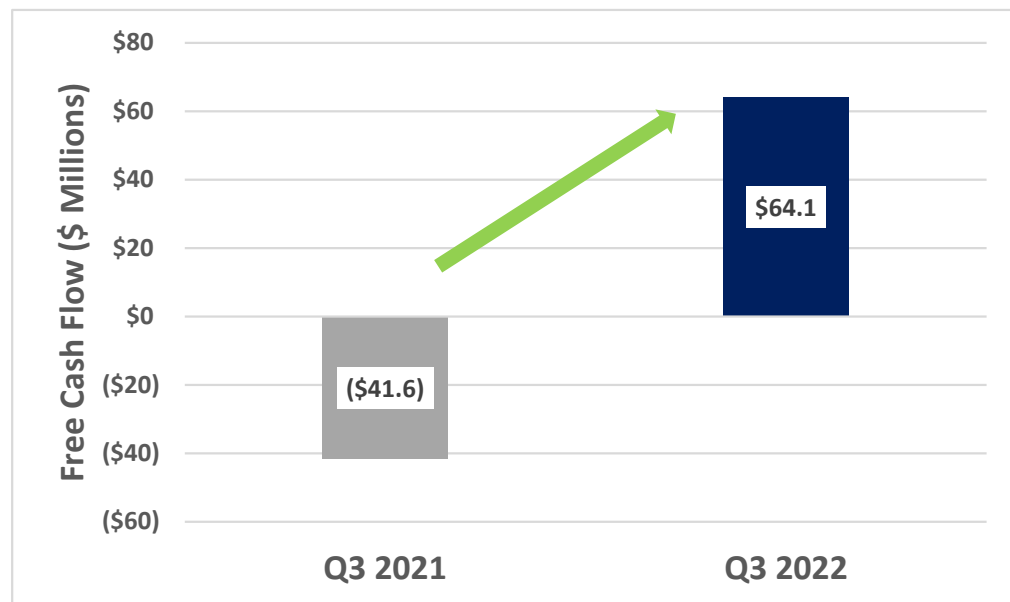
- Adjusted Operating Income Margin up 770bps year-over-year, reflecting:
  - Higher production volumes and improved sales mix
  - Favourable commercial settlements
  - Productivity and efficiency improvements from Martinrea Operating System (MOS)
- Partially offset by:
  - Higher labour, energy, and material costs
  - Pricing pass-through of material costs
  - Lower COVID-related subsidies
- European margin was positive compared to a loss in Q3 2021, mainly reflecting favourable commercial settlements and operating improvements, partially offset by higher energy, material, and launch-related costs
- Rest of World margin was much-improved year-over-year, generally due to higher production sales as strict COVID-19 control measures that impacted production in China loosened.

## Q3 2022 RESULTS – ADJUSTED NET EARNINGS (LOSS) PER SHARE



- Adjusted EPS of \$0.56 was much improved year-over-year, reflecting:
  - The factors impacting sales and margins as described earlier
  - A net foreign exchange gain of \$5.0 million, compared to a gain of \$2.4 million in Q3 2021
  - A slightly lower effective tax rate

## Q3 2022 RESULTS - FREE CASH FLOW



- Free Cash Flow increased year-over-year, due to an increase in Adjusted EBITDA and improved working capital flows
- Free Cash Flow is expected to be positive for full-year 2022