



**MAGELLAN**

**2019**

**AGM**

# FORWARD-LOOKING STATEMENTS



Certain information and statements contained in this presentation contain forward-looking information or statements (“forward-looking statements”) within the meaning of applicable securities laws. All forward looking statements such as efficiencies, rationalizations and investments forward-herein that are not clearly historical in nature constitute forward-looking statements, and the words “may”, “will”, “should”, “could”, “expect”, “plan”, “intend”, “anticipate”, “believe”, “estimate”, “propose”, “predict”, “potential”, “continue”, or the negative of these terms or other comparable terminology are generally intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The projections, estimates and beliefs contained in such forward-looking statements are based on management’s assumptions relating to the production performance of Magellan’s assets and competition throughout the aerospace industry and continuation of the current regulatory and tax regimes in the jurisdictions in which the Corporation operates, and necessarily involve known and unknown risks and uncertainties which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. These risks, uncertainties, material assumptions and other factors that could affect actual results are discussed in our Annual Information Form and other documents available under the Corporation’s profile at [www.sedar.com](http://www.sedar.com).

Past performance of the Corporation referred to in this presentation is shown for illustrative purposes only, does not guarantee future results of the Corporation and is not meant to forecast, imply or guarantee the future performance of the Corporation, which will vary.

Readers are cautioned that the foregoing list of factors affecting forward-looking statements is not exhaustive. Furthermore, the forward-looking information and statements are made as of the date of this presentation, and the Corporation does not undertake any obligation to update publicly or to revise any of the included forward-looking information or statements, whether as a result of new information, future events or otherwise, except as required by applicable law. The forward-looking statements contained in this presentation are expressly qualified by this cautionary statement.

N. MURRAY EDWARDS  
CHAIRMAN OF THE BOARD OF DIRECTORS

# BUSINESS MEETING AGENDA

- » Welcome and Remarks
- » Receipt of Financial Statements for 2018
- » Election of Directors
- » Appointment of Auditors
- » Other Business



PHILLIP C. UNDERWOOD  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

# HIGHLIGHTS FOR 2018

- » Financial Summary
- » Business Highlights
- » Vision and Strategy



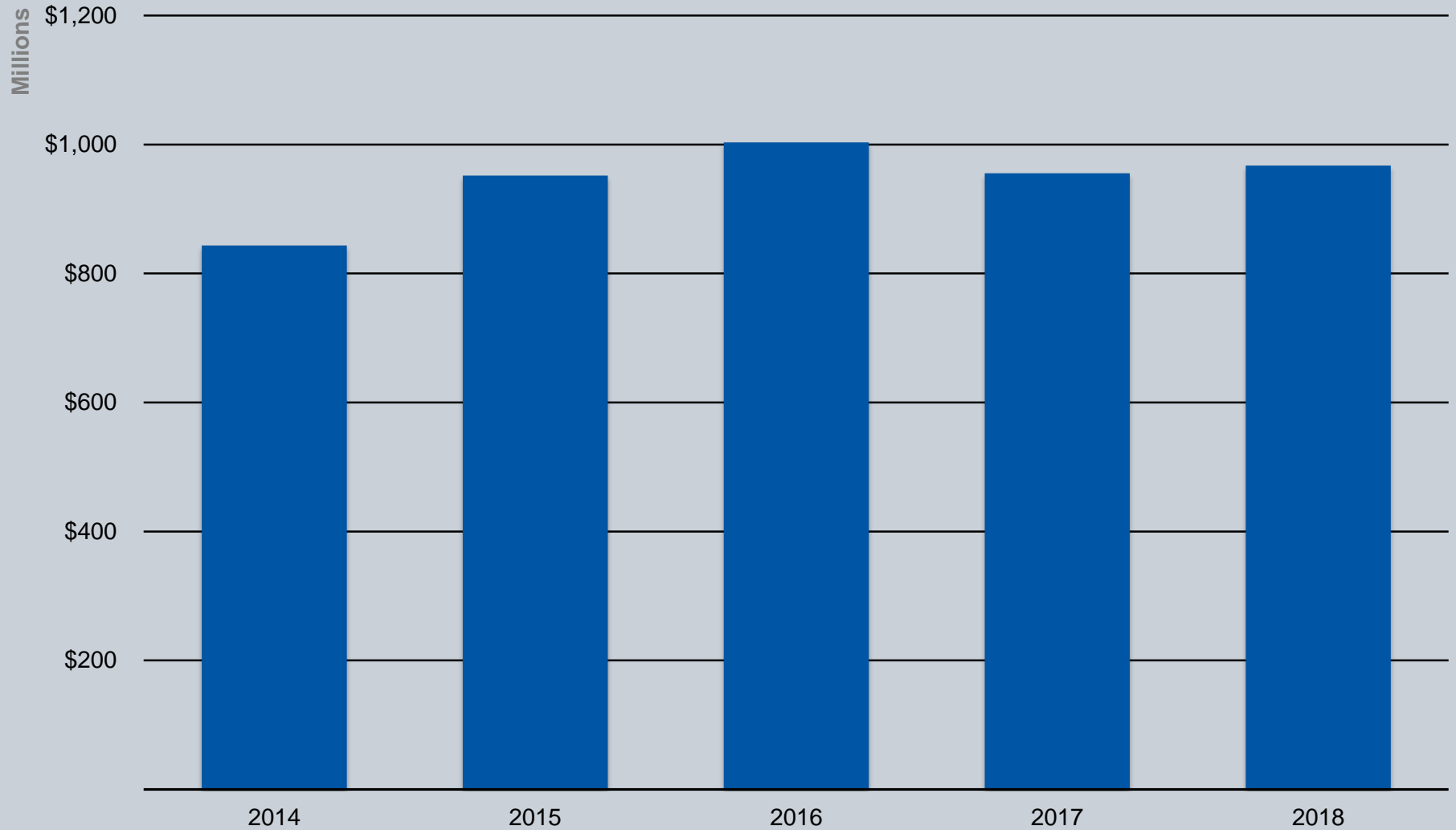
# FINANCIAL SUMMARY

- » Revenue
- » Gross Profit
- » EBITDA
- » Debt and Interest Expense
- » Capital Expenditure
- » Shareholder Return



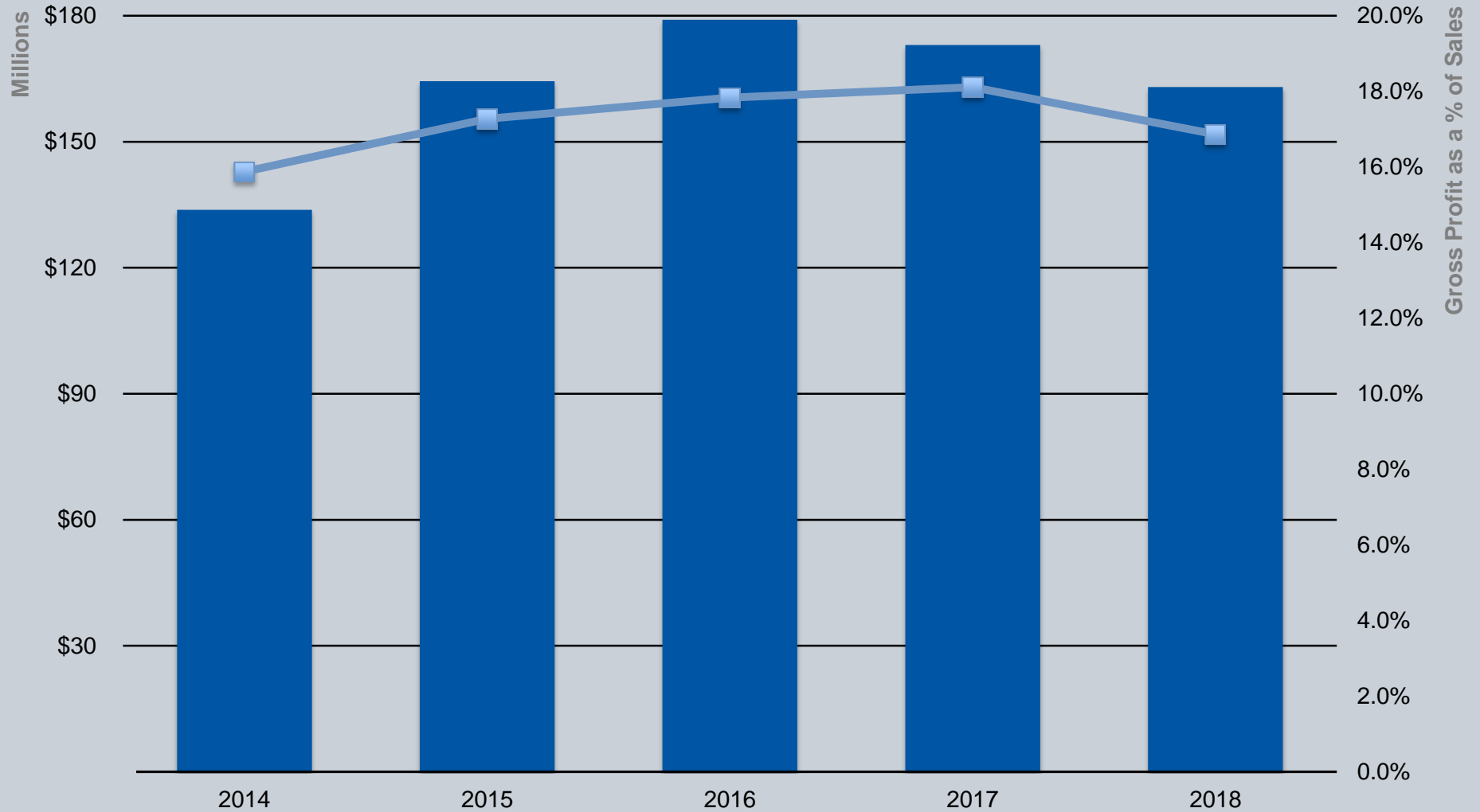
# FINANCIAL SUMMARY

## REVENUE



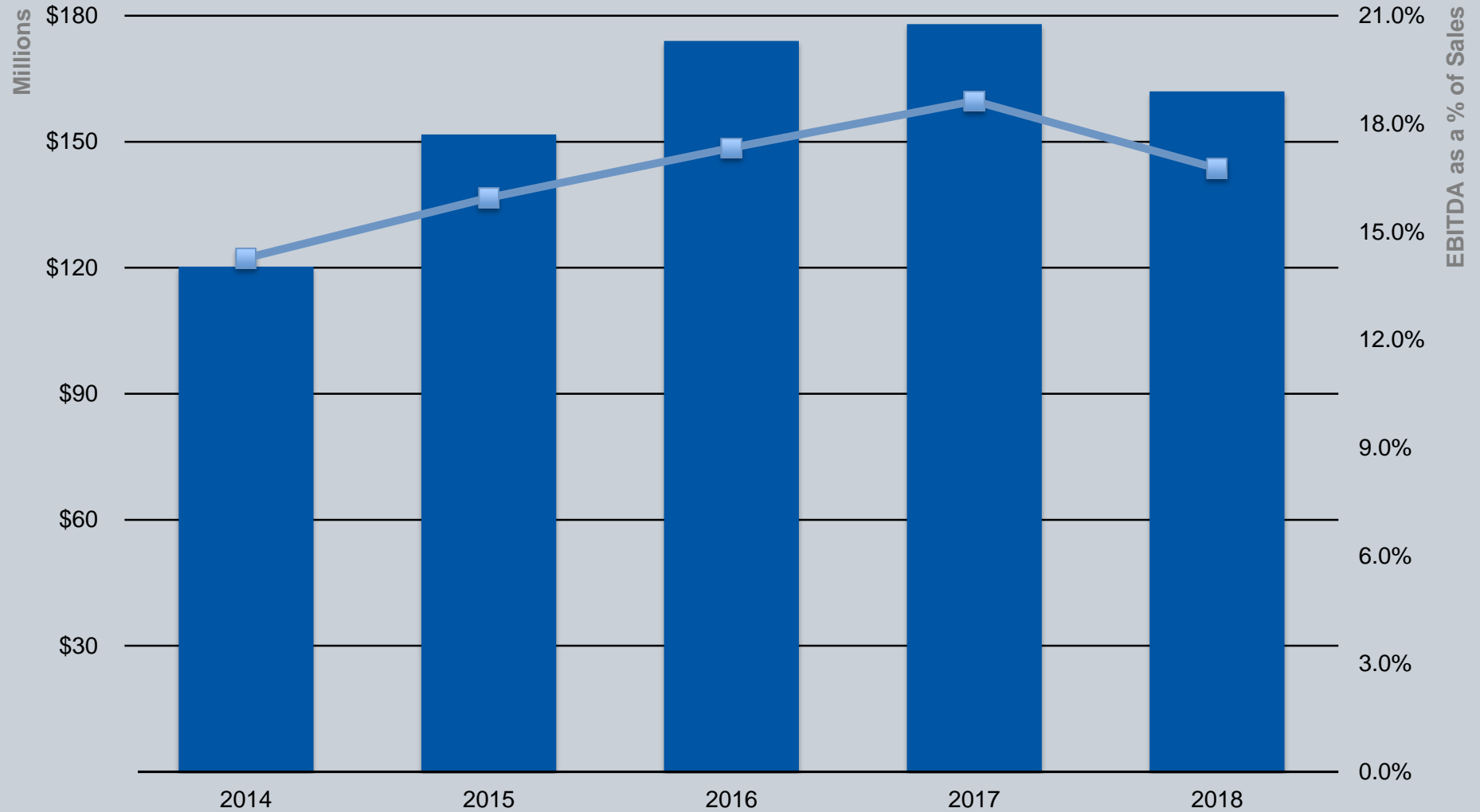
# FINANCIAL SUMMARY

## GROSS PROFIT



# FINANCIAL SUMMARY

## EBITDA



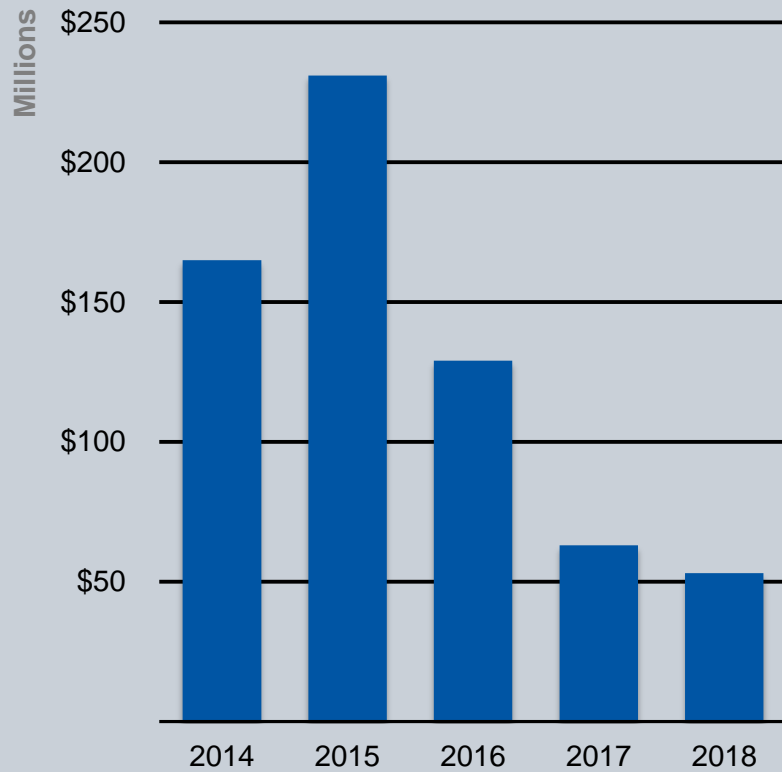


# FINANCIAL SUMMARY

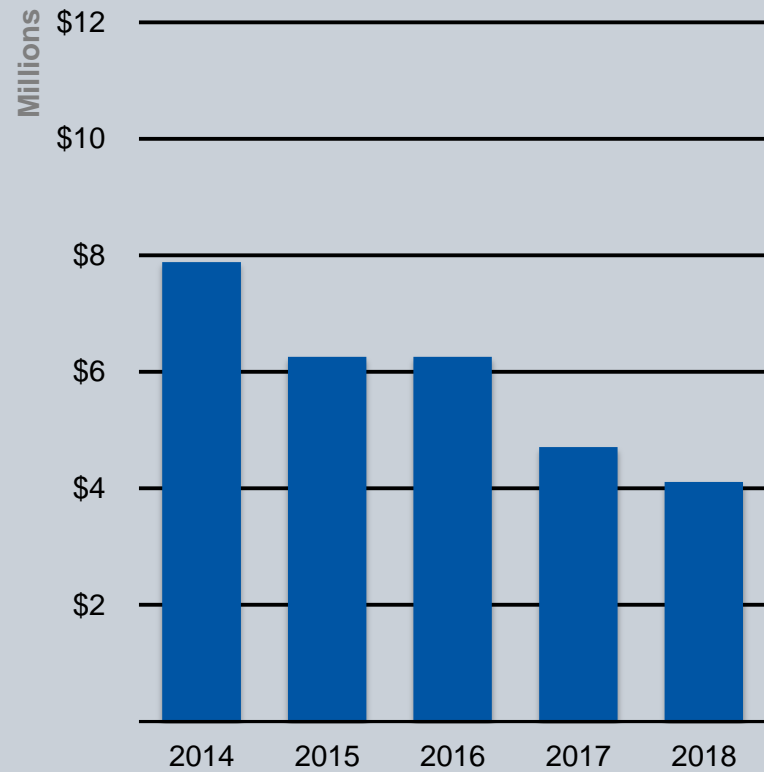
## DEBT AND INTEREST EXPENSE



### Debt

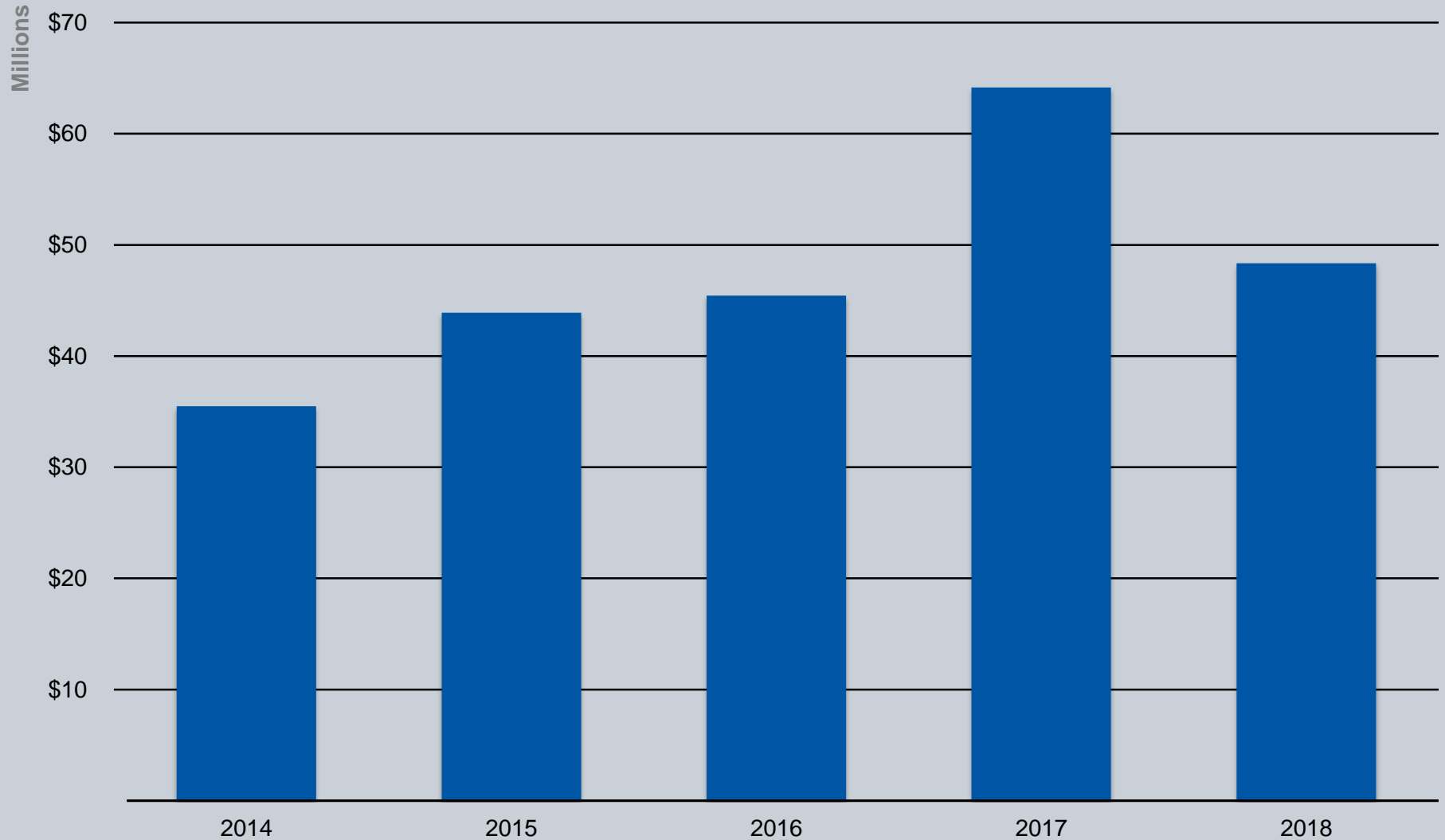


### Interest Expense



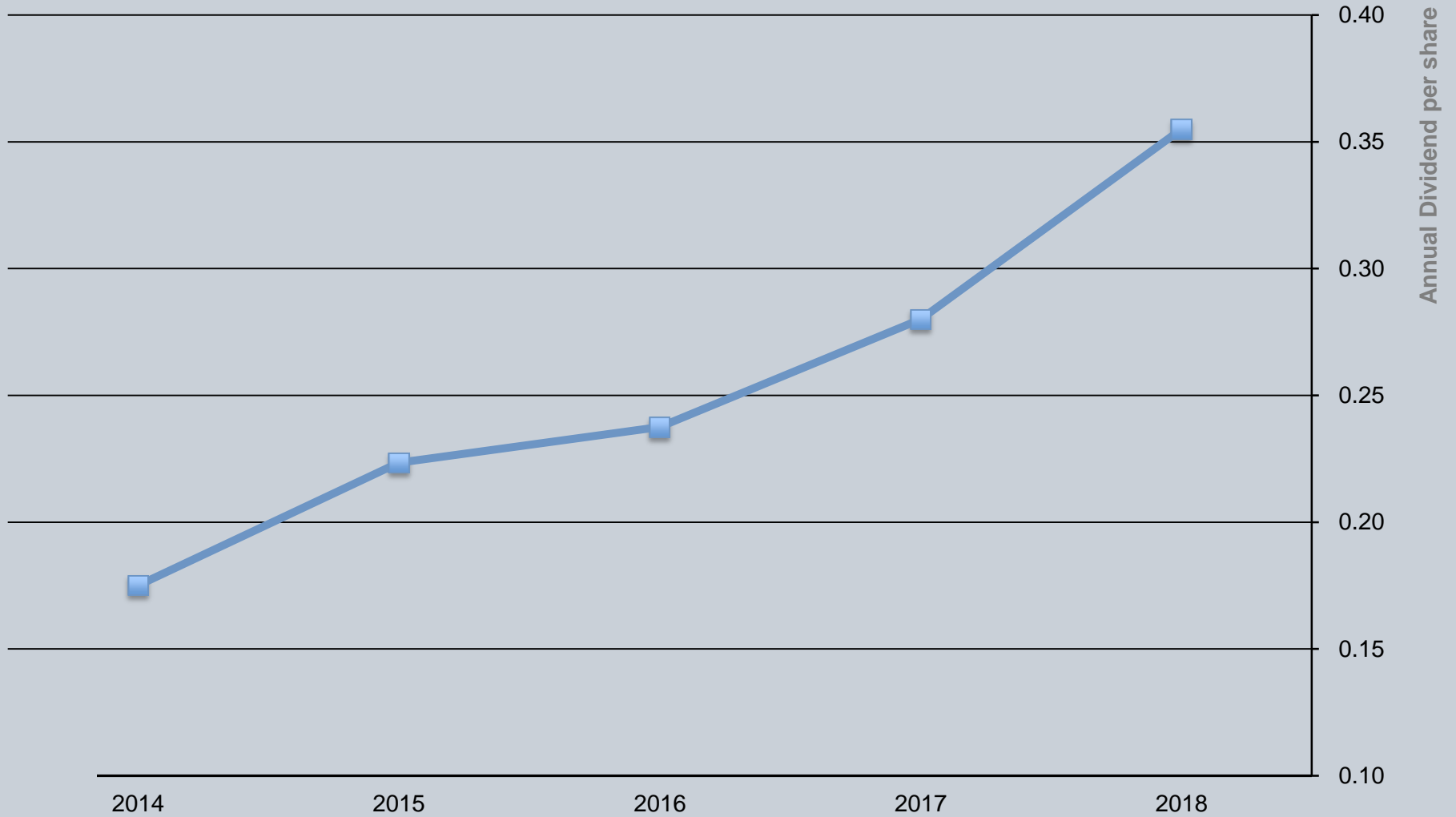
# FINANCIAL SUMMARY

## CAPITAL EXPENDITURE



# FINANCIAL SUMMARY

## SHAREHOLDER RETURN



# BUSINESS OVERVIEW

- » Global Presence
- » Industry Update
- » Key Contract Announcements
- » Key Initiatives and Expansions
- » Core Product Groups
- » 2018 Revenues by Customer and Segment



# BUSINESS OVERVIEW

## GLOBAL PRESENCE

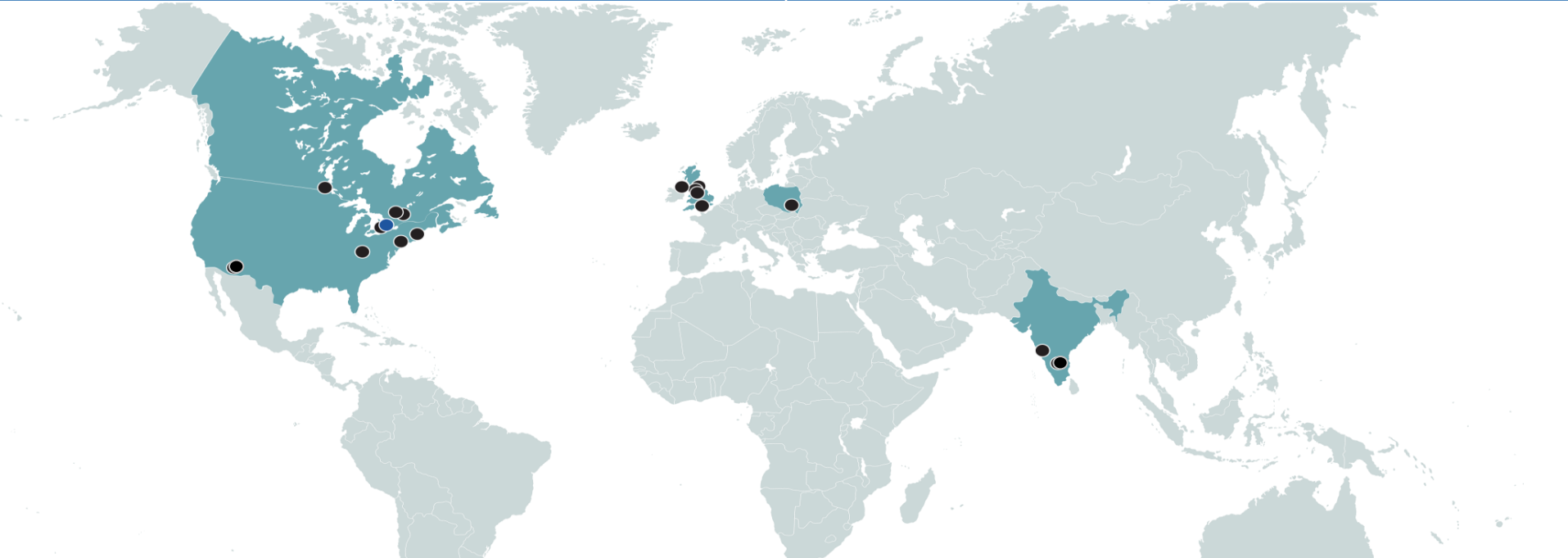


Canada

U.S.

Europe

India



- Headquarters:  
Mississauga (Toronto),  
Canada  
**TSX: MAL**

Number of Operating  
Divisions:  
**17**

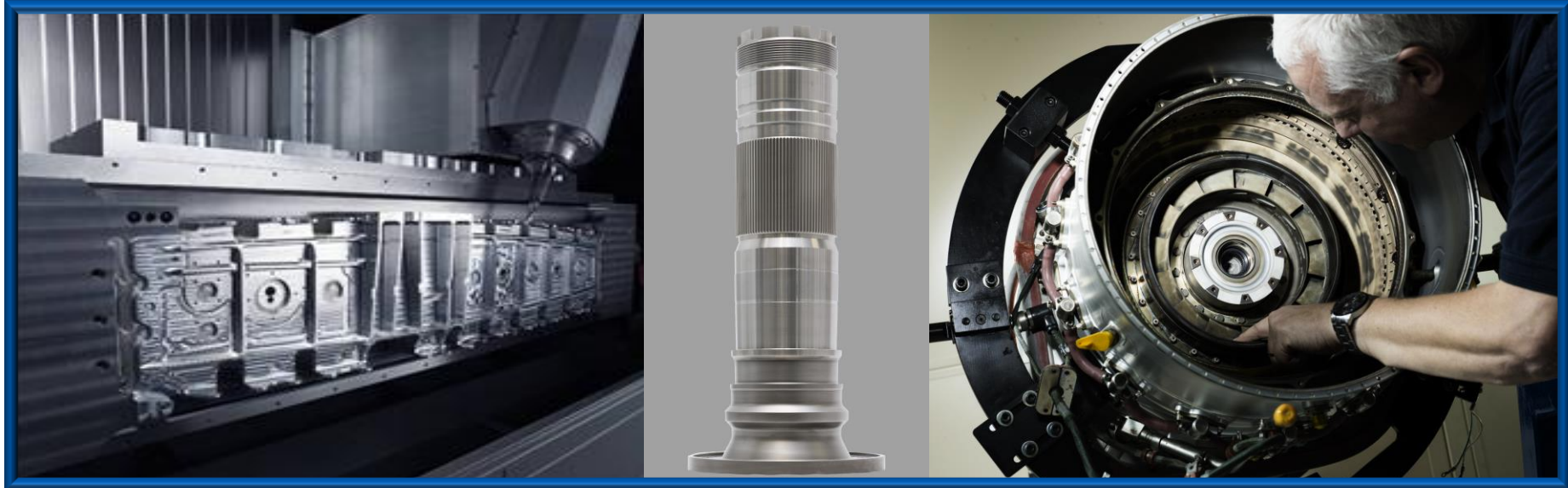
Magellan Employees:  
**3,800**



# 2018 Industry Update

# INDUSTRY UPDATE

## MARKET OVERVIEW - COMMERCIAL



Global passenger traffic increased by 6.5% in 2018.

Single aisle production rates continue to increase.

Global airlines have been profitable since 2010.

Airbus and Boeing all-time record high commercial aircraft order backlogs in 2018.

Wind down of Airbus A380 program announced.  
Boeing 737 temporary rate reduction to 42 per month.

No material change in regional, turboprop and rotorcraft markets.

# INDUSTRY UPDATE

## MARKET OVERVIEW - DEFENCE



Global defence spending grew by 4.9% in 2018 reaching US \$1.78 trillion.

US DOD spending increased by 7% in 2018. Funding increases are focused on fleet modernization and improved defence readiness.

Most NATO countries have begun to increase spending in response to emerging threats.

Lockheed Martin delivered 91 of its F-35 Lightning II aircraft in 2018 and is set to deliver 130 aircraft in 2019.





# 2018 Key Contracts Announcements

# KEY CONTRACTS ANNOUNCEMENTS 2018



Magellan announced strategic contracts/milestones in key sectors including:

**AIRBUS**

**CASTINGS AND SHAFTS**

**PRATT & WHITNEY**

**PUBLIC SERVICES AND  
PROCUREMENT CANADA**

**ATLAS ELEKTRONIK**

**BOEING**

**HAMILTON SUNDSTRAND**



# 2018 Key Initiatives and Expansions

# KEY INITIATIVES AND EXPANSIONS

## 2018

### Magellan announcements and updates:

The **Mississauga business** will be fully operational in a “build to suit” facility in 2019.



Expansion of our **Aerostructures and Aeroengine** capabilities in India with a \$28 million investment.

In 2019, Magellan increased its investment in **Triveni Aeronautics Pvt** from 49% to 75%.



# BUSINESS OVERVIEW

## CORE PRODUCT GROUPS

### Repair and Overhaul

- » PT6 Engine
- » J85 Engine
- » F404 Engine
- » Component Repair



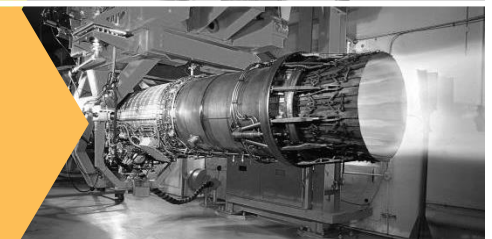
### Aerostructures

- » Machining, Assembly & Kitting
- » Design & Systems Integration
- » Aluminum, Titanium & Composites



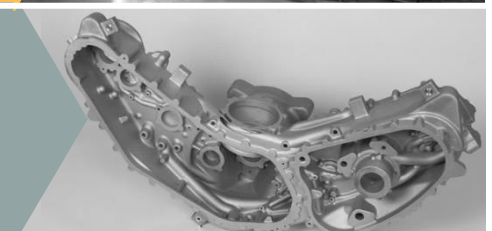
### Aeroengines

- » Machining & Assembly
- » Fabrications
- » Castings
- » Technology Development



### Sand Castings

- » Aerostructures
- » Aeroengines



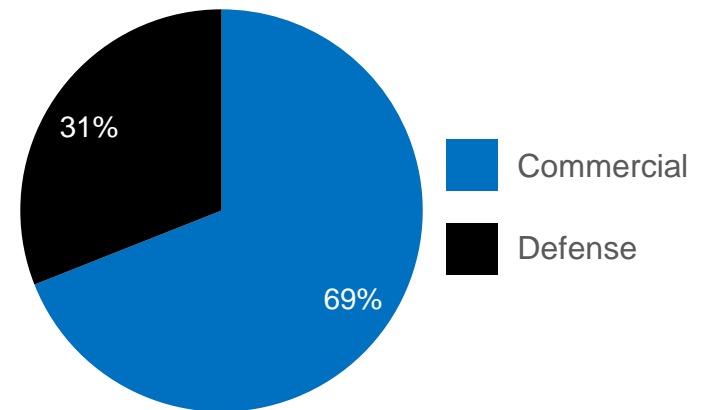
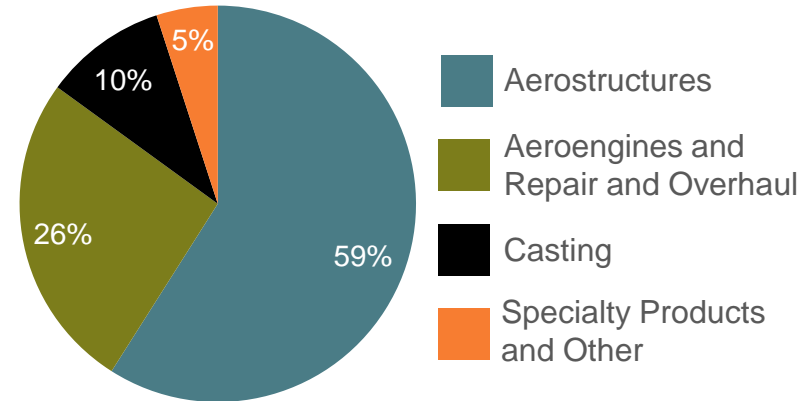
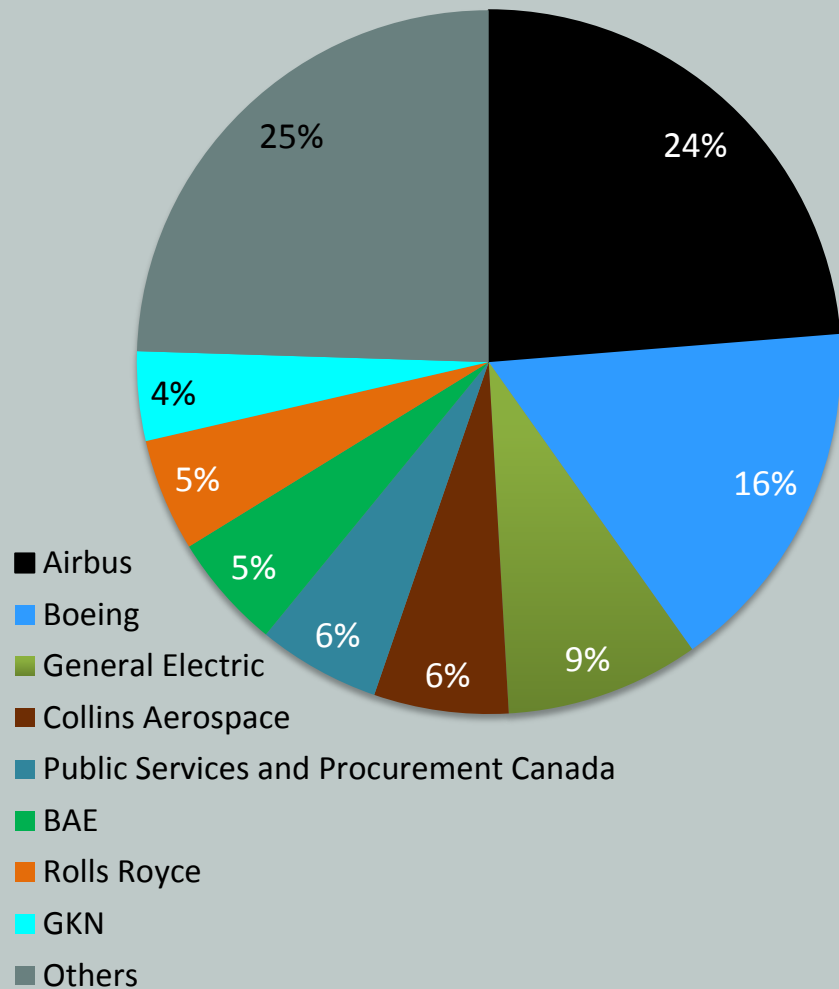
### Specialty Products

- » Wire Strike Protection Systems™
- » Black Brant Rockets
- » CRV7 Rocket Weapon Systems
- » Small Satellites



# BUSINESS OVERVIEW

## 2018 REVENUES BY CUSTOMER AND SEGMENT



# VISION AND STRATEGY

- » Vision and Mission
- » The Challenges
- » Business Transformation



# VISION AND STRATEGY

## VISION, MISSION AND VALUES

### VISION

To be the supplier of choice to the global aerospace industry

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### MISSION

By setting the standard in quality, delivery, innovation and value

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### VALUES

**Integrity:** Deliver our commitments

**Respect:** Everyone is important

**Innovation:** Finding ways to do things better

**Ethics:** Act ethically in all we do

**Collaboration:** Work together to succeed

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### Current environment

Growing and maturing competition from global low cost sources.

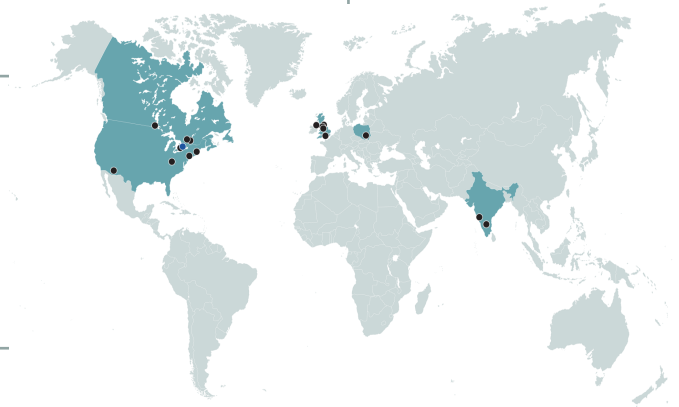
Uncertain global political climate.

Competitive pricing and customer expectations to deliver price reductions.

Stakeholder expectations.

Customer demands on quality and delivery performance.

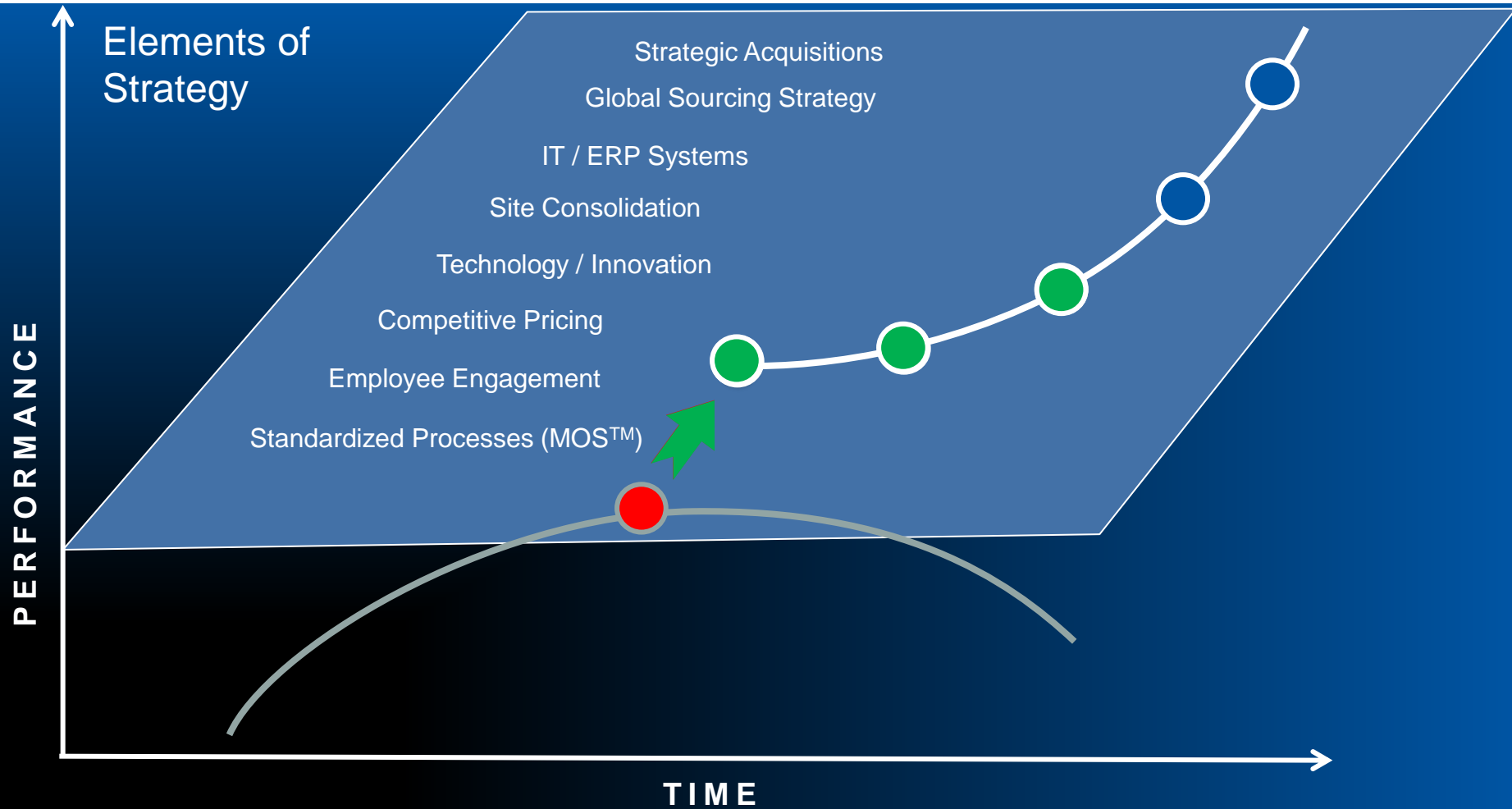
Securing strategic acquisitions.



To ensure that we maintain a sustainable performance, we have to implement our plan that delivers stepped changes in operational cost performance and embraces the principles of MOS™.

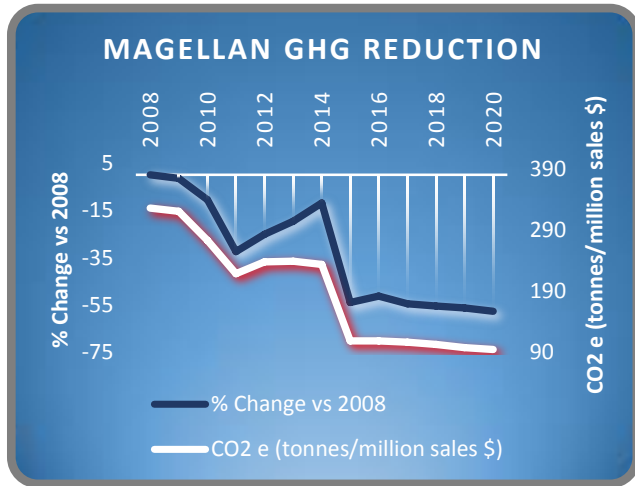
# VISION AND STRATEGY

## JUMPING THE CURVE – BUSINESS TRANSFORMATION



Source: B. Richards, Schulich School of Business, 2015

## MAGELLAN STEWARDSHIP 2018



Magellan reduced carbon footprint by over 50% since taking early action in 2008.



Magellan presented the 2018 Welsh Apprenticeship Award for Large Employer of the Year for exceptional support of the apprentices Magellan works with.

Magellan internal zero defect awards passed on to local charities.



## 2018 ACHIEVEMENTS

- Balance Sheet remains strong allowing flexibility to fund future growth opportunities.
- Investments in information technology infrastructure, SAP and advanced manufacturing equipment
- Established programs to achieve zero defects and 100% on-time delivery.
- Significant expansion of our low-cost sourcing footprint in India and Europe.
- Secured significant new business and contract renewals.
- Demonstrated corporate citizenship

# MAGELLAN

## Q&A