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MG.TO - Q1 2015 Magna International Inc Earnings Call

EVENT DATE/TIME: MAY 07, 2015 / 6:00PM GMT

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the first-quarter 2015 results conference call. During the presentation, all participants will be in a listen-only mode and afterwards we will conduct a question-and-answer session. (Operator Instructions). As a reminder, this conference is being recorded today, Thursday, May 7, 2015.

And I would now like to turn the conference over to Don Walker, Chief Executive Officer. Please go ahead, sir.

Don Walker - *Magna International Inc. - CEO*

Thank you. Hello, everybody, and welcome to our first-quarter 2015 conference call. Joining me today is Vince Galifi, Chief Financial Officer, and Louis Tonelli, Vice President of Investor Relations.

Yesterday, our board of directors met and approved our financial results for the first quarter, March 31, 2015. We issued a press release this morning for the quarter. You will find the press release, today's conference call webcast and our updated quarterly financial review and the slide presentation to go along with the call all at the Investor Relations section of our website at www.magna.com.

Before we get started, just a reminder that today's discussion may contain forward-looking information or forward-looking statements within the meaning of applicable securities legislation. Such statements involve certain risks, assumptions, and uncertainties which may cause the Company's actual future results and performance to be materially different from those expressed or implied in these statements. Please refer to today's press release for a complete description of our Safe Harbor disclaimer.

The first quarter of 2015 marked a solid start to the year for Magna. The strengthened US dollar negatively impacted our reported sales and earnings. However, our operations performed well. All four of our geographic reporting segments posted increased year-over-year adjusted EBIT margin percentages. North America posted an adjusted EBIT percentage of close to 10% once again. In Europe, we hit a 4% margin in the quarter while, in Asia, adjusted EBITDA margin rose to 9.7%. In our rest of world segment, which currently represents our South American operations, posted an adjusted EBIT loss of only $4 million.

We announced last month that we had signed an agreement to sell substantially all of our interiors operations to Grupo Antolin. The purchase price for the operations, excluding certain assets, is approximately $525 million subject to closing adjustments. Note that we are talking about interiors, not our seating operations, which we operate as a completely separate global operating unit. The transaction includes 36 manufacturing operations and about 12,000 employees. In 2014, sales for those operations totaled approximately $2.4 billion.

The transaction is consistent with the strategy that we have been communicating for some time now. We are refining our product portfolio to focus on certain key areas of the vehicle. We have taken other similar portfolio actions recently.

Last year, we sold a non-core composites business that had a large amount of heavy truck and non-item line of business. We announced earlier this year that we have reached an agreement to sell our battery pack business to Samsung, the European and North American element of this business, which represent the larger portions closed earlier this week.

At the same time, we are expanding in certain core product areas. Earlier this week, we announced that we had agreed to form a metal forming joint venture in China in which we hold a 53% stake. Our Chinese partner in the joint venture currently supplies body and white components and is a key supplier to Chongqing Ford. The partner will contribute three manufacturing facilities and we will contribute one of our new operations in the joint venture. We expect this transaction to lead to further growth in China, a key growth region for us.

Many of you have heard us talk about our key priorities of innovation, world-class manufacturing and leadership development. More recently, I have been focused on accelerating our innovation process at Magna.

Swamy Kotagiri, our Chief Technical Officer, broadly highlighted our activities in innovation today at our annual general meeting. If you didn't see this presentation and the presentation to the four innovation experts from across Magna this morning, I encourage you to watch the webcast replay on our website.

We have a lot of exciting new innovations that we are bringing to market. It is gratifying to see Magna receive industry recognition for some of our innovations. We recently won an automotive New Pace award for our PureView seamless slider window which features on the new F-150 pickup from Ford and which has gained traction with other OEMs as well.

And the Center for Automotive Management, together with PriceWaterhouseCoopers, recently presented Magna with an award for being the most innovative supplier in the drivetrain technology category. This award recognized our Flex 4 all-wheel-drive technology with significant fuel consumption savings, as well as our MILA Blue concept car presented in Geneva. The MILA Blue is a natural gas powered, A segment lightweight vehicle that produces less than 49 grams of CO_2 per kilometer. We will continue to drive new innovations and expect to be a key supplier of the car of the future for our customers.

With that, it is my pleasure to pass it over to Louis.

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

Thanks, Don, and hello, everyone. I would like to review our financial results for the first quarter ended March 31, 2015. Please note all figures are discussed today in US dollars. The slide package accompanying our call today includes a reconciliation of certain key financial statement lines between reported results and results excluding unusual items. We had no unusual items in the first quarter of 2015.

In the first quarter of 2014, we recorded restructuring charges entirely related to our European exteriors and interiors businesses, and a charge to income taxes resulting from tax reform in Austria. Together, these reduced operating income by $22 million, net income attributable to Magna by $52 million and EPS by $0.12.

The following quarterly earnings discussion excludes the impact of unusual items. In the first quarter, our consolidated sales declined 7%, or $631 million, relative to the first quarter of 2014 to $8.3 billion. The weakening of certain currencies against our US dollar reporting currency, in particular the euro and the Canadian dollar, had a significant negative impact on our reported sales for the first quarter of 2015. Foreign currency translation reduced our sales by approximately $880 million. That is compared to the first quarter of 2014. Excluding the impact of foreign currency, our total sales increased 3% in the first quarter of 2015, compared to the first quarter of 2014.

Reported North American production sales increased 1% in the first quarter to $4.5 billion despite the marginal decline in vehicle production to 4.1 million units. The increase is the result of the launch of new programs, partially offset by lower production volumes on certain programs, the weakening of the Canadian dollar against the US dollar, net divestitures and net customer price concession.

Reported European production sales declined 17% from the comparable quarter while European vehicle production declined marginally to 5.1 million units. The decline was the result of the weakening of the euro and Russian ruble against the US dollar, lower production volumes on certain existing programs, programs that ended production during or subsequent to the first quarter of 2014, and net customer price concessions. These factors were partially offset by the launch of new programs.

Asian production sales increased 10% or $40 million to $421 million over the comparable quarter, primarily as a result of the launch of new programs in China. This was partially offset by lower production volumes on certain programs, the weakening of Chinese and South Korean currencies against the US dollar, programs that ended production during or subsequent to the first quarter of 2014, and net customer price concessions.

Rest of world production sales declined 17%, or $26 million, to $131 million for the first quarter, primarily as a result of lower production volumes in certain programs, the weakening of the Brazilian real and Argentine peso against the US dollar, and programs that ended production during or subsequent to the first quarter of 2014. These factors were partially offset by the launch of new programs, particularly in Brazil, and net customer price increases.

Complete vehicle assembly volumes declined 23% from the comparable quarter. Assembly sales declined 28% to $584 million, largely due to the negative impact of the weakening of the euro against the US dollar and a decline in assembly volumes in the MINI Countryman, partially offset by an increase in assembly volumes for the Mercedes-Benz G class.

In summary, consolidated sales, excluding tooling, engineering, and other sales, declined approximately 7%, or $621 million, in the first quarter but actually increased modestly if you exclude approximately $800 million associated with foreign exchange. Tooling, engineering, and other sales declined marginally from the comparable quarter to $559 million. And that decline largely relate to foreign-exchange translation.

Gross margin in the quarter increased to 13.8% compared to 13.4% in the first quarter of 2014. The increase in gross margin percentage was primarily due to productivity and efficiency improvements at certain facilities, a decrease in complete vehicle assembly sales, which have a higher material content than our consolidated average, and these items were partially offset by operational inefficiencies at certain facilities, lower recoveries associated with scrap steel, higher rummage costs (technical difficulty) increasing from the proportion of tooling, engineering, and other sales relative to total sales that have low or no margins and a greater amount of employee profit sharing.

Magna's consolidated SG&A as a percentage of sales was 4.3% for the first quarter of 2015 compared to 4.7% recorded in the first quarter of 2014. SG&A declined $70 million to $355 million in the first quarter of 2015 primarily due to the weakening of certain currencies against the US dollar and the elimination of [strong] company fees at the end of 2014.

Our operating margin percentage was 7.6% in the first quarter, compared to 6.7% in the first quarter of 2014. This increase substantially relates to the higher gross margin and lower SG&A percentages, partially offset by higher depreciation as a percentage of sales and higher interest expense.

In Q1 2015, our effective tax rate was essentially level at 26.5% compared to 26.4% last year. Lower favorable audit settlements and an increase in permanent items was largely offset by a reduction in losses not benefited in Europe, South America, and Asia.

Net income attributable to magna increased $20 million to $465 million for the first quarter of 2015 compared to $445 million in the comparable quarter. Diluted EPS increased 12% to $1.12, a first-quarter record compared to $1 in the first quarter of 2014. The increase in diluted EPS was the result of an increase in net income attributable to Magna and a decrease in the weighted average number of diluted shares outstanding during the quarter. The decrease in weighted average number of diluted shares outstanding was primarily due to the repurchase and cancellation of common shares pursuant to our normal course issuer bids.

I will now review cash flow and investment activities. During the first quarter of 2015, we generated $652 million in cash from operations prior to changes in non-cash operating assets and liabilities and invested $358 million in non-cash operating assets and liabilities. For the quarter, investment activities amounted to $323 million, including $280 million for fixed assets and a $42 million increase in investments and other assets.

Our balance sheet remains strong with $1.1 billion in cash as at March 31, 2015. We also have an additional $2.2 billion in unused credit available to us. We are currently at 0.8 times adjusted debt to adjusted EBITDA and continue to target reaching the range of 1 to 1.5 times by the end of this year.

Now I will pass the call over to Vince.

Vince Galifi - *Magna International Inc. - EVP, CFO*

Thanks, Louis. And good afternoon, everyone. I will review our updated 2015 full-year outlook.

Beginning with the reporting of our second-quarter results, we will disclose the interiors business that we are selling to Grupo Antolin as discontinued operations in our financial statements.

From an income statement perspective, we will be one-lining the results of the interiors operations. Today's outlook has been prepared on a basis consistent with this upcoming disclosure. We are currently preparing other historical (technical difficulty) financial statements for the interiors operations that are included in the transaction. We will be in a position to disclose more historical financial information regarding the business in our second-quarter release. However, we are not in a position today to provide any more than the historical sales amounts that we have included in our subsequent events note.

Turning to our outlook specifics, we expect 2015 North American light vehicle production to be approximately 17.4 million units, consistent with our February outlook. In Europe, we now expect 2015 total European light vehicle production to be approximately 20.2 million units, down from about 20.4 million units in our February outlook. The decline largely reflects lower expectations for vehicle production in Russia this year.

Compared to our outlook in February, we are now assuming a slightly higher Canadian dollar and lower euro relative to our US dollar reporting currency. We have lowered our North American production sales range relative to our previous range, reflecting the removal of approximately $900 million related to interiors offset by (technical difficulty) mix and the assumed stronger Canadian dollar.

We have lowered our European production sales range, largely reflecting the removal of approximately $1.2 billion related to interiors and the impact of the weaker assumed euro. We have lowered our production sales range in Asia, reflecting $100 million of interiors business coming out and negatives associated with currency, volumes, and mix. The net result of these factors is a lowering of our consolidated production sales range to $26.4 billion to $27.7 billion. Our expected assembly sales also declined, largely reflecting the lower euro assumption.

Implicit in our total sales outlook is a decline in our expected tooling, engineering, and other sales compared to our previous outlook. This largely reflects the removal of approximately $400 million related to our interiors business.

With the exclusion of the interiors business being sold, forecasted sales in 2015 of approximately $2.6 billion, our total sales range now is $30.8 billion to $32.5 billion, down $2.3 billion at the top and bottom of the range from our previous outlook. We are now expecting our consolidated operating margin percentage for 2015 to be in the high 7% range for 2015 compared to the low to mid-7% range in our previous outlook.

Note that operating income for Magna represents pretax income before unusual items. The increase in the forecasted operating margin percentage largely reflects the removal of the interiors business from our outlook. We expect our income tax rate to be approximately 26% compared to the 25% to 26% range in our February outlook. So all in all, lower sales outlook, improved margin outlook, and no significant impact on the bottom line as a result of these changes.

For the full year of 2015, we expect fixed asset spending to be in the $1.3 billion to $1.5 billion range, down approximately $100 million from our February outlook, essentially due to removing capital spending for the interiors operations being sold.

Lastly, we expect restructuring costs for 2015, which are entirely rated to European operations, to be approximately $15 million before tax. This is down from $40 million previously expected, largely due to the deferral and the timing of restructuring one facility.

Next I would like to provide some color on our expected segment margin percentages of total sales, reflecting our updated outlook for 2015 and adjusting for the interiors operations in 2015 and 2016. For North America, we expect EBIT margin as a percentage of total sales to remain at approximately 10% for both 2015 and 2016. For Europe, we now expect the EBIT margin percentage to be in the low 4% range for 2015 and in the 4.75% to 5.25% range for 2016. This largely reflects the removal of the interiors operations from our numbers.

Our interiors operation in Asia is relatively small. Therefore, we are not revising expectations from those previously disclosed. We expect 2015 EBIT margin percentage in Asia to be approximately similar to that reported in 2014 and continue to expect to be in the 8.75% to 9.75% range by 2016.

Lastly, we were recently named Forbes Magazine's most trustworthy Large-Cap Company in America ranking number one among large-cap companies. Forbes screens more than 5,500 publicly traded North American companies to identify those that most consistently demonstrate transparent accounting practices and solid corporate governance. This is great recognition of the efforts we have made in corporate governance in recent years and of our continued focus on transparent financial disclosure to investors.

This concludes our formal remarks. Thanks for your attention today. We would be pleased to answer your questions at this time.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). John Murphy, Bank of America Merrill Lynch.

John Murphy - *BofA Merrill Lynch - Analyst*

Just a first question on the guidance and really on the topline and the margins here. If we think about it, there's three pressures on top line, the sale of interiors, ForEx, which has gone against you a bit, and then a slightly lower production line in Europe for Russia. Yet, when you adjust for all of those, it looks like you actually had a net increase absent that. What is giving you that better expectation for sales through the course of this year than you had before?

Vince Galifi - *Magna International Inc. - EVP, CFO*

It's Vince. I think you need to look at the various segments. The very first thing that we have done, as you've clearly identified, is to eliminate from our previous forecast the impact of the interiors sale. So when you back that out of North America and you look at what is left, overall, from our previous forecast to this forecast, we are seeing reported US dollar sales increasing. And that is due to, I would say, two components. One is the Canadian dollar more recently has strengthened against the US dollar. So, everything else being equal, when you are translating Canadian dollars back to US dollars, you are going to have more US dollar reported sales.

The other thing that we are seeing is we actually look at our forecasted volumes for the balance of 2015 and production in each one of those platforms, mix has changed a little bit to our favor, so that is adding some additional production sales compared to our previous forecast.

When you look at Europe, I would say that there's really two components that are impacting the change in sales from our previous forecast. One is certainly interiors, which I talked about in my formal comments. And the other is in foreign exchange. In terms of the overall reduced volume, it is not a significant impact to our forecast to forecast or outlook to outlook.

In Asia, again, about $100 million was interiors. If you back that out, we are being hurt a little bit compared to our previous outlook as a result of that fact and some lower volumes in the marketplace. So that is kind of sums up what is happening on the sales side.

On the operating margin side, we have moved our guidance up and there's a couple of reasons for that. One, our previous outlook had interiors. And if you back out about $2.6 billion of interiors sale and you back out the margin associated with that, that has a positive impact on our consolidated margin. Our interiors business was operating and is operating at a margin percent that is less than Magna's consolidated margin. And as we have gone through one quarter and we look at our operations globally, we are little bit more confident in terms of their performance for the balance of 2015. So we have moved up our guidance or implicit in our move-up in our margin guidance is some improvement in overall margins around the world.

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

I would just add, John, that the volume decline in Russia, we do have some business obviously in Russia, but it is not a big part of our business in Europe, so the decline in volumes, if any of it is due to Russia, isn't having that much of an impact on us.

John Murphy - *BofA Merrill Lynch - Analyst*

Okay. That's very helpful. And then just a second question around the European margins now that interiors has been -- or is being jettisoned. 4.75% to 5.25% for 2016 on EBIT margins is a little bit higher than what you had been targeting before. Is that the target range or could we expect something potentially higher than that as a long-term target for European margins now that interiors is going to be gone?

Don Walker - *Magna International Inc. - CEO*

I haven't taken a look at the long range. I think we are doing -- pleased with what is going on in Europe. We probably have to just take a look at that. Once we get through the interiors (technical difficulty) update the business plan, we will probably give an outlook further out on where the range might be going. So we are still on track with what we said before. If you took interiors out, it is just the change which we have talked about, but overall I am pleased with what we are achieving in Europe.

John Murphy - *BofA Merrill Lynch - Analyst*

Okay. And then just lastly, I'm just curious if you could update us on where you are on the share buyback year-to-date. And if we think about the proceeds from interiors, it is going to create a balance sheet that is even less levered than it is right now. So I'm just curious where those proceeds would go and if they would go through a similar funnel in the capital allocation process or would they go straight to share buybacks or special dividends?

Vince Galifi - *Magna International Inc. - EVP, CFO*

John, with respect to the buyback, we haven't been purchasing shares in the first quarter. We have been out of the market as a result of working on our interiors transaction that we recently announced. So, we have got a little bit of catch-up to do in terms of deploying capital.

With respect to the proceeds that we are going to receive on the sale of our interiors business, we don't have perfect certainty as to when that money is going to be coming in but, from our perspective, we are looking at plus or minus $500 million after-tax to eventually go through the same funnel. But I would think that the way you should kind of picture this for 2015 is that that $500 million is just going to be additional cash on the balance sheet unless we invest it somewhere. And we will run it through the same process for 2016 as we complete our business plans for 2015, 2017, and 2018.

John Murphy - *BofA Merrill Lynch - Analyst*

Great. Thank you very much.

Operator

Jonathan Lamers, BMO Capital Markets.

Jonathan Lamers - *BMO Capital Markets - Analyst*

I just have a question on the interiors operation that were sold. In the press releases, it states the purchase price for the operations, excluding certain assets, was $525 million. What were the assets that were excluded from the $525 million? And if they were also sold, did they have associated value?

Don Walker - *Magna International Inc. - CEO*

What was excluded is we have got some operations primarily in Europe, carpeting, for example, and a couple of other really small plants that we are going to be winding down or they are almost wound down, so we excluded those. And we have a joint venture in North America which is not included in the transaction. There are a couple of other plants that are mixes with some interiors, exteriors, so they are very small, so they really aren't material.

Vince Galifi - *Magna International Inc. - EVP, CFO*

Jonathan, what Don was clarifying is that, when we look at our interiors operations, there are some small parts of the business that we are going to be retaining.

Specifically to your question, when you look at the other assets and proceeds on that, there's some tooling assets that we are going to be able to collect on. At the time we announced this transaction, those assets amounted to about $85 million. So as money is collected, it will be transferred to us.

In terms of when we get to closing, how much that is going to be, I don't know. I don't know when this transaction for sure is going to close, but as those proceeds come in, we will get to keep that cash over and above the $525 million. Is that fair, Jonathan, for you?

Jonathan Lamers - *BMO Capital Markets - Analyst*

Yes. Thank you. Will there be a gain on the asset sales that would be subject to tax?

Vince Galifi - *Magna International Inc. - EVP, CFO*

Yes. There will be. When we look at the tax value of our investments and compare that to our proceeds, there will be a tax gain.

Jonathan Lamers - *BMO Capital Markets - Analyst*

Okay. Thank you. I just had one other question. I noticed the North American industry light vehicle production was reported down 0.4% year-over-year. Wards Automotive indicated that production was up 2% year-over-year. I was just wondering. And it looks like some of the numbers that Magna provides were restated. I was just wondering if there has been any change to the way that Magna is reporting its industry production numbers.

Vince Galifi - *Magna International Inc. - EVP, CFO*

Jonathan, I will have to have a look at that. We do -- we certainly restate the numbers when there is revisions in the previous quarters. But I will have to look a little closer at that.

Jonathan Lamers - *BMO Capital Markets - Analyst*

Okay. That's fine. Thank you.

Operator

Steve Arthur, RBC Dominion Securities.

Steve Arthur - *RBC Capital Markets - Analyst*

I just wanted to follow up on a couple of Q1 margin trends in both North America and Europe. In Europe, we saw a good step up in margins to about 4% in Q1, even including the interiors business. Is that really a function of some of the older business winding off, or can you talk about some of the drivers of that margin improvement in Q1?

Vince Galifi - *Magna International Inc. - EVP, CFO*

Yes. So you are looking at sequentially, Steve, or year-to-year? What do you want me to focus on?

Steve Arthur - *RBC Capital Markets - Analyst*

Both, I guess. I don't think we have seen anything starting with a "4" before. So anything above 4% was a good step up.

Vince Galifi - *Magna International Inc. - EVP, CFO*

I think, when you look through sequentially -- I've got sequential in front of me. Let me just look at the year-over-year before I respond to you. A little bit -- sort of the improvement is kind of lower both sequentially and year-over-year, lower launch costs year-over-year. But commodity costs have been a little bit of a tailwind.

But the biggest impact in Europe is the activities that we have been doing from a restructuring perspective and working on improving operating efficiencies, if you'll recall, we started this process two to three years ago. We have announced it. We have taken some charges. We have taken some actions and we have always said it is going to take us time for those actions to actually start to deliver results. And if you go back and look at the 2014, we saw the benefits of some of those activities, and we continue to see more and more of those benefits impacting us positively throughout -- I guess in the first quarter, anyway, of 2015.

Steve Arthur - *RBC Capital Markets - Analyst*

Okay. Good. So no one thing, but just all the actions you have been doing over the last couple of years?

Vince Galifi - *Magna International Inc. - EVP, CFO*

Yes. I look at it as it just kind of got improvements in a whole bunch of areas and it is all due to productivity improvements and restructuring activities paying off.

Steve Arthur - *RBC Capital Markets - Analyst*

And just following up on that in North America, still very strong margins, but just below 10%, dipping down from the prior quarter again. And it has done that before in Q1. But was there anything specific in there that weighed on margins in Q1 at the plan to program level or is that just normal quarterly gyrations?

Vince Galifi - *Magna International Inc. - EVP, CFO*

You know what? I think a couple of things that come up are just the level of launches in North America like sequentially Q4 to Q1, there is more launch related costs.

And the other thing that impacted us in Q1 is actually lower recovery on scrap revenues. If you sort of follow the market, steel prices have come off quite a bit. Accordingly, scrap prices have come off quite a bit. And we sell obviously engineered scrap. We have different arrangements with different customers, but that has had a negative impact on a quarter-to-quarter basis. That would have impacted margin negatively on a sequential basis. Steve, there are a whole bunch of other kind of puts and takes everywhere else, but those are the items that sort of stick out.

Steve Arthur - *RBC Capital Markets - Analyst*

Okay. Thank you. And just one quick, final question. Just the metalforming JV from China announced earlier, that sounds quite intriguing. Any sense of the order of magnitude of revenue that this thing could generate or the margin structures for it? And is that JV structure something you are interested in pursuing further in addition to the plant additions?

Vince Galifi - *Magna International Inc. - EVP, CFO*

Steve, the transaction is expected to close, again, subject to approvals, at the end of 2015 or early 2016. And if you look at kind of the impact for 2016, we are going to be consolidating an additional I think it is over $300 million in sales, US dollars sales. I am not going to specifically talk about margins, but the business that we are joint venturing and have control over is profitable, so it will be incremental to overall EBIT.

In terms of do we do more of these types of arrangements in places like China or other places, it is all really going to depend. In this situation over here, our joint venture partner had some really good relationships with some customers and it all made sense to join forces. You know, one plus one gave us three as opposed to two. So if things like that do come up, we certainly would be looking at them and potentially we may do some of the future.

Steve Arthur - *RBC Capital Markets - Analyst*

Okay. Thanks a lot for that.

Operator

(Operator Instructions). Dan Galves, Credit Suisse.

Dan Galves - *Credit Suisse - Analyst*

Just following up on the metalforming JV, how are most of the automakers doing their stamping business in China? Are they doing it in-house like they do here in North America or is there more chance for outsourcing of that activity in China?

Don Walker - *Magna International Inc. - CEO*

There is a mixture. I think if you looked at the increase in production just generally, obviously there has to be more stamping capability. There is -- we see a pretty good opportunity to continue to grow. We are launching greenfield facilities. We are getting into the casting business over there, taking some new technologies hot forming over there. So I think there is a pretty good opportunity to continue to grow. So we will be doing a combination of greenfield joint ventures. We'd consider doing a 50%/50% joint venture, but, quite frankly, we'd much prefer to have something that we can control. So it is a bit of a mixed bag, but we see good opportunities to grow.

Dan Galves - *Credit Suisse - Analyst*

Okay. Got it. And then, just on the overall organic growth of the Company, up 3% in Q1. How big of a drag was the Chrysler Minivan shutdown in Q1? And any color on how organic growth trends throughout 2015?

Vince Galifi - *Magna International Inc. - EVP, CFO*

Dan, I think, if you look at the Windsor plant, throughout 2015, it is about a $0.25 billion negative impact to sales. And with respect Q1, Louis is trying to find that number, but it certainly wasn't of that magnitude.

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

Volumes were down about 30,000 units compared to last year, which is about $80 million of sales.

Dan Galves - *Credit Suisse - Analyst*

Okay. Got it.

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

I will have a bigger impact I think in the second quarter.

Dan Galves - *Credit Suisse - Analyst*

Okay. Thanks. And any color on how growth ex-currency and ex-divestitures trends throughout 2015?

Vince Galifi - *Magna International Inc. - EVP, CFO*

Ex-currency? I guess, when you look at our outlook today, if you look at 2014 to 2015, there's two big pieces there. One is the interiors business of about $2.6 billion. The other big impact is FX, which is over a $3 billion impact from 2014 to 2015.

Dan Galves - *Credit Suisse - Analyst*

Okay. Got it.

Vince Galifi - *Magna International Inc. - EVP, CFO*

And then we have talked about previously that 2015 is kind of a stepping stone into the exciting programs that we have got taking shape in 2016 and 2017. Recall, back in January, again, this was based on a bunch of volume assumptions and FX rates and things like that, and it had (inaudible) interiors in. It didn't have this joint venture we just announced in China. But we talked about, from the end of 2015 to the end of 2017, in that two-year period, that sales were growing about $5 billion. So there's a lot of good things happening in 2016 and 2017, and we are kind of almost like pausing in 2015 for the big rush of additional sales past 2015.

Dan Galves - *Credit Suisse - Analyst*

Okay. I appreciate that. Let me just clarify that $2.6 million for interiors. So I guess I was under the impression that the headwind would be three quarters, not the full year. Is that correct?

Vince Galifi - *Magna International Inc. - EVP, CFO*

Well, assuming we saw at the end of Q3 the bottom line impact to net income, including discontinued operations, will be essentially only one quarter. But, we are going to have to start to account for interiors as a discontinued operation, held for sale discontinued operation. When we report our Q2 numbers, we are going to restate Q1. We're also going to restate 2014, and we are essentially going to take all of interiors' activities on the income statement, sales, cost of sales, income taxes, you name it, and we are going to one-line it as discontinued operations. So as we report Q2 sales, you're going to see our consolidated sales is going to exclude our interiors sales. But the bottom line results are performance of interiors after-tax will be shown as a one-line item on our income statement.

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

Right at the bottom of the income statement.

Dan Galves - *Credit Suisse - Analyst*

Okay. That makes sense. So the 2015 revenue guidance includes nothing from interiors.

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

Correct.

Vince Galifi - *Magna International Inc. - EVP, CFO*

That's correct.

Dan Galves - *Credit Suisse - Analyst*

Okay. That clarifies it. Thanks guys.

Operator

David Tyerman, Canaccord Genuity.

David Tyerman - *Canaccord Genuity - Analyst*

The first question is on Europe and the margin improvement you are expecting for next year. It looks like it is going to be a pretty good step up, and obviously interiors is not going to be part of that. So I was wondering what are going to be -- what are the main drivers going to be? And are there any particular segments of the business that are going to see good improvement?

Don Walker - *Magna International Inc. - CEO*

Dave, we have been talking about for, I forget now, 3, 3 1/2 years, of what we want to do over a longer time period. So we are about on track. Last year, the year before last, so 2013, was a little bit higher than anticipated. Last year we had a bit of a headwind. But it is a combination of we got repricing in some contracts, we have let some business run out that was poorly priced. We've made very good headway in fixing our losing divisions, although we have had a couple of big challenges, specifically in the interiors business last year and rolling through into this year. But for the most part, we are making very good headway there. And we have been really working hard on our efficiencies, world-class manufacturing and all the aspects there. So there's a lot of moving parts but overall we are just improving the efficiency of our business. And I think we have got better control of our coding and better control of where we are making money and where we are not and we are also closing some facilities down. We're almost all the way through that, too.

Vince Galifi - *Magna International Inc. - EVP, CFO*

David, I just wanted to add just some more comments to what Don just said. If you recall, as we started working on our restructuring activities in Europe, we talked about exteriors and interiors. Interiors, we have got a transaction in place. But, with exteriors, some of the comments I made earlier in respect to a question, some of the restructuring activities that we have undertaken are exteriors business. As those activities sort of come into play, we are seeing improvements in operating performance and that is contributing to some of the growth that we have seen in margin improvement in the first quarter and that will also contribute to margin expansion in 2016.

David Tyerman - *Canaccord Genuity - Analyst*

Okay. Very good. That's helpful. And do you have a sense or can you give us a sense of where you think of the business will be operating in 2016 in Europe? Will it be running pretty well how you want to see it running? Or I know there is always room to improve, but at some point it gets more and more difficult?

Vince Galifi - *Magna International Inc. - EVP, CFO*

David, we keep on reporting a 2016. That is kind of the year because if you go back five years ago, we talked about where we wanted to be in Europe, given the plans that we had in place and the actions we were taking. So we kind of put the line in the sand at that point. We talked earlier about -- or previously about, as we move forward, we are probably just going to go out one year from an operating margin guidance.

And what we've always said about Europe is that is where we want to get to 2016 based on our business plans. But, certainly, that is not the end. We are obviously going to continue to focus on improving our overall efficiency, continue to quote in a disciplined way. So, I think there is opportunity to continue to expand margins, but we haven't given any color to what margins could be past 2016.

David Tyerman - *Canaccord Genuity - Analyst*

Okay. Good. And just roughly on the Asia-Pacific, the margins were very strong in the first quarter and unless they're going to fall off quite a bit in the rest of the year, you're going to be up a lot more than just slightly. I was just wondering if you could comment on that.

Vince Galifi - *Magna International Inc. - EVP, CFO*

The margins by quarter can move around a lot. I mean, as we've said in the past, David, the -- in Asia, when the number is up pretty small, you have $5 million or $6 million of launch -- or new facility costs in a quarter. It can add up in a hurry and it can change the margins quite a bit. So we are still comfortable with the range that we gave. As you said, it was a good first quarter, but it doesn't take much to move the number around throughout the quarters of the year.

David Tyerman - *Canaccord Genuity - Analyst*

Okay, thank you.

Don Walker - *Magna International Inc. - CEO*

So overall, pretty pleased with what is going on in Asia.

Operator

Rod Lache, Deutsche Bank.

Pat Mullin - *Deutsche Bank - Analyst*

It is actually Pat Mullin on for Rod. Most of my questions on the quarter have been answered, so I thought I would ask a couple of longer-term questions. The first one is one of your major customers has recently made a lot of headlines talking about the waste in the industry, particularly a lot of the duplicate investment the industry makes, particularly for things like powertrains. It seems like if, ex-major consolidation, one of the reasons ways for the industry to get around this to would be put some of this investment onto suppliers and have them produce some of these larger components, therefore spreading the R&D among multiple customers. Do you see that as a possible trend in the industry over the next couple of years, things like either powertrains or transmissions moving more towards the supply base? And does that change our strategy either from an organic perspective or as far as M&A going forward?

Don Walker - *Magna International Inc. - CEO*

Yes. That is a big question. I think the overall trend of the consolidation of the tier one supply base is going to continue for a couple of reasons. Number one, they want everybody to be global. Number two, the suppliers are being asked to get involved much earlier in vehicle programs probably to give the new technology and help to define the vehicle, et cetera, et cetera. But part of that also is getting in way up front and being able to influence things like a powertrain. I think everybody will have their own strategy but, long-term, I believe that most carmakers will continue to outsource things they don't see as being critical. They may have pressure from a labor standpoint or whatever, but if a car company tries to do everything themselves and they can't spread the R&D and sometimes the investment and the volumes over a much bigger volume, they end up paying more money. So I think the trend in lots of different areas, especially in developing new technologies, or things like powertrain where you can have some commonality in parts or maybe even complete big chunks of a powertrain, I think you will continue to see it outsourced. I think you will see the big players getting bigger and the big players probably investing more capital. But, the people who are in the industry, I think, very well understand they need to get the appropriate levels of returns on invested capital. And we are doing a lot more R&D in these areas.

So, I don't have a very specific answer, but I think your assumption is probably very accurate and I think you will see the supply base probably continuing to grow their content per vehicle over the next foreseeable future because of the trends.

Pat Mullin - *Deutsche Bank - Analyst*

That is very helpful, helpful commentary. Just as a follow-up from that, given the changes in the business portfolio at the divestiture of interiors, how do you think about what -- I know it is hard to say what normal is, but what normalized capital spending to sales is for the business. I know it is elevated this year and probably next year given the pretty significant launches in new business you have. But what do you think the adjusted normal is for your new business mix?

Don Walker - *Magna International Inc. - CEO*

Very hard to tell, and the reason I say that is because we can pretty well predict what it is going to be for a specific area because some areas of the business are more capital intensive than others. So it will depend on what the percentage our sales are by product area. Cars tends to be pretty heavy capital. Powertrain is pretty heavy capital. Some other businesses are less.

So I can't give you any clarity because I would have to have a model that says how big each of our business units are going to be in the future. I think $1.5 billion, plus or minus, for the next couple of years is probably a good guess. But if we continue to grow in some areas that we think we can get good returns and they are heavy capital, then our capital may go up as a percentage of sales. But I think, for modeling purposes, that is the number you should be using.

Pat Mullin - *Deutsche Bank - Analyst*

Thanks very much.

Don Walker - *Magna International Inc. - CEO*

And I didn't answer the one question about will there be a tendency of the car companies to get together and bundle, either do common sourcing of components or systems or functional systems in a vehicle. I think there is some of that going to happen. They have tried it in the past. It becomes very difficult because difference of opinion, but I do believe there is more interest by the carmakers now to say, listen, if we can use a common part, get bigger volume and get a lower price for something that is not -- doesn't have to be specific, whether it is for a specific part or something like high-pressure diecasting in an area to say we want to work together so to convince somebody to put a big investment in, we are seeing more of that going on. I don't know how big it will be, but I think there is more analysis and interest by the carmakers to say, look, why not work together if it makes financial sense for both of us.

Pat Mullin - *Deutsche Bank - Analyst*

Thank you.

Operator

Rich Kwas, Wells Fargo.

David Lim - *Wells Fargo Securities, LLC - Analyst*

This is David Lim for Rich. Vince, I think you mentioned a little earlier that you had some catching up to do when it comes to the share buyback. Does this mean -- does that mean you will be more aggressive in the remaining quarters of this year?

Vince Galifi - *Magna International Inc. - EVP, CFO*

We weren't able to get into the market in the first quarter, or actually we are already in May and we haven't been able to get into the market. So we plan to get to our target structure. We talked about the 1 to 1.5 times. So on the basis that there's no acquisitions, then I have got some catch up to do. We have some catch up to do. If there's investments that we are making, then we can catch up that way. But certainly, based on business going on and business needs, we will time when we get into the market and how much we buy in each particular quarter.

David Lim - *Wells Fargo Securities, LLC - Analyst*

Got you. And then, on the guidance, thanks for the clarity, but I was wondering if there could be or if you guys could provide some direction relative to the interiors of revenue contribution in Q1 for forward modeling purposes for Q2 to Q4?

Vince Galifi - *Magna International Inc. - EVP, CFO*

So repeat that again.

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

How much sales (multiple speakers)

David Lim - *Wells Fargo Securities, LLC - Analyst*

Yes. Simply, what was the interiors contribution to Q1 in revenues?

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

We could probably give you that, but it was $2.6 billion for the year, so it is not going to be far off a quarter of that.

Vince Galifi - *Magna International Inc. - EVP, CFO*

David, I'm not sure we have got that readily available right now.

David Lim - *Wells Fargo Securities, LLC - Analyst*

Okay. And, finally, on the ADAS front, any kind of incremental news there for you guys, wins? And what products do you specifically offer in that particular area?

Don Walker - *Magna International Inc. - CEO*

Nothing earth shattering change. We are very big in vision. We are using camera-based vision. We are using new surround view as well. We just recently invested in a couple of technologies we think are very interesting. So we continue to look at where we think the market is going, what technologies do we need for that. I won't get into specifics of what technologies we have got, but nothing material that is new, but we are certainly working very hard looking at what technologies we need and how you combine them to be able to accomplish what our customers want.

David Lim - *Wells Fargo Securities, LLC - Analyst*

Great. Excellent gentlemen. Thank you.

Operator

Ryan Brinkman, JPMorgan.

Ryan Brinkman - *JPMorgan - Analyst*

Most of my questions have been answered. Maybe just one on portfolio of businesses with the interior sale, that's another example of rationalize the portfolio after the battery sale. I think we are clear on the motivation for selling interiors. Can you just talk a bit about the decision to exit the battery business?

And then are there other businesses you are looking to dispose? What are the criterion you consider when deciding whether to be in or not be in a business? Is it primarily ROIC or cash return driven or do you look at things like revenue growth potential, EBIT margin? What do you look at?

Don Walker - *Magna International Inc. - CEO*

Let me answer the battery pack business. We decided to get rid of battery packs because our opinion is, if we are going to be in batteries cells, which is lithium ion cells, there are a really big players in there. I think there has been overcapacity in that industry, specifically thinking that electric vehicles may take off faster than they are. But we do not want to be in the lithium ion cell business. Based on that, we had a working relationship with Samsung. It wasn't exclusive, but we had a great, close relationship with them. A lot of the big battery players, in my opinion, including Samsung, are going to expand and say we can make the cells, but a logical extension is to make battery packs so they can understand the brains and how it interfaces with the vehicle.

We also saw a number of our customers saying, well, we won't make cells, but we may want to have an understanding of how to do a pack and how to integrate it into the vehicle, which is very complicated. That is what we did. So we had a good business. Samsung wanted it. They needed it. They wanted to get into -- really sped up how fast they can get into the battery pack. It wasn't strategic to us. My opinion is, long-term, we would have gotten squeezed there. So it was a good opportunity and good timing to sell the business.

As far as other things we are looking at, we sold off a couple of small businesses. We have made a couple of acquisitions as well. So, we are not going to talk about publicly what our strategy is, but the interiors business was a significant business sale for us. The other things we may deal with would be smaller. And, quite frankly, I would rather be buying businesses rather than selling them, but the criteria is a combination of where do we think we are making the most -- the best return on invested capital? So where are we growing value for our company? And what are the areas we are investing money and just not getting the returns? That is a big part of it.

Revenue growth doesn't make much difference to me, quite frankly. I am more interested in how profitable it is and what the return on investment is.

The other thing we are taking into consideration is what technologies do we need to have to really succeed in the long term. Do we have them in the business units or not. And with our customers, we are getting very good dialogue and feedback to where they want to see us grow and where they say it would be nice to grow, but we don't really need you. So if it's a me-too business or a commodity, then we would want to get out of them. So it is a combination of a number of different things.

Ryan Brinkman - *JPMorgan - Analyst*

Okay. Very helpful. Thank you.

Operator

Patrick Archambault, Goldman Sachs.

Patrick Archambault - *Goldman Sachs - Analyst*

I just wanted to actually follow up on that last one. So you said you are more interested in growing than trimming businesses, which makes a lot of sense. Now that you have taken out some of the complexity, maybe even unnecessary complexity in your portfolio, and have a more core group, can you just remind us of what businesses you would like to expand, what you would like to get into? Overall just reminding us what your acquisition strategy is given your very strong balance sheet?

Don Walker - *Magna International Inc. - CEO*

Yes. I'm going to give you a pretty generic answer. I'm not going to do specifics. But we have spent a lot of time and we talked at the annual meeting today about what we think the car of the future will look like. We talk a lot about autonomous driving. So we are spending money in there. However, I think the returns on some of the technologies are fairly far out. So we are growing our electronics business. We have probably got, I don't know, 1,000 electrical engineers in our company. So electronics impacts a lot of our product areas. But as far as what we are specifically doing in driver assistance, for example, we want to take our camera, which we are already a leader in, and figure out what we can do for distance sensing, and things like that. But our core businesses -- and you can look at it -- we are very strong in body shop shipped metal. We are seeing a lot of requests and demand from our customers to expand globally. Powertrain is a very interesting area for us, and electrification of powertrain downsizing, reducing efficiency or losses -- increasing efficiency. We are not one of the bigger players in seating, but seating is doing very well for us. We are seeing a lot of interesting growth. Mirrors, we are the biggest. Closures, we are very big, so we have got a good position there. So we are growing in Steyr also. This is a bit of a down year for Steyr but we think it Steyr can be a very valuable business on its own, but the spinoff benefits to us is very good.

Exteriors, we are very big in North America. We are expanding that.

So we have a lot of smaller product areas, which we have to make a decision in, but for the most part, the big ones we are in. We are seeing good growth. And if we continue to see good growth and return on funds employed, then we will continue to grow in it.

Patrick Archambault - *Goldman Sachs - Analyst*

That is a helpful overview. If I may, in terms of size of acquisition, can you put parameters over what you would be comfortable now with, just given your very strong balance sheet?

Don Walker - *Magna International Inc. - CEO*

I am always nervous about putting a parameter because it always seems to get printed in the paper, though that is what we are going to do. But we have done a couple of small ones. We have the ability to do a sizable acquisition, a sizable acquisition. I am not going to say a number because somebody is going to quote me in the paper, but if you look at what Vince has walked through, our target on our debt equity and how much cash we have got and how much we could use, you can do the math and you can figure out we could spend a lot of money without risking -- without overextending our balance sheet. So it could be a very sizeable acquisition. We are not going to do something for the sake of doing it, but if it looks good, great technology, we think it is going to create value long-term, then we would be happy to pursue a good opportunity.

Patrick Archambault - *Goldman Sachs - Analyst*

Understood. And just one last follow-up, if I may. On the F-150, that has been obviously a theme of earnings, one of those big programs that should hopefully pick up as a tailwind as we progress. Can you remind us of -- I mean, a big program for you guys was the content on the new one versus the old F-150 that is being replaced.

Don Walker - *Magna International Inc. - CEO*

On the F-150, we are actually down in content. So, we are at about $450 on the current one. We lost some business and we gained a little bit of business, but net-net, we are down. We have more content on the F Series Super Duty where we are about $1,200 (technical difficulty)

Patrick Archambault - *Goldman Sachs - Analyst*

Got it. And sort of orders of magnitude, is it a significant cut or kind of $50 or something like that?

Don Walker - *Magna International Inc. - CEO*

It dropped about $200.

Patrick Archambault - *Goldman Sachs - Analyst*

Got it. Okay. That's all I had. Thanks a lot guys.

Operator

Richard Hilgert, Morningstar.

Richard Hilgert - *Morningstar - Analyst*

I just wanted to focus in on the adjusted EBIT numbers geographically. You had a nice (technical difficulty) in North America despite just about a 1% increase in revenue, Europe only off just a couple million despite the midteens decline in revenue. Was there something about the currency mix that helped support the margin, or is this just purely the basic blocking and tackling cost-cutting, et cetera?

Vince Galifi - *Magna International Inc. - EVP, CFO*

In terms of what is helping us, if you look at where we were last year in Europe in the quarter, we reported adjusted EBIT of $127 million and we are at $124 million at the end of Q1 of 2015, so essentially it is the same with lower revenue.

So if you kind of look at the ins and outs, a big negative Q1 2014 to Q1 2015 is foreign currency translation. That impacted production sales by over $600 million and EBIT about, probably about $30 million. So where we made all that up -- and I went through some of that earlier -- the biggest piece of that was essentially productivity and efficiency improvements throughout Europe and, in particular, some of the payback of the restructuring activities that we have been undertaking over the last couple of years. On a year-over-year basis, our EBIT would have been up in Europe as opposed to being flat.

Richard Hilgert - *Morningstar - Analyst*

Okay. North America, the Canadian dollar there also helping margin?

Vince Galifi - *Magna International Inc. - EVP, CFO*

The Canadian dollar weakening is actually hurting reported EBIT. Remember, you take your -- we are essentially hedged out for 2015 in Canada, so there isn't foreign-currency transactional -- or much foreign currency transactional exposure in Canada. So you've essentially got a Canadian dollar income statement in Canada where we have sales and we do have profit. So we when you translate that back into US dollars at the different exchange rates that were put in place in 2014, that hurt sales and also hurts reported earnings. Margins should be neutral because it is just a straight translation, but EBIT is adjusted down negatively as a result of translation.

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

But if you look year-over-year and you back out the impact of FX, it is actually a pretty good growth and is due to launches, new launches, and we have pretty good pull-through on that growth in sales.

Richard Hilgert - *Morningstar - Analyst*

Okay. Great. And just so I am clear on this, you are including the interiors business in the results for the first quarter. You are excluding the interior business for the full-year guidance and then you will restate the first quarter once you report the second-quarter results with interiors on a dis-ops basis. Is that right?

Vince Galifi - *Magna International Inc. - EVP, CFO*

That is correct. You're right. And we are also going to restate 2014.

Richard Hilgert - *Morningstar - Analyst*

And 2014. Okay.

Vince Galifi - *Magna International Inc. - EVP, CFO*

And we are just working on that. As you can imagine we are trying to, we are working on carveout statements for our interiors business and it is pretty complex. So we will have all that wrapped up by the time we report Q2. And from an accounting perspective, since this transaction wasn't signed until after the end of Q1, the proper accounting treatment shows a discontinued ops in Q2 and that is what we signed the agreement with Grupo Antolin.

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

And we thought it made sense to have the outlook look the way you are going to see the results reported in Q2.

Richard Hilgert - *Morningstar - Analyst*

Okay. Thanks again for taking my questions.

Don Walker - *Magna International Inc. - CEO*

Okay. We appreciate everybody joining us today. I think we've had a good start to 2015. We are optimistic about the future. And enjoy the rest of your day.

Operator

Ladies and gentlemen, that does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines.
