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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the First Quarter 2017 Results Conference Call. (Operator Instructions) As a reminder, this conference is being recorded, Thursday, May 11, 2017.

I would now like to turn the conference over to Louis Tonelli, VP, Investor of Relations. Please go ahead.

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

Thanks very much. Hello, everyone, and welcome to our First Quarter 2017 Conference Call. Joining me today are Don Walker, Chief Executive Officer; Swamy Kotagiri, our Chief Technology Officer; and Vince Galifi, our Chief Financial Officer.

Yesterday, our Board of Directors met and approved our financial results for the first quarter ended March 31, 2017. We issued a press release this morning for the quarter. You'll find the press release, today's conference call webcast, the slide presentation to go along with the call and our updated quarterly financial review all in the Investor Relations section of our website at magna.com.

Before we get started, just as a reminder. The discussion today 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 or 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.

As we review financial information today, please note that all figures are -- discussed are U.S. dollars unless otherwise noted. We've included a reconciliation of certain key financial statement lines between reported results and results excluding unusual items. Our quarterly earnings discussion today excludes the impact of the unusual items.

In the first quarter of 2017, we recorded restructuring charges related to a European powertrain facility. This reduced EBIT and net income attributable to Magna each by $6 million and EPS by $0.02. There were no unusual items in the first quarter of 2016.

And now I'll pass the call over to Don.

Donald James Walker - *Magna International Inc. - CEO and Director*

Thanks, Louis.

I'm going to keep my comments short today in order to provide some time for Swamy's remarks. First off, I am very happy with our record first quarter results. It's good to see each of our reporting segments posting both sales and EBIT margin increases over the comparable period. This led to another record EPS.

We held our Annual Shareholders' Meeting this morning in Toronto. For those who did not listen in, the meeting was webcast, and an archive can be accessed on our website. The key takeaways from our Annual General Meeting today were: Magna is prepared for mobility of the future; we understand the industry trends; we have a highly relevant product portfolio including numerous technologies, deep systems knowledge and complete vehicle know-how; we're accelerating innovation across the company; we have a global reach and an entrepreneurial and flexible operating culture; we expect continued sales growth outperformance evidenced by our outlook out to 2019; and our margins, returns and free cash flow are each positioned to expand.

Today, we discussed 4 broad technology trends that are particularly relevant to the future of the automotive industry: electrification, autonomous driving, new mobility and connectivity. We believe we are well positioned to benefit from each of these trends. We had a number of executives at our meeting today, including Swamy Kotagiri. So we've asked him to address our positioning in a couple of these areas.

With that, I'll pass the call over to Swamy.

Seetarama Kotagiri - *Magna International Inc. - CTO, Executive Vice-President and President of Magna Electronics*

Thanks, Don. Good afternoon, everyone.

Automotive industry will continue to have a high profile as it tackles issues challenging the car to become smarter, safer, cleaner, lighter and yet continue to be affordable. The word mobility is being used more often to define the industry, broadly addressing movement of people and goods with various operating models. Particularly notable is not so much the pace, but the breadth of innovation and how much it is altering the basic landscape of the industry. Managing or balancing focus between evolutionary, revolutionary and disruptive technology is important for the enduring sustainability of Magna.

As Don mentioned earlier, I'm going to touch on 2 topics today: electrification and driving autonomy. But before I start, I want to point out that, as Don addressed today at the AGM, we have leading-market positions in a number of product areas in addition to powertrain and ADAS. These areas will still be highly relevant on the car of the future.

Now let me turn to electrification. Although there are different views on future market share and the pace of ICE, hybrids and EV, it is safe to say that the market does certainly have a mix of powertrain variance for the next 10 or more years.

Some highlights from my perspective. A significant portion of the market will have an ICE-based platform. 60% to 70% of the total volume will have some form of hybridization. Europe will lead the hybrid electrification trend, although highest growth rate of electrification will be in China, followed by Europe and U.S.

I strongly believe our product portfolio sets a solid foundation to a transition into hybridization and electrification, whatever the rates are. We have experienced producing electrified powertrain systems, including the electric rear axle drive for the Volvo V60, or the Ford Focus BEV on which we produce the eDrive system.

Currently, our key products like manual, automated manual and dual-clutch transmissions all-wheel-drive, four-wheel-drive, drive-line systems and thermal management products address a CPV of approximately $2,000. As we trend towards ICE with incremental power from e-machines that is hybridization, our products are evolving to align. For example, a DCT transitions to a hybrid dual-flex transmission, a pump becomes an e-pump. We continue to invest and build products like 48 and high-voltage eAxle systems and ePowersplit differentials. With our product and customer road map for hybridization, we are addressing its CPV potential for Magna of approximately $3,000.

As we move towards complete electrification for battery electric vehicles, we are further building on our portfolio of products such as single and multisystem speed transmissions, eAxle systems and complex integrated powertrain variance. We continue to invest in key domains such as motors, power electronics, software and enhanced thermal management products and systems. With our system interface knowledge and the depth of our various product systems, we are positioned to address a CPV potential for Magna of approximately $2,500 in the electric vehicle world. We have developed a broad range of powertrain systems to meet the ongoing electrification trend.

Akin to powertrain electrification there is a lot of discussion on driving autonomy. SAE levels defining autonomous driving are well known, and I will use this slide only to make a point at large in terms of monitored and nonmonitored driving. Technology advancements are not the hurdle for poor autonomy. Rather, other variables, such as infrastructure, decision-making based on ethics, et cetera, pose a hurdle for high-volume deployment. In terms of level 1 and 2 features, the penetration rate is currently only in single digits globally. As the consumer understanding and acceptance grows, there is a huge potential market, and most features have become standard like ABS and airbags over time. In the next few slides, I hope to show you how we are well positioned to address this growth.

Autonomous systems, in very simplistic terms, consist of a sensor suite to sense the environment, a processing compute unit to synthesize and analyze and direct and then final actuation. We are well positioned in the sensor suite and processing pieces of the puzzle. Not only have we've been early adopters in providing ADAS features since the early 2000s but also first to market in some features. We look at the features that enable levels of autonomy as a final product and drive the hardware and software. We have a wide variety of systems and features in many vehicles on the road today. We estimate our addressable market is currently at approximately $450 per vehicle.

As is common to this domain, we continue to enhance all products in a shortened design life cycle to provide features and redundancy for higher levels of autonomy. We estimate potential CPV at level 3-plus to be approximately $1,200. At level 4-plus, as we move into nonmonitored driving, we estimate potential CPV to be in the $1,200 to $1,500 range. We expect to grow at an 18% to 21% compounded annual growth rate over the 2016 to 2019 time frame.

We continue to invest in high-definition imaging radar and LiDAR to add to our sensor suite capability. We continue to monitor and invest in necessary technologies and resources to address autonomy at whatever rate of deployment.

In summary, although I addressed only 2 of the major themes today, with Magna's portfolio breadth and deep system interface knowledge, I am confident we are well positioned to play a leading role in the mobility ecosystem of the future.

I'll now pass the call over to Vince.

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

Thanks, Swamy, and hello, everyone.

Overall, a very good first quarter for Magna. Consolidated sales were $9.4 billion, a new Q1 record. Adjusted EBIT percent was 8.9%, up over a full point from the first quarter of '16. Net income attributable to Magna was up 20% to an all-time record $592 million. Diluted EPS was $1.55, an all-time record for us, and that's up 27%. Cash flow from operations was $443 million, up 46% year-over-year. And we were free cash flow positive in the quarter, which is not typical for the first quarter given the unusual Q1 investment in working capital. I'm going to cover each of these in my financial review.

Consolidated sales increased 5% to $9.4 billion in Q1. This increase reflected higher production sales in each reporting segment, along with higher tooling sales, partially offset by lower assembly sales.

In North America, production sales were up 7% despite a 1% decline in vehicle production. The increase largely reflected the launch of new programs together with a $48 million increase due to the year-over-year strengthening of the Canadian dollar against the U.S. dollar.

In Europe, production sales were up 8% compared to Q1 of last year. The increase reflects higher volumes as production was up 2% in Europe as well as the launch of new programs. These were offset by $97 million decline due to the lower euro and British pound relative to the U.S. dollar and lower content on the MINI Countryman and Paceman compared to the previous model, which was assembled at Magna Steyr and on which we had substantial production content.

Complete vehicle assembly sales declined 31%, largely reflecting the end of production to the MINI program and the fact that we recorded only 1 month of sales on the BMW 5-Series assembly program, which launched in March. As a result, assembly volumes declined 65% year-over-year. Assembly volumes and sales will continue to ramp up throughout 2017 as the 5-series gets up the ramp curve and the new program for JLR launches in the second half of the year.

Asia production sales increased 10% in Q1, primarily reflecting the launch of new programs in China. These were partially offset by the negative impact of a lower Chinese RMB relative to the U.S. dollar.

Rest of World production sales increased 58% year-over-year, reflecting a strengthening Brazilian real, higher production volumes and customer price increases.

Lastly, tooling sales rose 6%, mostly reflecting continued launch activity across the company.

SG&A as a percentage of sales in the first quarter of 2017 was unchanged from the first quarter of '16.

Adjusted EBIT margin increased to 8.9% in the first quarter of 2017 compared to 7.8% in Q1 of '16. We posted a higher margin percent year-over-year in each reporting segment. The higher EBIT margin percent in the first quarter of '17 compared to 2016 largely reflects pull-through on the higher production sales at margins generally higher than the comparable quarter in each of our reporting segments, productivity and efficiency improvements at our manufacturing facilities, higher recoveries associated with scrap sales, favorable commercial settlements in the first quarter of 2017, higher equity income and lower warranty costs. These were partially offset by lower margins due to the significant decline in the assembly activity at Magna Steyr, higher new facility costs, increased D&A and a favorable IP infringement settlement of approximately $15 million during the first quarter of 2016.

European margins bounced back as expected in Q1 to 5.6% compared to 2.2% in the fourth quarter of '16. The improvement versus last quarter reflected lower launch and warranty costs, higher equity income and pull-through on higher production sales. And Asian margins were strong again in the first quarter at 11.9%, better than anticipated for the quarter, mainly due to higher equity income and pull-through on higher-than-expected production sales.

Just a few thoughts on GETRAG. Q1 was strong at GETRAG. Recall that we said in January, we expect GETRAG to negatively impact Magna's consolidated EBIT margin by about 0.2% in 2017 after purchase price amortization. The negative impact to Magna's margin was less than 0.1 in Q1. However, GETRAG's results are expected to be U-shaped in 2017 as launch and engineering costs, together with typical Q3 shutdown, should negatively impact Q2 and Q3 relative to Q1 before recovering in Q4, particularly as sales in its Chinese business grows. We expect GETRAG to be accretive to earnings in 2017 with a further positive impact in 2018 and '19.

There was no substantial change for effective tax rate of 25.7% this quarter versus 25.5% in Q1 of 2016.

Net income attributable to Magna increased 20% to $592 million, reflecting higher EBIT, slightly lower interest expense and higher tax expense due to higher earnings before tax.

Diluted earnings per share was $1.55 for the quarter. In addition to higher net income, this increase reflects the 5% decline in shares outstanding, largely due to our share repurchases.

Let me now cover our cash flow and investment activities in the quarter. During the first quarter, we generated $870 million in cash from operations prior to changes in noncash operating assets and liabilities and invested $427 million in noncash operating assets and liabilities.

In the quarter, investment activities amounted to $392 million, including $309 million in fixed assets and $83 million increase in investments, other assets and intangibles.

Free cash flow was positive $193 million in the first quarter compared to a negative $97 million in Q1 of '16. In addition, we paid $105 million in dividends and repurchased 2.3 million common shares for $100 million in the first quarter.

Earlier today, we updated our 2017 outlook. We've reduced North American production expectations by about 200,000 units to 17.5 million units, reflecting some softening in production expectation. We increased European production in Europe by about 200,000 units to 21.9 million units, substantially reflecting the strong first quarter production. We lowered North America production sales to reflect the lower expected vehicle production and a weaker anticipated Canadian dollar relative to the U.S. dollar. We increased European production sales, primarily reflecting our strong Q1 production sales and the higher euro than our previous outlook. And implicit in our outlook are our higher tooling sales than we've previously anticipated.

As a result of the above, total sales have increased to the $36.6 billion to $38.3 billion range. EBIT margin is now expected to be in the 8% to 8.2% range compared to approximately 8% from our previous outlook. Interest expense is now expected to be approximately $85 million compared to approximately $90 million in our previous outlook. Our assumptions for the tax rate and CapEx spending are unchanged from our previous outlook.

We made 2 changes to our expected segment EBIT expectation. We moved Asia up to the 11% to 12% range from 9% to 10%. This reflects expected 2017 operating performance, including equity income that is better than previously anticipated. Keep in mind, however, that the numbers are smaller in Asia and, therefore, margin percentages experience more variability in this region. And we expect Rest of World to be approximately breakeven for 2017 compared to the modest improvement over 2016 that we previously expected.

Lastly, in terms of free cash flow, we are increasing our expectation for 2017. We now expect free cash flow between $1.1 billion and $1.3 billion, an increase from the $800 million to $1 billion that we have previously expected. This change largely reflects our increased outlook. We expect approximately $5 billion in free cash flow in the 2017 through 2019 time frame based on the 2019 outlook parameters we set out in January this year.

In summary, we started the year by posting a new Q1 sales record, higher margins in each reporting segment and an all-time record and earnings per share. Cash flow was strong, and we increased our free cash flow expectations for 2017, and we raised our outlook, reflecting confidence in our business.

This concludes our formal remarks. Thanks for catching us so far, and we'll be pleased to answer your questions at this time. Operator, any questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Adam Jonas with Morgan Stanley.

Adam Michael Jonas - *Morgan Stanley, Research Division - MD*

Just 2 questions. First on the strategic side. You've obviously seen what Delphi has done in restructuring their business, announcing the spin-off of the powertrain unit and how the stock market really reacted, re-rating that company as kind of all auto suppliers across the value chain are kind of reassessing, to the tune of your comments, about so much going on in tech, where there's value in the portfolio that may not be appreciated by the market; and others, where they could either sustain an existence outside of the current collection of industries. So was just curious if you could kind of comment on those types of moves, and whether there are similar opportunities to unlock value for shareholders at Magna.

Donald James Walker - *Magna International Inc. - CEO and Director*

Yes. I took a look at what Delphi is doing, and obviously, selling off a business that is unrelated to their electronics business, and some of it is, and you've done your own analysis, is with diesel and internal combustion engine technology. We are always looking at our portfolio, taking a look at what's the value creation based on the investment we're making in different product areas, and where they're valued. We tend to think that we are undervalued in our multiple. We're not planning on spinning anything off. And for the most part, the positions we've got in each of our product areas are good. We're obviously going to tweak the product areas, but we don't anticipate making any major moves. But we will continue to look at what other people are doing and what the impact is.

Adam Michael Jonas - *Morgan Stanley, Research Division - MD*

Okay. And just a follow-up on wiring and the kind of transmission of power in the car. And even though, let's say you don't have a wiring business as such, you make such a diverse group of products around the whole portfolio, the car -- this following question, I think, is relevant. I would love your opinion or maybe Swamy's opinion on this. But I couldn't help but notice Elon Musk's comments last week, where he talked about taking the amount of wiring harness of a Model S from 3 kilometers down to half that in a Model 3. And then talked about his next model, which he's planning on bringing the market in just a couple of years, to as little as 100 meters of wiring. And he mentioned that, that was a redundant wiring harness and how like the new -- their view of a wiring harness would be a flex harness with a high rate bus that could answer more than just a data and energy on this harness. I mean, you guys have a lot of respect for Elon, I think, and for what Tesla is doing. And even if this doesn't directly impact a product you -- that is a significant part of your portfolio. Was just curious, Swamy, can you have a car without wiring harness, copper wiring harness?

Seetarama Kotagiri - *Magna International Inc. - CTO, Executive Vice-President and President of Magna Electronics*

Yes. I think, fundamentally, when you look at the system, right, you're trying to draw an analogy between a fuel tank that becomes a battery, and you convert your rest of the system into an integrated e-machine and so on, and you still have to find a way to get power from one place to the other whether it's mechanical or it's a wiring harness. So I think that's the overall picture of it, but there's a lot in terms of the material times and like the copper versus other materials and the efficiency at which you can transfer and what happens to the motor efficiency and so on. So I believe it's a little bit of a complex question to look at. But the power transmission from the source to where it needs to get to will be an important topic to be addressed as EVs become, I guess, high-volume deployment in the future.

Donald James Walker - *Magna International Inc. - CEO and Director*

Yes. And as you say, we're not in that business now, but we are trying to take a look at what is the new technology going to be required, is it growing, is it declining, where are the margins, is there technology there. So we are looking at all of these areas to see if there's a business opportunity, specifically with new technologies.

Operator

And our next question comes from the line of Ryan Brinkman with JPMorgan.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

This is Samik on for Ryan Brinkman. The first question I had is, you recently formed a speaking joint venture with a domestic Chinese seating supplier, I believe, HAPM. Wondering if you can share any details relative to what is HAPM's market share today, what are the capabilities they have in seating today and what's the investment plan regarding that business. Looks like Adient in Europe predominant in the Chinese market in terms of seating market share. So what gives you confidence and gaining some share against those global competitors?

Donald James Walker - *Magna International Inc. - CEO and Director*

Yes. The reason we did it was we're relatively new in seating in China. We do have some metals capabilities over there at one plant. We're rolling that into a joint venture. They've got some good technology. They're very cost competitive, so they're rolling their -- they have a bigger business over there. We're rolling together, we're bringing some cash into the business. So we think it's going to be a good way for us to grow the metals business and, ultimately, our full capability in seatings. We're going to try and leverage that onto some complete seat business growth as well. We -- it's not a huge joint venture, but it's part of the Avec Group, and they are very big in the aerospace business. And we're -- potentially, we could do some other business with them. So it's relatively small, but we think it's strategic for us to continue to grow our seating business over there and they've got some very good customer contacts.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

Got it. Got it. Just finally, a question for Swamy. Swamy, thanks for your comments about content from vehicle or potential content for vehicle from Magna's perspective on hybrids and the electric vehicles. I believe you mentioned you have contemporary on the Ford Focus BEV as well as the Chevrolet Volt. So if you can give us a sense what component is supplying to these vehicles today and what your content per vehicle looks like on these platforms today, and then we can sort of compare to what it can be potential in the future.

Seetarama Kotagiri - *Magna International Inc. - CTO, Executive Vice-President and President of Magna Electronics*

Just as a correction, what I mentioned in the call was our electrification experience at the Ford Focus BEV and the eAxle on the Volvo V60, right? So the eAxle system, I think, was -- is in production on the Volvo V60. And we did a lot of, not just the component work, but also the integration work on the Ford Focus BEV. And what I was referencing there is the experience that we have. We are taking to develop the next-generation 48 or the high-voltage eAxle systems and how we are evolving are existing driveline systems into the next generation. That's one piece of it. And the other one as you start looking at the next-generation electric vehicles, you start looking at hybrid systems, right, where you have an integrated e-machine, which is a transmission mechanism, you have the model in very broad terms, and obviously, the control systems, which is [being modeled] in the software. So this is kind of the experience that we have that we're building, and I was projecting the road map of how we are taking it to hybrid and electric systems in the future.

Operator

Our next question comes from the line of David Tyerman with Cormark Securities.

David Tyerman - *Cormark Securities Inc., Research Division - Analyst, Institutional Equity Research*

My question is on the European margins. So they were up pretty nicely year-over-year, and I'm just wondering with the guidance for the year. I realized you have seasonality, obviously, in the business. But your margin guidance isn't really much different than what you did last year, yet you're up quite a bit in Q1. Is it just that you and GETRAG that's going to cause kind of the relative drag in the rest of the year? Or how do I kind of bring the strong Q1 against flat sort of year-over-year guidance?

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

Yes, sure. David, it's Vince. I think you got to keep in mind a couple of things in Europe that are impacting full impact margins. If you think about what I -- my comments on Q1 in complete vehicle assembly sales, the BMW 5-Series program launched in March, so we had essentially 1 month of BMW sales. That program is going to continue to ramp up throughout the course of the year. And in the second half of the year, we're going to start ramping up the JLR program. The complete vehicle assembly sales are going to be a bigger proportion of sales as you move on past the year. So everything else being equal, that's going to have a negative impact on overall margins. As you know, complete vehicle assembly business operates at margins that are below Magna averages and below what we're doing in Europe. I guess, the second thing to think about is kind of seasonality. You get into Q3, Q4 -- Q1 and Q2 are typically stronger quarters, so that will repeat itself. In Q1, in my prepared comments, I talked about some commercial settlements that we booked in the first quarter. They amounted to both $15 million. They're not again that significant overall in Magna. But about 1/3 of those were in North America, and 2/3 of those were in Europe. So that's kind of the -- of course, that won't happen every quarter, whether they repeat themselves. I don't know, I haven't factored that into the forecast. But certainly, Q1 versus kind of the balance of the year, I don't have those numbers in there. We do have more launch costs as we move on past Q1. And in particular, at GETRAG, as it's ramping up. So we expect to see kind of a U-shape if I look at the various quarters in overall margins, with the margins probably softening a bit in Q2, Q3, impacted by the seasonality, and then picking up again in Q4. So all in all, when you kind of look at it, we're still guiding to kind of 4% to 4.5% for the full year, which is consistent with our previous outlook, other than we've got more tooling sales in Europe. We don't earn margins on tooling sales, so we're maintaining same level of margin. I think that's good. And I think in terms of that range, I'm more comfortable where we are in that range at the end of the first quarter versus where I was last quarter. I think we did a little bit better than that. We were anticipating, I think, that's going to carryforward through the balance of the year.

David Tyerman - *Cormark Securities Inc., Research Division - Analyst, Institutional Equity Research*

Okay. That's a good rundown on the differences. I guess, the other one, it's a broader question. So you had a 25% increase in earnings in Q1. Your sales guidance, though, and your margin guidance for the full year isn't all that much higher than year-ago numbers, which would imply not gigantic increases like 25% for the remainder of the year. And again, I'm kind of wondering why the slowdown in growth rates from Q1? What are the big drivers? Maybe Europe explains part of it.

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

On a consolidated basis?

David Tyerman - *Cormark Securities Inc., Research Division - Analyst, Institutional Equity Research*

Yes.

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

I guess, if you look at Q1, and we're 8.9% adjusted EBIT, and we're guiding to kind of 8% to 8.2%, that's going to imply the next 3 quarters that margins are going to be lower, which is the case. And there's a number of reasons. I'll run through them for you, David. Seasonality certainly impacts us in Q3 and Q4. And when I look at overall launch activity, that's going to ramp up again, and be negative to us in Q2 and Q3. Again, we'll start to see that improve as we get to Q4. In between North America and Europe, when I look at kind of our most recent outlook and what we had in January, we're running another $350 million to $400 million in tooling sales, which is kind of split equally between North America and Europe. Again, that's a negative impact. We brought down volumes in North America. And if I look at taking volumes out of North America, we also have a lower Canadian dollar. The proportion of North American sales is smaller on a consolidated basis. So that's -- again, mix is a negative. And in Europe, we brought up production sales for a couple of reasons. One, we've moved up volumes. In FX, the euro has gotten stronger versus the U.S. dollar. So again, on a relative basis, that mix is hurting us. And I think -- so when you kind of put that altogether, what you're seeing is the Q1 margins at 8.9%. And as we get to Q2, Q3 and Q4, when you average it all out, it would be kind of 8% to 8.2%.

David Tyerman - *Cormark Securities Inc., Research Division - Analyst, Institutional Equity Research*

So if I understand correctly, it sounds like Q1 had better mix whether it's between -- well, between regions, maybe a bit lower launch activity, stuff like that. And the rest of the year, the mix geographically gets worse than in Q1, the tooling goes up, the launch costs go up, et cetera.

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

Going to higher proportion, the other thing I didn't mention was if you look at complete vehicle assembly sales, we're at $413 million in Q1. We're guiding to $2.7 billion to $3 billion for the full year, so the impact alone of Magna Steyr on margin is again pretty significant.

David Tyerman - *Cormark Securities Inc., Research Division - Analyst, Institutional Equity Research*

Right. Although the actual dollar profit should go up, should they not?

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

Yes, that's correct. But if I look at overall margins, it'll have a dilution effect on consolidated margin.

Operator

Our next question comes from the line of Peter Sklar with BMO Capital Markets.

Tamy Chen

This is Tamy on for Peter. My first question is for Swamy. Swamy, you talked about the potential that Magna has in autonomous driving and battery electric vehicles. I'm just wondering if you could talk about where Magna strengths are and what the relative advantages are for you guys versus the other suppliers.

Seetarama Kotagiri - *Magna International Inc. - CTO, Executive Vice-President and President of Magna Electronics*

Yes. Let's take the question in 2 parts. If you look at the driving autonomy, like I said, there are 3 pieces to it. One, in terms of having the sensor suite capability, where we have a leadership position in the cameras and the features associated with vision-based system. We have capability and scale on the ultrasonic side of things. You must have seen we have an alliance and investment in Israeli LiDAR company. We have an initiative that brings to market a high-definition CMOS radar. With all of this put together, we believe we have the right tools and the toolbox to address the sensor suite portion of it. We have been and continue to do what I call the compute piece. Whether some people who call it the domain controllers and call it the ECUs, which brings all the processing in the different aspects of this together. We have the knowledge, and you see this on different features that we have on the market today. So we think we are positioned well to be able to address that. If you look into 2016, we were just in the ADAS portion, around $450 million in revenue, and we continue that road map. On the hybridization and electrification side, I think the significant aspect is the system knowledge that we have in terms of the driveline, in terms of the turbo management and in terms of the transmission systems. For us, for example, in DCT, you have the right architecture in terms of taxing, and the layshaft architectures that you have to convert this, integrate them and provide a highly-integrated e-machine, making hybridization possible. I talked briefly about the 48 or high-voltage eAxle systems that we have and continue to evolve, which addresses augmented electrification. The packaging and system integration, whether it's from Steyr or from other product groups, helps us understand all of these systems together to play a significant role in electrification, too. So I think that's kind of the logic behind my statement of saying we are well positioned

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Tamy Chen

Okay. Got it. And my second question is just going back to operations in terms of the Rest of World segment. I'm just wondering, now that the Rest of World, that's breakeven, is there any plans to resume or increase investment in South America?

Donald James Walker - *Magna International Inc. - CEO and Director*

Not at this point in time. We're just getting back to a breakeven. We're only entering into contracts where we've got very clear terms on how we're going to handle currencies, inflation and things like that. So logic would say, long term, South America should be a good place to do business, but we're still very cautious about it.

Operator

Our next question comes from the line of John Murphy with Bank of America Merrill Lynch.

John Joseph Murphy - *BofA Merrill Lynch, Research Division - MD and Lead United States Auto Analyst*

As you guys think about ADAS and EV -- march towards EVs as well, I'm just curious, there seems like there's some time here to develop products, but there are also might be some technology you might want to acquire. So I'm just curious, in your current suite of products, as you think about these developments 5 to 10 years on the horizon, how do you think about sort of make versus buy or investment versus acquire as you think about the technologies you might to wrap in with what you currently have?

Donald James Walker - *Magna International Inc. - CEO and Director*

Yes. It's -- probably give you a -- could give you a long answer. Now the reason we spend some time -- we asked Swamy to spend some time both at the annual meeting and today just talking what we're doing for electrification and autonomous driving is there's certainly 2 trends in the industry, and we have been working hard on them. If you look at our total managed powertrain business, it will be about -- it's about USD 10 billion by the end of the decade. So we're certainly a very strong player there. We're more in the transmission, the driveline portion, not the engine. We've got a lot of capability there. I doubt we would go out and buy anything else. We're just still -- launch some other products in GETRAG and do an integration. If there's something really interesting, we would look at it. But we've got a couple of R&D projects on some pretty interesting new products, and Swamy talked about some of those today. It's something -- I said that if something really good came up, we would certainly look at it. We wouldn't be shy about doing something if we think it's really value-added. On the autonomous driving, there's a lot of players. A lot of people have different capabilities in there. I think the technology development will still continue at a very rapid pace. As Swamy said, we've got the building blocks for it. We're doing R&D. We're looking at new startup companies, looking at universities. So I think there's still a lot of room for leapfrog technologies there. And if we find something, we wouldn't be shy about buying it, developing it, working with new startups. And we're sort of looking in all of those areas.

John Joseph Murphy - *BofA Merrill Lynch, Research Division - MD and Lead United States Auto Analyst*

Okay. And then just second question. Jim was talking about some of the new business wins that you've got, and one of them was Geely, the Geely Lynk. I'm just curious, as you see that business in China ramp up, is that coming from the Volvo side? Or actually, you're making some good strides in penetrating the domestic Chinese manufacturers, where you have sort of traditionally been or still are fairly underrepresented?

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

Well, the program he is referring to is a Geely program, so we are making some progress, certainly, on -- with Geely.

Donald James Walker - *Magna International Inc. - CEO and Director*

We just did a presentation at the board, and I was just over in China last week for the full week. Depending on the product group, they have had their own strategy who they want to work with. We went over there initially with, mainly, our traditional customers on global platforms. I think there's going to continue to be pretty big swings in volumes and the success of Chinese OEMs. So we're not going to say it publicly, but we've gone through every one of them. We ranked 2 of the top 3. We generically want to grow with who are the next 3 we want to grow with, and we've got various rationale for that. Every group is slightly different. We are careful where we allocate capital, but we do have a pretty detailed action plan there, and we are growing our business more with some of the Chinese domestic OEMs. So we actually presented a little bit of detail with the board yesterday, and they certainly feel more comfortable with us. We do have a plan. We're going to continue to try and penetrate, but we want to make sure penetrating with people where we believe the volume is going to be there, we believe we're going to have good commercial relationships, and we feel comfortable with technology we're launching with various people.

John Joseph Murphy - *BofA Merrill Lynch, Research Division - MD and Lead United States Auto Analyst*

Okay. That's great. And then just lastly, if you can just remind us, when the 5-Series is fully ramped up at Magna Steyr in Graz, I mean what will the run rate volume you think would be? Or what are you capacitizing for on that program just on a volume basis?

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

I'd have to dig it up, but I know we have less than 50% of the full volume on the 5-Series.

John Joseph Murphy - *BofA Merrill Lynch, Research Division - MD and Lead United States Auto Analyst*

Okay. But is it close to 50%? Or is it significantly less?

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

No, I think we're about 60-plus thousand units there, full volume.

Operator

Our next question comes from the line of Richard Hilgert with MorningStar.

Richard J. Hilgert - *Morningstar Inc., Research Division - Senior Equity Analyst and Securities Analyst*

I wanted to get a little bit more color, if I could, on the joint venture equity line. Vince, you mentioned in the presentation that the ramp-up there was looking stronger than previously anticipated. But then you were also talking about GETRAG having a U-shape to its contributions during the quarter. Since that JV equity line is also inclusive of the GETRAG JV equity, is there a similar effect in the equity income line? Or does the ramp-up that you spoke of progress on a quarterly basis with the seasonality that we normally see in the third quarter?

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

Yes. I think when you -- if you think about what we consolidated in GETRAG, you're going to see some certainly seasonality in Q3 and Q4, not just on the 2 -- our other European business, but they are going through some launches. In particular, I think if you look at the equity line, the equity contribution in GETRAG, I'd say it's probably more severe on the U-shape. Q1 was a good quarter for equity income, a strong quarter. We're going to see some pressure in Q2 and Q3, and there's 2 things that are really taking place in Q2 and Q3 that are going to depress that equity income line. And one is there's some seasonality, but the biggest part of that is going to be additional engineering cost on some new programs and launch costs. And that's going to continue -- timing is never perfect. But the way we're seeing it right now, kind of Q2, Q3, products starts to ramp up Q3, Q4, so we see equity income again picking up in a more sort of substantial way in the fourth quarter of this year.

Donald James Walker - *Magna International Inc. - CEO and Director*

Just a general comment on GETRAG. We bought it. We knew that they were going to be going through a lot of launches and bringing some new product to market. And so far, very pleased to see how the product is performing because they're highly complicated products. And we're also very pleased to see how their operations are running, and specifically, the -- their -- the progress they've made in their launches of these brand-new products. So I'm quite encouraged with what I see there.

Richard J. Hilgert - *Morningstar Inc., Research Division - Senior Equity Analyst and Securities Analyst*

Okay. Great. On the European side, and I guess, kind of larger-picture margin outlook, too. You were talking about the margins within the earlier question on the European side, and the impact of having a higher proportion of revenue from contract manufacturing being somewhat dilutive on those numbers. You are in a transition phase in the first quarter, so there's plenty of fixed costs there that you had to deal with, but you still had a 60-basis point improvement in the European margin. With more volume coming on, offset by the additional launch costs, should we expect the European margin there to be flattish from the full year perspective looking at the first quarter, given that you get some favorable operating leverage from a substantial increase in operating volumes by the end of the year? And then I've got a follow-on to that after that.

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

Yes. Just a couple of observations, Richard, for you. If you look at our production sales in Q1 in Europe, they were strong, and we actually did move up volumes in North America -- sorry, in Europe, by a couple hundred thousand units. That all wasn't as a result of production in the first quarter. We have essentially left our production assumptions for the remainder of the year intact. And based on kind of where I'm looking at the numbers, it looks like Q1 is the strongest quarter from a production standpoint. And production sales, they -- as I look at Q2 and compare that to Q1 again, depending on what happens on FX and mix, but preliminary, I think they're a little bit down in Q2 versus Q1 and down again in Q3 and Q4, and that's seasonality. So that has a -- you think about incremental or decremental margins on lower sales, that has an impact on margins as you would expect. Nothing unusual. And the CVA business is a little different than our regular production business. If you're ramping up the production program, you're typically incurring a lot of launch costs, startup costs as you're ramping up the program. In Magna Steyr, the relationship with our customer is a little different given the business that it is. So the impact of launch costs and startup costs are much more muted. So there was less sales and less absolute profit in Q1 at Magna Steyr because sales were lower. But the -- as sales started to ramp up and you start looking at percentages, production sales versus CVA sales, and as ratio increasing because CVA sales was ramping up in a more significant way, the impact on margins, Q1 versus kind of Q3, Q4 is negative to European margins, even though it's accretive from an EBIT prospective bottom line because obviously more volume means more profitability. So Q1, as I'm looking at the numbers in Europe from a margin perspective, Europe is -- it looks like it's going to be the highest quarter for the year. And it will come off in the balance of the year as expected but higher than -- a little stronger than what I originally anticipated. And the reason it's coming off, I'll repeat just the same reason, but it's seasonality, it is contract vehicle assembly. Toolings compared to our previous outlook is higher actually. Tooling, on a relative basis, is stronger in the last 9 months of the year versus the first 3 months of the year, so that has an impact. And launch costs, obviously, had some impact.

Richard J. Hilgert - *Morningstar Inc., Research Division - Senior Equity Analyst and Securities Analyst*

Okay. Got it. And then extrapolating that a little bit further with the additional programs that you're going to see coming over the next couple of years. And looking at some of the guidance that you've put out there through 2019, by that -- end of that period, the contract manufacturing is going to be an even more substantial piece of the overall pie. But then, you've also got some margin-accretive stuff that might offset some of the lower-margin CVA with the -- with ADAS, for example. Should we expect just generally over time that Magna could still continue to expand consolidated margin, even though contract manufacturing is becoming a much larger piece?

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

Let me talk about -- well, I guess if you look at our January guidance for the various regions that we offer, we're -- essentially, we were kind of -- North America, we were saying flat to up a little bit between 16% and 19%. Europe up. Asia up. And Rest of the World, improvement. So you kind of add all that up, it should result in higher consolidated margins. In particular, in Europe, as I again look at that, currency is not going to impact margin. We're guiding to margins in Europe for this year with Magna Steyr being kind of 4% to 4.5%. And when we get to 2019, margins are expected to improve the bottom end and top end but half -- by half a basis -- or by 50 basis points, 4.5% to 5%. But the impact of just Magna Steyr in 2019, it's 1.5%. So we've kind of be ex Magna Steyr somewhere between kind of 6% to 6.5% in 2019. And we're probably about 4.5% to 5% in '17. So what we're seeing in Europe is continued growth in production margin in our production division. And there's a number of reasons. A part of that is new launches. A part of it is a contribution from GETRAG. A part of that is a continued focus on some underperforming operations and world-class manufacturing. And a big chunk of that is being offset by the higher proportion of complete vehicle assembly sales, which are going to be somewhere between kind of $6.6 billion to $7.1 billion by the time we get to 2019. And we're kind of $2.7 billion to $3 billion through '17.

Operator

Our next question comes from the line of Mark Neville with Scotia Capital.

Mark Neville - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Apologize if my question was answered. Was disconnected there. Again, I appreciate some of the puts and takes on the margin. But I guess, to get to the midpoint of what you're guiding to for the year, you would have to be down quite significant from Q1. And I think on a year-over-year basis, it's about 30 basis points for the remainder of the year. I guess, will that sort of be the expectation?

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

Well, I mean, if we're at 8%, 9% in Q1 and if the midpoint say 1%, we're coming off in the next 9 months of the year if you use the midpoint. If you use 8%, we're up at 0.9%. If you use 8.2%, we're up at 0.7%. That's what we're guiding to, Mark. But I think you've got to kind of -- there's been some changes, even from our latest outlook. Overall, I would say that in all our segments, excluding foreign exchange on the production side, we've done a little bit better than what we thought we were going to do, given where we were, what we thought in January. But we do have, on a consolidated basis, some headwinds when you look at consolidated margins by the time you get to the end of '17. A part of that is reduced North American volumes, and you know our margins in North America are higher than where they are in Europe, so that'll have a negative impact on consolidated margins. We're bringing down our North American production guidance for revenue in North America, so that'll have an impact. From a European production standpoint, we've moved up volumes, so sales become larger. Foreign exchange is also growing, so we're going to have more U.S.-dollar reported sales as a result of a stronger in Europe. So again, that changes some of the mix. Asia, really, is kind of flat. And we've moved up tooling across both North America and Europe. So when you have higher sales and you've got higher tooling and you've got a relative -- more sales in Europe, that tends to suppress consolidated reported margins. But I think when you look at the various pieces, it all kind of hangs together quite well.

Mark Neville - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Okay. No, again I appreciate all that. I just wanted to confirm for -- I guess, for the rest of the year. Again, year-over-year, you're down, but that sort of sounds like the thinking. So just in GETRAG, I think last year, you said a little bit better than neutral to earnings. Maybe if you could, maybe give us some numbers around sort of accretion expectations for '17 and then maybe '18, '19. I guess, just a lot of spend going on now, so I just want to get a better appreciation for how that ramps.

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

Yes, in terms of GETRAG, GETRAG is -- last year, it was a little accretive in earnings, and it's more accretive this year than it was last year. And the bigger impact on earnings is going to be as you go into kind of '18 and '19, Mark. So that'll be your big -- a bigger impact on overall numbers. And that accretion is coming in a number of areas. It's going to come in Europe. It's also going to come in Asia. We saw the impact of GETRAG on the equity income line positively in the first quarter in both Europe and Asia, and that's going to continue as we move into 2018 and 2019.

Operator

Our next question comes from the line of Michael Glen with Macquarie Securities.

Michael W. Glen - *Macquarie Research - Analyst*

Just to circle back on the guidance overall. Can -- just to -- when I look at the North American production revenue guidance that you're giving, if I work with the high end of that, then it looks like we should be looking for sales to be down through the next 3 quarters on a year-on-year basis in aggregate. Is that a realistic expectation? Or am I reading that right?

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

Yes, I actually haven't looked in that. Let me just try to answer that a different way for you. Maybe help Mark out a little bit, too. You look at 2016 and you look at North American production sales over -- just under $19.4 billion, look at our guidance that we issued today for North America, it's kind of $19 billion to $19.6 billion. So it's relatively flat on a year-over-year basis. And North America, you know the margins, what they are. And the margins, they're still fairly healthy in '17 as they were in '16. However, if you look at Europe, last year sales were about $9.1 billion. In our latest forecast, the low end of our guidance is $9.2 billion up to $9.6 million. So our European production sales are higher. Our complete vehicle assembly sales were $2.2 billion last year, and we're guiding somewhere between $500 million to $800 million higher, and we have higher tooling sales. So when you start thinking about our consolidated margin, you really got to start thinking about all those pieces, too. So they do impact how you report it altogether. But I'd like to back it off of the operations that it's actually, given where we are on volumes and given where we are on sales, I think we're actually doing quite well in comparison to 2016.

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

And Michael, just to further on that. If you look at the Q1 volumes, we're about 4.5 million units in North America. We were 4.5 million more or less last year, almost bang on. And last year, we ended the year at almost 17.8 million units. And we're at -- we're in the end this year at 17.5 million. That means we're taking down the next 3 quarters by 300,000 units compared to where we were last year. And I would say, even within that, there's some mix impacts. So K2XX is going to be down a little bit in the back half of the year. We had a little bit of shut some time down and a couple of other programs that are a little bit negative in our key programs. So we have volumes down as well as a little bit of mix that's negative for us in North America.

Michael W. Glen - *Macquarie Research - Analyst*

So we should expect maybe 1 quarter of -- or 1 or 2 quarters of negative North American production sales growth then within our forecast?

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

Well, I'm not going to comment on any given quarter. But I mean, the numbers are the numbers. You see where we are for Q1. If you see what are ranges for the next few quarters, then you deduce what you think is going to happen.

Michael W. Glen - *Macquarie Research - Analyst*

Okay. And then just -- you touched on the value discrepancy versus peers, your balance sheet is -- gets -- getting better, you've increased the free cash flow profile. And just wondering if you can comment on the strategy for the buyback program or if there's any thought to maybe increase the pace of buyback activity.

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

Yes. It's a good question. Yes, we look at kind of overall -- what we want to do in the buyback quarterly with the board. Our strategy hasn't changed, kind of want to be in between kind of $1 billion and $1.5 billion. We ended up at about $1.25 billion in Q1. We didn't increase our free cash flow outlook for the year. We have a strategy for the full year of 2017, and we kind of flipped it up by the quarter. We made fine-tuning every quarter. We should expect that we're going to continue to be active in the market given the free cash flow we're generating and given the fact that -- and you look at overall, the valuation of our organization. And I think we're significantly undervalued, and that's a good opportunity for us to buy back our own stock.

Donald James Walker - *Magna International Inc. - CEO and Director*

We didn't buyback much stock in the first quarter. Obviously, we want to -- we've had to pick that pace up if we want try and get our target.

Operator

Our next question comes from the line of Rich Kwas with Wells Fargo Securities.

Richard Michael Kwas - *Wells Fargo Securities, LLC, Research Division - MD and Senior Equity Research Analyst*

Just a couple of quick ones for me. Vince, on the equity income line, you talked about GETRAG being a bigger contributor as we move into next year and '19. Is there kind of a stair-step function around the contribution for GETRAG in '18 and '19 versus where this year settles?

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

GETRAG is going to be a step function from '16 to '17 and will continue to be a step function '17 to '18, '18 to '19, as you said. If you're asking the size of those steps, you can move around a lot between now and '20 -- '19. But you got to be seeing increases in both those years.

Richard Michael Kwas - *Wells Fargo Securities, LLC, Research Division - MD and Senior Equity Research Analyst*

Okay. But it's kind of steady increases? Or is -- '18 -- at least, '18 right now, would that be bigger in size in terms of the increase versus '17 -- the '17 growth?

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

Bigger in '18 than in '17, yes.

Richard Michael Kwas - *Wells Fargo Securities, LLC, Research Division - MD and Senior Equity Research Analyst*

Okay. All right. Good. And then just on the mix issue. I think that kind of got touched on here in the last question or 2. But -- so do you have something on the K2XX that mimics IHS? Or do you take an initial haircut? And then Ford just got some incremental super duty volume here recently. How are you viewing the mix? It sounds like you have it down in the second half of the year in North America. But based on that you're seeing schedules, 48 weeks out, are you seeing any risks that maybe they'd start taking some incremental time down around summer shutdown versus normal?

Donald James Walker - *Magna International Inc. - CEO and Director*

No. No, I wouldn't say so. I would say that our new forecast reflects what we're seeing in the schedules. And I would say that we're not really seeing anything, at least at this point, out of the ordinary in the summer shutdowns, or at least no different than what we were anticipating as we start the year. We'll obviously going to watch that and see how things go and how sales are and how inventories are and what happens there. But at least what we have in our new forecast it's in line with what we see on the leases in the next quarter.

Richard Michael Kwas - *Wells Fargo Securities, LLC, Research Division - MD and Senior Equity Research Analyst*

Okay. All right. And then last one for me. Don, just to Adam's earlier question around the company and the business, what other suppliers are doing, you look at the various businesses you have under the umbrella, and you've always viewed that as being an incremental advantage versus others in having everything under one umbrella and going to market with that, being able to deliver a solution or system to the OE. And that, I think, has worked from an organic growth standpoint better here recently over the last few years, but the market obviously is not paying for that. So I guess, the question really is, why wouldn't you consider trying to maybe separating the company into different areas just because it would seem like maybe there could be -- at least exploring it, there maybe some value that could be called from that?

Donald James Walker - *Magna International Inc. - CEO and Director*

Well, it's a good question. We were talking at the board meeting yesterday about what do we need to do to get our multiple up and why are we not understood or why it's not being appreciated or are we valued fairly. One of the things we've talked about is should we be giving more color into things like Steyr. Because obviously, it's the Steyr people who understand what's happening there. We think it's good business. We will continue to fine-tune our product strategy. We sold off interiors business by GETRAG, so we've got more critical mass. One of the attempts we're going to and do when we get -- we started it today in a little bit more detail with Swamy at the annual meeting, just explain to people what we have in electronics, how big we are, what technologies, where do we think we can grow to, what we are doing in the powertrain. So I guess, there could be an argument. If you sell things off or spin them off, and you can partially trade at a higher multiple. Another way to do that is just to explain to people a bit more detail what we've got so people can sort of add up all the pieces. But we are a little frustrated with our -- with the multiple we're trading that, and we're looking at what we can be doing to try and get more better transparency to people to see if they agree with us. We just think we're undervalued. I think we're perceived still to a certain extent as being sort of old technology. And some of our products are -- we'll just maintain it, but there throwing out good cash flow, and we're getting the return on invested capital, and we are growing a lot of areas, too. So we're looking at options.

Operator

Our next question comes from the line of Todd Coupland with CIBC World Markets.

Todd Adair Coupland - *CIBC World Markets Inc., Research Division - Research Analyst*

Snuck it in right at the end. I just had a market question. A lot of the details already been discussed. I'm just wondering what you think about all the market dynamics around auto finance and questions on used car prices falling and exaggerated leasing in the market. And how does that impact your thinking as you plan your business for '17 and '18?

Vincent Joseph Galifi - *Magna International Inc. - CFO and EVP*

Well, Todd, I guess, you step back, and we've been talking some time at some point we're going to see a softening. The question is how deep and how severe that softening is going to be. And I've always said was, you'll see some gradual soft down in the industry and as a result of our continued penetration in content per vehicle. You could end up in a situation where North American production sales are flat or even up. We did bring down volumes by a couple of hundred thousand units in North America. I think, generally, in the United States, the economy is still very, very strong. Obviously, we look at used car pricing, we look at days and inventory, all those metrics. So there still could be some downside in overall production volumes. But as we're planning our business, we're not looking at 1 year, we're looking at a program, a program's life, we're looking at when that program's going to ramp-up and what the volumes are going to be and making investment decisions accordingly. And then you adjust that where you can based on production changes, whether they go up or down. But we're not going to make dramatic changes to our strategy as a result of volumes being a little higher or a little lower in any 1 particular year.

Donald James Walker - *Magna International Inc. - CEO and Director*

Okay. Thanks, everybody, for dialing in. We had a good quarter. Vince has gone through the outlook and why we're there. I was pleased with the Q1 results. I think we've had -- we're -- launches are going well. We're making some improvements in underperformers. We're seeing some good progress in a lot of different fronts geographically, so we'll see how Q2 goes. And based on that, we'll tell you whether we were more confident in the full year. But thanks very much. Everybody, have a great day.

Operator

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