

AGM 2016



# MAGELLAN AEROSPACE 2015

# 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).

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N. MURRAY EDWARDS, CHAIRMAN OF THE BOARD

# BUSINESS MEETING AGENDA

- » Welcome and Remarks
- » Receipt of Financial Statements for 2015
- » Election of Directors
- » Appointment of Auditors
- » Other Business

PHILLIP C. UNDERWOOD  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

# HIGHLIGHTS FOR 2015

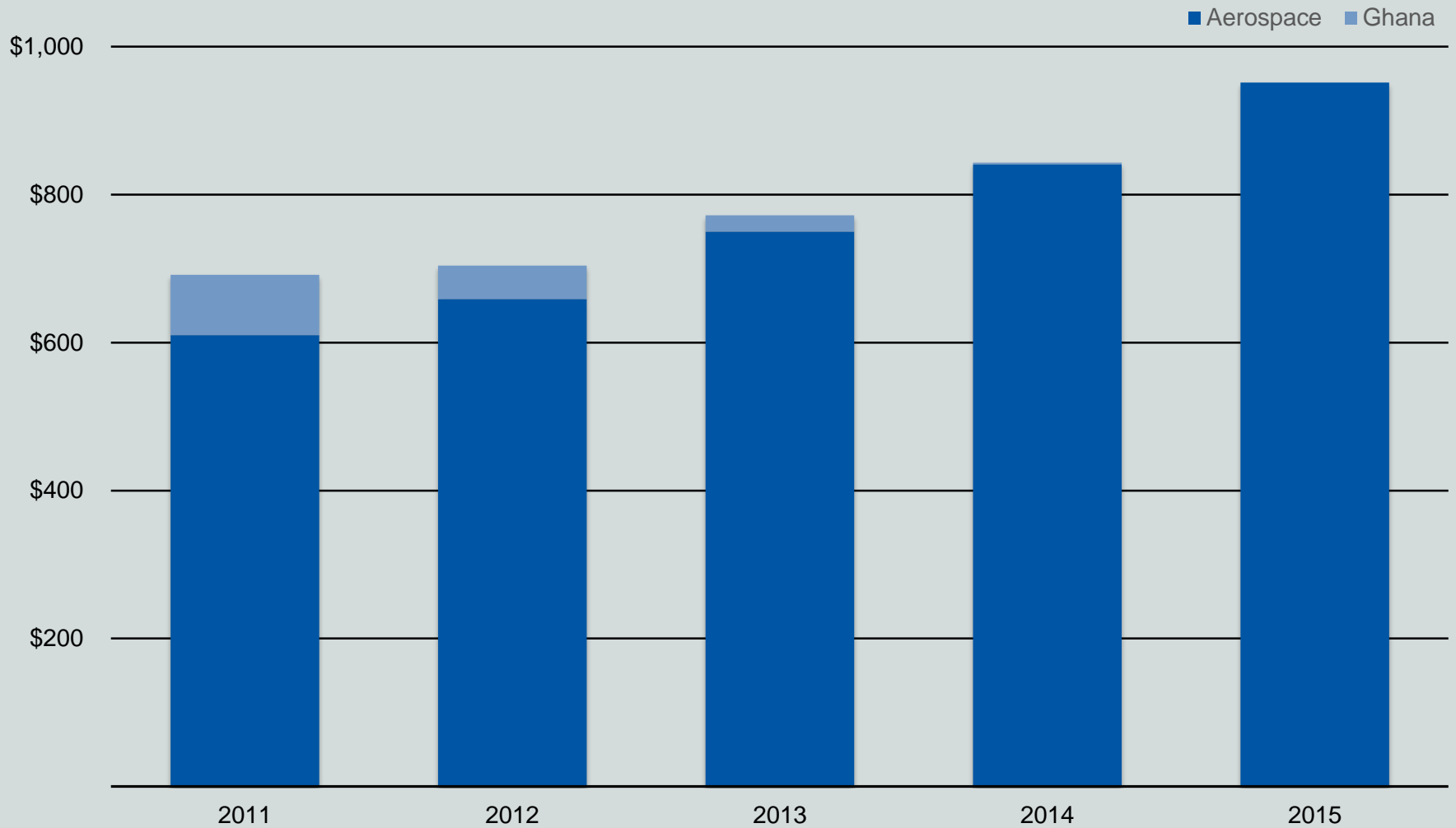
- » Financial Summary
- » Business Overview
- » Vision and Strategy

# FINANCIAL SUMMARY

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

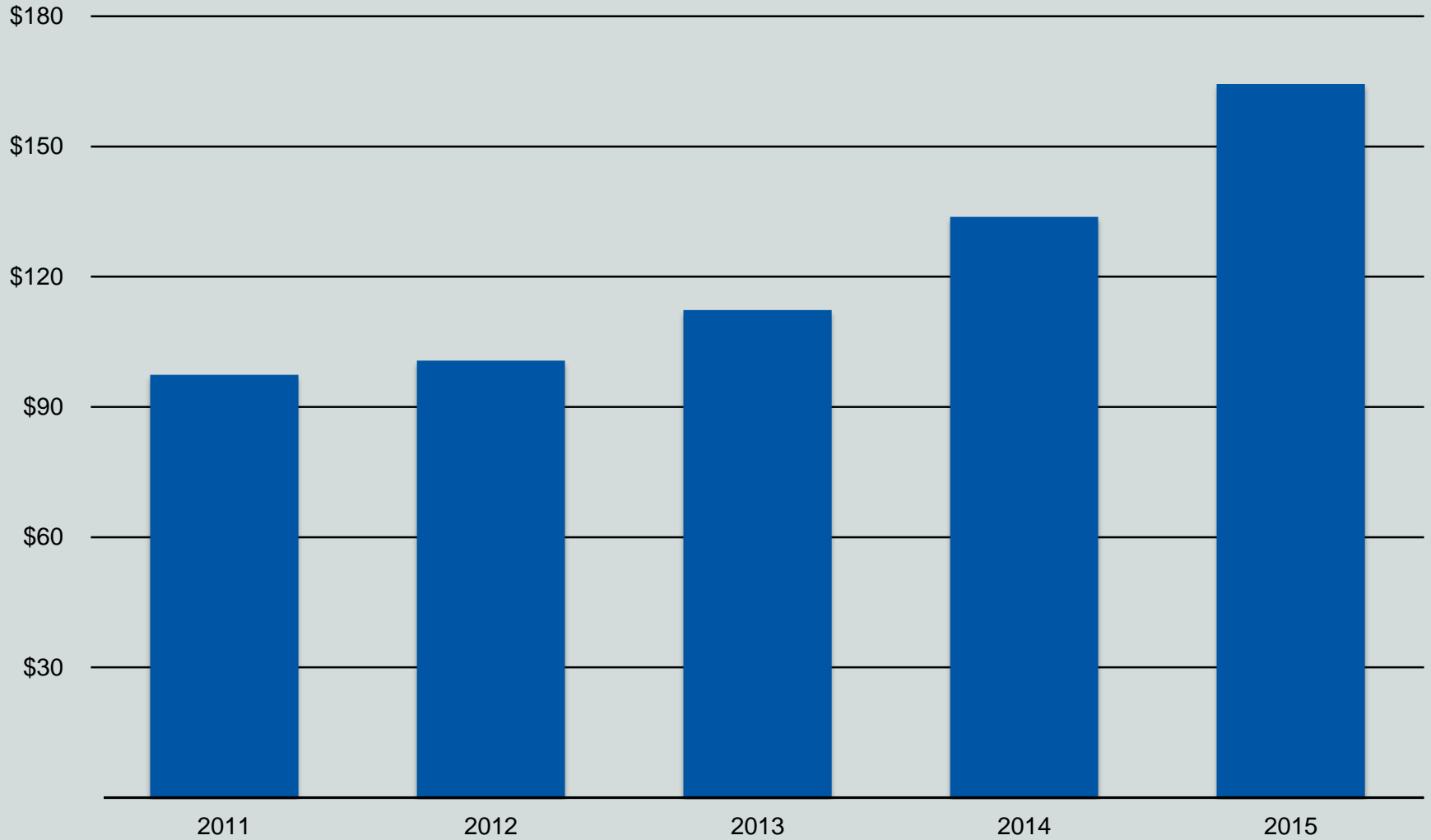
# FINANCIAL SUMMARY

## REVENUE



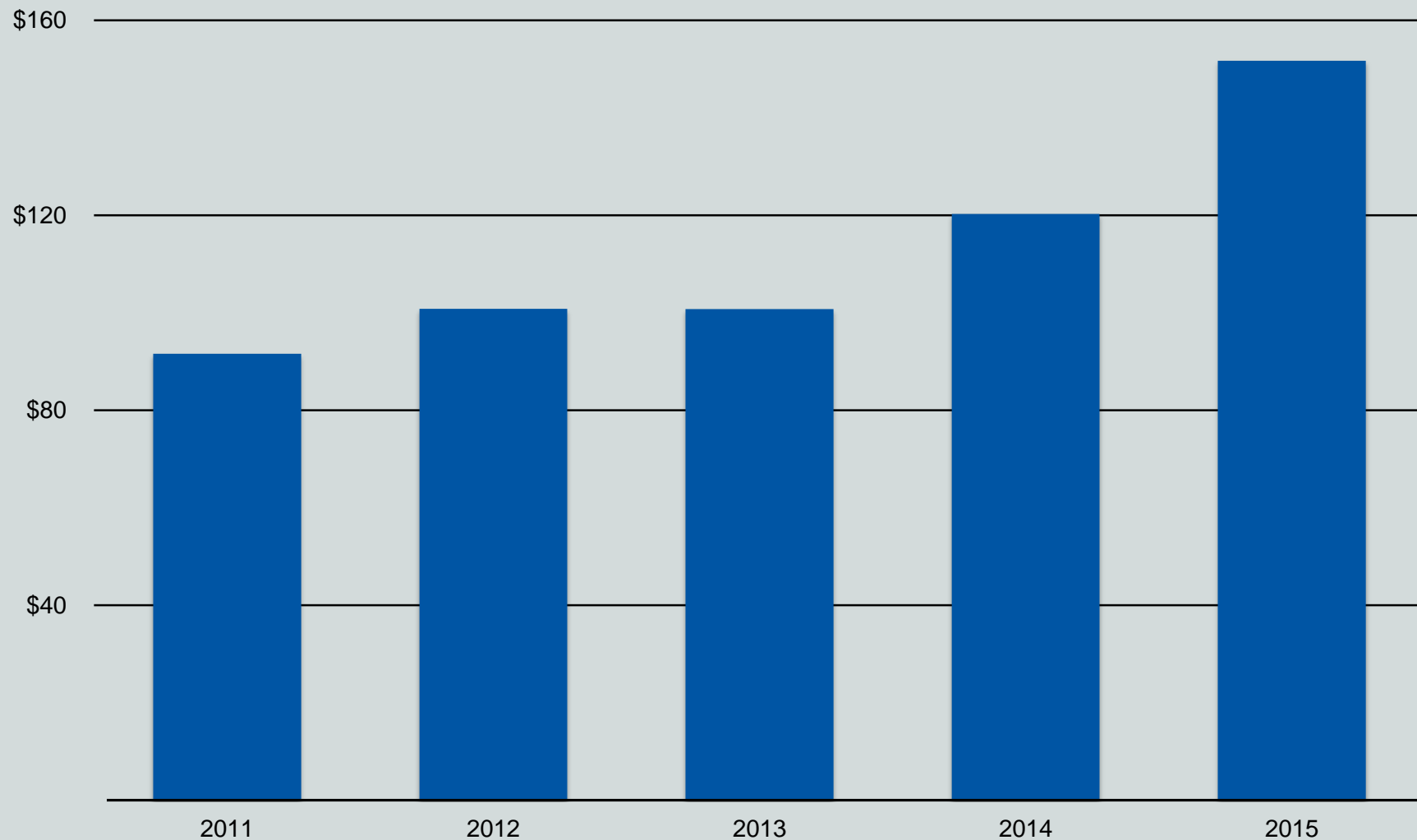
# FINANCIAL SUMMARY

## GROSS PROFIT



# FINANCIAL SUMMARY

## EBITDA



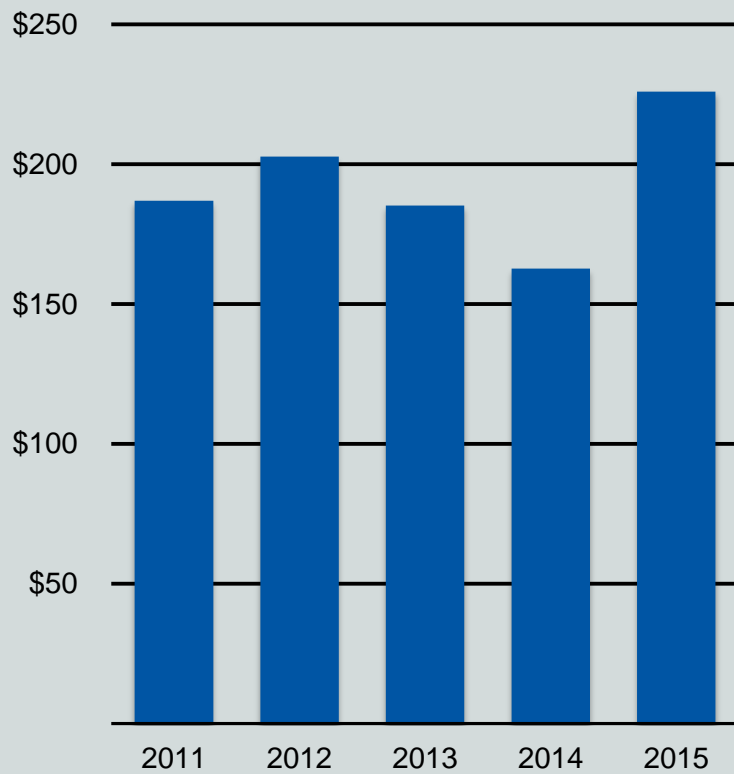


# FINANCIAL SUMMARY

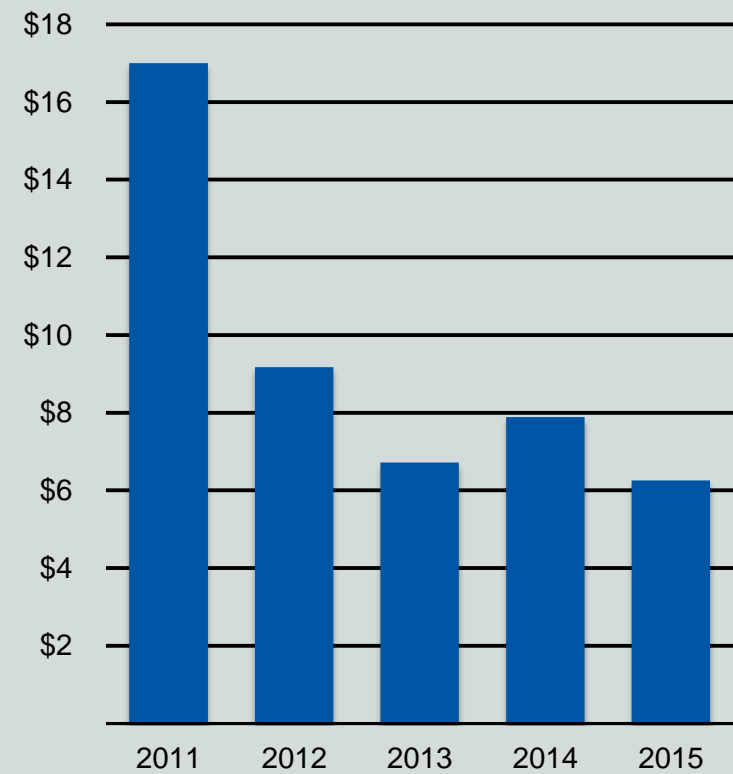
## DEBT AND INTEREST EXPENSE



### Debt

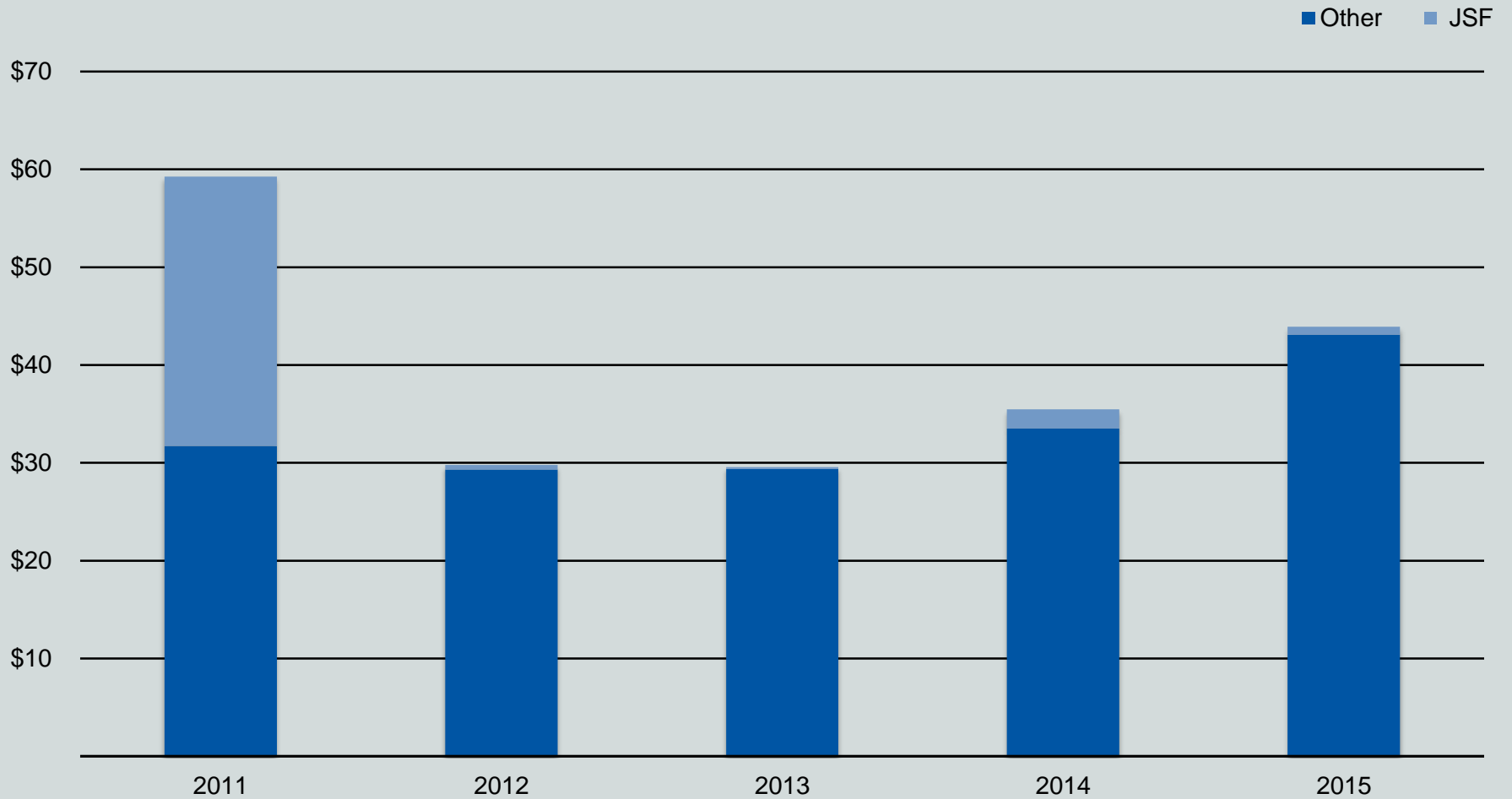


### Interest Expense



# FINANCIAL SUMMARY

## CAPITAL EXPENDITURE



# BUSINESS OVERVIEW

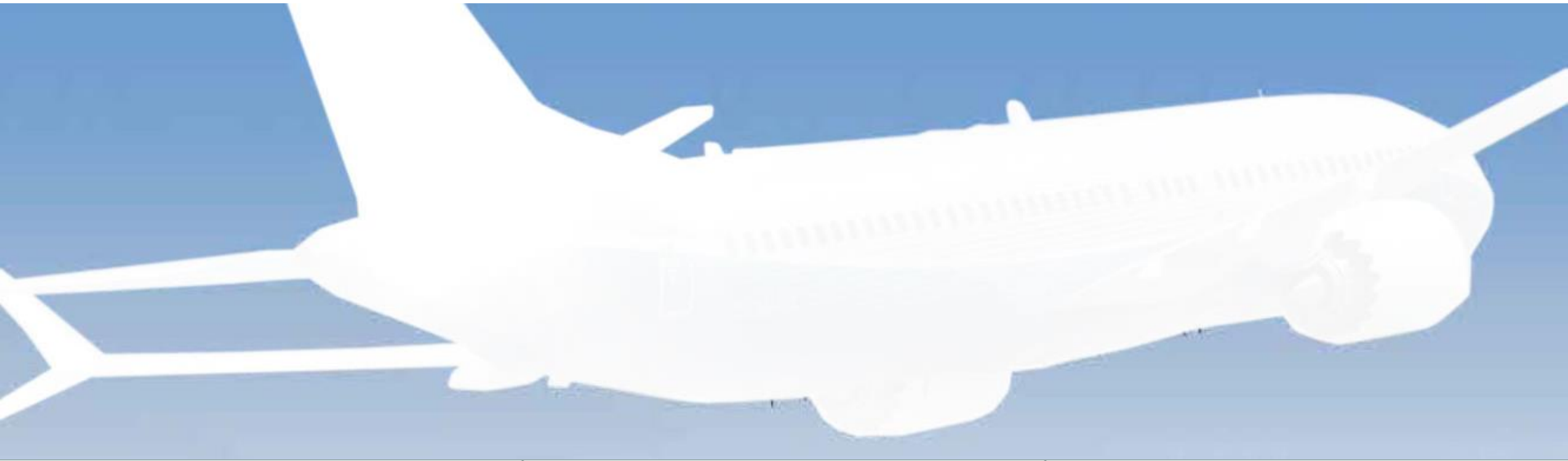
- » Industry Update
- » Global Presence
- » Key Contract Announcements
- » Key Acquisitions and Expansions
- » Core Product Groups
- » 2015 Revenues by Customer and Segment



# 2015 Industry Update

# INDUSTRY UPDATE

## MARKET OVERVIEW - COMMERCIAL



Majority of key indicators for the commercial and airline market **project growth**.

**Strong, growing market** being driven by expansion

Global passenger traffic – **up 6.5% in 2015**

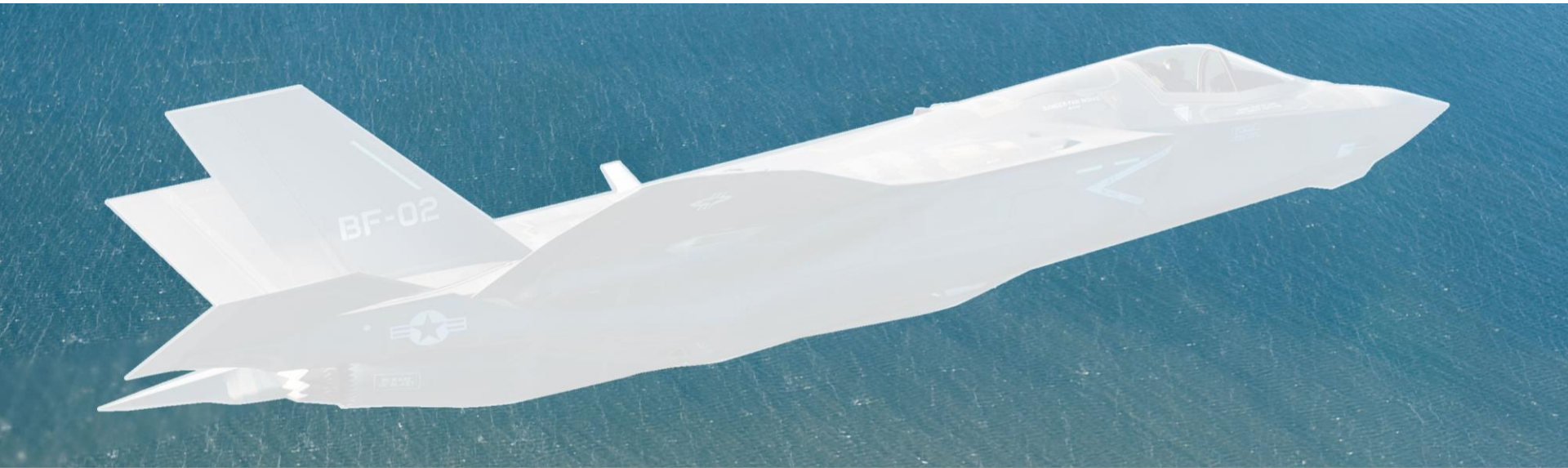
Airline **profitability up** – highest since 2010

Airbus and Boeing will maintain or **increase production rates** in 2016-2017

Regional and turboprop markets **are trending downward** and are sluggish

# INDUSTRY UPDATE

## MARKET OVERVIEW - DEFENCE



Total defence budget of the 50 largest defence spenders exceeds \$1.6T USD per year. **Five-year projected increase of 6% (\$89B).**

**Global defence budget growth is shifting to lower GDP nations.** By 2020 it is projected that the capability gap between armed forces worldwide will narrow.

Shift in defence budget corresponds with changing patterns of economic growth.

**Higher GDP nations** are responding to immediate defence priorities / threats, but **budgets under pressure for cuts.**

World's largest defence procurement, **the F-35 program, continues to grow and accelerate.**

# BUSINESS OVERVIEW

## GLOBAL PRESENCE



Canada

U.S.

Europe

India



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

Number of Operating  
Divisions:  
**17**

Magellan Employees:  
**3,500**



# 2015 Key Contracts Announcements



# KEY CONTRACTS ANNOUNCEMENTS

2015



Magellan announced strategic contracts/milestones in key sectors including:

## Pratt & Whitney Canada **\$250M CDN**

10-year agreement for the supply of complex magnesium and aluminum sand castings.

## Department of Defence **\$16M CDN**

A further years' extension to engine repair and overhaul contract for the F404 engines for Canada's fleet of CF-118 Hornet aircraft.

## MacDonald, Dettwiler and Associates (MDA)

Delivery of the first two payload modules structures for Magellan's contract on the Canadian Space Agency's RADARSAT Constellation Mission.

## Messier-Bugatti-Dowty (MBD)

### **\$80M CDN**

A follow-on contract to provide nose and main landing gear assemblies to Messier-Bugatti-Dowty for major commercial aircraft customers.



A large, complex spacecraft engine assembly, likely a Space Shuttle Main Engine, is shown in a dark, industrial setting. The engine is suspended by yellow lifting straps. It features a prominent yellow band with the word "SHUTTLE" and "ION CYCLE LOAD OPERATION" visible. The engine is highly detailed with various pipes, valves, and structural components.

# 2015 Key Acquisitions and Expansions

# KEY ACQUISITIONS AND EXPANSIONS

## 2015

### Magellan announced:

Opening of a new, advanced precision machining facility in Mielec, Poland in support of our customers' growing demand for globalization.

Opening of an Advanced Satellite Integration Facility in Winnipeg, Manitoba to satisfy the requirements of current and future satellite programs.

Acquisition of Lawrence Ripak Co. Inc. and Ripak Aerospace Processing LLC, a New York-based processing facility with over 400 customers worldwide

Acquisition of Euravia Engineering & Supply Co. Limited, a UK-based maintenance, repair and overhaul company with global customers.



# BUSINESS OVERVIEW

## CORE PRODUCT GROUPS



### Repair and Overhaul

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



### Sand Castings

- » Aerostructures
- » Aeroengines



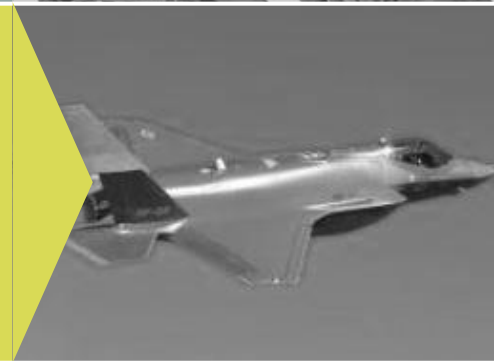
### Specialty Products

- » Wire Strike Protection Systems™
- » Industrial Power Generation Systems



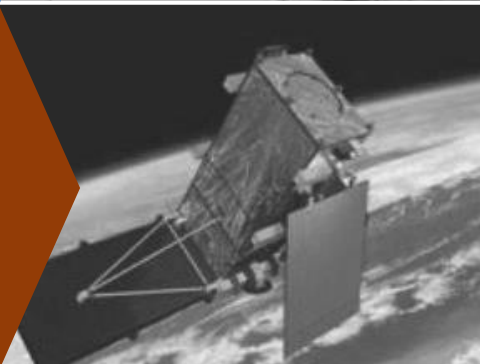
### Aerostructures

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



### Rockets & Space

- » CRV7 Rocket Weapon Systems
- » Black Brant Rockets
- » Small Satellites



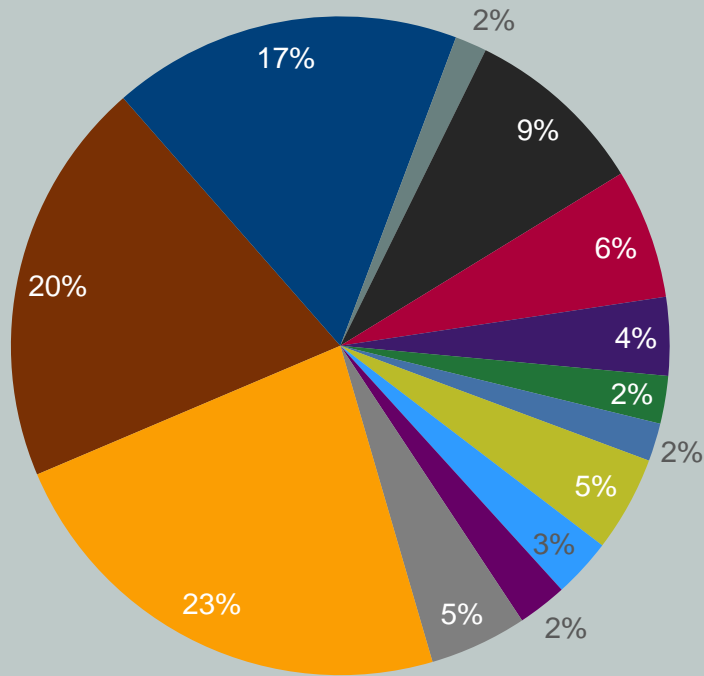
### Aeroengines

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

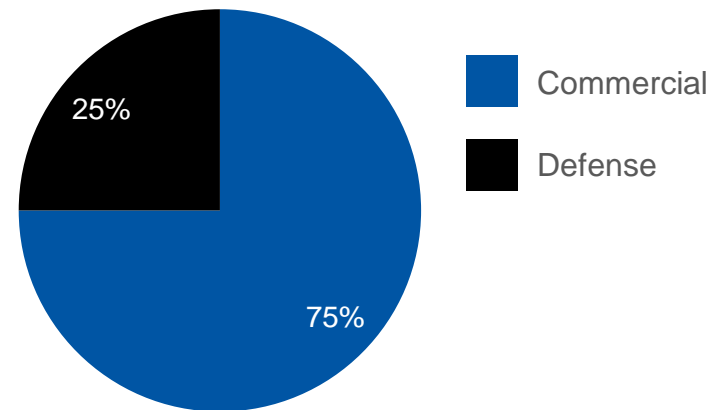
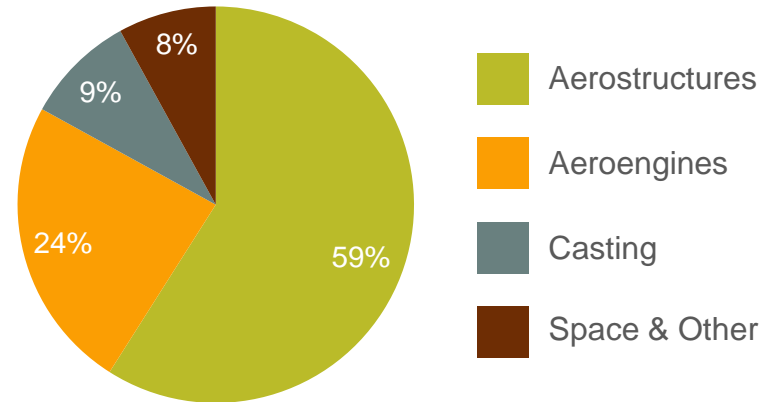


# BUSINESS OVERVIEW

## 2015 REVENUES BY CUSTOMER AND SEGMENT



- Airbus
- Boeing
- Honeywell
- General Electric
- Rolls Royce
- Canada Space Agency (Military)
- Pratt & Whitney
- Aircelle
- UTAS
- BAE
- MacDonalD Dettwiler
- GKN
- Others



# VISION AND STRATEGY

- » The Challenges
- » Jumping the Curve is “Anticipatory Change”
- » Jumping the Curve – Actions
- » Strategic Alignment with Customer
- » Low Cost Sourcing
- » Magellan Business Development

Over the next 5 years, Magellan will face a number of significant challenges:

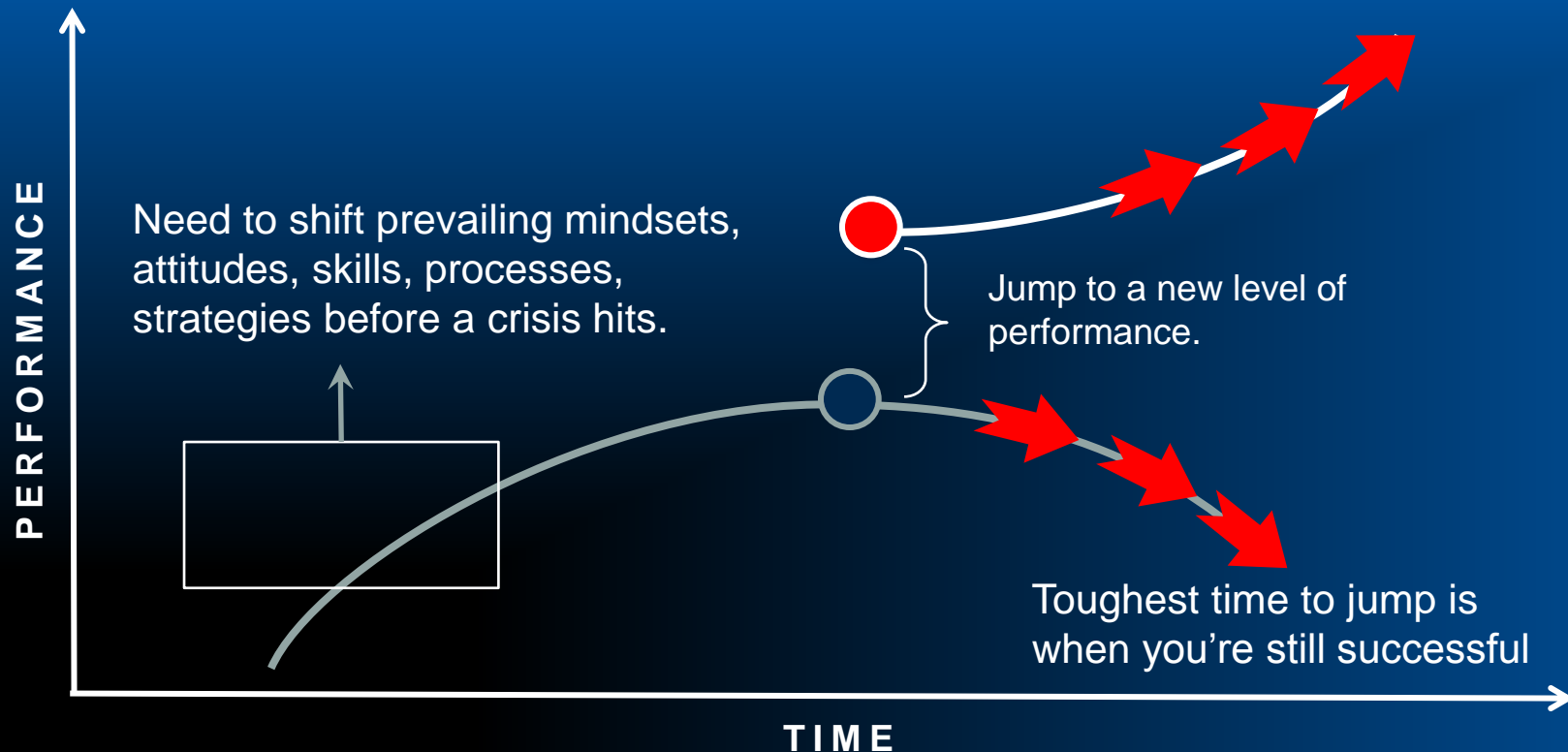
Significant competition from global low cost sources.	General inflation/wage inflation of 1-2% per year.	Pressure to have a vertically integrated business.
Corporate/Shareholder requirements to increase profits.	Customer pressures to deliver price reductions and quality/delivery performance improvement.	Revenue growth.

To ensure that we maintain a sustainable performance into the 2020's, we have to develop a plan that delivers stepped changes in operational cost performance and embraces the principles of MOS™.

# VISION AND STRATEGY

## JUMPING THE CURVE IS “ANTICIPATORY” CHANGE

Organizations need to “jump” to new levels of performance to sustain long-term success.

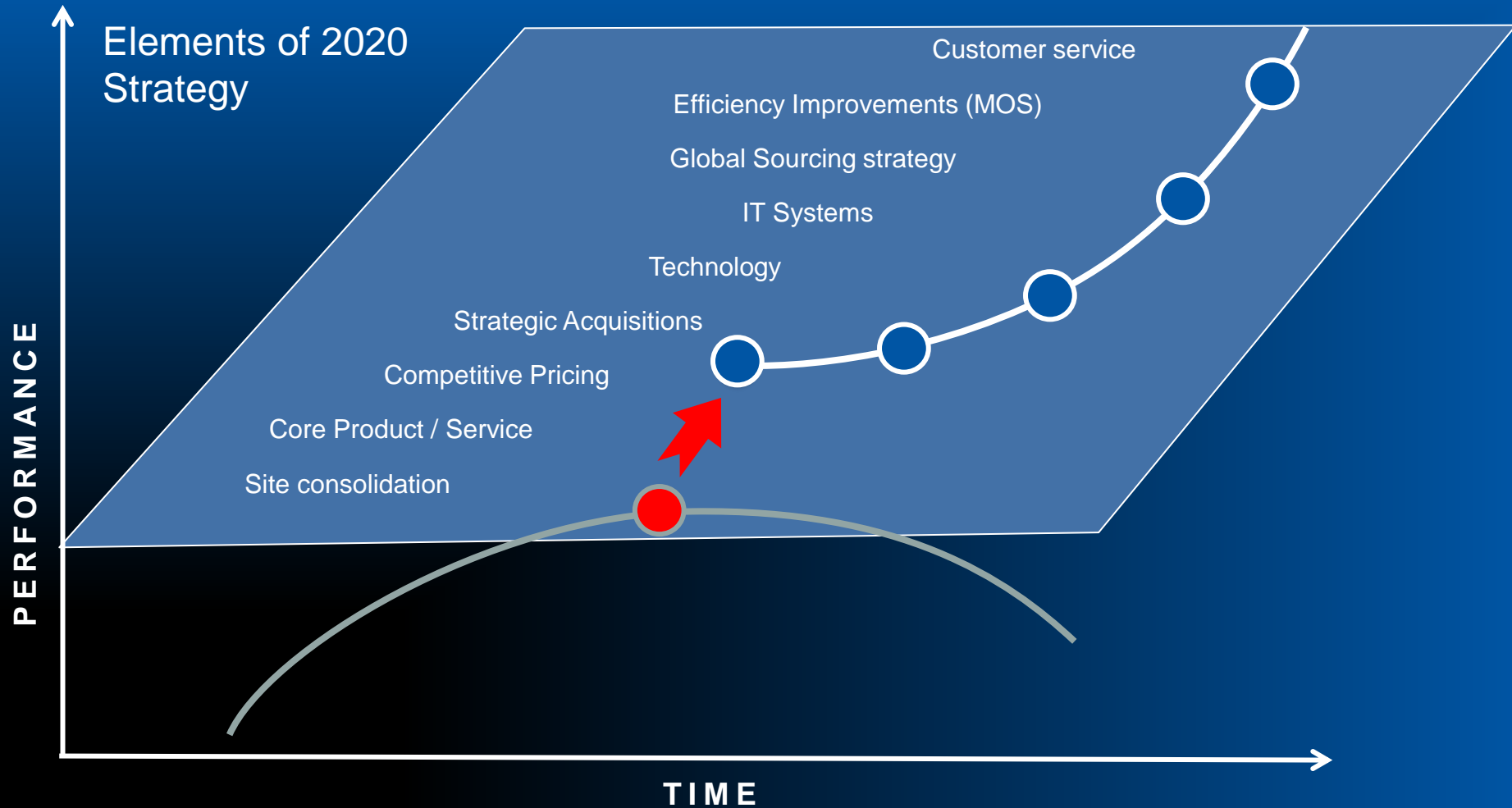


Source: B. Richards, Schulich School of Business, 2015



# VISION AND STRATEGY

## JUMPING THE CURVE – ACTIONS



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

# VISION AND STRATEGY

## STRATEGIC ALIGNMENT WITH CUSTOMER



Magellan  
Strategic Plan

Aligned

Customer  
Strategy

OEMs are limiting the number of suppliers in their new programs

**Strategic**  
Based on Market  
Requirements

**Integrated  
Assemblies**

**Complex  
Components**

**Detail Commodity  
Parts**

Transactional  
on P.O.  
Orders

**Focus on:**

- » Value Added
- » Vertical Integration
- » Operational Excellence
- » Collaboration

2020 Vision

Supply Chain

## The Opportunity:



- 1** Customer requirement to satisfy their offset obligations.

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- 2** An opportunity for Magellan to create a low cost supply chain to enhance the value we provide to our shareholders and customers.

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- 3** An opportunity to provide value to our customers and improve our long term strategic relationships.

## The Solution: India and Poland

1

Establish presence in India and Eastern Europe to support customers needs for global offset obligations.

2

Provide value to shareholders and customers through our joint ventures in India and by developing a cluster of low cost suppliers.

3

Provide value to customers through investment in the infrastructure to deliver on our long term strategic relationships.

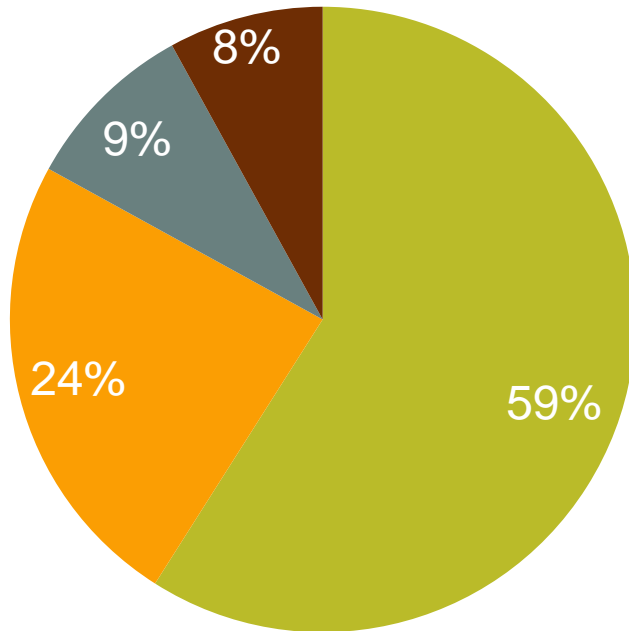


# VISION AND STRATEGY

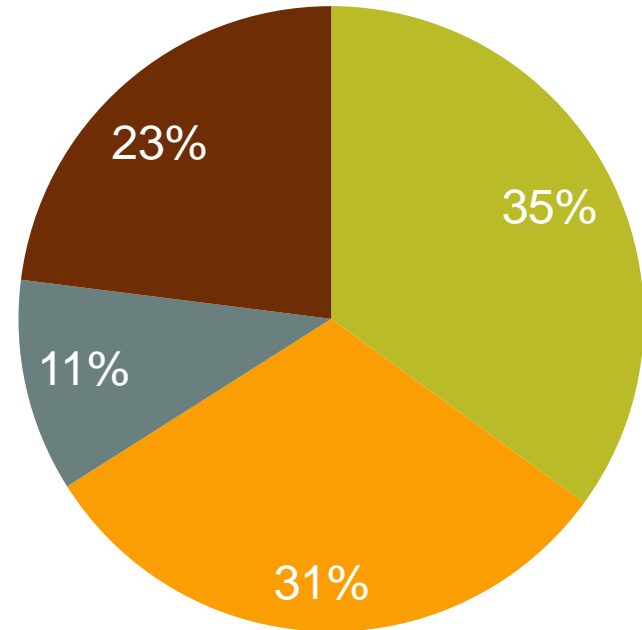
## MAGELLAN BUSINESS DEVELOPMENT



### 2015 Commodity Mix



### 2020 Balanced Growth Profile



From existing program growth

Growth needed from new sales to achieve balanced profile in 2020

- Aerostructures
- Aeroengines
- Casting
- Space & Other

## 2015 ACHIEVEMENTS

- Financial performance has been strong with underlying growth in production and deliveries
- Two strategic acquisitions and expansions in Europe and North America with a focus on globalization and value added product.
- Continued evolution of the Magellan Operating System™ (MOS™) in support of our business performance
- Expanding footprint in India and Eastern Europe and evaluation of emerging market technologies to support long-term growth opportunity with customers
- Re-aligned our resources and our organization to secure a more balanced growth portfolio in line with Magellan's core competencies and markets for defense and commercial aircraft.

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# MAGELLAN AEROSPACE 2015

Q & A